Introduction

Neoliberal globalization is often seen as a period of enhanced economic interconnectedness that began from the late 1980s. This globalization is a relatively recent set of processes marking the further expansion of capitalist economic relations. Earlier processes — such as mercantilism, colonialism, and imperialism — may also be identified as significant stages or epochs in global capitalist development. Whatever the periodization or terminology chosen, it remains a fact that conflicts are inherent elements of each period of capitalist expansion. These conflicts are local and global, and social, economic, and political in nature.

Contemporary manifestations of these conflicts are the subject of the articles in this two-part series — *Markets in Transition: Conflict, Political Regimes, and the “War on Terror” in East and Southeast Asia*. The focus of the essays is on the changing nature and significance of conflicts over neoliberal globalization in East and Southeast Asia since the advent of the economic crisis of 1997-98 and in the more recent geopolitical context since September 11.

At the beginning of the twenty-first century it seems unnecessary to point out that the region has been an important site of capitalist development. After all, apart from the period of the crisis, the region has witnessed remarkable economic growth since World War II. This growth has been accompanied by extensive economic and social transformations that have seen capitalist relations of
production become solidly embedded. Capitalist development everywhere has been attended by conflict and contestation; the Asian region has been no exception to this. However, the nature and impact of these conflicts have not been constant. Rather, we must identify the dynamics that shape conflicts. In this introduction, we intend to identify a set of watersheds — or critical junctures in the terminology of Collier and Collier — that have been associated with the continual restructuring and reorganization of capitalist production and the changing geopolitical context within which capitalism has developed in the region. We suggest that these political and economic dynamics have fundamentally influenced the sorts of political regimes that have accompanied the region’s incorporation into the global political economy throughout this period.

The dynamics of this process have involved a range of critical political and economic junctures. In this introductory article, we examine the developing internationalization of manufacturing production and, increasingly, other labor-cost reducing processes; the increased importance of financial capital; and the important geo-political reconfigurations associated with the cold war and the more recent “war on terrorism” (hereafter without quotation marks).

The importance of examining these critical junctures cannot be underestimated. After all, the compatibility or otherwise of the region’s prevailing regimes with global capital accumulation strategies has changed dramatically over the period discussed here. Whether or not this involves the rules and regulations shaping the distribution of economic or political resources, power relations and alliances of interest are always at stake. The advent of the Asian crisis, for example, brought with it unprecedented pressures on crisis economies to allow greater access for international capital and the adoption of governance regimes that challenged the positions of many of the region’s economic and political elites. These pressures were associated with a view that the crisis provided ample evidence for the failure of “Asian Capitalism.” Moreover, the recent U.S.-led war on terrorism, associated with an increasingly unilateralist foreign policy, can be expected to play a significant role — as was the case during the cold war — in mediating the outcomes of economic and political contestation in the region. U.S. geopolitical concerns are now tempering both the neoliberal emphasis on free trade mediated by multilateral economic institutions and the championing of democracy that had enjoyed increased diplomatic support during the 1990s.

Indeed, for some writers, recent developments are symptomatic of a “new imperialism” that reflects a growing dependence of U.S. capital on military and political power for its global ascendancy, a scenario with increasingly destabilizing consequences for East and Southeast Asia. To be sure, this “new imperialism” is not something that has suddenly appeared but, as Wood observes: “As the gap between the economic reach of capital and the extra-economic reach of territorial states grows wider, imperial powers, and the United States in particular, have experimented with new forms of extra-economic force to deal with contradictions.” Importantly, in contrast with much of the post-World War II period, heightened tension between the interests of U.S. capital and other capitals now appears to be a feature of those contradictions. Yet, there is also a
strong resonance with the earlier anticommunist phase of globalization, a possible “closing of the circle” that sees authoritarian regimes increasingly tolerated or even supported by the United States in its war on terror.9

Examining the changing nature and significance of conflicts associated with neoliberal globalization in the period since the Asian crisis is no simple challenge in theoretical and methodological terms. The prevailing political economy literature attempting to explain the interaction between domestic political and economic regimes and global political structures generally falls into one of two categories of approach: the “outside-in” or the “inside-out.” The former has been stronger in explaining the external structural pressures on the region,10 while the latter’s main contribution has been to explain how domestic states and social and political forces have mediated the impact of these pressures.11

One of the problems with these views is that neither camp has been sufficiently engaged with issues concerning relations between states. Over the last few decades, much of this ground has been surrendered to mainstream international relations theorists. In the current phase of neoliberal globalization whereby conflict within and between states is assuming fundamental importance, this ground needs to be reclaimed by political economists. Collectively, the essays in this two-part series are meant to stimulate a research agenda that debates the nature, determinants, and consequences of conflict associated with attempts to embed neoliberal globalization within East and Southeast Asia in a context that is now being shaped by the enhanced political emphasis on security.

The discussion to follow, which explains in more detail how the essays go about this task, is preceded by an attempt to place this exercise in a historical context. This involves a brief and selective analysis of some of the critical junctures involving the organization of capitalist production and geopolitical developments affecting the region’s incorporation into the global political economy since World War II.

Globalization, Cold War, and Political Regimes

The initial decades of globalization after World War II were characterized by a conjuncture between production systems and security concerns that is reflected in three discernible and interrelated patterns: the harmonization of multiple national development strategies with the internationalization of capital; the tolerance and even promotion by Western governments of authoritarian political regimes to protect and advance capitalism; and an unambiguous leadership role by the United States in the establishment and promotion of multilateral institutions conducive to the general spread of market systems and international trade. In effect, economic and political regime diversity — so long as it was not hostile to capitalism — was consistent both with the global spread of capital and U.S. economic and political dominance.

