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Chapter 19

Conclusion – comparative perspectives

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Chapter 6 developed a number of arguments in relation to the forms of globalisation identified in this volume: Global political regulation; global economic webs of production and services; and global financial flows pose. It was argued that each form of globalisation entailed a number of challenges to firms and nation states in developing countries. We developed a number of hypotheses regarding these challenges and under what conditions they would/would not be overcome in a way that ensured economic transition with upgrading, equal distribution and financial stability. In three sections (a-c) of this chapter we will try to sum up the findings of our case studies in terms of these hypotheses.

a) Global political regulation and local response

Our empirical investigations under this heading emphasises responses to the regulations of the WTO and the IMF. In addition to the chapters under the heading (chapters 8-12), chapter 18 also touches upon issues of international regulation. The scheme below gives an outline of how these case studies relate to the hypotheses in chapter 6, part a.

Scheme 19.1: Global regulations and local response

Hypotheses	Case studies
a.1: Global regulations do constrain national development strategies applied relatively successfully in earlier processes of industrialisation, agricultural development and financial stabilisation.	Chapter 9: TRIPs and the Indian pharmaceutical industry Chapter 8: Indian trade and investment reforms Chapter 18: South Korean financial liberalisation
a.2: Global regulations are likely to lead to restructuring, rather than termination of industrial policies. Discrete activity-specific strategies such as targeted research and development policies will substitute for more bluntly interventionist policies.	
a.3: While reducing nation states' possibilities of undertaking interventionists policies, global regulations also force them to improve regulatory capacities. This will require high (general) state capabilities.	Chapter 11: International food safety regulations and Vietnamese shrimp processing Chapter 12: Syrian market reforms
a.4: Global regulations may be ignored to a greater or smaller extent. If regulations cannot be completely ignored, successful selective adjustment will depend on state capabilities.	Chapter 8 Chapter 12
a. 5: Global regulations are likely to have a bifurcating national impact, creating winners and losers. The degree of bifurcation will however depend on national conditions.	Chapter 9 Chapter 10: Thai agriculture and the WTO Chapter 11

One central issue is what impact international political regulation actually does have on local liberalisation. While hypothesis a.1 posits an increasingly strong pressure through global governance organisations that limits the room of manoeuvre in economic-policy making, hypotheses a.4 states that some countries may ignore global regulations to a greater or smaller extent. Among our case studies Schmidt's discussion in chapter 12 of the attempted market reforms in Syria comes close to a situation with negligible external pressure through international regulation. Liberalisation is related to the domestic context. The regime has cultivated constituencies with interests in forms of rent seeking that have detrimental consequences to overall economic development. On the other hand, there are also problems of legitimacy within the overall population due to poor economic performances. Given a context of US hostility (and Islamist anti-Americanism even if that hostility should wane), the regime is under pressure to develop economic contacts with Europe. However, this may be motivated as much by geopolitical as by economic considerations.

Even if there is some sort of external pressure through global regulatory organisations or powerful states, and this pressure is followed up by 'compliant' local policy change, it is far from certain that the external pressure was the decisive force. In Degnbol-Martinussen's study of Indian trade and investment reforms in chapter 8 it is argued that the impact of the IMF on India's economic liberalisation policies from 1991 through the first half of the 1990s was limited, although India's policies to a large extent concurred with the policy recommendations by the IMF. Also, liberalisation was more selective than recommended by the IMF, as protective measures were retained due to the influence of domestic interest groups.

Casse and Plesner (chapter 18) discuss US pressure (including US pressure through the IMF) to promote South Korean financial liberalisation. Like Degnbol-Martinussen they stress that the actual Korean financial liberalisation was selective. They emphasise even more strongly than Degnbol-Martinussen that the liberalisation process in South Korea prior to the 1997 financial crisis cannot be explained as a result of external pressure. South Korean authorities liberalised short-term foreign borrowing, while continuing to restrain foreign investment. Hypothesis a.4 would then need an addendum: Not only may global regulations be ignored to a smaller or larger extent, but they may also be (partly) 'obeyed' for reasons that are fairly unrelated to external pressure.

