Globalization: The Agent of Good Governance?

CHAI-ANAN SAMUDAVANIJA • CHAN HENG CHEE • ALASDAIR BOWIE

Introduction

In one sense, globalization existed long before the days of Marco Polo. In another sense, it has barely commenced (if we’re talking of global globalization), since the vast majority of trade still takes place among only a very few nations. Yet, globalization seems in many ways to be one of the most pressing concerns of the early 21st century, an issue that makes for heated debate.

Does globalization lead to good governance? In striving to answer this question, the essayists in this Special Report join a worldwide discussion that is crucially important to any nation mapping out an economic strategy. Those who celebrate globalization often put forward the argument that 1) cross-border exchange of information produces savvy, capable leaders and citizens, and 2) governments are “punished” into becoming more streamlined and accountable by the rigors of attracting investment and keeping their countries competitive. For example, Thomas Friedman, one of the most widely known writers on globalization, maintains that governments have incentive to “clear away the brush”—render the environment more predictable and transparent—to prevent sudden and destructive “stampedes” of jumpy international investors. The idea is that a more predictable environment will sooner or later benefit everyone, not only the international investors it was designed to attract.¹

Not everyone agrees that globalization has such beneficial side effects on government. According to the critics, pro-globalization theories fall into the classic trap of “common sense” arguments—they confuse cause with effect. A strategy of leaping headfirst into the global system is, they contend, like jumping into the ring with Mike Tyson in order to become a good boxer. “The globalizers have it exactly backwards,” says economist Dani Rodrik. “Integration is the result, not the cause, of economic and social development.”² Moreover, many analysts maintain that the current global system is widening the gaps between rich and poor—the information gap, the education gap, and the wage gap. Therefore, governments of developing countries are sorely tested, and in some cases overwhelmed, by the societal unrest that accompanies such polarization.

The Wilson Center’s Asia Program hopes that this Special Report will help shed light on this important debate, which is likely to become even more intense as the global system expands. To narrow the topic to a more manageable size, we have limited the discussion to Southeast Asia. Why this particular region? During the past decade, Southeast Asia has been used as an example of both the virtues and the perils of globalization. Many of the region’s countries were recipients of massive foreign investment in

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the ‘90s, only to be devastated by the financial crisis in 1997. Southeast Asian leaders explicitly and consciously grapple with issues of globalization every day. Our three essayists focus on Singapore, Thailand, and Indonesia; this selection reflects Southeast Asia’s wide range of economic and political systems. Singapore was relatively unaffected by the crisis, Thailand was severely rocked, and Indonesia is still struggling to put the pieces together.

Our essayists must define their terms before tackling the question, “Is globalization the agent of good governance?” First, what is “globalization”? The term is difficult to pin down. But our three essayists agree that it comprises both economic and cultural aspects. Globalization is the increase in cross-border flows of goods and services (trade) and capital (foreign investment). On the cultural side, it involves the exchange of information of all kinds. “Good governance” is even harder to define than globalization. But, in general, the essayists agree that transparency, accountability and a certain degree of equity are all important. In addition to these elements, Chai-anan Samudavanija emphasizes democracy, Chan Heng-Chee the generation of prosperity, and Alasdair Bowie efficiency in provision of services.

Chai-anan Samudavanija, political scientist and lifelong advocate of democracy in Thailand, starts off with a sober reminder that the current debate can never be cleanly resolved. The link between globalization and good governance cannot be defined any more than can the relation between industrialization and democracy—a popular subject for conferences twenty years ago.

As Chai-anan notes, it is a mistake to speak of Thai society as monolithic. He maintains that the Thai population is bifurcated into a private-corporate sector and an agricultural sector—and globalization is the agent of good governance only for the former. For example, “good governance” laws such as the 1999 Business Competition Act and the 2000 Accounting Act have indeed helped to encourage competition and curb abuses. But these laws have had little effect on Thai farmers, whose concerns are increasingly marginalized by politicians. Thailand’s wealth gap has widened, and knowledge-poor “victims of development” have no place in the new system. While business leaders have been allowed into the highest levels of governmental decision-making, farmers find themselves unable to aggregate their interests.

Chai-anan allows that globalization weakens authoritarian states and harmonizes the world’s legal systems. If “good governance” consists of efficiency, contract enforcement, privatization, and other enhancements to business competitiveness, then indeed globalization is its agent. But if we seek to strengthen democracy and to benefit the whole society, we must look elsewhere. As Chai-anan puts it, social leaders do not need “good governance” but a “good political strategy” if they seek to expand political participation, and to ally the rich and the poor, the urbanized and the rural, the modernized and the traditional. In other words, good governance is good management, but democracy requires a more “people-centered” approach. For democracy, the key is localization, not globalization.

Chan Heng-Chee, Singapore’s ambassador in Washington, also begins by recalling earlier debates and earlier “izations.” In the 1960s and ’70s, she points out, the buzzword in social science was “modernizations,” which differed from globalization in that it implied a conscious choice rather than a force to be harnessed. That is, countries believed that they could choose their own models involving various mixes of socialist and capitalist ideas. With globalization “you can’t choose the pace, though some countries think that they can. You are either in it, or you are out of it.”

The best thing that leaders can do, therefore, is to boost education levels as high as possible while strengthening corporate governance and transparency. Singapore “took to globalization like a fish to water” and was recently rated by Foreign Policy as the world’s “most global country.” But Chan admits that the island city-state of Singapore is quite different from an agricultural country like Thailand, which has a vast hinterland. Thailand and other Southeast Asian countries probably cannot—and in some ways, should not—hope to replicate Singapore’s experience. Still, Chan maintains that there are lessons to be learned in how Singapore’s leaders, particularly Lee Kuan Yew, emphasized knowledge and
technology and guided the country to become “clean and green.” According to Chan, “We understood that there were some standards that were going to be world standards.”

