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# Alternative Perspectives on Late Industrialization in East Asia: A Critical Survey

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## ABSTRACT

This paper evaluates the five most popular analytical approaches to the East Asian "miracle" economies: neoliberal, structural-institutional, "flying geese," Greater China, and dependency perspectives. Distinguishing between national and regional development visions, we specify the key forces that each approach sees driving industrialization and growth, as well as the most likely barriers each sees to continued growth and development in East Asia. In pointing out the main analytical shortcomings of the five perspectives in light of the East Asian crisis, we sketch some key elements of a Marxist framework capable of overcoming these difficulties in a politically useful way.

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## 1. Introduction

The East Asian crisis has abruptly ended both mainstream and left celebrations of the region's highly dynamic and competitive capitalisms. The long post-World War II sequence of economic "miracles" in Japan, the newly industrialized economies of Asia (NIEs: South Korea, Taiwan, Hong Kong, and Singapore), the ASEAN-3 countries (Indonesia, Malaysia, and Thailand),[1] and, most recently, China, attracted the interest of development economists across the entire political spectrum. East Asia was widely admired as the only region where the barriers to "late industrialization" had been overcome, and the miracle economies were widely held up as models for other less developed countries. The economic crisis has sent the celebrants of East Asian capitalism scrambling in various directions searching for answers to what went wrong, with the lessons drawn for other countries now being overwhelmingly negative. Adding to the confusion is the fact that prior to the crisis, there had been sharp disagreements among economists and policymakers over the factors promoting East Asian industrialization and growth. Divergent responses to the East Asian crisis are partly rooted in the conflicting pre-crisis understandings of the region's economic successes—over and above the broad erosion of confidence in these prior explanations, which has itself created disagreements even among those who previously agreed (Burkett and Hart-Landsberg 1998).

This paper argues that the confusion produced by the East Asian crisis is due to the fact that none of the most popular (non-Marxist) theoretical approaches to East Asian capitalism fully captures the contradictions inherent in the region's economic development. We suggest that a Marxist

[1] ASEAN denotes Association of Southeast Asian Nations. Although the six long-standing members of ASEAN include the Philippines, Brunei, and Singapore in addition to Indonesia, Malaysia, and Thailand, the "third wave" of East Asian industrialization was largely centered on the latter three countries; hence the term "ASEAN-3."

approach can generate a politically more useful foundation for understanding the East Asian experience and informing a working-class response to the region's crisis. In surveying perspectives on East Asian industrialization, we draw specific connections between their analytical failures and their idealizations of capitalism. We also show how their basic development visions either remove popular class-based movements from discussion, or treat such movements as disruptive forces to be managed in pursuit of predetermined growth strategies. This tendency to marginalize grassroots-democratic development visions from theory and policy agendas afflicts even the more left-wing of the dominant perspectives, i.e., those which reject "free market" explanations of East Asia's development successes.

Our survey distinguishes among the five most popular approaches to East Asian development according to whether they interpret industrialization dynamics at the level of individual nation-states or in terms of region-wide processes. The two dominant perspectives, neoliberalism and structural-institutionalism, focus on the nation-state. But while neoliberals stress the importance of free market forces and comparative advantage, structural-institutionalists highlight the key role of strong developmentalist states engaging in market interventions. By contrast, both "flying geese" and "Greater China" approaches emphasize regional dynamics. The flying geese perspective argues that Japanese corporations initiated a diffusion of product and process innovations from more to less developed East Asian countries, thus supporting a collective regional advance in welfare. Greater China approaches, on their part, credit East Asia's economic vibrancy to China's reemergence as a regional economic power, anchoring a complex nexus of regional economic interdependencies drawing entrepreneurial energy from expatriate Chinese business families. The fifth perspective we consider, dependency theory, also highlights regional investment and trade relations; but it does so from the standpoint of subordinate actors in the regional system, especially working people and communities in the countries other than Japan. In this way, dependency analyses challenge the East Asian advocates who claim that the downsides to the East Asian "miracles" are little more than transitional "external costs" of industrialization and growth.

We evaluate the five approaches using a three-step procedure. First, we specify the key forces or governing mechanisms that each perspective sees driving and shaping industrialization and growth in East Asia. This specification is conducted on the level of basic development visions, with analyses of particular countries and processes referred to only as necessary to define these visions. Second, again at the level of basic visions, we outline the actual or potential barriers that each approach sees to continued growth and development of the miracle economies. Finally, we point out the main analytical gaps and internal contradictions of each approach. This third step is the one most directly informed by Marxism as well as by the problems the East Asian crisis poses for each dominant perspective. Our purpose is not to provide a complete Marxist analysis of East Asian development and crisis, but to motivate the need for an independent Marxist perspective by showing how the dominant approaches idealize East Asian capitalism.[2]

## 2. The Neoliberal Versus Structural-Institutionalist Debate

Neoliberalism is the dominant approach not only to the East Asian experience but to all international economic developments.[3] Its advocates argue that the economic success of Japan, the NIEs, and the ASEAN-3 was due to their governments having allowed comparative advantage in international trade to direct the allocation of productive resources. By creating stable, non-inflationary, and open economic environments, governments encouraged domestic firms to take advantage of low unit labor costs and engage in labor-intensive export-oriented production. The focus on exports enabled firms to overcome inadequate domestic demand and reap increasing returns to scale and associated learning-by-doing effects from greater production. With productivity rising faster than real wages, East Asian countries were able to secure rapid increases in output

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[2] For a Marxist analysis of East Asian industrialization, see Hart-Landsberg and Burkett (1998). The development of the crisis itself is analyzed by Hart-Landsberg (1998a). Burkett and Hart-Landsberg (1998) interpret mainstream responses to the crisis.

[3] The World Bank (1993) illustrates the standard neoliberal interpretation of the East Asian experience. For other neoliberal studies of East Asia, see Hughes (1988), Yue (1993), Kim (1994), Blomqvist (1995), Teranishi (1996), and Van Der Meulen Rodgers (1996). Beginning here, we use initial footnotes to give references to representative proponents and/or sympathetic summations of the approach being surveyed. In-text and additional footnote citations are reserved for references providing empirical support for, or the best formulations of, specific aspects of each approach, as well as for authors critical of each approach. The exact nature of these latter references should be clear from context.

and employment without threatening their low unit labor costs and export competitiveness. This process of export-driven growth was further enhanced by a government commitment to relatively loose restrictions and "realistic" taxation rates on export-oriented foreign capital. Such a commitment was especially important to the ASEAN-3 countries, enabling them to attract foreign direct investment (FDI) as required to overcome the "natural" market imperfections (transactions and information costs) otherwise hindering development of technology, finance, and marketing.

Neoliberals generally see two main external threats to East Asia's continued economic success. First, because East Asian exports are largely sold in the developed core countries, core protectionism represents a serious potential barrier. Neoliberals, of course, strongly warn core countries against pursuing this policy. The second external threat, especially for the NIEs and the ASEAN-3, is growing export competition from lower wage countries, in particular China. Neoliberals believe there is only one way for these countries to overcome the threat: they must upgrade the technical level of their production. They recommend that the NIEs and the ASEAN-3 increase their human capital formation (education and training)—cautioning that this must be achieved in ways that do not increase either government deficits or tax rates. Otherwise the stable non-inflationary environment required for competitiveness and inflows of foreign capital will be undermined.

Neoliberals also foresee an internally generated threat to growth. They expect that the interest groups pressuring NIE and ASEAN-3 governments will become more numerous and powerful as a result of a natural correspondence between modernization and representative-democratic government. While claiming to welcome this correspondence, neoliberals worry that interest group pressures (e.g., for improved job security and workplace safety, economic equality for female workers, social welfare expenditures, and environmental regulations) could undermine economic stability and competitiveness. Their suggestions for countering this danger include an independent central bank, maximum freedom of short- and long-term capital movements, and strengthening the power of the executive.

Structural-institutionalists have criticized the neoliberal approach for its failure to recognize how East Asian states actively shaped investment and trade activity, especially in Japan and the NIEs. The success of such industrial policies contradicts neoliberalism's starting assumption of a given set of comparative advantages.[4] Among the state interventions commonly cited are investment and export subsidies; protection of newer industries and enterprises from imports in exchange for their achievement of export targets; government control over the sectoral and inter-enterprise allocation of credit; and strategic planning of the new industrial activities to be developed, which often entailed a leading role for state enterprises. Like neoliberals, structural-institutionalists emphasize the need for technical upgrading to deal with competition from lower-wage countries. But unlike neoliberals, they suggest that planned import-substitution industrialization and export-led growth are not competing but rather complementary means of achieving this goal. Through the right combination of rewards and penalties, governments can engineer a maturation of protected infant industries into dynamic, globally competitive firms and sectors (Lee 1997). However, this strategy requires an unusually autonomous state, both internally and vis-à-vis other states and multilateral organizations.

