Bent Greve og Jesper Jespersen (eds.)

Globalisation and welfare

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Globalisation and Welfare
A festschrift for Bruno Amoroso

Edited by Bent Greve & Jesper Jespersen

Bruno Amoroso's academic life: Research without Borders

Bruno Amoroso's research and teaching has taken him to many and very diverse places around the globe, a variety not only geographical but also in relation to political steering mechanisms, to income level and approaches to welfare policies. All his academic life he has been engaged in and fascinated by the changing living conditions in different countries.

Coming from Italy he saw the Scandinavian welfare state as an example to follow. By closer inspection he became more doubtful. He broadened his perspective to the Mediterranean zone and quite quickly his scope was world-wide. Much before globalisation had become a trivial buzzword, Bruno had started his investigation of welfare regimes all over the world.

He, if anyone, had the background and knowledge to initiated the research program 'Comparative Welfare Systems' in a genuine sense, because he had been deeply involved in the comparisons himself in different places.

Within the last ten years or so his focus has become more and more at the developing countries. Those are the societies of greatest need for more welfare while experiencing the difficulties of adjusting to the call for and requirement of globalization. Especially the socialist countries in the third world has been scrutinized by Bruno during his many and more frequent visits to South East Asian. If anything his fascination of the question of how to save the best of the 'old' socialist societies in a globalized world has been one of his intellectual driving forces. This is an important field of research which he hopefully will prolong into his working life as a 'pensioner'.

Bruno Amoroso has never accepted any borderlines neither geographically, nor intellectually. That attitude has been of great inspiration for his colleagues and

Chapter 4

Why East Asia is a different story? National elites and international alliances

Pietro P. Masina

In his book *On Globalization* (1998) Bruno Amoroso argued that the transformations in the capitalist mode of production occurred since the late 1970s, and that he labels 'Triadic globalization', resulted in *economic marginalization* (and often *political destabilization*) for developing countries. This view is substantially confirmed by the empirical evidence, but requires some major qualifications. With few exceptions, during the 1980s and 1990s the so-called Least Developed Countries (LDC) have further declined in terms of GDP per capita as a fraction of those in the industrialized world. This was part of a general trend, whereby the polarization between rich and poor has increased both internationally and within the border of most nations. Also in industrial countries the wealth has tended to concentrate in the hands of few super-riches, while the middle-classes have lost ground and the level of poverty has generally increased. These dynamics are coherent with the economic marginalization described by Amoroso and with his view of current capitalist development as an introverted process that excludes social sectors also within *core* countries.

A group of medium-income developing countries have apparently escaped this marginalization. Although in these territories the gap between rich and poor has considerably expanded, income inequality has coupled with a catching-up with the GDP per capita levels of the North. In two regions rapid economic growth during the 1990s has been particularly notable: Latin America and East Asia. The cases of these two regions are, however, far apart. In both places inequality has increased during the 1990s: but in East Asia inequality was balanced by a large reduction in poverty levels; in Latin American poverty increased, thus bringing to unbearable levels of economic disparity. Both regions faced severe financial crises during the 1990s. In East Asia, the financial crisis of 1997/98 was eventually followed by a steady recovery (Indonesia being the major exception) and this region returned to be the fastest performer in the world economy. China, who was substantially resilient during the East Asian financial crisis, increased its standing as a regional engine of growth and emerged as a possible future contender of the United States in the global arena. In Latin America, repeated financial crises during the 1980s and 1990s signaled the fragility of the economic strategies promoted by the IMF and the World Bank. The Argentinean crash in 2001 was the terminal step in this shortcut to development through neoliberal policies. Growth in the 1990s was doped by FDI inflows attracted by wholesale privatizations and eventually by speculations. Long-term economic and social imbalances were exacerbated by the neoliberal policies, compromising the chances of transforming the alleged success of the 1990s into a sustainable process of economic development. The insistence on the currency peg to the dollar proved to be an apt mechanism in encouraging speculation in the financial market and in allowing foreign and national speculators to export their gains once the crisis had started to escalate. The crisis in Argentina was so severe, and the loss of credibility of orthodox economics so deep, that in the largest country of the region the local bourgeoisie – traditionally in a dependent relation with the economic interests of North – turned the back to the old political establishment and helped electing Lula as the new President of Brazil.

