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CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH

GOVERNMENT-BUSINESS RELATIONS IN EAST ASIA: THE CHANGING BASIS OF STATE CAPACITY

LINDA WEISS

OCCASIONAL PAPER SERIES No.9407
October 1994

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Government-Business Relations in East Asia: The Changing Basis of State Capacity

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Government-Business Relations in East Asia: The Changing Basis of State Capacity

After at least a decade of debate on the sources of East Asian dynamism, the most rigorous probing has left little doubt that the state's strategic capacity has provided a vital ingredient[1] Today, the more important issue for analysis is not whether industrial strategy is vital to economic performance, but rather why some states are more effective than others at governing the market. This leads into the vexed issue of state capacity. Research and reflection on this issue are at an early stage. But by far the dominant view is the notion that the East Asian high-growth, production-centred formula has been inextricably linked to an authoritarian state acting autonomously for economic development. In this conception, East Asian states have been "strong" states because they have been able

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[1]For the larger arguments and the more detailed material on which this paper is based, see Linda Weiss and John Hobson (in press). For the purposes of the present discussion, we must assume rather than repeat what has been argued at length elsewhere: that the East Asian NICs, Korea and Taiwan, like Japan, have acquired an unusual capacity for industrial strategy and that this has been a critical ingredient of their relatively unusual success in moving up the value-added chain and into internationally competitive industries. See, for example, Johnson (1987), Amsden (1989), and Wade (1990). Note also the attention given to bureaucratic capacities in the recent reports on East Asia commissioned by the World Bank (1993).

to impose their decisions on business and keep popular demands at bay. Take away the state's ability to command business (and repress labour), so the argument goes, and its developmental capacity promptly disappears (for example, Moon, 1990).

This paper takes issue with the authoritarian-despotic conception of state "strength" and capacity on which these assumptions rest. It proposes instead a theory of "governed interdependence" to account for strategic capacity in the region and indicates how state autonomy, rather than being lost or weakened, has been (or is in the process of being) converted into state capacity. With reference to the East Asian Three, Japan, South Korea and Taiwan, the paper argues that the softening of authoritarianism means more, not less, strength and capacity for the state in its economic role.

I. Institutional Foundations of Effective Intervention

1. The Acquisition of State Autonomy: Classes, State Structure, and State System

Most discussions of state autonomy have been about "operational" autonomy -- that is, the state's ability to formulate its own goals and to implement them; to be able to initiate and control outcomes in line with intentions. This is of course important. As Skocpol (1985: 9) remarks, unless state elites can formulate their own goals, there is little point in speaking of state autonomy. Operational autonomy is what most people have in mind when discussing the "strong" state. This implies both insulation from social forces and a certain "hardness" (authoritarianism?) in the implementation phase. Korea's "nation building through exports" drive and the strict obligation of firms to meet monthly export targets on pain of sanctions, is one example that comes to mind.

But where does operational autonomy come from? Why did the East Asian NIC's seem to have so much of it, and the Latin Americans so little? Some political analysts have made headway with this issue (Evans 1989;

Haggard 1990). But the difference is not yet entirely understood. Some emphasise the importance of class weakness, in particular the land reforms which eliminated local agrarian power, thus paving the way for a modernising bureaucracy to push through its agenda for transferring resources out of agriculture and into industry (Burmeister 1990). To the power vacuum in the countryside, one could add the weakness of the Korean and Taiwanese bourgeoisie, long excluded under Japanese colonialism from commercial and industrial investments (Woo 1991). Others attribute much importance to the organisational structure of the state, including meritocratic recruitment and promotion patterns of its personnel, which ostensibly underwrite the group identity, coherence and sense of purpose within the executive (Evans 1989). Still others stress the role of conditions emanating from the international system, as a source of opportunities for amplifying or limiting state autonomy (Haggard 1990; Woo 1991). Thus, much (perhaps too much) has been made of the role of U.S. aid and security strategy in strengthening not only the economies but also the polities of the region (Cumings 1984). Since aid and foreign exchange were channelled directly thorugh the state apparatus, these states acquired strong leverage over the capital-starved private sector, plus a means of constituency building. To anticipate later discussion, one might also suggest here that it was paradoxically because they wielded such leverage in the first place that state elites were more likely to move closer towards a negotiating-collaborative orientation than a command strategy in their relations with the private sector.

As to which of these variables -- class, state structure, or inter-state system -- is most important for state autonomy, it is impossible to say without systematic comparative analysis. But it would seem that their superimposition or combined presence in the East Asian settings offers the most plausible explanation for how bureaucratic autonomy was acquired in the first place.

But two intriguing questions remain. It is one thing to account for the rise of a bureaucracy that is placed to pursue a project of its own with much more commitment than has usually been the case in most other countries. It is quite another to explain why that autonomy was eventually directed to production-centred goals; and why, generally speaking, state power has been quite effective.

Autonomy is merely a condition for state capacity, not a guarantee that it will be directed towards a developmental project, or that it will be used effectively. An autonomous state, in the operational sense of being able to translate its goals into outcomes, can in principle be highly ineffective in the economic sphere. (This applies of course not to "the state" as a whole, but to the relevant bureaucracies charged with economic transformation.) There is, in short, no guarantee that the insulation of policymakers will produce rational economic outcomes, or indeed that economic calculations will always be paramount, as illustrated by the Korean episode of "industrial deepening" in response to the Nixon doctrine (see below). But autonomy, in this operational sense, is an indispensable condition for effectiveness. Without it, public purpose simply degenerates into private interest, a consequence all too clear in the Latin American setting (Fishlow, 1990; Jenkins, 1991).

So what makes an autonomous state also, in large degree, an effective state, a state with developmental capacity? And why was autonomy directed towards that end in the East Asian Three? These are the questions taken up in the following sections.

2. The Transformation of Autonomy into State Capacity

Paradoxically, the effective state is one that combines insulation with what Peter Evans (1989) has called "embeddedness". The strategic capacity of the NICs, like Japan, has depended, politically, on the formation of coalitions with domestic industry. (Yet this is surely true however of many states without such capacity.) Structurally, however, state intervention has increasingly relied on the formation of dense institutional linkages between politically insulated state bureaucracies and organised business. (A feature much less common to other political economies.) These linkages imply public-private cooperation and this, I argue, goes to the heart of state capacity in the modern economy.

