

***Pathways to Asia: The Politics of Engagement.* Edited by Richard Robison. Sydney: Allen & Unwin, 1996. 270pp.**

Can a “social democracy” successfully engage with Asia and compete in the world economy? That is the nub of this volume’s concerns as it reviews Australian efforts during the past decade or so. Contributors to the volume are concerned about the rise of “economic rationalism” in Australian policy-making, especially since it happened under the watch of the Hawke and Keating Labor governments during the 1980s “in the name of preserving social democracy”. They worry that the “neo-liberal ascendancy” will destroy Australia’s traditional “social, democratic and egalitarian ideals and traditions, however flawed they may have been in practice”. And they seek to offer a better “pathway” for both domestic social policy and international engagement. But their analyses generally fail to engage persuasively with the ramifications for national social organization of the still poorly understood phenomenon of globalization, and the extent to which globalization (rather than engagement with Asia) is driving policy change in Australia and elsewhere. The volume’s own preferred “pathway” seemingly favours Asian-type strategic trade and industry policy within a framework of national strategic objectives rather than a conservative or neo-liberal commitment to the market. But this runs up against both the bad record of much of Australia’s past industry policy, and the recent reversal of the fortunes of some East Asian “tiger” economies.

Pathways to Asia comprises nine essays, grouped under four headings: politics of engagement; “Asian” models of political and social organization; “Asian” models of economic organization; and strategies for engagement — industry policy and labour policy. With the exception of a Singaporean sociologist, contributors are all academics at Australian universities. Their contributions reflect the argument that “Asian” models should be seen as transitional regimes “characteristic of late industrializing economies” that are “moving rapidly along the various paths trodden in the West, driven by the same set of social and political dynamics even if the outcomes are not all the same”. As Asian capitalist societies mature, runs the argument, “industrial mercantilism” will become “redundant”, and their policy options will resemble those of the West. The volume also contends that Western conservative and neo-liberal interests not only selectively misread Asian reality to bolster their own positions, but also that the mistaken “lessons” they draw from Asian economic success could tilt the “global balance against liberalism and influence the contest within the West itself”. Accordingly, the volume seeks to counter the view that social democracy might be inimical to vigorous and sustained economic growth. As such,

it is less an inquiry into different strategies for engaging with the region than the advocacy of a particular "pathway" to Asia.

Australia clearly continues to struggle for both policy direction and leadership in its efforts to cope with globalization and engagement with Asia. The struggle began in the early 1970s under Prime Minister Gough Whitlam, who started to dismantle the protectionist industry framework that had served Australian workers well in the post-World War II years. But *Pathways to Asia* is concerned more with the 1980s, during which Australia, as Treasurer Keating in the Hawke government claimed, made "its debut in the world" through floating the Australian dollar in 1983. Declining competitiveness, growing external debt, and reliance on commodity exports that were falling in value largely forced the policy shift towards neo-liberalism. However, greater openness to international market forces aggravated social inequality. One survey quoted in the volume suggested that within a decade the poorest areas of Australian cities had probably lost one-third of their employment and a quarter of their household incomes. While average incomes grew for the rich, they fell for "battlers", creating the electoral conditions that not only led to the defeat of Keating in March 1996 (after the volume had gone to press) but also support for the naive and offensive, inward-looking views of the independent Queensland parliamentarian Pauline Hanson.

With John Howard as Prime Minister, Australian leadership shifted from a social democrat, who more than any previous leader had identified Australia's future with Asia, to a conservative whose commitment to Asian engagement was more ambiguous. Howard not only carried the baggage of outspoken concern in 1995 that multiculturalism and Asian immigration should not promote "diversity (in Australia) ahead of unity". He also showed considerable tardiness in condemning Hanson's isolationism. Keating did not see Australia becoming an "Asian nation", being confident that its values and institutions were strong enough to engage with Asia within prevailing democratic traditions. But he recognized that engagement would not be without Asian values and culture making a significant impact on Australian culture. In contrast, Howard has argued that Australia "does not need to choose between its history (as an outpost of European culture) and its geography", even as his government makes such choices (for example, as the European Union states, and especially Prime Minister Tony Blair's Labour government, link human rights and trade, a Howard government White Paper on foreign and trade policy has specifically rejected any such link).

The labour market largely caused the Keating government to stumble. A high degree of state intervention in areas such as the legal status

and role of trade unions and the industrial relations apparatus had been, as the volume comments, “the cornerstone of social democracy’s political evolution, both in Europe and in Australia”. The Australian Labor Party never embraced socialism in the manner of their counterparts in European countries such as Britain, France, or Germany. But it did pioneer a “fair wage” for labour, set through a centralized wage fixation and arbitration system, enshrining, in effect, the right to have the state protect a level of social equality. Accordingly, an Australian Labor government, with its roots in the labour movement, could not pursue the neo-liberal prescription of extensive deregulation, euphemistically called “labour market flexibility”, let alone ban trade union activity in a key industry sector such as electronics, as, for example, in Malaysia. Instead, the Hawke government promoted an accord with the union movement to protect workers against falls in real wages resulting from a decline in the value of the deregulated currency by cutting taxes, while seeking to link wage increases to productivity. And although partial deregulation opened the way for the Howard government to complete deregulation, it found its early efforts at reform undercut in the Senate (where it lacked control), leaving employers still reluctant to challenge the most powerful unions. By late 1997, the Howard government was also under pressure from a range of interests, including big business (itself criticized for performing poorly in the global economy), to pursue reform more vigorously in areas such as taxation, industry policy, and industrial relations. Chronic high levels of unemployment and “job insecurity”, usually linked by the public to globalization and engagement with Asia, were also contributing to unprecedented volatility in electorates.