Initially after the war, the further consolidation of capitalism in the West occurred predominantly via protectionist economic policies and the refinement of Fordism. The latter was as much a political and ideological strategy as a production strategy, linking large-scale mechanized production (and associated deskilling and intensification of work) with mass consumption. In part, Ford-
ism relied on rising living standards in the national economies of the West in order to foster expanded consumption and continued growth. But this rested on a form of social contract that helped to limit industrial conflict and foster an embrace of consumerism ahead of political demands. Thus, in the West, liberal democratic institutions and social democratic movements, including trade unions, accompanied Fordist production systems and were integral to the struggles over the precise content of social contracts. Here political regimes were avenues through which conflict was both expressed and contained.

It was in this context that pent-up demand for consumer and capital goods following the war led to investment in industry (and the Marshall Plan assisted this in Western Europe). These developments resulted in a “Golden Age” in the 1950s and 1960s, where low unemployment and rising incomes created increased demand that fueled production.

However, when capitalism expanded to developing economies, the political context differed. This in part reflected the fact that often investment was still driven by a search for the raw materials that fueled industrial development in the West. In other instances, however, attempts to foster industrialization through import-substituting production based on protectionist policies occurred without the related and costly welfare policies of the social compromises that had been negotiated in the West. Consequently, wages and living standards remained relatively low. A significant part of the explanation for this contrast had to do with the priority accorded security during the cold war, which did little to encourage democratic forces akin to those that extracted new social contracts in the advanced capitalist countries.

In Asia, the West’s fear of communism helped facilitate a range of political regimes, with few in the liberal democratic mould of the West. In fact, authoritarian regimes, some of them quite brutal — as in Indonesia under Soeharto and South Korea under Syngman Rhee — were encouraged, so long as they promoted political stability, were anticommunist, and protected the development of economic systems that were broadly capitalist. Contrary to the prevailing Western modernization rhetoric, it was the threat to capitalism — not democracy — that was the principal driver of foreign policy. Samuel Huntington’s political order theory was, in time, to provide a neat theoretical justification for such a direction, arguing that the building of institutions capable of establishing social and political order and control was paramount in the early stages of development.

Indeed, so important was the security consideration in the process of safeguarding capitalism that some exceptional economic models emerged in Japan, South Korea, Taiwan, and Singapore with significant U.S. facilitation. In these cases, as Cumings shows, massive injections of aid and foreign investment helped to establish export-oriented industrialization (EOI) models, well before these became more generalized as a capitalist investment strategy in response to cost pressures in the developed West and the emergence of new technologies. In each case, the state took a critical economic role and except in Singapore this also involved the strengthening of domestic capitalist classes.

These EOI models gathered considerable momentum in the 1970s and 1980s and were, to differing extents, emulated within and beyond the region.
Accumulation became truly global as the competitive need of manufacturing capital to limit the costs of production combined with the technical opportunity to exploit low-skilled labor in developing countries. The enhanced global spread of international finance capital soon added another dimension to the new forms of economic integration between national economies that were emerging before the end of the cold war, including through the rapid infusion of new investment funds.

Initially, it was East and Southeast Asia that gained the greatest economic benefit from this restructuring. In fact, with sluggish growth in the West, especially in the United States, an Asian Capitalism model — characterized most notably by a so-called developmental state shaping the costs of different factors of production in an attempt to create comparative trade advantage — was recognized as a viable alternative economic model. Alongside such states, which were most evident in Northeast Asia, there was also a range of other departures from the liberal economic model in the region in which market intervention was less guided by national strategic considerations and within which political cronyism and corruption were commonplace, including in Malaysia and Indonesia. Yet, as investment poured into these economies, even these regimes appeared viable.

Such critical junctures in the global development of capitalism increasingly placed pressures on social contracts in established democracies in the West and on some economic regimes in East and Southeast Asia, but it was only after the cold war’s end that these were given full expression. For the time being, even if some stresses were appearing, a plurality of regimes did not generate fundamental friction; security concerns permitted a distinction between politics and economics.

Importantly, U.S. leadership after World War II extended beyond the political and military domains to an elevated international role in the building of multilateral economic institutions. The United States had been important before this, but in the context of a war-damaged and politically divided Europe and the destruction of an industrializing Japan, U.S. capitalism was now in an unambiguously dominant economic position. Significantly, this enhanced economic status and influence provided substantial benefits for national capitalisms across the Western world. These included not just injections of capital investment and aid that supported national economies — not least in postwar Europe and Japan — but the fostering of multilateral institutions conducive to the general spread of market systems and international trade, particularly through the Bretton Woods institutions. These institutions underwrote stable and prosperous capitalist economies and were important to the viability of the various social contracts negotiated throughout the established liberal democracies, a point Ruggie emphasized in his concept of “embedded liberalism.”

**Cold War’s End and Neoliberalism’s Advance**

With the end of the cold war and the United States being the only remaining superpower, much of the foreign policy security preoccupation gave way to a more aggressive and focused expansion of international capitalism that was far
less tolerant of any obstacle to capital mobility. U.S. dominance within multilateral organizations such as the International Monetary Fund (IMF) and World Bank, as well as through the World Trade Organization (WTO) and other institutions, was now increasingly used to exert pressure on the domestic economic policy of individual states to limit those obstacles.20

The attempt to have new institutions forged to facilitate deeper incorporation of national economies into the structures and values of neoliberal globalization engendered new conflicts in the region, although these were by no means uniform across East and Southeast Asia. These conflicts were, at times, in opposition to political and economic elites, while on other occasions they amounted to intra-elite struggles. Where elites embraced the neoliberal reform agenda, they often did so selectively, and this set in train dynamics with unanticipated consequences for domestic political and economic regimes that often indicated the contradictions between neoliberal reform and the kinds of institutional arrangements — sometimes summarized in the term “Asian Capitalism” (see below) — that had characterized economic and political development in the region.

