

Globalisation and the Changing Nature of the State in East Asia

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Abstract

Economic globalisation is the defining characteristic of our age and a process which is transforming the parameters of the national state and global power relations. However, it is also a contradictory, uneven and unpredictable phenomenon. East Asia has been at the epicenter of globalisation for the past 30 years and will continue to be so with the rise of China's economy. The region has been one of the main beneficiaries of the globalisation process, with exceptional geo-political advantages producing terms of engagement with the global economy not matched by other developing regions. However, its relations have also been paradoxical. At a time when globalisation theory predicted the demise of the national economy and the waning of national identity, East Asian growth was driven, above all, by the developmental state, with strong and interventionist governments often successfully supporting 'national' neo-mercantilist economic policies and strong state identities. Some argue that the developmental state has now run its historical course, made redundant by its own success in the global market. This article examines the evidence for the changing nature of the state in the global economy asks what are the likely future forms of the state in East Asia.

Globalisation – understood as the rapid acceleration of cross-border flows of capital, goods, services, people and ideas – is, as is often said, the defining feature of our age. There have been other periods in world history of rapid internationalisation, not least in the years before WW1, but the changes since 1970 have been qualitatively distinct, transforming the way the world is organised and how we experience it.

The causes are in part historically contingent – not least with the deregulatory thrust of Anglo-American neo-liberal policy which goes back to the regimes of Margaret Thatcher in Britain and Ronald Reagan in the USA. But they are also structural, above all with the continuing revolution in information technology compressing time/space and allowing the geographical disaggregation of manufacturing and services operations (Harvey, 1989; Castells, 1997). It is the structural changes – ushering in what Castells has called the 'information age' – which justify talking of an epochal shift in the world economy. In this

sense economic globalisation is a permanent change, although its forms are not predetermined. How it is managed may change, and needs to change (Stiglitz, 2002) but the technology of globalisation will not be reversed (Wolf, 2004).

The domination of the world economy by transnational corporations (TNCs) and their global networks of power and finance is the most visible and central outcome of this process (Castells, 1997). On a recent count there were 53 000 multinational corporations with 415 000 subsidiaries, accounting for 25 percent of global output, two thirds of global trade (Carnoy and Castells, 2001) and up to half of world value-added (Beck 2000). The largest of these corporations now dwarf national economies. Over 50 of the 100 largest economic entities in the world are companies not states (Mok, this volume)¹, and many of these leviathons are now almost beyond the effective control of the states which host them but can longer effectively tax them. It is estimated that in the UK unpaid corporation taxes of TNCs are equal to the entire budget of the National Health Service. One of the difficulties for Governments is that modern IT allows real-time financial transactions that are hard, though not impossible, to monitor and regulate (Gray, 1998). Daily trade in the currency markets stood at \$ 1.5 trillion in 1998 and increased eightfold between 1986 and 1998 (Carnoy and Castells, 2001, p. 3; Thurow, 1996). The TNCs are at the heart of the global networks and flows of money and power which are the engine of globalisation (Castells, 1997).

It may be exaggerated to talk, as Robert Reich and others have done (Reich, 1991; Ohmae, 1990) of the end of the 'national economy'. Increasingly difficult as it is for governments to regulate capital flows, they do still have some power to control important areas of their economies, although it often convenient for them to hide unpopular reforms behind the mask of global economic inevitability. They still have some discretion over taxation and public spending, as is clearly apparent from the large variations in tax and public expenditure rates across the OECD countries, and overall levels of taxation in the richer countries have continued to rise during the latest phase of globalisation in the teeth

¹ This is if one judges by the overall sales of corporations. Wolf (2004) estimates the figure as 37 out of the top 100 based on corporate value added.

of the pressures of the global market.² Despite real fears that globalisation can cause a ‘race to the bottom’ in social expenditures, some high productivity countries have managed to hold out. Highly taxed European states such as Denmark, France, Sweden and Finland, for instance, were running large trade surpluses in 2002 and were not experiencing capital flight (Wolf, 2004). National economies are also necessary to TNCs: all TNCs have national bases which provide their core markets and investors, their core skilled labour forces and their primary scientific and technological seedbeds (Hirsh and Thompson, 1996). How these are regulated substantially effects their business which is why they spend substantial sums in lobbying governments to ensure they meet their requirements. The global corporations are thus rooted in national economies, but they extend way beyond them and often exceed their effective reach and control.

