

Restructuring social policy after the crisis

ASEM: The new politics of development

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Introduction

For many authoritative commentators the worst of the East Asian economic crisis is over. According to this view, and with the benefit of hindsight, the cascading troubles of 1997-98 are now seen not so much as the precursor to the first crisis of globalisation but rather as a timely opportunity to advance new macroeconomic policies and structural adjustment. Broadly speaking, these arrangements have moved East-Asian economies further towards the prevailing neoliberal orthodoxy faithful to the disciplines required for the resumption of capitalist accumulation on a regional scale.

In doing so, the crisis provided the conditions for ringing down the curtain on the model of so-called ‘late industrialisation’ predicated on what have come to be seen as deeply-embedded institutional debilities, poor quality regulation and ‘crony capitalism’. In its place, the new broom of far-reaching reform is said to be sweeping the region and the promise of renewed growth is now well established. In the words of the World Bank (2000a: 1): ‘East Asia’s recovery has gained momentum, broadened across the region, and is now creating jobs at a quickening pace.... External balances remain favorable... Nor have signs of possible internal imbalances emerged’. To be sure, there was much hand-ringing about the other aspect of the crisis that preoccupied economists both inside and outside international financial institutions — the problem of excessive and poorly monitored foreign capital flows coming primarily from the United States and Europe. But the debate over the much-heralded ‘new financial architecture’ has decomposed into a barely audible whisper, kept alive by a few heterodox economists and activists but pointedly ignored by investors and global managers alike. The message, then, is clear: in Asia it is business as usual. But not quite as usual. For the rules governing Asia’s political economies have been rewritten so thoroughly that neoliberalism is now the new development orthodoxy.

East Asia is now bound by its commitments to a world in which government regulation is reduced to the goals of ‘efficiency’ and market-based competitiveness, and corporations are opened up to foreign capital and competition, each tailored to the maintenance of capitalist hegemony on a global

scale.

Woven through this absurdly optimistic account of the 'recovery from crisis' are the mystifications, subterfuges and contradictions that lie at the heart of the development orthodoxy and the character of international politics at the beginning of the new century. With this in mind, this paper asks whether, in the new conditions of post-crisis Asia, the triumph of the neoliberal market order is assured or, alternatively, whether the space exists for critical thinking and a political challenge that may resist it. It does so by drawing together two relatively marginal aspects of the politics of the crisis. First, it examines the role of the European Union, institutionalised through the Europe-Asia Meeting (ASEM) process, in helping to manage the rewriting of the rules of development — a relationship that is neglected from much critical scrutiny because of the primacy usually afforded to the role of the US. The second focus is on the character of social policy and labour market reform that is being imposed. Again, these are relatively neglected issues given the spotlight on the financial aspects of the crisis. The argument put forward here suggests that the ASEM process functions to hasten, reinforce and complement processes of neoliberal reform that are already under way at the national level, as East Asian countries are invited to 'lock themselves in' to irreversible reform. In so doing, the key instruments for so doing reside in the fields of social policy and labour market reform — which effectively penetrate the very heart of the 'neoliberal revolution' at least as much as the deregulation of global finance or the liberalisation of trade. Social policy and labour market reform are central to the reassertion of the authority of capital over labour, facilitating the unimpeded operation of capitalist markets for labour, goods and investment, and reinforcing both domestic and international regulatory orders capable of enforcing the disciplines essential to capitalist reproduction. Set in this light, development has been reinvented, not as a resistance to the logic of capitalism but as a programme for subordination to it.

ASEM and the Politics of the Asian Crisis

The original rationale for the strengthening of relations between East Asia and the European Union (EU) in the mid 1990s was predicated on developing new means for facilitating dialogue and cooperation between two of the major regions of the world economy. On the one hand, this reflected the trend towards new forms of regionalism. In Europe, the East Asian policy built on internal developments associated with the deepening of market integration and economic liberalisation. This was designed to consolidate Europe as a zone of increasing profitability and ensure that relations between member states remained anchored in a stable network of intergovernmental and supranational relations (Richards and Kirkpatrick, 1999). In East Asia, processes of structural integration had been advanced since the mid 1980s. This was achieved by the de facto regionalisation of production as foreign direct investment from Japan, South Korea and Taiwan became increasingly important in shaping the development trajectory in Southeast Asia (Hatch and Yamamura, 1996; Higgott, 1999).