Structural-institutionalists thus see threats to the developmental state as constituting the main danger to continued East Asian growth. The most serious threat comes from the U.S. government, the IMF, and the World Bank, all of which demand that the East Asian countries liberalize their economies. Many structural-institutionalists also fear that domestic political democratization could undermine state cohesion and independence of action. They also share neoliberal views on the importance of controlling wage costs and maintaining a stable macroeconomic environment (even though structural-institutionalists define stability more as a prerequisite for effective state planning and direction of industrial activity).

Structural-institutionalism is clearly more accurate than neoliberalism. Government policies in the miracle countries (especially Japan, Taiwan, and South Korea) bore little resemblance to the neoliberals' preferred free-market regime. There are also problems with the neoliberal argument that transnational corporations (TNCs) promote development by helping

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[4] See Wade's (1996) account of the debate over the World Bank's (1993) report *The East Asian Miracle*. For structural-institutionalist analyses of the NIEs, see Amsden (1989), Wade (1990), Rodrik (1994), Huff (1995), Cassen and Lall (1996), and Brohman (1996). Some extensions to the ASEAN-3 experience are given by Bello (1996a) and Amsden (1991, 1996).

countries overcome "natural" market imperfections rooted in high transaction costs. Insofar as "market power may be achieved via economizing on transaction costs" (Pitelis and Sugden 1991: 11), the neoliberal approach to transnationals "cannot necessarily discriminate between market power and efficiency considerations" (Yamin 1991: 77; cf. Hymer 1970). Neoliberals assume that market "imperfections" (international inequalities in terms of access to production methods, funding sources, and sales opportunities) are "exogenous to the TNCs" even though these imperfections are often "created, perpetuated and maintained by TNCs in their attempt to increase their monopoly rent" (Cleeve 1994: 1). Transnationals can use their technological, financial, and marketing resources to establish monopolistic power in key sectors of an economy and, in doing so, they may "correct" market failures in ways that do not yield desirable results for the host economy. Structural-institutionalists have shown an acute awareness of these issues. Amsden (1989), for example, shows that a strong government negotiating stance and state acquisition of technical expertise were both integral elements in the effective transfer of productive capabilities from transnationals to South Korean *chaebol* (family-run industrial and financial conglomerate enterprises).

The relative historical accuracy of structural-institutionalism has caused many to embrace it as the preferred alternative to neoliberalism. Yet the two approaches share significant common ground on the level of basic development visions. Most clearly, they both espouse essentially national visions of industrialization and growth. Insofar as they see many success stories in East Asia, they both assume that the miracle countries have individually followed similar strategies albeit with important international elements (e.g., openness to global competitive pressures and export opportunities; state accommodation or planning of changes in comparative advantage). There are limits to such national-level analysis, however.

To begin with, one may question whether export-led growth is a viable strategy for large numbers of less developed countries given core market limitations and protectionist pressures. The fallacy of composition at work here is evident from the inadequate responses of both neoliberals and structural-institutionalists to the overproduction problems afflicting the East Asian economies. The region's export-led growth strategy has generated large amounts of excess capacity in a number of key industries, including autos, memory chips and other semiconductors, chemicals, and shipbuilding. This overproduction, together with attempts by governments to sustain demand via competitive devaluations, is a prime factor underlying the region's economic crisis (Mandel, et al. 1997).[5] Yet structural-institutionalist analyses of this crisis downplayed or even ignored the role of overproduction. Instead, blaming the crisis on financial liberalization and speculative capital flows, they continued to assert the fundamental "soundness" and competitiveness of individual miracle economies (especially South Korea), without seriously addressing the prior regional and global build-up of excess capacity (Amsden and Euh 1997; Chang 1997; Wade and Veneroso 1998). Neoliberals such as Sanger (1997), while recognizing the region's overproduction problems, blamed them on misguided and corrupt investment policies followed by East Asian governments. The question as to why all these governments would suddenly follow such faulty policies in unison was swept under the rug.[6]

Given their common focus on national industrialization policies, neither neoliberalism nor structural-institutionalism adequately addresses the regionalization of Japanese and NIE-based capital. As a result, the regional spread of industrialization tends to be explained in terms of demonstration effects of prior country successes on policy thinking in other countries where political and social preconditions of the "general model of late industrialization" happen to be present (Amsden 1991: 285–86), or in simple terms of "spill-over effects from the fast growth of the more nationally focused, governed-market economies of East Asia" (Wade 1996: 26). Growth in the ASEAN-3 was clearly spurred by a tidal wave of FDI emanating from Japan and the NIEs (UNCTAD 1996a: Part 2; Athukorala and Menon 1997: 165–70). Structural-institutionalists have recognized that the wave of FDI inflows into the ASEAN-3 neither

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[5] Engardio (1996: 44) observes that a serious "problem" in East Asia "is the overcapacity in next-generation industries. Much of the region is counting on petrochemicals, autos, consumer electronics, and semiconductors to move up the value-added ladder as they lose their cheap-labor advantage...Says Standard Chartered Bank's economist Kwok Kwok-chuen: 'Overcapacity is becoming conspicuous. Ultimately there will be a shakeout.'"

[6] Some neoliberals, like Jeffrey Sachs, Paul Krugman, and Joseph Stiglitz, joined the structural-institutionalists in treating the crisis as mainly a speculative bubble traceable to inadequate regulation of domestic and external finance. See Burkett and Hart-Landsberg (1998) for a fuller survey and critique of neoliberal and structural-institutionalist responses to the crisis.

followed nor corresponded with a period of intensive import-substitution industrialization such as occurred in Japan and (less completely, in a more dependent form) in the NIEs (Wade 1993: 438–39). Still in all, they side-step the problems which the regionalization of late industrializing countries' capital creates, not only for the extension of their statist strategy to other countries (on which more later), but also for the successful late industrializers themselves.

The neoliberal and structural-institutionalist strategies both emphasize improvements in international competitiveness; but to remain internationally competitive, NIE-based firms may have to transnationalize, partly by increasing their ties to core-country based transnationals.[7] Such "home-grown" transnationalization poses especially serious problems for structural-institutionalism insofar as it increases the independence of domestic enterprises from government planning mechanisms. In South Korea, trade and foreign investment gains gave the *chaebol* more autonomy from a weakening state, enabling them to use more profits for foreign investment and speculation rather than productive domestic investments (Hart-Landsberg 1993: chapter 10). Moreover, the success of late industrializing country firms in penetrating core markets generates strong pressures on these latecomers to open up and deregulate their own economies. Such liberalization strengthens the incentive for domestic firms to internationalize their operations, since these firms will no longer be able to rely on fat profit margins in protected home markets (Schuman 1996).

This vicious circle highlights the danger of identifying the economic strength of individual *nation-states* with that of domestically based *enterprises*. It also reveals structural-institutionalism's inadequate allowance for endogenous economic liberalization pressures disrupting state planning mechanisms. Structural-institutionalists have recognized the promotion of neoliberal policy designs by U.S.-based transnational capital (Wade 1992: 319; Wade and Veneroso 1998: 18–21); but they have ignored the internationalization of NIE and Japanese business (and of allied government functionaries) as a home-grown force working toward the deregulation of labor markets, production, investment, and external

[7] The transnationalization of NIE-based firms remains different from that of core-based firms insofar as the former are still heavily dependent on inputs and technologies purchased from the core in such fashion as to slant the distribution of value added in favor of core enterprises (see the present paper's discussion of dependency approaches).

capital flows (Petras 1998b: 152–53). Underlying structural-institutionalism's false identification of national *economy* with national *capital* is an idealized unity of "national interest" itself—an abstraction from the class divisions characterizing capitalist nation-states.

This brings us to another common ground of neoliberalism and structural-institutionalism: their desocialized, technical conceptions of industrialization and development. The political and social *context* enters into neoliberal and structural-institutional analyses through its influence on state policies. Nonetheless both approaches treat industrialization itself as largely an engineering and management problem (Hart-Landsberg 1993: 93–98). This helps explain why they both treat popular economic and political struggles as potential disruptions of a preconceived industrialization strategy. The possibility that such struggles reveal shortcomings and tensions in the preferred strategy is ignored; for both approaches, these struggles are a problem to be managed or suppressed.

