

# Strong States, Cooperative Unions, and the Structure of the International System<sup>1</sup>

## A Three-Stage Model Explaining the East Asian Development Path

WILHELM BÜRKLIN

### 1. Introduction

During the last three decades a handful of states on the Pacific Rim positively attracted the world's attention. The so-called Four Little Tigers, or to use a more technical term, the Newly Industrializing Economies (NIEs) in East Asia, i.e. Singapore, Hong Kong, Taiwan, and South Korea, successfully developed their economies. The NIEs disproved the dependencia theory by opting for a strategy of export-orientated industrialization and by attracting foreign multinational companies with tax holidays and low labour costs. After three decades of persistently high growth rates, the NIEs moved from Least Developed Countries to the small group of high-income countries in the world.<sup>2</sup>

In terms of comparative advantages which attract foreign capital and technology, the NIEs had one thing in common. They were short of capital, technology, and even natural resources. The only comparative advantage the NIEs had was their cheap labour force. This is something, however, they shared with most of the less developed countries in the world. Unlike the latter, the NIEs could make use of this advantage

---

1 I would like to thank the Institute of Southeast Asian Studies (ISEAS) in Singapore and the Fritz-Thyssen-Stiftung in Köln. Parts of this research have been done while I was a guest of ISEAS; the fieldwork in Hongkong, Taiwan and South Korea was supported by a generous travel grant of the Fritz-Thyssen-Stiftung.

2 For a comprehensive overview see The World Bank: *World Development Report*, New York 1991; for a comparative summary of the economic industrialization strategy of the NICs see OECD (ed.), *The Newly Industrializing Countries. Challenge and Opportunity for OECD Industries*, Paris 1988; a generalization of this model is drawn in S. Lall: *Building Industrial Competitiveness in Developing Countries*. Paris 1990.

under two pre-conditions: first, their relatively stable political environment after the Second World War which made them islands of stability in conflict-ridden East Asia. The second factor used to explain why, of the large number of relatively stable countries in the world, the NIEs were especially successful in attracting investment in manufacturing, is the character of their labour force itself. It has been described as adaptive and cooperative, disciplined, thrifty and industriously hard-working, thus constituting the key element of the competitive edge of the East Asian economies.<sup>3</sup> These characteristics of the labour force seem to distinguish the Asian NIEs from other developing regions in the world.<sup>4</sup>

There is an ongoing debate about the reason for that specific form of cooperative trade-unionism in the East Asian NIEs; particularly whether it is the result of a distinctly Asian culture on the one hand or repressive measures and institutional structures on the other. The question then arises, whether this relationship could emerge as a future model for states with non-Western political culture, or whether it must be perceived as an intermediate stage toward the modernization of these societies according to the Western model.

This article links up with that discussion. In order to test these rival hypotheses, the relationship of trade unions to the state in the East Asian NIEs had to be analysed in a longitudinal perspective. This analysis proposes a three-step model of labour relations in East Asia: From colonial rule in which the trade unions had reached a preliminary high of mobilization, to their repression and effective control by the governments and then to the emergence of institutionalized cooperation and their most recent legal rehabilitation. During this conversion cycle the trade unions in the NIEs changed from independent associations to government-controlled agencies and back to independent associations again. The relationship between trade unions and the government changed concomitantly from antagonistic opposition to oppositional cooperation. This relationship has been characterized by a rather low resistance to

---

3 For a characteristic view see E.K.Y. Chen, *Hyper-Growth in Asian Economies: A Comparative Study of Hong Kong, Japan, Korea, Singapore and Taiwan*, London 1979.

4 See David Morawetz: *Why the Emperor's Clothes are not Made in Colombia*, Baltimore 1981; in the same line of argumentation Lin, Ching-Yuan: *Latin America and East Asia. A Comparative Development Perspective*, Armonk 1988.

real wage cuts, thus supporting the governments' economic growth policies.<sup>5</sup>

The argumentation laid out here is, that without differentiating these periods and the completely distinct characters of the trade unions, it is hardly possible to draw valid conclusions. Thus, in order to arrive at an empirically adequate generalization of the character of East Asian trade unionism, one has to compare the first and third period above all. According to this periodization the analysis of the East Asian NIEs reveals surprising parallels. It supports evidence for the conclusion that the status of labour relations in the Asian NIEs until recently is due less to their specifically Asian culture than to an intermission of the general development of trade unions.

Nevertheless, there are some peculiarities in the organization of trade unions and labour relations in the NIEs. These are, however, the result of institutional learning and the adaptation of Western procedures. Thus, in three decades, the East Asian NIEs have developed from 'corporatism without labour', as Philippe Schmitter once characterized the similar case of Japan, to a model of tripartite labour relations, where employers, unions and the government cooperate in the pursuit of their mutual interests.<sup>6</sup>

## **2. Two different views explaining cooperative labour relations: Cultural vs. structural.**

In the comparative literature on the East Asian NIEs, there are two lines of argumentation to explain the specific character of labour relations, a cultural and a structuralist explanation.