So globalization led to wealth. But did it contribute to good governance? Only on the margins, Chan suggests. In fact, it makes more sense to reverse the sequence: good governance attracted investment, which encouraged global integration. Chan’s point is that Singapore did its homework and prepared, did not just open its markets and hope for the best. In fact, in some countries globalization might initially exacerbate corruption by pumping money into a weak or “robber-baron” system.

Alasdair Bowie, associate professor of political science at George Washington University, explicitly discards the normative term “good governance,” and identifies another term, “better governance,” to refer to efficiency and equity of services. According to Bowie, narrowing the definition in this way reduces fuzzy thinking and guards against value judgements.

In Bowie’s view, it makes sense to include services that are offered by the private as well as the public sector in this definition of “better governance.” For example, factories contribute to “better governance” when they organize educational campaigns, health clinics, and peer counseling. Bowie maintains that Indonesian factories are increasingly likely to engage in such activities, spurred by the transnational corporations that contract with them, which in turn are under pressure from non-governmental organizations. Private enterprises also participate in governance by working with local officials, “to create and enhance clusters of expertise and hence to expand employment, training and social services.” One sign of better governance is that today’s policymakers in Jakarta have neither the ability nor the will to quash union activity or suppress wages, as did the previous regime of Suharto.

Thus, according to Bowie, ideas come into a country on the heels of foreign capital. That is not the only way they come in, however. Ideas are also disseminated though the press, television and the internet, directly contributing to a convergence of global norms. For example, campaigns for greater accountability take some of their energy from similar movements in Thailand and the Philippines. Indonesia is also (albeit very slowly) adopting global norms concerning the appropriate use of force by security forces.

Looking at the three essays in this report, there is one obvious area of agreement. None portrays the current global economic system as inherently problematic. Plugging into the global system is not enough in itself, and must be done cautiously and carefully, but there are beneficial side effects—centered on a general strengthening of the rule of law—that should not be denied. The danger comes in overrating globalization, or seeing it as an automatic process rather than a powerful force that must be channeled and guided. In some ways, globalization is like gravity; it can bring down an object with destructive force, but it can also be leveraged to lift that heavy object and cautiously build with it. Thus, our essayists are more optimistic than many other people, including John Cavanagh, director of the Institute for Policy Studies, who served as commentator at the April 25 seminar that preceded this Special Report. Cavanagh sees nothing positive in the current “corporate led” system—which, according to him, has either “hurt, left out, or marginalized” at least two-thirds of the world’s people.

None of the essayists explicitly address the political turmoil that is roiling many Southeast Asian countries, including Thailand and Indonesia. Bowie mentions a link between globalization and the toppling of Suharto, but are global forces similarly connected to the ousting of other Southeast Asian leaders and the political instability that plagues much of the region? Another issue unaddressed in the essays is that of timing. Chan mentions that Singapore boosted education levels in anticipation of globalization. But is this of much help to governments that are pressed to show quick results through joining an already “globalized” world? For example, should a country establish a stock exchange before an effective court system is in place? The tenets of globalization give no ready answer.

One thing seems clear: no one globalization strategy will work for every country. By compiling essays on three Southeast Asian nations, the Asia Program hopes to improve understanding of how developing countries can best navigate a fast-changing world and improve the lives of their citizens.

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wenty years ago we were concerned with a number of questions that are still relevant for our discussion today. At that time, “Industrialization and Democracy” was the central theme of many seminars and conferences, and industrialization was seen as a driving force for democratization. Then, we were puzzled as to why the new amalgam of social and political forces had not been able to consolidate and reshape the character of the state.

This question led to others. Are capitalism and democracy related? Is democracy the only alternative political framework to support and promote capitalism? In other words, does capitalism and its basic trait—industrialization—need democracy in order to sustain itself and expand? The most relevant question is whether economic and political inequalities caused by rapid economic development are temporary and self-correcting.

Now we have shifted our concern to “Globalization and Good Governance” instead of “Industrialization and Democracy.” We are asking a new set of questions while the old ones remain unanswered. However, it is now evident that in many countries, such as Thailand, the gap between the rich and the poor has widened despite the increase in per capita income.

We assume that “change” (especially of an economic or technological nature) is automatically transformative and that its effects are totalistic. Our view of “society” is also totalistic, which in reality it is not. There are not one but many levels of society. While the flow of capital, technology and information across borders continues to accelerate, the effects on society have been uneven, creating new opportunities and gains, but also conflicts and losses.

This is nothing new. What is important is to rethink our concept of change to be more people-centered, and less institutional or process-centered. It is also important to look comprehensively at the relationship between globalization and Good Governance in its key aspects: political, economic, cultural, and international.

As explained below, we can then see that globalization-driven Good Governance is relevant only to part of society: the private-corporate sector. The people’s agricultural sector, on the other hand, is increasingly marginalized. Market forces are not sufficient to form an alliance between these two parts of Thailand’s bifurcated society.