This, in turn, provided the impetus for the evolution of regional cooperative dialogues between East Asian states. On the other hand, the establishment of a new institutional setting for East Asia-Europe relations reflected the desire on the part of political elites and policymakers to establish a meso-level of authority in order to mediate and regulate the dynamics, pressures and potential conflicts associated with the restructuring of power and production in a very rapidly changing world (Richards and Kirkpatrick, 1999; Segal, 1997; Drysdale and Vines, 1998; Maull et al., 1998).

It was expected that the ASEM process, carried forward by successive summits in Bangkok (1996) and London (1998), would create a forum for periodic interregional dialogue which would serve two key purposes. It would fill a gap in the existing array of international institutions and multilateral

economic governance, thus strengthening the so called 'weak leg' of the triad of developed regions in the global economy; and, it would also enhance opportunities for communication on a range of key policy objectives between states from either side of the 'East West divide' (Hdnggi, 1999). But the assumptions that had driven this engagement were dealt a severe jolt by the onset of the Asian economic crisis and growing turbulence in the global economy. These new circumstances significantly affected the perspectives of Asian and European partners. The 1996 meeting had been driven by the perception that Europe needed to engage more effectively with the dynamic economies of East Asia. By the time of the 1998 meeting, held in the wake of the crisis, ASEM was used as yet another institutional setting to advance an agenda that centred on the internalisation in East Asian states of the disciplines associated with neoliberalism (Cammack and Richards, 1999; Cammack, 1999).

To take the analysis further it is necessary to focus on the content of inter-regional cooperation between Europe and Asia — in other words, what it is that cooperation is about. Over the last two years, in particular, ASEM can be seen increasingly as a means of advancing a neoliberal world order. In doing so, it is expected to improve the environment for transnational business cooperation (Dent 1997-8: 498). In this conception, ASEM constitutes an institutional response to the relatively underdeveloped state of economic relations between East Asia and Europe. In turn, the institutional development secured through ASEM enables East Asia to play an enhanced role in the management of the global order. Once constituted, ASEM can promote the exchange of information and the creation of communicative networks, present Asia to Europe and the US as a partner rather than a rival, facilitate mutual learning, and generally support and advance continued liberalisation in the global economy.

According to its proponents, then, processes such as ASEM build upon existing bilateral and regional relations, and reinforce or facilitate multilateral initiatives emanating from international organisations such as the World Bank, IMF or WTO. But to place inter-regional initiatives between bilateral, regional and multilateral levels of interaction between states is immediately to draw attention to the fact that they are potentially as much 'problem-making' as 'problem-solving'. National interests do not go away when states extend their international activity beyond purely bilateral initiatives; regional groupings are multiple and overlapping, and express widely differing conceptions of the 'region' and its interests (as the different constituencies of the Asia Pacific Economic Cooperation forum, the Association of South East Asian Nations, the East Asian Economic Caucus and ASEM itself suggests); and the priority given to the hope that such initiatives as ASEM can reinforce multilateral efforts is itself a reminder that regional groupings can work against multilateral processes, and that interregionalism can as easily become a means of imposing the interests of one region over another as a means of smoothing the assimilation of regions into a global network of exchange.

In this respect, the most significant aspect of the financial statement issued at the close of the 1998 meeting was that its call for action concentrated entirely on tightening the global discipline exerted by the IMF and related institutions, and furthering the opening of Asian markets (ASEM 1998). It called for