The ideological underpinnings of this more mobile phase of global capitalist development was to be a set of ideas and policies usually referred to as neoliberalism. Neoliberalism entails a set of core policies that emphasizes the market, fiscal discipline, trade, investment and financial liberalization, reduced public expenditure, reduced taxation, deregulation, decentralization, privatization, and a reduced role for the state.21 These were buttressed by laws protecting property and enhancing foreign investment. Neoliberal policies were pursued especially strongly by the international financial institutions, drawing on the experience of neoliberal reform in the West and, later, in Latin America and Eastern Europe. It was this combination of policies that Williamson termed the “Washington consensus.”22 The idea that there was a consensus on these policies indicates the manner in which economic policy had been enveloped by neoliberalism. These neoliberal economic policies were often augmented by social policies that limited social welfare, decentralized labor relations, and weakened unions.23

In fact, to compartmentalize neoliberalism as an economic reform agenda misses a critical element of its strength. It is also a political doctrine that prescribes a preferred social and political order. In the process of delivering on the above agenda, neoliberalism envisages the establishment of a “level playing field” that depoliticizes policy-making. This is a specific conception of how power should operate, and who should be exercising it. In particular, it is premised on the idea that not all those interests affected by such decisions will be represented in them. Indeed, interest representation is seen as potentially corrupting and market distorting. This view can be antidemocratic and elitist, despite neoliberal portrayals of this as a liberation from particularistic interests. In effect, though, it is only particular interests that are exempted from the decision-making process, most notably those attempting to challenge the social, political, and/or economic power of elites, usually through collective forms of political organization.
Reflecting the schizophrenic or contingent nature of liberalism for capitalists in this new, more internationalized global economy, the clamp on collective political organization — including independent trade unions, and environmental, consumer, and other nongovernmental organizations (NGOs) — had initially rendered various parts of East and Southeast Asia especially attractive to footloose capital seeking low-cost production sites. Yet the region was no neoliberal nirvana. Indeed, throughout the cold war period and beyond, within the region there developed a coherent alternative economic model that challenged the logic of neoliberalism; this was so-called Asian Capitalism, characterized by a high degree of state initiatives to shape the cost of the different factors of production (land, labor, and capital) to try and favor particular economic outcomes, rather than leave these to the mercy of the market as prescribed by neoliberal ideologues.

Ironically, as we have seen, this Asian model was in part made possible through trade access, aid, and/or investment from the West during the cold war, support that was tied neither to a preferred economic nor to a political regime. Thus while Japan was a democracy, South Korea, Singapore, and Taiwan were firmly authoritarian. So successful was this economic model that it not only generated rapid industrialization, but also by the 1980s it had created powerful conglomerates capable of competing with those of the West. This was bolstered by a flow of offshore Japanese investment to Western Europe and the United States.

However, the brief economic downturn in the early and mid-1980s presented an opportunity for international financial institutions to promote enhanced economic liberalization reforms in Asia. Recovery was swift, but persistent efforts were made by various interests attached to the neoliberal agenda to consolidate and extend such reforms across the region. It was in Latin America and Eastern Europe, where economic crises were deeper and prolonged, that neoliberal policy had more opportunity to be entrenched.

This triumph of neoliberalism coincided with a renewed economic buoyancy in the West, propelled by the return of strong U.S. economic growth. In Asia, however, the neoliberal approach was opposed by an assortment of entrenched interests, including protected domestic capitalists and bureaucratic elites, as well as inspiring protests in some cases from NGOs. Yet the effectiveness of this resistance varied. In some cases, particularly in Southeast Asia, liberalization was advanced to further facilitate international capital mobility. In any case, the return of high growth rates during the late 1980s and early 1990s generated optimistic projections that the center of global capitalism would shift toward Asia. This optimism was particularly strong in the region. Rapid growth and associated optimism also buoyed up the notion of the developmental state as a viable alternative economic model, in spite of the challenges to it that had surfaced from neoliberals and those benefiting from a neoliberal reform agenda.

However, this mounting tension between neoliberalism and the various strategies for economic development in the region was not unmanageable. Rather, an effective accommodation of different nationalist and internationalist coalitions of interest was constructed. According to Jayasuriya, a kind of “politi-
ical economy of embedded mercantilism” emerged that saw the simultaneous pursuit of international economic integration with the protection of domestic economic sectors and associated interests. Under this economic compromise, the tradable sectors were subjected to competitive international pressures while non-tradable sectors continued to be characterized by systems of political patronage in Southeast Asia in particular. Of course, this approach was not equally strong in each of the economies of the region. Nonetheless, the compromise permitted the survival of Asian Capitalism, even if the specter of neoliberal reform continued to challenge these political and economic arrangements.

In conjunction with challenges to the East Asian economic model, questions were being posed from different quarters about the future of authoritarian regimes. South Korea, Thailand, the Philippines, and Taiwan had all entered periods of democratic transition, while in Burma and China there were major uprisings against authoritarian regimes. The remaining authoritarian leaders in the region became concerned about such democratic aspirations. Indeed, there was sufficient domestic and external pressure for democracy, human rights, and related principles for some practitioners of authoritarianism to feel the need to reinvigorate the ideological underpinnings of their regimes. Accordingly, the culturalist ideology of “Asian Values” was designed to preempt similar pressures among other domestic populations and to counter the popular idea that political liberalism was a necessary outcome and ingredient of advanced capitalist development.30

For political liberals, the arguments against authoritarian rule were rooted in a philosophical belief in liberty, justice, equity, and representation. The promotion of democracy on the part of some Western governments coincided with the heightened political activism in the region that was often associated with expanding working and middle classes. However, for economic liberals, it remained Asian Capitalism rather than authoritarianism that was principally problematic. As has been hinted at above, an element of neoliberal theory had been emptied of liberal political values. Indeed, not all economic liberals ascribe to liberal political values. And, as we have noted, this is even clearer for capitalists who, chameleon-like, often welcome the order of authoritarianism and profits over liberal political ideals such as democracy.31 This is why it was possible for sophisticated and technocratically oriented authoritarian regimes such as that in Singapore to continually excel in the ratings that purport to measure “economic freedom” and transparency indices and generally receive praise from some neoliberals.32