However, both Degnbol-Martinussen and Casse/Plessner stress that external pressure actually did grow stronger in the late 1990s. This would appear to support hypothesis a.1. In the case of India the pressure came through the newly established WTO. In the Korean case the pressure stemmed from South Korea's vulnerability to external demands after the 1997/98 financial crisis. Thus, both studies emphasise a growing liberalisation pressure through the 1990s, albeit for different reasons. (In the South Korean case external pressure declined again after the economic recovery in 1999).

Wendt's study of trade-related intellectual patent rights (TRIPs) in the Indian pharmaceutical industry (chapter 9) discusses how the domestic political resistance against TRIPs eventually was weakened. It is emphasised that the TRIPs agreement was more or less forced on developing countries during the 1986-94 Uruguay Round of the GATT despite strong resistance, in part because their lack of legal expertise. Wendt demonstrates that the domestic opposition against TRIPs succeeded in delaying its implementation and winning time, as shifting minority governments were unable to pass the required changes of the domestic patent law through parliament. Eventually a split within the anti-TRIPs group took place. The BJP assumed government and pursued a softer policy on the TRIPs issue when India lost a case over TRIPs in the WTO's dispute settlement board in 1999. The case may then be read as a study of how global regulations are becoming increasingly stronger to the extent that they force a domestic political change towards more 'globalisation-friendly policies in accordance with hypothesis a.1.

What then if a country is forced to comply with international rules or otherwise face harsh retaliatory action, the loss of export markets, etc.? According to hypothesis a.3 global regulations do not only reduce nation states' possibilities of undertaking interventionist policies, but also force them to improve regulatory capacities. If no action is taken to increase capacities to coordinate and control compliance and assessing conformity to the rules, regulation through market forces would marginalise countries and companies from core markets.

The key example among our country cases of limited capabilities to adjust to foreign regulations, or indeed to develop a viable national regulatory regime for capitalist development is Syria. The government's regulatory capabilities are limited by the need to stabilise the political situation with various sorts of accommodations that promote unproductive forms of rent seeking. The economic situation is deteriorating, but there has not been any urgent crisis to force radical reforms. Schmidt argued that in this setting reforms tend to become 'pen stroke reforms' that are harmless to core constituencies of the regime involved in unproductive forms of rent seeking, while penetrating institutional reforms are avoided.

The Vietnamese shrimp processing case discussed in chapter 11 demonstrates greater capabilities to adjust. Lindahl argues that new WTO rules of food safety, and even more so the variation of these rules among the major OECD export markets, create great difficulty to exporters in Vietnam and other developing countries. Effective government regulation and re-organisation with investment in quality control within individual enterprises are required to adjust to these rules. The state-owned producers in Vietnam have been quite successful adjusting thanks to their relatively well-trained management and ability to raise capital to make the required upgrading of quality control standards.

According to hypothesis a.5, global regulations are likely to have a bifurcating national impact, creating winners and losers. This claim is supported by the cases studies of TRIPs in Indian pharmaceuticals, Thailand agriculture and Vietnamese shrimp processing. In the study of Indian pharmaceutical industry Wendt argues that a large number of small and medium scale pharmaceutical companies with the capability to copy products, but not with R&D capabilities to develop products on their own will be forced out of business as the TRIPs agreement is implemented in India. The winners are mainly a few large companies with R&D capabilities, especially those that are capable of entering foreign into strategic alliances with companies in the OECD area, allowing the parties to benefit from one another's marketing networks. The condition of this co-operation is strong protection of the OECD partners' intellectual property rights.

In the Thai case study by Buch-Hansen it is argued that the WTO agreement on agriculture has reinforced ongoing trends towards specialisation in exportable products. This process has made Thai farmers more dependent on the market for agricultural inputs and foodstuff. Many of them have become dependent on moneylenders, agribusiness companies and agricultural financial institutions in the process. In result, rural inequality is growing.

