

A Search of Post Authoritarian Regime

- Globalization, Localization, and Democratization -

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Introduction

In ten years since the end of Cold War, we have seen tremendous changes, some of which were well anticipated, but some others almost totally unexpected. Ten years ago, we discussed about the coming of a “unipolar” world with some concerns. On the other hand, very few doubted about the prospects of “market economies” in the former planned economies. In addition, the end of East-West parallel was expected to greatly enhance hopes to settle North-South disparities. Today, the sole surviving “superpower”, the USA, is increasingly looking for her “national” interests, rather than willing to meet with her global responsibilities. The transitional economies, as now the former East Europe and the Soviet Union are called, have marked some successes in terms of their conversion to market economy. Today, however, they face no fewer problems than before. In addition, the rich-poor gaps between the North and the South increased rather than decreased.

In Asia and the Pacific, much the similar picture could be drawn. Ten years ago, the region appeared to be one of the leading regions of economic growth. With the great success in transforming the region into a most dynamic “growth region”, some argued the 21st century would be that of the region. In fact, the transition from socialist economies to market economies was commenced earlier than 1989, both in China with her “four modernization” policy and in Vietnam by Doi Moi policy. They in fact remarked quick growth. Against this backdrop, the end of Cold War provided a great opportunity to enhance a regional economic integration beyond political differences, the differences of which had hitherto divided the region. By the mid 1990’s, regional disputes subsided when peace was finally brought to Cambodia. Globalization was a catching-word for the region’s ever increasing importance. Yet, today that dynamism lost its momentum. Nearly all of them suffered from the economic crisis of 1997, and some still are struggling to get out of it. Many regimes, that succeeded to achieve rapid economic development with relative political stability, have gone. The authoritarian regimes that brought about the “miracle” were replaced with more “democratic” but less “developmentalist” governments. Regional cooperation, once marked the future of the region, is gradually replaced by competition between and among themselves. Economic growth slows down, if not contracted, and social unrests increase dramatically. Many nations in the region, in addition, began to see the rise of ethnic and religious conflicts within. Separatist movements have obtained new momentum, difficult to be contained by mere military means. With these new discoveries, globalization today is increasingly seen something detrimental to national inte-

gration and economic growth, indeed opposite of what it meant ten years ago.

What then happened in the past 10 years? One can argue the last ten years as the period in which globalization was the main reason for the transformation, positive as well as negative. An extreme case, some insist, is a simplistic generalization in that globalization is "Americanization", which can be accepted as long as it brings benefits. But, if not, it certainly earns enmities to things American. Or as another do, one could also argue this period as one in that modern states started to lose its grip vis-à-vis the rising importance of market. Simply state has lost battle with market. The USA is not the exception either. One can argue too that the last ten years was the period in which the rising expectation to the UN system had been continuously betrayed, but yet the expectation never dried out. Instead, many nations became more inward-looking, and making a search of regional consolidation as long as favorable to her own national interest. Last but not least, the period was marked by the lack of international or global enthusiasm, and by the rise of egocentric national sentiment and national interests. Perhaps all of these interpretations would be exhibiting some aspects of the period. But, I am more concerned with internal changes that took place in the post Cold War period. Being aware of the big differences between Russia and such countries in Southeast Asia as Indonesia, yet I would like to look into the internal "structural changes" in the past ten years. These changes, Indonesians often call it as "Reformasi (reformation)", are, from my point of view, simply de-authoritarianization in terms of demilitarization, democratization and decentralization. And this is the very issue I would like to discuss more in detail.

In this paper, I would like to throw a light on these structural changes within state. The point of interest is the rise of sub-national, local and grass-root actors in national, regional, and global transactions. Bearing this in mind, I will concentrate my observation upon a trend that accelerates these changes, especially one that I call here localization. This is primarily because, as we will see, localization is an inevitable trend in a global age. Secondly, localization, at least in Asia, is in effect lowering the wall of nation-state. Of course we should not underestimate the impact of localization upon the rise of inter-local as well as intra-local conflicts. Yet, it does offer a room for peaceful settlements in a very different manner than those at national, regional and global levels. Thirdly, the very manner that characterizes the settlements of sub-national, local and grass-root conflicts is consisted of by overwhelmingly non-military means.