**THE PRIVATE CORPORATE SECTOR**

In the 1980s, the developmental role of state bureaucrats (or technocrats) was more pronounced than now, especially in the highly productive so-called “key industries” as well as in planning, budgeting, and fiscal and monetary policy-making. As put forth by Robert Wade’s governed market theory, the state had an active role in directing capitalist market forces. In the 1990s, however, the governed market theory ceased to apply. The Asian financial crisis forced the Republic of Korea (the champion of the governed market theory) to fuel growth through foreign direct investment (FDI) and mergers and acquisitions (M&A). Meanwhile, public-sector reform and an urgent need for capital led to large-scale privatization—another spur to foreign investment.1

Authoritarian states, which had good records on industrial development, were forced to democratize politically and to adopt Good Governance standards administratively. Without the economic crisis, there would have been no need for authoritarian regimes in Asia to relinquish power. Thus, the economic crisis

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has weakened Asian political regimes, although they are still nation-states with full sovereignty—as pointed out by George Soros, they wield legal powers that no individual or corporation can possess.\(^2\)

While globalization has undermined authoritarian governments, it has empowered international regimes such as the World Trade Organization and the International Monetary Fund. The Asian crisis enabled these organizations to lay down conditions and guidelines for economic recovery. They have mainly recommended public-sector reform (which involves privatization of state enterprises), liberalization of trade and services, and legal reform in line with international standards and practices.

Politically and economically, the globalization process has standardized criteria for governance and management. Indeed, the cornerstones of global networks are liberalization, privatization and harmonization of laws and policies. Consequently, this process tends to iron out cultural diversity and unify what was a multiplicity of interests. In Europe there has been an attempt to counterbalance globalization’s integrating effects by evoking the Principle of Subsidiarity (which calls for resolving any matter at the lowest possible level of organization). Asia has seen the rise of Asian civil society—which actually should be termed “societies” rather than a universal, aggregate society—in the form of oppositional social movements with diverse values.

As transnational operations replace the state in controlling and directing economic activities at all levels, elites—political, military and technocratic—lose their most fundamental power over the private sector, namely their regulative authority. Thus, the globalization process is inseparable from Good Governance: both exert pressure on the state. (By contrast, democratization involves the expansion of political participation, which involves all sectors of society.) On the macroeconomic level, the weakening of the state makes possible growth that follows trade “flares” instead of adhering to artificial state boundaries. On the microeconomic level, people are freed to follow jobs or cultural ties, and to build connections with people in other states.

These movements are both “above” and “under” the state. Multinational corporations are moving above, bypassing the state and eroding its sovereignty. The M&A boom is one example. Meanwhile, poor and jobless peoples are moving “under” the state as illegal migrants and small-scale traders. Drug warlords, the mafia and black marketeers have increased their control of local politics and in many areas have become “representatives” of the people.

Consumerism, too, has expanded beyond national boundaries. Consumerism and transnational corporatism are the two main characteristics of what is called “internationalism.” Small nation-states have to face the double jeopardy of becoming more dependent and at the same time struggling to compete in the global economy.

**The agricultural sector**

Thai society is bifurcated into the private–corporate sector (both domestic and international) and the people’s agricultural sector (composed mainly of small farmers). Good Governance, as encouraged by globalization, is largely irrelevant to the most pressing concerns of the latter, which, even during the rapid economic growth of the 1980s, was unabsorbed by industrialization to any significant extent. While the state has adjusted its strategic alliance with the private–corporate sector by co-opting it into the highest level of decision making, the state has been reluctant to similarly include the rural agricultural sector, and has been less responsive to its demand for participation beyond electoral channels. Not only powerless small farmers but also organized agricultural interest groups have suffered from the drive toward industrialization and international competitiveness.

These marginalized farmers are victims of development. They have neither economic assets nor economic rights, although they are citizens with voting and other fundamental rights guaranteed by the new constitution. Political reform has opened up new channels for participation, but this participation mainly takes the form of grievance expression rather than interest aggregation.

Although globalization is neutral and is driven by rapid change in technology and communications, Good Governance is not neutral. The term is value-laden and refers to that which is necessary for an efficient market-driven economy. Good Governance is a basic requirement for a more open and transparent public–private sector relationship. But, as noted above, Thailand is a bifurcated society. The Thai government, in its attempt to promote Good Governance during the past three years, passed a number of laws (such as the Business Competition Act of 1999 and...
the Accounting Act of 2000) favoring multinational corporations. These laws are to ensure that domestic and foreign investment does not result in anti-competitive behavior. However, draft legislation on community rights, natural resources and environmental management suffered from delays and setbacks.

The shift from an input-based economy toward a more knowledge-based economy will be extremely unstable and requires a good political strategy rather than Good Governance. Conventionally, such a shift is said to require modernization of institutions, incentives for competition, good corporate management, gradual privatization, targeted research and development, upgrading of skills, and support for small and medium sized enterprises. These technical measures are necessary for competitiveness, and enhance the corporate sector's efficiency. However, they must be accompanied by a strategy capable of forging a grand alliance between the large, rural, input-based, traditional part of society with the small, urban, knowledge-based, modernized and globalized part of society. Good Governance is not the answer to this problem.

TOWARD A NEW CONSCIOUSNESS
As a bifurcated society, Thailand has to cope with globalization at both ends, for it cannot rely upon market forces alone. The state has to create an optimal relationship between democracy, the market, and sustainable development. Globalization is inherently market driven, Good Governance is management-oriented, but democracy is people-centered and requires both free and fair treatment of individuals.

Democratization in my view is closely linked with the empowerment of individuals, decentralization and participation. Hence it is closer to localization than to globalization. Will market-driven change automatically promote democracy, as well as transparency and Good Governance? There are conflicting views and experiences from Asia, Africa and Latin America.

As observed by Deepak Nayyar, “marketization and globalization in the developing world, so far, have provided the enthusiasm and the opportunities to the privileged few who are rich but not to the vast majority who are poor.” Amartya Sen, while recognizing certain limitations of the market mechanism, firmly believes in its ability to create wealth unrivalled by any other known system. According to Sen, we have to supplement this mechanism, not replace it, to redress the ills of market-driven growth.

