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Varieties of Private Sector Governance in Asia

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Prospects for Private Sector Governance in Contemporary Asia

Paul Cammack[1]

Abstract: *The paper begins with a critique of the literature on private sector governance, noting that it emerged at a moment of excessive and misplaced faith in the viability of a private sector driven by lightly regulated financial and private equity markets. The underlying models of corporate governance and state-business relations are then critically examined. Against this background, a number of arguments related to Asia are made. First, there are important aspects of Asian states, business sectors, corporate governance and state-business relations that do not conform to the Anglo-American model and are not easily subjected to its logic. Second, there is a strong and varied tradition of state authority over business across Asia. If this was in retreat after 1990 and in the brief wave of Western neoliberal triumphalism that followed the 'Asia' crisis, the reverse is true in the context of the much more devastating 'Atlantic' crisis. Third, the general re-awakening of interest in 'industrial policy' and state authority enforced by legal codes and bureaucratic means is reinforced by the salience of the Chinese case, and by the alacrity with which they have been taken up by international organisations, and by the World Bank in particular. In the light of these considerations, the paper concludes that it is more likely that a regime of transnational state regulation centred around states interacting with international organisations and intergovernmental organisations will emerge* than one in which states are 'rule takers' in a regime of transnational *private* regulation centred around private actors.

> "It is an utterly self-centred point of view to think that the government should be concerned with providing only a favorable environment for industries without telling them what to do" (Sahashi Shigeru, former vice-Minister of MITI, quoted in Chalmers Johnson, *MITI and the Japanese Miracle*, 1982, pp. 9-10).
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> "It is not clear that we should want to substitute private governance for public, even if we could do it" (Mayer and Gereffi, 2010: 19).

Introduction

In an early and influential account of the emergence of private authority and transnational private regimes, Cutler, Haufler and Porter argue that when states voluntarily abandon some of the functions traditionally associated with public authorities 'due to the force of liberal ideology, globalisation, or the lack of state capacity to manage current issues, those functions that are needed for smoothly operating markets may be given to or taken up by firms', in part because 'in areas where technology is complex or information plays an important role, the private sector is sometimes viewed by participants as more capable than governments in designing appropriate rules and procedures' (1999: 4-5). This image, of incompetent states moving out and competent firms moving in, is ingrained in the literature; and Hall and

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Bierstecker (2002: 4, 6) note that in the international economic realm it was the willingness of states to construct markets as authoritative that allowed transnational private regimes to become sources of governance for specific economic issue areas: states have been 'complicit in the creation of the market as authoritative'.

The overarching context here is Western 'neoliberal globalisation'.[2] The now considerable literature on private governance arose at a particular moment – at the height of expectations regarding the dominance of neoliberalism, and its potential to generate regulatory frameworks of universal scope. The emergence of private governance was explained negatively in terms of the weakened regulatory power of the state in the context of globalisation, and positively in terms of enthusiasm for market-friendly forms of governance, self-regulation, and the like. The period over which the principal studies of private governance appeared also coincided with the high point of faith in financial and equity markets, and in financialisation and shareholder value as sturdy foundations for efficient capitalist development on a global scale. The actors and institutions around which the literature revolved – states, led by the US and the UK, that embraced the idea of private governance for practical and ideological reasons, large private US- and European-based transnational firms, and international and intergovernmental organisations and technical (rating and standard-setting) bodies – reflected this context.

Prior to the crisis that has radiated outwards from the Atlantic area since 2007 there was something of a consensus that the shift of authority from states to firms and other private forms of regulation was permanent, even if enthusiasm at the prospect varied. For Cavaggi the move towards private governance reflects a double shift of regulatory power from the domestic to the global sphere and from public to private regulators, giving rise to a situation in which states are 'rule takers' in a regime of transnational private regulation (TPR) 'centred around private actors, interacting with international organisations ... and intergovernmental organisations' (2011: 21). It is associated with 'the shortcomings of the regulatory state as a global regulator', and in particular 'the weakness of nation states in regulating markets that operate across state boundaries' (ibid: 23, 25; see also Braithwaite, 2008: 26-9; Nölke, Overbeek and Van Apeldoorn, 2007: 203-6).

