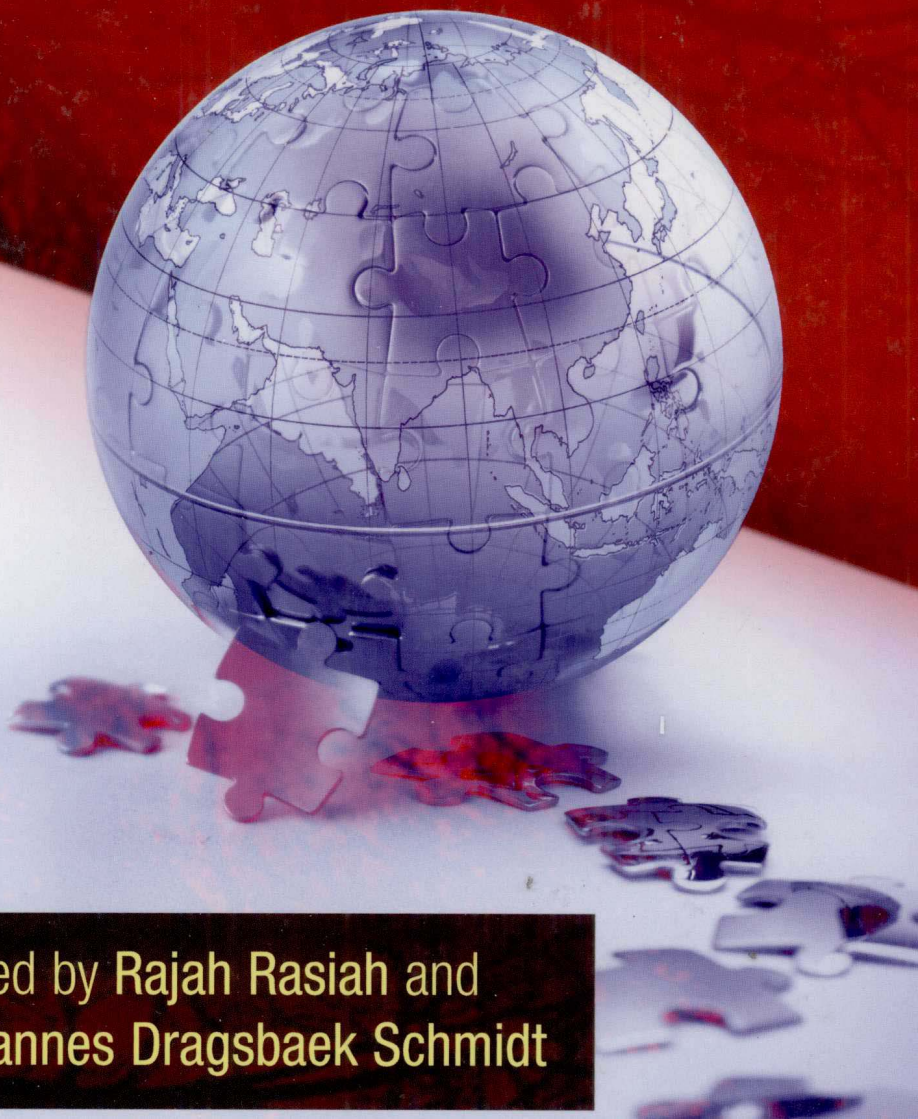


The New Political Economy of Southeast Asia



Edited by Rajah Rasiah and
Johannes Dragsbaek Schmidt

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Preface

This book examines an important area of political economy to which not many publications have so far been able to give any convincing account. By taking an interdisciplinary approach on such critical issues as industrialization, economic crisis and reform, inequality, industrial relations, environment, civil society and distributional conflicts and free trade agreements, the book attempts to fill a lacuna in the existing literature on the political economy of Southeast Asia.

The book grew out of dissatisfaction among many scholars that a sufficiently exhaustive account of Southeast Asia that addresses these issues in a political economy and social change perspective has been missing. By limiting the analysis to single countries, existing books tend to miss important influences that drive social political and economic transformation in the region. As a consequence, the Danish Development Agency (Danida) and the Ministry of Foreign Affairs approved funds that led to the hosting of a number of workshops where the components of the book were deliberated and charted.

The book is important reading for both undergraduate and graduate students at universities and colleges across the world who are interested in understanding the social, political and economic transformation of Southeast Asia. It will particularly appeal to those seeking a detailed account of the historical and contemporary issues of social change in the region.