Global corporations not only not only dominate key markets for goods across the world, putting smaller firms out of business, fill up public space with advertising (Klein, 2000) and condition where jobs will migrate, they also challenge key policies of democratically elected governments. The Multilateral Agreement on Investment (MAI) and its successor initiatives well illustrate this point. Originally inspired by proposals on safeguards to international investors from CEOs of 46 of Europe’s largest corporations (The European Round Table of Industrialists) and later negotiated with corporations and governments by the OECD, the MAI promised to enshrine new protocols for the global economy which would have given corporations the power to challenge any national laws on labour rights, environmental protection and safety standards where these were deemed prejudicial to investors. Secret tribunals were to be empowered to order Governments to pay compensation to companies, and corporations were to be allowed to sue governments, not only for losses already suffered, but also for the loss on profits they might have made had certain laws not existed (Monbiot, 2000). The secret treaty was leaked, subsequently posted on the internet by protestors in 1997, and finally collapsed when the French Government withdrew from hosting the meeting to agree the proposals. They had been warned by a study they had commissioned that it threatened the nation’s health, safety

² Government tax revenue as a percentage of GDP in 2000 varied from 53.6 percent in Sweden, to 48.8 percent in Denmark, 37.4 percent in the UK and 29.6 percent in the USA Government expenditure as a percentage of GDP for a sample of 13 rich countries has grown from 13.1 percent in 1913 to 41.9 percent in 1980 and 45 percent in 1996 (Wolf, 2004, p.253).

and environmental laws and would criminalise the Government's attempts to protect the national film industry (Monbiot, 2000).

This, however, was not the end of the story. The European Commission, with the active support of the UK Government, immediately shifted negotiations on the proposals to another forum: the WTO. Developments through the WTO were thwarted by the protestors at Seattle in 1999, but continue through negotiations within trading blocks such as NAFTA and the EU and between them through organisations like the Transatlantic Business Dialogue. Leading members of the WTO, including the USA, the UK and Australia, continue to push for a General Agreement on Trade in Services (GATS) which would substantially open up traditionally public sector services such as education and health to corporate penetration (Robertson, Bonal and Dale, 2002).

This ongoing process of global corporate challenge to democratic government well illustrates the immense power of the TNCs and the new transnational capitalist class. It not only threatens national democratic control over questions of labour conditions, human rights and the environment, but can also reach to the heart of the core provision of the welfare states which determine the quality of people's lives. While some states, notably in Scandinavia, have managed largely to protect their welfare systems, corporations have learnt that by threatening to move jobs elsewhere they can effectively hold some more-market oriented governments to ransom, forcing them to reduce the taxes and social costs which underpin welfare provision (Monbiot, 2000).

The increasing interconnectedness of the world economy has not been matched by commensurate transformations in political and social structures: there is a global capitalism but no global governance and a very one-sided global civil society. Theories of cultural and political globalisation are premature. A global technology and a global organisation of the market and of organisations of capital has emerged, but – pace Ulrich Beck (2000) – this has not created, and does not necessarily portend, a global civil society, as such. Whilst consumer and anti-globalisation activism suggests possible future forms of resistance, labour has notably failed to match the global organisation of capital

and the emergence of a transnational capitalist class (Sklair, 1997). There is currently a massive disjuncture between economics and politics.

As Marx wrote of late feudalism and Durkheim of 19th century industrialisation, the economic forces have outrun the social relations of production and the ability of societies to adapt to them, leading the multiple conflicts and tensions. Hans-Peter Martin and Harold Schumann (1996) wrote, without exaggeration, a decade ago that:

‘The foremost task of democratic politicians on the threshold of the next century will be to restore the state and the primacy of politics over economics. If this is not done, the dramatic fusing together of humanity through technology and trade will soon turn into the opposite and lead to global crack-up.’