More recently, however, Mayer and Gereffi, considering the specific case of the private governance of global value chains, have characterised private governance as 'a second-best and partial solution to the governance challenge posed by globalization' (2010: 20). They too note that its origins lay in 'societal pressures spawned by economic globalisation and by the inadequacy of public governance institutions in addressing them', drawing particular attention to the fact that in the developing world, 'where production is increasingly concentrated, many states lack the capacities of law, monitoring, and enforcement needed to regulate industry, even when they have strongly worded legislation on the books'. However, they take the debate forward by outlining

[2] If 'neoliberalism' is reduced to privatisation, liberalisation and deregulation, it necessarily follows that there is a distinction to be made between the 'neoliberal' and the 'regulatory' state. But the latter concept better captures the reality of late twentieth century 'neoliberalism' (Braithwaite, 2008: 18). The 'neoliberal' revolution is best seen as revolving around the assertion/reassertion of the global power of capital over labour and the promotion of domestic and global competitiveness, and therefore the reconfiguring of state power and its alignment with the working of the law of value on a global scale (cf. Gamble, 1994, Peck, 2010). I take the global social relations of production and the world market as starting points, and describe the current era in terms of a new stage of capitalist development that gives rise to a 'politics of global competitiveness' (Cammack, 2006, 2010).

the limits of private regulation, and suggesting that these 'will likely spur renewed attention to public governance and to new forms of public and private governance interaction' (ibid: 1, 3). Their argument that the surge of private governance was sparked by the shift of manufacturing production to the developing world and its organization across global value or commodity chains, or production networks, suggests, if we follow Polanyi as they do, that it should be seen as a *transitional* phenomenon – one that will invoke in turn a counter-movement in which increasingly competent, confident and empowered states individually and collectively assert their authority over private actors and new forms of production. So, after addressing the circumstances in which private governance is most likely to have positive effects, they turn to the relationship between private and public governance, proposing that 'the more production becomes concentrated in the larger emerging economies, the more we should expect public governance in these countries to strengthen', and that 'stronger public regulation in developing countries will reinforce rather than replace private governance, and will promote multi-stakeholder initiatives involving both public and private actors' (ibid: 15, 17). In short, the consolidation of production in a relatively small number of large emerging economies, the growing social demand in those countries for effective public governance, and the ability of emerging states to use private governance for their own ends may shift the balance more towards public governance; and Mayer and Gereffi conclude that 'unless private governance is supplemented and reinforced by public institutions of governance, it cannot provide adequate governance capacity for the global economy' (ibid: 19; see also Jeong and Kim, 2010). In Cafaggi's terms, then, we might expect developing states to shift from being 'rule takers' to being 'rule makers'.

The suggestion here, then, is that the vogue of 'private governance' was a peculiarly Western thing, and that its peak may have passed. If so, one has to be cautious with regard to the role it might play in the building of markets in Asia. I develop the point here by exploring the relationship between changing approaches to corporate governance, the rise of private governance, and the impact the current crisis of the 'Atlantic model'. I then turn to some enduring features of Asian business structures and state-business relations, and conclude by reviewing the general recent revival of interest in state intervention and industrial policy. Altogether, I conclude that prospects for the future are best understood in terms of possible path-dependent developments out of specifically Asian contexts, rather than in relation to 'Western' models or precedents, and on this basis I advance two principal arguments. The first, methodological in character, is that a focus on states, class forces and international organisations as agents (for preference, in a framework that privileges class projects in the context of the politics of competitiveness in the world market), and therefore, at the domestic level, on executives, legislatures and courts, and class projects, class alliances and class conflict, will yield more than a focus on private governance. The second, more substantive, is that the dominant project around which class alliances and struggles will form, in a process led by Asian and emerging economy states, is one of 'developmental liberalism' – committed to capitalist development driven both domestically and globally by competitiveness, but at the same time privileging the national state, supported by international and regional organisations, as an agent of industrial policy and state-guided development, and states collectively, in Africa, Asia and Latin America, as agents of regional integration and South-South trade and investment.

First, as noted, the surge of interest in private sector governance emanates from a specific time and place. The crisis that erupted in 2007 has called its underlying assumptions into question, so that there is no longer much credibility to the idea that private sector governance could or should replace public authority. Second, there is a strong and varied tradition of state authority over business across Asia. If this was in retreat after 1990 and in the brief wave of Western neoliberal triumphalism that followed the 'Asia' crisis, the reverse is true in the context of the much more devastating 'Atlantic' crisis. Third, there are important aspects of Asian states, business sectors, corporate governance and state-business relations that do not conform to the Anglo-American model and are not easily subjected to its logic. Fourth, the general re-awakening of interest in 'industrial policy' and state authority enforced by legal codes and bureaucratic means is reinforced by the salience of the Chinese case, and by the alacrity with which they have been taken up by international organisations, and by the World Bank and the Asian Development Bank in particular.