Lindahl argues that the relatively large state-owned shrimp-processing enterprises in Vietnam unlike the small private-sector enterprises do have capabilities in the form of professional staff as well as access to capital to make the changes required by new rules of food safety. Thus these rules tend to strengthen the position of large state-owned enterprises vis-à-vis the small ones in the private sector.

b) Global webs and local response

Empirical discussions of global political regulation and local adjustment includes chapters 13 through 16. In addition, chapter 11 also relates to issues of global webs. Scheme 19.2 provides an overview of the relation of these case studies to the hypotheses in chapter 6 to be discussed here.

Scheme 19.2: Global webs and local response

Hypotheses	Case studies
b.1: TNC strategies, especially sourcing strategies will impact on the potentials for local linkage formation.	Chapter 16: Software industry in Bangalore, India
b.2: Transnational actors are increasingly focusing on upgrading developing-country partners, targeting a few select partners that are able to meet enhanced requirements.	Chapter 13: Thai automobile parts and garment producers
b.3: Transnational actors are willing to share their experience in non-core activities, while guarding their core knowledge and competences.	Chapter 13
b.4: New kinds of global webs within agriculture and aquaculture are likely to integrate small primary producers in an unfavourable way into the global economy.	Chapter 11: International food chains and Vietnamese seafood processing
b. 5: The ability of business organisations and companies to adjust favourably to global webs depends on the strategic intent, strength and flexibility of enterprises.	Chapter 11 Chapter 13 Chapter 16
b.6: States play an important role in improving the attractiveness of their countries to foreign investors and buyers, in promoting an appropriate selection of investments and encouraging the foreign investors to upgrade their activity. Furthermore, states play a strong role in developing local capabilities to promote linkages from global webs to local firms.	Chapter 14: Linkage and SME policies in Thailand Chapter 15: Human resource development in Malaysia and Singapore
b.7: The capacity of state agencies conduct favourable policies vis-à-vis TNCs is related to the commitment by the political elite to these policies, bureaucratic insulation, a high-quality civil service and institutionalised government–business co-operation.	Chapter 14 Chapter 15
b.8: National and regional relational production networks in East Asia has a great degree of resilience against dominant global non-relational networks.	Chapter 16

Unlike the other studies of industrial/aquacultural sectors in section 2, Lema's study of the software industry in Bangalore in chapter 16 investigates a high-tech industry. The software companies in Bangalore have specialised in customer-centred software services for leading, mainly US-based global companies. This relationship entails considerable sharing of sensitive information related to intellectual property. It is therefore essential to guarantee the intellectual property rights of the customers. Due to customers' fear of loosing intellectual property the leading Bangalore companies shy away from close horizontal or vertical network relations with other companies. Instead they opt for vertical integration with all tasks being undertaken in-house.

Thus the sourcing policies of TNCs to a significant degree inhibit the creation of local linkages due to their concern about the protection of intellectual property rights. This gives an additional twist to hypothesis b.1 which emphasised the impact of TNC sourcing strategies on local linkage formation. As the sourcing strategy in this case concerns sensible hi-tech innovation, the TNCs have a strong interest in restricting local linkages. Within this structure local linkages from the interaction with the TNCs are bound to be limited, but to what extent does the linkage promote local upgrading by the chosen ones?

According to hypothesis b.3, transnational actors are becoming increasingly willing to share their experience in the fields of human resource management, quality management, process control, logistics etc. However, they retain core knowledge and competences within product technology, design, marketing and branding. This hypothesis is confirmed by Lema's study in chapter 16. Interaction with customers has had favourable impacts with regard to learning of corporate governance, technologies and standards. The TNC's outsource the tasks that can be codified. However, they refrain from outsourcing core competences which frequently are of a 'tacit' nature.