Sen notes that “the successes of the market economy are not achieved single-handedly by the market alone. There is a crucial need for supplementation from other institutions.” Other institutions include the government, the legislature, the judiciary, the political parties, and the media. He then proposes a “new strategy,” which requires understanding how institutions complement one another, and a broad vision that encompasses protective security, participatory politics and transparent accountability.

While I agree fully with Sen that “growth with equity” has not in fact meaningfully trickled down to the poor, we have to ask why economic growth driven by the market is inherently inequitable. The cause may lie in treating the market as the core, and other institutions—cultural, social and political—as just supplementary parts. Everywhere in the world, the problems of the market economy cannot be addressed by further institutional supplementation, but by a rearrangement of complementary institutions and their relationships to one another. Such a rearrangement requires repositioning the “People's Sector” vis-à-vis the market, so that human security, participatory politics and transparent accountability would have equal weight (at least). I think Sen’s vision is still very conventional and, if followed by developing countries, will jeopardize their nascent political democracies. Even in mature democracies, it will promote inequality rather than growth with equity. As Jacques Attali rightly points out, the market economy and democracy—the twin pillars of Western civilization—are more likely to undermine than to support one another. The market economy is more dynamic than democracy. If there are no countervailing forces, market mechanisms and corruption will eventually replace democracy, leading to a “market dictatorship.” This new kind of dictatorship is not political but economic in nature.

I think Sen too easily takes the market for granted and is too optimistic about its positive contribution to humankind. Attali is more pessimistic. Attali warns that in the absence of strong, countervailing democratic institutions, “political outcomes will be bought and sold, and the market will rule every element of public life from police protection, justice, education, and health to the very air we breathe, paving the way for the final
Western civilization itself is bound to collapse.”

In Thailand, the market economy is already undermining democracy largely because the “political market” is not a free market in terms of entry and competition. The 1997 constitution has many entry barriers for small and medium-sized parties, preventing their competing with major political parties and with vested interest groups strongly backed by capital.

Fifty years ago, David Easton defined politics as “the authoritative allocation of values in society.”

Now we are witnessing the decline of non-economic values in many Western societies. Industrial and post-industrial societies have been too preoccupied with what I call “value-addification,” at the expense of preserving cultural and family values. The market economy can add economic value, but sustaining non-economic value is beyond its capability. We therefore have to redefine politics, especially in the globalized multi-dimensional world where economic values may be universally accepted but non-economic values are so diverse and culture-bound.

If we regard the market as central to humankind’s development and democracy as only supplementary, we cannot meet such challenges to capitalism as the persistence of poverty, deprivation, unemployment, insecurity, and environmental depletion. In fact, to meet these challenges we need even more than democracy. We need the “philosophy of enoughness,” compassion, and a balanced, middle-path approach to development, which require not a new strategy so much as a new consciousness and ethic.

Beyond national competitiveness is the spirit of cooperation, the enlightening recognition that enough is more important than more, and profit maximization and competition cannot be the only goals of development.

I do not want to replace the market mechanism, but I think we need to reposition it and use it to supplement core values such as human security, participation and freedom. If development is to be considered an expansion of freedom—if they are one and the same—then there is an urgent need to rethink the appropriate relationships between the market, democracy and development. Globalization involves change that penetrates deeply, that opens up an individual’s horizons, aspirations and expectations. Such change also creates anxiety, fear and frustration. It is neutral—with both positive and negative effects. To trust implicitly in Good Governance is to downplay its negative effects on the weakest part of society.

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There are two sides to globalization, one economic and the other technological. The economic aspect involves the spread of the international system and the integration of economies through financial and trade flows. The technological side to globalization is dubbed the information revolution—people all over the world have become connected, turning the world into one market place, one shopping mall, one drawing room and one library. Moving in tandem, these two globalization processes will gradually but inevitably reshape values. Globalization is like the gradual shifting of the earth’s tectonic plates, as pointed out by information technology enthusiasts.

What we call “globalization” really began in the 1970s with the production process, and it has since spread into every level of human activity. Before that, in the ‘60s and ‘70s, the buzzword was “modernization.” What is the difference between the two terms? With “modernization,” we thought we could pick our own futures, pace and models. We could follow the free-market capitalist model or the socialist model, be like Japan or take the Islamic path to modernity. But with globalization, there is no such latitude. Globalization is imposed on us and it is the same everywhere, an interconnected process. We cannot choose the pace, though some countries think they can. With globalization, you are either in it or you are out of it. But its effects are initially uneven, even within any one country.

The preparedness of a country to host globalization comfortably depends on education levels, and whether there exist strong political, economic and social institutions. (In turn, these institutions will be themselves influenced by the globalization process, as will security.) The most dramatic example of how globalization can wreak havoc on ill-prepared countries was the 1997 East Asian financial crisis. Weak corporate governance, lack of transparency, and inadequate understanding of what was happening—the interaction between markets and technology—brought down currencies and economies in Thailand, Indonesia, South Korea and Malaysia.

At the same time the global economic system has been transformed, the relationship between governments and their citizens has been altered by telecommunications and the Internet revolution. Technology’s impact on politics has been far-reaching and disruptive. The Internet is egalitarian, decentralized, informal and individualistic. It encourages broad participation, populist responses, and interventionist behavior, and is capable of mobilizing effortlessly and circumventing many regulations and laws. The Internet has enabled NGOs to organize effectively and dissident groups to reach out to a broader audience.

