The Reform of the State-led Development System in Asian Countries

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INTRODUCTION

The Asian currency and financial crisis which took place in 1997-98 revealed the vulnerability of the state-managed development system, which has led economic growth in these countries since several decades, in the face of progressive globalization of the world economy. In fact, after political independence, these countries have adopted, following Japan, a development system which is more or less managed by the centralized state, controlled by tiny elite composed of politicians, bureaucrats, business groups and often of military. This system is therefore also called a "development-oriented dictatorship," which was justified under the East-West rivalry. This system has allocated efficiently resources to priority sectors of development, guaranteed stability to foreign capital, thus contributed to higher economic growth which characterized these countries under the name of "Asian miracle."

However, the so-called Asian economic crisis disclosed inadequacies of this development-oriented regime: one is that the growing globalization which came onstage after the end of the Cold war and which is accompanied with liberalization of capital and other economic flows rather paralized traditional arms of macroeconomic policy and the limits to the state's regulation came to light. In fact, since Asian countries have largely been dependent on the world market, they are obliged to deregulate and liberalize their economies as it is urged by the promoters of economic globalization. Secondly, after decades of its installation, the regime itself had shown many -serious- inadequacies in a globalizing world: corruptions, briberies, inner-circle transactions which resulted in huge accumulation of bad loans, all contributed in both political and economic fields to paralyzation of the system. Thirdly, in relation to above-mentioned two factors, people's consciousness evolved: first, rapid urbanization and industrialization formed a solid middle class who are keen to human right as well as to fairness and openness in the social system, and, second, the revolution of information and communication technology rapidly spread the global-wide consciousness of democracy and human right in every corner of the world. This last factor is the reason why, already before Asian economic crisis, since the last–half of the 1980s, a tide of democratization movement which questioned the legitimacy and legacy of the development-oriented dictatorship has succesively arisen, first in the Philippines with February EDSA Revolution in 1987, and then, in the 1990s, with the establishment and consolidation of the civil regimes in Korea and Thailand. Thailand has experienced, in May 1992, the civil overthrow of the military regime, which resulted in the 1997 New Constitution. After economic crisis, in Indonesia, people's movement led to the fall of the Suharto's developmentalist regime. In Japan, the arrival of Hosokawa coalition government in 1993 indicated the end of the LDP monopoly rule aiming at "catch-up" by economic growth. In Taiwan, in the same period, we observed a very fast democratization of the development-oriented regime instituted by the Nationlist Party, which resulted in the change of the government.

All these factors indicate the necessary transformation of the state-led development system which had characterized Asian economies and their "miracle" in the last half-century.

This paper aims at clarifying the following points:

First, several types of the reform and restructuring efforts are going on in Asian countries, in particular, in the 1990s. Second, these reforms occurred, on one hand, by the restructuring guidelines imposed by the international organizations based on the "Washington consensus," but, on the other hand, by the people's movement and civil society aiming at democratizing the political regime and realizing human right. Third, in fact, the Asian countries are struggling to find out the mix of these requirements coming both from the promoters of economic globalization and their own citizens: this struggle constitutes their own response to the globalizing world of the 21st century.

I Restructuring the State-led Development System: Directives of the "Washington Consensus"

IMF and the World Bank group are the main international bodies to promote the restructuring of the state-controlled economies, by imposing "conditionalities" when they provide reliefs to indebted developing and transitional economies. This is said to be based on the so-called "Washington consensus." This calling is based on the fact that the conditionalities aim at integrating the state-regulated economy into a globalizing world market and that these measures are strongly supported by the U.S. government, multinational corporations and the IMF/World Bank group. This policy is based on the neo-liberalist economics that won over the Keynesian economics in the 1980s, praising free market competition as the best economic system ansd advising free trade, privatization of the state-owned enterprises, balanced budget, export-promotion, fixed exchange rate, etc. The government who accepted conditionalities should deregulate its economy, open market, avoid any inflationary measure and guarantee free competition to any private enterprise. The consequence of this policy is that the governments press down social expenditure and check increase of wage levels, thus often aggravating social conflicts or poverty issues. In this context, aid agencies now concentrate their efforts in the field of poverty alleviation, human security or social safety nets.