In the cultural approach, it is argued that the basic factor which explains the status of labour relations is the cultural background of the labour force which, in East Asia, is heavily influenced by Confucian values and traditions.<sup>7</sup> Compared with the individualistic Western value system, the Confucian one stresses group norms and a hierarchical order of society. Its central elements are the standardization of behavioral

---

5 For these wage policies see Tariq Banuri (ed.): *Economic Liberalization: No Panacea. The Experience of Latin America and Asia*, Oxford 1991.

6 For a discussion see Ph. C. Schmitter and G. Lehbruch (ed.): *Trends Toward Corporatist Intermediation*, London, Beverly Hills, 1979.

7 Characteristic of this approach is Lucian W. Pye, *Asian Power and Politics. The Cultural Dimension of Authority*, Cambridge and London 1985.

norms in all of the "five sets" of relationships - between the sovereign and minister, between father and son, husband and wife, elder and younger brother, and between friends. In *The Analects*, one of the *Four Books* which form the ethical code of Confucianism, Confucius defined a well-governed state as one in which everyone acts according to his position in the social hierarchy: the sovereign should act with benevolence, the minister with reverence, the son with filial piety, the father with kindness. If all individuals, including the sovereign, would carry out their moral obligations, a perfect society would emerge.<sup>8</sup>

On a generalized theoretical level, the legitimacy of these behavioral norms is based on an interpretation of human rights which is fundamentally different from Western culture. In the definition of the rights and duties of the individual vs. the state, human rights serve as a normative frame of reference in all cultures. While, however, in the West human rights are considered innate in a Confucian society they have to be acquired by the individual's living up to the code.<sup>9</sup> According to this procedural definition an individual will legitimately lose these rights if he does not follow the behavioral norms.

With regard to industrial relations, the cultural explanation assumes a transfer of the Confucian values of harmony, obligation and subordination to the relationship between workers and employers. The Confucianist worker, being committed to the public welfare as well as to that of his company, would show little inclination to engage in activities of trade unions or oppositional groups if they convey strategies of confrontation or if they challenge the principle of a harmonious hierarchical order. In short, the Confucian recipe for industrial success is said to be based on authority and benevolence.<sup>10</sup>

The structuralist explanation on the other hand stresses political and institutional disincentives to union organization to explain the acquiescent and cooperative character of the labour force. These disincentives range from the blunt oppression of trade unions and the legal re-

---

8 The Four Books of Confucius and his followers are: *The Analects*, *The Great Learning*, *The Doctrine of the Mean* and *The Book of Mencius*; see Tu Wei-Ming: *Confucian Thought. Selfhood as Creative Transformation*, New York 1985; also Th. A. Metzger: *Escape from Predicament. Neoconfucianism and China's Evolving Political Culture*, New York 1977.

9 See Hung-Chao Tai: Human Rights in Taiwan: Convergence of Two Political Cultures? in: James C., Hsiung (ed.), *Human Rights in East Asia. A Cultural Perspective*, New York 1985, pp. 77-108.

10 Dore, R., Authority and Benevolence: The Confucian Recipe for Industrial Success, in: *Government and Opposition* 20, (1988), Vol. 2, pp. 196-217.

gulation of their activities to their full institutional integration. In the discussion of East Asian labour relations, a major line of argumentation explains the cooperative nature of the unions with the repression of their activities, as could be observed in the 1950s and 1960s.<sup>11</sup> Without legal opportunities for political action and in the face of harsh measures against leading union officials, the resulting low level of conflict is to be expected.

Against the background of these alternative explanations the resulting riddle is twofold. If the cultural explanation proves empirically adequate, there would be a need to explain not only the decision of governments to resort to oppressive measures from the late 1940s onwards, but also the necessity of these measures at all. If, on the other hand, the structural explanation is correct, how then is one to explain the continuing cooperation of unions after oppressive measures have been abandoned in some countries?

In the following it is argued that this riddle can be solved by a structural, three-stage model of labour relations in East Asia: from emerging colonial labour unions, to their suppression in the post-war era, to the reform of labour-management relations and the elaboration of institutional cooperation in recent years. The proposed model is based on two assumptions: first, labour relations in East Asia have had significant political-institutional underpinnings. They are the result of their institutional regulation rather than cultural traits. Second, the decision of governments to resort to massive repression of trade unions, is not the result of the specifically authoritarian political culture in Asia, but of the structure of international relations. With the beginning of the East-West confrontation in the 1940s, these relations have constituted the basis of the emerging antagonistic opposition between Western-orientated, nation-building elites in these states and the oppositional, especially communist, trade unions. Concomitantly, the relaxation of East-West tensions diminished the governments' motivation as well as their legitimation to further suppress oppositional trade unions. Being confronted with this change of opportunity for political suppression, they resorted to refined methods and even offers of cooperation. Thus, the institutions of labour relations must be seen as the result of political learning, where

---

11 For a discussion see R. Wade: *The Role of Government in Overcoming Market Failure: Taiwan, Republic of Korea and Japan*, in: H. Hughes (ed.), *Achieving Industrialization in East Asia*, Cambridge 1988, pp. 260-282; for a decidedly critical position see the contributions in Institute of Development Studies: *Developmental States in East Asia: Capitalist and Socialist*, *IDS-Bulletin*, 15, 1984.

not only trade unions but also governments learned to adapt their strategy to changing economic and political conditions.