Localization as a Trend

First of all, we look into a trend called localization. Since the beginning of the 1980's, the region of Asia has been undergoing rapid transformation, viz. globalization, democratization and localization. Globalization, with its all connotations and denotations, has attracted much attention throughout the region as a tendency that would bring about tremendous changes in economic, social and political life. The recent economic crisis, which started from Thailand in July 1997, made the region far more aware of its impact. Democratization too has become

the order of the days. Since the Filipino “people power” toppled Marcos regime in February 1986, authoritarian regimes, which had dominated politics in the region since the 1960’s, began to be replaced by more democratic governments. Korea, Taiwan and Thailand put an end to military or semi-military rule. And in May 1998, the 32 year long Suharto regime of Indonesia fell, and a year later emerged was the first popularly elected government of Abdurrachman Wahid, who in mid 2001 was replaced by Megawati Sukarnoputri. In line with this, the rise of “civil society” attracts much attention as a force behind democratization. However, localization does not seem to enjoy that much attention, even though this tendency too has been quietly becoming a salient phenomenon in Asia.

Localization, as we will see shortly, is a complex process of transformation. One aspect of the change is the transfer of power and resources from central government to local government units. In this sense, according to one account, such transfer has been underway in more than 60 of the 75 developing and transitional countries with populations of over five million as of the mid 1990’s.¹ One can explain this as an outcome of the “failure of state”. Despite, or perhaps because of, much centralized power, World Bank and other international aid agencies claim, these states have not succeeded in appropriately distributing the benefits of economic development. One should also bear in mind that the uneven distribution of benefit caused serious disparities, socially as well as regionally, within those countries concerned. Rising are social unrests, inter-ethnic and religious conflicts, and political struggles.

This is particularly the case with the region of Asia. Having seen the tremendous impacts of the “failure of state” in coping with the most recent economic crisis, the countries in the region have been taking such steps as de-centralization, de-concentration, de-regulation and so on, the changes of which are important components of localization. For this, one would argue, globalization does not seem to allow them to take such “reverse course” as re-centralization, re-concentration and further regulation. As we shall see in the following, however, more important is an irreversible domestic transformation in which newly born regimes in the region almost unanimously seek to promote democratic reforms, or dismantling the previous authoritarian regimes.

In fact, as in the case of the Philippines, the power and resources, hitherto almost completely monopolized by central government, have been transferred to local government units or even non-governmental organizations or NGOs. Of course the extent to which the power and resources have been transferred differs from a country to another. Nonetheless, it is safe to say that this tendency of localization will certainly bring about significant changes over the economic, social and political life of the region.

At this stage, it may be too early to assess the impact of localization. Yet, a number of questions arise. What changes it will bring about in the relationship between central and local governments? Is it merely the transfer of power and re-

¹ W. Dellinger, *Decentralization and Its Implications for Urban Service Delivery*, Urban Management Program Discussion Paper 16, World Bank, Washington, 1995, p. 8.

sources from the central government to local government units? As seen in the experiences in the Philippines for example, it also brings about a fundamental transformation in the relationship between state and society. The “culture of dependence”, according to a drafter of Filipino “Local Government Code of 1991”, had characterized her relationship between state and society. In that, salient was state’s concentration of power and society’s search of patronage. With the local government code put in place, he claims, the vertically organized relationship has been transformed dramatically toward one of horizontal partnership between governments, central as well as local, on one hand and NGOs, peoples organizations or POs on the other.² Then, is it the case that localization put an end to authoritarian regime? Or, conversely, does the end of authoritarian regime set localization into motion? Whichever it may be, one cannot deny the fact that localization is closely related to a search of post-authoritarian regime in the region. At least in the long run, I would argue, it will bring about a multiplex changes in political, social and economic, even cultural life in the region. Then, first, let us begin to look back the economic evolvments in the region leading to localization.

Economic Process toward Localization

Throughout the 1950’s and the 1960’s, most countries in the region had sought to develop the so-called import-substituting industries with an aim to catch up with the developed economies. However, their domestic markets were limited, and human resources in terms of entrepreneurship as well as technical expertise inadequate. With no firm domestic economic foundations, thus, such policy required them to rely on official aid and private investments from the outside on one hand and to concentrate their limited resources on state-run enterprises on the other. However, domestic political conditions were neither stable nor conducive to the policy of “dependence” on those former colonial powers, since still lingering was their historical experiences of colonialism. In addition, the global and regional tensions of Cold War, superimposed on domestic and regional disputes, prohibited a stable flow of cash to these countries. In short, the import-substituting industrialization did not produce the desired result, and instead many tumbled down in economic crisis.