The editors would like to thank colleagues and students at the University of Malaya and Aalborg University for useful comments concerning the themes and problems raised in this book. We are grateful for useful comments from a number of friends, particularly Peter Limquenco, Garry Rodan, Kevin Hewison, Vedi Hadiz and Shaharil Talib. The usual disclaimer applies.

Rajah Rasiah and Johannes Dragbaek Schmidt

Contents

<i>List of contributors</i>	vi
<i>Preface</i>	viii
1 Introduction	1
<i>Rajah Rasiah and Johannes Dragsbaek Schmidt</i>	
2 Industrialization in the second-tier NIEs	44
<i>Rajah Rasiah</i>	
3 The 1997 economic crisis, reform and Southeast Asian growth	103
<i>Chris Dixon</i>	
4 Revisiting shared growth and examining horizontal inequality	139
<i>Anis Chowdhury and Iyanatul Islam</i>	
5 Industrial relations and labour market conditions	169
<i>Rene Ofreneo and Peter Wad</i>	
6 Urban and industrial environmental reform in Southeast Asia	198
<i>David A. Sonnenfeld and Arthur P.J. Mol</i>	
7 Civil society and distributional conflicts in Southeast Asia	229
<i>Johannes Dragsbaek Schmidt</i>	
8 Rationale for free trade agreements (FTAs) in Southeast Asia	257
<i>Sanchita Basu Das and Aekapol Chongvilaivan</i>	
<i>Index</i>	279

1. Introduction

Rajah Rasiah and Johannes Dragsbaek Schmidt

Southeast Asia's unique history, which covers some of the culturally rich nations of the world, has been shaped by both internal and international forces of change. The classical period of Southeast Asian history was marked both by the profound influence of forces external to the region and by a range of indigenous responses. Taken together, they shaped the elements for new forms of state and society, religion and culture, economy and commerce, labour relations and the environment.

The changing contours of colonialization altered the patterns of political authority and economic development, tying the Southeast Asian states to metropolitan powers in the process. Primary commodity production – ranging originally from spices to cultivated sugarcane, coffee, cocoa, coconut, rubber, and mining of tin and later oil – became the cornerstone of the colonial mode of production. Thailand escaped direct colonial rule but got absorbed into the capitalist world economy. Resistance to colonial rule had begun the very moment colonialism started. Although Japanese military intervention in 1941–45 provided the initial escape from colonization as Indonesia declared itself independent from both the Japanese and the Dutch, a larger army opposed to capitalist relations was to play a key role in shaping power relations in Southeast Asia. Communist insurgencies gripped British Malaya and the Philippines while communist forces gained control of Vietnam, Cambodia and Laos from initially the French and subsequently the Americans. It was only after the collapse of the Soviet Union that Vietnam, Laos and Cambodia gradually integrated into the capitalist world economy. Myanmar remains isolated from global economic forces, but its military-ruled economy has begun integrating with the Association of Southeast Asian Nations (ASEAN) since the 1990s.

Decolonization and the formation of independent states in the region heralded a shift in domestic and international politics, the nature of state–society relations, and the pace and direction of economic development. The post-colonial ruling elites in Southeast Asia sought to deal with the legacies of colonialism while at the same time dealing with political challenges that threatened social order. This often turbulent period in the

region's history (from 1945 to the early 1970s) was also inscribed by the impact of the Cold War, which dominated the international relations of Southeast Asia until the disintegration of the Soviet Union from 1989. This way the evolution of modern Southeast Asia was profoundly influenced by external and domestic developments. In fact ASEAN was formed in 1967 to strengthen ties among the free market economies to stem the potential political threat of a domino effect from communist Indochina and its impact on internal insurgencies. In addition to the geopolitical concerns to contain and defeat communism, the United States and its allies promoted free market relations in Southeast Asia.

Political alliances changed dramatically when the Cold War ended following the collapse of the Soviet Union as the former command economies of Vietnam, Laos and Cambodia quickly inserted themselves into ASEAN and the regional trade integration process that was begun in 1991, i.e. the ASEAN Free Trade Area (AFTA). Not only have developments involving the AFTA process signalled a shift away from strategic concerns associated with the Cold War to the primacy of national economic interests, but the process has also become an important platform for Southeast Asian countries to confront global governance mechanisms such as the World Trade Organization (WTO) collectively. Strongly connected with China but isolated by the United States and Europe, military-ruled Myanmar also formally obtained membership of ASEAN in 1997.