Also, Lindahl's discussion of the linking of Vietnamese shrimp producers to Japanese buyer-driven webs in chapter 11 shows that Japanese buyers engage in long-term relations with Vietnamese producers to promote upgrading in terms of process control, quality management and human resources. In this process the Vietnamese producers are however also locked into the Japanese webs, as they for instance are under pressure to use Japanese-produced machinery supplied by companies linked with the Japanese buyers to meet the Japanese quality standards.

Jørgensen's discussion in chapter 13 of the strategies of Japanese automobile producers in Thailand shows similar trends. The Japanese producers have externalised most of their production of parts and components, while concentrating on design and assembly. They have established close co-operative relations with local suppliers and provide extensive training and assistance to suppliers who live up to their requirements regarding quality, cost structure, on-time production and upgrading. Thus, control of key functions has been retained along with knowledge transfer in non-core activities.

The situation within Thai automobile parts production may however be changing in accordance with hypothesis b.2 which stated that TNCs and global traders increasingly are targeting a few select partner companies in developing countries that are able to meet very tough requirements concerning price, quality, flexibility and delivery. Jørgensen shows that Japanese assemblers have started to source out design tasks, while providing specifications only. Most Thai producers do not have sufficient R&D capabilities to meet these demands, and have to outsource the designing to engineering companies. The assemblers also tend to shift to Japanese component producers located in Thailand with the capability to undertake design functions, rather than local Thai producers.

The current volume has been based on a distinction between three forms of globalisation, but in real life these forms interact. Thus, Lindahl's study of Vietnamese shrimp processing emphasises that the differing regulations regarding food security in the United States, EU and Japan impact on the organising of transnational webs between the markets of these countries/areas and Vietnamese producers. The 'Hazard Ananalysis and Critical Control Point' (HACCP) standards used to control hygienic standards in the United States and EU (supplemented by quality control standards in the EU code) define critical control points in the production process. This results in distant relations between the buyers from the West and Vietnamese producers as it is up to the producers to ensure that the standards are met.

Producers are forced to engage in their own learning-by-doing in their interaction with European and US buyers. It was noted in the previous section that the new global regulations had led to a bifurcation among Vietnamese shrimp producers between large state-owned enterprises and small private enterprises. Lindahl's case does also show that new global rules sustain ongoing tendencies towards buyer-driven webs of production with arms-length relations between buyers and producers.

Hypothesis b.5 stated that the ability of business organisations and companies to adjust to the global webs varies, depending on the strategic intent, strength and flexibility of enterprises, and their policy environment. Both Jørgensen and Lema discuss the lack of flexibility at the enterprise level as impediments to upgrading in their case studies. As previously noted, Jørgensen found that Thai automobile producers had problems in responding to the increased demands for dsign capabilities by Japanese assemblers. Also, her discussion of Thai garment manufacturing indicates that it to some extent is caught in a low-value added trap. The local producers are undertaking a relatively unsophisticated upgrading process based on investment in new machinery, rather than in human skills and new work organisation, and they face increasingly tough price competition as buyers are sourcing globally. Jørgensen points to the weaknesses of the organisation of Thai enterprises as a main cause of these problems. These weaknesses include top-down management with limited intra-firm information sharing, a low-skilled work force with a lack of technically educated personnel and high-turnover which impedes investment in training. The organisation is not sufficiently flexible to promote learning.

Lema also suggests that Bangalore companies are locked into a low value-added, albeit lucrative service-driven business model with limited investment in R&D that may be a 'development trap' in the long run, as the viability of Bangalore's software industry may depend on its ability to upgrade, and move towards a more technology-driven business model. Inflexibility is an obstacle. A change of strategy is impeded by risk aversion and the apparent success of the present arrangements. However, Lema also suggests that the overseas expansion in the United States by leading Bangalore companies as well as transnational ties with Indian IT workers in the US may facilitate transfer of non-codified core competences and thus promote a greater emphasis on upgrading, provided that the companies are willing to run the risk.