- 'a strengthened capacity of the IMF to respond to financial difficulties in a timely and decisive manner'
- enhanced and more transparent global IMF surveillance, complemented in Asia by the establishment of a new regional surveillance mechanism'
- 'strengthened cooperation, regulation and supervision in financial sectors, and an examination by the IMF and international regulators' bodies of ways to improve transparency in financial and capital markets'
- acceptance of World Bank assistance in relation to the restructuring of financial sectors, and to

social measures to address poverty

- adherence to WTO rules in order to preserve an open trading system
- promotion of private sector involvement in providing financial assistance
- complementary efforts to create 'the right climate for private investors to make full and adequate assessments in relation to their lending and financing decisions'
- full and rapid implementation by all ASEM partners of the Trade Facilitation Action Plan and the Investment Promotion Action Plan in order further to open up trade and expand investment between Asia and Europe
- This programme, presented under the 'problem solving' heading of 'A Shared Interest in Restoring Stability', was actually a far more aggressive act of intervention than its anodyne title suggests. It proposed to bring the Asian states concerned entirely within the set of global disciplines jointly operated by the IMF, the World Bank and the WTO, and to promote access on all fronts for global private capital within this framework. Rather than a return to a former status quo, this represented a decisive forward step in the creation of a genuinely global neoliberal framework for capitalist development. In so doing, ASEM can best be understood as acting strategically to enforce the structural requisites of capitalist reproduction over the longer term.

Against this background, since the London ASEM Summit the major instrument for orchestrating, advancing and legitimising the new' orthodoxy has been the ASEM Asian Crisis Response Trust Fund, established in June 1998 (World Bank, 2000b). Drawing on European 'expertise and experience', it operates through a combination of seven country based schemes as well as supporting region-wide initiatives. The Trust Fund promises nothing new but rather marks the consolidation of a process of neoliberal reform that had been under way for a decade — identifying both the policies needed and national and global levels to further embed capitalist development, and the means through which they would be implemented.

The degree to which the Trust Fund's overall strategic vision is subsumed to the requirements of internationally managed policies of restructuring is set out explicitly in ex post facto terms. In order to facilitate 'recovery', the trust Fund proposes to 'support reform programs agreed upon with the international financial institutions' and to provide a vehicle for 'enhancing and channeling the international response to the 1997/99 Asian crisis' notably that of the IMF and World Bank (ibid.: i, iii). This is to be undertaken through a comprehensive framework for reform, driving its logic through every aspect of social organisation — social welfare, financial restructuring, and corporate restructuring — and refashioning and fusing them into a coherent whole.

The purpose of the Trust Fund is neither technical nor managerial, at least not in any narrow sense, even though the tenor of the Trust Fund's own rationale appears to be about the creation of 'good' policy regimes. Rather, the long-term strategy is explicitly political in two senses. It offers the European states in the ASEM process a further institutional arrangement to assert its own role in the management of the global political economy, ensuring at the same time that European firms are advantageously aligned to take advantage of any recovery in Asia. More importantly, the policies proposed and implemented through the Trust Fund allow for the configuration of social power and preparing 'the foundations for institutional reforms' in East Asian states themselves (ibid.: ii). What this actually means is to lock in those institutions appropriate to a liberal capitalist economy: property rights, contracts, company and foreign investment law, bankruptcy law and competition law, and new financial institutions, including marketoriented supervisory agencies.

Within this framework, then, the Trust Fund has placed considerable effort on the provision of a stable macroeconomic foundation to restore and maintain the confidence of the private sector — of bank depositors, creditors and investors — not least in order to open up these critical financial and corporate sectors to new owners and competitors. The implications for Asian elites are clear: the process of deep-seated capitalist reform along neoliberal lines is in train. The appropriate roles for

governments and international institutions oriented towards supporting and supplementing market disciplines is being advanced. Their task, if they should accept these capitalist disciplines, is to effect the smooth functioning and the expansion of markets according to global norms.

The Social Policy Agenda

Against this background, and as the ASEM Trust Fund itself makes clear, one of the key challenges at the heart of the reordering of political-economic priorities in East Asia since the crisis is the future of social policy and development itself. There has been a belated recognition in a range of policy circles that the current conjuncture in East Asia represents a more general social and development crisis rather than a narrow financial one. It is now generally accepted by a range of actors — East Asian and European governments, the World Bank and International Labour Organisation, non-governmental organisations — that the social impact of the crisis is liable to be deeper and can be expected to persist long after economies have returned to positive growth. As an ILO (1998a) report makes clear, in spite of the stabilisation of financial indicators, such as currencies and equity prices, ‘the social implications of the crisis have become enormous, with unemployment, underemployment and poverty rising steeply’. The human development costs have already been extremely harsh and are likely to get worse. The parlous state of social conditions and the unfolding human tragedy can be attributed to three causes: longstanding deficiencies in the systems of social protection and welfare; the effects of the sharp reversal from capital inflows to capital outflows; and post-crisis social policy responses, including those demanded by the World Bank and IMF as part of their adjustment strategies and eagerly advanced by the ASEM process.