### 3. Three stages of East Asian labour relations

#### 3.1 The emergence of independent oppositional unions in the colonial era

The history of labour relations in the East Asian NIEs provides a series of arguments against the cultural hypothesis of cooperative unionism: In the colonial era, or rather in the years immediately prior to national independence, the NIEs were characterized by rather conflicting labour relations and experienced some of the largest strikes and upheavals of political opposition in East Asia. These unrests were paralleled only by the political conflicts on the Chinese mainland, as a result of communist mobilization against the nationalist government from the 1920s onwards.<sup>12</sup>

Before emphasizing the common elements of the NIEs' history of labour relations, one major difference has to be mentioned. The history of labour relations in the East Asian NIEs differs, depending on whether they were formerly British colonies (Hong Kong and Singapore) or Japanese (Taiwan and Korea). Whereas Hong Kong and Singapore were influenced by the liberal British tradition and had, as major commercial ports of the British Empire in East Asia, a supportive urban background of trade unionism, Taiwan and Korea were influenced by the authoritarian Japanese tradition and had, especially in Taiwan and the southern part of Korea, a non-supportive rural background of trade unionism. In Hong Kong the history of trade unionism reaches back to the beginning of the century. Parallel to the development of the welfare state in Britain, the Crown Colony experienced extraordinarily heavy strikes as early as the 1920s. These union activities were interrupted by anti-union legislation in the late 1920s and the Japanese occupation. The electoral victory of Labour in Britain in 1945, however, paved the way to a renewed pro-union climate, also in the Crown Colony. Thus, the years immediately

---

12 See Dietrich, C.: *People's China*, New York and Oxford 1986. Weggel, O.: *Geschichte Chinas im 20. Jahrhundert*, Stuttgart 1989.

after the Second World War saw a powerful revival of trade unions and the mobilization of their membership in Hong Kong.<sup>13</sup>

The second former British colony in Southeast Asia, Singapore, witnessed a similar development from the 1930s on, during which Singapore was part of Straits Settlement. This development was politically enforced by the extension of the suffrage after 1948. Under the leadership of the General Labour Union, a front organization of the Malayan Communist Party, the labour unions mobilized for the first mass strikes in the history of Singapore.<sup>14</sup> The electoral victory of the Left in Singapore and the formation of two Labour Front Governments (1955-1959) paved the way for a labour and trade union legislation without precedence in Southeast Asia. As a result of the mobilization of the trade unions, the Labour Front governments had established labour protection measures which resulted in the highest level of labour costs in the region in 1959.<sup>15</sup>

In Taiwan and Korea the development of trade unions had been restricted to the short period of legalized trade unionism in the 1920s in Japan. In both colonies, however, union-membership was restricted to Japanese personnel, thus the impact of trade unions was insignificant. Due to the economic crisis of the 1920s the unions lost their influence and were later banned. Though there was no supportive basis for union activism in Taiwan and South Korea under Japanese rule, political opposition to Japanese colonial rule was strong and served as a base for oppositional activities, including the first steps towards reorganising the trade unions in the years immediately after the Japanese defeat.<sup>16</sup>

---

13 For a history of trade unions in Hong Kong see H.A. Turner et al.: *The Last Colony: But Whose?* Cambridge and London 1980; also J. England and J. Rear: *Industrial Relations and Law in Hong Kong*, Hong Kong and Oxford 1981.

14 See R. Clutterbuck: *Conflict and Violence in Singapore and Malaysia 1945-1983*, Singapore 1985; for the development of the Singapore trade unions, R. Vasil: Trade Unions, in: K.S. Sandhu and P. Wheatley (eds.), *Management of Success. The Molding of Modern Singapore*, pp. 144-170.

15 See United Nations Industrial Survey Mission: *A Proposed Industrialization Programme for the State of Singapore*, Singapore 1963; esp. p. 53.

16 See S.P.S. Ho: Colonialism and Development: Korea, Taiwan, and Kwantung, in: R.M. Myers and M.R. Peattie (eds.), *The Japanese Colonial Empire 1895-1945*, Princeton 1984, pp. 437-98; see also J.S. Lee: The Case of the Republic of China, in: *Conference on Economic Development Experiences of Taiwan and Its New Role in an Emerging Asia-Pacific Area*, June 8-10, Taipei 1988, pp. 177-204.

