

Chapter 1

Introduction

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The present volume contains case studies of how government and firms in a number of select Asian countries have responded to challenges of globalisation and how that has affected their economic transformation. The volume includes case studies from India, Malaysia, Singapore, South Korea, Syria, Thailand, Taiwan and Vietnam.

a. Globalisation

In our discussion 'globalisation' refers to international regulation, transnational financial flows and systems of production and services that span over continents or macro-regions. To a large extent these are processes dominated by actors in the Western OECD countries. In addition, our discussion also emphasise processes of 'regionalisation' with important consequences to national actors, especially in East Asia. These processes of regionalisation entail transnational investment flows, transnational systems of production and services and to a lesser extent international regional regulation in the East Asian region.

b. Local response

We focus on what room of manoeuvre there is for states and nationally based 'producers' (companies and farmers) that strive to cope with the processes of globalisation and regionalisation indicated above, and what effect their response to these processes will have for overall national economic development.

We are engaging in the general debate between on the one hand 'globalists' who argue that nation-states have lost, or are in the process of loosing their independent position as regulators of economic processes and actors, and on the other hand 'globalisation sceptics' who contest this interpretation, arguing that the political and institutional configuration of a country to a significant degree determines the impact of global change processes and international actors upon national development patterns and national performance. Many of the studies tend to be closer to the latter

position, emphasising variations of capacities for local adjustment, but there is considerable variation among the case studies on these questions.

c. Presentation of the book

Theoretical discussions - Chapter 2 by Kristen Nordhaug develops a general theoretical framework for the discussion of the interaction between globalisation and local institutions. Three forms of 'globalisation' are identified as particularly relevant for the current discussions. These are global financial flows ('flows'); global webs of production and services ('webs'); and global political regulation that make rules, liberalises and standardises global webs and flows ('regulation'). It is argued that the problems and opportunities that developing countries and emerging economies face in their effort at economic transformation vary from one type of globalisation to the other, and that their ability to adjust successfully depends on local organisations and institutions. At the local level four types of local 'institutional sectors' are identified: corporate systems; systems of education, training and research; financial systems; and agricultural systems. An issue which is discussed in relation to these institutional sectors is the relationship between local 'Asian' forms of capitalist organisation and institutional orders, and the 'Anglo-American' organisations and institutions that to a large extent are embedded in processes of globalisation.

Chapters 3-5 undertake theoretical discussions in relation to more specific fields of investigation. Chapter 3 by the late John Degenbol-Martinussen discusses capacities of states to support industrial transformation. It looks into theoretical discussions of determinants of these capacities, emphasising arguments about bureaucratic autonomy in combination with institutionalised co-operation between government and business (embedded autonomy). It then reviews the discussion among 'globalisation sceptics' and 'globalists' about how these capacities are affected by processes of globalisation.

Chapter 4 by Laurids Lauridsen presents theoretical approaches to the impact of transnational companies on developing country economic performances. It is emphasised that recent developments have resulted in multilayered global and regional subcontractor relationships of production with 'global companies' at the top of these hierarchies. Developing country producers may have to link up with these networks to get access to foreign markets, technology and other resources, but still it is contended that

inclusion into transnational networks is no panacea. Local capacities of firms and governments will play a key role in promoting favourable effects in terms of upgrading into higher-value added activities and local linkages. In chapter 5 Rasmus Wendt, Thorkil Casse and Mogens Buch-Hansen discuss the activities of the IMF, the World Bank and the WTO, and their impacts on developing countries. The discussion of the WTO stresses that 'new trade issues' such as intellectual property rights, trade-related investment measures and trade in services tend to reduce the freedom of action of development strategies in developing countries, and to enhance the power position of transnational companies vis-à-vis host governments. While the WTO may improve the market access of developing countries to developed-country markets, various forms of protection of these markets continue, especially so with regard to agriculture.

In the discussion of the IMF and the World Bank it is argued that major structural adjustments as seen in Latin America in the 1980s and in East Asia from 1997 share many similarities such as the focus on macroeconomic stability through austerity policies, although there were great differences in the macroeconomic situation between the two regions. On the other hand, the traditional division of labour between the two institutions broke down during the Asian financial crisis. Instead of the IMF focusing on short-term macroeconomic balancing and the World Bank moving in later with institutional structural adjustment programmes, both issues were stressed by the IMF right from the beginning. The implication was that Asian countries became implicated in complicated negotiations over structural reforms in the heat of the crisis.

Chapter 6 by Thorkil Casse, Laurids Lauridsen and Kristen Nordhaug concludes the theoretical discussion with a number of hypotheses of conditions of successful adjustment to be explored in the case studies.

Empirical studies – A study of regional conditions of East Asian development by Daniel Fleming, Kristen Nordhaug and Henrik Søborg in chapter 7 investigates the regional organisation of webs of production and their interaction with global and regional geopolitics and region-based international organisations. The study stresses the variation in national and regional development strategies. It also points to the transformation from a rather weak regional integration and an outward-oriented economic development model – depending on exports to and investments from the West - to a stronger regional integration of flows and webs.