This technocratic bias creates serious problems for both perspectives. Neoliberalism's insistence on strict control of wage pressures by any means necessary clearly contradicts its advocacy of a free-market, non-interventionist economic environment. Similarly, neoliberal calls for insulation of fiscal and monetary policies from popular participation contradict the neoliberal vision of a natural correlation between democracy and modernization (Cumings 1997a). Neoliberals deal with the latter contradiction by using highly limited definitions of democracy (e.g., periodic elections), or by supporting representative "participation" in economic policy deliberations only as useful for legitimizing neoliberal policies.[8] Similarly, structural-institutionalists appear interested in political opening and "labor peace" only insofar as they are consistent with, or help provide the necessary stability and legitimacy for, the predetermined state-interventionist development strategy (Amsden 1989: 324–29). As the East Asian crisis spread and deepened in 1997–98, structural-institutionalists joined neoliberals in expressing fears that popular unrest might threaten the region's long-run security and prosperity (Kristof 1997a; Chang 1997; *Economist* 1998). Neither school considered popular resistance to IMF austerity as pointing a way out of the crisis to a more human, democratic, and sustainable form of development. For both

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[8] See Burkett (1997) for a general discussion of neoliberalism, democracy, and development. Burkett and Hart-Landsberg (1998) analyze neoliberal uses of "democracy" in connection with the East Asian crisis.

schools, development choices were best left to the technocrats, while the best that could be hoped for from democratic institutions was the effective *management* of popular unrest.[9]

One can begin finding a way past this political dead end by considering a Marxist approach to East Asian development and crisis. Such an approach would recognize that the region's competitive successes involved not just effective management of production, investment, and macroeconomic policies, but also effective extraction of surplus value from workers by (state and private) capital and its effective conversion into means of expanded exploitation and monetary accumulation. Because capital accumulation is based on and reproduces class divisions *and* market competition among enterprises and workers, its development is necessarily *uneven*. Capitalist development is uneven because of the tension between private appropriation and social production, as individual enterprises, nations, and regions are more-or-less successful in appropriating social resources and applying them to the exploitation of labor.[10] Production as a social and material process requires a relatively stable institutional framework; yet competition and class struggle work against such stability. This creates a need for elite management by state and business organizations on national and international levels. The uneven success of such management is itself a cause and effect of the uneven development of capital accumulation.

The Marxist perspective suggests that because state and business organizations are "institutional forms of class domination, which express a particular configuration of class struggle" (Clarke 1988: 85), one should

[9] For example, Chang's (1997) structural-institutional account of the South Korean crisis emphasized the need to manage the "massive political resistance" to the "sharp rise in unemployment" and "fiscal retrenchment" under IMF stabilization policies. Chang suggested that "the new government of Kim Dae Jung, with its more consensual approach to politics and stronger ties to the small firms and trade unions that are going to be hurt most in the process, may be in a better position to pull the country through a period of deflation and job losses and toward robust growth." This suggestion paralleled the neoliberal argument that democratically elected governments—properly disciplined by international financial markets—could legitimize IMF-type austerity more effectively than could unpopular authoritarian regimes (Kristof 1997b).

[10] More basically, uneven development is rooted in the contradiction between capital as quantitative value expansion (money begetting more money) and the qualities of production as a material and social process. Uneven development is thus a necessary form of the use value-exchange value contradiction underlying the various crisis tendencies (economic, political, cultural, and ecological) of capitalism (Smith 1984).

not idealize them as elements of a model whose reproduction is unproblematic if state and business managers fulfill their proper functions. Insofar as these institutions are shaped by "the social and political struggles unleashed by the contradictory tendencies of capital accumulation" (Clarke 1988: 85), they reveal much about the class tensions, and unrealized worker-community needs and capabilities, built into the most successful accumulation regimes. For example, the productivism and competitiveness of Japanese labor-management relations rested on the ability of Japanese capital to appropriate and rechannel the creative impulses demonstrated by Japanese working people in the massive production control and unionization drives immediately after the second world war (Moore 1983; Rytting 1989). By highlighting the suppressed worker-community potentials underlying East Asia's competitive successes, such a perspective can help integrate contemporary popular aspirations and struggles into new visions of development. Then, instead of treating resistance to IMF austerity as a threat to East Asian development, or as a popular rejection of one technocratic policy in favor of another (more statist) one, we can find in this resistance prefigurations of democratic development. As pointed out by Jeong and Shin (1998: 14), workers' "opposition to massive layoffs" and demands for job and wage security, etc., can "function as a transitional program towards fundamental transformation" during an economic crisis when "workers' right to live" is least fulfillable within capitalism—especially insofar as the resistance is consciously linked to previous struggles which, however briefly, went beyond capitalist relations toward a worker-community controlled economy.

From a Marxist perspective, it makes no sense to treat the most competitive capitalisms as if their successes can be generalized to other countries. Capitalism always generates losers and winners—"an accumulation of misery, corresponding with accumulation of capital" (Marx 1967: 645). Not everyone—not even a majority—can be a winner. Yet neoliberalism and structural-institutionalism treat East Asian development as in principle replicable in other countries. The competitiveness of Japanese export-led growth, however, was underpinned by work-times, labor intensities, labor force flexibilities, and shares of capital in value added all well above socially acceptable levels in other core countries given the latters' prior history of class struggles. The repression of militant Japanese labor and democracy movements in the immediate post-

World War II period, and the Japanese region's special Cold War position, were essential conditions of capital's relatively great power over labor in Japan—and this power explains the Japanese state's ability to concentrate on industry and trade strategy vis-à-vis other capitalist states (Halliday 1975; Moore 1983; Steven 1990). South Korean accumulation was facilitated by work-times and rates of exploitation (and of industrial accidents) well above international standards even for third world countries. This labor control was carried out by a militarized state owing its existence to the Cold War environment of a divided Korea and to the repression of a militant People's Committee movement by U.S. Occupation authorities immediately after World War II (Cumings 1981; Hart-Landsberg 1998b: 70–77). The Cold War atmosphere was essential to the export-led growth of Japan, South Korea, and Taiwan insofar as the United States "sought to showcase the advantages of capitalism over communism and thus opened its markets to Asian imports" (Petras 1998a: 10). And just as Japan's export-led growth had earlier been jump-started by Korean War procurements (Sweezy 1980: 7–8), both Japan and the NIEs "benefited from the ten-year U.S.-Indochina war via military contracts and trade concessions" (Petras 1998a: 10).[11]

Finally, Marxism sheds light on the role of overproduction problems in East Asian development and crisis. For Marxists, competition involves efforts by individual firms to gain surplus profits at the expense of other firms; but before these profits can be realized in the market they must be produced through the extraction of surplus labor from workers. The fundamental basis of overproduction is the drive of individual firms to increase surplus valueproducts without regard for the extent of the market as determined by the class-exploitative distribution of purchasing power (Clarke 1990-91: 454). Overproduction is a form of uneven development insofar as it results from the uncoordinated expansion of productive capacity by competing enterprises, as the firms enjoying surplus profits and growing market shares are the ones which most efficiently exploit their workers through the private application of socially developed productive forces (Clarke 1988: 81 and 1990-91: 454–55). This helps us

[11] As part of their ad hoc responses to the East Asian crisis, neoliberals began referring to the special Cold War circumstances of the East Asian growth miracles. But they failed to reconcile such references with their previous free market explanations of the miracles themselves; nor did they pursue the implications for the replicability of East Asian successes. See Burkett and Hart-Landsberg (1998) for a discussion.

understand why the high growth rates of the East Asian miracle economies depended not only on high rates of domestic investment, but also on trade surpluses with less competitive nations—once more negating the notion of a more progressive and dynamic form of capitalism in principle achievable by all countries. Fueled by high rates of domestic exploitation, East Asian capitalism featured correspondingly large gaps between domestic production and domestic wage-based demand. During high-growth periods this gap was filled by exports (facilitated by the Cold War) and by the high investment rates such exports helped support. Recent overproduction problems are, in short, inseparable from the historical circumstances and competitive dynamism of East Asian capitalism.