Facing with this crisis in the 1960’s, almost all nations chose a further concentration of power and resources into the hands of state and state-run enterprises, rather than their decentralization and privatization. By the early 1970’s, commonly emerged was the so-called authoritarian regime with state-led development policies. Different from the previous attempts, it unanimously promoted an export-substituting industrialization by aggressively introducing foreign private investments. Having tried hard to compromise with donor countries as well

² Paul P. de Guzman, “Decentralization as a Strategy for Redemocratization in the Philippine Political System”, *Philippine Journal of Public Administration*, Vol. XXXII, No. 3 and 4, July – October 1988, p. 219. Also it should be interesting to look at a book written by one of the authors of the local government code of 1991, A. Q. Pimentel Jr., *The Barangay and the Local Government Code*, Rex Book Store, Manila, 1994.

as international aid agencies, this choice was met with favorable responses from developed economies in the post oil crisis. Throughout the 1970's, especially after 1974 and 1975, capital flows to the region, ODA as well as private finance, grew remarkably. Asia quickly emerged as an industrial growth center.

Along with the rapid development, however, almost all regimes began to face with newly emerging problems, viz. the chronic current account deficits, the widening gap between the rich and the poor, urban and rural, and so on, plus the rapid degradation of environment. There were some attempts to cope with these economic, social and environmental problems. One of them, interesting enough to mention here, was a decentralization of development projects. Yet, none of these attempts were put into practice, if not seriously implemented at all. State control was still very tight, and rapid economic development continued as well.

However, the 1980's saw the resultant structural changes. The emergence of a civil society within these authoritarian regimes did bring about multi-faceted effects including the quest for equality, human rights, political participation, environmental protection, and so on. The civil society, whose characteristics are not fully known yet, is composed of by the so-called urban middle class with higher educational qualification and distinctive technical expertise. Its size was yet relatively small when compared to the massive rural population. But their quests could not be lightly neglected since they were the very driving force of continued economic development. Though the beneficiaries of the authoritarian regimes they were, this urban middle class did not hesitate to use their newly obtained muscle when the regimes failed to deliver the expected goods and services. A few examples are "people power" of the Philippines in 1986, the anti-military citizen's resistance of Thailand in 1992, and the reform movement in Indonesia in 1998. Indeed the ever-growing civil society in the region appears to be putting an end to the authoritarian regimes, which, at least from their point of view, have become increasingly corrupted and inefficient. At the same time, we should bear in mind that their quests could be better met not by further concentration of power and resources onto state but by decentralization of them to the civil society.

Widening Disparities as Cause

One of the central issues, which gives birth to and promotes localization, is inter-local disparity. It has been often argued by economists that in the process of economic development, income disparities tend to be widen in the initial stage of development, and to be shrunken subsequently.³ However, it is not the case with the experiences in the region. Indeed the proportion of poor to the total population has been shrinking, but income disparities have not been reduced as suggested. For example, according to World Bank, the poorest segment of the population in Indonesia shrank from 29% in the period of 1980-1985 to 15% in that of 1989-1994. Her income disparities shrank but not as much as expected. During the

³ According to the hypothesis of Simon Kuznets, inequalities follow an inverted U curve as par capita income grows.

same period, the amount of income of the poorest 20% of the population rose from 7% to 9%, and that of the richest 20% fell from 53% to 41%.⁴

No less important is inter-regional income disparities. In Thailand, the per capita GDP of northeastern Thailand, the poorest in the country, sank from 15% to 12.4% of that of Bangkok metropolitan region, the richest in the country, from 1985 to 1989.⁵ Between 1983 and 1990, the per capita GDP of eastern Indonesia declined from 92.8% to 85.7% when compared to western Indonesia. The gap in terms of regional per capita GDP between the poorest province, East Nusa Tenggara, and the richest, East Kalimantan, was 1 to 11.8 as of 1996, and its gap with the second richest Jakarta was 1 to 9.8.⁶

Such disparities may rise as the result of regionally unequal economic development. Among factors giving rise to discrepancies between regions, one can cite the presence or absence of natural resources, the available reserves of land, labor, capital, and other factors of production, plus the geographical location and the nature of the local natural environment. Investments, according to the "law of the market", tend to be concentrated in areas with economically favorable conditions. Varying availabilities of resources and reserves of production factors in the region, access and other geographical conditions, the presence of local markets, and other capacity for development, these can lead to local inequalities in the distribution of private investments as well as public spending on infrastructure.