The central proposition is that the effectiveness of these states, in economies of increasing complexity, has been enhanced by deliberate fostering of ties across the public-private divide, pulling into the state's orbit those economic bodies -- banks, conglomerates, general trading companies, industry associations -- pivotal to the state's developmental project. This is controversial. Most accounts see such development as one that inevitably compromises and debilitates state autonomy. In so far as it softens the authoritarian tinge of state power, this is true. But that collaborative component, I argue, is paradoxically the key to preserving and transforming autonomy into capacity, and part of the reason why the East Asian Three have intervened with relatively greater success than most other states.

The process can be described as one of converting operational autonomy (ability to get one's own way, or the zero-sum power of A over B) into infrastructural autonomy (ability to control outcomes through collective action, or enabling power that results when A and B combine forces). State autonomy is transformed when insulation from generalised interest-group pressures is matched by specific state-economy linkages, that is when bureaucratic autonomy is conjoined with embeddedness.

Infrastructural autonomy has two principal dimensions, penetration and extraction. It implies the capacity both to penetrate society and to extract or mobilise resources (material or human) for various ends (eg taxation, warfare, welfare, or industrial investment). This organisational-spatial sense of autonomy was pioneered by Michael Mann (1984/1988) to distinguish the despotic (ie arbitrary), yet logistically constrained power of preindustrial states from the more negotiated, yet logistically effective power of modern states. And there the story of infrastructural power ended.[2] But it is possible to extend the story to account for variations in the transformative capacity of modern states.

The states we are dealing with have had a degree of success -- by no means infallible, but certainly unprecedented -- in channelling investment behaviour into new technologies and away from declining sectors. Their capacity to mobilise a collective investment effort in order to expand market share is virtually unparalleled. How have they done this? The standard response is to highlight the authoritarian dimension of command and control, strong discipline through leverage, and strong repression of labour.

There is something in this. But it is misleadingly static. And its view of power is decidedly zero-sum in character. According to this view, the state can be autonomous only if it attempts to implement its own objectives against resistance from politically mobilised groups in society. This is what

[2]See, however, Mann's more recent work (1993, Vol.2, ch.11) for an argument which links the success of modernising European states to their embeddedness in the organization of dominant economic groups.

is usually understood by state power and autonomy: the ability of the state to force others to do whatever it wants, and usually what Marxists mean when discussing state autonomy. There is then an unmistakeable "despotic" tinge to this conception of state autonomy since it implies a power that is independent of routine negotiation.

The argument then, which cannot be fully developed in these pages, is that the unusual success of these political economies resides in their enhanced infrastructural power. Infrastructural power -- the capacity to mobilise resources for developmental ends -- is increased by public-private collaboration. The stronger the collaboration, the stronger the infrastructural power, and consequently, the greater the capacity for effective coordination of economic change. States which are more autonomous operationally -- hence more able to promote strategic industrial change -- have a stronger infrastructural power. This is best understood as "power through society".

In contrast to the "power over society" associated with "despotic" power of an authoritarian cast, infrastructural power embodies a collective notion of power. It refers to the range of actions the state is empowered to undertake as a result of routine institutionalised negotiation with organised groupings. It is the powering that results when A and B join forces (cf Mann 1986; Hall and Ikenberry 1989).

According to this argument, the state can retain and convert autonomy into capacity provided that it succeeds in integrating business within its decision-making structure. This I contend has been most successfully accomplished in Japan, particularly since the mid-1960s. And it has been partially accomplished in the NICs.

II. Governed Interdependence

Having acquired a significant measure of autonomy, the question is in what manner have these states converted it into effective market governance? We can address this question by examining the way in which Taiwan and Korea (and indeed Japan), have managed what Peter Evans (1989) has called the paradox of embedded autonomy. Embedded autonomy highlights the complex of institutional linkages through which the state forms policy networks, mobilises economic actors for production-oriented tasks, and ultimately implements its policy decisions. As the means by which the state exercises power through society, it is, as has been argued in a larger context, the most potent form of power in the long term and in the Asian, especially Japanese, context it finds its most developed form to date.

At stake here is the capacity to make effective policy, and to see it implemented. If the East Asian case offers any special insight on this issue, it is in the administrative capacity to create policy coalitions, to construct public-private networks in which government and industry cooperate on issues of national significance. Institutional linkages between major industrial firms and bureaucratic agencies give rise to two important outcomes. First, they provide for constant interaction and feedback of information, which gives the bureaucracy a more realistic picture of economic processes overall, and thus a greater propensity for effective action. In this way too the state's central position in guiding the market is reaffirmed and reinforced.

The cooperative nature of government-business relations has been more widely reported for Korea (Song 1990; Doner 1992) than for Taiwan, though there is some evidence of the increasing embeddedness of the Taiwanese state in the organization of small and medium-sized industry. But it is especially well documented for Japan. The term "collaboration", like that of "cooperation", makes no presumptions about normative consensus, perfect harmony, or conflict-free relationships. It implies some basic reciprocity and agreement between two or more parties for advancing common interests. Allen (1981) and Johnson (1982) were among the first to note the two-way cooperative tension in the Japanese government-business relationship. Since then, others have variously described the relationship as one of "organic interdependence" (Calder 1989: 379); "reciprocal consent" (Samuels, 1987); and "competitive collaboration" (Boyd, 1987). Boyd's formula is particularly apt since it points up the tensions inherent in the government-business relationship, and its ever negotiated character. But we shall need to go beyond this conception. For reasons to be outlined below, I have therefore coined the term, "governed interdependence". This is to be distinguished from Samuel's notion of "reciprocal consent" elaborated for the Japanese case. It suggests that government and industry are indeed highly interdependent. But the rules for establishing and maintaining that interdependence make it a highly managed affair, in which the state takes the role of leading agent.

For the moment though, however we choose to characterise the political-economy linkages, the main point to emphasise is that state autonomy is very much strengthened (and thus transformed), not weakened, by collaborative state-industry relations. Indeed, it is infrastructural power at its peak. This of course inverts the conventional understanding in which the state's autonomy increases in direct proportion to actions taken against, or in spite of, capitalist interests.

This argument is advanced via a discussion of three aspects of the state-industry relationship: its nature, advantages, and sources. The following section will focus largely on Japan as an illustrative case for the proposition that state strength is enhanced by cooperative government-business relations, in so far as this preserves and converts autonomy into capacity. Korean and Taiwanese material will be integrated as and when relevant.

1. The Nature of the State-Business Relationship: Competitive Collaboration under State Sponsorship

In the Anglo-American model of individualistic capitalism, public-private collaboration is often little more than a camouflage for the domination of public policy by special interests. Is this true also of the more "communitarian" East Asian model? In that setting, the "business domination" view encounters at least two serious difficulties.