## 3. The Flying Geese Approach

The flying geese perspective was first formulated in the 1930s by the Japanese economist Kaname Akamatsu.[12] Drawing upon Japan's experience as a "follower" country, Akamatsu advocated a "dynamic infant-industry" strategy in which "a developing country...goes through industrial upgrading, step by step, by capitalizing on the learning opportunities made available through its external relations with the more advanced world" (UNCTAD 1995: 258–59):

> The economic nationalism of the developing countries at first establishes consumer goods production on the basis of national capital, and then it proceeds to the national capitalization of industries so far operated by foreign capital and, further, to the production of capital goods by national capital. This series of developments signifies that the developing countries advance through the stages of

[12] See Akamatsu (1961; 1962) for English-language outlines of the original flying geese framework. Korhonen (1994) has produced an excellent survey and assessment of Akamatsu's life-long work on the flying geese approach including its philosophical foundations. Many contemporary analyses of East Asian economic dynamics utilize flying geese themes, but in less nuanced fashion than Akamatsu. See, for example, Ozawa (1993), Seki (1995), and UNCTAD (1995: 258–60; 1996a: 75–105).

> homogenization with the industries of the advanced countries. (Akamatsu 1962: 8)

This "wild-geese-flying pattern" of industrialization contains three "sub-patterns":

> The first basic pattern is the sequence of import—domestic production—export. The second pattern is the sequence from consumer goods to capital goods and from crude and simple articles to complex and refined articles. The third pattern is the alignment from advanced nations to backward nations according to their stages of growth. (Akamatsu 1961: 208)

Akamatsu did not expect a static pattern of flying geese. In his vision, "some of the less-advanced countries always remain in a stagnant state falling more and more behind...while others, like Japan, join the ranks of advanced countries" (Akamatsu 1962: 18). He also saw "the economies of advanced countries [as] sometimes stagnant and sometimes making leaping advances," even allowing for cases where "the 'lead goose' eventually tires and falls back; its position [being] taken over by a more vigorous one which has moved up from behind in the flock" (Akamatsu 1962: 18; UNCTAD 1995: 258).

More recent Japanese flying geese analyses argue that it is mainly the leading country, Japan, that motivates regional growth, and that Japan can and should be the permanent "lead goose." They stress that only the correct mix of industrial policies in the leading country can ensure the continuous technical upgrading of the leader's productive base and foreign direct investment as required for the region-wide diffusion of industrial growth. Ozawa (1993), for example, emphasizes how the "sequential structural upgrading" of Japan's industry from labor-intensive textiles and simple electronics goods (1950 to mid-1960s), to heavy and chemical industries (late 1950s to early 1970s), to automobiles and more complex electronics goods (late 1960s to present), to computer-aided manufacturing and other information-intensive areas (early 1980s onwards) corresponded to successive waves of outward direct investment, thereby "recycling" previous leading sectors to the NIEs and (later) the ASEAN-

3.[13] Modern flying geese approaches also draw a sharp distinction between vertical and horizontal divisions of labor among leaders and followers. The vertical divisions are said to be based on absolute cost advantages in different levels of technology. Here, the lead goose (Japan) operates at the highest level (less standardized, more information-intensive products and processes, such as the development of more powerful computer memory chips), while followers focus on lower- and middle-rung areas (e.g., more standardized electronics assembly operations) in which their lower wages give them the upper hand. Horizontal divisions, meanwhile, are shaped by the comparative advantages of different following countries at similar levels of the technological hierarchy (e.g., international complementarities in the production and assembly of different car parts). The followers' replication of Japan's integrated industrialization patterns is thus seen as a regional one, whereas Akamatsu's original approach saw this replication as being achievable by individual following countries.[14]

The flying geese approach generates its own concerns about potential barriers to continued industrialization. Akamatsu (1961: 204) recognized that industrial diffusion could generate trade conflicts between leaders and followers. Modern flying geese analyses have argued that protectionist pressures may, by disrupting the given leadership function of Japanese business, upset the harmonious flight of the different national geese. However, they suggest this problem can be avoided if governments conduct ongoing national consultations with leading corporations and regional consultations with other governments (see, for example, Seki 1995: 14).

The flying geese approach has the merit of recognizing Japanese capital's growing role as shaper of an integrated East Asian political-economy. Japanese direct investment in Asia exploded in the second half of the 1980s following the Plaza Accord of 1985, under which the United States, Japan, the United Kingdom, Germany, and France agreed to support a large appreciation of the yen (and of the other main non-dollar

[13] See also Seki (1995: 13–14). UNCTAD (1995: 250–56) provides an interesting case-study of the sequential upgrading of the South Korean and Taiwanese electronics industries, in which Japanese (and U.S.) transnationals played crucial roles in terms of "technology transfer, learning and access to export markets" (ibid: 250).

[14] The greater reliance of contemporary flying geese formulations on the standard theory of comparative advantage helps explain their neoliberal flavor relative to Akamatsu's perspective (more below, on this point).

currencies) against the $US. Between 1985 and 1989, annual Japanese direct investment rose by a factor of four in Taiwan, by a factor of five in Malaysia and South Korea, by a factor of six in Singapore, by a factor of 15 in Hong Kong, and by a factor of 25 in Thailand (Pempel 1996/97: 18). Beginning in 1994, Asia became the second largest continental destination for Japanese FDI. That year, Japanese firms invested $17.8 billion in the United States, $9.7 billion in Asia, and $6.2 billion in Europe. The following year totals were $20.3 billion, $10 billion, and $5.3 billion, respectively. Japanese direct investment in manufacturing is now greater in Asia than in the United States. In 1994, Japanese manufacturing FDI was $5.2 billion in Asia compared with $4.8 billion in the United States; in 1995 the totals were $6.5 billion (Asia) and $4.2 billion (U.S.) (Terry 1996: 189–90).

Despite its empirical grounding in the regionalization of Japanese capital, one may question the modern flying geese perspective's insistence on Japan as permanent lead goose. Akamatsu's original formulation, allowing for a reshuffling of leader and follower positions in line with changes in competitive advantage, seems more consistent with the realities of capitalist uneven development. Moreover, the flying geese approach itself suggests that specific national strengths are largely a function of industrial policy decisions and thus cannot be taken as "given." The leadership question is important given the potential inequalities arguably built into the vertical and horizontal divisions of labor among leading and following geese (see the section on dependency approaches). But even from the standpoint of leading countries in general and Japan in particular, the flying geese approach presents a highly idealized vision of capitalist development. It presumes that regionalized creative destruction fulfills the needs and capabilities of Japanese workers and communities even though it is driven by the profit interests of Japanese capital. Capital's use of industrial restructuring and relocation to undercut workers' power throws this presumption into question.

Contrary to the idealized claims of flying geese proponents, the regionalization of Japanese capital has taken the form of a recurrent crisis-driven pattern of "scrap-and-build" accumulation, each round of which was carried out largely at the expense of Japanese labor (Steven 1990). In the 1960s, wage pressures and trade conflicts caused light industries (including textiles), which had been Japan's leading export sector in the 1950s, to be run down and scrapped in favor of the heavy and chemical industries, and this process entailed a crowding of predominantly female light-industry labor into low-wage service employment and the household sector. Then, when the 1973 oil crisis and domestic environmental protests raised heavy industry costs, this sector was itself largely scrapped and relocated abroad while the new leading domestic sector became the machine industries, especially cars and electrical machinery. The success of this transition hinged on the conversion of machine industries from production mainly for the domestic market to a strong export orientation, based on a strict control of unit labor costs achieved via expanded use of temporary and subcontracted labor. Eventually, trade tensions with the United States, the 1985 Plaza Accord, and the subsequent "high yen crisis" led Japanese corporations to relocate significant portions of the machinery industries offshore as well. This overall process of scrap-and-build both hinged upon and reinforced the encapsulation of core-industry workers' militant and creative energies in enterprise unions as well as the deep gender- and education-based divisions in the Japanese working-class (Steven 1990; Burkett and Hart-Landsberg 1996).[15]

Apart from its effects on workers, Japanese scrap-and-build accumulation ultimately conflicted even with the industrial dynamism and competitiveness championed by flying geese theorists. Although repeated restructuring of the industrial base maintained the dynamism of the Japanese economy until the mid-1980s, its eventual result was a definite hollowing out of domestic industry, i.e., the growing substitution of foreign investment and financial speculation for productive domestic investment (UNCTAD 1996a: 94–101). The transnationalization of Japanese capital has not only been a constant source of competitive pressures on Japanese working people since the 1960s, constraining the growth of the domestic market and thereby reinforcing the export-dependence and trade conflicts built into Japanese economic growth. It has eventually eroded the domestic industrial base required to sustain Japan's past rapid growth (Steven 1990; Hart-Landsberg and Burkett 1998). With its seemingly

[15] The Japanese experience supports Ietto-Gillies's (1988) argument that transnationalization of industrial capital may be driven by firms' attempts to profitably internalize competitive advantages by avoiding the generation of the "stronger and more militant labour" resulting from purely national operations. Here, "multi-nationalization of production generates a situation in which labour—though working under the same ownership umbrella—is more dispersed and fragmented and thus finds it more difficult to organize itself compared to a situation in which internalization takes place in the domestic environment, whether within the same plant or on a multi-plants basis" (ibid: 29–30).

permanent growth-recession, historically high unemployment, downward pressures on wages and work conditions, and with its banking system in shambles, the 1990s Japanese economy hardly resembles a dynamic lead goose.