The integration of the Southeast Asian economies into the world economy, including the transitional economies of Indo-China and Myanmar, saw the introduction of development policies, which was led by capitalist economic accumulation but often with roots embedded in the social fabric of societies in each of the individual economies. As the early history of the region shows, a diverse set of ethnic groups who integrated following several spurts of major in-migration from other parts of Asia with wide-ranging cultures and religions characteristic of the populations of the nations often coloured government policies. Although ethnicity has remained a rallying point for strengthening unity as well as political support, especially in Indonesia and Malaysia, political leaderships in these countries have often relied upon hybrid cultures to achieve winning constituencies.

The transformation from feudalism to industrial capitalism in most of Europe was characterized by widespread factory-based proletarianization, but it also evolved alongside owner-farm crop and livestock farming and the guilds systems that reproduced capitalist relations differently as skilled tradesmen under the guilds system evolved in economies such as Germany, the Netherlands, France, Belgium and Italy, thereby reducing the valorization capacity of the bourgeoisie. Bloody Taylorization as well

as the defeat of facism in the Second World War gave rise to successful labour movements and industrial relations that created the welfare state in Europe – though its authority has been increasingly undermined since Thatcher became prime minister in Britain in 1979.

However, the pre-capitalist forms as well as colonial integration in Southeast Asia lacked the productive and later the welfaristic egalitarian dynamics essential to engender the conditions for even capitalist accumulation across the societies. The shift from peasants to proletariats as well as the various other forms it has taken in many parts of Southeast Asia has affected the majority of the people differently. Indeed, premature deindustrialization in the Philippines has continued to support the informalization of labour. The large majority of the populations – both paid workers and informal dwellers – continue to enjoy less representation from governments in most of Southeast Asia than the bourgeoisie. Underemployment and unemployment rates are high in the Philippines, East Timor, Indonesia and Myanmar. Hence, despite the trend improvements shown, poverty and inequality continue to deny a significant section of the population in the region, especially in Indonesia, the Philippines, Vietnam, Cambodia, Laos, East Timor and Myanmar, access to basic amenities.

The formation of nation states demarcated by colonial interests has left behind ethnopolitical divides that have coloured social relations in Malaysia and Indonesia. The national borders of Malaysia and Indonesia were largely defined by the British and the Dutch, particularly following the Anglo-Dutch Treaty in 1824 (Hall, 1981), whereas in Malaysia ethno-political tensions have often risen between the Malays, and Chinese and Indians, in addition to differences between the *pribumi* and the Chinese in Indonesia, where severe tensions have also led to separatist movements among the *pribumis* in Aceh and Irian Jaya. The birth of East Timor in 2000 is a direct result of these tensions. Although ethno-pluralism and multi-culturalism have become a dominant idiom and strategy of nation building in most of the countries, vernacular roots to narrow ethnonationalism have created polarized, truncated societies in Malaysia and Indonesia.

Separatist movements have also gripped Thailand, the Philippines and Myanmar. Muslim separatists in the southern Philippines and southern Thailand have cashed in on centralist policies and ethno-religious differences to wage a bloody campaign against government forces. Meanwhile a military dictatorship has kept a tight lid not only on political democracy, but on its ethno-regional differences with their historical roots going deep into British colonialism, with a potentially volatile explosion in the waiting if and when democracy is eventually restored in Myanmar.

Being resource rich, all but Singapore among the Southeast Asian

economies began with commodity production as the driver of economic growth. The city state of Singapore embarked on industrialization and service modernization after its exit from the Malaysian pact in 1965. However, with the exception of Brunei, East Timor, Myanmar, Laos and to some extent the Philippines and Indonesia, industrialization has become the engine of growth in the other economies. Manufacturing became the leading sector among the primary and secondary sectors in GDP in Malaysia and Singapore, while it had become very important in Thailand by the 1990s. Indonesia, Malaysia, the Philippines and Thailand largely derived poor results from import-substitution strategies, but achieved rapid manufacturing growth on the back of multinational-driven export-oriented firms. The unprecedented financial crisis of 1997–98 affected Thailand, Indonesia, Malaysia and the Philippines seriously, and its contagion aggravated economic growth rates of the remaining Southeast Asian economies. The nature of integration of the region in the global economy left it vulnerable to the vicissitudes of both currency and capital market volatility. Although Thailand was the epicentre of the crisis, Indonesia faced the worst damage following the political fallout that accompanied the demise of the New Order regime of Suharto. Nevertheless, despite different policy packages implemented by governments, a decade later all the main economies showed signs of a fragile economic recovery, only to be sucked into the global financial crisis, fuelled this time by the housing and banking crash in the United States. Whereas a booming United States' economy assisted quick recovery from the Asian financial crisis, the prime source of economic recession in Southeast Asia has resulted from exactly the opposite effect with a severe deceleration in exports.