The good examples of restructuring of the state-led economies imposed by the international organizations based on the Washington consensus can be seen in the cases of some Asian countries, who were obliged to accept debt reliefs and huge loans in recent decades. We will see these examples in the case of the Philippines, Thailand, Indonesia and Korea. The latter three are all crisis-affected countries in 1997-98.

The case of the Philippines is interesting. This country is one of the first Asian countries, which accepted debt relief programs of IMF in 1984 and which has been conducting structural adjustment programs under the IMF/World Bank controlled financial facilities schemes (The Extended Fund Facilities = EFF = provided by IMF and the Financial Sector Structural Adjustment Loans = FSAL = provided by the World Bank). It has been realizing gradually liberalization of trade and exchange, deregulation of monopoly system in the sugar and coconut industries, privatization of state-owned enterprises, land reforms, budget equilibrium and so on. Its economic fundamentals have basically become sane after 1993. However, on the other hand, this country has maintained its basic nationalistic tenet to control foreign capital under the 1987 Constitution. Maybe these reasons contributed to the fact that this country remains one of the least affected countries by currency and economic crisis in Asia.

We might say that the Philippines is the country which has benefited from financial facilities provided by IMF/World Bank, but conducted skillfully under its own interest structural adjustment programs.

Thailand, Indonesia and Korea are major countries which used IMF facility schemes at the time of Asian financial crisis.[1] IMF provided in total US$114.4 billion (Thailand 17.2, Indonesia 39.2, and Korea 58.0) of assistance packages. In exchange, IMF required these countries to accept structural reform policies as conditionalities.[2]

There are mainly four areas of structural reforms that four countries accepted to conduct.

First is the restructuring of bank and financial sector. Second is the competitive policy and corporate governance. Third is the liberalization of trade and capital movement. Fourth is social policy which is related to anti-inflation measures, support to unemployed and poor people, including extension of social safety net.

We will see how far these structural adjustments have been realized since the economic crisis.

(1) Restructuring of the financial sector

All three countries have paid huge efforts to restructure financial sector in which bad loans increased rapidly with currency crisis, though their achievement differs from country to country. They set up government agency to supervise and manage restructuring of financial sector: Financial Sector Restructuring Agency (FRA) in Thailand, Indonesian Bank Restructuring Agency (IBRA), and Financial Supervisory Service (FSS) in Korea. These agencies closed banks and non-banks which the ratio of net worth (ratio of self-capital to total asset) deteriorated (under the BIS standard), accelerated the merger of financial institutions and set up company or unit to manage accumulated bad loans of this sector. JETRO has estimated that, in March 2000, the ratio of bad loans to total loans in financial sector amounted to, in Thailand 37% (peak period: 48% in May 1999), 33% in Indonesia (peak period: 59% in March 1999) and, in Korea 11% (peak period: 22% in June 1999).[3] For this purpose, some US$18.7 billion were spent in Thailand, US$60.0 billion in Indonesia and US$8 billion in Korea.[4] We see that much of overseas financial support have been injected in restructuring of the financial sector. This restructuring has been certainly conducted under the IMF schemes, but, at the same time, for Asian countries, including Japan which is alien to IMF scheme, this restructuring was the first necessity in order to normalize financial function of the

[1] IMF provides loans to help foreign exchange shortage either by the Stand-by Facility = SBF = or Extended Fund Facility = EFF. These facilities are provided in order to help balancing their external trade accounts. That is why, these facilities are associated with conditionalities, as it is the case of debt-relief, that recipient countries should observe.

[2] IMF (1998)

[3] JETRO, *Structural Reforms in Asia* (Japanese), Tokyo, 2000, pp.150-151

[4] Id: p.31

economy, that was paralyzed, on the one hand, by overlending of the bubble period, and the other, by sudden increase of bad loans in the period of crisis.