The effects of globalisation on the nation state has been much debated. We can rule out the fantasies of the hyper-globalists (Ohmae et al) about the coming of a borderless world (Ohmae, 1990). This is not happening and is unlikely to happen. New states are being formed all the time – with more than twenty arising from the ashes of the former Yugoslavia and Eastern block in the last 20 years (Smith, 1996). Old states hang on tenaciously to their territory and sovereignty. Europe moves at glacial speed towards a federal structure because popular majorities in most states are reluctant to loose their national identities and the political powers of the governments which they elect. Borders are getting stronger, not weaker, not least as Fortress Europe puts up the walls against migrants and asylum seekers. Wars are still fought between states. The wars of the US and its allies in Afghanistan and Iraq have been wars between states, albeit that the US claims it is fighting the more elusive global threat of terrorism.

There is good reason why nation states are not simply throwing in the towel in the face of economic globalisation and that is that there is as yet nothing effective with which to replace them. International institutions lack power (UN) or democratic legitimacy (WTO, IMF, World Bank) or both (EU). People do not identify with European institutions and do not, yet, offer them their loyalty and trust (Smith, 1996). The global enforces of the

‘Washington Consensus’ – the WTO, The World Bank, the IMF - operate behind closed doors, in the interests of the investors and corporations of the western states and, particularly, of the US which dominates them (Stiglitz, 2002). Transnational civil society is weak except in form of the growing transnational capitalist elite (Sklair, 2002). Nation states remain the building blocks of international governance, which lacks democratic credibility without them, and continue to be the main locus of popular allegiance and democratic activity.

National states are not disappearing and will not disappear. However, they are becoming weaker. This is for a number of reasons. Castells has written that ‘the instrumental capacity of the nation state is decisively undermined by the globalisation of its core economic activities, by globalisation of the media, and by globalisation of crime’ (1997, p. 244). Elsewhere he adds to those the effects of military inter-dependence, regionalisation and identity politics.

The reduction of state autonomy through military inter-dependence and multilateral alliances is not entirely new. The international order has been dependent on inter-state alliances and military co-operation since the 17th century treaty of Westphalia first enshrined notions of international law and national sovereignty. Notwithstanding NATO, the UN and other international organisations, the nature of the world order is not, in principle, different. Most states depend for security on their alliances with other states, and it is only a superpower, such as currently the USA, that can effectively act alone and then only for a limited time (Johnson, 2000). However, the nature of the modern technology of war, being so technologically advanced and costly, and the global threat of nuclear weapons, are new and limit the military autonomy of states in ways that did not apply before.

However, it is the changing nature of the global economy which most erodes the power of nation states. Governments are increasingly indebted to global capital, and the power of the global economy reduces their control over monetary, fiscal and budgetary policies. These constraints are not, perhaps, as absolute as some Governments like to claim to their

electorates. Some states have managed to adopt policies which buck the global market. Malaysia and China, for instance, both faced down international capital by making their currencies non-convertible, thus reducing the domestic impact on their economies of the 1997 financial crisis. However, many other states, such as France under Mitterand in the 1980s, and Hong Kong in 1997, tried to go against the global financial institutions and failed.

Limited control over economic policy has major effects on government autonomy in other areas. Where budgets have to be contained to meet the demands of international finance and, in the case of Europe, the requirements of the Growth and Stability Pact, major constraints are placed on welfare and social policies. Global competition and international capital often force states into a downward spiral of social costs competition leaving little space for different welfare national regimes except where backed by differential advantages in productivity and production quality (Castells, 1997).

Governments are faced with increasingly diverse demands from their electorates which they are frequently unable to meet. This, in turn, leads to growing popular disillusionment with governments and, at the extreme, a crisis in state legitimacy (Hobsbawm, 1994). Globalisation of the media and what Castells calls the 'de-nationalisation' of information leave governments little room to manoeuvre when such crises occur. Some countries like China and Singapore may seek to control information from Satellite and the Internet but it is doubtful whether this can last. Unable now to hide behind the smokescreen of propaganda from state regulated media, Governments which are seen to fail to deliver increasingly incur the skepticism and outright distrust of their electorates. According to most polls, trust in government and state institutions is declining rapidly in many states (Castells, 1997).

Increasingly national governments are seen as too small to deal with the big issues, like global crime and the environment, and too large to deal with the smaller issues, like local planning and service provision. Frequently, and sometimes in order to devolve responsibility for unpopular measures, governments devolve power to regional and local

levels. This may temporarily shore up their legitimacy, but in the long run only further serves further to undermine them, as the nation state becomes increasingly powerless, diminished by the growing strength of the global economy and international polity above it, and by the rejuvenated local state beneath (Castells, 1997; Touraine, 2000) .