So much for theory and generalities. Let me share with you my views on globalization and Singapore, and my answer the question, “Is globalization the agent of good governance?”

Singapore, an island city-state, took to globalization as a fish to water. We have no hinterland, so we look on the world as our hinterland. As a colony of the British empire, Singapore prospered because it was an entrepôt port and a trading hub for the entire region during the nineteenth century. Thus, from the time Singapore was founded, it was a forerunner of globalizing impulses and its people were outwardly oriented. Since an island nation was not a viable political option according to the conventional wisdom of the 1950s and 1960s, Singapore merged

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with Malaysia in 1963. Although Singaporeans had always anticipated such a union, the experiment was not successful. In separating again from Malaysia and establishing independence in 1965, we lost the hinterland we had sought so hard to join. Today, we see ourselves as a global city connected with the world, but we also cannot cease to be a city of Southeast Asia. Thus, Singapore has two identities—a global identity and a regional identity.

Recently, *Foreign Policy*, the flagship magazine of the Carnegie Endowment for International Peace, published a “globalization index” measuring globalization in 50 developed countries and emerging markets.¹ Singapore topped the list as the world’s most global country according to such measures as cross-border contact, foreign direct investment, international trade as a share of GDP, number of people on line, and number of Internet servers. *Foreign Policy* also scored us high on lack of corruption, but low on freedom. The article said, “If Singaporean officials are somewhat authoritarian, at least they are honest.”²

Many countries and observers have commented on the system of good governance that Singapore enjoys, which was vividly apparent during the financial crisis. While most of the economies in the region were suffering, Singapore’s economy and currency held. Because we have lived by our values of good corporate governance, transparency and accountability, our banks and companies did not collapse, and corruption and cronyism were not cited as problems. Let me add, however, that the slump in demand and trade did affect our growth rate, which fell from 7.8% in 1997 (six months after the crisis) to 0.5% in FY1998 and 5.9% in FY1999.

What persuaded Singapore to follow the path of good governance? Before I answer this, I will define more clearly what I mean by the term. “Good governance” is the creation of a political system or society where citizens enjoy good living standards, rule of law, accountability by officials, and absence of corruption. In such an environment, citizens sense some degree of community, cohesion, equality, equity, social justice, personal security, and freedom. In Volume II of his memoirs, *From Third World to First*, Senior Minister Lee Kuan Yew gives a forthright explanation of how he constructed modern Singapore. His vision was shaped by necessity. The foremost question he tried to answer was, “What will help Singapore survive?” In 1965, Singapore was an island nation, considered to be without resources except for its geo-strategic location. Singapore did have human resources, as many today would point out. I would also include strong leadership as one of its resources. Thirty-five years ago, Lee Kuan Yew thought, “I would build Singapore to be a first-world place in a third-world region,” so that the newly arriving foreign investors would find Singapore an attractive place to stop and stay. Singapore thus set out to achieve first-world levels of development in its economy and society. We became clean and green (in the late ‘60s, before “green” was fashionable), and we made sure to uphold standards of non-corruption, rule of law, and law and order. As a country, we invested heavily in education. And perhaps most importantly, we retained the English language.

In a sense, Singapore was responding to the requirements of the international marketplace. In hindsight, we were preparing for globalization. We understood that in some areas there would be world standards, norms of how to do business internationally or globally. We arrived at these standards deductively. Today, half the Fortune 500 companies in the world (229) have their operations or operational headquarters in Singapore, including General Motors, Mitsubishi, ExxonMobil, General Electric, Royal Dutch Shell and Citigroup.

The point I am making is this: Singapore chose a path. We stuck to it, and globalization in the ‘80s and ‘90s strengthened our adherence to this path. But if asked whether globalization automatically ushers in good corporate governance, transparency and non-corruption, I would have to argue that the process is not so simple. In fact, introducing external participants in an economy (“opening” the economy) may have the initial effect of reinforcing and attenuating those structures and relationships that already exist. Business carries on as usual—until it no longer works. Even the IMF-guided restructuring that followed the financial crisis is only partially fulfilled. There is still a considerable way to go. It is doubtful that longstanding traditions and cultural systems, which distort the functioning of institutions, can be easily erased. There will be change, yes, but not complete and thorough change.


The Technology Revolution
During the last 15 years, the information technology (IT) revolution has altered our environment. In Singapore, we encourage the adaptation and embrace of this revolution. Today, 70% of Singaporean households have PCs in their homes. The figure for Internet users is also about 70%. Broadband is available in every home, although not all Singaporeans choose to pay to tap into it. Singapore is among the most dominant IT driven economies in the world. The flow of information is certainly freer than in the past; the new media technology is here to stay and will change the governance of all Asian societies. For a start, it is impossible to suppress information when the entire island is wired. Singaporeans can subscribe to some 30 channels of Cable TV, including CNN, BBC, CNBC, NHK, French TV, Italian TV, CCTV, HKTV, and Indian TV.

Singapore takes a pragmatic approach to the Internet, which we know we cannot effectively censor. We do censor 100 or so pornographic sites, stating our position openly in order to set an example for society. That is, we demonstrate to our population there are standards we uphold. We know young people manage to circumvent our regulations, but we want to make the point that easy access to pornography is not what we stand for. For young people growing up, such a position sends a powerful signal that Singapore is a socially conservative society.

I was asked to address two specific questions in this essay: (1) whether globalization will promote democratization, equated by Americans with unfettered freedom, and (2) whether Singapore will always be able to remain as it is now—a society that promotes “transparency” but rejects the unfettered exercise of individual freedom.