Flying geese analyses of NIE-based direct investment similarly focus on the role it played in ASEAN-3 industrialization, the presumption being that regional industrial restructuring had only positive implications for workers and communities in the NIEs themselves. But it was hardly coincidental that the post-1980 growth of outward direct investment from both South Korea and Taiwan corresponded to powerful protests against authoritarian regimes that had supported rapid export-led accumulation by repressing domestic labor, especially women in textiles and other light-export industries. These democratic struggles led to the end of formal military dictatorship, mushrooming labor organization (still largely illegal), and rising wages.[16] Meanwhile, Japanese investment in the ASEAN-3 was creating new lower-cost export competition for the NIEs, further spurring South Korean and Taiwanese firms to shift their own production to lower-cost locations, including the ASEAN-3 countries and China.[17] All this foreign investment contributed to the regional build-up of excess capacity and intensifying competitive pressures on workers and communities in the NIEs (Steven 1997).

Ultimately, the flying geese approach does not move us beyond the idealizations of capitalism basic to neoliberalism and structural-institutionalism. Although the Japanese origins of the flying geese approach have meant that its proponents tend to favor structural-institutionalism on the national level, the overriding imperative remains to keep the East Asian region open to Japanese corporate capital. As a result, the "shared vision" of flying geese proponents, namely "a rapid move

[16] Domestic profitability problems were accentuated by U.S. pressures on both South Korea and Taiwan to revalue their currencies and open their markets to U.S. imports, and by dependence on Japanese corporations which began to withhold key technologies to protect their own competitive positions in the wake of the increasing value of the yen after the 1985 Plaza Accord (Hart-Landsberg 1993: chapters 9–10).

[17] Shu-Ki (1996: 28), for example, observes how "the China link" through outward direct investment "offered an 'easy' way out, 'short-circuiting' the rapidly approaching difficulties" of Taiwan and Hong Kong enterprises—especially "domestic constraints in the form of rising costs as well as external market restrictions." For further discussion of the forces driving foreign investment by NIE-based firms, see Schive (1993), Shin and Lee (1995), and Hart-Landsberg and Burkett (1998).

towards greater economic integration regionally and an even more rapid shift towards integration between the Japanese and Asian economies" (Terry 1996: 189), appears strikingly similar to the vision propounded by neoliberal advocates of NAFTA and WTO. The flying geese approach joins with neoliberalism in branding any popular opposition to the regionalization of capital—such as the 120,000-strong coalition of workers, farmers, women, urban poor, environmentalists, indigenous peoples, and peace activists who gathered in Japan under the banner of The People's Plan for the Twenty-First Century in 1989 (Hart-Landsberg 1994)—as parochial interests standing in the way of modernization.[18] Like neoliberalism and structural-institutionalism, it sees popular aspirations and struggles as potential disruptions of a predetermined development strategy, not as sources of inspiration for the strategy itself. They are problems to be managed, not human-social phenomena with which to be critically engaged.

## 4. Greater China Approach

The Greater China approach sees the People's Republic of China (PRC), together with the significant concentrations of expatriate Chinese businesses in other East Asian countries, especially Hong Kong and Taiwan, as the main organizer and anchor of regional progress.[19] The recent development of East Asian trade and investment networks makes possible the reestablishment of a dynamic China-centered regional economy. Post-1978 reforms in the PRC set the stage for this "relinking" of China proper with expatriate Chinese capital. Hong Kong and Taiwanese foreign direct investment helped launch China's export-led growth. Chinese-led enterprises from Hong Kong, Taiwan, and Singapore also helped, in concert with Chinese entrepreneurs in Thailand, Malaysia, and Indonesia, to promote the industrialization of the ASEAN-3. The PRC, in turn, is a growing outlet for NIE and ASEAN-3 exports.

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[18] See Seki (1995) and Terry (1996) for examples of flying geese propaganda.

[19] Shu-Ki (1996), Rowley and Lewis (1996), and Selden (1997) give sympathetic overviews of Greater China constructs and their empirical foundations. For applications, see Hsing (1996), Lever-Tracy, et al. (1996), Hamashita (1997), Yeung (1997), and Zhao (1997).

Within this framework, some Greater China analyses place more emphasis on the development impulses and regional economic autonomy generated by the PRC's state-directed economy, and these analyses draw inspiration from structural-institutionalism (see, for example, Selden 1997). Others emphasize the energetic entrepreneurship of expatriate Chinese business, with its family-run enterprises and informal relations of economic reciprocity. These latter analyses combine neoliberal and culturalist conceptions of economic relationships. Yeung (1997: 1–2) even scolds "economistic and Western-centric" approaches for taking inadequate account of "the role of guanxi, or personal relationships in social and business networks." Despite such anti-economistic pretensions, however, Greater China analyses often contain a large dose of old-fashioned small-business ideology, emphasizing the dynamism of family-based enterprises and business networks relative to the established TNC giants and allied national governments (Lever-Tracy et al. 1996). Moreover, elements of both structural-institutionalism and neoliberalism are often found in particular Greater China analyses. Hsing (1996), for example, credits the growth of Taiwan-PRC investment networks to a strong cultural affinity between expatriate Chinese business practices and the flexible-bureaucratic traditions of the Chinese state. In conjunction with recent reforms increasing the autonomy of Chinese local governments, this affinity evidently created fertile ground for reciprocal "gift-exchanges" between Taiwanese investors and Chinese government officials.

Challenging Japan's status as the lead East Asian goose, Greater China theorists have argued that Japan's regional prominence in the post-World War II period derived from U.S. imperial power just as much or even more than from Japanese strength. The United States encouraged and supported Japan's regional leadership in order to reduce its own cost of maintaining an open global system of investment and trade. U.S. economic and (especially) political and military influence over Japan, and East Asia more generally, is still substantial enough to preclude any meaningful talk of Japan as a lead goose.[20] At the same time, the

[20] Cumings (1997b) even asserts that the real "lead goose" in East Asia is still the United States with its unrivalled combination of military, political, and economic strength. However, most Greater China analyses addressing this issue see a more co-equal, "multipolar" regional power structure developing among the United States, Japan, and the re-emergent PRC; see especially Selden (1997) and Zhao (1997).

reemergence of China as a major regional force reduces East Asia's dependence on the United States (and by extension Japan) both economically and politically. The economic strength and dynamism of the PRC and of Chinese regional investment and trade networks improves the terms on which East Asia is integrated into the world economic system, enhancing the region's chances for sustained economic success (Hamashita 1997).

While recognizing the tensions and instabilities internal to China proper as a potential threat to the region's prosperity, Greater China analyses treat the PRC's worsening interregional inequalities, corruption, inflation, unemployment, social polarization, and environmental destruction as manageable side-effects of economic dynamism, especially given the "substantial regulatory and organizational powers" retained by the Chinese state (Selden 1997: 337; cf. Shu-Ki 1996: 36–37). Greater China theorists also worry that East Asia's complex array of competing capitalist and imperial state interests could generate disruptive conflicts. Perhaps the most important tension is that between Japan's "lead goose" project and China's emergent regional economic interests (Yam 1995: 65). Trade and diplomatic conflicts between the United States and the East Asian countries (especially China and Japan) are also a major concern—with the deep-rooted political antagonism between Taiwan and the PRC always lurking in the background as a potential destabilizing force (Sung 1993: 128). A truly dangerous escalation of conflicts is considered unlikely, however, so long as the behavior of the leading East Asian states, particularly China and Japan, is conditioned by their common need for continued economic and military cooperation with the United States (Selden 1997: 338). The United States thus emerges as a key conflict manager in a multi-polar regional power structure anchored by Greater China (Zhao 1997).