The first difficulty arises from the comparative logic. If government simply panders to the demands of business, as is widely assumed for many other countries, how then do we account for the very different economic outcomes? If we accept that East Asian dynamism has a good deal to do with the synergy created by guided markets (Wade 1990), then it seems reasonable to postulate as the defining feature of that system the combined energy of social forces, not the domination of one by the other. It is this cooperative combining of social energies that we see as the core of state strength. Collaborative linkaging is what gives these states an unusual capacity for effective intervention, particularly in the context of a highly integrated world economy. Above all, competitive collaboration draws attention to the fact that strong infrastructural power is not simply a technical accomplishment. It is fundamentally a political-institutional achievement.

The second difficulty we encounter in reducing government-business cooperation to the pursuit of private interests is that cooperation is rarely offered voluntarily by business (as shown in more detail below); usually it has had to be teased out and institutionalised by the state. In the East Asian setting, this has required the careful construction of policy networks, along with a web of institutional channels for linking public agencies to private economic sectors via export cartels, state-sponsored industrial associations, and policy consultation bodies.

(1) The Japanese Case: the Conversion of Autonomy into Capacity

Japan's political economy has developed the cooperative principle to the highest degree. Fukushima (1984: 86-7) and Okimoto (1989) among others, describe the elaborate policy networks and coordinating mechanisms in Japan that provide the basis for the mobilisation of collaborative action. This institutional network ranges from industry associations and business federations to MITI advisory councils and Diet member caucuses, plus countless study groups, all linking MITI officials with leaders from the core power centres in Japan. Chalmers Johnson counts some 260 state-sponsored "deliberation councils" which act as permament forums for public-private consultation on important issues. The Industrial Structure Council, MITI's blue ribbon panel for managing industrial policy as a whole, is one such public-private agency which, in combination with other formal institutions of big business, [gives] the Japanese government a power of consultation and coordination with the private sector that is smooth, continuously in operation, and much more easily controlled than the lobbying and political action committees that the American government-business relationship generates (Johnson, 1986: 193).

One important consequence of removing policymaking from the public arena in this way is to make it more insulated from political influence and media exploitation. What we see in the Japanese proliferation of policy networks is thus a striking illustration of statecraft. On one hand, there is the careful political nurturing of collaboration, to the point where agreement between government and industry is popularly expected and publically sanctioned. On the other hand, there is much subtlety in the way in which the state gains access to the private sector under its own terms. Thus the bureaucracy has not simply created the linkages and privileged points of access which integrate the policy community; it has managed also to penetrate and control those policy networks (Boyd, 1987: 64, 65, 68).

We can best appreciate this point by getting behind the creation process. Institutional linkages were not especially marked prior to the 1960s. They began to be established as a conscious policy measure in the wake of MITI's difficulties in pushing through its merger policy for the automobile industry. The timing is significant. The merger episode, perhaps for the first time since the end of the occupation, severely tested MITI's capacity to implement its decisions. Most interesting of all, however, it stimulated MITI to adopt a new strategy towards the business community. This is not to say that up until that moment, government commanded and business simply complied. The point is that the famed collaboration we now take so much for granted was a good distance from fame three decades ago. As in Korea and Taiwan, the Japanese bureaucracy wielded powerful instruments of persuasion, including rigid controls over foreign exchange and commercial transactions, financial leverage via the Bank of Japan, and other extra-statutory powers to persuade firms to follow official policies (Allen, 1981: 35). Nor was the economic bureaucracy averse, in that period, to the idea of bolstering its leadership with statutory powers, as its efforts to force mergers in various industries made clear.

But what worked to change all that was the controversy provoked in the 1960s by the government's "sponsorship" (sometimes assuming a forced character) of mergers to encourage major industries, such as steel, chemicals, and particularly cars, to meet foreign competition. In the early 1960s, after failing to increase its statutory powers to control investment in the leading industries, MITI sought to force mergers in the automobile industry. Honda and Mazda were two manufacturers who refused to comply. They are often cited (a little too ritualistically it would seem) as evidence of the "weakness" of the Japanese bureaucracy or the "failure" of government policy. This misses the point. For it would appear that it is more or less from that time that we can date MITI's systematic efforts to construct a network of consultative institutions and to absorb the business community within that structure[3].

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[3]Allen (1981: 42) is illuminating on this issue. The point is not that government-business cooperation and economic coordination date from this period. These go back at least to the 1920s. Rather, the emphasis here is on the self-conscious deepening

The success of that strategy today would appear to speak for itself.

Now, if we put these two features together -- consensus-style policymaking and bureaucratic leadership -- what do we get? The answer seems to be: a system of government-business relations that does not fit easily into the given categories. It perhaps explains why so many observers, fastening on one or other of these elements, have come up with the diametrically opposed interpretations of bureaucratic domination versus big business domination. For those who reject either of these simple alternatives, the notion of "Japan Inc." has seemed the best bet. But the idea that government and industry always see eye to eye is equally misleading, as the colourful episodes of spirited resistance from individual companies attests.

It is a moot point as to whether state and business always share the same goals. But it can hardly be doubted that the corporation's desire to expand market share is of a piece with the state's drive to expand the nation's share of world surplus, and that these broadly common (though initially state-driven) ambitions have proved fruitful. But the single ambition of rapid industrial development has not meant total agreement, as we have seen. Disputes over the details and methods of policy are well known. Moreover, it is not the case that MITI always initiates and business always responds. Sectoral studies show that the "balance of initiative" between business and government varies across sectors. In some cases policy directions are government-driven, in other cases, they reflect industry objectives (D'Andrea Tyson and Zysman 1989).

Now if one focuses exclusively on the fact that business does at times initiate policy, one might conclude, Allen points out, that one of government's more important roles in the economy "has been to assist private firms to develop on the lines that they have persuaded officials to approve". But this would be highly misleading. "Persuasion" is the clinching factor. As Allen puts it so cogently, the key point is that these officials "would not have been persuaded" in the first place "unless they had been convinced that the national interest was being served by the course proposed" (Allen, 1981: 35, emphasis added). This point can and should be made in a slightly different way in order to highlight the significance of the argument being advanced here. We can do so first by

(......continued)
and routinization of these processes.

way of distinguishing this position from one which has recently gained currency in the literature. The latter is the position associated with the work of Richard Samuels. Samuels has quite properly challenged the assumption of bureaucratic dominance in Japan, but at the cost of losing sight of its leadership. Elaborating an impressive argument based on the notion of "reciprocal consent", Samuels observes that "negotiation and compact are the core of business-state relations". "The Japanese bureaucracy does not dominate, it negotiates". So do many other states in Western Europe. But Japan differs in the sheer extent to which its policymaking is underpinned by "routines of mutual accommodation" (1987: 260). Where Samuel's interpretation differs from the one put forward here, however, is in positing negotiation as the foundation of business dominance and bureaucratic weakness. The weakness of this account lies in the failure to consider why negotiated policymaking is more strikingly developed in Japan in the first place. Consequently, the thrust of Samuels' account is to demolish the state as a central coordinating actor, and to imply instead a subtle form of business dominance, whereby "Market objectives are more commonly achieved through the state than state objectives are achieved through the market" (1987: 261). Such a conclusion looks suspiciously like the old Anglo-American interest-group model done up in Japanese garb.