According to hypothesis b.6 states play an important role with regard to attracting foreign investors/buyers, by intervening to ensure an appropriate selection of investments and by inducing established investors to upgrade their products, processes and functions. Also, the role of states is of great importance in developing local capabilities and absorptive capacities to promote links between local firms and global webs. Lauridsen's discussion in chapter 14 of Thai government policies of industrial deepening through promotion of linkages between TNCs and local suppliers and support of small and medium scale enterprises refers to the latter part of this hypothesis. He argues that the Thai government has failed to perform these functions properly. Thailand's economic boom during 1987-96 was based on export-oriented manufacturing with a high import content led by foreign investors and global buyers. During this period, and with increased strength after the 1997-98 financial crisis there have been developed schemes to promote linkages and sustain small- and medium-scale enterprises to strengthen local capabilities, but policy-formulation and implementation of these projects have been deficient.

The study by Fleming and Søborg on human resource development strategies in Singapore and Malaysia does also relate to hypotheses b.6. Their discussion emphasises that the economic policies of these two countries focus on attracting foreign investors into increasingly sophisticated high-value added activities. The development of local human resources through education, training and research and development is crucial to attract foreign investors into these activities, and to develop capabilities for linkages between local firms and global webs. Their discussion shows that these tasks have been taken seriously, but there are still problems relating of developing educational systems that promote independent, creative thinking. As for Malaysia there are also problems with a non-meritocratic education system and relatively weak training programmes.

Hypothesis b.7 stated a number of conditions of the capacity of state agencies to design policies to respond favourably to global webs and to link these policies up with broader development strategies. It is argued that these state capabilities are related to the commitment by the political elite to the developmental project entailed in these policies, bureaucratic insulation, a high-quality civil service with capacity to formulate and implement economic policies and institutionalised government–business co-operation.

Lauridsen's discussion of the Thai government's SME support and linkage promotion policies indicates that many of the deficiencies of these programmes can be explained by the hypothesis. As for commitment, industrial deepening through linkage- and supplier development was never fully prioritised by the political elite. Instead, the policy focus was on how to attract foreign capital. This was partly due to the logic of shifting coalition governments and partly because the pre-1997 economic boom served as a pretext for not seriously addressing the shallow nature of Thai industrialisation.

The political elite was not insulated from particularistic business interests and the Thai bureaucracy was not insulated from above from the political elite and/or from donor agencies. In result, the policy tended to be driven by a mixture of compliance with donor demands (including short-term disbursement requirements) and political manoeuvring among the parties in the government coalition, rather than by strong and long-term political support for an effective and realistic linkage-, supplier- and SME policy. The bureaucratic agencies involved were not able to (willing to) co-ordinate programme segments, and their activities were in many cases constrained both by their mission, mandate and expertise. As a consequence, there was considerable side-tracking, delays and blocking during the implementation stage.

Institutionalised government-business co-operation was not in place, in part because apex trade associations did not represent local SME-supplier firms, in part because of the strong role played by extraverted policy-networks during the process of policy formulation. The lack of regular and extensive consultation with organised small-scale business affected both policy design and policy implementation in a negative manner. In Jørgensen's analysis Thai auto part producers faced problems due to the higher demands of Japanese assemblers for design capability. In result, first-tier Thai suppliers were out-competed by Japanese suppliers. Lauridsen's study offers a supplementary explanation of this trend, as he argues that the Thai policy to promote linkages with TNCs may have favoured Japanese suppliers.

Hypothesis b.7 emphasised the commitment of political elites to the overall development projects, such as human resource development. The issue of commitment and its limitations is taken up by Fleming and Søborg in their study of education policies. They find that Singapore has pursued a meritocratic strategy of education. In Malaysia meritocracy has been secondary to the objective of ethnic redistribution through ethnically based quotas in the education system, although there are recent indications that the government is moving away from these policies. Furthermore, they argue that the prevailing systems of rote learning in the two countries are becoming increasingly inadequate as they move up the ladder towards a 'knowledge economy'. This problem is most strongly felt in Singapore which is ahead of Malaysia in the process. A more adequate system of education oriented to independent learning and creativity is impeded by the authoritarianism of the two governments.