It is clear that globalization promotes democratization by imposing accountability, transparency, openness and a free flow of information. Whether it promotes representative democracy and democratic institutions depends on the economic development and configuration of political forces. Thailand’s democracy was not induced or produced by globalization, but globalization helps prevent backtracking. Indonesia is still in transition, and I would not want to predict trends. Will globalization promote a system in the image of the United States? The answer, in my view, has to be no. Social traditions, religion and culture will help determine the outcome of any system, although freedom, accountability and competition for power will undoubtedly grow, and there may even be a change of government or reshuffling of elites. Some analysts and thoughtful writers such as Fareed Zakaria are now categorizing countries as “liberal democracies” and “illiberal democracies.” Globalization and the information revolution can also spread dark views and encourage excessive nationalism, xenophobia and racism.

Can Singapore remain the way it is? Singapore has been changing and will continue to change, as all countries must. Singaporean leaders are the first to recognize this. Senior Minister Lee Kuan Yew has repeatedly said that it is impossible to predict how societies will turn out, given the rapid advance in technology. Singapore’s leaders take a practical approach. They believe there are some values that account for Singapore’s survival and prosperity, such as a balance between individual rights and the community’s rights; moral and social values that emphasise the family and hard work; and a certain approach to governance. For an island city state like Singapore to survive and prosper, we have to be extraordinary and implement what works for us. There is popular support for these values. Singapore will keep to its path until the population base rejects the path, or until other economic and globalization forces reshape our society.

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2. Ibid., 61.
Has globalization been the agent of good governance in Southeast Asia? The answer to this question depends critically on the definition of two key terms, “globalization” and “good governance.”

**GLOBALIZATION**
I must admit to ambivalence in using the former term—“globalization”—as it has come to mean so many different things to so many different people. For example, consider the extraordinary range of negative outcomes attributed to globalization by protesters at this year’s Summit of the Americas in Quebec City—everything from destruction of the rain forests to AIDS. As Harvey Feigenbaum has written, much of what has been said about globalization and its effects in the past few years is nothing but “globaloney.”

The term “globalization” is often used to characterize the increased flow of goods and services—the rapid expansion of trade—that has occurred over the past decade and a half. The ahistorical implications are that this expansion is revolutionary, unparalleled in human existence, and irreversible. None are true. In fact, the dramatic expansion in global trade from 1840 to 1914 was more revolutionary, considering the smaller base upon which it built, and unparalleled in scope. However, this earlier expansion was indeed reversed by the mutually assured destruction of retaliatory tariffs that precipitated the Great Depression.

Another example: the term “globalization” is used to refer to the dramatic increases in capital flowing across national boundaries. We have only to look to the infrastructural investments of the greater Roman Empire, from Scotland to the Levant, to see that globalization has been around a long time. Any capital flows that are of a sufficient scale to change the nature and actions of agents themselves certainly qualify as globalization—whether these agents be Romans or British, or the French and Dutch (or their clients) in Southeast Asia during the colonial era.

Therefore let me be clear. Few of the developments associated with the term globalization are new or unprecedented. Therefore, when I use the term in regard to Southeast Asia, I am referring to a syndrome or paradigm, a set of related but conceptually distinct developments that, for convenience sake, we lump together under the heading “globalization.” For clarity, I limit the temporal scope of these developments to the past fifteen years or so (since the 1986-87 commodity downturn).

The various developments that are folded into the term “globalization”—increased trade in goods and services, as well as the cross-border flow of technology, information, ideas, norms, cultural influences, and even people—have spawned various theories of cause and effect. For example, in the case of goods and services, there is the “global commodity chains” literature, which attributes increased trade to new production processes that operate according to the logics of global production chains rather than according to national boundaries. Or, in the case of information flow, there are theories (utopian but by no means new) that official authority has lost power over citizens as a result of satellite TV, fax machines, cell phones, the Internet and other sources that go beyond national newspapers and TV networks.

Of these various developments that are folded into “globalization,” I choose to focus here on the three that are most likely to impact governance: increased trade; increased capital flows; and the (more diffuse but extensive) dissemination of ideas and norms. Other developments, such as cultural globalization, or simply, “Americanization,” are tangentially related to the topic of this report but less important. While focusing on these three, I do not presume that all three necessarily or logically move in the same direction. For example, in response to newly erected trade barriers, capital inflows—in the form of foreign direct investment that seeks to avoid tariffs—might increase as trade simultaneously declines.

**GOVERNANCE**
I turn now to the second important term, “governance.” According to Webster’s Dictionary, “governance” commonly refers to “the act, manner,
function, or power of government,” where “government” means “an established system of political administration by which a nation…is governed.”

However, current use of “governance” encompasses a broader meaning than this, going beyond things having to do with government. More accurate is the definition offered by Aseeem Prakash and Jeffrey Hart, namely that “governance [is] simply organizing collective action.” Governance is the act of deciding upon societal objectives, accumulating social resources, and then allocating the resources to achieve the desired ends.

This broader definition of governance enables us to conceive of governance institutions that are not of the government. Other social institutions may actively establish societal objectives and accumulate and allocate resources to meet them. For example, governance services can be provided by business enterprises, religious organizations and less formally organized communities. In fact, as societies become more complex, the needs for governance, to resolve collective problems, and for governance institutions, both governmental and non-governmental, increase.

What then is “good governance?” Let us please discard immediately the notion that any specific set of governance institutions—those of the United States, for example—could represent the model for good governance. Governance is “better” where more efficient and equitable ways have been developed to provide governance services. Such “better governance” may be the product of different kinds of governance institutions for different aggregations of individuals. And the mix of governmental and non-governmental institutions will vary across different communities and over time in any single community.