(2) Competitive policy and corporate governance

The structural adjustment programs emphasize elimination of monopoly by the state/state-owned enterprises, corporate governance centered on information and data disclosure, including financial accounts conforming to international standard, and accountability to stockholders. This aspect has certainly been much delayed in Asian countries where business groups and family businesses had largely led economic growth process. These measures would accelerate deregulation as well as competitive market atmosphere in these countries, promoting entry of foreign capital as well as acquisiton of domestic firms by the latter. In Indonesia and Korea, foreign capital is allowed to have 100% share in finance, manufacturing and retail sectors. Korea also deregulated M&A process. However, in Thailand, manufacturing and service sectors were opened, but still, in finance and public utilities, the governmental regulation exists. The degree of privatization, governmental deregulation and admittance of foreign capital differs also from country to country and sector by sector.

We might add that, in the case of Indonesia, the letter of intent stipulated observance of good governance, anti-corruption and other measures related to political governance, showing the current IMF will to extend conditionalities in the political field.

(3) Liberalization of trade and capital

Liberalization of trade means abolition of protectionist policy, including import-restrictive measures such as export-subsidies, restriction of import licenses, etc. Indonesia and Korea have accepted this. Indonesia, in particular, has promised to accelerate trade-liberalization program introduced in 1995 and abolish any trade restrictive measures practiced by local governments, including export taxes.

Korea accepted to open entirely its capital market, liberalizing foreign exchange transaction as well as admitting M&A by foreign capital[5], which was conducive to the sudden fall of won currency (from 850 won to 1 dollar in Dec. 1997 to 2000 won in the end of January 1998), which resulted in massive bankruptcy of firms together with mass unemployment. However, due to the fall of

[5] *Letter of Intent,* agreed between the Korean government and IMF, Dec. 3rd, 1997.

won, Korea reestablished its trade balance in 1998-1999 for the first time in the 1990s.

Thailand attenuated regulation on foreign capital in 1998, opening mainly service industries and admitting 100% of foreign holding of capital in BOI promotion industries. In 1999, import duties were reduced.

(4) Social policy

Social policy differs also from country to country, though the emphasis of restructuring lies always in the protection of the poor and unemployed people hit by market-oriented liberalization policies[6]. In Indonesia, the letter of intent stressed the supply and distribution of daily necessities such as rice and cooking oil and the provision of subsidies to the poor family. In Thailand and Indonesia, measures to assure health and education services such as scholarships, school loans and public health programs were included.[7]

In Korea, where unemployment insurance system has been instituted, enforcement of existing system as well as promotion of professional education and training were emphasized. This is to promote flexibility in the labor market. In Indonesia and Thailand, where public protection of unemployment is almost absent, enlargement of public works and loans to self-employed business constitute major items in this respect.[8]

Anti-inflationary measures were related to the balanced public finance as well as the stabilization efforts of the wage level of workers. However, during the crisis period, these were not enough to contain the price increase of consumption goods (In Korea, 1998: 7.5%, 1999: 0.8%; in Indonesia, 1998: 58.4%, 1999: 20.5%; in Thailand, 1998: 8.0%, 1999: 0.3%). It seems that these tightening measures have shown certain effect in the later years. However, for the majority of the poor and unemployed who were hit both by crisis and inflation, social protection is yet to be developed.

In short, social policy conducted under the IMF schemes emphasized, first, government's tightening fiscal policy, second, support to the poor and unemployed, and, third, institution of flexibility in the labor market. However, due to increasing liberalization and promotion of market-oriented competitive economy as well as tightening of governmental budget, in particular, in the social expenditure, we might say that social problems have not decreased, but on the contrary,

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[6] World Bank (1998).
[7] IMF (1999).
[8] Id.

increased.

To conclude this section, we might summarize our discussion as follows.

IMF/Washington Consensus imposed structural adjustment in exchange of their assistance package of US$114.4 billion (in which IMF provided US$35 billion) to 3 Asian countries (Thailand, Indonesia and Korea). All of them exchanged letters of intent when they used financial facilities provided under the IMF coordination. It followed tradition of the Philippines which, already since the mid-1980s, accepted IMF conditionalities. However, the progress of major areas of structural reforms intended by the Washington consensus varies from country to country, area to area, and sector to sector. These reforms tend to be extended in recent years, from economic to political field, in the case of some countries, showing the donors' will to establish "good governance" in order to expand market economy to the developing world.