In asking whether Asia offered Australian (and other Western) policy-makers lessons for addressing their domestic and international challenges in a global economy, *Pathways to Asia*, on the one hand, debunks claims that Asian economic success could be attributed in any significant degree to superior Asian values and culture, while, on the other hand, seeks to argue that Asian-type strategic trade and industry policies could be a better way forward in engaging with Asia and the global economy. The former seeks to counter both Western conservative and neo-liberal interests that might think the no-nonsense, pragmatic and growth-oriented approach of many Asian governments — their “soft” or “developmental” authoritarianism — the kind of medicine that would benefit their own social policies, as well as business interests that selectively accepted inappropriate rules set by Asian governments when it suited their commercial interests. In the latter, the volume partly reflects the thinking of the so-called “revisionist” perspective that sees Japan and other Asian economies playing by different

rules than those of the “free market”. Hence, international commercial engagement should be crafted within the framework of national strategic objectives rather than in terms of an ideological conservative or neo-liberal commitment to the market.

One of the main problems of *Pathways to Asia* is the extent to which it suffers from the test of time. Notwithstanding their many warts, the “Anglo-Saxon” economies of the United States of America and Britain have demonstrated their ability to adjust and revitalize in a changing world. In contrast, the Japanese economy, the great Asian success story of the 1960s to the 1980s which had hit the wall by the early 1990s, has yet to bounce back. With huge levels of bad debts in its banking system, Japan also remains vulnerable to financial crisis. What is more, the major upheavals of the financial markets of the Asian “tigers” in recent times have highlighted systemic weaknesses in the economic management of most, especially in their banking and financial systems. Their outlook is for slower growth for a while, and even recession in at least one case. The notion that they had superior economic management “know-how” underpinning their “miracle” performances cannot be sustained. The central questions now are how quickly and well Asian economies can cope with the crises they face.

That does not diminish but heightens the continuing importance of many of the issues *Pathways to Asia* canvasses. However, rather than move towards various kinds of “economic nationalism”, international market turmoil should encourage policy-makers both in the West and East Asia to renew their efforts to co-operate in developing and consolidating the mechanisms and institutions needed to ensure continued reforms aimed at liberalizing and improving the international trade and investment environment. Today’s world, as volatility in financial markets highlights, is inexorably interlinked. More than at any time in history, new technologies and the globalization of markets are driving the kinds of changes that should be persuading states that their “national interest” lies in behaving less as autonomous entities than as complex evolutionary systems, adapting to environments that grow more elaborate. Modernizing states cannot avoid becoming increasingly ensnared in information and communication webs, with feedback loops and self-regulating controls that constrain autonomous behaviour. Survival and prosperity can best be achieved by consensus-building and finding ways of co-evolving with competitors. Growing complexity impels greater co-operation.

The future of *prosperous* democratic, egalitarian societies is not likely to depend on the adoption of some variation of Asian-type strategic trade and industry models, which themselves are in need of reform. Rather, the need is more to develop a better understanding of

the implications of globalization for national social organization. Modernization in today's world, driven by technologies that only began to make their impact during the past several decades, cannot be readily equated with the modernization process prior to World War II. Britain's Blair Labour government is, perhaps more consciously than most governments, trying to address the contemporary challenge of modernization. It is reportedly influenced by analyses such as Anthony Giddens' *Beyond Left and Right*, which recognizes ways that globalization transforms local, and even personal, contexts of social experience. Giddens' insights into globalization should also help enhance the thinking of many Western social scientists on the role of culture in the modernization process. Globalization leads to an insistence on cultural diversity, promoting the revival of local nationalism and an accentuation of local identities, which stand in opposition to globalizing influences. Yet, *Pathways to Asia* seems to find difficulty accepting the role of Asian values and cultures as socially integrating forces.

The policies and politics of the next several years will prove critical to the strength of future growth in the Asia-Pacific region. And the problems confronting most states stem largely from the need for internal reform, even though, for domestic political reasons, governments may seek to find external "scapegoats". In Australia, the government responded late in 1997 to pressures from the business community for an industry policy by setting a 4 per cent economic growth target and providing new funding, in particular for boosting innovation and exports. The government package fell short of the recommendations of two government-sponsored reports into industry policy and the information industries, and received mixed reviews from industry commentators. Many believe that the legacy of Australia's chequered history with industry policy should encourage the government to eschew "handouts" to business, or try to "pick winners", and limit its role to facilitating new forms of investment, especially in relation to infrastructure. Otherwise, the government risks diverting its energies from more urgent reform tasks, such as tax reform, education and retraining, research systems and domestic competition.

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