Regulations – Four studies are discussing local impacts and local responses to international regulation. Chapter 8 written by the late John Degenbol-Martinussen looks into India's trade and foreign investment policy reforms since 1991 in relation to the IMF, the WTO and domestic political processes. The study assesses the impact of India's liberalisation on levels of industrial growth, export, investment and employment. It then goes on to discuss the respective roles of the external regulatory agencies and domestic politics in determining the liberalisation policies in India and their limitations.

In chapter 9 Rasmus A. Wendt follows up with a sector-specific discussion of India from the second half of the 1990s. He investigates the implementation of trade-related intellectual property rights (TRIPs) under the WTO framework in India's pharmaceutical industry. The study discusses the likely impacts of TRIPs on the Indian pharmaceutical industry, emphasising that the impacts probably will differ among large and small-medium companies. It further discusses the general international negotiations over the TRIPs agreement and India's position in those negotiations and the domestic political conflicts in India over TRIPs.

In chapter 10 Mogens Buch-Hansen discusses ongoing changes in Thailand's agricultural sector. The discussion looks into the effects of the WTO Agreement on Agriculture on ongoing changes in Thailand towards specialised export agriculture and how these changes impact on the traditional agrarian way of life, distribution and the environment.

In chapter 11 Jakob Lindahl studies the shrimp processing industry in Vietnam. The study is straddling our distinction between webs and rules, as it is emphasising the interplay between rules of food safety and their impacts on the webs of production and distribution in which Vietnamese producers are included. The WTO's sanitary and phyto sanitary (SPS) entails attempts to harmonise food safety standards, but there is also room for national differences. Lindahl investigates the problem of Vietnamese exporters in adjusting to the differing standards of their main export markets and local variety in adjustment to these rules between the relatively large state-owned enterprises and the relatively small private-sector enterprises.

Søren Schmidt's study of Syria in chapter 12 differs from most of the others in this volume. Syria is only to a limited extent exposed to the forms of globalisation discussed in the other country cases. Also, Syria is a weaker state and it has not put in place the requirements of a capitalist economy and linked up with the world economy to the same extent as the other countries (including Vietnam). The study investigates the ongoing

economic reform strategies in Syria, which include attempts to promote export-orientated industrialisation and other forms of integration into the global market. These attempted reforms and their limitations are related to power relations and the political imperatives of legitimacy and political survival of the Ba'ath regime.

Webs – Four studies discuss local responses to global webs of production. Sanne Lehmann Jørgensen's study in chapter 13 discusses integration in global production networks of automotive and garment and textile manufacturing production in Thailand and the impact of this integration on knowledge transfer to local producers. The study relate the extent of knowledge transfer that takes place to TNC strategies of organising production and supplier networks and to local conditions in the Thai corporate environment.

While Jørgensen investigated responses in Thai enterprises to global webs, Laurids Lauridsen study from Thailand examines the role of policy and state capacity in local responses to global webs of production. The chapter focuses on government policies to deepen the industrial structure through linkages between transnational companies and local suppliers and through support to small and medium scale enterprises. The performance of these policies is related to the commitment by the political elite and the working of state organisations and state–society relations.

In chapter 15 Daniel Fleming and Henrik Søborg investigates the human resource development (HRD) strategies of the governments of Singapore and Malaysia. The aim is to develop adequate systems of education and training for their strategies of economic upgrading into higher-value added forms of production and services. The success of these government policies is related to the relationship between the HRD strategies and other government priorities as well as the interest of local and transnational business to co-operate with the government in skill upgrading of their workforces.

In chapter 16 Rasmus Lema studies the software industry in Bangalore. These companies have specialised in customer-centred software services for leading global companies. Lema assesses the strengths and weaknesses of this adjustment of local companies with regard to potentials for technological upgrading and learning. Furthermore, he discusses how the vertical networks between companies in Bangalore and developed country customer companies impact on local inter-business networks. Based on this discussion it is argued that the case does not fit into theories that emphasise

‘strong relational’ local corporate systems and their resilience to economic globalisation.

Flows – Two studies investigate national adjustment to global financial flows. Nordhaug compares financial policies and liberalisation in Malaysia and Taiwan, and the ensuing resilience of the two countries to the 1997/98 regional financial crisis. It is contended that the liberalisation taking place in Taiwan, especially of cross-border financial flows, was more cautious than in Malaysia. In result, Taiwan was more resilient than Malaysia to the regional financial crisis. Nordhaug then goes on to investigate what features of the political systems of the two countries that can explain these differences, emphasising the role of business interests associated with the ruling parties, the power position of the central bank and the external security situation.

Casse and Plesner look into the development of government–business relations in South Korea and how this relationship interacted with the financial liberalisation of the 1990s and the financial crisis of 1997/98. They discuss the features of the financial liberalisation that took place prior to the crisis, and relate the Korean crisis to the dominant types of analyses of the regional financial crisis. This is followed up with a discussion of the relative impact of domestic (business, government) and external (United States) interests and agency in the liberalisation process. Then follows a discussion of policy changes after the financial crisis and how these changes interacted with relations government – business – the IMF.