Perhaps, most progressed area in the reforms is the restructuring of the financial sector, other areas such as competitive policy and corporate governance, liberalization of trade and capital, have been rather delayed. It is also hard to evaluate, in short-term, how far the "good governance" has been (re)established. As for social policies indicated by the conditionalities, they cover only a part of huge needs derived both by economic globalization and economic crisis which hit Asian countries in the late 1990s. Some experienced observers point out that conditionalities measures were originally intended to cope with liquidity shortage, and are not well prepared to conduct structural reforms[9].

We might say that Asian countries have adopted tightening and restructuring measures indicated by IMF/Washington consensus to the extent that the latters conform to their own interest. And, in fact, Asian countries have been conducting their own efforts of state reforms in the progressive tide of globalibation in recent years. We will see next this aspect of reform.

II The Reform of the Development-oriented State System: Initiaves from Within

The reform trials of the development-centered state system have always been raised through its development. The 1973 Thai students' October Revolution can be counted as one of first trials.

In more recent years, in the Philippines, the 1987 Constitution adopted under

[9] Feldstein (1998).

the Aquino regime limited the President's term of office to six years (prohibition of reelection) as well as his/her competence (no dissolution right of parliament), established the civil control, stipulated land reforms, and declared denuclearization policy. It was one of the most democratic Constitutions in Asia, based on aspirations of people.

In the 1990s, two mid-term development plans (1993-98, 1999-2004) adopted successively under Ramos and Estrada governments emphasized eradication of poverty, local development and decentralization, social development, etc. The former stressed the promotion of export industries, together with promotion of life quality, while the latter the agricultural modernization, anti-poverty measures and social equality. More and more, social aspects have been emphasized.

In Korea, after the strong democratization movement of people in 1987, Kim Young-sam government which came to power in 1993, the corruption of politicians, military, police and judicial sector was vigourously prosecuted, starting from the conviction of two ex-presidents originated from the military (Choun Doo-hwan and Lho Tae-woo). The civil control of the military was aslso established. The strong Presidential office as well as the National Security Planning Division (ex-KCIA) were restructured. President Kim Dae-jung who was elected in 1998 continued the democratization of the power structure, reducing further the intelligence functions of NSP and restructured it into National Information Institute, adding function of supplying industrial and economic information to private sector.

Kim Dae-jung government also showed the basic strategy of overcoming IMF-led depression. For this purpose, Kim Dae-jung advocated to achieve democratic governance together with market economy. He believed that non-accountable dictatorial regime which was instituted in the high economic growth period led to widely-spread corruption and moral hazard in the colluded circles of politicians and big business. This is the origin of economic and financial crisis. Therefore, to overcome IMF intervention, establishment of democracy and competitive market atmosphere is of prime importance.[10]

Kim Dae-jung government also proceeded to reform *chebol* (big business groups) structure. In order to settle overlapping over-investment problem, five big business groups are requested to concentrate their investment in five major areas, exchanging less-advantaged industrial areas ("big-deal"). The bankruptcy of the Dae-woo group made public the end of the "escorted fleet system", one of

[10] Korean government (1998)

the characteristics of the government-business coalition.

In Thailand, in May 1992, citizens urged dismissal of Prime Minister Suchinda, originated from the military, which led to the change of government and civil rule since then. This political reform was materialized in the1997 Constitution, which was drafted by the civil society for the first time in Thai history.

The New Constitution stipulated the suffrage for the Upper House (of which members were before nominated by the King), election of district and village chiefs, direct legislation proposal from the nation on the basis of over 50,000 signatures, institution of the Anti-Corruption Commission as well as the Human Right Commission, right to primary education, respect of community forest and preservation of environment, guarantee of private sector activities and equality in income distribution, etc.