The election of Lula in Brazil may indeed represent a major transformation in the development strategies adopted by Latin American countries, probably as a result of rearticulating class interests and international alliances. It is however too early at the time of writing these lines for meaningful predictions. Like South African ANC after the end of the apartheid regime, the new government in Brazil will have to struggle to find a viable compromise between the legitimate aspiration of its electorate and the burden imposed by the foreign debt and by the dictates of the Whatever the future holds, reconsidering the experience of Latin American after the crash of the early 2000s suggests that – notwithstanding the apparent successes of the 1990s and because of the distortions created in those years – the illusion of economic development concealed a tendency to further marginalization.

The case of East Asia is different. Here a region home to about one third of the world population continued during the 1990s to experience a rapid economic (and therefore also social and political) transformation. The inclusion of China into the number of the High Performing East Asian Economies came about through the most accelerated process of industrialization in human history. This radical transformation also compelled severe dramas in environmental and social terms, which closely remind of the frightening conditions that accompanied the first industrialization in Western Europe two centuries earlier. Economic inequality increased sharply especially between rural and urban regions and between costal and inner regions. However, the reform process begun with a revival of rural

economy and agricultural diversification, thus expanding the material bases of the Chinese productive system and avoiding exasperating the fissure between a traditional-rural and a modern-urban economy. Although inequality did increase, a parallel and extended process of poverty reduction made sure that a large part of the population obtained at least some gain from the reform.

The case of China (and Vietnam) is in many regards different from that of other countries in the region that had achieved a transition from rural to industrial economies in the previous decades. The Chinese (and Vietnamese) reform has been justified as a way to increase the material bases for furthering the transition to socialism, while other countries remained within the frame of capitalist development. However, setting aside for a moment this crucial difference between China (and Vietnam) on the one hand and the other East Asian countries on the other hand, it is remarkable that not only some isolated countries but a (almost) entire region has experienced an extend period of high rate economic growth in contradiction with the prevailing trends affecting the rest of developing world. There is therefore the need to explore why this region performed differently from others. This question is not simply important for the analysis of the past: from the answer to this question can also derive an important contribution for anticipating future outcomes.

East Asia has been the best performing area of the developing world for over three decades: so much that some of its countries have now reached per capita GDP levels higher than some of the EU countries. The interpretation of the East Asian experience has been therefore one of the hottest battlefields in development economics and international studies (Berger and Beeson 1998, Dixon 2002). The publication of a World Bank report in 1993 – with the suggestive title of 'The East Asian Miracle' – contributed to ignite the debate, provoking among others a famous critical response by the MIT economist Poul Krugman in 1994. The events of the East Asian financial crisis 1997/98 unleashed a new and wide set of discussion, too wide to be considered in these pages (see Masina 2002 for a review). Here we briefly recall three interrelated factors that we consider the most relevant in explaining the impressive economic growth in East Asia over three decades.

First, a number of US allies in East Asia benefited from favorable geopolitical conditions, which resulted in large flows of economic aid, technology transfer, and eventually the possibility to export their products on the American and Western markets while maintaining selective restrictions on their import. This geopolitical factor played a role well into the 1980s, when South Korea and Taiwan joined the ranks of Japan in exporting increasingly high tech products and this led to a reaction in the US and Western Europe.

Second, these geopolitical motivations were coherent with and supportive of a reorganization of the Japanese productive system on a regional scale. With a process that had some resemblance with its pre-war imperialist expansion, Japan promoted a regional system of division of labor whereby the Japanese companies would extend to East Asia their articulated multi-layered subcontracting system (Arrighi et al. 1993, Masina 1996). This process of regional integration was not without pain and conflicts, but also resulted in a significant bust of local productions and technology upgrading (Sum 2002).