The reduced efficacy of the national state is mirrored, in a paradoxical way, by the rise of nationalism and identity politics. The nation state may no longer be, as Eric Hobsbawm (1990) famously wrote, ‘the primary vector of historical development’ but nationalism has been a burgeoning force in the post cold war world. Recrudescing nationalism, and the rise of supra-national and sub-national movements based on ethnicity and religion, including both Christian and Islamic fundamentalisms, may all be seen in different ways as defensive reactions against threats to traditional values and cultures posed by globalisation, threats which national states no longer have the power to ameliorate. So too the other myriad movements of identity based on lifestyles, regions, sexual orientation or environmental concerns. The national state is increasingly caught between the twin axes of the glocalisation process (Robertson, 1995) – between the global networks of power and money, on the one hand, and the growing manifestations of identity and cultural particularism on the other (Touraine, 2000; Castells, 1997). In many states, though not all, national (state) identity becomes etiolated. Identity and citizenship, once united through notions of national identity and statehood, are increasingly sundered, with citizenship reduced to a pale instrumentalism of abstract rights and procedures (Delanty, 2000).

Globalisation, however, is not a uniform process and states respond differently to it. Whilst the great myths of the globalists (Ohmae, 1990; Reich, 1991) are that globalisation is linear, encompassing and inevitable, the reality is that it is a highly uneven and unpredictable process (Hay and Marsh, 2000). Globalisation is part technological and structural and part contingent. It is a dialectical and contradictory process and its future forms will depend on political decisions as well as economic and technological forces. Just as the last great surge of internationalisation was cut short by first world war and the protectionist national responses to the economic depression in the

period between the world wars (James, 2001), so too the future of globalisation will be conditioned by both economic and political forces.

Globalisation is uneven temporally and also spatially. Only the three regions of Europe, East Asia and North America are fully engaged with the process and even they in different ways. Globalisation has not produced an end of history nor an end of ideologies, as in Francis Fukuyama's inebriated post cold war prophesies (Fukuyama, 1995). In fact the world has divided into myriad forms of capitalism ranging from the shareholder capitalism of the anglo-phone countries, to the stakeholder capitalism of Germany, the corporate capitalism of Japan and Korea and the so-called 'bandit' capitalism of post-communist Russia (Castells, 1997; Dore, 2000; Gray, 1998). The rise of the sleeping giant in China portends the creation of a completely new form of capitalism in the largest market in the world. Its future impact on the world economy puts off all bets on what models will dominate world capitalism in the years to come. The East Asian states provide yet other models of state-market relations.

Globalisation and the State in East Asia

East Asia, including Japan and the four 'tiger economies' of South Korea, Taiwan, Singapore and Hong Kong, has been at the epicenter of the globalisation process for 30 years and one of its major beneficiaries. Between 1965 and 1996 economic growth in the Asian Pacific averaged 8.5 percent per annum (Castells, 1997, p. 207), a record of rapid and sustained regional development without historical precedent and one that saw the tigers industrialise in a fraction of the time it had taken the older industrial nations.³ This 'economic miracle' (World Bank, 1994) was achieved through exceptionally favourable forms of engagement with the developing global economy, which no other developing regions have been able to match. It was also accompanied by distinctive state characteristics which mark out the region from other developed regions in the world in the era of globalisation. For most of this period, East Asian states remained relatively egalitarian in resource distribution (Birdsall, Ross and Sabot, 1995); several retained

³ It took Britain 58 years to double its real per capita income from 1780. The USA did it in 47 years from 1839 and Japan in 34 years from 1900. South Korea took 11 years from 1966 (Morris, 1995).

distinctively 'national' economies, despite their export orientation; and all of them retained strong states and strong state identities.

Despite the important differences between the tiger economies, there were a number of common characteristics which aided rapid growth. The region as a whole was favoured by the geo-political circumstances of the time, as the Cold War brought in substantial investment from the USA and the UK. Each of the countries developed highly export oriented economies based on manufacturing and were favoured by the growth of world trade at the time. They also had strong endowments of human capital, with literacy rates high even at the start of industrialisation (Tilak, 2002), and recognized the need to maximise on these assets in the absence of major natural resources. The social formations in the tiger states were also beneficial for economic change in that in each case, due to land reforms at the end of the colonial period, there was no powerful landowner class to impose barriers to modernization. However, the most important common feature behind the exceptional economic growth in the tiger economies was the existence of the developmental state, just as it had been with Japan (Castells, 1997).