The cold war’s end had thus been a critical juncture in the global expansion of capitalism, freeing up resources and energy on the part of the United States to lead and support an accelerated neoliberal push, especially vis-à-vis finance capital. In this context, economic regimes in East and Southeast Asia that stood in the way of the neoliberal ideal came under increased scrutiny and Western support for authoritarian political regimes was more difficult to rationalize. The advent of another critical juncture, the Asian financial crisis in 1997, intensified pressure on economic and political regimes alike, thereby introducing new conflicts to the processes of neoliberal globalization.
The Asian Crisis and Regime Convergence

The onset of the Asian economic crisis was to have profound implications for ideas about alternatives to both economic and political liberalism in East and Southeast Asia. The crisis instantly generated more confident attacks on Asian Capitalism, the developmental state, and authoritarian regimes. These assaults came from within and beyond the region and they involved a conjuncture of forces for economic and political liberalism, sometimes intersecting with each other’s reform agendas but other times not.

For neoliberals, the crisis was seized upon as evidence that finally Asian Capitalism had failed. They embarked on a concerted drive to promote neoliberal policies through a range of market-oriented reforms. This was ironic, given that accelerated exposure to international market forces as a result of liberalizing reforms in banking and financial sectors during the 1990s had played a significant part in producing the crisis. However, a neoliberal argument quickly surfaced that laid the blame on the inadequacy of the supervisory, regulatory, and other governance institutions to support liberalized markets. The term “crony capitalism” was quickly adopted as a depiction of the corrupt state-business relationship that accounted for the swift and massive exodus of financial capital from the region. It was suggested that capital flight reflected concerns about the absence of predictability and credibility in governance regimes.

As neoliberals saw it, the crisis had demonstrated the need for a wholesale convergence toward the same institutional arrangements to be found in the advanced capitalist economies of the West. Famously, Fukuyama also declared that the crisis marked the end of “Asian exceptionalism.” Asian political and economic arrangements were now more trenchantly derided as a system that was incompatible with the requirements of globalized markets. In particular, however much Asian Capitalism may have previously managed some reconciliation with industrial development, these economies were now embarking on structural transformations that involved extremely mobile finance capital and more stringent institutional preconditions than had hitherto been required.

The IMF and like-minded international financial institutions led the neoliberal economic critique of the Asian model. Following the crisis, a modified neoliberal position acknowledged that markets alone were unlikely to generate desired economic outcomes; supporting institutions were needed. The emphasis shifted squarely to the need for “good governance,” transparency, and related institutions that were expected to rein in rent seekers and the developmental state.

There was also a school of politically liberal critics, many of them with little in common with the neoliberal economic camp, who seized on the crisis for evidence that there was a functional link between political liberalism and the sustainability and advancement of capitalist markets, rendering authoritarian rule redundant. This idea had its origins in modernization theory of the 1950s and 1960s but had been challenged by the hitherto impressive capacity of various authoritarian regimes to preside over increasingly sophisticated market systems. Now, the absence of developed civil societies, media freedom, and other liberal institutions subjecting powerful elites to scrutiny and accountability
were argued to be instrumental in the crisis. Improved market information and more effective market discipline, it was argued, required the dismantling of the remaining authoritarian regimes and further democratization where this process remained embryonic.39

How, though, did the neoliberal economic critique relate to politics and political regimes? Significantly, economic liberals did not automatically target all forms of authoritarianism, nor was their criticism of the politics of Asian Capitalism limited to authoritarian regimes. Their principal targets were regimes that sponsored or housed processes identified as crony capitalism, including corruption on the part of political officials and businessmen, and, more broadly, rent seekers. In essence, their critique was of practices and institutions that blunted capital mobility and the access of international capital to domestic markets and their concern for good governance was for arrangements that enhanced business opportunities and, ultimately, profitability. Thus, neoliberal economic policies were relatively unconcerned about political liberalization (including increased participation, democratization, human rights) except where these could promote further economic liberalization and transparency. It also meant that the neoliberal approach on authoritarian regimes was discriminatory. Hence, authoritarian regimes considered relatively corruption-free and open to business could be accommodated within neoliberal economic models even after the economic crisis. Thus, while Soeharto’s corrupt regime in Indonesia had to go, Singapore’s authoritarianism was unproblematic for neoliberals.

Nowhere has this been more evident than in the way that the neoliberal transparency reform agenda has been pursued. Despite the existence of comparable corporate disclosure rules and regulations in Malaysia and Singapore, for example, Malaysia has received considerably more criticism from within the international business community — especially among fund managers — and the financial press for its alleged lack of transparency. In particular, Singapore has consistently fared extremely well in business surveys on transparency.40 What this reflects is the divergent nature of the wider bureaucratic and administrative systems in the two countries, and the implications of this for increased international capital mobility. In Singapore there is a much closer approximation within the bureaucracy to Weberian rationalist values and practices than in Malaysia. This instills greater confidence that the neoliberal reform agenda will be implemented. By contrast, the vulnerability of public administration in Malaysia to political influences on behalf of government-connected local business interests translates into more critical scrutiny of transparency regimes there. More than representing a threat to transparency, these influences pose a threat to the continued opening up of the domestic economy to international competition. In effect, the appeal of transparency for neoliberals is as much for its utility in constraining potential threats to the smooth operations of the market as for the intrinsic importance of information.41

Importantly, though, this doesn’t entirely rule out the prospect of continued attempts by international capital to exploit neoliberal advocacy of transparency to gain improved domestic market access, which is arguably the principal reason it remains high on the neoliberal reform agenda.42 Indeed, as is explained in
the articles in this *Critical Asian Studies* series, this is precisely why even in Singapore the developmental state has been increasingly under pressure through transparency reform agendas, notwithstanding the above points.