Therefore, rejecting the normative (i.e., value-laden) judgment implied by using the term “good governance,” I prefer to talk about “better governance,” meaning more efficient and more equitable governance. To be more efficient, governance requires degrees of transparency and accountability to society as a whole, to individuals, or to the global community. Such transparency need not be absolute; leaders of governance institutions require a certain margin of maneuverability within which they are not held accountable. Each community will establish this margin based on historical precedent and cultural values. Transparency and accountability imply less corruption, but reducing corruption is but one element of better governance—which also involves protection of minority interests and those of the disadvantaged, while at the same time advancing the interests of the majority of the population.

Better governance can be observed not only in government institutions but also in corporate entities. Firms are, after all, units of governance for organizing economic activity. Any call for better governance therefore is partly a call for social responsibility on the part of transnational corporations (TNCs).

**Effects**

Given the range of institutions involved in governance, establishing concrete benchmarks and performance measures—much less specifying achievable goals—is extremely difficult. For this reason, my discussion of globalization’s effect on governance in Southeast Asia is necessarily impressionistic. I cannot plausibly assert that a given variation in globalization (increase) is associated with a consequent variation in governance (movement toward better governance). Apart from the imperfect corruption indices periodically reported by organizations such as Transparency International, we have no measures of governance to which we can refer in assessing the impact of globalization.

Moreover, it is a mistake to assume unidirectional effect. Causation, in terms of the relationship between globalization and governance, goes in both directions. For example, globalization is often associated with the creation and empowerment of global regimes, such as the World Trade Organization (WTO), which “govern” aspects of relations between states. But is the WTO a product of increased trade flows (reflecting the enhanced strength of trade beneficiaries) or a cause of those trade flows?

**The question restated**

With these rather monumental caveats in place, let me return to our original question, restated to reflect the definitions provided above, and take a stab at an impressionistic answer, using the case of Indonesia as an empirical referent.

The question “has globalization been the agent for good governance in Southeast Asia?” is best restated as follows:

What have been the effects of globalization—defined as increased trade, increased capital flows, and the dissemination of ideas and norms—on governance?

Do we observe better governance—defined as a more efficient and equitable meeting of
societal objectives, and the accumulation and allocation to do so—in Southeast Asia as a result of globalization?

My answer? While at times globalization has led to worse governance—as when international capital flowed rapidly into countries such as Thailand and Indonesia from the late 1980s through 1997—in important areas, globalization has created pressures for better governance, especially corporate governance.

I will consider the three aspects of globalization (as mentioned above) and briefly assess their impact in the context of Indonesia over the past two years (since the June 1999 national elections). Given the space available, my assessments will consist of mere thumbnail sketches and preliminary observations.

Why the case of Indonesia? Indonesia is important as the largest Muslim country and the largest new democracy. Moreover, Indonesia is particularly relevant to the question at hand. First, the impacts of globalization—in terms of increasing exposure to international trade, to capital flows, and to international norms—have been keenly felt in Indonesia. Second, governance (as defined above) has fallen far short of the expectations of Indonesians in general. The obvious question is: is there a connection?

EFFECTS OF GLOBALIZATION ON Governance in Indonesia

In this section, I will discuss recent evidence from Indonesia concerning the impact on governance of the three major aspects of globalization: 1) increased trade, 2) increased capital flows, and 3) the dissemination of international ideas and norms.

1. Increasing trade

Trade revenues associated with manufacturing, especially of apparel, textiles and footwear, have declined since 1996. However, other revenues, such as those associated with fossil fuels and plantation export crops (e.g., palm oil) have increased. Since results are mixed, I have relatively little to report on the effect of globalization in regard to trade. There has been no aggregate, secular decline in trade to contrast with the rapid expansion of the earlier 1990s. Therefore, while some may look to declining trade flows to explain deteriorating governance performance (specifically in the case of governmental institutions), this position argument is not sustainable.

2. Increased capital flows

The post-1985 appreciation of the yen and the swelling of Japanese aid and foreign direct investment precipitated a dramatic increase in capital inflows to Indonesia and other Southeast Asian countries from the late 1980s through 1996. Japanese, South Korean and Taiwanese investors focused on Southeast Asia as a low-cost site for factories producing consumer products and components, which were increasingly linked to end-sellers such as Gap Inc. in developed country markets.

Some have argued that, by manipulating globalized production networks, TNCs such as Gap Inc. could escape both the control of governments and the discipline of markets. For example, Prakash and Hart assert:

In an international economy, cross-national trade and investment flows are regulated by the state, or supra-national institutions established by states. In contrast, production in a global economy is organized in cross-border networks or value-chains largely out of the control of states. Since a significant proportion of cross-border trade takes place within firms, cross-border networks supersede resource allocation by markets as well.

Some would call this development the core effect of globalization, and maintain that, in practical terms, it amounts to nothing less than the domination of world markets and governments by transnational firms.

In Indonesia, increased capital flows from the late 1980s to 1997 in the manufacturing sector resulted in the establishment of foreign-owned garment, textile or footwear factories. These factories, owned by Japanese, South Korean and Taiwanese companies, produce under contract to TNCs such as Nike, Reebok and Gap Inc.

Establishment of these factories—today Nike has 30 in Indonesia alone, of a total of 700 worldwide in fifty countries—can be partly attributed to low wages (most workers are paid the legally mandated, regional minimum wage, even though many locally-owned companies pay less) and the repression of independent worker unions during the Suharto regime. In this sense, increased capital flows were a result of earlier patterns of national-level governance. That is, the Suharto government maintained downward pressure on wages to retain Indonesia’s attractiveness as a low-cost manufacturing site.