Third, a number of East Asian countries could rely on specific local conditions that allowed sizing the opportunities offered by the geopolitical motivations and by the Japanese productive order. These conditions have been discussed in various ways by authors that deny that the reason behind the East Asian success was the implementation of neoclassical virtues, i.e., 'getting the price right' and letting the market free. In attempting a synthesis among different views the Word Bank (1993) introduced the notion of 'getting the basics right', for which East Asia would have benefited from efficient institutions, well-developed infrastructures and good educational and healthcare systems. A number of 'statist' authors – Johnson, Wade, Amsden, Evans, Weiss, etc. – have argued that the role of the state in guiding the development process had been well more inclusive and articulated. Although they put the accent on different features, they can be jointly recalled as arguing that Japan, South Korea, Taiwan (and by a lesser extend, Malaysia, Indonesia and Thailand) had followed a 'developmental state' model which also implied introducing selective market distortions (for a critical review, see Masina 2003). In very few words, this 'developmental state' was able to channel investment to strategic sectors more than would have been the case without state interventions, set up performance criteria that national firms were forced to fulfill if they wanted to maintain state support, promoted technology upgrade, and exposed companies to international competition abroad while selectively protecting national markets. Through strategic planning the state bureaucracy assumed a role of guidance not only over the state owned enterprises but also over the private sector by setting the frame in which companies could operate. Such a wide role of the state bureaucracy in 'governing the market' presents a number of questions. Some of the questions relate to the functioning of the special institutional arrangements that made possible to perform these complex tasks: this is an issue on which some authors like Linda Weiss and Peter Evans have given very interesting contributions along a path inspired by Chalmers Johnson and Robert Wade (for a review, see Lauridsen 1995). Other questions regard the political dimension of the peculiar Asian state-led industrialization processes and the class-relevant alliances that made possible to create those institutional arrangements. This issue is discussed in the following pages.

The nature of class relevant structures in East Asia: the role of national elites

East Asian countries differ remarkably for size, population, economic development and cultural traditions. Such diversity suggests that any generalization should be taken with many precautions: some common features can be recognized, but variations at country level can be as much as important. We will claim in the following pages that the ways in which East Asian elites promoted the process of industrialization and economic modernization in their countries presents some similarities notwithstanding obvious (and often significant) differences.

The very definition of East Asia as a region is often related to the influence that Confucianism, directly or indirectly, had on each of these territories. Japan, Korea and Vietnam were strongly influenced by the Chinese Confucianism and there is no doubt that this influence became an integral part of their cultural identity. Other countries in the region were influenced in a more indirect way, often through the presence of important Chinese minorities. The impact of this common cultural heritage and the relation between Confucianism and economic dynamics remains however a complex and contentious issue. Without engaging this discussion, we may simply note that East Asian countries – due to Confucianism or to other local cultural traditions – share a rather corporatist conception of the state. A Marxist attempt to analyze the nature of the Asian states as a result of specific economic structures emphasized the control of waters (irrigation is pivotal to wet-rice cultivations) as the cornerstone of state authority (see Sofri 1973). Strong centralized states established their power through the construction of channels that could prevent floods and allow irrigation. These strong centralized states developed large bureaucracies that further extended the functions of the state, thus creating the conditions for state-led economic development in recent years. The Confucian culture emphasized obedience to the emperor – who had a 'celestial mandate' to maintain harmony between earth and heaven – but society was governed by a system of reciprocal obligations for which who was in power had the responsibility to guarantee security and prosperity to the population. While traditional/agrarian societies both in the West and in the East have normally rested on a conception of society dominated by mutual obligations and corporate solidarity, East Asian states have been historically particularly conspicuous for the encompassing nature of these hierarchic but reciprocal social obligations.

Cultural and long-term historical factors have certainly contributed in shaping the scenery of contemporary Asia, although their impact remains hotly debated (for a review, see Mazzei 1998). Here we prefer to concentrate on a specific issue that can be analyzed in the history of the last two centuries. We argue that there is a correlation between the capacity of some Asian states to reinvent their functions in response to systemic crises and their eventual economic success. It was the radicality of the threats posed by these systemic crises that made the national elites willing to sacrifice some of their freedom in order to secure state survival and to protect their long-term economic and political interests. The particular device adopted was strategic planning performed by a 'developmental state'.

Japan was the first – and so far the only – non-Western country to achieve an equal standing with Western Europe and the United States. In the late Nineteenth century Japan had been at risk of being transformed into a colony, like most of Asia. The very low endowment in terms of raw materials contributed in giving this country some respite, while Western powers concentrated their rapacious appetite on more appealing territories. This brief respite gave Japan the time to understand the risk it was facing and to engineer a response. This response came in the form of a rapid state-led process of economic (and political) transformation known as the Meiji restoration. This economic and political reorganization made possible for Japan to join the ranks of the colonial powers already in 1894 by annexing Taiwan after having militarily defeated the Chinese empire. The war compensations imposed on China allowed Japan to buy its freedom from Western interference. As convincingly demonstrated by Chalmers Johnson (1982), this state-led modernization eventually brought to the creation of specific institutions that supported the Japanese imperial expansion after the World War I and the transformation of the country into the second economic power after World War II.

