

**RETHINKING DEVELOPMENT IN EAST ASIA**

**FROM ILLUSORY MIRACLE TO ECONOMIC CRISIS**

**EDITED BY PIETRO P. MASINA**

**CURZON**

Nordic Institute of Asian Studies  
Studies in Asian Topics Series, No. 29

First published in 2002  
by Curzon Press  
Richmond, Surrey

Typesetting by the Nordic Institute of Asian Studies  
Printed and bound in Great Britain by  
TJ International Limited, Padstow, Cornwall

© Nordic Institute of Asian Studies 2002

While copyright in the volume as a whole is vested in the Nordic Institute of Asian Studies, copyright in the individual papers belongs to their authors. No paper may be reproduced in whole or in part without the express permission of the author, publisher or editor.

Publication of this book was assisted by a grant from RUF (the Danish Council for Development Research).

**British Library Cataloguing in Publication Data**

Rethinking development in East Asia : from illusory miracle  
to economic crisis. - (NIAS studies in Asian topics ; no. 29)  
1. International economic relations 2. East Asia - Economic conditions  
I. Masina, Pietro P. II. Nordic Institute of Asian Studies  
338.9'1'095

ISBN 0-7007-1214-3

## CONTENTS

<i>Tables</i>	vii
<i>Figures</i>	ix
<i>Abbreviations</i>	xi
<i>Contributors</i>	xiii
<i>Acknowledgements</i>	xv
<i>Preface</i>	xvii
1. Introduction <i>Pietro P. Masina</i>	1
<b>PART I: EAST ASIA AND THE INTERNATIONAL REGIME</b>	
2. The New 'Asian Drama': Catching Up at the Crossroads of Neoliberalism <i>Li Xing, Jacques Hersh and Johannes Dragsbæk Schmidt</i>	29
3. The Material, Strategic and Discursive Dimensions of the 'Asian Crisis' and Subsequent Developments <i>Ngai-Ling Sum</i>	53
4. Economy and Politics in the East Asian Crisis <i>Bruno Amoroso</i>	79
<b>PART II: TOWARDS A HEGEMONIC CRISIS OF 'NEOLIBERAL' THINKING?</b>	
5. The Developmental Implications of the Pacific Asian Crises <i>Chris Dixon</i>	93
6. Finance and the Elusive Recovery: Lessons for Emerging Markets from South Korea and Thailand <i>C. P. Chandrasekhar and Jayati Ghosh</i>	113
7. Taming the IMF: How the Asian Crisis Cracked the Washington Consensus <i>Nicola Bullard</i>	144

**PART III: NATIONAL MODELS AND DEVELOPMENT  
STRATEGIES**

8. Developmental States and Crony Capitalists 161  
*James Putzel*
9. South Korean Society in the IMF Era: Compressed  
Capitalist Development and Social Sustainability Crisis 189  
*Chang Kyung-sup*
10. Dealing with the Crisis in Vietnam: The Rethinking  
of Development Strategies 223  
*Pietro P. Masina*

**PART IV: SOCIO-ECONOMIC IMPLICATIONS OF EAST ASIAN  
DEVELOPMENT – BETWEEN MIRACLES AND CRISES**

11. Rural Areas, Rural People and the Asian Crisis:  
Ordinary People in a Globalizing World 241  
*Jonathan Rigg*
12. Coping with Crisis and 'Migration Reversal' in Thailand 261  
*Michael J. G. Parnwell*
13. The Changing Economic and Urban Situation in Vietnam 283  
*Andrea Kilgour and David Drakakis-Smith*
14. Pastoral Adaptation and Subsistence in Mongolia's  
'Age of the Market' 297  
*David Sneath*
15. Conclusion 319  
*Pietro P. Masina*
- Index* 323

## ❖ FIFTEEN ❖

### CONCLUSION

*Pietro P. Masina*

The aim of the studies presented in the present volume is to look at the dramatic circumstances of the East Asian economic crisis as an opportunity to reconsider the recent developmental experiences of the region. The events connected with the crisis – both its economic foundations and the social patterns of response – allow a better understanding of the economic trajectories and the process of modernization in East and Southeast Asian countries. At the same time, however, the crisis might potentially represent an important watershed in the region's recent history. East Asia entered the new millennium in the midst of a painful process of reassessment of national development strategies and the region's role within the international economic and political system. This ongoing process of transformation requires further investigation. A raft of analyses of the economic causes and consequences of the Asian economic crisis has already been launched, of course, but there is also a need for new research agendas to be drawn up to assess some of the wider dynamics of East Asian development as a precursor to, and victim of, the crisis. New issues need to be addressed and new directions are opening up for future research.

This volume has interpreted the crisis as the end of a cycle where East Asia's export-oriented growth strategies and Japan-led regional economic integration had been consistent with Western geopolitical interests. The increasing level of conflict within and over the international trade regime and the rapid growth of China as an economic power have definitively closed that cycle. This book has also presented the rather more controversial hypothesis that the crisis might have been used by Anglo-American capital to regain control over the region and prevent the advent of the so-called 'Pacific Century'. Nonetheless, the outcomes of these conflicts within the international system are not easily predictable. Since the collapse of the Soviet Union, the United States has tried to reinforce its role as the world's only superpower, although neo-isolationism at home and resistance abroad have resulted in contradictory achievements. The United States maintains a lead in technological innovation, and its economic forces

retain a dominant influence on the world economy. However, the role of the United States as a hegemonic centre, able to regulate the international regime, is visibly eroded. In the aftermath of the Asian crisis, the world economy appears to be 'de-synchronized': i.e., business cycles in the major economic centres diverge and contrast. Multilateral institutions such as the WTO are in a clear impasse, challenging the optimistic prediction of an integrated global market.