However, more recently, TNCs have pressured the owners of these factories to eliminate child labor...
and to improve “sweat-shop” conditions. The TNCs are themselves responding to pressure from non-governmental organizations (NGOs) in North America and Europe. In this sense, globalization—in the form of increased capital flows—is changing governance, broadly defined to include corporate governance. Globalization is altering the allocation of resources to meet societal objectives. Specifically, it is encouraging factories to use resources differently or to expand the provision of social services to meet demands from workers. Thus, the governance role played by the corporate sector is increasing (albeit under outside pressure).

For example, the managers of Nike contract factories in Indonesia are committing themselves to develop programs and services that respond to worker suggestions in the areas of education and health. These suggestions were collected in a survey of workers’ needs by Global Alliance, a Baltimore-based NGO, earlier this year. Based on 4000 interviews in nine factories, it is the largest such survey ever performed in Indonesia. It follows similar assessments in Thailand and Vietnam, which resulted in mobile health clinics, peer counseling programs on health issues, and other services.

Governance is changing in Indonesia in response to globalization, often in poorly recognized ways. Official policy makers no longer have the ability or will to repress independent trade unions, and hence to maintain by fiat the low-cost production site advantage that helped increase capital flows to Indonesia in the 1990s. Thus, the impact of official governance is declining. At the same time, however, foreign companies tied to the global economy are shouldering some of the responsibilities of governance, in response to perceived norms of international corporate social responsibility.

Looking to the future, as globalization curtails state interventionism (positive and negative) at the national level, it may be expanding opportunities for local-level institutions. Earlier this year, the Indonesian government began a sweeping program to devolve power and revenues from Jakarta to the city and county (kabupaten) levels. This still uncertain system may spawn new, effective forms of intervention—governance—to foster local-level competitiveness in a global environment. Although far removed, the lesson of the Emilia-Romagna region of northern Italy is instructive. There, local government has become the principal facilitator of interactions among small and medium size firms, as these firms constantly modify product lines to meet world demand. It is not inconceivable that local governments in and around such places as Ujung Pandang, Denpasar, Jepara and Bekasi-Tangerang could do the same. By working with both foreign investors and domestic companies, these local governments could create and enhance clusters of expertise, thereby expanding employment, training and social services. This is one example of a new form of governance that could be encouraged by globalization.

3. Ideas and norms

Many analysts have recognized the revolutionary role of an open press, TV and the Internet in the rapid and relatively bloodless ousting of President Suharto in the late 1990s. The dissemination of ideals and information accelerated in response to the new press law of 1999 and the “open door” approval of hundreds of new publications within one year by Suharto’s successor, Habibie. The resulting transmission of international norms has influenced governance in Indonesia. However, this change is not irreversible, as the experiences of Russia and China since 1989 illustrate.

In Indonesia, ideas on accountability have been influenced by movements in Thailand (the 1997 constitution) and the Philippines (2001’s “People Power 2”). These ideas have stimulated some of the proposals for institutional reform to be presented to the People’s Consultative Assembly (MPR) later this year. For example, proponents of a direct, nation-wide presidential election (using the winner-takes-all system) argue that such a voting system will make the president more responsive and accountable to the people. Proposals to establish three legislative bodies—a People’s Representative Council, a People’s Consultative Assembly, and a Regional Representative Council—are motivated by a desire to close the distance between legislators and constituents. Decentralization of government authority (mentioned above) is meant to enhance the resources and authority of local officials, so that those who elected them can hold them reasonably accountable for their performance. Thus, calls for change in the way Indonesia is governed are being prompted by developments elsewhere in the region and by the spread of global norms of accountability and transparency.

International norms concerning the appropriate use of force have also been influential in Indonesia, encouraging separation between the national police force and the TNI (Indonesian armed forces). Some
Indonesians have proposed eliminating the army’s territorial command, and instead boosting the numbers of police officers (currently at 140,000) and improving police training. Such proposals hope to improve police response to communal violence, such as has occurred during the past year in Ambon, South Kalimantan and Aceh. Indonesia has fewer than one police officer per 5,000 people, and it has been estimated that some 40% of the existing force confines itself to desk work. So there is a long way to go before international norms of peacekeeping and peacemaking are to be implemented in Indonesia.

International norms concerning corporate responsibility, healthy working conditions and “livable wages” are also gaining ground in Indonesia, as mentioned above. Factories that are contracted by TNCs such as Nike and Gap Inc. are under an implied “social compact” to meet minimum standards and to provide certain social welfare benefits. That is, to engage in governance. The scope of this corporate governance will likely expand as workers aspire to better education, small-business training, and educational opportunities for their children. Surveys reveal such aspirations, and will undoubtedly generate further pressure from international NGOs.

CONCLUSION

While there are aspects of globalization that have been associated with worse governance in Indonesia, as in the case of the rapid inflow of international capital from the late 1980s through 1997, globalization has also resulted in better governance. The impressionistic evidence in the areas of capital flows and international ideas and norms presented here encourages optimism. In addition, international ideas about regional clusters, when combined with the devolution of powers to local government currently underway, has the potential to prompt joint public–corporate governance in certain parts of Indonesia. If governance is defined broadly, to include corporate governance, then governance in Indonesia is expanding and offers the potential for improved living and working conditions for Indonesian workers.

ENDNOTES


9. Ibid.

10. Ibid.

11 . Ibid., 2 n. 6.


20. Ibid.

21. Ibid., 2 n. 6.


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