In their comparative study of the political economy of welfare, White and Goodman (1998, p. 14) quite properly caution against the oversimplified idea of one homogeneous ‘East Asian welfare model’. As they point out, ‘national welfare systems have developed incrementally and have been conditioned by the structure and dynamics of the social, economic and political conditions of each country’. Nonetheless, it is possible to point to some similarities across a number of East Asian countries: they are relatively low spenders on social welfare though the state does act to achieve welfare goals other than through spending; the idea of state-provided welfare as a social right of citizens is weakly developed and non-state agencies (companies and families) are expected to play a major role; and, welfare programmes have tended to be targeted at core social groups, reinforcing differentials in power and status and hierarchical social relations. From this, it is possible to identify some of the key deficiencies of the East Asian welfare experience. The deep-rooted dependence on the welfare role of the family has serious consequences for gender relations and the position of women. The prominence of company welfare should be understood not only as a means to command the loyalty of employees, but also as part of a strategy to curb the development of strong labour unions. These welfare systems tend to buttress socio-economic inequalities, with vulnerable and poor social groups often marginalised and stigmatised. And, welfare policy has tended to reflect the political logic of conservative, authoritarian institutionalisation and has been maintained on this basis (*ibid.*, pp. 16-18; see also Kwon, 1998). Beyond this assessment of the deficiencies of extant welfare systems, it is important to note that their viability rested on sustained growth in productivity, low unemployment, and relatively weak civil societies. The onset of the crisis has torn apart these permissive conditions and threatens the very survival of East Asian welfare regimes. As a recent ILO (1999: 195) report makes clear, ‘[t]he extent of the crisis has severely shaken the traditional social protection systems of the countries affected, and the pain has been further aggravated by the virtual absence of social security provision, especially in regard to unemployment’.

The direct effects of capital flight from the East Asian economies for human welfare and social policy

are by now well documented. There has been a severe decline in incomes as formal sector output and employment were reduced due to the worsening financial situation, contractionary fiscal and monetary policies and devaluation, private sector bankruptcies and public sector retrenchment. According to the Asian Development Bank study, *Assessing the Social Impact of the Financial Crisis in Asia* (1999), across the five countries surveyed — South Korea, Thailand, Malaysia, the Philippines and Laos the crisis has led to unemployment, falling incomes, private income poverty, dropouts from education, rising prices, reduced food consumption, restrictions in credit access and decreased use of health services. The social indicators for Indonesia are, if anything, even worse with over 100 million people living below the poverty line — four times as many as in 1996 — and unemployment rising to more than 15 million by the end of 1998. Even in China, seen by many as a bulwark against financial turmoil, the government admits that nearly 300 million people are at risk from poverty (Oxfam, 1998; Bullard et al., 1998; Gittings, 1999). While these conditions are widespread, they disproportionately affect identifiable social groups: reverse migration has already begun as countries eject foreign workers, creating refugees and additional poverty in their countries of origin (notably Indonesia and the Philippines); the newly unemployed have obviously suffered drastic loss of income; the existing poor have also been affected badly since they do not have the buffer of prior savings (Ranis and Stewart, 1998). These conditions have been exacerbated by the impact of the crisis in depressing government expenditures. With the downward pressure on total spending and the social allocation ratio, social income poverty has also risen in the absence of specific countermeasures. What all this threatens is a 'lost decade' for development (Oxfam, 1998).