The two territories that had the most remarkable economic performance in the second half of the Twentieth century – South Korea and Taiwan – share a number of features of the Japanese developmental experience, due to its direct influence. Both Taiwan and South Korea had been Japanese colonies (respectively from 1895 and 1910) and their economies were largely integrated with that of the ruler before World War II. In both Taiwan and South Korea the Japanese colonization implied a modernization of agriculture and (especially in Korea) the creation of heavy industry: although this modernization was motivated by colonial exploitation, it created economic bases to build upon after the end of World War II.[35] As we have already recalled, Taiwan and South Korea were reintegrated in the Japanese productive order from the late 1960s, when Japanese corporations extended to East Asia their multi-layered subcontracting system. The most striking similarities with Japan, however, is the kind of institutional arrangements that these two NIEs adopted in order to size the opportunities opened by the American-led regional political order and by the Japanese-led productive system. As argued exhaustively

[35] This is obviously argued by Japanese revisionists, but it is also generally accepted by critical Western scholars such as Cumings (1987) and Wade (1990).

by Wade (1990) for Taiwan and Amsden (1989) for South Korea, these economies implemented developmental state policies and institutions that remarkably resemble (and were inspired by) those of Japan. In all these Northeast Asian cases the role of state guidance over the market implied that companies and private entrepreneurs were substantially subjected to national strategic planning that would regulate their access to credit (controlled by national banks), export quotas, foreign currency, technology, and would determine their ability (both via restrictions and pushes) to engage in new productions or extend their market shares. Setting aside the question of how coercive the state's strategic planning was – Linda Weiss (1995) has recently argued that regulation occurred via coordination rather than via compulsion, as suggested by Wade (1990) – the question remains of why the national bourgeoisie voluntarily accepted restrictions to its 'animal spirit'. We argue here that also in the case of Taiwan and South Korea, like for Japan at the time of the Meiji restorations and contrary to most of developing world, the urgency to achieve industrialization and rapid improvements in economic conditions was a matter of state survival.

The East Asian developmental state was an institutional device that had the function to consolidate a capitalist regime in times of extreme vulnerability. In the case of post-war Taiwan and South Korea the risk was represented by Communist competing stately formations – and this threat would sum up with that of internal forces attempting to overthrow very unpopular fascist-like dictatorships. In his analysis of Italian fascism, Antonio Gramsci illustrates how in periods of radical crisis the modern sector of the bourgeoisie may use state authority in a internal struggle with backwards capitalist interests (for example, rent-seeking landlords). State-led modernization is implemented as a 'passive revolution' in which the dynamic sectors of the bourgeoisie respond to the imperative of social and economic reforms, thus preventing radical changes that would undermine their political influence (see Masina 2003). Although a highly skilled and respected state bureaucracy in Northeast Asia may apparently exert its autonomous power over the local bourgeoisie, in reality the state apparatus rules largely to the prevailing benefits of the capital to which remains bounded through class-relevant alliances (see, for example, Ollman 2001 for the Japanese case).

In most of Southeast Asia (with the obvious exception of Indochina), the systemic crises did not reach such a radical level or the nature of local capitalist forces did not allow the adoption of so radical modernization processes. Indonesia, Thailand and Malaysia are those who came closer to implementing some elements of 'developmental state' practices and creating some institutions that, as in Northeast Asia, were (to use concepts developed by Peter Evans) at the same time embedded in business world but insulated from particularistic demands of single enterprises (see Booth 2001). But, as argued by Putzel (2002), the developmental experience of these three Southeast Asian countries laid somewhere in between those of Northeast Asia and South Asia: short-term rent-seeking behaviors coexisted with efforts in designing long-term industrial policies and economics strategies. The embryonic attempts of state-led development in these countries were eventually hampered by the prevalence of neoliberal doctrine in the 1990s, although the discredit of those policies during and after the Asian financial crisis seems to indicate a revival of that developmental experience in hard-hit country like Thailand (Deyo 2002).