These clauses can be interpreted as expression of civil society in participating in the state's management, though the members of parliament are limited to university graduates, which shows that the basis of civil movement in Thailand lies in the urban middle class.

However, it is also indicated that strong grass-root movement such as the Assembly of Poor and other people's organizations (POs), in association with the middle-class based NGOs, contributed to inputs of civil society.[11]

In Indonesia, after May 1998, the "newly-born" Indonesia has been following prevention of corruption, civil control, decentralization and income equality. These all emanate from the requirements of civil society and these reforms are still in the process of political struggle.

The interesting case is Malaysia. This country's economic fundamentals have always been sane and, though Malaysia's Ringgit was hit by speculators at the time of currency crisis, Malaysia never accepted IMF package.

This country, on the contrary, practiced, in September 1998, foreign exchange control, maintaining fixed exchange rate and regulating financial transaction by non-residents. However, since the early stage of currency crisis, Malaysia has proceeded to restructuring financial sector, controling liquidity supply. Danaharta (The National Asset Management Corporation) and Danamodal (The Debt Restructuring Fund Corporation) were set up under the control of the Corporate Debt Restructuring Committee (CDRC). The National Economic Recovery Plan (NERP) of July 1998 showed major directions of business stimulation and social development (housing, education, health, rural development,

11 Suthy (2001).

social capital, etc.) By these measures, Malaysia could reduce the rate of bad loans from 15% in November 1998 to 12% one year later, while maintaining the unemployment rate at lower level (at the end 1998, 3.9%). It was different prescription from IMF's conditionalities, but the restructuring has throughly conducted by its own initiative.

Already in 1991, the Malaysian government had adopted the Vision 2020, in which Malaysia aimed at reaching to the developed stage by 2020.[12] The interest of the Vision 2020 is that it emphasizes to promote moral and ethical values such as integrity, discipline, industry, excellence, creativity and innovation, competitiveness, perseverance, self-reliance, thrift, acquisition of knowledge and technology, social responsibility of enterprise, workers' welfare and cooperative spirit of employers – employees. All are related to promotion of the private sector and civil spirit.

Malaysia has been pursuing the major objectives of the Vision 2020, transferring capital functions to newly developed Putrajaya, such as the Multimedia Super Corridor Plan, while many Asian countries gave up development plans established before the crisis.

The case of Malaysia is often qualified as: "IMF program without IMF," while Indonesian one is said to be: "No IMF Program with IMF." This example shows that, without IMF-led structural adjustment policy, the structural reforms based on endogeneous initiative has been feasible and successful.

Another example of structural reforms without IMF is the case of Japan. This trade and current account surplus country, one of the largest creditor nations in the world, has been also pursuing its own structural reforms in the 1990s.

These reforms include: administrative, public finance, social security, financial system, economic structure and education. All are related to the necessity of transformation of "Japanese-type economic model" which was formed during the high economic growth period.[13]

The most progressing area includes the financial system and social security. In the financial area, in 1996, the Japanese Big Bang was announced, liberalizing

[12] Malaysian government (1991).

[13] Nishikawa (1996). *The White Papers on Japan's Economy* (Edition 1996) published by the Economic Planning Agency pointed out, for the first time, the on-going change of the Japanese-type economic model,which has been necessitated both by the progressing globalization (it concerns not only the external pressure from the Washington consensus, but also the shift of major industries abroad, necessity of competition in the globalized market, including creation of competitive and innovative mind, etc.) as well as domestic factors such as the shift of industrial structure, ageing of society, and change of the nation's value system.

financial sector. The laws on financial stabilization as well as on financial system reform in 1998 established the Financial Reconstruction Commission (FRC) which supervises the Financial Services Agency (FSA). FSA is in charge of reducing bad loans, preventing bankruptcy of banks and promoting merger of major banks: now Japanese banks have been restructured into four major groups.[14] They could reduce the accumulated bad loans from the peak of over 200 trillion yen in 1991 to its quarter level (50 – 60 trillion yen) in 2002. However, due to depreciation of land and stock prices, the reconstruction problem of net worth ratio and credit–crunch problem remain serious.