As the crisis deepened in East Asia in the second half of 1997, and more countries became embroiled in the fallout, the IMF assembled very substantial 'rescue packages' to deal with what it saw as structural problems. As usual, these were made available only in return for overbearing conditionality. From a technical point of view it has been widely acknowledged that the IMF policies were not immediately successful if this is measured by the attainment of currency stability and renewed economic growth. For example, under the influence of prior experiences in Latin America, the IMF tended to overstate the deflationary requirements of crisis management and placed excessive emphasis on cuts in money supply, high interest rates and cutbacks in government spending. As many critics point out, the fact is that the Fund's prescriptions, intended to bolster investor confidence, actually contributed to a severe weakening of market confidence and deepening the depression of the real economy (Bello, 1998, 1999; Harris, 1999; Singh, 1998). The social impact of IMF inspired structural adjustment have had appreciable effects on the distribution of incomes and exacerbated vulnerabilities that were inevitably produced by the rapid outflows of capital (Harris, 1999, p. 209).

The question of the development crisis rapidly unfolding in East Asia belatedly exercised the policymaking communities attached to ASEM. In preparation for the second ASEM summit the EU sought to secure the compliance of its Asian partners for IMF proposals not only on the specific structural adjustment programmes for Thailand, Indonesia and South Korea but also on creating a 'new architecture' for far reaching reforms to the system of international finance. At the same time, ASEM was forced by events, as had the IMF and the World Bank, to make more explicit what this meant for the future of social policy and the development paradigm. The initial thrust of publicly stated ASEM social development policy — explicitly following the consensual lead provided range of multilateral organisations including the IMF, World Bank, Asian Development Bank, the ILO and the International Confederation of Free Trade Unions Asian and Pacific Regional Organization (ICFTU-APRO) — was to reduce the social impact of the crisis through 'affordable social safety nets' (IMF, 1999; ADB, 1999b; ILO, 1998; ICFTU APRO, 1998a, 1998b; for discussion see Deacon, 1999). There are, of course, nuances in the debate between these institutions about how best to achieve the alleviation of the social impact of the crisis. Some commentators have even seen in this greater emphasis on social development the unravelling of the Washington Consensus on economic

orthodoxy. Nothing could be further from the truth. There is still a remarkable degree of convergence as to the strategic objectives of safety nets in particular and social sector policies in general: they are seen as vital for the political sustainability of the adjustment effort and an eventual return to growth and market led 'development' (Lane et al., 1999; see also Graham, 1994).

In the context of this international convergence around the future of social policy, ASEM has sought to act as a conduit for domestic adjustment. The second Asia-Europe finance ministers' meeting in early 1999, for example, articulated official concerns with the social consequences of the crisis, 'the effect of which was felt most acutely by poor and vulnerable groups of society' (ASEFMM, 1999). Ministers welcomed the support given to this end by international organisations and bilateral donors and the fact that greater weight is being given to social spending in the programmes agreed with the IMF.

Further, the ASEM Trust Fund made explicit provision for the disbursement of funds for welfare reform and the enhancement of social safety nets (World Bank, 2000b)....

The social policy response proposed and implemented under the auspices of ASEM is framed within first order priorities of advancing the logic of neoliberal economic policy. The initial focus of these efforts was on the 'targeting' of welfare provision. The use of safety nets is seen as a necessary short term measure to mitigate what policymakers view as the temporary adverse effects of adjustment policies on vulnerable social groups, including the poor. In so doing, however, safety nets are seen as a precondition for the implementation of thoroughgoing labour market reform and public expenditure reform. In short, the new social policy provides the opportunity to bring development even more firmly into the private domain. And it adapts social policy to the priorities of fiscal adjustment, which requires reducing and restructuring public spending. It is essentially an agenda for social neoliberalism.

In order to facilitate the safety net approach to social policy, ASEM has been keen to expand what it terms 'social dialogue' with a range of non-governmental partners in both East Asia and Europe. These include labour organisations organised through the ICFTU or meeting under the auspices of the ILO's Regional Office for Asia and the Pacific. More important still is that a greater role is being argued for and given to development NGOs. There is little doubt that ASEM leaders are keen to provide NGOs with what Duffield (1998) calls 'negotiated access' for the task of implementing social policy reforms. This is entirely consistent with their greater involvement over the last decade in World Bank projects, IMF consultation or agenda setting at the UN World Summit on Social Development. There is a double rationale for this form of 'controlled inclusion'. The first is the growing recognition that such NGOs may provide a means, and an effective one at that, for channelling structural adjustment programmes. The second is to confirm the more sophisticated approach to the construction of capitalist hegemony — to incorporate a broad swathe of social groups and manufacture widespread consent in establishing the new orthodoxy as the 'common sense' of the age.