This suggests that the Western experience of private sector governance and the literature that has grown up around it throw relatively little light on the regulatory frameworks within which markets are being and are likely to be built across Asia; and incidentally that from a normative perspective they may have little to recommend them. Although the neoliberal creed has made some inroads across Asia, there is reason to expect that the varieties of capitalism emerging across the region will be marked by a shift towards enhanced public authority over the private sector, and the reassertion of bureaucratic control, rather than by an uncritical embrace of forms of private sector governance that look fragile now that the institutional and ideological conditions that enabled them to gain ground have fallen into disrepute.

Corporate governance, private governance and the transatlantic crisis

The questioning of the capacity of the state to reach beyond its borders was just one outcome, and by no means the most significant, of changes that radiated outwards from the *domestic* political economies of the US and the UK from the 1980s onwards. These changes, which centred on the liberalisation and massive expansion of financial markets, revolutionised the relationships between industrial production and finance, with significant effects on forms of corporate governance and relationships between states and firms. The driving forces were the related phenomena of financialisation and the enthroning of the pursuit of 'shareholder value' as the principal responsibility of managers of public companies. The perverse incentives and underlying flaws in this approach were identified early in the cycle by the Manchester-based research team led by Karel Williams and Julie Froud (Froud et al, 2000; see also Aglietta, 2000:149, 158 – "Corporate governance is the set of behaviours which induce the firm to maximise shareholder value .. One is left with the impression that the wealth-induced growth regime rests upon the expectation of an endless asset-price appreciation"; and Erturk et al, 2004), but disregarded until it was too late to avoid the destructive consequences. In the late 1990s and the early years of the present century they were propagated beyond the UK and the US by the 'globalisation of securities and equity markets', but held somewhat in check at the same time by the greater reliance in continental Europe upon 'legislation-driven' rather than 'market-driven' forms of regulation (Van Apeldoorn, Nölke and Overbeek, 2007: 18-21), and associated production-based rather than finance-based regimes of accumulation.

Writing in the wake of a number of spectacular corporate failures on both sides of the Atlantic (among them, Enron, Ahold, Parmalat, Vivendi Universal and France Télécom) but before the meltdown of the system as a whole in 2007-8, the contributors to the Overbeek, Van Apeldoorn and Nölke volume register both the fundamental contradictions of the finance-driven model (Rebérioux, 2007) and its advance into regulatory practice in continental Europe via the 'marketisation' strategy adopted by the European Union (Van Apeldoorn and Hoorn, 2007). Rebérioux's elegant and forensic account of the structural and regulatory flaws of the model lays bare the toxic consequences of the proliferation of value-based-management consultancies, leveraged buyouts, and unsustainable short-term expedients to boost share prices, all underpinned by 'a logic of imbalance turned into a permanent objective' (Rebérioux, 2007: 64). Of equal significance to debates that continue in Asia regarding the merits of the regulatory framework that accompanied these destructive excesses is his analysis of the impotence of the favoured model of an independent board of directors as the main internal device for the control of corporate executives, charged with protecting the interests of 'minority' shareholders in particular, and the failure of the principal additional sources of market-based oversight – auditors, analysts and ratings agencies – all of whom proved complicit, and more likely to ratchet up the instability of the system than to act as a brake upon reckless risk-taking (ibid: 65-9; and Engelen et al, 2011, for a devastating critique of the UK case). Rebérioux argues that the fundamental flaw in the system was structurally given from the start, in that the requirement that directors should be external and independent necessarily meant that in practice they would lack the knowledge and the authority to challenge the 'business judgement' of corporate management. In other words, 'the deficiency of control [on the part of independent directors] is a congenital defect of shareholder primacy, rather than a failure that can be corrected' (ibid: 68). Larger-scale analyses of the very substantial literature (such as Bebchuk and Weisbach, 2009) do nothing to challenge this conclusion.