More generally, the conception of good governance among economic liberals did not so much amount to a belated embrace of civil society and attendant institutions in the new phase of capitalist development, as a desire to develop institutional capacities to insulate markets from possible challenges — not just from within the state on behalf of crony capitalists, but also from within civil society.\(^{39}\) It was implicit that an efficient and well-administered governance system would exercise control over the policy process so that “special interests” would not contaminate decision-making. However, the advent of the Asian crisis and attempts thereafter to advance neoliberal economic policies in the region necessarily instigated a range of conflicts. These varied in nature and intensity but in all cases gave expression to the inherently political nature of neoliberal reform.

In the countries most affected by the Asian crisis, the economic turmoil was accompanied by political tumult. There were changes of government in Thailand, South Korea, and Indonesia, and in Malaysia, while the ruling coalition held, there was a remarkable political struggle that saw Deputy Prime Minister Anwar Ibrahim removed from office, arrested, and jailed.\(^{44}\) In all of this, the opposition of Dr. Mahathir, with his apparent rejection of the IMF, attacks on hedge funds, and destruction of those who favored Anwar’s “neoliberal” policies, has been overdone. The deeper level of opposition revolved around the shape of political regimes, the role of the state and national development strategies, and was widespread.

The economic crisis threatened domestic capitalist classes that had developed in a number of countries of the region, often through the kinds of close relationships with government that were now identified as the cronyism of Asian Capitalism.\(^{45}\) These threats had their origins in both the economic downturn and the political changes it generated. For example, in Indonesia, the economic crisis shook the roots of the relationship that had developed between President Soeharto and his family’s business relationships with a range of closely linked conglomerates that had prospered through the three decades of Soeharto’s authoritarian regime. This relationship was, at once, political and economic. The economic crisis saw the collapse of hundreds of firms as Soeharto and his government could no longer control economic events. This unraveling also resulted in a political crisis that saw his overthrow. In Thailand, the implementation of IMF-sponsored neoliberal reform heralded the collapse of the bank-based conglomerates that had been the dominant economic actors for more than four decades.\(^{46}\) In South Korea, the *chaebols* that had been created by the developmental state were threatened.\(^{47}\)

The degrees to which different Asian political economies were wracked with internal problems of corruption, had the capacity for cohesive state-led development strategies, and were capable of absorbing competitive external pressures without undermining domestic political coalitions varied considerably. In some but not all cases the political and economic regimes were facing simultaneous challenges.
When faced with economic crisis, domestic business mounted intense political campaigns to protect their interests. In this, they often portrayed themselves as being in the nationalist vanguard, opposing foreigners who gained advantages from neoliberal reform agendas. The nationalist alliance pointed to a loss of sovereignty over economic policy-making, the negative social impacts of the economic crisis and a “fire sale” of local assets to foreign interests. A range of other groups that opposed neoliberal reform supported nationalist business. In 1997-98, in Thailand, a widespread and popular opposition to the IMF’s neoliberal reform package resulted in an alliance between domestic business, some workers, intellectuals, NGOs, politicians, and even the monarch. Domestic business was especially vocal, complaining of the government’s “sellout” to foreign interests, and called for domestic initiatives to “save” domestic business. This nationalist alliance eventually led to a landslide election victory for a party that represented the political interests of domestic capital. As economies and domestic business recovered and political power was reestablished or redefined, some of the reforms that had been opposed earlier became less problematic. For example, in 1999 a phased lifting of Malaysia’s capital controls began and the international movement of capital was permitted, and in 2003 Thailand moved to implement privatization policies it had earlier opposed for state enterprises.

The Asian crisis thus brought with it a much more concerted set of external structural pressures on Asian Capitalism and attendant interests, although the form and extent of conflict this engendered was highly uneven across the region. Importantly, though, the geopolitical context within which the Asian crisis and its immediate aftermath developed was one in which the neoliberal economic reform agenda was unrestrained by global security concerns. Consequently, the promotion of U.S.-dominated multilateral institutions and economic governance systems functional for neoliberalism became fused with attempts to assist economic recovery in the region. This trajectory, however, was soon to be complicated by another critical juncture in the development of neoliberal globalization; this was the emphasis placed on the war on terror in U.S. foreign policy after the September 11 attacks.

The War on Terrorism, Political Regimes, and Neoliberal Globalization

The lack of an obvious security imperative had directed U.S. foreign policy in ways that had emphasized economic policy and placed a limited but important emphasis on liberal political values, especially during the Clinton presidency. After September 11, however, the war on terrorism raised questions about the continued prospects for the development of economic and political liberalism in East and Southeast Asia and the contexts within which the respective struggles to advance them across the region are likely to take place.

The elevation of security concerns within U.S. foreign policy in the war on terror arguably heralds a new phase in the development of neoliberal globalization, and possibly one where political concerns move back to center stage. Whereas the post-cold war period had witnessed an unprecedented privileging...
of the neoliberal economic reform agenda, now this was to be balanced by considerations of how to ensure an effective containment of terrorism.

A number of questions arise, including these: What is the impact of this new security concern on neoliberal economic reform in the region? How are the conflicts that have accompanied neoliberal globalization in the region affected? Which interests are able to exploit this security dimension in the struggles over neoliberal reform in the region? What will be the impact on the nature of political regimes within the region? What will be the impact on political reform? Will authoritarian regimes be more or less difficult to reproduce? And, will some authoritarian regimes be more sustainable in the new climate than others?