What is the developmental state? In its most obvious manifestation it is the strong state which dedicates itself to national economic development and which derives its legitimacy from achieving this. As Manuel Castells writes: *'A state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development, understanding by development the combination of steady high rates of economic growth and structural changes in the productive system, both domestically and in relation to the international economy.'* (Castells, 1997, p.276). However, what lies behind the developmental state is an exceptional form of state formation born of the nationalist project of survival. As Castells rightly remarks, for the developmental state *'economic development is not a goal but a means ...the East Asian developmental state ...was born of the need for survival, and then it grew on the basis of a nationalist project of self-affirmation of cultural and political identity in the world system.'* (1992, p.57-58).

Developmental states committed to accelerated state formation have occurred historically

under quite specific circumstances. Chalmers Johnson has written that '*the very idea of the developmental state originated in the situational nationalism of the late industrialisers, and the goals of the developmental state were invariably derived from comparison with external reference economies.*' (Johnson, 1982, p.24). This accurately characterises not only the position of Japan, Korea, Singapore and Taiwan at the point where their developmental states arose, but also post-Napoleonic Prussia, arguably the first developmental state of modern times (Marquand, 1988).

Historically, accelerated state formation, led by developmental states, has normally occurred in response to foreign military invasion or threats of invasion (post-Napoleonic Prussia and Meiji Japan); in the aftermath of revolutions and civil wars (Napoleonic France and the early republic in USA); and during periods of post-war reconstruction (post-World War Two Japan and Germany). In each case there has been an element of catching up with some regional power or world economic leader (Prussia and France with the UK in the 1830s and 1840s and Japan with the West in the 1880s). In each case also the process has been accompanied by a revived and intensified spirit of national self-affirmation (which is not necessarily the same thing as militaristic national chauvinism) (Green, 1990).

The East Asian developmental states, though emerging later and in different circumstances from the western examples and from Japan, all fit this pattern. They also happen to be concentrated in the same geographical region which makes them such a good laboratory for analysing the geo-political conditions which seem to accompany developmental state formation.

State formation in the East Asian developmental states has been massively pre-conditioned by geo-political factors. Japan and the four tigers are all strongly bordered islands or peninsular states (in the case of Korea separated from China by mountain ranges but now divided along the 38th parallel). Their insular geographies have provided certain natural advantages for trade, security and internal cohesion but also dangers in that their ports and strategic locations have made them attractive sites for foreign

incursion. Japan resisted invasion and colonisation through rapid modernisation led by the Meiji reformers after 1868. The four Asian tigers were all colonised, Hong Kong and Singapore by Britain and Taiwan and Korea by Japan (which was also briefly in Singapore). In each case independence brought prolonged national insecurity and crises of state viability linked to post-war regional tensions.

Korea emerged after the war from 36 years of Japanese colonialism only to descend into a bloody civil war that left the South divided from a hostile Communist North and a continuing site of cold-war tensions. Taiwan also gained independence from Japanese colonial rule after the war, but the Kuomintang regime continued to face hostility from mainland China which contested its territorial sovereignty. Singapore gained self-rule from the British in 1959 and Independence in 1963 but was cast adrift from the Malaysian Federation in 1965 to face a future as a multi-racial and polyglot small island state which no-one thought viable (Chua, 1995; Rodan, 1989). Neither external security nor internal harmony were made easier by the fact of it being culturally and politically sandwiched between two much larger nations, Malaysia and China, with which its two major populations had close ethnic ties, but with whom political relations were difficult.

In each of these three cases, as with Japan in the previous century, external relations posed threats to national sovereignty and even survival and were exacerbated by economic backwardness relative to significant external referents (the West for Japan and Japan for the tigers). Each nation believed that national survival and economic development were inextricably linked and each looked to foreign models as a way of development. These were the conditions that underlay the 'situational nationalism' which Johnson (1982) and Castells (1992) have rightly identified as the seed-bed for the rise of the development states in Japan, and three tigers. The fourth tiger, Hong Kong, although it faced some of the same regional tensions, could not produce a developmental state because it was a British colony legally destined to be returned to China.