The social security reform was imposed due to rapidly ageing of population. This reform intervened already in the areas of medical insurance, assistance to the aged people and pensions: all restructuring aimed at fiscally sound system in a ageing society, but, in any way, all indicate that the nation's charge as well as tax burden, which are relatively lower among developed countries (36.6%, in comparison to U.S.A.: 36.5%, U.K.: 49.2%, Germany: 56.4% and France: 64.1%), would be much higher from now in the first decades of the 21st century. It means that, taking into account the nation's welfare, the government cannot simply concede its function to the market, like it is the case of social security and medical care in U.S.A. That is why, the Japanese government's structural reform policy is basically to liberalize economic regulation, while maintaining major functions of social regulation.

As for economic structure reform, deregulation has been conducted since early 1990s. It originated from American pressure of opening economy, however, in the 1990s, it was clearly recognized that deregulation constitutes the key factor for revival of economy, stimulating both competition and effective demand.[15] The government established Three-year Deregulation Promotion Plan, starting from 1998, which has covered 15 areas and 1268 items. In the 1990s, it was estimated that some 4000 items have been liberalized, generating additional demand of 1.73% of GDP per year.[16] For any further regulation, the public comment system by which the citizens and stakeholders express opinion was introduced.

Administrative reforms include: (1) reform of the central government, which started in January 2001, restructuring 22 ministries into 13, and which forecasts

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14 Japanese Industrial Bank, Daiichi-Kangyo Bank and Fuji Bank formed in 1999 a "Mizuho Financial Group", Sanwa Bank and Tokai Bank merged in 2000 into a "UFJ Bank". In April 2001, Sakura Bank and Sumitomo Bank merged and formed "Mitsui Sumitomo Bank", while Tokyo Mitsubishi and other three banks formed "Tokyo Mitsubishi Bank".

15 OECD (1997): Chap.4 "Deregulation."

16 Fair Transaction Commission (2000): Figure 4-1.

to cut actual 1,148,000 civil servants by 25% in ten years; (2) decentralization and promotion of local autonomy, which started by 1995 Law on Decentralization Promotion, which led to the revision of Local Autonomy Law in April 2000. These reforms aim at reducing the centralized function of the government, while promoting local initiative and autonomy. Already, important functions of the state commenced to be conceeded to local governments.

Educational reform has been going on in the 1990s. Traditional Monbusho (Ministry of Education)- controlled educational system has been liberalized, with the revision of the University Standard in 1991 as well as the School Education Law in 1999. Now, the institution of various types of school has been admitted together with liberalization of school carriculum and introduction of socially-oriented carriculum, though the certification system of school texts has been maintained. Education emphasizing "personality, initiative and free of pressure" is the keywords of eductional reforms.

These are areas where restructuring is more or less visible, though some "invisible" barriers or practices always exist in pursuing reforms.

The most delayed area of reform concerns the fiscal reform. After the collapse of the bubble economy in 1992, through the depression period of 1990s, the fiscal deficit has constantly increased. In 1997, the Fiscal Structure Reform Law was adopted, targetting to contain by 2003 fiscal deficit ratio to GDP under 3%. However, due to both external and internal pressure, the Obuchi cabinet suspended the Law as early as May 1998 and adopted fiscal stimulation policy. Now the debt-dependency ratio of central government amounted to 40% on average in 1999-2000 fiscal years (fiscal deficit ratio to GDP amounted to 6%) and accumulated public debts (both central and local) reached to 120% of GDP in FY 2000, far surpassing 60% level of European Union countries. This heavy debt dependency will limit governmental investment in priority sectors, in particular, structural reforms, causing dim prospect of the nation toward their future. Weak consumption mind of the nation might be partly explained from this factor.

So far, we have seen various trials of Asian countries in conducting structural reforms in their traditional state-led economic system. Their success depends on two factors: one is international environment and another domestic factor.

Major international factor concerns the economic globalization promoted by multinationals and the Washington concensus. More or less, every Asian countries should respond to this challenge, reforming their state system. The IMF-led structural adjustment is related to only one part of these reform efforts.