Some analysts argue that the U.S. war on terrorism coincides with a reassessment of state political and military power, suggesting that a “new imperialism” is developing. Harvey, for instance, views the scale and form of the U.S. military response to terrorism as symptomatic of a deeper insecurity and crisis over U.S. economic supremacy. He argues that in order to sustain that supremacy in the face of competition from competing capitals in Europe and Asia, U.S. capital has become increasingly reliant on “asymmetrical inter-state relations” sustained through U.S. state power. Indeed, he argues that the previous push to open up global markets was an earlier manifestation of this process, meant to shape the global political economy in a way that would prolong U.S. hegemony. As Harvey points out,

for this system to work effectively, markets in general and capital markets in particular had to be forced open to international trade — a slow process that required fierce U.S. pressure backed by use of international levers such as the IMF and an equally fierce commitment to neoliberalism as the new economic orthodoxy.

Steinmetz provides a regulation theory perspective that also sees the events of September 11 bringing long-simmering tensions within neoliberal globalization to a head. He argues that September 11 enabled the “US state to implement the politico-ideological form that is probably the most suitable complement in structural terms to its globally dominant post-Fordist economy.” According to Steinmetz, an “aggressively unilateralist and imperialist stance in the international sphere” is combining with a strengthening of the disciplinary role of the domestic U.S. state that is restricting civil liberties at home and obstructing the “democratic network structure” of information, including through the USA Patriot Act, the Total Information Awareness program, and Homeland Security measures. Indeed, Steinmetz suggests that we may be “witnessing the emergence of an American version of the scenario Nicos Poulantzas (1980: 203-47) called the ‘new interior order of authoritarian statism.’” The full implications of this analysis for East and Southeast Asia are complex, especially as the region still retains considerable Fordist political and economic structures. At the very least, though, it infers that the preconditions for a greater “understanding” of authoritarian regimes abroad are being nurtured at home in the United States by virtue of regime directions there.

In any case, it is important to note that, while the renewed security emphasis represents a return of sorts to the cold war era of political and economic con-
cerns, there is at least one significant difference: the interests of capitals in Western Europe and East Asia are not necessarily congruent with either U.S. economic or military dominance as was the case in that earlier era. The post-cold war period had seen the U.S. emphasize the role of the multilateral institutions it dominated for managing globalization. This approach was at least appealing to Europeans. However, the new security emphasis has seen the Bush administration deemphasize these institutions, suggesting a further site for conflict.

It is apparent that the war on terrorism changes the context in which neoliberal globalization operates, and the interests of U.S. capital in having markets opened are moderated by security concerns. This changed context has further empowered neoconservatives within the U.S. administration, whose perspectives about markets have long been tempered by more traditional foreign policy emphases — or at least a different appreciation of the nexus between U.S. economic and political power — than had been reflected in the earlier reliance on multilateral arrangements emphasizing the role of international financial institutions. The point here is not that this new arrangement is necessarily hostile to the global neoliberal economic agenda, but that it has the potential to moderate the momentum for reform and for permitting differential responses in certain countries to pressures for economic reform.

The war on terrorism is clearly far broader than a response to the attacks of September 11, and extends to the invasion of Iraq and a targeting of the so-called axis of evil. This indicates that the events of September 11 crystallized more general concerns not entirely removed from issues of U.S. economic power. The invasion of Iraq, while cloaked in security concerns, has other implications. For example, it is obviously because of the centrality of oil supplies for U.S. economic expansion that the control of oil becomes a “security” concern. At the same time, it has been reported that the United States plans to turn Iraq into a “virtual free-trade zone” that represents a wish list for those who want to encourage free markets. What was unfolding, then, was not simply the replacement of economic emphasis with politico-security emphasis in foreign policy so much as an approach that more visibly integrated the two. It is thus instructive that the U.S. international political discourse has been moving from rhetoric about democracy and human rights to one that emphasizes “freedom,” where economics and security are entwined.

This was an especially pertinent development for Southeast Asia, which soon came to be regarded as a front line in the battle against terrorism. This was most dramatically demonstrated by the Bali and Jakarta bombings, but was also seen in terrorist links or plots in Malaysia, Thailand, the Philippines, and Singapore. The importance attached to cooperation between the governments of the region and the United States demanded a preparedness and capacity to contribute to U.S. security objectives. This has introduced a new dynamic that moderates pressures for neoliberal economic reform. Thus, while Malaysia’s then prime minister Mahathir had been a vocal critic of neoliberal globalization, displayed a concern for Islam, and opposed U.S. actions in the Middle East, he and his regime earned unprecedented U.S. praise for extensive security swoops under the pretext of addressing terrorism.
The relationship between security and economics was displayed at the October 2003 Bangkok Asia Pacific Economic Cooperation (APEC) forum at which the United States unequivocally tied security issues to its trade agenda. Washington insisted that Asian states meet its security demands, and it was clear that those that actively supported the war on terror would have preferential access to the U.S. market. Singapore was one of the first beneficiaries of a free trade agreement with the United States, and Thailand, following its capture of alleged terrorist leader Hambali, was next. As U.S. Trade Representative Robert Zoellick explained, the United States was ready to extend free-trade initiatives to “can-do” Asian countries. Majority Muslim nations Indonesia and Malaysia expressed serious reservations, as did domestic business in the region, which feared that security would become little more than a barrier to their trade. The point is that security concerns are, as in the cold war period, structuring economic and political relations in the region, revealing deep divisions across the region.