The Greater China approach suffers from a number of serious problems. To begin with, it underestimates the regional presence of Japanese capital compared to Chinese organized investment and trade flows. It is true that Chinese-led firms from Hong Kong and Taiwan dominated the initial direct foreign investment flows into the PRC; they were also (together with Chinese-led firms from Singapore) a major source of direct investment in the ASEAN-3 countries during the 1980s. But these facts are not inconsistent with a regional hierarchy headed by Japan—a hierarchy based on differential control over technological, marketing, and financial resources.[21] Bowles and MacLean (1996: 399) present data indicating that during the 1985–88 period Japan emerged as the leading direct investment source for all four East Asian NIEs, with FDI-inflow shares ranging from 30.9 percent for Taiwan, to 31.9 percent for Hong Kong, 39.2 percent for Singapore, and 51.8 percent for South Korea. Meanwhile, Japanese direct investment in ASEAN countries eclipsed that of all four NIEs combined for three of the five years from 1986 through 1990 (Bowles and MacLean 1996: 400; see also UNCTAD 1995: 49–50). Subsequent reports revealed that Japanese corporate capital was building a stronger position in China as well, as the PRC tried to upgrade its production into higher value-added areas. Sender (1995: 50–52) observed that China's share of total Japanese outward direct investment had "grown by leaps and bounds and has now reached 6.7 percent...fast coming up on the 7.7 percent share of ASEAN." *The Economist* (1996: 63) noted that "in 1990, direct investment by Japanese firms in China totaled only $349 million. That figure rose by a factor of ten by 1995-96." In fact, "a survey of Japanese companies in January [1996] by Japan's Export-Import Bank found that China was easily the most popular place to invest" (*Economist* 1996: 63).

In its structural-institutional variations, the Greater China approach tends to exaggerate the industrial planning capabilities of the Chinese state and the structural stability of the PRC political economy. Selden (1997: 337), for example, mentions the weakening of the Chinese planning apparatus by privatization and liberalization; but he argues that the Chinese state still possesses considerable potential as a developmentalist state based on "its own heavy industrial foundations, a relatively comprehensive if inefficient complement of industries including electronics, and its own (limited) research infrastructure." The reality, however, is that the most dynamic sectors and regions of the Chinese economy are those which lie outside the shrinking realm of government planning and state enterprise (Cheng 1999: 45). One aspect of this uneven development is the focus of inward direct investment from Hong Kong, Macau, Taiwan, and South Korea on China's coastal provinces, especially Guangdong and

[21] The reality of this hierarchy becomes more difficult to deny when one considers that while "Japan was home to 149 companies ranking among the Fortune 500 largest companies in the world in 1995, not far behind the United States, which led with 151,...South Korea could boast of only 8 such companies, while Taiwan has 2 [and] no other East or Southeast Asian country even makes the list" (Pempel 1996/97: 21).

Fujian in the southeast and (more recently) the Jiangsu-Shanghai region to the north. At the end of 1993, the former two provinces accounted for 46.5 percent of the stock of FDI in the PRC, with the latter region taking up an additional 12.9 percent (Lever-Tracy, et al. 1996: 67). According to UNCTAD, this concentration of FDI-based manufacturing activity is itself

> losing momentum as the transfer of labor-intensive production to China slows down. Partly due to the fact that most labor-intensive production has already moved out from [the investment-source] economies and partly due to increases in labor and land costs in the coastal regions, export-processing production has become less attractive in China than in several other Asian countries (UNCTAD 1996b: 55).

Moreover, in promoting the "synergy" of foreign capital and technology with low-cost domestic labor and expanding domestic upper-class markets, the Chinese state is furthering its own conversion from an autonomous developmental state into a dependent-capitalist state operating as a junior "partner in exploitation" with transnational capital (Greenfield 1998a). As pointed out by Joseph Medley:

> The Chinese state is establishing and reproducing political, economic and even cultural conditions to support foreign capitalist production in China and permit transfers of surplus value from China through international capitalist networks. Firms operating out of Hong Kong, Taiwan and South Korea, as well as Japan, the U.S. and elsewhere, receive direct support from the Chinese state to establish and expand their operations in China....The state is delegating full control of decision-making to foreign firm managements, guaranteeing protection of intellectual property rights and granting access to domestic markets, especially if the foreign firms bring in advanced technology. Foreign firms are allowed to source means, labor and other production imports at competitive market prices. Finally, income from domestic Chinese sales can be readily converted into foreign exchange and

> freely repatriated....Chinese state imperialism is producing the conditions for the "free market, structural adjustment" model, and, consequently, its residents are beginning to suffer the deleterious effects associated with that model. (1997: 9–11)

From this perspective, China's mass unemployment, growing inequality, and ecological havoc appear not as manageable side-effects of healthy growth, but as intrinsic elements of a class-exploitative accumulation process promoted by the Chinese state itself (Greenfield and Leong 1997; Meisner 1997; Smith 1997; Cheng 1999). It is thus unsurprising that Greater China analyses place great weight on the conflict-management capacities of the Chinese state. Even with "ferocious state repression of labor activists," however, the marketization and privatization of the PRC economy, together with new hyper-exploitative systems of labor control and abysmal work conditions in export enterprises, have met with widespread worker resistance—including strikes, demonstrations, and informal workplace protests (Smith 1997: 9–10).[22] The Greater China approach, like neoliberalism and structural-institutionalism, treats such resistance as merely a counter-productive disruption of an economic growth regime whose social integrity is to be uncritically accepted.

In any case, with the vision of China as an autonomous and stable national-developmental regime thrown into question, the notion of Greater China as an integrated regional-development center is also undercut. While structural-institutionalist variants of the Greater China approach overestimate the developmental character of the Chinese state, neoliberal variants underestimate the importance of having a developmental state with a strong regional presence. Here, one may question whether the dynamism and stability of East Asian industrialization can be sustained in the absence of a single dominant regional hegemon. As a case in point, China's recent export offensive was supported by the 1994 devaluation of the yuan and the subsequent real appreciation of the $US-linked currencies of Southeast Asia; it was thus mirrored by Southeast Asia's

[22] Similarly, Beach (1999: 22-23) observes that even though the official trade union federation "promotes government policy more than it protects workers' interests...sporadic worker protests, mostly concerning unpaid wages or pensions, have broken out with increasing frequency around the country." For additional reports on worker unrest in the PRC, see Eckholm (1997, 1998) and Associated Press (1997, 1998).

dramatic export slowdown in 1996–97. The rate of growth in Thai exports, for example, slowed from over 20 percent in 1995 to less than 1 percent in 1996 (*Economist* 1997a: 24). "Now," however, "China's own exports are likely to be dented as currency devaluations all around East Asia increase the competitiveness of its rivals" (*Economist* 1997b: 41). With direct investment inflows into China down an estimated 35 percent over the first ten months of 1997 (Faison 1997), and with the weakening of the Japanese yen through the summer of 1998, "many experts fear that China may eventually be pressured to devalue its currency, setting off a new round of devaluations and financial crises around Asia" (Kristof and WuDunn 1998: B2).

Without a dominant hegemon to underwrite and enforce agreements, there is little likelihood that such competitive warfare will work itself out in the interest of Greater China—assuming such a collective entity exists. The culture- and family-based networks of Chinese business certainly have not immunized the region against overcapacity, financial crisis, and trade tensions with the United States. The ascendance of the PRC as a competing investment and exporting center was a major contributor to these problems. Their ill effects are now being felt in the main centers of Greater China, with slower growth in the PRC and Taiwan, and a serious recession in Hong Kong—not to mention the sharp downturns of the ASEAN-3 economies, where expatriate Chinese capital is also prominent (WuDunn 1998). Such instability is, of course, an inescapable part of capitalism; the point is that the Greater China approach idealizes capitalism by soft-pedaling the class exploitation, uneven development, and explosive international conflicts working to undermine the region's prosperity.