Rapid growth and industrialization have also brought consequences on the social relations and environmental landscape of Southeast Asia. The transition from peasantry to capitalist relations has not been smooth, as the inability of some of the governments to generate sufficient numbers of jobs and subsistence wages in the formal labour markets have left significant segments of the populations in squalor. Indonesia and the Philippines, and subsequently Cambodia, Vietnam, Laos and Myanmar, face high levels of unemployment and underemployment. Although absolute poverty levels have fallen, Malaysia and Thailand have faced rising levels of inequality since the 1990s. Income inequality levels in Malaysia, Thailand, Indonesia and Singapore show a zig-zag pattern – increasing initially before falling over long periods and then worsening again from the 1990s (see Rasiah and Ishak, 2001). Indeed in Singapore income inequality has been rapidly rising in a sustained way since the late 1990s, which has prompted the government to introduce some major policy initiatives.

Labour movements – both legally and illegally – have strengthened as

well as weakened in the region. Low levels of union densities, authoritarian governments and exposure to casualizing global production networks have reduced the power of trade unions in the region (see Todd and Jomo, 1994; Rasiah and von Hofmann, 1998; Hutchison and Brown, 2001). Co-optation into mainstream politics has helped unions to participate in the development process in Singapore and Vietnam. Early authoritarianism followed by democratization in the Philippines and Indonesia since the fall of Marcos and Suharto in 1986 and 1998 respectively has not given similar representation in the development process. The often intense contestation for representation among rival unions has undermined the position of unions in the electoral process in Indonesia and the Philippines. Trade unions have been isolated from government policy making and hence have remained peripheral to the processes of development in Malaysia and Thailand. Trade unions are nascent, and their activities remain uncoordinated in Cambodia, Laos and Myanmar.

The overarching influence of state-market coordinates of government policies in early accumulation generally excluded emphasis on the environment. The destruction of forests in Southeast Asia, to support logging, plantation agriculture and housing for profits, has continued unabated. Nevertheless a combination of rising middle-class pressure, international standards imposed on multinational firms operating in the region from 1989 (the Montreal Protocol) and the proliferation of eco-labels has helped bring environmental considerations into government policy making in the region. Until then, domestic efforts to strengthen environmental standards emerged in Indonesia, Malaysia, Thailand and the Philippines, but faced little enforcement. The cross-border movement of haze, particularly from Sumatra in Indonesia to Singapore and peninsular Malaysia, as well as Kalimantan in Indonesia to Sarawak in Malaysia, is a case in point where much talk has translated little into solutions. In addition, industrial emission and cross-border spillover effects of pollution had also become a thorny regional problem by the 1990s.

The economic and security significance of Southeast Asia in the world economy could not be overstated, as the region connects the East and West trade routes through the South China Sea and the Straits of Malacca. American interest in the region has remained paramount. Home to almost 550 million people, Southeast Asia commanded a GNP exceeding \$700 billion and was the United States' fifth largest trading partner in 2005. The United States and its allies spent a considerable period of time trying to stem the possible domino effect from communism. Although the threat of communist insurgencies is no longer critical, American political interest in the region has become important again since the emergence of terrorist threats in the southern Philippines, southern Thailand and Indonesia.