### 3.2 The suppression of trade unions and their conversion to government-controlled agencies after the Korean War

With the end of Japanese colonial rule and the victory of Labour in Britain, the years after 1945 could have marked the beginning of a liberalization of trade unionism in the Asian NIEs. This had become even more probable with the beginning East-West confrontation, in which the NIEs aligned with the West, thus linking Taiwan and South Korea to the American side while Singapore and Hong Kong were still part of the British Empire. This expectation was based on the Truman doctrine, according to which the US supported all states in the world which developed toward the democratic Western model.<sup>17</sup> However, the following years witnessed the opposite development, a backward movement leading to the repression of trade unions.

In the economic literature on the East Asian NIEs there is one prominent line of argumentation to explain why the governments resorted to the suppression of trade unions. It is that of the 'benevolent dictator'-government, which was devoted to securing or re-establishing the country's comparative advantage of low labour costs, and therefore banned the counter-productive unions.<sup>18</sup> Though there may be some evidence for this explanation, it proves to be incomplete, since it omits a major variable, i.e. the role of socialist or communist-controlled trade unions in the fundamental conflict for authoritative power. By becoming the focus of political opposition in this conflict, the unions were manoeuvred out of power and were banned by the victorious non-communist governments of the NIEs.

This interpretation is supported by the fact that the period of the suppression of trade unions and the governments' devotion to economic development is far from being identical in the four NIEs. The government of South Korea, for example decided to develop its economy only in 1961; the Taiwanese government, too, switched to export-orientation

---

17 For an evaluation of the Truman doctrine see R.E. Osgood: *The Diplomacy of Allied Relations: Europe and Japan*, in: R.E. Osgood, R.W. Tucker et al., *Retreat From Empire? The First Nixon Administration, America and the World*, Vol. 2, Baltimore, London 1973, S. 173-205.

18 For a comparative elaboration of this legitimizing formula see W. Bürklin: *Politische Voraussetzungen wirtschaftlicher Entwicklung. Wirtschaftspolitische Reformen in den jungen Industrieländern Ostasien: Singapur, Hong Kong, Taiwan, Süd-Korea*. Habilitationsschrift, Universität Kiel 1989.



only in 1962 and was fully devoted to securing self-sustained growth only after the announcement of Nixon's Guam doctrine in 1968.<sup>19</sup>

A second distinction between the effects of the East-West conflict has to be made: while this conflict had effects on party politics in most Western societies, the fact that the unions could become the focus of political opposition in East Asia after the second world war is specific to the region. The decisive turning point was the Korean War. This war began with an almost complete invasion of communist troops in South Korea, and resulted in a change of American and British foreign policy in Asia. The US shifted their Pacific defense-perimeter in order to include South Korea and Taiwan in their area of containment, and the British government revoked its announcement to implement internal self-government in Hong Kong. In the NIEs themselves, the development of this conflict resulted in an increased threat-perception and the subsequent suppression of socialist or communist trade unions.

### *Taiwan*

In Taiwan, where China's nationalist government had retreated, the 'liberation' of the Chinese province by communist troops was repeatedly announced. The last battle against Chiang Kai-shek's 'Kuomintang reactionary troops' (Mao Tse-tung) was planned as early as 1949 but was postponed because of China's engagement in the Korean War. After the war, the aggression of mainland troops continued and culminated between 1958 and 1960, when the Taiwanese islands Matsu and Kinmen became the target of a 44-days' Chinese artillery shelling.<sup>20</sup> The nationalist government in Taiwan met the communist threat with the "Temporary Provisions Effective During the Period of Communist Rebellion" of 1948<sup>21</sup> and the reactivation of martial law in 1950. Both regulations suspended the democratic constitution of 1947, making strikes and all oppositional forms of trade unions illegal. The founding of new government-controlled trade unions and farm cooperatives was launched by the cadre organization of the ruling Kuomintang (KMT). Parallel to the Temporary Provisions the KMT-government proclaimed

---

19 For details see W. Bürklin, *op. cit.*, pp. 350ff. and 431f.

20 For a chronology see W.L. Lee: *The Taiwan Strait Strategy*, Taipei 1983.

21 See National Assembly, Republic of China: *The Constitution of the Republic of China*, Taipei.

the "Measures for Handling of Labour Disputes During the Period of National Mobilization for the Suppression of Communist Rebellion" in 1947.<sup>22</sup> These measures were aimed to discourage any active role of the unions and placed them under the strict control of the government.

### *Singapore*

In Singapore the communist threat to the governing People's Action Party (PAP) became manifest not until the late 1950s. By then, the socialist PAP leadership, which had tried to integrate the former Malayan Communist Party into its own ranks, had been losing control over the party.<sup>23</sup> Since the communist wing controlled the grassroots organization of the party and had the backing of the trade unions, the conflict between communists and socialists emerged as a conflict between PAP and oppositional unions. It was resolved by the split of the PAP and the trade unions. The latter fell into the PAP-controlled National Trade Union Congress (NTUC) and the communist-controlled Singapore Association of Trade Unions (SATU). The PAP's left wing and the leadership of the SATU were arrested when Singapore joined the Federation of Malaysia in 1963.

