

GLOBALIZATION AND MODAL SHIFT IN GOVERNANCE FOR DEVELOPMENT

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Abstract

Globalization, or the unprecedented geographical expansion of human interaction, also implies its increased complexity. That, in turn, calls for sophistication in its governance system. Such need is particularly acute in the governance of developmental activities. The tenet of this governance is to conduct such activities so that they effectively contribute to the enhancement of people's livelihood. However, globalization has provided people with more instruments and diverse opportunities to improve their livelihood. As such, even the national strategy for economic development must adapt to this change and it must provide the conducive institutional environment that encourages people's initiative and innovation in making good use of such instruments and opportunities. Obviously, the centrifugal governance system, found in many Asian nations, is no longer effective, and it must be replaced with the centripetal governance system that allows the lower echelons of the governance system to take initiatives and make innovations. Recent efforts by the governments of Japan and Indonesia, both of which are known to have exclusively exercised centrifugal governance, to introduce "decentralization" measures in their governance systems, corroborate the impending need for such modal shift.

1. Globalization, Economic Development, and Societal Evolution

Globalization has been a source of controversy for the last two decades, and this situation appears to grow in complexity with its geographical expansion. Nevertheless, there is a broad consensus in one respect; namely, globalization has had significant economic impact on human society. It has restructured the world economy, reorganized the spatial profile of production and consumption processes, and accelerated economic growth in many localities. The rapid rise of BRIC's nations as such growth centers epitomizes such changes. However, as the saying goes, "the devil is in the detail," and a closer look at

the changes reveals serious stresses and strains in the fabric of human society. Indeed, growing economic disparities within a nation, as well as between nations, has been the main source of controversy over globalization, as well as societal contentions. Even the United States, which is widely recognized as the main instigator as well as main beneficiary of globalization, now faces growing public discontent and demonstrations against the societal fabric that fosters inequitable wealth distribution.

Economists and policy makers may be pleased to see their nation achieve “economic growth,” but they may not be fully aware of the societal impact of such growth. While the term may sound benign and beneficial, it primarily refers to statistical changes in economy. It makes no reference to the material changes that have induced the growth. Perhaps for that reason, the term, “economic development,” is used much more widely than “economic growth” in many nations, and particularly in the developing world.

The word, “development” clearly implies material or physical change. At the same time, it also implies artificial or man-made change. In other words, the development at the actual site represents concrete and significant changes in the communal fabric and life in the locality concerned. For example, a specific developmental effort may refer to the establishment of a modern industrial factory and operation that has provided many employment opportunities. While such development may contribute to the locality’s economic growth, it may also have expropriated or polluted the land and water on which the livelihood of local communities depended. Economic statistics are unlikely to reflect such societal impact. Furthermore, such societal impact affects everybody, while the economic benefit is likely to be shared by a relatively small number of people, in the locality.

Globalization is often characterized as the global espousal of free-market economy. While the true meaning of “free-market economy” may be argued, its impact has already revealed itself. Essentially the impact features a triad of changes: namely, (a) enervation of localized economic system and its sustainability, (b) increased mobility of economic resources, and (c) expanded liberty for capitalistic pursuit, geographically and institutionally. The implication of these changes to local economy is obvious. For example, the economic benefit from any particular development is not only likely to be narrowly shared by the small group of people in the locality, but also with the people who come from outside to exploit economic resources and opportunities in the locality.

Therefore, unless the locality exercises proper governance over the developmental activities in its territory, the sharing of any economic benefit is likely to be uneven, and in favor of those with economic wherewithal or political clout. The fact that globalization has aggravated economic disparity within a nation as well as between nations suggests that such governance has not yet been widely or effectively exercised.

2. Evolving Governance for Development in Asia

Broadly speaking, economic growth of a nation is effected by development of economic infrastructure and utilization of available economic resources. When a nation aims at accelerating economic growth, the former is critical and the national government plays the key role in its development. This practice stems largely from three rationales. Firstly, infrastructure development often entails mobilization of national resources. Secondly, it inherently has strong network externality. Thirdly, it increases and improves utilization of economic resources and, hence, fosters economic growth. However, that is merely a theory, and to put that theory into practice is no easy task. The successful execution of such a task certainly entails competence in development management.