This brief introduction denotes the importance of the region itself but also implicitly shows the need for a careful analysis of political economic change. The next section discusses the main approaches used so far to understand and interpret the political economy of Southeast Asia. Most works have tended to limit analysis to the boundaries of nation states even when discussing globalization issues. This book brings four advantages over previous accounts of the political economy of Southeast Asia. Firstly, the book examines a wider range of socio-economic and political topics that are important to Southeast Asia than those attempted by others. Secondly, by allowing a free hand on the formulation of the political economy approach for the individual chapters the book recognizes the need to examine the various topics differently and hence the preference for a new political economy of Southeast Asia. Thirdly, by extending analysis to at least three nations in the region this book seeks to examine the interrelationships that capture the mediation of global and national interactions and interventions that have acted as the drivers of political and economic change in the region. Fourthly, the book captures the dramatic changes that have taken place in the region since the turn of the millennium. In doing so, this book seeks to complement rather than supplant the important contributions other scholars have made to understanding the political economy of Southeast Asia (notably Limqueco, McFarlane and Odhnoff, 1989; Rodan, Hewison and Robison, 1997, 2006).

THEORY AND SOUTHEAST ASIAN STUDIES

Most studies of economic development in capitalist Southeast Asia have relied on five approaches – the neo-liberal (e.g. World Bank, 1993), the state-capital approach (see Yoshihara, 1988; Jesudason, 1989; Jomo *et al.*, 1997), the classical Marxist approach (e.g. Rasiah, 1988, 1997; Limqueco, McFarlane and Odhnoff, 1989; Rodan, Hewison and Robison, 1997), neo-Marxist approaches (e.g. Jomo, 1986) and structural functionalist and populist approaches (e.g. Kitching, 1982; Budiman, 1990). The first view is synonymous with the tradition of neoclassical economics and has had strong advocacy from the World Bank and the International Monetary Fund (IMF). The second has leanings to the developmental state approach (Johnson, 1982; Amsden, 1989; Evans, 1995), but the articulations capture the reasons behind slow growth and lack of industrial upgrading in most of Southeast Asia. Although the third and fourth line of thought emerged as a critique of the other two approaches, their definitional, relational and epistemological foundation has relied on a critical and a conflict-based perspective of social change. In their overall meta-theoretical vision, these

transhistorical and grand social traditions differ considerably, as the first and the second are Weberian, while the latter two belong to the Marxist tradition.¹ The fifth school of thought captures the work of structural functionalist scholars who seem to have sought a simple but popular refuge in arguments to explain problems of capitalist accumulation and the interaction with political development.

Neoclassical

Driven by the belief that, if left alone to natural forces, markets (relative prices) will always clear and that rational economic agents will always optimize (see Lucas, 1978), neoclassical economists argue that efforts must be taken to avoid distortions in the market. Given information imperfections, Hahn (1984) went on to argue that governments should follow market signals to remove rather than introduce distortions to achieve allocative efficiency (Pareto optimality).

This argument has been contested by critics on the grounds that markets on their own will achieve only static efficiency and prevent the appropriation of dynamic gains in efficiency associated with increasing returns, complementarities and structural interdependence (see Kornai, 1962; Kaldor, 1979). Keynes (1936) had argued that economies will achieve equilibrium before full employment can be reached because of market imperfections, which will particularly be severe in developing economies characterized by demand constraints. Markets on their own will also prevent the appropriation of Schumpeterian innovation synergies, as in the absence of rents economic agents would prefer to imitate rather than innovate (see Schumpeter, 1942).

Pointing to the examples of countries faced with import-substitution and corruption (for example, Turkey, India and Pakistan), neoclassical economists responded by claiming that government failures are more severe than market failures and hence that the pendulum had swung permanently toward their side (Krueger, 1983; Sachs and Warner, 1995). Despite the use of interventionist instruments for a long time neoclassical economists had argued that the East Asian economies were more market-than government-driven by simply showing that these economies have been open, export-oriented and characterized by low mean tariffs (see also Belassa, 1982; World Bank, 1993).

Even when the World Bank (1993) conceded on interventionist forays by governments in Northeast Asia, it had argued that Southeast Asian development was driven essentially by market forces. Hill (1996) and Pangestu (1998) on Indonesia and Athukorala and Menon (1999) and Salleh and Sahathevan (1992) on Malaysia argued that liberalization had unleashed a