The two governments also aim at human resource development through engaging domestic and foreign business in training programmes. This refers to the section in hypothesis b.7 about institutionalised co-operation between government and business as a condition of successful upgrading strategies. While the hypothesis mainly was oriented to the relationship between the government and domestic business, Fleming and Søborg also emphasise co-operation between the governments and foreign business. They argue that the partnership models in Singapore and Malaysia have been helpful in building institutions for knowledge transfer and human resource development. A selective group of MNC partners have been designated a leading role in technology transfer and development of new frontier industries such as life science and IT. However, there have been problems of engaging domestic enterprises in this co-operation. Partial government–business co-operation in HRD upgrading may reinforce problems of economic dualism in Malaysia.

According to hypothesis b.8 one can expect to find relational networks in Asia and non-relational linkages in the United States. Furthermore, this situation will continue also after the inclusion of local companies into U.S.-dominated global webs of production. Lema turns this hypothesis on its head as he argues that the local corporate system to a large extent has been shaped through its external links with global producers. This has resulted in a form of corporate governance which departs markedly from that of other industrial sectors in Bangalore/India. Relations among producers in Bangalore are arms-length, while one may expect to find 'thicker' and more relational networks in Silicon Valley, where the tacit knowledge content of production and innovation is larger. Thus, the cluster in Bangalore does not form part of East Asian relational networks.

c) Financial flows and local response

The issue of global financial flows and local response is addressed by two empirical studies in chapters 17 and 18. Scheme 19.3 provides an overview of the relation of these case studies to the hypotheses in chapter 6.

Scheme 19.3: Global flows and local response

Hypotheses	Case studies
c.1: Prudent financial regulation requires restriction on cross-border financial capital mobility, domestic 'governance reforms' are insufficient on their own.	Chapter 17: Resilience of Malaysia and Taiwan to financial crisis Chapter 18: Financial liberalisation, crisis, recovery and state – business relations in South Korea Chapter
c.2: Prudent regulation requires insulation of regulatory government agencies that are protected by the political leadership.	
c.3: Reliance on foreign credit may promote financial liberalisation, but with great variations. Micro-level convergence of corporate governance standards and relations government–business–financial institutions is unlikely.	
c.4: The converging impact during financial crises may be stronger than during normal conditions, but micro level convergence is still unlikely.	Chapter 18

In his discussion of Malaysia and Taiwan, Nordhaug contends that the domestic financial system in Malaysia in some respect was better regulated than in Taiwan. However the authorities in Taiwan were far more restrictive than their Malaysian counterparts in imposing restrictions on portfolio capital inflows. This led to much larger cross-border flows of portfolio capital and foreign holdings of securities in Malaysia than in Taiwan. The resilience of Taiwan to the regional financial crisis and Malaysia's inability to escape from the crisis in spite of its relatively well-regulated financial system would seem to support hypothesis c.1, that prudent financial regulation requires some formal or informal restriction on cross-border financial capital mobility, while 'governance reforms' of domestic financial institutions are insufficient on their own.

Casse and Plesner focus on short-term foreign borrowing in their analysis of South Korea. They argue that South Korea's financial liberalisation was skewed towards liberalisation of short-term foreign borrowing, while restrictions on long-term foreign borrowing and investment were retained. This 'imbalanced' financial liberalisation had serious effects as short-term foreign borrowing was invested in long-term investment projects. South Korea then relied on the rolling over of short-term debt by foreign investors and was vulnerable to the calling in of loans during a financial panic. As it now stands the study can be interpreted both as a support to hypothesis c.1 about the danger of liberalising cross-border short-term capital flows, and as a support of a contrary argument that

South Korean liberalisation was insufficient. According to the latter argument the problem was not financial liberalisation as such, but rather that it was incomplete and led to excessive reliance on short-term foreign borrowing as the Korean chaebols strove to get access to cheap capital.