The international system seems affected by such deep contradictions that the current conditions are often likened to those existing in the late 1920s in the wake of the 'Great Depression'. At present it is possible to analyse the forces of change and the conflicts ahead in the world economy, but not to anticipate the ultimate consequences. Some scenarios, however, can be depicted. One prospect is that Anglo-American capital will regain hegemonic control over the international regime, in association with Western countries (the United States in particular). An alternative prediction is the development of 'triadic capital' – less rooted within national boundaries – which is able to push ahead the globalization agenda of the 'borderless state' or of the neoliberalist agenda which sees the decline of the nation state. A third thesis foresees the reorganization of the world economy into competing regional economic blocs, with different regions struggling for a hegemonic position. Associated with this last scenario, some scholars have anticipated that East Asia could emerge as the new hegemonic centre of the world capitalist system. Interestingly, one of them – Giovanni Arrighi – in anticipating this eventual outcome *before* the Asian crisis, has noted that the transition from one system of hegemony to another historically has always been announced by a *financial crisis in the new centre* (Arrighi 1994).

Whatever scenario proves to be true, the economic crisis signals the end of a decisive phase in East Asia's development. The participation of the region in the world economy will go through readjustments and changes in the years to come. The integration of China into the capitalist international regime will unavoidably produce a shift in the world political and economic equilibrium. The conduct of Japan in this context seems still open to different strategies, either emphasizing its role as a 'triadic' centre or its regional roots. The process of sub-regional integration of ASEAN countries is also open to different outcomes: as a tool for protecting Southeast Asia from the vagaries of international markets; as a political counterweight in dealing with China (maybe in close association with the United States); or as an articulation of wider East Asian regional cooperation.

In the aftermath of the crisis, East Asian countries are in search of new development strategies. Recovery has been attempted through a closer integration into the world economy, further embarking on a process of liberalization and deregulation. Thus, national governments face increasing obstacles in returning to traditional 'developmental state' models, whose incompatibility with financial liberalization has emerged during the crisis. National growth strategies, therefore, will depend either on attempts to adapt to the process of internationalization (for instance, by exploiting regional synergies), or on an at least partial reversal of liberalization policies, through new forms of regulation and protection of national and regional economies. These different options will depend on the dynamics prevailing in the international system together with the national consensus and interest representation within the countries of East Asia.

### *Conclusion*

A rethinking of the 'developmental state' is also emerging, basing the possibility of success in a more liberal world order on the ability to build knowledge-based assets, as suggested by Alice Amsden (Amsden 2001). The present volume has explored post-crisis social and political change in a 'first tier' Asian country – i.e., South Korea – where a phase of 'development' under traditional 'developmental state' policies has been concluded both by the country's admission into the OECD and the onset of the regional crisis. The results of the South Korean transition, however, are still unclear. Questions regarding the possibility of resuming growth strategies based on classical 'developmental state' policies, in the context of the new international setting, have also been raised for Southeast Asia. 'Second tier' countries such as Thailand, Malaysia and Indonesia have seen in the past only a partial implementation of the development pattern adopted by their Northeast Asian neighbours. In the aftermath of the crisis, these countries might choose to look again at the Asian 'developmental state' for inspiration; or they might opt for more (neo-)liberal recipes. The question also applies to late-late-comers like Vietnam, where the post-crisis search for development strategies is very much influenced by the experience of other Asian countries.

The growth strategies that post-crisis East Asian countries adopt, and the conditions connected with the evolving international regime, will obviously affect the lives of ordinary people. In the aftermath of the crisis, people in the region have striven to cope with the effects of 'uneven development' and the hardships deriving from the economic meltdown. The experience of the crisis has confirmed that the impact of economic distress and patterns of response are widely divergent, and are strongly connected to the way in which people have been integrated into the process of 'uneven development'. East Asian societies are in the midst of a rapid transformation, with growing urbanization and industrialization challenging traditional cultures and traditional livelihoods. Forms of resistance to these transformations, however, have played a significant role. The persistence of traditional 'safety nets' has been visible during the crisis, helping at least a part of the population to 'cope'. But the erosion of the traditional forms of village corporate solidarity is progressing, while the emergence of 'modern' safety nets through welfare systems is scarce. How 'modernization' will change East Asia in the years to come is still uncertain, in that 'modernization' is not a linear process. Forms of resistance to 'development' are emerging, sometimes on the basis of a surprising mixture between traditional and post-modernist forces (i.e., environmental movements composed of NGOs, indigenous populations, Buddhist monks, etc.). Industrialization is resulting in new labour conflicts. Urbanization is already accompanied by a 'rediscovery' of the countryside among the middle classes.

The crisis has contributed to the unveiling of the disparities that have underlain East Asia's economic success. But there is no guarantee that the path to recovery will address these inequalities, or will reform the process of 'uneven development'. After the rhetoric of the 'miracle', a new rhetoric of 'successful recovery' is already emerging. In concluding this volume, therefore, we express the wish that future research will help to provide a more realistic explanation of the process of socioeconomic transformation in East Asia, without concealing its contradictions and its forms of exclusion.

**REFERENCES**

- A. Amsden (2001) *The Rise of the Rest: Late Industrialization Outside the North Atlantic Economies*. New York: Oxford University Press.
- G. Arrighi (1994) *The Long Twentieth Century: Money, Power, and the Origins of Our Time*. London: Verso.