## 5. Dependency Approaches

Dependency analyses of the miracle economies have disputed flying geese claims concerning the benefits of Japan's regional economic leadership for the NIEs and the ASEAN-3.[23] Specifically, they have

[23] Our summary is based on the following left works on East Asia which utilize dependency constructs (often combined with other methodologies): Bello and Rosenfeld (1990), Bello (1992), Fallows (1994), Tabb (1994; 1996), Bernard and Ravenhill (1995), and Bello (1996a).

focused on the development of a hierarchically structured regional system of export-oriented industry featuring highly unequal distributions of value added between Japanese and peripheral enterprises. Dependency analyses recognize that the degree and pattern of external domination differ between the NIEs and the ASEAN-3 countries. One striking difference is the relative absence of a significant import-substitution base in the latter group of countries. But even in South Korea and Taiwan, key manufacturing sectors—including the all-important electronics industry—still rely heavily on imports of essential components and machinery from Japan. This technological and marketing dependence is manifested in original equipment manufacturing arrangements with Japanese firms, and in the increasing resort to sales in lower-rung markets in peripheral countries not as yet fully mined by core-country firms (Hart-Landsberg and Burkett 1998: 99–100). Such dependency effects are more severe in the ASEAN-3, mainly because the ASEAN-3's export-oriented manufacturing is more the product of the post-1985 explosion of direct investment from Japan and the NIEs than of any national industrialization projects generated from within the ASEAN-3. It is therefore characterized by extremely high shares of manufactured exports produced by or under the control of foreign companies, and by a relative absence of local linkages between these foreign-based exporters and locally controlled firms (Fallows 1994; Bernard and Ravenhill 1995; Hatch and Yamamura 1996; Athukorala and Menon 1997).[24]

Many core-country industries also rely significantly on imported inputs. The import-dependency of NIE and ASEAN-3 firms, however, involves inputs containing higher per-unit value added relative to that contained in each unit of locally produced final output. Hence, unlike the flying geese approach, dependency analyses highlight the unequal distributions of value added generated by vertical and horizontal divisions of labor between leading and following countries. In terms of the vertical divisions, consider the Thailand operations of Jinbao Electronics, a medium-sized Taiwan-based firm:

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[24] For example, at the end of the 1980s, foreign controlled companies (primarily Japanese) accounted for approximately 99 percent of Malaysia's exports of electronics, over 90 percent of its exports of machinery and electrical appliances, over 80 percent of its exports of rubber products, and 75 percent of its exports of textile and apparel (Bernard and Ravenhill 1995: 196). See Fallows (1994) and Steven (1997) for further details.

> In April 1990 Jinbao opened a factory in Thailand to manufacture low-end calculators that could no longer be made in Taiwan and exported at a profit. Of its calculators, 60 percent by volume and 40 percent by value are now made in Thailand. Jinbao has been assembling a majority of its calculators for Japanese companies such as Casio and Canon....The innovation behind the product, the brand name, and the marketing are Japanese. All key components for the calculators, such as liquid crystal displays (LCDs) and production equipment in the Thai factory such as insertion equipment, are imported from Japan. All procurement and administration are controlled from Taipei, and the management of the plant is Taiwanese. The labor is Thai. Output from the plant is exclusively for export. In international trade data Jinbao's production is recorded as Thai exports of electronic goods. To purchasers at the other end the products appear to be Japanese. The direct foreign investment statistics indicate a Taiwanese investment. (Bernard and Ravenhill 1995: 186–87)

Such hierarchical industry structures tend to reduce the acquisition of value added as one descends from the lead country (Japan) to mid-range followers like Taiwan, and then to lower-level locations such as Thailand (cf. Limqueco, et al. 1989; Bello 1992; Fallows 1994). Meanwhile, horizontal industrial divisions among follower countries may operate as mechanisms for their competitive division and rule by the lead country's capital. This has become an increasingly important issue as Japanese corporations develop regional production networks integrating different elements of productive activity across countries.

Mitsubishi Motors, for example, had 12 fully owned parts and assembly plants in Asia as of mid-1995. "Its partners crank out low-cost parts Mitsubishi uses in Japan and elsewhere in Asia. For example, Thailand's MMC Sittipol Co. sends truck frames to Mitsubishi in Japan and intake manifolds to Malaysia's Proton" (Updike and Nakarmi 1995: 51). Similarly, "Nissan's factory in Thailand...produces diesel engines and molds for stamped parts, its subsidiary in Indonesia turns out mechanical parts, and its unit in Malaysia provides clutches and electrical parts," while Toyota is also among the companies having "worked out regional specialization schemes" (Bello 1992: 92).[25] Although "the Japanese firms have appealed to the ASEAN countries' long-time dream of setting up a 'regional car complementation' program," their operations

> are not of the sort that would allow the ASEAN countries to develop a truly integrated regional auto industry. The current integration has not been worked out in partnership with governments with a view to maximize technology transfer and other benefits for the participating countries. It is driven, instead, by the efforts of Japanese corporations to cut costs and increase profitability. (Bello 1992: 92)

East Asia's dependence on Japanese business has been reinforced by Japanese aid and lending policies. Besides helping to finance the import bills associated with export-led industrialization, Japan's development aid is—compared to other core countries—highly integrated with the strategic goals of Japanese transnationals in terms of industrial location, and primary product production and importation. It is largely directed towards infrastructural projects supporting Japanese export-oriented operations (Hatch and Yamamura 1996). Meanwhile, right up until the 1997–98 regional financial crisis, private Japanese banks played "a major role in the realization of economic integration into a 'yen co-prosperity sphere'" (Hiroshi, et al. 1993: 38; cf. Fumio 1993). Japanese bank lending in Asia (outside Japan) grew from $72 billion in June 1993 to $116 billion as of June 1996 (Sapsford 1997: A14). Outstanding loans by Japanese banks to the ASEAN-3 countries totalled $67.7 billion at the end of 1996, compared to $12.6 billion and $49.4 billion by U.S. and European banks, respectively (International Monetary Fund 1997: 7).

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[25] In electronics, Matsushita makes electron guns for TVs in its Malaysian factory, which are then exported to Singapore where they are assembled into picture tubes at a Hitachi plant. The tubes are then sent back to Japanese factories in Malaysia and Thailand for assembly into finished TVs for export (Fallows 1994: 271). "Each country has a definite function for the electronics giant: Malaysia focusses on color TVs and electric irons (half for export), Singapore on semi-conductors (90 per cent for export), the Philippines on dry-cell batteries as well as floppy-disk drives and electrolytic capacitors" (Steven 1990: 116).

Their relatively extreme dependence on imported inputs, technologies, and financial resources has left the ASEAN-3 with an especially strong structural tendency toward rising trade deficits, although even South Korea has not escaped this tendency (Hart-Landsberg and Burkett 1998: 100, 104–5).[26] Aside from maldistribution of value added, an important element of the problem is that, with marketing channels shaped by the needs of Japanese capital, East Asian exports are largely directed toward the markets of non-Asian core countries (especially the United States). Sustained export success in these markets generates both protectionist pressures in the core countries and demands for the dependent exporting countries to open up their own markets to imports of core-produced agricultural and consumer goods. These pressures and demands not only add to East Asian trade imbalances, but also threaten East Asian countries with a premature stunting of their agriculture and import-substitution industries (Bello and Rosenfeld 1990; Hart-Landsberg 1993).

Dependency analyses see structural trade deficits hindering continued East Asian growth in two different ways. First, trade deficits produce increased dependence on capital inflows. However, the policies required to maintain these inflows (low wages and low taxes, tight monetary policy) often preclude the public spending on R&D, education, and other infrastructural projects needed for upgrading local production toward higher value-added activities. And, as newer, lower cost production sites become attractive to foreign corporations (e.g., China, Vietnam), it becomes more difficult for the NIEs and the ASEAN-3 to secure the necessary capital inflows.[27] The potential for balance-of-payments crises and IMF-style retrenchment is enhanced by the relatively low diversification of manufactured exports combined with tendencies toward collective overproduction by the NIEs and newer players in the export-led growth game.

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[26] Beginning in the late 1980s, the South Korean trade deficit problem was accentuated by the outward migration of many small- and medium-sized export businesses in search of lower wage costs (Shin and Lee 1995), followed by a growing substitution of foreign for domestic investment by the larger *chaebol* enterprises (Hart-Landsberg and Burkett 1998: 97–99).

[27] Yam (1995) details the growing competition between China and ASEAN for direct investment inflows. He suggests that the "competitive pressure" to sustain these inflows was "a key factor driving the process of unilateral liberalization in trading and investment regimes in the region" (ibid: 64).