Most strikingly, it is evident that political regime type was to matter little in rewarding supporters in the war on terrorism, as the United States found itself requiring the cooperation of assorted authoritarian regimes. Reminiscent of the cold war period, the U.S.-sponsored “fight for freedom” meant that democracy could wait while the war on terrorism was fought. Indeed, this has already seen a strengthening of antidemocratic forces in the region. Not only did authoritarian regimes in Malaysia and Singapore become strategic sites in opposing terrorism, but the exercise of official powers of detention and surveillance expanded considerably in the region (and beyond). In the case of Indonesia, this meant the prospect of enhanced powers for the military and security forces that had been discredited since the fall of Soeharto. A number of governments, including China’s and that of an increasingly authoritarian Thaksin Shinawatra in Thailand, implemented repressive laws and decrees said to be aimed at terrorism, but which expanded the state’s capacity to repress domestic dissent through a strengthening of domestic security agencies. In the case of Indonesia, this meant the prospect of enhanced powers for the military and security forces that had been discredited since the fall of Soeharto. A number of governments, including China’s and that of an increasingly authoritarian Thaksin Shinawatra in Thailand, implemented repressive laws and decrees said to be aimed at terrorism, but which expanded the state’s capacity to repress domestic dissent through a strengthening of domestic security agencies. Thaksin’s support for Washington’s war against terrorism resulted in a decision to designate Thailand as a “major non-NATO ally” and a quick decision to move ahead with a bilateral trade agreement.

In short, in this new phase of neoliberal globalization there is the prospect that we are witnessing a return to one of the features of the cold war, namely, a high level of tolerance for political regime variation in the interests of security. This means that, apart from those on the wrong side of the terrorism divide, authoritarianism will not be a measure used by the United States in determining who are its “friends” in the world. In other words, “freedom” — that is, being a strong U.S. ally in the war on terrorism — is elevated above concerns for democracy and human rights. Of course, “freedom” also has an economic element, so that allies need a broad commitment to capitalism. Like the cold war, this may permit considerable variation in economic organization in the region. Certainly, for the time being, the zenith of the neoliberal economic reform rhetoric of the Asian crisis period appears to have passed. Even so, we cannot ignore the certainty that U.S. security concerns will compound existing conflicts and gen-
erate additional ones in East and Southeast Asia that may have unforeseen political and economic outcomes.

The Essays

The essays in part 1 of this series are dedicated to an analysis of the changing nature of capitalist market systems in East and Southeast Asia, premised on the notion that market systems are inherently political and conflict-ridden. The collection’s central objective is to identify and explain the precise complexion of the politics and the range of conflicts involved in the contemporary phase of neoliberal globalization. The period examined is one in which both the Asian economic crisis and the U.S.-led war on terror have significantly influenced the trajectory of neoliberal globalization, the conflicts engendered by this process, and the political regimes through which conflicts are mediated. The essays differ in emphasis, in large part because the relative importance of these two watersheds varies among the countries examined. Yet collectively the essays represent a disciplined and systematic address of three overarching questions:

• What are the significant conflicts in the region emanating from neoliberal globalization and what are their implications for the organization of state power and political regimes?
• What are the implications of new security concerns and the war on terror for these conflicts and their impact on state power and political regimes?
• How are conflicts associated with globalization and security affecting social and economic policy directions in the region? Can these directions be reconciled with the reproduction of existing political regimes, or do they threaten their basis?

In addressing these questions, the essays here depict neoliberal globalization — especially in the new security context — as being able to accommodate to a range of political regimes and as not incompatible with authoritarianism. In certain circumstances authoritarianism can be harnessed for the objectives of neoliberal globalization. Indeed, a recurrent theme in this collection is the argument that neoliberalism fosters an “anti-politics” that seeks to marginalize collective action aimed at contesting the rules and effects of markets.

The collection begins with two essays that lay bare the power relationships embodied in neoliberalism, the changing patterns of political alliances and related conflicts, and the relationship of these dynamics to security. The first, by Richard Robison, devotes special attention to explaining the attempted insulation of interests tied to markets through seemingly apolitical institutionalized means. The second, by Richard Higgott, concentrates its analysis on explaining how the increasing focus on security in U.S. foreign policy must be understood as integral to the advance of economic globalization — a process he calls the “securitization” of globalization. Many of the subsequent essays extrapolate from and extend on the key points raised in these two essays. Robison’s and Higgott’s theses thus warrant highlighting.

For Robison, the neoliberal project must be understood as “an agenda for broader social transformation realized or negotiated in conflicts between con-
tending alliances of supporters of beneficiaries to define the rules of markets.”
These conflicts, he explains, are not only between forces for and against neo-
loliberalism, but also within the neoliberal camp — notably where market funda-
mentalism is in tension with powerful private market interests. Importantly, he
emphasizes the propensity in Indonesia for coalitions of predatory oligarchs to
be reorganized through the formal institutions of markets and associated institu-
tions that can protect powerful interests from political scrutiny and account-
ability. The emergence of formal democracy has not constrained such coalitions
of interest. Indeed, Robison challenges the notion that neoliberal markets have
a functional need for liberal institutions in general. Global investors were able
to operate in Indonesia when systems of rent and widespread corruption were
rampant so long as these rents were “organized, centralized and predictable.” It
is not the establishment of liberal institutions that drives business investment
decisions; rather, it is the need to rebuild a predictable order that determines
these decisions.

When considering the implications for political regimes, Robison observes
the presence of a “profound neoliberal ambivalence toward democracy.” Indeed,
he asserts: “There is much that is illiberal about neoliberalism.” This is seen to be
reinforced — not instigated — by increased tolerance and appreciation by the
U.S. government of authoritarian regimes that cooperate in the war on terror.
From Robison’s perspective, neoliberalism is seen as operating within a “new
geopolitical framework defined increasingly by strategic cartels and bilateral
partnerships,” but neoconservatives inside the U.S. administration “have re-
ained committed to globalization and market agendas.” The crucial point his
analysis makes is that the exercise of empowering market relationships and ar-
resting the capacity of challenges to them may have altered modus operandi to
some extent, but it remains the fundamental force for change. This perspective
differs in its emphasis on continuity in the neoliberal project from some of the
other contributors to the collection, although there is congruence in those pa-
ters with Robison’s insistence on the inherently political nature of market de-
velopment before and during the “new geopolitical framework.”