Crises of national viability provide a context for the rise of developmental states but they can hardly be said to guarantee their emergence or to ensure their success. Many states in

such circumstances have not become successfully developmentalist, even if, as in numerous African and Latin American states, they have spawned popular nationalist movements and interventionist governments. Other factors were also important in East Asia.

Timing was crucial. Japan's first modernising initiative gathered pace as the world economy was booming at the turn of the century; its economic growth stalled during the protectionist inter-war years, and took off again during the post-war boom (Johnson, 1982). The tigers took off in the early 1960s in a period of relatively open world markets and continued expansion (World Bank, 1994). Further to this, and crucial for the tigers, was the, for them, economically-fortuitous accident of Cold War tensions in the region which consequently became the focus of massive US and British military investment. Korean society suffered terribly during the civil war but the South's economy benefited from US military investment, just as Singapore benefited from UK bases until 1971 (which accounted for 20 percent of the economy (Lee, 2000) and from the US requisitioning for the Vietnam war in the late sixties and early seventies which acted to replace the lost business from British military withdrawal (Rodan, 1989).

Social factors were also important. Successful developmental states have depended on relative state autonomy from powerful social interests groups (Castells, 1992). This relative autonomy was in part inherited and in part constructed.

Japan's Meiji regime faced repeated and powerful peasant resistance to reforms (which it decisively put down) but it had relatively little opposition from landed and bourgeois interests. A commercial bourgeoisie had grown up in Tokugawa Japan but it was neither politically, nor economically, powerful and had no class ideology sufficient to challenge the hegemony of the new elite after the Meiji Restoration. A substantial fraction of the old feudal lords joined the Meiji camp, surrendering their domains, as did many of their Samurai retainers; both elites lost their old feudal privileges and were perforce transformed into industrialists, merchants and public servants, no longer acting as organised class interest groups. Conflicts did emerge in the 1920s and 1930s, fuelling the

struggles of neo-nationalist movements whose *dénouement* was the militaristic totalitarian state of the war period (Moore, 1967). However, defeat in the war and US occupation saw the decimation of old class factions, including the large Zaibatsu. The labour unions were rapidly tamed through sticks and carrots (notably deals on company unions and lifetime employment) and the developmental state in Japan thereafter had few powerful interest groups to contend with (Perkin, 1996).

A similar absence or decimation of powerful class interest groups occurred in the tigers. American-inspired land reform in the 1950s in Taiwan got rid of the old landed class, as it did in Korea after 1948 (Castells, 1992). Singapore had no landed class to lose. Colonial rule had ensured that none of these countries had a strong native bourgeoisie at independence, and labour unions were systematically repressed or incorporated by post-independence governments in the 1960s (Castells, 1992).

Developmental states have been able to operate with exceptional autonomy from social interests because the social interest groups themselves were weak or were made weak, as through the repression of the labour union in South Korea and Taiwan in the 1960s and 70s. Lack of organised dominant class fractions, along with land reform and rapid increases in access to education, also meant relative social equality. In the early phase of industrialisation income and wealth differentials were exceptionally low (Birdsall, Ross and Sabot, 1995). This gave credence to the notion that all were in the same national boat with a shared interest in national development, thus legitimating *dirigiste* government policies.

Situational nationalism, good timing, American investment, absence of elites and relative social equality at the point of take-off – all these have all been important enabling factors for the East Asian developmental process. However, what has set the process in motion, and kept it moving, has been the existence of ‘strong’ developmentalist states. These have often been headed by political leaders motivated by large visions and supported by competent civil servants who have been generally free of personal corruption (Johnson, 1982; Gopinathan, 1994; Quah, 1994) (although the same has not always been the case in

regard to the political processes). The developmentalist states and their political elites have been strongly legitimated, even through their most authoritarian periods, by their success in engineering growth and distributing the fruits of prosperity . This has been one of their consistent goals. However, their broader mission has often been presented, and seen as, above all, one of nation-building.