The legal basis for the suppression of the communist trade unions had been provided by the Internal Security Act of 1960. The specific regulation of labour and trade union relations had been supplemented by the Employment Act and the Industrial Relations Act of 1968. Both legal provisions revised the liberal Labour Front laws of the 1950s and re-installed the former preponderance of employers in industrial relations.<sup>24</sup> As in the case of Taiwan the PAP-controlled trade unions developed into an administrative arm of the ruling party.

---

22 See C.S. Chen: Legislation Republic of China, in: *International Encyclopaedia for Labour Law and Industrial Relations*, Supplement 67 (June 1986) Deventer.

23 See D. Bloodworth: *The Tiger and the Trojan Horse*, Singapore 1986; also S.C. Fong: *The PAP Story. The Pioneering Years*, Singapore 1979.

24 For a characterization of these regulations see C.H. Chee: Legislatures and Legislators, in: J.S.T. Quah et al. (ed.), *Government and Politics in Singapore*, Singapore 1987, pp. 71-91; also R. Vasil: Trade Unions, in: K.S. Sandhu, P. Wheatley (eds.), *Management of Success. The Moulding of Modern Singapore*, Singapore 1989, pp. 144-170.

*South Korea*

A similar pattern of conflict between the nation-building elites could be observed in South Korea, too. There had been close contacts between the communists and the nationalist movement for independence in the years immediately after the the Second World War. Before these contacts could come into conflict, however, the Korean War divided the communists and the South Korean nationalists under the leadership of Syngman Rhee.<sup>25</sup> This war had demonstrated to South Korea and the other small states in East Asia that the fears of communist aggression were real. As a consequence, the Rhee-government used all measures at its disposal to suppress the political opposition. The major legal basis, the Internal Security Law of 1948, was strictly employed after the Korean War, and was amended in 1958. The Rhee-government revised the liberal labour disputes and trade union legislation of 1953 and monopolized the establishment of trade unions for the governing party.<sup>26</sup> Though the US government tried to influence Rhee to apply these measures more liberally, it could not but support him in order to prevent a communist take-over in South Korea.<sup>27</sup>

After Rhee's fall and the military take-over in 1961 the situation hardly changed. In order to concentrate the nation's resources on economic reconstruction, military ruler Park Chung Hee subordinated the constitution to the "Law Regarding Extraordinary Measures for National Reconstruction" and centralized the governmental functions in the Supreme Council for National Reconstruction (SCNR).<sup>28</sup> One of the first measures of the SCNR was the prohibition of all political and politically relevant organizations in South Korea. The implementation of these measures was enforced by the proclamation of martial law and the Yushin-Constitution in 1972. Compared with Taiwan these measures stabilized the monopoly of the government-controlled unions.

---

25 See J.A. Kim: *Divided Korea. The Politics of Development, 1945-1972*, Cambridge 1975, pp. 47-69.

26 See Y.I. Park: Changes in Industrial Relations in Korea, in: Chung Hua Institution for Economic Research (ed.), *Conference on Labour and Economic Development* (Conference Series No. 11), Taipei 1988, pp. 209-233.

27 See H.S. Truman: *Memoirs*, New York 1956.

28 See S.J. Kim: *The Politics of Military Revolution in Korea*, Chapel Hill 1971.

## *Hong Kong*

In Hong Kong the situation had been different. Though the British Empire was set on strictly controlling political agitation by communist unions, its desire for political stability in Hong Kong coincided with that of the People's Republic of China (PRC). After the UN embargo of 1950, the PRC was able to make use of the colony as a gate to the West, and the Hong Kong economy grew rapidly as a consequence. With regard to trade union activism, a tacit agreement emerged between the PRC and the colonial government not to spread communist agitation to Hong Kong, and to have the public influence of the competing nationalist unions in the colony diminished in return. In all cases of beginning political protests, the communist unions adopted a demobilizing attitude, discouraging their members from going on strike and supporting the law-and-order policy of Hong Kong as well as the efficient legal measures the colonial government had at its disposal.<sup>29</sup>

### **3.3 The reemergence of independent cooperative trade unions in the late 1980s**

Parallel to both the sustained growth of their economies and the decline of political tensions in East Asia, the governments of the NIEs gradually improved labour relations and introduced less authoritarian forms of cooperation between trade unions, employers and the state. This development falls into two phases of different momentum, a longer period of gradual changes which formed the basis for the present status of labour relations, and a shorter period with rapid and more fundamental changes. The latter period began about 1985 and marks a watershed in the relationship between trade unions and the governments of the NIEs.