In order to manage such two-pronged developmental effort toward economic growth, a nation normally adopts a centralized governance system and practices centrifugal governance. As the naming suggests, this style of governance emanates a controlling force from the central government downwards, with regard to decision-making as well as resource allocation and appropriation. Indeed, this has been the practice of many nations in Asia, with each having experienced the stage of nation building or rebuilding in its recent history. Japan is one of them. Furthermore, Japan's rapid rise to a global economic power after its devastation from World War II gave credence to this style of governance for other Asian national governments to emulate. However, with the advance of globalization, times are changing, whether a nation espouse or eschew it. Today Japan no longer serves as a model nation in governance. Instead, Japan has become an exemplary case of failure in adapting its governance to the change of time, with its economy stagnating for more than two decades.

What change is taking place in economy? In the last century, industrialization was the mainstay of economic development, and a nation had largely to look to the material

resources available within itself for such development. Nowadays, expansion of service industry has become an integral part of economic growth, and information, finance and technology have become vital resources for advanced industrialization. The difference in the inherent nature of vital resources for economic development is worth noting. Material or physical resources are location-specific. In contrast, the triad of economic resources for advanced industrialization, mentioned above, is location-free. In other words, these resources can be transported anywhere, with little cost or loss of time. Furthermore, globalization has led to democratization of access to these resources. This engenders a new strategy for economic development, and that is to design and operate the best combination of location-specific resources and location-free resources to expand industrial output and to effect economic development.

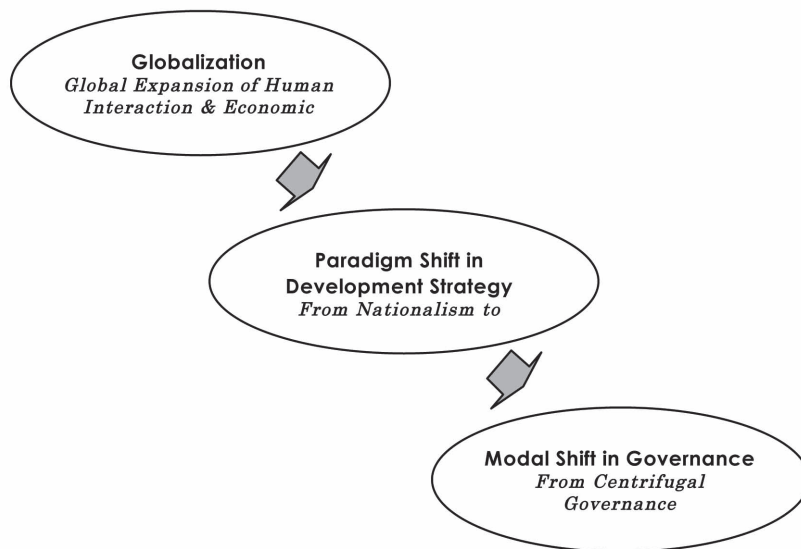
Such a strategy must also be equipped to deal with another aspect of globalization, which is globalized market and competition. This implies that industrial operation and production should aim at the global market, and that the product must be competitive in that market. Not surprisingly, the issue of market competitiveness has been a popular topic of business management in recent decades, and various theories have been offered. However, from a locality's point of view, the issue is the same, and that is to design and operate the best combination of location-specific resources and location-free resources. Since the latter is equally available to other localities, it is more critical for the locality to execute the strategy that enhances and excels in the utilization of locally available resources. Furthermore, nation being an aggregation of such localities, this new strategy should equally apply to the nation as a whole.

The above discussion thus implies the paradigm shift in national development strategy, and the shift may be termed "from nationalism to glocalism." In this context, nationalism represents the strategy of which the tenet is nation-building or enhancement of nationhood. In contrast, glocalism, represents the strategy that promotes developmental efforts which not only make use of the globalized economic environment, but also effectively contribute to people's livelihood at the locality or community level. Naturally, the implementation of this new developmental strategy calls for pertinent adjustment in the system of governance as well. What is required for the new developmental strategy is the modal shift in governance; namely, from centrifugal governance to centripetal governance. This style of governance features, not only the increased autonomy of the

local authorities in governance, but also the increased flexibility of the central or higher authority of governance in providing support and facilities for localized developmental efforts.

Figure 1, below, illustrates these evolutionary changes in societal fabric that globalization engenders.