It is emphatically not the case, then, that systems of corporate governance that were in principle sound enough were undermined by the extent of a financial crisis sparked off by reckless delinquency on the fringes of the system. On the contrary, the crisis of 2007-8 brought down a system that was fundamentally unsound, and it did so just at a point when pressure was building on Asian actors to adopt similar modes of corporate governance, and to create greater space for 'market forces' in the form of private equity firms, leveraged buyouts, hostile takeovers, and the like . Understandably, private governance in the sense of voluntary self-regulation on the part of business no longer seems even remotely a source of mitigation of risk, any more than financialisation and shareholder sovereignty seem likely to underpin a stable and sustainable market-based order.

It is in this context, on which of course a great deal more could be said, that Mayer and Gereffi (2010: 2-3) conclude that 'the limits of purely private governance will likely spur renewed attention to public governance and the new forms of public and private governance interaction'. This is a view that is already widely shared and documented (Stubbs, 2009, 2011; Jeong and Kim, 2010; Sinclair, 2011: 124; Terada and Ong, 2011: 204). One should initially be sceptical, then, of the potential for extended private sector governance across Asia, whether at the domestic level or in relation to Asia's engagement in global networks of production, trade and investment. And if one considers the strength of the developmental state in various forms in the region, the relative preponderance of firms close to if not in part or in whole owned by local and national states, and the recalcitrance of the concentrated-ownership 'family firm' to Western-style empowerment of minority shareholders, there is even more reason to doubt the easy applicability of recently fashionable ideas of corporate and private governance.

States, firms and corporate governance in Asia

Fan, Wei and Xu (2011: 207 and 2008, ft. 1) caution that 'critical institutional differences' between emerging and developed markets in general must be taken into account when comparing the behaviour and performance of firms, and remind us that 'the free-market approach is an exception rather than a norm both historically and around the world'. In their account of the different environment in which emerging-market firms operate, they identify the frequent presence of government as an important stakeholder, the tendency for conflicts to be resolved not in the courts or by government but through alternative and often informal means, and the greater prevalence among listed companies of essentially family firms with concentrated ownership as factors that give rise to 'basic structural and behavioural differences between firms in emerging markets and those in developing countries' (ibid: 212-3).

If this is the case for emerging markets in general, it is particularly so for Asia – its most conspicuous feature being the subordination of finance to state control, with all that implies for the broader relationship between the state and even the largest domestic enterprises. The comment from former MITI vice-Minister Sahashi Shigeru placed at the head of this paper captures the mind-set: 'It is an utterly self-centred point of view to think that the government should be concerned with providing only a favorable environment for industries without telling them what to do' (cited in Johnson, 1982: 9-10). Johnson's characterisation of the "Japanese model", it will be recalled, centred upon a small elite bureaucracy charged with choosing the industries to be developed and the best means of developing them; a political system in which the courts and the legislature shielded the bureaucracy from interest groups in society whose demands 'would distort the priorities of the developmental state'; the perfection of market-conforming methods of state intervention in the economy; and the existence of the fabled pilot organisation, MITI (ibid: 315-20). To all of this, control of finance by the state was essential, and its corollary was 'the virtual impotence of corporate stockholders because of the industrial financing system' (ibid: 12, 313). Johnson's distinction between regulatory and developmental approaches, and his assertion that MITI (eventually) succeeded in finding 'a government-business relationship that both enabled the government to achieve genuine industrial policy and also preserved competition and private enterprise in the business world' (ibid: 29) is echoed by Gao's subsequent contrast between developmental and liberal capitalism, in which 'the most important distinction … is not how the state is constrained by the private sector, but how the market is organised by both the state and nonmarket governance structures' – and his apposite remark that it is axiomatic in this approach that the market will be organised by the state, so that the issue is not *whether* but *how* it will be done (Gao, 1997: 7-9). Subsequent analysis of the cases of Korea and Taiwan along similar lines (Amsden, 1989; Woo, 1991; Wade, 1990) led, of course, to the elaboration of a generic model 'Asian developmental state' (Leftwich, 1994; Evans 1998). If this literature was pretty much immediately cast into disrepute with the euphoric endorsement of neoliberal strategies in the 1990s, and the majority interpretation of the 'Asia crisis', it has returned with some force as a focus for Asian and emerging-economy responses to the 'transatlantic crisis' (Beeson, 2009; Stubbs, 2009, 2011). Stubbs summarises the consensus position as being that 'a transformed DS [developmental state] has survived and .. indeed, a relatively strong central state capacity is necessary in order for East Asian states to continue to enjoy the economic success they achieved in the past' (2009: 18); and has subsequently argued that a shift of power is indeed taking place across the region, broadly defined, from 'neoliberal' to 'developmental coalitions' (2011). At a 'macro' level, then, it is possible to surmise that the idea that the state should voluntarily cede authority to private actors of any kind is losing traction. As we shall see, this conclusion is reinforced if one examines state-business relations and the character of corporate governance in the region.