greater allocative role for markets, with the corollary of efficiency-oriented rapid growth and structural change in these economies. Using cost-benefit analysis, Warr (1987a, 1987b, 1989) concluded that the explicit and implicit subsidies provided to firms located in export processing zones merely distorted prices at the peril of dissipation of scarce resources in Malaysia, the Philippines and Thailand. Neoclassical works on Southeast Asia explain economic development on the basis of the increased role of markets. The methodology used to arrive at such a conclusion again relied on openness, liberal financial systems, high trade-GDP ratios and relatively low mean tariffs. This position is taken despite the fact that government in the most advanced country in the region – i.e. Singapore – has intervened selectively to take advantage as well as direct the composition, direction and pace of market development, including integration in global markets (see Rodan, 1989). Rasiah and Ishak (2001) provided evidence to argue that Malaysia has had a mixed experience, with interventions being responsible for both the successful and the unsuccessful experiences of growth and distribution in Malaysia. Rasiah (1998) went further to argue that Indonesia, Malaysia and Thailand have not intervened effectively to provide the institutional change necessary to engender catch-up in manufacturing in these economies.

State-Capital

The state-capital approach tends to examine economic development from the lenses of the role of the state in capital accumulation without addressing class relations. Because interventions successfully transformed Japan, Korea and Taiwan, these countries have been referred to as developmental states (see Johnson, 1982; Amsden, 1989; Wade, 1990; Johnson, Tyson and Zysman 1991; Evans, 1995).

Extending the arguments of Gerschenkron (1962), the state-capital approach examines the nature of interventions by looking at institutional development in the catch-up process. Development planning that takes on the role of governments as the key driver can be traced also to Chakravaty (1969, 1993) and Sen (1999). However, unlike evolutionary economists who do not confine themselves to one single master in driving development (see Nelson and Winter, 1982), state-capital advocates regard the state as the chief architect in the process. Interestingly, Johnson (1982), Fransman (1985), Amsden (1989), Wade (1990) and Amsden and Chu (2003) provide specific examples of state intervention in the processes of learning and innovation in Northeast Asia. Amsden (1989) went as far as to argue that the Korean state ‘got relative prices wrong’ to stimulate and quicken manufacturing firms’ movement toward the technology frontier.

Similar approaches attempting to explain why similar industrial success to that of Northeast Asia has eluded Indonesia and Malaysia argue that the lack of support from the state in these countries has been caused by ethnic factors and misguided neo-liberal instruments or both. Hence, Jesudason (1989) argues that the Bumiputera-dominated government has failed to provide similar support to the predominantly Chinese entrepreneurs. Yoshihara (1988) argued that the Chinese have been reluctant to invest in risky and lumpy businesses on a large scale owing to the fear of ethnic tensions that could arise from indigenous-dominated governments. Jomo *et al.*, (1997) go further to explain the contradictions of government policy to distinguish Southeast Asia from Northeast Asia. Rasiah (1998) argued that the very limited use of Northeast Asian-style interventions had largely been the cause of the lack of upgrading achieved in Indonesia, Malaysia and Thailand. Jomo, Rasiah, Alavi and Jaya Gopal (2003) present firm-level experiences to show cases of productive interventions that assisted the growth of some successful Malaysian firms. Also, whereas governments in Northeast Asia actively raised the share of human capital in their populations, the Southeast Asian economies other than Singapore have continued to face low levels of human capital development (see Rasiah, 2009). The successful use of tariffs and other support successfully assisted oil palm firms in Malaysia to reach the technology frontier (see Jaya Gopal, 1999; Rasiah, 2005).² Pasuk and Baker (1994) make the case that unproductive rentier activities alongside liberal policies have restricted rapid growth in Thailand.

The main questions in this regard are: (1) Which factors explain that Southeast Asia was unable to emulate the most important parts of the development strategies pursued by the East Asian NICs? (2) Why have industrial firms in Southeast Asia failed to reach the global technology frontier? (3) Why did Southeast Asia not achieve a shift from low-value-added economic activities to high-value-added activities?

One answer stresses the following historical and contemporary factors which proved to be important in the case of East Asia: (1) the international realm, (2) the creation of an institutional framework of market-favourable conditions structured by the state, and (3) politically determined policies and industrial strategies with a simultaneous emphasis on import-substitution and export orientation and monetary nationalism (high savings and low exchange rates) (Schmidt, 1996: 199). Land and urban reforms, high investments in human development, low levels of inequality and poverty, and the politically determined facilitation of trade to the US market all prepared the way for the evolution of the Japanese miracle, the NICs and later on China's unprecedented high economic growth rates. Furthermore, the first-generation NICs and Japan did not rely on FDI and were able to raise domestic capital accumulation orchestrated by the state.