Figure 1: A schematic presentation of the evolutionary change of societal fabric by globalization



3. Modal Shift from Centrifugal Governance to Centripetal Governance

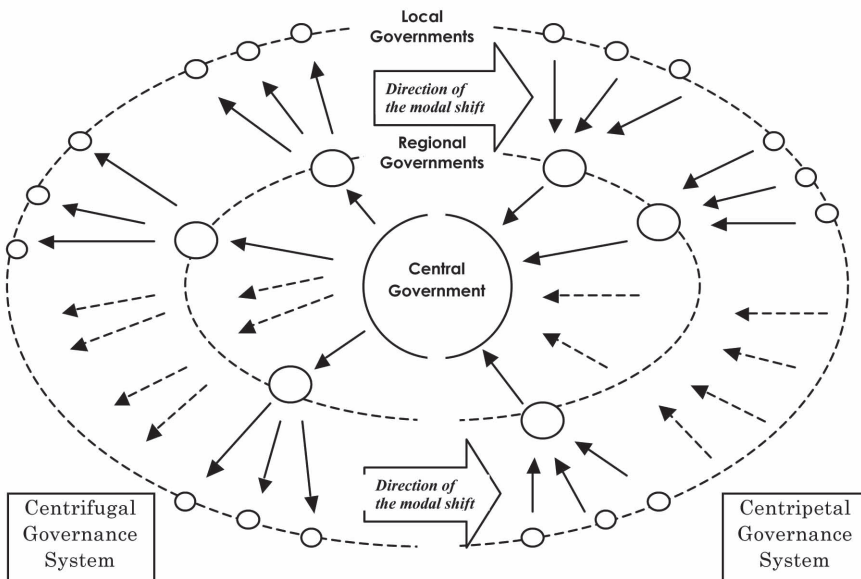
In the centrifugal governance system, developmental efforts are designed by the central agency and the local agency is expected to implement appropriate activities towards the designated and localized developmental goal, which forms an integral part of national developmental strategy and goal. The local agency has little room for exercising its initiatives in such effort, because of the resource control and constraints that the central agency has imposed. In contrast, the centripetal governance system features increased autonomy of the local agency in management of developmental efforts for the locality.

The keyword for this management is flexible coalescence. Societal congruity is essential for the viability of society or nation. It is fostered by the presence of effective facilities

and control mechanisms for productive human interaction within the society. Although these facilities and control mechanisms stipulate certain norms for interaction, individual members of the society still have considerable liberty in pursuance of their livelihood. Such flexibility and freedom of action or interaction allow individual members of a society to exercise their talents and ingenuity for enhancement of their livelihood and, thus, they collectively contribute to the dynamism and viability of society. In short, centripetal governance system essentially aims at fostering such dynamism and innovative culture among the actors and stakeholders in developmental efforts.

In this system, the hierarchical structure of governance system remains the same, but the functional relationships between the agencies at different hierarchical levels will be significantly different. The central or higher-level agency will essentially perform two functions. One is the formulation of developmental directions and goals, and the other is the provision of resources and technical support for those developmental efforts by the local or lower-level agency. Thus, the local or lower-level agency can exercise considerable autonomy in setting its priorities and designing the developmental future for the locality, while ensuring the compatibility between their developmental priorities and design and the nation's developmental directions and goals. The higher-level agency may exercise its supervisory role in ensuring the compatibility, but it should refrain from

Figure 2: A schematic illustration of the modal shift in development governance



stipulating priority or design for developmental efforts of the local or lower-level agency.

The contrasting governance style between centrifugal governance and centripetal governance, and the modal shift from the former to the latter are illustrated in Figure 2.

4. Challenges in the Modal Shift

Of course, the modal shift is easier said than done. It faces political and technical challenges. The political challenge stems from the bureaucracy that is accustomed to the power and privilege of centrifugal governance. The technical challenge is the lack of expertise and experience in governance for development at the local government level. Such governance entails effective promotion, control and coordination of developmental changes along the designed developmental goal or milestones. However, this again poses both technical and political challenges; namely, the technical challenge for the local government to engage relevant expertise for designing such developmental future, and the political challenge to muster public consensus for such a future.

The critical issue in the modal shift is the capacity building at the local government level, which is often steeped in centrifugal governance. Therefore, the capacity building must be a two-pronged effort. One is to enhance the research capability for designing the future of local society, and the other is to enrich the experience in centripetal governance. However, research is rarely emphasized in any government. This is no surprise, because scientific knowledge and findings tend to constrain political liberty. As such, the modal shift cannot help but face political challenge and technical challenge at the locality level as well.

The political challenge is the enhancement of democratic process for designing the locality's future and the developmental program towards such future. The democratic process is important, above all, for two reasons. One reason is the sharing of information and understanding of the locality's potential and prospect, as well as constraints, for development, among the people concerned. This process is not just to improve the transparency of political decision-making, but also the quality of debate on developmental issues. The other reason is the enhanced consensus on, and cooperation in, actual developmental efforts by the communities and people concerned. Such consensus and

cooperation naturally increase the ownership mentality of the people towards the efforts and their outcome, and that in turn enhances the utility and utilization of developmental changes.