Corporate governance in Asia

Globerman, Peng and Shapiro (2011), reporting on a project initiated with the intention of charting reforms to Asian corporate governance since the 'Asia' crisis but brought to fruition against the backdrop of the much more severe 'Atlantic' financial crisis, identify and document extensively from the secondary literature five key features of Asian corporate governance: concentrated ownership; extensive cross-ownership ties and pyramidal ownership structures; extensive family ownership with a high degree of overlap between controlling family ownership and management; significant state ownership with direct political influence of management appointments; and relatively limited use of professional management (ibid: 4). All of these features, of course, are at odds with the 'Anglo-American corporate governance model' and in particular the holy grail of the maximisation of 'shareholder value'. The authors suggest that 'it is naïve to hypothesise about the impacts of corporate governance features on the performance of Asian companies without incorporating into the analysis specific features of the institutional environment in which those countries operate'; and they conclude by rejecting the 'broad recommendation for Asian companies to be more like Anglo-American companies in terms of corporate governance' that is characteristic of the literature: 'There are strong reasons for being sceptical about the potential for implementing these and related measures in the Asian context, as well as the likely consequences of their implementation' (ibid: 8-9). First, the 'limited and unconvincing evidence surrounding the effects of corporate governance reforms in the United States and other developed markets serves as a caution against expecting proposed reforms to have a significant beneficial effect in Asian companies, even if the reforms were enthusiastically implemented'; and second, the available evidence suggests that where such reforms have been pursued, they have not improved corporate performance (ibid: 9-10). If it is true that Globerman, Peng and Shapiro show a surprising residue of faith in the Anglo-American model of financialisation and the pursuit of share-holder value (ibid: 11), it is also the case that they document the weight of evidence militating against any assumption that the Asian business environment could be hospitable to it. Jarvis's argument (2010:196) that 'the adoption of regulatory models and their transplantation into different institutional endowments can often produce unintended or even deleterious regulatory outcomes' makes the same general point; and it is strongly reinforced by Kanako's detailed and valuable documentation (2010) of the failure of 'transplanted' practices to take when grafted on to the various regulatory regimes in force across Southeast Asia. Her account documents, at the same time, the incipient influence of 'Western' models of corporate governance from the mid-2000s. Armour, Jacobs and Milhaupt (2011) similarly confirm the virtual absence of hostile takeovers in Asia (and in emerging economies in general) until the same period, underlining the unrepresentative nature of recent US- and UK-led innovations, and argue convincingly that whatever the merits of the hostile takeover as a spur to management on behalf of the best interests of shareholders, it is at best a distant prospect, especially in China, where the 'highly authoritarian' form of government makes Chinese firms 'less vulnerable to capital market pressures exerted by foreign and other investors, since the state controls the extent to which corporate shareholdings of most publicly traded firms will (or will not) be dispersed' (ibid: 281, ft. 299). As this suggests, the case of China merits separate consideration. It is therefore discussed briefly in the following section.