#### *Gradual Changes*

At the center of the gradual but basic changes in labour relations are the NIEs' systems of institutional conflict regulation. These were based on

---

<sup>29</sup> See Miners, *op. cit.*, pp. 6ff. and 36ff. For these regulations which included the ban of strikes and the possible deportation to mainland China see J. England, and J. Rear: *Industrial Relations and Law in Hong Kong*, Hong Kong, Oxford 1981.

mandatory conflict arbitration with government participation and accompanied by a system of Industrial arbitration courts. Since both institutions not only reduced the level of social conflict but also efficiently secured workers' rights, as e.g. in Hong Kong, they received high legitimacy.<sup>30</sup> Subsequently, the governments established institutions of interest mediation which aimed at combining the interests of workers, employers and the state, i.e. the improvement of material welfare, the international competitiveness of corporations and the long-term viability of the economy. Designed as systems of corporatist interest-mediation, these institutions follow the model of some Western countries.

An example of this new form of corporatist decision-making is the National Wages Council (NWC) of Singapore, which was installed in 1972. The NWC serves three functions: to formulate wage guidelines for the economy, to support economic and social progress by promoting schemes of 'orderly' wage development, and to assist in the development of productivity-improving incentive schemes. The NWC has a tripartite representation and makes its widely followed recommendations by consensus.<sup>31</sup>

Though the NWC was installed without the participation of independent unions, it enjoys a high level of acceptance. The reason for this is the economic success of its recommendations. By following its suggestion in 1985 - to restrict wage rises to the internationally comparative growth of productivity and competitiveness of Singaporean enterprises and to implement these recommendations with the consent of all participants in corporative decision-making - Singapore's economy succeeded in overcoming the global economic recession of the mid-1980s without major setbacks. The NWC also used these recommendations to correct some of the home-made problems caused by the former policy of higher wage recommendations in order to accelerate structural change of the Singaporean economy. The unions subscribed to this strategy since they preferred a wage freeze to the loss of jobs. They were encouraged to support this strategy since the CPF and HDB-policies mitigated labour disputes.<sup>32</sup>

---

30 See S.H. NG: Labour, in: J.Y.S. Cheng (ed.), *Hong Kong in Transition*, Hong Kong, Oxford 1986, pp. 268-299.

31 See C.H. Tan: Towards Better-Labour-Management Relations, in: You P.S., Lim C.Y. (eds.), *Singapore. Twenty-five Years of Development*, Singapore 1984, pp. 1989-205.

32 For the combined policies of NWC, the Housing and Development Board (HDB) and the Central Provident Fund (CPF) see Ministry of Trade and Industry: *Report*

Even taking into account that the NWC has since been operating with the participation of government-controlled unions, it has had a lasting educational effect which will probably have an impact on future union behaviour: unions and employers have begun to share a common understanding of the problems of the economy, and, by looking beyond wages to the development of productivity, the NWC has to some extent 'pre-empted' or lessened the need for serious bilateral collective bargaining.<sup>33</sup>

Though the NWC is unparalleled, the introduction of the underlying corporatist principle - albeit at different points in time - is found in equivalent institutions in the other NIEs. In these institutions the role of government has been gradually changed from the authoritarian decision-maker to the adviser, arbitrator and spokesman for the public interest.

### *Rapid Changes*

The second stage in the relations between trade unions and NIE governments is marked by a fundamental change. It can be described as the end of the era when unions were merely an administrative arm of the ruling party, and the emergence of a new type of independent unions.

In Taiwan this developmental phase was entered with the suspension of martial law and the 'Temporary Provisions' in 1987/88. Having been taken by surprise about the high acceptance of non-governmental unions and the activities of oppositional parties, the government launched a series of reforms of labour relations. The year 1988 saw the proclamation of the new Labour Standards Law, the amendment of the Labour Disputes Law, and the creation of new labour courts and a Council of Labour Affairs as independent agencies. Meanwhile, the number of independent unions, aggressive in their demands but willing to participate in the cooperative institutions, has risen sharply. In South Korea the new phase of trade unionism began with the proclamation of the democratic constitution in 1987 and the amendment of the Labour Union Law. The year 1987/88, which marked the end of the era of authoritarian government, saw an upsurge of union foundation. Compared to Taiwan, the new unions are not only aggressive in their demands but also in their

---

of the Economic Committee. *The Singapore Economy: New Directions*, Singapore, February 1986.

33 See E.F. Pang: Development Strategies and Labour Market Changes in Singapore, in: Pang, E.F. (ed.), *Labour Market Developments and Structural Change. The Case of ASEAN and Australia*, Singapore 1988, pp. 195-242, here p. 163.

political participation. Compared with the pre-1987-period the government has changed its strategy and is now aiming at the strengthening and revitalizing of trade unions. It has refrained from direct intervention in labour disputes and has started to provide a set of rules for the settlement of disputes by collective bargaining instead.

There is a surprising parallel between the status of international relations and the development of the new labour relations in the NIEs. The years between 1985 and 1987 which mark the watershed between the old and the new system of trade unionism, are also the years when the formerly antagonistic hegemonial powers USA and USSR by mutual agreement declared the end of the "Cold War". While this removal of a communist threat perception is having its impact on all Western societies, it has been felt most drastically in the two most turbulent regions of the "Cold War" in Asia, in Taiwan and South Korea. This explains why in Hong Kong and Singapore, where these changes set in earlier and were more gradual, the transformation of trade unionism has been less conflictual.