Its central weakness is to overlook the fact that the reciprocal consent that frames an anticipatory (ie strategic) form of policy-making presupposes bureaucratic autonomy. Without autonomy, government-business cooperation simply collapses into clientelistic or pressure-group pluralism, a point all too vividly illustrated in Latin America. With autonomy, it means that regardless of who initiates policy direction, there remain non-negotiable areas. Atkinson and Coleman develop this point in a more general context, arguing that in the establishment of policy networks, the "critical variable" is the autonomy of the state bureaucracy: To build a common frame of reference, including a common set of objectives and an agreement on the appropriate means of achieving them, the state must, paradoxically, have its own agenda. State officials must articulate objectives which are more encompassing than those of their private sector partners and insist on standards that they alone set. In short, there are areas of policy-making and implementation which are non-negotiable (Atkinson and Coleman (1989: 53, 59, emphasis added).

So what can one conclude thus far? First, it is clear that continuing to ask: "Who dominates, the private sector or the state?" is simplistic and misleading. Yet this still tends to be the driving question for studies of Japanese government-industry relations. In one of the latest studies of this issue, Kent Calder (1993), whose previous work earned strong praise within Japan, attacks the "developmental state" view of that country. According to Calder's approach, if one can show that the state does not dominate in all sectors, if one can thereby document instances of clientelism, or even instances of business assertiveness and dissent from government policy, then Japan clearly does not have a developmental state. Based on case studies of industrial credit allocation, Calder's account suggests that Japan has diverged so far from the developmental state (DS) model that it now appears unremarkably like many a Western state. Indeed, Calder (1993: 6, fig.1.1; 268) goes so far as to claim that Japan's development is led by the private-sector ("private-sector-dominated capitalism"), a claim that coincidentally resonates with MITI's own official line as it finds itself beset by U.S. charges of unfair trading practices.

But instances of clientelism and business assertiveness in credit allocation have been reported in a number of earlier studies of Japanese policy (for example, Dore, 1987). It is well known that certain sectors, formerly of national "strategic" value, namely shipbuilding, and coal-mining, have received state support, in spite of their irrelevance to national competitiveness. For party-political reasons too, small business and agriculture have been similarly nurtured over the years. The key question, however, is why such instances should be accepted as clinching evidence for a view of Japanese capitalism as private-sector-dominated. Calder's analysis certainly succeeds in drawing attention to the process of struggle and private initiative in Japanese government-business relations. But it does not provide convincing evidence that Japanese capitalism, like that of the United States, has been private-sector-dominated.

One can readily agree that Japan no longer fits the DS image, if by this one has in mind a domination view of government-business relations, as indeed has Calder (1993: 12). But one can suggest a different reason for rejecting the DS view of Japan. Indeed, in the light of the theory of governed interdependence outlined below, Japan has not so much "diverged" from, as superceded, the DS model. This is not because the state no longer dominates business (if indeed this ever was as true of Japan as it has been of Korea or Taiwan), but because its principal industrial bureaucracy continues to provide leadership and coordination.

In short, initiating policy and carrying it through involves a process far more intricate than the simple question of "who dominates?" allows. I have argued that it is not a question of bureaucratic domination but of coordination, (which entails leadership), and that leadership exists not in spite of, but because of, the consensus-style of policymaking. This is interdependence. The important point, however, is that it is interdependence managed under the overall leadership of the bureaucracy. For this reason, it is best understood as "governed interdependence". There is interdependence, or reciprocity, but it is "governed" by criteria that are not open to the whims or random pressures of private sector interests.

If one can agree that officials do at times solicit policy initiatives from the private sector, that they do so within well-defined guidelines for economic expansion which they have already laid down, and that this in turn presupposes some long-term vision of national direction -- hence leadership -- then we have moved some way towards grasping the reality of "governed interdependence". Governed interdependence can be seen as the outcome of a lengthy historical process through which the Japanese state has successfully converted its political autonomy into economic capacity.

(2) Korea and Taiwan in the Japanese Mirror

This argument applies most clearly to Japan where cooperative government-business relations have acquired an almost legendary status. But what of Korea and Taiwan, where analysts have been much more inclined to stress the authoritarian, coercive, top-down features of policymaking? One clear implication of my argument is that Korea and Taiwan will sustain similar effectiveness in governing the market and coordinating industrial change only to the extent that they succeed in converting bureaucratic autonomy into capacity via the development of similar institutional linkages. Unless this occurs, state autonomy will gradually be dissipated and public goals will be reduced to private preference.

Korea. While it would be foolish to expect the "Japanisation" of government-business relations in the NICs, there is increasing evidence, for both Korea and Taiwan, of a transition phase in which governmental unilateralism is giving way to a more cooperative relationship with business in order to advance national competitiveness (Kim, 1988; Mihn, 1988: 33; Choi, 1991: 6; Flannery, 1992: 34-36; Wu, 1992). One needs to be aware, however, of what "cooperation" means in different settings. In Korea, for example, when I queried senior officials at MOTIE and FKI about public-private cooperation in industrial policy, they indicated a view of government-business relations as highly "cooperative" before the 1980s. Up until this time the fledgling, resource-hungry conglomerates were happy to accommodate the state's broad goals of rapid growth, export-enhancement, and industry development. But business "cooperation" in this sense did not mean significant private initiative in formulating industrial policy (Interviews 1 and 2, 1994). Ironically, although there is currently much more private-sector struggle and contention over the broad direction of government policies, there is also increasingly tighter interaction between public and private sectors in the decisionmaking apparatus (see below).

Throughout the high-growth period, however, the policy-making initiative "lay almost exclusively with the government" (Amsden 1989: 81). It was the Economic Planning Board which determined the policy goals, decided which private projects to approve, and then coaxed and coerced market agents into fulfilling them. As the fledgling Park administration was struggling to define a new economic direction and to establish its policy networks, coercive methods were more prominent. Businessmen who evaded or refused state direction, for example, were threatened with confiscation of assets and prosecution. But as the industrial conglomerates gradually took shape under state sponsorship, so the government built up a centralised policy network in the chaebol and industrial associations. The basis was thereby laid for greater public-private cooperation, not only in the monthly conferences between high-ranking state officials and top business leaders in the Presidential Blue Palace, but also between designated state agencies and state-sponsored industrial associations (Chu, 1989: 664).