The Case of China

In any discussion of the role of private governance in market-building in Asia, the case of China is bound to loom large. The main outlines of the picture are clear. As Yang, Chi and Young (2011: 16) note, 'after more than two decades of privatisation reform, both the central and local governments hold approximately one-third of the shares of listed companies'. In addition, takeover markets are not well developed, bank lending prioritises social and political over financial interests, and the legal infrastructure does not securely protect either property rights or the interests of minority shareholders. They conclude that 'the strong political connection between the governments and listed firms and the lack of a truly independent judicial system negatively impacts on the efficiency of corporate government mechanisms'. Similarly, Chen, Li and Shapiro (2011: 116-17), who claim to be the first to ask 'whether OECD "good practices" of corporate governance are good in an emerging economy', find, from a sample of over 1,100 listed Chinese firms, 'no empirical evidence supporting the effectiveness of boards of directors or supervisory boards in alleviating expropriation costs [rent seeking] of controlling shareholders'. They share with Yang, Chi and Young (2011) a disposition to regard a regime of independent directors, hostile takeovers and the like as beneficial, but note that 'in countries such as China ... where the government is heavily involved in economic development, firms tend to seek current or former politicians to serve as outside directors in order to build close relationships with the government' (ibid: 122) – expressing the obvious truth that regulatory frameworks transplanted from one environment to another may have quite different effects. It is clear that on this evidence one does not find in China an environment and institutional relationship between the national and local state on the one hand and firms on the other that could underpin robust and authoritative forms of private governance. Gilson and Milhaupt (2011: 270-72) go further, building on a substantial secondary literature to argue that 'the Chinese pattern of decentralised experimentation and innovation bears a close resemblance to key features of the venture capital model as practiced in the United States'. The picture they provide, essentially portraying the higher echelons of the Chinese Communist Party as a highly successful extended family-run 'private' equity firm at the heart of the state, casts the CCP as a kind of super-MITI, orchestrating highly incentivised state owned or affiliated firms in a decentralised structure. Unpalatable, no doubt, but their argument (following Franklin Allen and Jun Qian) that 'China has succeeded by *avoiding* formal law – which in their view is rigid and susceptible to interest group capture – and relying instead on reputational and other informal devices to support economic activity' (ibid: 277) precisely echoes Chalmers Johnson on the Japanese development model:

> Perhaps the most important market-conforming method of intervention is administrative guidance. This power, which amounts to an allocation of discretionary and unsupervised authority to the bureaucracy, is obviously open to abuse, and may, if used improperly, result in damage to the market. But it is an essential power of the capitalist developmental state for one critical reason: it is necessary to avoid overly detailed laws that, by their very nature, are never detailed enough to cover all contingencies and yet, because of their detail, put a strait jacket on creative administration. .. Highly detailed statutes serve the interests primarily of lawyers, not of development' (Johnson, 1982: 318-19).

Gilson and Milhaupt declare a preference for democracy over benevolent autocracy. But when they go on to propose the intuition that 'when it is not possible for a state to credibly commit itself to take hard decisions, the enforcement mechanism can be credibly outsourced through multinational effort' (ibid: 279), they reproduce not only Mayer and Gereffi's perception of private governance as a 'second-best' solution, but also the view of international organisations as 'partners of states in the political economy of reform' (Cammack, 2010). They conclude, not surprisingly, by dismissing the argument that economic development promotes political liberalisation. Again, our focus is narrower. The argument aligns precisely with the case made elsewhere for the emergence of a Chinese developmental state (Beeson, 2009), or broader discussion of the recent 'expansion of the state, and the retreat of the private' (Breslin, 2011b: 194); it also accords with Liu's depiction (2010: 255-6) of an emerging 'authoritarian regulatory state' (recently transmuted into the 'more neutral and objective' transitional regulatory state). Again, it underlines the absence of conditions for anything resembling a commitment to or an environment for fostering private governance.

Industrial policy and international organisations

Chalmers Johnson's contrast between regulatory and developmental states hinged centrally on the issue of industrial policy, and drew on Dahrendorf's contrast between 'plan-rational' and 'market-rational' states to do so:

> In the plan-rational state, the government will give greatest precedence to industrial policy, that is, to a concern with the structure of domestic industry and with promoting the structure that enhances the nation's international competitiveness. The very existence of an industrial policy implies a strategic, or goal-oriented, approach to the economy. On the other hand, the market-rational state usually will not even have an industrial policy (Johnson, 1982: 19).