There is another, more fundamental criticism, that can be levelled at the new development orthodoxy around welfare reform and social safety nets. In claiming that the concern to deal effectively with social dislocation, unemployment and poverty is at the heart of their response to the management of post crisis policy, ASEM and the international institutions are actively attempting to conceal the logic of neoliberalism and capitalist exploitation visible in so much else that has gone on in the region over the last three years. Development itself has been redefined as a pluralist enterprise: terms such as the empowerment of difference, sustainability, social protection, decentralisation and capacity building have come to the fore. In effect, then, ASEM leaders and their allies among the global managers are re presenting the entire package of neoliberal restructuring as a benevolent response to the imperatives of globalisation. Taken together, pro-market and pro-

business policies are consistently being passed off as pro-poor policies, and vulnerable groups such as women and children are routinely identified as the principal beneficiaries.

What is principally at stake here is the political task of securing the adoption and legitimisation of neoliberal reform. In all its statements on welfare reform in post crisis Asia, ASEM reveals the indelicate strategy of presenting the harsh disciplines of capitalism as if they were avenues to freedom, empowerment and recovery. In a direct echo of the strategic vision of the World Bank, set out in its well-known 1997 report *The State in a Changing World*, East Asian governments are prevailed upon to become 'effective' states, in other words authoritative in imposing the disciplines required for capitalism to succeed. The true neoliberal or competition state is not the ideal type 'minimal' state that leaves everything to the market, but the capable state that creates and sustains the environment in which these disciplines will work and will be effective from the point of view of capitalist competition and accumulation. In other words, the purpose of ASEM's interventions in the post crisis development debate is strategic, focused on engineering and legitimising neoliberal reforms. The intention, as always with such legitimising strategies, is to disguise the purposive action of particular social forces set upon establishing the hegemony of one particular type of social order by presenting it as if it were natural, irreversible and for the universal good.

Contesting Post-Crisis Politics

It is clear that the crisis in East Asia is much more than a temporary interruption of economic growth that neoliberal policies can readily restore.

New systems of production and circulation are emerging which in turn are generating new relations between capital and labour, changes in the character and power of states and a reordering of the global political economy. In this context, the forms taken by development alternatives and the social forces who mount the accompanying struggles will help to shape not only exit routes from the crisis but also the terrain over which post-crisis politics will be contested'. Given the foreclosure of sustainable and developmental trajectories in the policies of ASEM and its allies in the international financial institutions, now is the time for bold new thinking about the structural and institutional changes that are needed to mount an effective challenge to neoliberal imperatives and coercions.

This paper has suggested that the reordering of social power in East Asia is advancing rapidly. The crisis has been an opportunity to lock in uncompromising and systemic adjustment at the domestic level. Taken together, the various provisions of the IMF and the World Bank, and the structural pressures from the markets, have had the effect of redesigning East Asian states' relation to capital and stabilising organisational forms consistent with the matrix of neoliberalism. But this reordering is not about the unalloyed triumph of the liberal market order. In the first instance, the conflictual, contradictory, uneven and unstable dynamics of capitalism, as a global system, can never assuredly be brought under control. And this is precisely the reason why domestic, regional and global policymakers have sought innovative responses as new situations arise. They recognise the difficulties of implementing far reaching reform and the need for institutional and policy adaptation to achieve it. This explains the changing priorities of the ASEM process between 1996 and 1998, or the World Bank's new discourse on the 'effective state' or 'poverty eradication', or the IMF's concern to engage with civil society actors, or the consensus around the need for safety nets and social protection. None of these innovations signal the emergence of some kind of post Washington Consensus, as some would have it. Rather they reflect precisely the provisional adjustments that leading states and managers of the global economy constantly make in order to preserve and extend the general conditions for capital accumulation and mediate the conflicts this generates within and between capitalist societies.