Second, faced with the need to increase foreign exchange earnings by any means necessary, East Asian governments are driven to implement policies designed to super-exploit female and child labor in light-export manufacturing, repress labor organizing, plunder the country's natural resource base (forests, minerals, fisheries, agricultural lands), and to exploit women and young people in sex-tourism and expatriate employment activities (James 1997: 222–23). While such destructive means of hard-currency accumulation are hardly unique to East Asia, their integral role there shows that even the most dynamic and competitive forms of capital accumulation share capitalism's general tendency to erode the natural, human, and social conditions of production (O'Connor 1998; Burkett 1999).

The dependency approach encourages a critical rethinking of capitalism and of development criteria. However, when not solidly and consistently grounded in a class perspective on capital accumulation, it may lead to an overemphasis on international economic domination and resulting structural trade deficits, considered not as symptoms of more fundamental capitalist contradictions but as the primary barriers to continued growth and development. Not that external payments problems are unimportant; the 1997 currency crises in the ASEAN-3 and South Korea destroyed prior optimistic projections that capital inflows could indefinitely sustain the East Asian miracles. But insofar as structural trade deficits reflect unequal distributions of value added across countries, they manifest the uneven development of capital accumulation, i.e., the uneven development of the extraction of surplus value from the direct producers. The international distributions of investment, production, and value added are shaped by the uneven development of hierarchical structures of corporate-capitalist control and of capital-labor conflicts within and across countries, not by unequal relations between countries as such. Their ultimate basis is the alienation of the conditions and results of social labor vis-à-vis the direct producers, and their conversion into instruments for exploiting these producers, in all countries as a whole. By neglecting or straying away from this holistic class dimension, many dependency analyses tend to slip into a kind of technocratic perspective on problems of East Asian economics and policy. This has the effect of undermining the national, regional, and global class solidarity needed to move beyond capitalism's uneven and unequal development toward a more worker-community centered political-economy.

Guided by a concern with structural inequalities between more and less developed nations, many dependency analyses focus on finding, and winning adoption of, those state policies they hope will enable externally dominated nations to break out of their dependency and shape, often in concert with other similarly situated nations, a development trajectory that is less trade dependent, more environmentally sustainable, and more responsive to popular needs. This approach does not, it is important to note, entail an uncritical support for any particular kind of capitalism as opposed to a more democratic, worker-community controlled economy. The problem is subtler than this: in comparing capitalist policy regimes, the analysis ends up adopting a structural-institutionalist type of thinking in which the dynamics of accumulation are treated as if they were largely the result of decisions made by policymakers free to choose from a range of "best practices," rather than a complex outcome of uneven development, class struggles, and factional conflicts domestically and internationally. This kind of quasi-technocratic analysis tends to promote a confused politics in which rejection of neoliberalism becomes the guiding star and people are in effect encouraged to work, although critically, with existing governments and regional organizations such as the ASEAN Free Trade Agreement, to strengthen and progressively reorient the dependent-capitalist state's economic planning and redistributive capabilities (Bello 1996b and 1996c).

The limitations of dependency analysis shorn of class perspective are perhaps best illustrated by the way some scholars have treated Japan.[28] Somewhat ironically in light of their criticism of Japanese policy towards Asia, these scholars find much to praise about the Japanese state and its role in building an internationally competitive economy. In fact, praise for Japan often goes beyond the endorsement of structural-institutionalist claims regarding the industrial policy successes of the Japanese state. Some analysts, echoing the pronouncements of the flying geese theorists, argue that when compared with U.S. imperialism, Japanese imperialism delivers more productive foreign direct investment and a more flexible accommodation of state-interventionist growth in the countries it targets. In fact, these analyses often wind up treating the competitiveness pressures, inequalities, social dislocations, and environmental havoc created by Japanese investment throughout East Asia as inessential side-

[28] The criticisms in the present paragraph apply in particular to Tabb (1992; 1994) and Bello (1996a; 1996b; 1996c).

effects of an economic regime the main technical and institutional features of which are worthy of critical popular support. In this way, popular criticism and input tend to be limited—at least for the time being—to demands for ameliorative state actions against these external effects. The basic relations of capital accumulation remain, at least for now, unquestioned; hence the need to envision and fight for alternative democratic institutions to serve as vehicles of worker-community based development remains equally unaddressed.

But the really serious problem with the formulation of left analysis and strategy on the basis of the most "progressive" form of capitalism for (or from) East Asia is its tendency to be derailed by the uneven development of capital accumulation, including overproduction crises. A growing number of left political economists have championed Japan, Taiwan, or South Korea—and recently even the ASEAN-3 and China—as offering development policy regimes which are not only competitive and productive, but also (given the right political conditions and strategies) accommodative of worker-community needs (see, for example, Tabb 1992; Lippit 1993; Amsden 1994; Goodno 1996; Goldstein 1997; Miller 1997; Lazonick 1998). Due to the difficulty of separating the authoritarianism of the regimes being trumpeted from their competitive economic successes, this strategy was never very effective. It has been seriously fractured by East Asia's economic crisis. This crisis is revealing the purported long-termist, productivist, and nurturing qualities of the Japanese and East Asian economies to be just so many one-sided idealizations of capitalism. The reduction of Japanese direct investment in the ASEAN-3 countries was a major factor forcing these countries to pursue external short-term capital flows in order to cover their growing trade deficits, setting the stage for the financial crises which triggered the region's recession (Hart-Landsberg 1998a). The withdrawal of speculative Japanese loans and portfolio capital played a significant role in the financial crises themselves, and the recession has been accentuated by further cutbacks of Japanese direct investments, especially in the ASEAN-3 countries (International Monetary Fund 1997; Henwood 1998). When not sacking thousands of workers, Japanese and NIE-based manufacturing units are severely pressuring their workers and subcontractors in the ASEAN-3, Vietnam, and China to produce more at lower wages and prices (Greenfield 1998b). It turns out that Japanese and East Asian capitalism are just as crisis-prone, and just as likely to redistribute the costs of crisis onto those who can least afford them, as any other kind of capitalism.

## 6. Conclusion

The treatment of East Asia as a field of replicable capitalist success stories is illusory; it entraps popular movements in a misleading game of comparisons among alternative capitalisms. We need to recognize the differences among national and regional capitalisms while avoiding the kind of idealized model-building which treats the most dynamic capitalisms in abstraction from their contradictions. This requires a holistic perspective which does not artificially isolate the competitive successes of particular enterprises and countries from their less competitive counterparts.

A left perspective must never treat popular aspirations as disruptive forces to be hierarchically managed. The challenge is to create alternative development visions out of the class-based dynamics of capital accumulation together with the popular movements generated in and against these dynamics. The proper lesson to draw from prior development successes in East Asia is not that the left should support state-interventionist capitalism. The East Asian crisis has revealed this to be a dead-end strategy. Rather, state-capitalist development proves that planned alternatives to neoliberalism do exist, but that such alternatives ultimately can support human development only insofar as they move beyond capitalism toward a worker-community centered economy. Similarly, the fact that mass resistance has (at this writing) prevented the full implementation of IMF austerity in East Asia hardly connotes mass support for a reinvigoration of state-capitalist development policies. It represents unrealized aspirations for an economy driven by worker-community power. During an economic crisis, "the struggle for the worker's right to live...can be a direct hit on the capitalist relations of production, on condition that the workers are organized and mobilized to rise above their demands of simple economic interests to the fundamental change of social structure" (Jeong and Shin 1998: 15). Insofar as left analyses respond to the crisis merely by calling for a new round of state intervention to promote stability, competitiveness, and growth, they miss an historic opportunity for critical engagement with popular movements in service of a many-sided struggle for new, democratic-socialist forms of development (McNally 1998).[29]

In conclusion, mainstream scholars will continue to offer a variety of explanations for the economic problems striking East Asia, but a Marxist perspective is needed to inform popular anti-capitalist struggles. The advantage of Marxism is that it does not draw artificial divisions between the dynamism and the contradictions of capitalism. By viewing capitalist contradictions as intrinsic loci of class conflict, Marxism co-evolves with worker-community struggles; and the struggle for a cooperative-democratic and sustainable political economy is now the main task facing working people in East Asia and worldwide.

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[29] Working-class and student protestors in Thailand have been particularly blunt about the conflict between the rights of capital and the "worker's right to live"; see Mydans (1997a, 1997b). This conflict is also apparent in the propaganda of South Korean worker and student movements (Strom 1998), even though there is a danger that popular aspirations may be channeled down the misleading path of anti-IMF and anti-*chaebol* ideology rather than anti-capitalist struggle. See Jeong and Shin (1998) for a useful discussion.

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