Singapore, a city-state of only 3 million inhabitants, represents a case on its own. Its economy was (is) characterized by a hybrid of liberism and state interventionism. Given the limited dimension of its national market and its natural vocation as a trade hub, Singapore has pursued an export-led economic strategy with a strong emphasis on services and transports. However, the state has maintained a leading role in technology innovation, not only incubating private enterprises in strategic sector, but also encouraging state-owned industrial offspring from state-led research activities (these state owned industries are then often sold to privates, but some of the best performing companies such as Singapore Airlines remain state-owned). Although Singapore cannot be included in the number of the East Asian developmental states in the same class with South Korea and Taiwan, it would be misleading to underestimate the key role plaid by the government in promoting industrial upgrading: market and planned economy coexisted successfully in forms not coherent with neoclassical doctrine.

In capitalist East Asia only two countries clearly departed from a developmental state model. One is another city-state, Hong Kong, which was successful in diversifying its production from labor-intensive to value adding productions and financial services also exploiting a position rent as a gate to China especially since the late 1970s. Here the colonial administration was effective in creating well-functioning market institutions and there was a very limited intervention in the economic sphere.

The other major exception is the Philippines – the Asian miracle that never took place. Notwithstanding its geographical location, the Philippines is better understood in a Latin American context. At the time when it was a Spanish colony, it was ruled via Mexico and it developed the typical characteristics of other Latin American economies. The country became dominated by a restricted class of landlords that established a dependent relation with the Spanish and then with the American colonizers. These few families of landed gentry maintained a firm grip on their constituencies, thus controlling the electoral process also after the end of Marcos dictatorship, successfully manipulating the state institutions to their class purposes. The failure in implementing any significant land reform indicates where the political balance in the country lies. The Philippines, like other East Asian countries, faced the challenge of vocal opposition movements and even armed guerrilla organized by the local Communist party or by ethnic/religious minorities. Like in other East Asian countries the government responded with iron fist and military repression. But while other East Asian countries accompanied repression with economic reform that would eventually reduced the appeal of radical political alternatives, in the Philippines the internal power structures and the system of international alliances (dominated by a neocolonial linkage to the Unites States) consented to the local elites to maintain its political rent without implementing reforms leading to poverty reduction or equitable economic growth.

With the exception of the Philippines (and of the special case of Hong Kong), and with due attention to the diversity of national cases, its is possible to argue that capitalist strategies in East Asia developed along a path that is unique when compared with the developing world. We have already reminded that even for the American policymakers an inclusive process of economic development in East Asia was considered strategic for geopolitical reasons. It is well known, for example, that the same CIA insisted on poverty reduction in Thailand as a way to reduce the risk of Communist insurgence during the Vietnam War. Such an attempt to consolidate power also through poverty reduction strategies was even visible in Indonesia, although Suharto took power in 1965 through a CIA-supported military coup that resulted in the killing of several hundreds thousand members of the local Communist party and ethnic Chinese.

While political repression and authoritarian regimes have been the normal rule in developing countries, the East Asian emphasis on poverty reduction and economic growth reconnects with the case of post-war Western Europe. Like in Western Europe, the creation of a large middle-class and restrained income inequality were functional to political stabilization and to the survival of long-term capitalist interests.

We can classify the forces behind the East Asian developmental state in Japan, South Korea and Taiwan, and behind the 'semi-developmental state' in Thailand, Malaysia, Indonesia, and Singapore, as dynamic sectors of the national bourgeoisie that pursued at the same time political stabilization and class exploitation at national level and catching-up drives at international level. These national bourgeoisies were allied of Western capital, and particularly of the United States, but did not establish a typical dependent position as the compradora bourgeoisies in other regions. The corporatist nature of these socio-economic formations led also to the creation of specific forms of capitalist structures more related to the

Japanese model than to the Western one. An extensive literature has introduced a distinction between a Anglo-Saxon 'shareholders' capitalism versus a Japanese 'stakeholders' capitalism: although both are characterized by capitalist exploitations of the working class and by a disproportionate appropriation of resources by the leading classes, the Japanese model is more inclusive and more 'socially responsible' (though, through paternalistic schemes and not on the basis of universal workers rights). The 'stockholders capitalism' recognizes that also the workers are stockholders whose interests must be addressed (see Dore 2000 for an interesting analysis, also recalling the similarities between the German and the Japanese system vs the Anglo-American one). In other terms, the mode of capitalist development in East Asia was far from idyllic as several studies have rightly denounced, but it was more coherent with poverty reduction and with the creation of a national middle-classes than in other regions.