As international integration proceeded and the economy became more complex, the Korean administration sought to ensure the effectiveness of their policies by enhancing consultation mechanisms with producer groups. As in Japan, this gave rise to a series of forums for such exchanges, the most important of which has been the Monthly Trade Protection Meeting. A survey of large firms revealed that even in the period 1974-76, half had attended at least one of these meetings, whilst a third had participated in five annual meetings (Alam, 1989: 247). To this forum can be added a variety of other institutions which frame the Korean policy community. These include the state-controlled banks which organise the large business groups; the ten state-designated general trading companies and export cartels through which the state coordinates the export drive; and the various industrial associations, sponsored by particular ministries to facilitate the consultation process. Thus the South Korean authorities have instituted a policymaking process in which state-sponsored industrial associations consult closely with responsible state agencies (Chu, 1989: 664).

Many would agree with Chu that the policy networks coordinating government and business tend to operate "more like an arm of the state bureaucracy extending to the private sector than as a series of channels of interest representation" (1989: 659). The image appears quite compatible with our notion of governed interdependence. The observations of Pack and Westphal would seem to lend substance. For they report that the major decisions governing the choice of industries to promote and how to do so are almost always made in collaboration "with private agents having relevant knowledge and a possible interest in the outcome" (cited in Alam, 1989: 247).

These observations are confirmed by more recent material gathered in interviews with high-ranking officials in the Korean administration, trade associations, and research organizations. The various bureaux within MOTIE, for example, remain in constant "daily contact" with the industry sectors for which they have policy responsibility (Interview 1, 1994).

Most of these efforts to enhance private-sector initiatives date from the mid-1980s. Precisely to encourage business to take the initiative in formulating industrial policy, the Ministry of Trade and Industry organized more than twenty Private Sector Consultative Committees responsible for particular manufacturing sectors. These committees draw their membership entirely from the private sector, including the individual industry concerned, research institutes, financial institutions and the media. In a few instances, these committees date from the late 1960s. But for the most part, they represent a wholly new approach to industrial policy, which government officials are promoting as a building block in the new policy community. For these committees are charged with the task of coordinating private-sector agreement on the macroeconomic and industrial-technological policies that are to be recommended to the government concerning the advancement of their own particular industry. Government might ask a particular committee to meet to discuss a problem, such as the control of new entrants to the petrochemical industry in order to avoid over-capacity. As this example indicates, however, collective agreement is not always reached. In the petrochemicals case, the result was unrestrained investment and severe over-capacity problems. (Interview 3, 1993).

The point is not that government has abdicated its developmental role in favour of abstract demand-supply mechanisms. Rather, by creating such consultative institutions, it is possible to see how government can seek to encourage "policy learning" within the private sector, in order to enhance its own policymaking capacities. At the apex of these initiatives is the Committee for Industrial Development, a private-sector body charged with deliberating industrial policy as a whole. Under the Industrial Development Law of 1986, the Ministry of Trade, Industry and Energy (MOTIE) is required to obtain the consent of this committee for its proposals to regulate or develop an industry. As a senior researcher from the Korea Institute for Economics and Technology (KIET), the research institute linked to MOTIE, has remarked, This move "must be regarded as reflecting an almost revolutionary change in the government's approach to industrial-policy formulation" (Mihn, 1988: 34).

Even so, in Korea, private-sector "policy learning" and government-business cooperation are still evolving. They are by no means as strikingly developed as in Japan, and they may not ever become so. But one major test for the Korean state, and indeed for national competitiveness, over the next decade is whether or not the institutional linkages that have evolved since the 1970s and 1980s will be strengthened, as in Japan, or dissipated by the dynastic business structures of the chaebol, which government policies have, ironically, done so much to strengthen. As Amsden has shown, for most of the postwar period, the Korean authorities could use the lever of finance as a means of guiding investment and disciplining performance. In direct exchange for subsidies, the state could exact certain performance standards (e.g. export targets) from firms. In Amsden's terms, this was a relationship characterised by a high degree of reciprocity, which acted as the lynchpin of fast economic growth (1989: 146).

But then as subsidies lose their importance as a means of disciplining big business, and as the economy becomes more complex, government-business linkages need to be re-fashioned at the level of policy formation itself. On this point, it is indeed interesting to note that current bureaucratic strategies to enhance public-private collaboration are being sought increasingly outside the conglomerate structures, in the official promotion of industry associations and smaller enterprise, as well as in the revival of Private Committees for Industrial Development discussed above. With regard to the government-chaebol relationship itself, this too is in the process of transition. As the Korean government begins to relinquish its financier's role and as Korean businesses find more alternatives to domestic bank financing, "a new government-business relationship will have to emerge", reasons the noted Korean economist and former Minister of Finance, Il Sakong (1993: 188-89).

Though still too early to discern the outcome, the once salient feature of this relationship -- government domination -- no longer obtains. This does not mean a weaker leadership role for the government. In view of the many challenges facing Korean industry both at home and abroad, there is an even greater need for enlightened economic coordination. To the extent that this requires not only a clear vision of economic direction, but also the ability to negotiate broad policy "compacts", one should expect an enhanced rather than diminished leadership role from the government (cf. Sakong, 1993: 188-89).

Taiwan. When we turn to Taiwan, a rather different picture of government-business relations emerges, although it is by no means as "distant" or "non-cooperative" as frequently portrayed in the literature. As one might expect in a setting characterised by small-scale manufacturing, the formation of public-private linkages has been somewhat limited by the fragmented nature of Taiwan's industrial structure. Ethno-historical cleavages between the Mainlander minority political elite and the Taiwanese industrial capitalists have perhaps also served to restrain Japanese-style collaboration between public and private sectors. In turn, the restricted implementation prospects have limited the capacity of economic bureaucrats to engage in the kind of anticipatory policymaking that depends upon private sector involvement. It is therefore unsurprising that, for most of the postwar period, the most vigorous policy networks developed within the extensive public sector, where industries took on a "strategic" character for the rest of the economy. These networks link central economic bureaucracies with public enterprises, public banks, public research and service organisations, and universities (Wade, 1990).