Domestic factor includes the leadership response as it has been seen in the case of Malaysia and the people's movement which urges to overcome failures caused both by the market and the state under the globalization waves. The people's will represented in the rise of civil society has been the major promoter of reforms effectuated in Korea, Thailand, Indonesia, and the Philippines. Of course, if we look at closely, these two types of response are interrelated: in the case of Malaysia too, the Mahathir leadership has been always taken into account the needs of the Malay community which average income level has been far lower from other communities.

How about in the case of Japan? In Japan, the traditional Japanese–type economic system has been managed under the coalition of politicians–business and financial groups–bureaucrats (*sei-zai-kan taisei*). Hardly, the civil society intervened in this leadership, except the election time. However, in the 1990s, with the shift of the value system of the nation,[17] the Japanese concerns have substantially been widened from "economic animal"'s one to other aspects of life, including volunteership, gender equality, environment and other global issues. In the 1990s, the LDP, traditionally based on votes of rural and local areas, where this party injected heavy subsidies, has gotten only 1/4 of votes in big cities and, in the year 2000, this party lost also major elections of governorship in Tochigi and Nagano prefectures, bastions of conservative votes.

In this new atmosphere, in 1998, the NPO law was passed in the parliament and the role of the civil society in social development was, for the first time in Japan's history, officially recognised.

We see that actual state reforms conducted by Asian countries do not relate only to the IMF-led international intervention or to the state leadership, but also they reflect citizens' will and aspiration toward more humane and safer life in this changing world.

CONCLUSION

The state-led development system had been established in Asian countries after WWII with their independence and played major role in facilitating their catch-up process to developed countries.

However, after the 1980s, we see more and more transformation in this model

[17] According to the Opinion Survey conducted by the Prime Minister's Office every year, in the 1970s, 40-42% of the Japanese emphasized the material wealth as major objective of life, however, they dropped to 28% in 1997. On the contrary, the Japanese who responded that spiritual wealth is more important than material one increased, in the same period, from 35-37% to 59% (Prime Minister's Office, 2000)

intervened. The first factor is the people's movement which has opposed to violation of human right by the developmentalist dictatorship. This movement has been widened and strengthened with the growth of the middle class which was expanded with fast industrialization and urbanization. The condition of development of the civil society urging democratization was met, together with IT revolution which was accompanied with economic globalization. Other factor consists of globalization which corroded the nation state's border, demanding opening of economy, liberalization, deregulation, privatization and "good governance."

Three types of the state-reform has intervened in Asia in the 1990s.

First is the restructuring urged by IMF and the "Washington consensus." When they offer financial facilities to debt-ridden countries or countries who experienced serious foreigh exchange shortage, they impose "structural adjustment" by the means of conditionalities. It shows certainly one major line of the state's restructuring that Asian countries have been experiencing. However, the extent and validity of this restructuring policy vary from country to country and case by case. In general, developing countries, which accepted IMF directives, assimilate them into their own interest and execute them as far as their interests coincide.

Second is the reform movement conducted from within by the civil society and grass-root people. They are keen to human right violation and environmental deterioration which were accelerated during the high growth period realized through export-oriented industrialization, pushed forward by the governing coalition and multinationals. They became leading agents of the Constitutional reforms realized in the Philippines and Thailand and democratic political change in Korea, Taiwan and Indonesia.

Third is the state reform conducted by the state itself, taking into account the above mentioned two factors: globalization and people's aspiration. This is the case of Malaysia and Japan. Perhaps other countries are also following the same path. Democracy, accountablity, clean hand, open society and civil participation are major mottos in this direction. In any event, the reforms of the development-oriented state model are irreversibly going on in Asian countries. What type of reform will be adopted depends, in final analysis, on interaction and power relations of three actors that we have identified: multinationals and the Washington consensus, civil society and the state itself. It is now the role of civil society to evaluate this power relationship in each place and to formulate its own perspective of development according to it. This effort will be called "social development."

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