#### **4. Conclusion: The components of the model and its transferability**

The development of the relationship between trade unions and politics in East Asian can be summarized in five major points. First, the relationship between trade unions and politics in the Asian NIES has to be divided into three periods: a more liberal colonial period, a period of repression and government controlled unions, and a new period of emerging cooperation among independent trade unions.

Second, this periodization follows in general the development of international relations, especially the rise and decline of the East-West confrontation. The different periodization and turning points in Singapore, Taiwan and South Korea reveal, however, that the status of international relations must be seen more as opportunity structure than as a causal determinant. Only in the unique Asian context could the fundamentally antagonistic relationship between the Western-aligned nation-building élites and the socialist/communist-controlled trade unions have emerged. Another aspect of this opportunity structure is the heightened threat perception after the Korean War. Since communist aggression was now perceived as real, the governments' legitimation to suppress Left political opposition increased. However, with the decline of this threat-perception in the era of détente and the worldwide breakdown of com-

minist regimes, the legitimation for political repression has decreased. Accordingly, the governments were confronted with the necessity of switching to the management of labour relations on more liberal terms and of introducing corporatist institutions of interest mediation. Third, the structure of the relationship between trade unions and governments as it emerged in the period of government-controlled unionism in the Asian NIEs, bears some theoretical implications. The inclusion of governments representing the public interest has changed the Western-type system of bilateral collective bargaining into a tripartite model of economic policy-making and interest mediation. Thus, the real challenge of the NIEs must be seen not in their non-Western value system, but in the different relationship between trade unions and the state. In classic economic theory this relationship has been valued negatively. Bringing the state back into labour and union relations does not only mean opting for economically second-best solutions, but also opening the door to the freedom-restricting Leviathan. However, the NIEs solved the typical prisoner dilemma of political reform by means of the strong state. This dilemma is described as a situation in which no participant in a reform process is willing to make his contribution if he can not be sure that the other parties will follow. Since he will not risk being the only contributor and, thus, loser, he will hesitate. The strong state reduces this planning insecurity by enforcing binding decisions.

Fourth, the NIEs have, within the last four years, moved closer to the market-model of the relationship between state and trade unions. Having suffered greatly from non-market failures and state interventions, Taiwan and - even more - South Korea have already opted for the liberalization of their trade regimes. They have started to deregulate the formerly close relationship between state and economy, thus approaching the Western bilateral model. Starting as highly centralized systems, the NIEs will probably end up with a European type of welfare-state interventionism than with an American-type free market system. Least probably, however, they will return to the model of culturally harmonious and hierarchical trade union relations. Thus, there is little reason to assume that their development in the three decades after the Korean War represents more than an intermediate stage of union relations on the path to the rationalized "Western" model.

Fifth, given the very special determinants of the East Asian development path, there is little probability that this model can be transferred to the less developed countries. Without the East Asian NIEs' special opportunity structure they have hardly the legitimation to suppress political



opposition for a sufficiently long period. They have to secure their advantage of comparatively low labour costs with other means. The alternative for them would be to build political institutions which ensure the realization of the long-term public interest of development against the short-term interests of trade unions, employers and other groups. The NIEs solved the prisoner-dilemma through producing binding decisions by means of the strong state. In spite of the NIEs' recent decision to further reduce the role of the state, there seems to be a tacit understanding in the less developed countries, however, that to build industrial competitiveness needs a "strong state" and weak unions in the beginning. Given the fundamental distributional conflicts and the unequal power structure of the less developed countries, there is a high probability that they will solve the prisoner-dilemma by resorting again to the strong state in order to discipline domestic opposition - and, at the same time, opening their economies to the global market.

## Literature

- Banuri, Tariq (ed.): *Economic Liberalization: No Panacea. The Experience of Latin America and Asia*, Oxford 1991.
- Bartlett, J.C.: *The Long Retreat. A Short History of British Defense Policy, 1945-1970*, London und Basingstoke 1972.
- Bloodworth, D.: *The Tiger and the Trojan Horse*, Singapore 1986.
- Buchanan, J. M.: *The Limits of Liberty. Between Anarchy and Leviathan*, Chicago and London 1975.
- Bürklin, W.: *Politische Voraussetzungen wirtschaftlicher Entwicklung. Wirtschaftspolitische Reformen in den jungen Industrieländern Ostasiens: Singapur, Hong Kong, Taiwan, Süd-Korea*. Habilitationsschrift, Universität Kiel 1989.
- Dietrich, C.: *People's China*, New York and Oxford 1986.
- Divine, R.A.: *Eisenhower and the Cold War*, New York and Oxford 1981.
- Chee, C.H.: Legislatures and Legislators, in: J.S.T. Quah et al. (ed.), *Government and Politics in Singapore*, Singapore 1987, pp. 71-91.
- Chen, C.S.: Legislation Republic of China, in: *International Encyclopaedia for Labour Law and Industrial Relations*, Supplement 67 (Juni 1986) Deventer.
- Chen, E.K.Y.: *Hyper-Growth in Asian Economies: A Comparative Study of Hong Kong, Japan, Korea, Singapore and Taiwan*, London 1979.
- Clutterbuck, R.: *Conflict and Violence in Singapore and Malaysia 1945-1983*, Singapore 1985.
- Dore, R.: Authority and Benevolence. The Confucian Recipe for Industrial Success, in: *Government and Opposition* 20, (1988), Vol. 2., pp. 196-217.