In the private sector however, Taiwanese industry associations have generally not matched their Japanese or Korean counterparts in providing significant policy inputs. Sufficiently important "exceptions" however have recently come to light, which suggest that their exceptional status has more to do with the lack of research and documentation than with the lack of public-private collaboration. Such "exceptions" include the major textile associations which provide powerful policy input for the textile sector, and the research and development cooperation of public research agencies (like ITRI or III) and private companies in designated high-technology industries. In ways unanticipated by most observers of Taiwan, in the last decade or so the public-private policy network has been increasingly strengthened, extended and formalised through initiatives taken by the Ministry of Economic Affairs (Wade 1990: 294).

Indeed, in the most unprecedented manner, the Taiwanese government has begun to press for a new kind of business-government cooperation involving consortia of public and private enterprises. This initiative, which has gained strength in the 1990s, is designed to revitalise Taiwan's flagging exports by concentrating on product development in the so-called "Ten Emerging Industries". These public-private partnerships or "technology alliances", as they are known, are designed to enable companies to share the risks and costs of new product development.

In wholly unanticipated ways, then, Taiwan's small firms are being coaxed into partnerships with the state, thus gradually revising their business philosophy that being independent is better than collaborating with others. While these alliances are still relatively youthful, and not problem-free, they are already bearing fruit in the form of new products and increased exports (Flannery, 1992: 34-36). Such alliances constitute one of several distinctive forms of government-business cooperation in Taiwan, forms which have drawn their impetus from the creation of public-sector technology institutions. To the extent that such cooperative partnerships provide the state with access to the private-sector information necessary for effective policy formulation and to the means for its implementation, Taiwan can be seen as an interesting variation on the model of governed interdependence drawn for Japan.

As these examples indicate, governments have not been shy in encouraging collaborative action. In terms of the strategic objectives that East Asian administrations have pursued, this makes sense. For industrial strategies, "by their very nature, require close co-operation between business and the state" (Atkinson and Coleman, 1989: 63). Hence it seems reasonable to conclude that the kind of power that comes from the command model of top-down compulsion is not conducive in the long run to delivery of the kind of strategic policymaking at the centre of East Asian dynamism. Indeed, bureaucratic dominance -- as opposed to coordination and leadership -- has proved in the long run to be a developmental minus since it cannot ensure the quality of the policy information and implementation to make its strategies effective. Bureaucratic autonomy, however, is indispensable to strategic policy-making.

What this discussion also implies is that business compliance is not something spontaneously or voluntarily given. Quite a good deal of public effort has gone into inducing it. In Japan, the leading nation in the collaboration stakes, a good part of the Fiscal and Investment Loan Plan (FILP) budget, which amounts to some 6 percent of GNP, is dedicated to financing the innumerable special institutions and centralised trade and industry associations that make public-private interchange possible (Johnson 1986: 191).

2. Advantages of Governed Interdependence

Institutionalised government-business collaboration has at least two important consequences for state capacity. First, as we have seen, it provides decisionmaking with a degree of insulation from the frenzy of individualised lobbying, as well as the reactive pressure-group and pork-barrel politics that prevails in Anglo-American settings. This in turn makes possible the coordination and long-run calculation essential to successful structural adjustment. But the most important consequence of government-business collaboration can be highlighted by way of the question: "What gives the bureaucracy the capacity to target, with considerable success, certain areas for intensive development?" Collaboration provides a vital clue to that oft-posed question. Whatever the complete recipe for MITI's capacity for "visions" that lead somewhere, one of its essential ingredients must surely be that the bureaucracy's criteria for targetting and prioritising certain sectors have developed increasingly in conjunction with reliable advice from industry practitioners.

This was not always so. It seems that in the 1950s and 1960s, the economy was not too complex to enable MITI's identification of growth sectors primarily "by looking at success stories in the United States". Since that time however, close observers suggest that the economic bureaucracy has been able to target what it perceives as emerging technologies thanks above all to its extensive public-private network of contacts. Thus, the decision to focus assistance on particular sectors, such as computers or fine ceramics, is not taken in a politically arbitrary or theoretically abstract manner. Such decisions are adopted "after an intensive and often lengthy process of consultation with the relevant firms in the industry, who will disclose virtually all their information".

In short, Japan's system of industrial policies pivots on a finely tuned "system of information collection and dissemination". At least since the 1970s, this "think-tank" function of the Japanese government has been one of the key ingredients of Japan's high rate of industrial growth[4]. But the point to emphasise is that the quality of information gathered and thus the success of the government's interventions are heavily dependent on networking arrangements. Dense organisational networks between public officials and private entrepreneurs enable greater flexibility in responding to changes in technical and market conditions, speeding up the process by which policies can be renegotiated.

Above all, government-business interchange equips state elites with the technical and political capacity essential to its think-tank role. Technical capacity, by virtue of enabling bureaucrats to acquire insider knowledge of the industry as well as a technological sophistication vital to an understanding of new technologies, markets and emergent industries; political capacity, by virtue of facilitating intra-elite agreement over how strategy is to be implemented. In short, governed interdependence has given the state a relatively strong track record in designing and implementing policy goals. Success in turn has reinforced the economic bureaucracy's leadership position in governing the market. The advantages of this symbiotic relationship thus similarly advance my proposition that state power -- understood as the capacity to penetrate (or construct) and mobilise social networks to achieve particular goals -- is strengthened by state-business cooperation.

3. Sources of Government-Business Cooperation

Tracing the sources of cooperation is the third way in which it is possible to advance the proposition that, under certain conditions, collaboration strengthens, rather than diminishes, state power. The relevant question

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[4]This notion of MITI's role can be found in Boltho (1985: 195) and Johnson (1986: 190).

here is: "Why does the business community cooperate with government on policy issues?" Three possibilities arise: (i) because it wants to (the voluntaristic/cultural thesis); (ii) because it has little choice (the state controls key resources needed by business -- eg the policy instrument thesis); (iii) because it is useful (business gains benefits -- what I have called the "learning by doing" thesis). The latter extends the preceding point about advantages of collaboration.

Here we can merely note that there is no convincing evidence for the view that business cooperates with government simply because of culturally shared norms. An historically informed response to this question would need to combine necessity and utility, hence a mix of (ii) and (iii). For the period since World War II, the necessity argument has gained favour. According to this view, business collaborates with government to the extent that the state wields control of crucial resources, the implication of which can be put thus: if no resources, then no leverage, then no cooperation (and one might add, no governance of the market). This is the "policy instrument" theory of state capacity. It sees finance as the queenly instrument, with public control of the banking system as the basic building block of public-private cooperation, not to mention state power[5].