The developmental state has assiduously promoted national identity and unity to ensure national survival. Some of the cultural ingredients for social cohesion were inherited by the developmental states, notably in Confucian traditions of respect for authority and so on, but these were not in the first instance particularly consensual or socially-cohesive states (Castells, 1992). Some of them, like Singapore, did not even have any history of nationhood or national identity. In these new post-colonial tiger states national identity and social cohesion had to be engineered, and this was one the primary early preoccupations of the political leaderships (Chua, 1995; Hill and Fee, 1995). Education generally played a crucial role in this process.

Globalisation and the Demise of the Developmental State?

During most of the recent phase of accelerated internationalisation, the developmental state has had a paradoxical relationship with globalization. Whilst theories of globalisation generally assume the denationalisation of economies and the weakening of nation states through reduced economic and political autonomy and through the development of ‘post-national’ identities, East Asian developmental states have showed the opposite characteristics. They have remained ‘strong’ states with strong national identities; they have continued to be highly interventionist in their economies and in social reform; and they have resolutely defended their national economies at the same time as aggressively entering the global market.

In fact, they have achieved exceptionally favourable terms of engagement with the global economy by doing all the things that the neo-liberal high priests of globalisation say they should not do (Amsden, 1992). Developmental states have generally supported rapid

growth not by following the market but by ‘governing the market,’ as the economist Robert Wade has argued (Wade, 1990). They have used trade tariffs to protect infant industries, interest rates and government loans to direct investment; and import and export licenses to promote strategic economic sectors. They have not only spent heavily on and intervened directly in the building up of infrastructures for economic development, including in education, transport, IT and Research and Development, but they have also used industrial policy to steer companies into strategic sectors and to create new markets. While Japan and the Asian tigers have used the global markets relentlessly to grow the economies, they have sought to do so without surrendering control over their national economies. Growth in South Korea, Taiwan and Japan depended largely on domestic capital and savings. Even in Singapore, where Foreign Direct Investment was the main engine of growth, the state has managed to maintain strategic control of the kind of jobs investment brought in. Government successfully engineered a major upgrading of sectors and jobs in the 1980s by investing in R and D to bring in the high value-added manufacturing and service operations and by encouraging exit of companies with low-value operations through Government mandated pay rises and through taxes on low paid jobs which were used to fund training (Rodan, 1989).

In the wake of the 1997 financial crisis, however, the situation in East Asia is changing rapidly and the relationship between state and international capital is being transformed in many countries. It is probably too early to tell how far the East Asian states will remain distinctive in their internal structures and their relations to the global economy, but in some countries at least, changes are occurring quite fast.

According to Castells (1997) the developmental state has now run its course, at least in Japan, South Korea and Taiwan. It has performed its historic mission and in so doing has made itself redundant. It now represents a barrier to development in the informational economy of the global age. According to Castells: *‘The success of the developmental states in East Asia ultimately led to the demise of their apparatuses and to the fading of their messianic dreams. The societies they helped to engendered through sweat and tears are indeed industrialised, modern societies. But at the end of the millennium, their actual*

projects are being shaped by citizens, now in the open ground of history-making' (Castells, 1997, p.286).

To Castells the developmental state is in retreat for three reasons. The first is that it can no longer control the national economy because international capital and multinational firms can now bypass it, thus reducing its leverage. The second is that it is inherently inflexible and as such incompatible with the demands of the information age. The third is that it cannot meet popular demands for increasing democracy and is thus out of step with the resurgent civil societies within its borders.

There would seem to be considerable evidence to support his position, at least with respect to Japan, South Korea and Taiwan. State control over the economy in each of these countries has undoubtedly diminished since 1997. In fact it had diminished substantially before through privatisations of key sectors and through various de-regulatory measures, including some - like the over rapid financial liberalisation in South Korea - which may well have substantially added to the economic crisis in 1997 (Castells, 1997; Stiglitz, 1996; Wade and Veneros, 1998). The government in Taiwan has long since established a quite hands-off relationship with its corporations. The South Korean Government apparently accepted the 'Washington' view after 1997 that the relations between the state and the banks and the major corporations - the Chaebol - had been too incestuous and that this had exacerbated the proliferation of bad loans which led to the crisis in investor confidence. It has now substantially withdrawn the state from steering of the banks and major companies. In Japan too, after a decade of reforms which have failed to bring the economy out of recession, the state has had to acknowledge that it can no longer control the economy in the old way. The major corporations and banks have become so globalised now that the Ministry of Finance, MITI and the Bank of Japan can no longer exercise 'administrative guidance' in the way they used too. Failure to reform the economy has also meant that the public has substantially lost confidence in the competence of the bureaucrats to reform the economy.