East Asia has been the theatre at the same time of a radical class conflict, which has often emerged in drastic forms and even in open military insurgency, and of an attempt to overcome colonial or semi-colonial exploitation from the North/West. While the class conflicts divided these countries internally, nationalism was the unifying ideology in supporting the catching-up drive. Poverty reduction and economic development were pursued because they were coherent with both American and national strategies. Asian national elites formed unequal alliances with international capitalist forces but did not abandon the aspiration to make their countries returning to the past glories of the pre-colonial period, when Asia would even claimed cultural superiority over the West. This complex system of international alliances between East Asian elites and the Anglo-American capital remained in place until it was justified by geopolitical motivations. Once geoeconomics had replaced geopolitics as a major consideration for Western interests (Li *et al.* 2002; Sum 2002), this system of alliances became strained and openly faltered during the regional economic crisis 1997/98.

East Asian elites and international alliances

The wide debate on the role of the state in the process of globalization is often resting on a conceptual flaw. While 'globalization' is presented as an unknown entity to be explored (sometime even to deny its very existence), the state is assumed as the known part of the equation. As suggested by Schmidt, Hersh and Fold (1998: 9), there is a risk to festishize the state as an autonomous entity and to overlook its real nature as a form of social relations. States are sites of class-relevant struggles and contradictions (Jessop 1990), and the various interest groups within a state are normally connected through articulated webs of alliances or antagonist

relationships with groups rooted in other socio-economic formations. These articulated national and international class-relevant relations affect simultaneously both the international system (globalization) and the national system (state).

Along this path of analysis on the national/international socio-economic formations, in his book *On Globalization* Amoroso introduces an important line of investigation on the leading forces in the restructuring of the capitalist system at the turn of the millennium. The analysis of the role played by the different sectors of the international elites – managers of transnational corporations, high echelons of international financial institutions, national bureaucracy and political leaderships, etc. – allows to break a sterile discussion of the state vs international forces and to reintroduce a more grounded analysis of the interests at stake and the competing strategies of the different actors. Moving the analysis to East Asia, Amoroso (2002) identifies a foundation of the regional economic crisis in 1997/98 in a political and economic underlying (and growing) conflict between Anglo-American and Asian capital. As also agreed by a number of other authors, the East Asian economic crisis is understood as the sign that the geopolitical coherence between economic development in this region and overall Western strategies had reached its final stage. Competition in key industrial sectors from capitalist East Asian economies and the prospect of China emerging as new economic superpower have changed the terms of the game and brought to a significant shift in Western (especially American) strategies (see also Li *et al.* 2002 and Masina 2002).

Looking at the state as a form of social relations may help in exploring the current rearticulating in the political and economic relations between East Asia and the West. Recent studies (Glassman 1999; Yeung 2002) help in moving out from too narrow simplifications for which East Asia (China) would be either bound to clash with the US (in a new Cold War, if not a hot one) or to be subsumed within a American-led globalized capitalist system. If the unit of analysis is a socio-economic formation, it is possible to distinguish between the different interests of the various class-related groups. Different groups within a territory may have contrasting interests also in engaging international economic and political relations. Dependency theory has long argued that national bourgeoisie in Third World countries were often in dependent alliance with capitalist forces from the North and participated in a joint exploitation of the local resources (labor, raw materials, etc.). Neo-Marxist scholars pointed out that this joint exploitation was normally an obstacle to industrialization and a cause of further underdevelopment in most developing countries.

We have suggested above that the conditions in post-war East Asia have been divergent from those of other Third World regions for two fundamental reasons.

First, economic development and poverty reduction were encouraged for geopolitical reasons also by the same capitalist forces (especially the US) that in other regions were an obstacle to industrialization and socio-economic change. Second, the national bourgeoisie allied with Western (and Japanese) capital in exploitative policies over its own territory, but maintained a substantial autonomy in pursuing catching-up with industrial countries.

The state is an arena for political conflict among different social groups, which also attempt to extend their control over state institutions. The leverage of capitalist forces over state institutions has been a focal point in studies inspired by a Marxist tradition for many decades. These studies have also revealed that this relationship is often more complex and articulated than what assumed by some simplistic explanation. For example, certain industrial sector may lobby over the state' trade ministry for trade liberalization while other sector may invoke subsidies or trade restrictions. Also, state apparatuses maintain their functional logics, which cannot be understood as simply responsive to the short-term demands from the capital (although long-term coherence can be verified). Thus, the economic and political internationalization of socio-economic formations remains a complex issue to explore. While some authors tend to emphasize the prevalence of state bureaucracy in leading the internationalization process, others tend to emphasize the attempt of international capital in dismantling the political constraints that national states represent. One could argue that there is evidence of both dynamics, but these views do not clarify enough what are the distinctive features that characterize the internationalization of specific socio-economic formations.