The second reason why the neoliberal order is not guaranteed is precisely because of the range of critical challenges that confront it. Part of the opposition to the installation of IMF-sponsored austerity has come from East Asian elites who argue for a return to the status quo ante, mobilising domestic support for this on the basis of nationalist, populist or even communalist politics. In essence, this means trying to maintain the state as it currently structured and trying to impose some measure of control over financial capital with some modest regulatory instruments. A much more powerful critique of neoliberalism has recently emerged from counter-hegemonic forces located in civil society. And in considering a new politics of resistance to capitalist development the starting point for our analysis must surely be that states — national social formations — are still important sites of economic, political and ideological struggle. If this is persuasive, then it would seem that there is no way of presenting an alternative to the imposition of neoliberalism without a prior focus on a diagnosis of the failings of capitalism and the need to restructure the state. For, as Panitch (1996, p. 109) makes quite clear:

The international constitutionalization of neoliberalism has taken place through the agency of states, and there is no prospect whatsoever of getting to a more egalitarian, democratic, and cooperative world order beyond global competitiveness, without a fundamental struggle with domestic and global capitalists over the transformation of the state.

The viability of this vision is by no means clear. The new world order of neoliberal capitalist governance remains powerful. This is despite its own vulnerabilities and the challenges that have been mounted to it. Neither is there any consensus amongst civil society actors about how best to advance convincing alternatives. Strategic discussions amongst civil society actors — about themselves — are likely to be just as important as attempts to critically address the contemporary realities of post-crisis Asia. One such debate will be between pluralist conceptions of civil society with new social movements as the carriers of change and those who argue for class as the focus of social struggle. Another will be those calling for a reassertion of 'Asian' forms of developmental state or European social market or social democratic capitalism precisely when both models are in retreat. There will be disputes between those calling for pragmatic, incremental reform through liberal versions of 'social rights' within capitalism against a more radical resetting of the structures and functions of capitalist states. And there will be conflicts between those who portray development in technical terms, as choices between 'good' and 'bad' policy, versus those who focus on why policy agendas emerge and hold sway under particular political and economic regimes. None of this is presently settled. But an important starting point for any critique is to expose the subterfuges and contradictions of the new politics of development and to reclaim the space it presently occupies.

Conclusion

In the new politics of development ASEM does matter though not in the sense that it acts as an institutional framework for inter regional dialogue. For European state managers what matters is that their firms are now deeply embedded through structural and conjunctural links to East Asia. even while both regions exist under the continued hegemony (or at least dominance) of US capitalism. This poses challenging questions to ASEM's policymakers in managing the complex interplay between competition and cooperation. The leading forces in the ASEM process are both aware of these contradictions and bent on reasserting the expanded reproduction of capital in the face of popular struggles, and to this end ASEM is one way of reorganising state capacities on a different territorial scale to enhance their strategic capacities. To this end, the new policies advancing the current development orthodoxy and welfare reform are explicitly about socially embedding and regularising competitiveness and promoting accumulation in East Asia along neoliberal lines. In this sense, then, development is now about the subordination of social policy to

the 'needs' of structural competitiveness and labour market flexibility within the circuits of capital. This is explicitly a political project.

Such changes will continue to have major implications for the building of strategic counter-hegemonic alliances. If the various struggles to build progressive movements are to prevail they will be required to build new institutions of democratic control, new commitments to social equality and mobilise social forces to challenge the power of capital as it is embedded in contemporary states. This is the unfinished business of the old century. It will only happen at all if such struggles focus on national specificities out of which new political conditions and new political organisations need to be created. But since they will do so in conjunctures that are more and more determined on a global basis, counter hegemonic movements will be informed and inspired by those from other countries. This is one of the most profound lessons that emerges from the Asian crisis: that it builds a base of shared experiences and mutual interests between activists from Asia and Europe, and elsewhere, who are geographically scattered. It is only on this foundation that genuinely international solidarities, rather than an idealised transnational civil society, will be forged.

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* The ASEM Asian Financial Crisis Response Trust Fund was initiated at the London summit, launched in Brussels in June 1998, and has been subject to review at meetings in Bangkok (January 1999), London (July 1999) and Jakarta (February 2000).

* By mid-2000, some 45 per cent of the Trust Fund's budget of \$39.6 million had been spent on programmes in the 'social sectors'.

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