- England, J. and J. Rear: *Industrial Relations and Law in Hong Kong*, Hong Kong and Oxford 1981.
- Fong, S.C.: *The PAP Story. The Pioneering Years*, Singapore 1979.
- Ho, S.P.S.: Colonialism and Development: Korea, Taiwan, and Kwantung, in: R.H. Myers and M.R. Peattie (eds.), *The Japanese Colonial Empire 1895-1945*, Princeton 1984, pp. 347-98.
- Institute of Development Studies: "Developmental States in East Asia: Capitalist and Socialist", *IDS- Bulletin*, 15, 1984.
- Kim, J.A.: *Divided Korea. The Politics of Development, 1945-1972*, Cambridge 1975.
- Kim, S.J.: *The Politics of Military Revolution in Korea*, Chapel Hill 1971.
- Lall, S.: *Building Industrial Competitiveness in Developing Countries*, Paris 1990.
- Lee, J.S.: Labour Relations and the Stages of Economic Development: The Case of the Republic of China, in: *Conference on Economic Development Experiences of Taiwan and Its New Role in an Emerging Asia-Pacific Area*, June 8-10, 1988, pp. 177-204.
- Lee, W.L.: *The Taiwan Strait Strategy*, Taipei 1983.
- Lin, C.-Y.: *Latin America and East Asia. A Comparative Development Perspective*, Armonk 1988.
- Metzger, Th. A.: *Escape from Predicament. Neoconfucianism and Chinas Evolving Political Culture*, New York 1977.
- Ministry of Trade and Industry: *Report of the Economic Committee. The Singapore Economy: New Directions*, Singapore, February 1986.
- Miners, N.: *The Government and Politics of Hong Kong*, Hong Kong and Oxford 1986.
- Morawetz, D.: *Why the Emperor's Clothes are not Made in Colombia*, Baltimore 1981.
- National Assembly, Republic of China: *The Constitution of the Republic of China*, Taipei.
- Ng, S.H.: Labour, in: J.Y.S. Cheng (ed.), *Hong Kong in Transition*, Hong Kong, Oxford 1986, pp. 268-299.
- OECD (ed.), *The Newly Industrializing Countries. Challenge and Opportunity for OECD Industries*, Paris 1988.
- Osgood, R.E.: The Diplomacy of Allied Relations: Europe and Japan, in: R.E. Osgood, R.W. Tucker et al., *Retreat From Empire? The First Nixons Administration, America and the World*, Vol. 2, Baltimore, London 1973, S. 173-205.
- Pang E.F.: Development Strategies and Labour Market Changes in Singapore, in: Pang, E.F. (ed.), *Labour Market Developments and Structural Change. The Case of ASEAN and Australia*, Singapore 1988, pp. 195-242.
- Park, Y.I.: Changes in Industrial Relations in Korea, in: Chung Hua Institution for Economic Research (ed.), *Conference on Labour and Economic Development* (Conference Series No. 11), Taipei 1988, pp. 209-233.

- Pye, L. W.: *Asian Power and Politics. The Cultural Dimensions of Authority*, Cambridge and London 1985.
- Tai, Hung-Chao: Human Rights in Taiwan: Convergence of Two Political Cultures? in: J.C. Hsiung (ed.), *Human Rights in East Asia. A Cultural Perspective*, New York 1985, pp. 77-108.
- Tan, C.H.: Towards Better Labour-Management Relations, in: You P.S., Lim C.Y. (eds.), *Singapore. Twenty-five Years of Development*, Singapore 1984, pp. 189-205.
- The World Bank (ed.): *World Development Report*, New York 1991.
- Truman, H.S.: *Memoirs*, New York 1956.
- Tu W.-M.: *Confucian Thought. Selfhood as Creative Transformation*, New York 1985.
- Turner, H.A. et al.: *The Last Colony: But Whose?* Cambridge and London 1980.
- United Nations Industrial Survey Mission: *A Proposed Industrialization Programme for the State of Singapore*, Singapore 1963.
- Vasil, R.: Trade Unions, in: K.S. Sandhu and P. Wheatley (eds.), *Management of Success. The Molding of Modern Singapore*, pp. 144-170.
- Wade, R.: The Role of Government in Overcoming Market Failure: Taiwan, Republic of Korea and Japan, in: H. Hughes (ed.), *Achieving Industrialization in East Asia*, Cambridge 1988, pp. 260-282.
- Weggel, O.: *Geschichte Chinas im 20. Jahrhundert*, Stuttgart 1989.