The question of the relation between state and capital is now a rather fashionable theme in policy research, with views ranging from a conception of a non-territorial 'empire' dominated by multinational corporations out of any state control, to views for which state are still the main units in the analysis of international political and economic relations. We contend here that this discussion risks being rather inconclusive and even misleading, because it is quite evident from any empirical investigation that international economic forces like the multinational corporations do concentrate in their hand an enormous power and *at the same time* states do maintain essential leverages in regulating the modality of integration of their territory in the international system. Evidences of this simultaneous and not necessarily contradictory coexistence of state power and key resources in the hands of large corporations can be found both in industrial countries and in the developing world. Returning to our conception of the state as a site of class-relevant struggles and alliances, it is possible to understand that interest groups may lobby over the state institutions (as multinational corporations regularly do, and quite openly in a key country like the US) also for getting support for their international strategies. It is quite normal, for example, that governments negotiate politically before large investment or large commercial operation carried out by private enterprises in their territory. This linkage between state representatives and private economic interests is also very noticeable in the WTO frame, where international trade rules are shaped and adjusted depending on the strength of the different nations but responding to the needs of powerful economic lobbies. At the same time, however, there is also large evidence of the opposite: state institutions can and do adopt measures that may be in contrast with the specific interest of powerful economic actors. This may happen when there is a conflict between different interests at stake (a typical example regards trade liberalization that can benefit some but harm others) or when non-economic issues irrupt into the political agenda (for example, demanding restrictions over the tobacco industry or arguing for specific international policies).

Obviously, large and rich states hold better negotiating leverages with transnational economic forces than small and poor states. However, also small and poor states are not totally helpless. There are of course cases of 'failing states', countries whose political and economic institutions have collapsed due to wars or other calamities. But the most commune cases of 'helpless' states are the result of alliances between international capital and national elites for an unrestricted exploitation of local assets (labor or natural resources). Amoroso (1998) connects these cases with intentional actions of *political destabilization* perpetrated against those national leaderships that oppose some resistance to international capitalist interests. This political destabilization occurs through the replacement of nationally committed elites with another elite that is totally dependent on the need of the colonial or neo-colonial rulers. While in the colonial period this replacement occurred through a direct imposition, in modern times this can occur also via softer and more indirect manners, as plenty of examples in Latin America and Asia suggest.

Notwithstanding the power of the external forces aiming at destabilizing a country, nations with a high level of social cohesion and political identity can prove very difficult to erode. In particular, if the local elites cling to developmental perspectives based on a wider national productive system, the country may be able to renegotiate the modes of integration into the international economy without succumbing to the external demands. This is the lesson that comes from East Asia. With remarkable national variations, East Asian countries have been able to engage international alliances and to become important players in international markets without conceding much in terms of state autonomy.

Although state autonomy from the leverages of international corporations has been guarded, this has not always been a painless process and there are hints that the situation may change in the future. The more East Asian elites come closer to having fulfilled their catching-up strategies, the more the seduction of being part of international elites alliances increases. The influence of the Anglo-American capital and of the US is largely in this pervasive 'socializing' power for which local elites (and even the middle-classes at large) may come to identify themselves with the cultural values and consume patterns of the West (Strange 1998; Panitch 1998). The possible transformation of the Asian elites has immediate implications in terms of policy-making, as the events prior to the regional economic crisis 1997/98 suggest. The decisions of countries like Thailand and South Korea to implement financial liberalization in the 1990s – the fact that eventually triggered the crisis – was the result of a plurality of factors: a response to Western threats of retaliation against their export; an attempt to diversify the economy into services, including financial services; but also a result of the policy decision adopted by technocrats educated by American universities and converted to neoliberal doctrine (see Plesner 2002). In the aftermath of the crisis, Western neoliberal policies have lost much of their appeal and both in Thailand and in South Korea there was an adverse political reaction. However, the long-term resilience of independent national elites remains an open question. Two extreme hypotheses can be imagined. One, that East Asian elites create a block of their own in contrast with that around the Anglo-American capital, eventually leading to some form of confrontation between these two blocks. The other, that East Asian elites are in due course integrated within the existing frame and that a more 'globalized' international capitalist alliance is created. The most probable outcome, however, will be somewhere in between these two extreme cases. As well as the Anglo-American capital is not a monolith and cracks and fissures may be noted (for example, among American multinationals willing to 'open' to China and those arguing for a 'containment'), also a globalized capital will never be totally homogenous and coherent. In order to accommodate East Asia, significant changes will be needed in the international system, adjusting to an important shift in the distribution of global economic power. But the first hypothesis, an economic and political confrontation (if not a military one) cannot be totally excluded, especially if neo-conservatives elites in the United States like the one dominating the Bush jr administration will perceive the growth of East Asia (China) as a irreducible threat to the American global power and will decide to act before the economic and military balance turns against their advantage. There is some legitimate rational in suspecting that the aggressive posture of Washington towards North Korea (successfully pushing Pyongyang into a trap) is meant to increase the surrounding of China in view of a possible 'containment' strategy.