Higgott takes up the challenge mentioned earlier in this essay of developing
a more substantive synthesis of political economy and international relations
analyses when he advances the proposition that economic globalization has
become a security problem. Economic globalization, he argues, needs to be
viewed through the lenses of the security agenda of the United States. Ac-
cording to Higgott, the securitization of globalization has been significantly
accentuated in the aftermath of September 11, but its origins are traced to
the mid-1990s. Since then, the integration of economic and security policy
has been increasing in a unipolar global order, “evident in relations toward
Europe and Asia in general and toward an economically strengthening China
in particular.”

Focusing on Asia, Higgott maintains that, post-September 11, the United
States has attempted to harness APEC to the containment of terrorism and to
dehemphasisize “Asia-specific regionally inspired cooperative initiatives in the eco-
nomic domain in a manner that would have been hard to envisage in the closing
years of the twentieth century.” Yet, according to Higgott, this direction is generating tensions and conflict is looming. The aggressive securitization of globalization is likely to meet resistance from powerful groups and interests. Moreover, unilateralist attempts to impose the U.S.-preferred model of globalization may spark a concerted counter-ideational response from adversely affected interests in Asia and elsewhere.

Other essays take up specific issues of conflict associated with the new security emphasis in U.S. foreign policy. In their respective essays, Mark Beeson and Ian Taylor extend on Higgott’s analysis by examining in detail different forms of conflict that the new security agenda engenders. In paying attention to the hostilities that arise from oppositions to neoliberalism, Beeson argues that the United States has had a remarkable degree of influence in East and Southeast Asia, both as the key strategic actor in the region and as a keen promoter of neoliberal reform. However, the Asian economic crisis and its aftermath, and the more recent war on terrorism, have highlighted the contradictory impact of evolving U.S. foreign policy and intervention. There is evidence of growing resentment about U.S. policy and its perceived negative impacts, and this has resulted in instances of both elite and mass-level hostility. Beeson outlines recent developments in U.S. foreign policy, arguing that it has not only failed to achieve many of its goals, but also that the war on terror may be undermining both America’s long-term hegemonic position in the region and the prospects for expanded political liberalization.

Taylor argues that tensions in APEC were inevitable given the nature of Washington’s neoliberal economic reform agenda and the implications of this for assorted economic and political interests in the region. However, whereas these tensions were able to limit the effectiveness of U.S. attempts to entrench neoliberalism before September 11, now “security” might be exploited to enforce pro-market reforms, on the pretext of helping to raise living standards and undercut support for extremism. It could also result in the harnessing of APEC to more overtly political and military ends. Such directions would heighten conflict and threaten the multilateral nature of the body and emasculate its status as a serious trade body.

By contrast, in examining Singapore, Garry Rodan’s essay develops an argument that the new security agenda actually has the potential to contain rather than exacerbate conflicts emanating from neoliberalism. He explains that the so-called developmental state, and the positions of state-owned and state-linked companies in particular, is coming under increased pressure from the forces of international capital. The recently signed U.S.-Singapore Free Trade Agreement is examined for its expression of the increasingly acute scrutiny being brought to bear on the governance regimes in Singapore that protect and advance the interests of state capital and limit free trade and investment in the city-state. However, he also shows that the Singapore government’s support for the U.S. war on terror has introduced new factors that moderate such conflicts and afford opportunities for a consolidation of authoritarian rule.
The five essays in part 2 of this series, to be published in *Critical Asian Studies* 36, no. 4 (December 2004), focus on issues of governance and political conflict. Accepting that markets are sites of political conflict, the authors of these essays seek to identify and explain the specific politics and conflicts involved in the contemporary phase of neoliberal globalization. More precisely, the essays focus on the mechanisms through which the neoliberal project attempts to restrain political contestation. Three of the papers, by Kanishka Jayasuriya and Kevin Hewison, Will Hout, and Vedi Hadiz, examine global and domestic social policies and governance reforms in Asia, assessing their significance for the domain of collective political action. They scrutinize the conflicts associated with the post-Washington consensus reform agenda and examine how such reforms become a site of political struggle by the forces that attempt to promote markets and those who oppose neoliberalism or attempt to modify it in their own interests. Two other papers, on China, highlight frictions associated with China’s opening up to global market forces and their implications for the organization of state power and the political regime. The first essay, by Shaun Breslin, examines the domestic interests and conflicts involved with China’s World Trade Organization entry and how these were aided by external actors. The shift to markets has served to enforce change but sets in train a range of conflicts that fundamentally alter the basis of Communist Party rule. The second paper, by Sally Sargeson, dedicates attention to land policy as a specific friction associated with this transformation. Examining the coalitions driving this change, the adverse social consequences and the ways that legislation has been deployed, she indicates how the neoliberal project of institution building is meant to quarantine market interests from political contestation.

**Notes**

The essays in the two-part series *Markets in Transition: Conflict, Political Regimes, and the “War on Terror” in East and Southeast Asia* emanate from a cosponsored conference and joint project of the Asia Research Centre, Murdoch University, Australia, and the Southeast Asia Research Centre, City University of Hong Kong. This is the first publication arising from the Asia Research Centre’s flagship program of studies on the relationships between political regimes and governance in East and Southeast Asia. The authors acknowledge the comments and suggestions of Richard Higgott, Richard Robison, Mark Beeson, and the editors of *Critical Asian Studies.*


26. Robison et al., *Southeast Asia in the 1980s*.

Rodan and Hewison/Closing the Circle! 403
Rudolph, and James Gomez (Singapore: Select Books and Friedrich Naumann Foundation, 2000), 13-94.


42. Garry Rodan, Transparency and Authoritarian Rule in Southeast Asia.


51. Ibid., 63-64.

52. Ibid., 64.


54. Ibid., 327.

55. Ibid.

56. Ibid., 338. See also Nicos Poulantzas, State, Power, Socialism (London: Verso, 1980).