The technical challenge is essentially to conduct credible research that helps those communities or people whose livelihood will be affected by the developmental effort concerned. In other words, credible research is called for production or provision of the pertinent information that leads to rational and objective assessment of the locality's developmental potential and prospect, as well as constraints, for its viable future. Furthermore, such developmental efforts and their implementation must be able to receive, at least, acquiescence, and hopefully material support from the higher-level or other governing institutions that have stakes in the development at issue. As such, the credibility demanded of such research is inevitably high. However, it is not easy for the locality to have or find appropriate institutional support for conducting such demanding research. After all, the need for such research has rarely arisen in centrifugal governance system. Under such circumstances, one prospective approach is the formation of partnership between the locality and some scientific institution that has interest in development management. Such partnership will reciprocally provide the institution with valuable opportunities to gain experience and to enhance its capabilities in systems approach and multi-disciplinary research, both of which are essential for competent development management.

5. Chances for the Modal Shift

The modal shift is unlikely to happen naturally in the environment where centrifugal governance is a norm. Opportunities for centripetal governance arise when central government finds it difficult to apply normal centrifugal practice, because of difficulty in fully grasping the unique or dynamic conditions that pertain to local development or restorative effort. Such circumstance arises if and when a particular locality has been hit by a calamitous event, such as earthquake, tsunami or volcanic eruption. Any calamitous event entails immediate and large-scale relief or restorative operation. Furthermore, such operation must be able to deal with extraordinary conditions and needs, which are unique to the locality concerned, and are likely to constantly evolve as the operation progresses. This clearly suggests that initiatives and active participation of local people are essential

for such operation. Therefore, centripetal governance, in which the governing agencies at the locality level take the lead in its organization and operation, is the only practical approach.

The other opportunity is tourism development. Tourism is a growing industry worldwide, and many nations list its development high on their national economic agenda. Accordingly, individual localities and tourism operators face keen market competition of global scale. Therefore, any locality that aims at viable tourism development must make creative or innovative use of cultural or natural properties available in the locality as the vital resources for such development. However, few local communities have the skill or experience for effecting such innovation. Thus, many communities are tempted to emulate some tourism development of the past. Such temptation must be checked by the consideration for viability or sustainability of the development scheme at issue. For example, it is politically very tempting to attract significant investment from outside and to realize significant facility development for tourism. Such approach may generate a large in-flow of tourists for a while, but that kind of success is rarely sustainable. After all, the higher the stake, the higher the risk involved in any business venture.

In large-scale tourism development, such risk is twofold. One risk is the difficulty of retaining the attractiveness of the natural or cultural resources on which the local tourism depends. The risk of overexploiting such resources is constant, if the development depends on investment from outside, because it tends to aim at maximum return to such investment. Even if the investment relies on local sources, there is always the risk that results in “the tragedy of the commons.” Besides the risk of degradation in resources and environment for local tourism, there exists the risk of fluctuation in the number of in-coming tourists. Such fluctuation may be seasonal, or it can be due to change of fashion in tourism. Whatever the cause may be, it inevitably leads to low utilization and productivity of local tourism facilities on average, and that implies the loss of economic viability.

The better approach is to exercise centripetal governance, and to call on the support of the central or higher-echelon agencies. Tourism development has been recognized as a prospective approach to ameliorate the growing enervation of peripheral areas and their economies. If the regional or national agencies concerned can appreciate such prospects,

they will acknowledge the partnership with those localities interested in tourism development as an integral part of their own developmental efforts. Then, their support to local initiatives and innovation will become much more active and effective.

The involvement of higher-echelon agencies is essential for another reason as well. Discerning tourists who are interested in cultural events and experience need easy access to their destinations of choice. In this regard, facility development for communication and transportation is essential. As these facilities have strong and positive network externality, their developmental effort must come from appropriate higher-echelon agencies. Thus, centripetal governance works and contributes to national economic development.

There exists another opportunity for the modal shift in governance, and this opportunity is engendered by globalization on the one hand and, on the other, inherent nature of conservatism in governance. The latter usually stems from the polity that has fostered bureaucracy and promoted such regulations that acquiesce to vested business interests. Such politics and practice have often grown in the age of nation-building or rebuilding, and been supported by centrifugal governance system. However, globalization and the attending globalized economic system have made this governance style and practice obsolete in recent years. This trend is evidenced by some of those nations that had achieved notable economic successes in the previous era of nation-building and now suffer from their well-trenched centrifugal bureaucracy and the resulting economic stagnations.