The question of China is in fact our last point in this paper. We have discussed above that the economic development of (capitalist) East Asia was a result of geopolitical conditions, the extension to the region of a Japanese-led productive

system and national 'developmental states' strategies. For many years, however, two competing models of 'East Asian developmental state' co-existed: one in capitalist Northeast Asia and the other in socialist China, North Korea and Vietnam (White and Wade 1988). The socialist countries relied on central planning rather than strategic planning to fulfill their economic targets, while the aspiration to a rapid industrialization process was the same. From the late 1970s China (and Vietnam) embarked a bold process of economic reform, promoting a transition through market-economy for creating the material bases for an eventual furthering of the socialist project. As other countries in the region did from the late 1960s, also China benefited from a regional multi-layered productive system. Given its dimension, China could attract investment both for export-led productions and for productions intended at tapping its own potentially enormous market. Its dimensions also allowed bargaining conditions (like national content requirements) with foreign investors as no other developing country could afford. After one quarter of a century of high-speed economic growth China overcame Japan as the second largest economy in the world (GDP in purchasing power parity) and became the largest market for a variety of products ranging from mobile telephones to airplanes.

While it is outside the scope of this paper to discuss the nature of the Chinese reform process[36], here we would like to underline that also in China the national elites (organized around the Communist party) has embarked an 'open door' policy while maintaining a firm control on the 'socializing' effects of cooperation with the international capital.

Since the economic crisis 1997/98 the standing of China as the regional engine of growth has been further enhanced. This also made possible for China to benefiting more from an increasing regional economic integration and in particular the tight integration within the 'Greater China' (notwithstanding the political tensions with the authorities in Taibei).

At the turn of the new millennium China had already a population of around 2/300 million people with purchasing power comparable to the American and Western European levels. A few large corporations had started to be international actors, investing both in region and in Western countries. Such a rapid and massive socio-

[36] In taking this discussion on the parallel case of Vietnam, I have suggested that the question is if the transition is '*through* market economy to socialism' as argued by the political leadership or 'from socialism to market economy' as in the perception of most observer. My conclusion is that while there is a evident ambiguity in the political project implemented, and scanty evidence of socialism really being pursued as an ultimate outcome, there is still a rather sincere commitment to a generalized improvement of people's living conditions especially via the creation of new opportunities (rather than via distributive measures) (Masina 2003).

economic transformation is creating a large-middle class and new economic and political elites (at the same time when a new working class is also taking shape). As we have argued above for the other East Asian countries, also the future relations between the largest Asian country and the international power structures will depend on the national rooting of the local elites. If the Chinese elites will perceive that their historical function is to create a large national market and a strong nation (that is, realizing profits while responding to a patriotic appeal) they will do so, as apparently they are doing so far. As long as the current win-win trend continues, the Chinese elites have more to gain by maintaining their national rooting than in becoming agents of foreign interest groups. But like in the rest of East Asia, the strategies pursued by local elites may become less homogenous once the levels economic development of the country have increased substantially and when a large sectors of the elites/middle classes become more permeable to the socializing seduction from international power groups.

In conclusion, it may be argued that the current articulation of class-relevant relation with the Chinese political space, as it has been the case in other East Asian countries, is so far able to shelter the country from the risk of dependent relations with international capitalist groups. In this sense, China (and similarly Vietnam) may reach a political balance that although encouraging a capitalist-like transformation, will continue to pay attention to the country's political ambitions in the international relations and also to the some forms of economic and social inclusion of the the different social sectors.

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