None of these factors have been visible in Southeast Asian, although Singapore and Malaysia have made attempts to copy the state interventionist parts of the NIC strategy with varying results (Schmidt, 2000).

Classical Marxist

Despite the primacy of economic accumulation, classical Marxist analysis takes an interdisciplinary approach. This approach examines social phenomena from the unity of the three circuits of capital – money, productive and commodity (see Marx, 1956; Warren, 1980; Luxemburg, 2003; see also Jenkins, 1984; Rasiah, 1993). Because Marx was convinced that it is in capitalism that the forces of production reach their highest accumulation and efficiency, the emphasis is laid on technological transformation.

Consistent with Marx (1867), Warren (1980) argued that the nature of capitalist expansion – however destructive and painful – had opened the way for underdeveloped economies to create the conditions to govern and experience capitalist accumulation. Indeed, one can argue that Northeast Asia's successes are examples of governments proactively absorbing technology to reach the catch-up phase. Although labour struggles went undocumented in the work of Johnson (1982), Amsden (1989) and Wade (1990), rapid increases in real wages ensured that standards of living at a larger scale improved.

Robison (1986) and Robison and Hadiz (2004) on Indonesia, Rodan (1989) on Singapore, Hewison (1989) on Thailand, Beresford (1988) on Vietnam, Hutchison and Brown (2001) on the Philippines, and Rasiah (1997) and Rasiah and Ishak (2001) on Malaysia examine the nature of power relations to explain the political economy processes behind accumulation in these economies. Rasiah (1987, 1988, 1996) had argued that global integration, far from causing de-industrialization and de-accumulation, was actually transforming the labour process in the electronics industry in Penang to support upgrading in the 1980s and early 1990s. However, owing to ethnic coloured policies and the lack of proper catch-up interventions the potential synergies had been dissipated by the second half of the 1990s (see Rasiah, 1999). Limqueco and McFarlane (1983) and Limqueco, McFarlane and Odhnoff (1989) discuss the impact of capital-relations on the labour process in Southeast Asia.

Neo-Marxist

Lenin's account of monopoly capital, arising from combining the work of Hilferding (1912) and Bukharin (1929), arguably sowed the seeds for

Baran's (1973) neo-Marxist account of capital accumulation on a world scale. By focusing on the circuits of money and commodity, neo-Marxists are opposed to capitalist organizations from developed countries operating in developing countries owing to their argument that such operations are directed at surplus appropriation in the latter for accumulation in the former. The world systems perspective used by Wallerstein (1979) and his followers allows accumulation in the periphery but only marginally. Because of its appeal, scholars from the developing world have in many cases tended to integrate neo-Marxist accounts with a nationalist ideological flavour. Hence, political, cultural and social dynamics are considered to be adapted or impacted through the channels of integration by capitalist forces from developed countries. The successful examples of Korea and Taiwan are argued by neo-Marxists as driven by the geo-political considerations of the global metropole (the United States in particular) seeking to thwart support for the communist block despite the miserable failure of the American-aligned Philippines.

Using the most incisive account of history to understand the forces of capitalist integration and exploitation, neo-Marxist analysis provides a detailed account of development in latecomer economies (Caldwell, 1968; Elliott, 1978). Indeed, Jomo (1986) provided arguably the most incisive class and nationalist analysis of Malaysia's pre-colonial, colonial and post-colonial history. Constantino (1969, 1982) offered a nationalist account of the Philippines. Pramoedya (1980, 1992) through his novels expounded a similar account of Indonesia, criticizing the role of colonialism and divisive post-colonialist policies (Utrecht, 1972).

The articulation of the nature of integration, and the transition faced by the classes, has been a major strength of neo-Marxist works on Southeast Asia. However, the lack of emphasis on Marx's and Luxemburg's advocacy – in particular on the productive circuit – on the need to endure the pains of integration but with a focus on creating and driving the productive forces of accumulation reduced the capacity for accumulation-oriented policy formulation. If Northeast Asia achieved rapid growth and structural change on the back of largely local firms it was also driven by global integration – access to foreign sources of knowledge through imitation and licensing as well as domestic absorption and development, and exposure to foreign markets that provided the scale, scope and competition (creative destruction). Policy prescriptions of neo-Marxists tended to discourage integration in global markets. Even the transitional economies of Vietnam, Cambodia and Laos have recognized the problems with this and as a consequence have re-integrated into the capitalist system since 1989.