Burgeoning civil society movements and demands for greater democracy have also forced reforms to the state in each of these countries. Taiwan has for some time had a flourishing civil society, not least with its significant feminist movement. The KMT government was finally ousted in 1988, and the accession of the native Taiwanese, Teng Hui Lee, to the presidency began a process of political reform which decisively ushered out the era of the developmental state. The democracy movement in South Korea likewise brought the end of the authoritarian state with the election of Kim Young Sam and the subsequent prosecution for bribery of a number of Chaebol CEOs. The election to the presidency in 1997 of the former radical labour leader, Kim Dae Jung, and subsequent major labour legislation augured a shift from a model of the developmental state to a new form of state-coordinated social partnership (Choi, 2004). In Japan also, with major social changes attending the shocks of the bursting of the economic bubble in the early 1990s and the later Kobe earthquake, there were also significant shifts in the political climate, with diminished respect for state authority and mounting demands for greater pluralism in politics. The ruling LDP party can no longer take for granted its domination of the political process.

It would seem certain now that in these East Asian countries the developmental state has outlived its historical usefulness. However, it is not at all clear that this is true of all of East Asia.

In Singapore the state continues to be defiantly and successfully developmentalist. It managed to steer the country through the 1997 crisis with less damage than in other states, excepting Taiwan. The country has emerged leaner and meaner from the experience, and has returned to rapid growth, although not quite at its former levels. Its determination to diversify its links with the global economy, and to move increasingly into the position of a high value - added service and development hub for the region seem likely to maintain its developmental dynamism. This will not reduce the growing demands, especially amongst the more internationalised middle class, for a more participatory political order or for greater cultural pluralism. Nor will it necessarily annul the pressures that will arise from the re-emergence of unemployment and from the

increasingly evident inequalities in wealth and income (Brown, Green and Lauder, 2001). However, so long as growth remains, and so long as the state thinks smart both politically and economically, it may forestall the demise of the developmentalist model for some time to come, especially if sustained economic development in China gives continuing credence to the developmentalist model. China is, of course, currently the fastest growing economy in the world and likely to be the fourth largest in the world within a decade or less. If it manages to sustain its unusual developmental project - of Perestroika without Glasnost - without social upheaval and inter-regional political implosion then it will provide a powerful model to other developing states.

Castells is quite clearly right to see the demise of state developmentalism in Japan, Taiwan and south Korea. Here at least it is possible to say that the form of strong state, borne of the politics of geo-political survival, which paradoxically flourished in the era of globalisation, has now been surpassed. These countries will not necessarily now adopt the state forms of the dominant neo-liberal western powers. They will remain distinctive, not least with their still powerful notions of national identity and collective consciousness which subsist even in the face of growing individualism and diversity. They will develop new and distinctive state forms, but it will not be the old developmentalist model.

However, Castells may be wrong to see this demise of the developmental state in these countries as an inevitable concomitant of globalisation, since several states are still successfully developmentalist in the teeth of globalisation. Developmental states in Malaysia, China and Singapore are still successfully managing their relations with the global economy. In the case of Singapore, arguably the most globalised and 'wired' country on earth, developmentalism has proved fully compatible - pace Castells - with the demands of the information age. The surpassing of the particular state form in some of the East Asian countries may have other - more internal - causes. Where developmental states have been surpassed it may have been less a question of globalisation outgrowing them than them outgrowing themselves.

Developmental states are a characteristics of early state formation under specific historical circumstances (ie in particular geo-political situations and where conditions favour this type of situational nationalism for 'late industrialisers'). Historically they have invariably been surpassed in time, as states have necessarily been forced to respond to the legitimate democratic demands of their people. But it is internal development and internal demands for democracy which make the developmental state redundant more, perhaps, than the global environment.

Globalisation, contrary to the myths of the globalists, does not necessarily imply a single viable form of economy and state, although the current neo-liberal domination of the process clearly favours this. In fact, the world today demonstrates that various state forms are compatible with globalisation, at least for certain periods in their development process. Globalisation is a complex and uneven process. Western social scientists who postulate universalist models of social change would do well to remember this.

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