According to hypothesis c.2 a strong commitment to financial stability within the state elite along with a high degree of institutionalised autonomy by relevant state actors from outside lobby group influences are important in ensuring effective financial regulation. Nordhaug argues along these lines in his discussion of Taiwan. There was a strong commitment to financial stability in Taiwan as the fragile security situation and diplomatic isolation made financial stability a national security objective within Taiwan's political leadership. This translated into executive support for a powerful central bank and the political will to resist business pressure for financial liberalisation. In Malaysia the main political commitment was to promote ethnic redistribution. While the ethnic redistribution policy in part had been commenced for reasons of internal stabilisation, external security was not a major issue. The boosting of the domestic stock market through liberalisation of cross-border portfolio capital flows was seen as a way to sustain a Malay business class with close ties to the ruling party, while state autonomy was low as the party business group also had a strong influence in government policy making.

Casse and Plesner describe a weakening of the 'classic Korean model' which included government-led industrial policy and strong leverage by the government vis-à-vis the major Korean business groups (chaebol) through its control of subsidised credits from state-controlled deposit banks and foreign borrowing. In the 1990s industrial policy was abandoned along with subsidised credits. Government–chaebol relations changed from institutionalised co-operation oriented to industrial upgrading to a greater extent of 'cronyism' with politically favour to individual capitalists. The chaebol and new merchant banks were allowed to borrow short term abroad as the government mistakenly assumed that this was less destabilising than liberalisation of long-term borrowing. The implication of this analysis would be that a weakening of the previous 'developmental alliance' went along with a misconceived imbalanced liberalisation of foreign borrowing, starting in the wrong end.

In the 1990s the authorities of South Korea and Malaysia both liberalised foreign financial inflows, and both economies became dependent on volatile foreign capital inflows. In strong versions of the globalisation argument it is contended that this kind of reliance translates into convergence of economic policies, institutions and organisations towards an Anglo-American model. According to hypothesis c.3 strong convergence was unlikely. In South Korea financial flows in the 1990s probably weakened the ties between government and business, as the chaebol got access to credits from the international market without state interference. This may be seen as a partial convergence towards arms-length relations government–business, but in other respects there were little change. The corporate structures of the chaebol with cross-ownership, diversification of activities, family ownership and high debt-to-equity ratios did not change markedly before the financial crisis. Furthermore, the two strong liberalisation processes in Malaysia and South Korea discussed by Nordhaug and Casse/Plesner respectively proceeded in markedly different ways. The Malaysian capital account liberalisation emphasised portfolio capital and fuelled overwhelmingly financial accumulation in asset markets, while restrictions on foreign borrowing were retained. The Korean liberalisation promoted industrial accumulation by the chaebol financed by short-term foreign borrowing.

According to hypothesis c.4 the converging impact may be stronger during financial crises than under normal conditions. But here the trajectories of Malaysia and South Korea once again differ, although both were strongly affected by the crisis. Malaysia turned to capital control in September 1998 (not discussed in Nordhaug's article), when other East Asian governments, including South Korea, were pressurised to liberalise foreign investment at the request of the IMF and the U.S. Treasury. However, once a liberalisation of investment took place in South Korea one might have expected that the foreign investors' preferences for Western corporate management systems along with the political pressure for chaebol reform should have enhanced the convergence pressure on the cash-starved chaebols. Casse and Plesner show that some change in corporate structure did take place with regard to intra group cross-holdings, and that there has been a limited divesting of non-core activities. However, the high debt-to-equity ratios remained unchanged and there were not any marked change in ownership patterns or the power position of the chaebol sector. The amount of foreign investment increased, but it was mainly limited to minority holdings in companies, while government policies covertly discouraged foreign takeovers. The Korean case seems to illustrate that considerable change indeed may take place under the impact of financial flows and crisis, but that there also is strong institutional resilience. Financial flows are harbingers of uneven change, rather than convergence.