For some time in abeyance, industrial policy is back on the agenda, not least in the World Bank, where as Chief Economist Justin Lin has been an enthusiastic advocate, and at the same time instrumental to the opening of a broader debate on its propriety for low income or developing countries in particular. Lin's position is not that radical, and is consistently presented as falling within the neoclassical tradition in its respect for at least 'latent' comparative advantage, albeit with a Stiglitz-type lean towards the issue of market failure. As developed over a series of interventions, it amounts to the claim that governments in developing countries *can* pick winners, if they are attentive to their endowment structure and level of development, and aware of and able to follow other countries with similar endowments but a higher level of development. In short, '[t]he main lesson from development history and economic theory is straightforward: the government's policy to facilitate industrial upgrading and diversification must be anchored in industries with latent comparative advantage so that, once the new industries are established, they can quickly become competitive domestically and internationally' (Lin and Monga, 2010: 2-3). When challenged to do so by heterodox sympathisers such as Ha-Joon Chang, Lin has stoutly refused to renounce his neoclassical affiliations (Lin and Chang, 2009: 498, 500). In practical terms, however, the significant features of the strategy are first, that it represents a clear official message from the World Bank that industrial policy is on the agenda for low income countries, and second that in concrete terms it is advocated in the context not of exploitation of the flexibility offered by a true understanding of the neoclassical analytical framework, but in the4 context of new doctrines of 'multipolarity' in which Lin and others posit the 'leading dragons' thesis – that the transition of emerging economies such as (but not exclusively) China to labour shortage-driven upgrading to higher technology and higher-productivity branches of industrial activity (itself a consequence of systematic government intervention and industrial policy) will create spaces and market opportunities into which follower countries can move (Lin, 2011). The institutional momentum behind this policy turn is reflected not only in official publications of the Bank, but also in such initiatives as overt support for the diffusion of Chinese-style Special Economic Zones across Africa, and the October 2011 World Bank Conference on Structural Transformation. The former is of a piece with the endorsement by the UN Economic Commission for Africa (2011: Ch. 5) of the idea of the 'African Developmental State', while the latter saw Philippe Aghion and Dani Rodrik, among others, enlisted to the cause of 'revisiting the issue' of industrial policy (Aghion et al, 2011: 2, McMillan and Rodrik, 2011). There is actually a lot to be said for the classical liberal if not neoclassical roots of these policy initiatives, but the point to be made here is a much more limited one – simply that insofar as the idea that it is appropriate for governments in low-income countries to steer industrial policy gains ground, it is correspondingly likely that the idea of handing areas of governance over to the private sector will lose ground.

Conclusion

Sinclair's recent account of broad continuity in state policy and market development in East Asia after the crisis rests crucially on the argument that the state-centred approach to both financial market development and market development generally in place prior to the crisis limited its impact, and was validated and reinforced as a result. As Sinclair summarises, '[t]he ethos of self-regulation that has dominated developed country financial regulation for many years has not transplanted itself to the region' (Sinclair, 2011: 123). This is not to say that inroads have not been made, as discussion above of tentative moves in the direction of 'Western' principles of corporate governance and hostile takeover regimes makes clear. It does suggest, however, that one can already detect a critical moment in a 'path-dependent' trajectory of change, in which the transatlantic crisis came, perhaps just in time, to switch states across the region on to an (up-dated) state-developmental track.

This does not suggest that we should anticipate a permanent landscape of significant direct state ownership of enterprises and state control of finance, or of family-controlled firms, concentrated ownership. It does suggest, however, that we should expect the evolution of state-business relations and practices of corporate governance to follow a relatively internally generated logic that is if anything reinforced negatively against the incorporation of 'Western' principles and practices. This means that the circumstances that in another imaginable world might have created fertile conditions for the spread of ideas and practices of private governance will not now materialise, and the diffusion of forms of private governance is therefore much less likely that it might otherwise have been. For observers such as Mayer and Gereffi, this is just as well. But those concerned about the possibly negative implications of a swing back to the assertion of state power through direct bureaucratic means would be also better engaged in turning their attention to the role of courts, parties and legislatures, and then to international oganisations, than in entertaining any longer the notion of a countervailing private power. Again, there is no implication here that (idealised)

Western models of liberal democracy offer an appropriate template. They have not in the past, as the contortions of theorists of political development from the 1960s on amply confirms (Cammack, 1996).

In sum, the argument advanced here anticipates that the emerging regulatory framework around which markets will be built in Asia will not be one in which states are 'rule takers' in a regime of transnational private regulation (TPR) 'centred around private actors, interacting with international organisations ... and intergovernmental organisations' (Cafaggi, 2011: 21). It is much more likely to be a regime of transnational *state* regulation, centred around states interacting with international organisations and intergovernmental organisations. This is a pattern that accords with the global institutional framework underpinning the politics of global competitiveness, in which international organisations present themselves as partners of *governments* in the political economy of reform, and look to those governments to take ownership of, or responsibility for, the relevant policy frameworks and their implementation (Cammack, 2009).

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