



## CHAPTER 19

### CONCLUSION

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The chapters in this volume have attempted to advance theoretically informed discussions on growth and governance in the contemporary Asian contexts from societal, political, and economic points of view and to address possible paths for improved governance. Chapters identified important security issues originating from or exacerbated by weakness in state governing capacity; evaluated the relative impact of globalization on domestic political economies of the Asian countries; reviewed possible links between globalization and the Asian states' capacity to manage their diverse societies; and identified unique challenges of democratization by country. Now, I will attempt to tie together the globalization, economic governance, social governance, and political governance discussed in these chapters in a coherent analytical framework.

First, authors tackled the concept of good governance from economic, political, and administrative points of views. They emphasized different aspects of what might constitute good governance. Weatherbee (Chapter 14) emphasized the outcome-based measurements, such as administrative effectiveness, efficiency, equity, and strategic vision. Others like Cronin (Chapter 2) and Suchit (Chapter 10) pointed to the procedural aspects, such as participatory democracy, rule of law, accountability, transparency, responsiveness, and consensus building. A broader output measurement in terms of human development, rather than traditionally used economic indicators alone, was also suggested by Petrovsky (Chapter 12) to bridge the procedural and output-based assessments. Those who emphasized the output measurements over the procedural measurements pointed out the fragmented civil society outside Northeast Asia as a hindrance to good governance.

Authors who wrote about Northeast Asian countries agreed that good governance prevailed at both domestic and international levels. Those assessing Southeast Asia, however, demonstrated a mixture of optimism and pessimism. Despite the prevailing journalistic and some academic notions of “withering” state power in the era of economic globalization, authors in this volume agreed that states continue to be the principal actors in economic governance, and that they need to transform their roles to cope with the challenges of globalization. However, beyond this point, a disagreement remains between developmental statisticians (who support industrial policies, i.e. Chu and Lee—Chapter 5) and neoclassical liberals (who only support limited state

interventions in such areas as management of prudent macroeconomic policy, fiscal policy, and public education, i.e. Greenwood—Chapter 7). There was a clear consensus that corruption has no part in good governance. On the question of whether participatory democracy would reduce the overall level of corruption, most authors either explicitly or implicitly answered in the affirmative, except Thitinan (Chapter 4) who focused his study on monetary policy. His finding that loose monetary policy in Thailand, which plunged the country into economic crisis, was a result of democratization is indeed consistent with the conclusion of other empirical works,<sup>1</sup> which support the idea of central bank independence and legally defined wise men's rules in macroeconomic governance. This is an important footnote to the general thesis that democracy is good for economic growth.

Ravenhill (Chapter 3) addressed capital flows, regionally skewed short- and mid-term effects of globalization, and the governing capacity of states. Ravenhill shows that Southeast Asia as a destination of foreign direct investment has faced an increasing challenge from China. No coordination of FDI policies has taken place between the ASEAN countries and China, and the competition drives these Asian countries toward accelerated overall economic deregulation. The declining relative importance of Japanese investments also contributes to this trend. Ravenhill stops short of discussing broader political-economic implications of this trend, but it is implicit that a free trade panacea in Asia is soon to be achieved, with or without Japan, while Japanese transplants in Asia and their local subcontractors will soon have to compete against American and European investments without the protective shields.

States continue to positively engage in economic globalization, while avoiding the negative impacts. Chu and Lee (Chapter 5) show through their case study of Taiwan that industrial policy aimed at technological upgrading served that very purpose. Deyo (Chapter 8) discussed labor policy options in coping with economic dislocations. However, due to the diverse human and natural resource allocations, infrastructure development, and political systems in Asia, there was no broad agreement among the authors on a single formula to deal with economic globalization. Deyo's menu of elite responses to globalization is indicative of what is happening in various Asian countries, ranging from providing "safety nets" at the social, corporate, and state levels, to slowing down market-oriented reforms.

The role of enhanced citizen participation drew mixed assessments: Deyo (Chapter 8) suggests the possible emergence of "Third Way" governance in Thailand, Buchanan and Nicholls (Chapter 6) see a potential transformation of Taiwanese corporatism into a labor-friendly political economy, whereas Thitinan (Chapter 4)

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<sup>1</sup> Silvia Maxfield, in her *Gatekeepers of Growth: The International Political Economy of Central Banking in Developing Countries* (Princeton: Princeton University Press, 1997), examines Thailand, South Korea, Mexico, and Brazil, and argues that middle-income developing countries send assuring signals to potential foreign investors by making the central banks more independent. These concessions can, however, be withdrawn when the countries' need for foreign investment is less urgent. Arend Lijphart in his *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven: Yale University Press, 1999) examines 36 countries' political institutions and demonstrates that more independent central banks better control inflation and promote economic growth. For a journalistic observation of the American example, see Bob Woodward, *Maestro: Greenspan's Fed and the American Boom* (New York: Simon and Schuster, 2000).

warns of populist fiscal blowouts and monetary policy failure based on his observation of the Thai case.

Haas (Chapter 11), Zawawi (Chapter 9), Banlaoi (Chapter 16), Wurfel (Chapter 17), and Wirsing (Chapter 13) addressed the possible link between globalization and management of diversity. They agreed that globalization was not the main factor in the success or failure of managing diversity. They also shared the view that a democratic political system supported by a strong civil society was the key to diversity management, but reached no firm conclusion as to which comes first—democracy or civil society—in the case of a transitional polity and society. Several authors noted the state's lack of will to give civil society a chance to flourish. It is commonly asserted that globalization creates skewed income distributions in favor of ever-richer global corporations and a small number of their managers.<sup>2</sup> Without necessarily denying this negative aspect of globalization, some authors also demonstrated that the skewed effects of globalization closely resembled the pre-existing social inequity within each society, indicating that the national elite has so far been in control of the extent of global linkage. Whether further globalization will proceed at the national elite's preferred pace or not is yet to be answered, but suffice to say that further globalization may play a potentially positive role in breaking down existing inequities.