6. Budding Practice of Centripetal Governance

There is no denying the fact that centrifugal governance system has been the established norm ever since the emergence of nation-states. The sovereignty of these nation-states in the governance of national affairs has also been the established norm in international diplomacy. In fact, they represent two sides of a coin. Globalization has now disturbed such established foundation of national governance system. It has broadened and heightened the mobility of economic resources, and this change has made it well-nigh impossible for the national economy to remain viable within the geographical confine of national borders. Many nations have recognized and started to adapt to this reality. However, there are considerable variations in politics between nations, resulting in equally

considerable variations in the skill and success in such adaptation. Japan and Indonesia have long been the adherents of centrifugal governance system, reflecting the importance of nation-building in their respective history and politics. However, even these nations have begun to experiment in centripetal governance. It is worth noting that this modal shift was prompted by, economic mismanagement and resulting political pressure for change, as the following explains.

Japan experienced its financial crisis in 1991, when the bubble economy burst by the collapse of its real estate and stock markets. Ever since, Japanese economy has lost its vitality, and its stagnant growth has now been dubbed as “the lost two decades.” Its national government thus initiated a new scheme for economic vitalization, and named it “special district with structural innovation (SDSI)” in 2002. Its tenet is to encourage municipal governments and NPO’s in initiating activities that make effective use of unique local characteristics and resources for enhancement of people’s livelihood in the area concerned. The SDSI’s feature is the willingness for the central government to modify existing rules and regulations according to specific needs of the public as well as private entities that want to initiate innovative activities at their localities. At the same time, it stipulates that no financial incentives or support is forthcoming from the national government to such SDSI programs.

This concept or policy acknowledges that the existing centrifugal governance system has stunted localized initiatives and innovation for improvement of local livelihood. In other words, the scheme’s hidden agenda is to identify from the experience of various SDSI efforts some prospective modifications in the existing rules and regulations for nationwide application and economic vitalization. The government has received well over one thousand applications in the last ten years, and some SDSI projects have led to actual modifications in the national regulations of one kind or another. A similar SDSI scheme has also been employed in order to promote economic revival of the areas that suffered from the calamitous earthquake and tsunami of March, 2011.

Indonesia was hit by the so-called Asian financial crisis of 1997. This crisis affected those Asian nations that relied heavily on foreign investment for their economic growth. Indonesia was one such nation, and its national government responded to this crisis by “decentralization” policy. Its tenet is the devolution of governance to the regional and

district authorities, together with redistribution of national revenues and democratic election of district heads. This reform was widely regarded well overdue in view of considerable variations between the regions and their geographical features in the country. However, since its implementation started in 2001, it has engendered numerous confusions and conflicts within the overall governance system. This situation may be largely attributed to the enormity of administrative adjustment and the inadequacy of transitional plans and procedures on the one hand, and the diversity of geographical characteristics between the regions and districts.

These issues are most acutely felt in management of communal properties for development. The ownership of these properties has been a serious bone of contention between the government and the citizens of Indonesia since the establishment of modern nationhood in 1949. Indonesia is said to have 300 ethnic groups, each with distinctive cultural tradition and practice. Furthermore, their communal livelihood has traditionally been sustained by democratic management of the communally owned land and natural resources. However, after independence the national government has assumed the ownership of all such land and natural resources. This contention of ownership was exemplified by the regional strife in Aceh Province, which stems from the national government's sanction of large-scale extraction operation of oil and gas resources in the province, with little regard to the livelihood and welfare of the local people.

It is not difficult to predict that the decentralization is likely to foment similar incidences of communal strife throughout the country, unless the modal shift in governance for development is promoted. The key for effective promotion is the revival of traditional culture and communal governance system that has sustained communal congruity and managed communal properties. In other words, the integration of such informal governance system into the formal local governance system holds the key to successful modal shift and viable development of communities. It is also the key to the nation's economic success, as the consolidation of such communal successes. As such, Indonesia and its government must systematically take up the challenges of the modal shift that have been elucidated herein.

Although budding practice of centripetal governance looks very different between Indonesia and Japan, interesting similarities also exist in these nations, with regard to

major hurdles against the modal shift. They are recapitulated in the following, and the improvements in the listed problems will serve as useful measures of progress in the modal shift.

- 1) Inadequate appreciation of local geographical characteristics and their diversity;
- 2) Strong legacy of centrifugal governance;
- 3) Inherent resistance of political elite to yield to scientific knowledge; and
- 4) Inbuilt sectionalism in governing institutions, which tend to block holistic approach.

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