It is true that in all the East Asian countries, firms rely very largely for their investments on loan capital from the banks rather than on equity and securities markets. Hence the importance of bank credit for private investment. Capital from bank lending means that priority can be given to long-term growth, that corporations are less influenced by shareholders and therefore more able to enter long-term exchange relations with government. Thus, in a credit-based system, public control of financial institutions can be an important means of building the political support of domestic business, cementing a close business-state alliance, and thus implementing state-defined objectives (Wade, 1988: 133-4; Woo, 1991: 9).

Perhaps, then, control of finance is indeed the birthplace of state capacity. But this argument requires a number of caveats. First, we need to distinguish between the control that is used simply to impose decisions and that which is used to create institutional linkages with domestic industry in order to pursue an industrial strategy. Such linkages are critical for the conversion of autonomy into capacity. The Japanese state (at least

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[5]The general argument along these lines was pioneered by Zysman (1983). For the Korean version, see Jung-en Woo (1991).

its economic bureaucracy), I have argued, has already achieved this "conversion". The Taiwanese and Korean outcomes however are still to some extent uncertain, with more mixed tendencies evident in the Korean case. In Korea for instance, up until the 1980s, the virtually complete control of credit by the government and the highly leveraged nature of Korean enterprise made discretionary credit allocation a most powerful tool for gaining private sector compliance (Sakong, 1993; Woo, 1991). But the gradual liberalisation of the financial sector and the growth of alternative sources of investment finance are gradually diminishing the power of the credit-allocation tool[6].

The real test of state capacity will depend on the extent to which the financial instrument has accompanied the formation of genuine policy networks through which government can coordinate the process of upgrading the industrial portfolio. In Korea, if one focuses on the state's attempt to move resources into high-technology industries, success has been somewhat mixed since financial liberalisation and democratisation in the last decade. On the negative side, the inability to coordinate agreement among the chaebol in order to prevent overcapacity in petrochemical production must count as the most striking instance of failure. But in technology policy, which has increasingly subsumed industrial policy, the signs are largely positive. This is true not only of Korea, where financial control has lessened, but also of Taiwan, where coordination of private-sector investment has been less marked than in Japan or Korea.

The second caveat to the policy instrument theory is that policy instruments themselves are not independent of state behaviour and state policies. Public control of financial institutions, for instance, is not clearly related to the cooperative arrangements that enhance state capacity for industrial coordination. In Italy for instance, financial control has gone hand-in-hand with strong clientelistic networks linking state and economy, and consequently a weak capacity for economic coordination. By contrast, in Japan, collaboration has been strengthened at the same time that public control over financial institutions has diminished[7]. It is therefore doubtful

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[6]Though one should not overstate this point. The Korean state remains powerful in controlling access to finance (cf. Choi, 1991; Amsden, 1992).

[7]For a discussion of at least four different methods by which MITI seeks to persuade industry to respect its guidance, see Wakiyama (1987: 218-223).

that financial institutions can have causal primacy -- whether in explaining enterprise willingness to collaborate with government or in accounting for state capacity more generally. Financial structure should perhaps be seen in the first instance as a consequence, rather than a cause, of state capacity. Though once established, financial structures can enhance state capacity for economic governance. The main point to emphasise is that it is not so much the policy instrument, but the way it is deployed that makes the difference. Understanding why some states use similar tools to different effect is an essential step in explaining why some states lose, where others succeed in converting, their autonomy.

There is however one aspect of the financial system that can smooth the path for a collaborative business-government relationship. This consists in its impact on the time horizons of capital. Where firms rely for their capital predominantly on bank loans rather than on the sale of equity shares, they are less pressured to seek short-term profits to please shareholders, and therefore more amenable to the long-term objectives that developmental states typically pursue. In this way, the private company can develop interests convergent with those of the state: the long-term expansion of market share rather than the search for quick returns or high-profit margins.

In sum, the policy-instrument-as-leverage approach is obviously fruitful. It can, however, easily lead one to overplay the continuing weight of coercion, constraint and necessity in government-business relations. Consequently, one is tempted just as easily to underestimate the important role of institutional coordination itself that a central agency -- with or without major financial leverage -- can provide. If we are seeking an account of the governed interdependence that underlies strategic state capacity, we need to ask not merely whether business has a choice, but whether business gains from that cooperative coordination. Necessity may suffice for a time, but in the longer perspective, it is utility that counts. Put another way, if some form of centrally-provided coordination can be seen to generate collective benefits, then the greater the likelihood of an institutionalised commitment to collaborative policymaking.

On this point, the Japanese case is particularly instructive. In that setting, the sheer continuity of administrative guidance from the Meiji period up to the present has created a bureaucratic competence second to none. The "learning by doing" strategy so central to the success of the late industrialiser's firms (Amsden 1989), finds a parallel in the success of the late industrialiser's administration. One might plausibly argue that the unusual ability of the Japanese bureaucracy consists in having progressively integrated -- via extensive institutional linking -- the economic know -- how of its industrial class into the bureaucratic learning process. The sheer economic benefits that result from institutionalised cooperation, are thus one more reason for business to maintain that relationship, regardless of government control of investment credit.

Thus far I have argued that state autonomy is ultimately transformed into state capacity when policy networks linking government and industry are established as the basis for managing economic change. Far from weakening the state's ability to control outcomes in line with intentions, such governed interdependence is now vital to the strengthening of infrastructural power.

III. Geopolitics: the Mobilisation of State Capacity

But what is the deeper driving force behind this transformation? What explains the long-term commitment to a developmental project? On this question, the governed interdependence theory takes us only so far. It leaves unanswered the question of the forces that bring to the fore a developmental elite in the first place, and that drive and discipline its actions. The primacy given to growth is by no means "natural" or automatic among late developing countries, as is clear from many contemporary and historical examples, including Tsarist Russia, as well as the early years of the Kuomintang on Taiwan (cf. Amsden, 1985). South Korea under Syngman Rhee might also be added to the list.

Clearly much more comprative research remains to be done in this area. In this context, space permits only the very briefest indications as to the necessary elements of such an explanation. These relate primarily to the nature of inter-state relations. Resource-poverty, common to all three, no doubt plays a part in so far as it rules out certain alternative options. Legitimacy needs, while important, are less compelling since earning a mandate to rule is "the Achilles heel of any military regime" (Woo, 1991: 97). But only a minority of such regimes have adopted a project of intensive industrialisation. As the Latin American experience has shown, "authoritarian" regimes (a diverse category in itself) have adopted more than one means of building social coalitions.