While most authors expressed a generally positive view of the overall growth globalization brings, enabling inter-ethnic redistributive policies, Zawawi (Chapter 9) raised a caution about the new intra-ethnic (Malay) class division in the case of Malaysia. Comparatively, Haas (Chapter 11) pointed out that the most acute internal security problems in Southeast Asia were present in the countries with the least global exposure. It is probably fair to view globalization as a dependent variable of investor confidence, which in turn is a dependent variable of security conditions, rather than an independent variable. Without good governance, whether economic or security, global capital will stay away. A good balance between economic governance and security governance, however, is easier said than done, for policies that maximize profitability and security of investments do not necessarily foster social stability and worker consent. A closer dialogue between economic and security planners is called for.

The degree of politicization and radicalization of Islam in South and Southeast Asia varied from one country to another, as well as the context in which Islamic groups are placed, although authors commonly identified this issue to be an important one. Authors commonly pointed out the existence of socioeconomic grievances behind the politicized and radical Islamic movements. This point, however, seems to remain controversial, as political-economic theories cannot fully explain radical Islamic movements, and there seems to be much more to explore in the domain of social psychology.

Despite slight differences in their definitions of “civil society,” all of the authors focus their analysis on organizations that serve as intermediaries between the people and the state and that are autonomous from the state. Although authors in general

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<sup>2</sup> See, for example, Hans-Peter Martin and Harald Schulmann, *The Global Trap: Globalization and the Assault on Democracy and Prosperity* (New York: Zed Books, 1997).

recognized the positive contribution of civil society organizations to social stability and economic growth, cautions were offered from three perspectives. First, civil society is often absent or underdeveloped and fragmented in Asia. Second, the growth of civil society has proceeded with state endorsement in Asia, and therefore its further growth is contingent upon continued state support. It was pointed out that civil society organizations have been successful in ousting government leaders, but have failed to sustain coherent governing coalitions afterward. Third, not all civil society organizations are inherently “good.” However, authors recognized the mutually enhancing relationship between the growth of civil society and democratization, without presuming the direction of the causal relationship.

In sum, six general conclusions can be collectively drawn from the chapters in this volume:

1. Good governance entails both procedural and outcome measures.
2. Economic globalization poses a new challenge to state management of the national political economy, but states continue to seek ways to mitigate the negative impacts.
3. Regionalism may also substitute for eroded national economic sovereignties. Globalization can also bring about standardized and updated economic practices that help, rather than weaken, state management of the economy.
4. Growth of civil society organizations and their growing transnational networking can provide more careful scrutiny of abusive economic globalization that may hurt national economic growth and/or human development.
5. Globalization is a mixed blessing for governance of diversity, contributing to both the strengthening of parochial group identities and the spread of a secular economy-based global consumer culture.
6. States more than ever face a challenge of minority representation, and in the long term, this will be best done within a democratic framework.

Finally, some words on both the utilities and limits of U.S. foreign policy in promoting good governance in Asia are warranted. Authors expressed cautiously positive assessments of the promotion of economic transparency and somewhat more reserved assessments of the promotion of social and political governance. They supported outside encouragement of civil society growth in Asia, but were skeptical of more forceful imposition of such norms upon Asian countries, given their diverse political, economic, social, and cultural dynamics.

In the economic sphere, globalization is working in a way to standardize rules of economic governance across national borders despite some resistance by vested domestic interests. However, this is not necessarily an “Americanization” of economic management. As several authors pointed out, European corporatism also provides an attractive (from the viewpoint of social stability) alternative, while states

have not abandoned industrial policy to maximize national competitiveness in the globalizing economy.

Economic growth is neither a prerequisite for growth of civil society (as indicated by the Philippine example of an active civil society with a stagnating economy), nor a satisfactory condition for it (as Singapore's "mass society" in a developed economy demonstrates). Asian experiences show quite complex pictures between these two variables. On one hand, economic growth per se has no harmful effects on growth of civil society, and the accompanying growth of a middle class prepares the population for active civic life when the state elites also accept their subordination to the civil society. However, particular growth strategies, like the suppression of labor, seem to distort the process of civil society growth, as was the case in Korea. Although the "willingness" of the state elite still plays a key role in democratization, economic growth seems to be a positive factor in the process of democratization. On the other hand, by the same logic, economic sanctions (for whatever reasons) seem counterproductive to the long-term objective of democratizing Asian countries.

South and Southeast Asian countries have managed to achieve sensitive ethnic consensus through various social and economic policies, ranging from rigorous meritocracy in Singapore and affirmative action policies in Malaysia, to collaboration between the Javanese political-military elite and Chinese businesses in Indonesia. The domestic instability of Indonesia in the wake of the Asian financial crisis is an extreme example of what could happen to other heterogeneous Asian countries as a result of economic shocks and purely economic-minded remedies. On the other hand, if carefully managed, such economic crises also provide reform opportunities for more sustainable economic growth by inviting external interventions, such as by the IMF, World Bank, and other international financial institutions, as therapy for corrupt domestic political economies. Thitinan (Chapter 4) has shown us that manipulation of domestic nationalist sentiments by the Thai political-economic elite can sabotage IMF remedies. Scrutiny of international economic policies by the local civil society, though ideal, is unlikely to be effective any time soon. The United States government should at least seek broader opinions from its own civil society (i.e. area specialists, NGOs) on not only economic policies but also their social and political implications.