External shocks and pressures offer a more convincing alternative. The East Asian states did not begin life with a developmental mission. Nor were they born with a special capacity for economic governance (the Japanese colonial legacy notwithstanding). In Taiwan and Korea the turn to developmentalism is a recent phenomenon and must be examined in those terms. What helped forge a commitment to development of the nation's economy? Whatever else one might wish to include, it is impossible to ignore the common and insistent "imperative for survival". The governments of Taiwan and Korea, like that of Meiji Japan earlier, were faced with the need to consolidate new regimes against external enemies superior in military and industrial endowments. But this imperative did not effect an immediate turn to industry and export strategies. It was only when the ending of aid was announced that a major shift was galvanised in order to counter the national vulnerabilities thus exposed. In both Korea and Taiwan, the loss of foreign exchange served to concentrate the political mind on what Park called the task of "national development through exports". In Korean terms the immediate task was to catch up with an industrially and militarily more advanced North promoting communism as a superior system (Song, 1990: 91). Similarly in Taiwan, with the U.S. announcement in 1963 that aid would end in 1965, Chiang Kai-Shek's priorities were suddenly shifted from a military campaign against the mainland to the economic independence of Taiwan (Johnson, 1987: 155). In this sense, geopolitics became the driving force behind the mobilisation of state capacity.

As Ronald Dore's instructive comparison of the East Asian and Latin American NICs reminds us, one fundamental factor that differentiates the two regional experiences is the existence of a political "will to develop" (1990). The important point is that the existence of hostile regimes on their borders provided Koreans and Taiwanese with a constant source of pressure to catch-up and overtake. It is surely this imperative for survival, (rather than foreign aid or the U.S. interest), which set the East Asian NICs apart from the Latin American version of development (cf. Jenkins, 1990: 213; Dore, 1990; Woo, 1991: 147). Latin Americans faced no similarly powerful neighbouring states strongly opposed to their capitalist regimes and from whom they perceived a significant military threat. The military regimes of Latin America instead faced "internal" enemies.

Consequently, in these settings legitimacy-building initiatives loomed much larger than in the Asian NICs, thus spawning, among other things, a much more inward-looking development stance. This is not to say that Korea and Taiwan will lose their developmental momentum as the security imperative diminishes. As the continued Japanese drive for industrial supremacy has shown, this is clearly not the case. In the age of economic internationalisation the "imperative" has simply changed its form.

IV. Conclusion: State Power in the Dynamic Political Economy

This paper has analysed a fundamental building block of the "effective" state. It has rejected the common assumption that "strong" states are also effective states. Scholars may continue to insist that the "strong" state is the state that can say "no", that can impose its own will over non-state groups, or simply remain aloof and apart. But the point that this paper has emphasised is that one can expect little in the way of positive strength or enabling capacity to flow from this consistently commanding kind of state. This kind of state power has indeed "lessened" in East Asia. But in so far as it is being replaced by forms of "governed interdependence" between administrative and business elites, the East Asian states are not so much losing their autonomy as transforming it. The process began to be intensified some thirty years ago in Japan and can be declared a success. While a similar process is clearly under way in Korea, and now emergent in Taiwan, the fully fledged emergence of public-private forms of coordination (ie governed interdependence) in these settings will depend very greatly on how political liberalisation evolves. Resolution of the labour-management relationship remains fundamental to the whole issue. For in the absence of some form of "compact" with organised labour, at either enterprise or national level, there can be little institutional foundation for the kind of continuous coordination of industrial adjustment demanded by the new competition.

In its recent World Development Reports, even the World Bank, that bastion of neoclassical economics, has begun to canvas the role of the state in the development of the East Asian economies. ''These economies'', stated the 1991 Report somewhat uncharacteristically, ''raise important questions about theproper roles of state and market'' (1991: 39). With reference to Japan and Korea, in particular, the Report posed the core question: ''Why...did interventionist policies succeed when they so often failed elsewhere?...what is the difference between competent and incompetent intervention?''

Neither the 1991 Report nor its recent follow up offers illumination on this question. This paper tries to make sense of the difference with a theory of governed interdependence. Its principal argument is clearly premised on a collective view of power. In understanding developmental effectiveness, distributive notions of power-''if capitalists have it, the state cannot''-would appear to have limited analytic value. This zero-sum assumption says that the East Asian states started out at the end of World War Two as strong or ''hard'' states (in the despotic, authoritarian sense). But in the last two decades or so, as civil society forces have been strengthened by government policies and the industrialisation process, that power is weakening in favour of the economic actors in the private sector.

This paper presents a different picture. Far from weakening or compromising state infrastructural power, it has argued that cooperation between state and economic elites is constitutive of state power. The more there is of it, the more the state's powers (and effectiveness) are strengthened, not lessened. That conclusion flows in part from the fact that the thesis begins from a very different notion of power, as infrastructural. And infrastructural power is fundamentally negotiated power. (This is what makes it so much stronger in the long run than power of a despotic-coercive kind.) The capacity for social penetration, collective mobilisation and coordination are its key dimensions. Most modern states are comparable on the penetration dimension, having solved the penetration problem historically by eliminating or incorporating local power intermediaries.

For my purposes, then, it is the mobilisation/coordination problem which is the more interesting and relevant. Much more cross-country variation seems evident on this dimension. This capacity for extracting or mobilising resources for industrial development of the nation implies negotiation or bargaining of various kinds. It is therefore postulated that the more dense and institutionalised the state-society linkages for negotiating the means of reaching stated-defined objectives (such objectives being impossible in the absence of bureaucratic autonomy), the stronger the infrastructural powers of the state, in the sense noted earlier (mobilisation capacity).

It is important to underline this point. An increase in ability to penetrate society and intervene in its economic affairs, does not guarantee enhanced autonomy (nor, consequently, enhanced capacity). While it is true that institutional linkages allow for easier penetration of society, in a weak state, such linkages become a point of vulnerability, as is all too clear in the case of Latin America. In a perceptive comment, Michael Barnett (1992: 327) writes that institutional linkages can be understood metaphorically as a bridge constructed for transporting troops into enemy territory during wartime. Although the bridge allows for easier penetration of alien terrain, the same bridge can be easily transformed from a penetrating device into a point of vulnerability. Institutional linkages can be thought of in a similar manner.

This last statement needs to be qualified. The language of war that Barnett uses is in many ways profoundly revealing of the general Anglo-American edginess about state power. Such linkages often do increase vulnerability, but only where the state is already lacking in autonomy. Timing is critical. A state that constructs points of access in the absence of autonomy, or once autonomy has been lost, will be considerably weakened. A similar fate attaches to a state that tries to hang on to autonomy by maintaining insulation (the ''command-at-any-price'' strategy). But a state that selectively spawns linkages whilst still retaining its autonomy, will thereby transform and strengthen its power. This is of course a win-win view of state power in the modern political economy. It underlines the synergy of states and markets that has become the hallmark of the East Asian Three.

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