However, more important cause for widening disparities is the way in which economic development has been implemented. It has been argued fairly widely that economic growth in relatively advantaged areas would have the so-called "trickling down" effect onto the surrounding, less favored regions. In other words, the assumption of this effect justified government to give its highest priority to the promotion of development in advantaged sectors, as well as that in those localities with resources and relatively favorable conditions as mentioned in the above. A number of experiences amply indicate that this approach, when without supporting industries and markets around, simply created an "enclave" of industrialization, isolated from the surrounding regions, and had few "trickling down" effects on the nearby economies.⁷

It would result a worse outcome if such differences in economic factors were combined with social and political factors. One of notorious examples is the discriminative treatment based on racial, ethnic and religious differences. Regional imbalances in resource allocation would not only create gross disparities but also well lead to regional conflicts in such cases where racial, ethnic or religious dif-

⁴ World Bank, *Social Indicators of Development*, 1996.

⁵ This is a bit old data. H. Nagamine, *Regional Development in Third World Countries* (in Japanese), The Nagoya University Press, 1985, pp. 36-37. Also see Verakorn Samakoses, K. Taniguchi and M. Makashima eds., *Local Economic Development Core in Thailand* (in Japanese), Institute of Developing Economies, Tokyo, 1994.

⁶ Mohammad Arsjad Anwar and K. Omura eds., *Local Development in Indonesia* (in Japanese), Institute of Developing Economies, Tokyo, 1994.

⁷ JICA, *Local Development and the Role of Government*, Report of the Issue-wise Study Committee for Development Assistance, March 1997, pp. 20-21.

ferences are already the source of social strains. Here one can recall many uprisings whose roots are inter-ethnic disparities including those in Indonesia today.

In short, excessive centralization in terms of over-concentration at the hand of central government, whose capacity is limited in promoting economic development and social security at all localities, tends to result in the insufficient redistribution to localities. As one account warns, the concentration of power and resources in the metropolitan region, often overlapped with the capital city, has spurred development in those areas, with resulting disparities between center and region, between urban and rural communities. Those who seek job opportunity are pushed to migrate from rural areas to the cities where investment is concentrated and thus more jobs are available, turning national capitals into sprawling mega-cities on one hand and rural communities into deserted ghost villages on the other.

Political Process toward Localization

In Asia, however, localization attracted little interests until very recent. Most of the Asian countries under authoritarian rule have continued to achieve their "miracle" in economic development and political stability. For nearly 30 years from the mid 1960's, salient were further centralization, concentration and state regulations. Hence, localization in terms of the transfer of central government's power and resources to local government units had never been seriously attempted except the time when they faced with serious economic, social or political crisis.

For example, the Philippines under authoritarian rule of Ferdinand Marcos, who was under pressures from donor countries for democratization, had legislated a number of laws to transfer some power and resources to local government units mainly to compensate with his martial law regime that started in 1972. Even under such circumstances, he could have managed to expand his political patronage by replacing his political opponents in locality with those belonging to his nexus of political and economic power, or cronyism. Localization had to wait until Corazon Aquino, who replaced Marcos in 1986, passed the local government code of 1991 at the end of her term. Fidel Ramos, following Aquino's efforts of reform, implemented the code by which the dramatic devolution was started.

In Indonesia, on the other hand, the Suharto government adopted its first basic law for local autonomy as early as in 1974, amid the so-called "oil bonanza", and tried to put an upper-limit to the too much centralized power and resources in the hand of the central government. Yet, due partly to the lingering bitter memories of regional uprisings in Sumatra and Sulawesi in the 1950's,⁸ and also

⁸ I refer here to the movements called PRRI/Permesta, each established revolutionary government separate from Jakarta, at that time Sukarno was the president. Soon, under the martial law, the armed forces regained the control over the regions. Yet, these rebellions led the armed forces to be deeply involved in security as well as administrative affairs since then. On these developments, see H. Feith, *The Decline of Constitutional Democracy in Indonesia*, Cornell University Press, Ithaca, 1963, D. S. Lev, *The Transition to Guided Democracy: Indonesian Politics*

partly due to the strong resistance to decentralization from the powerful armed forces, no meaningful changes had ever been made. Suharto's sixth five-year plan, 1993-1997, included more serious attempts to strengthen local development by local initiatives. But, again they only benefited him and his cronies. His last plan, 1998-2002, had more drastic measures for local autonomy, but he fell in the midst of economic and political crisis in May 1998. The following government of B. J. Habibie, who was hand-picked by Suharto, promoted a number of reforms including the devolution of central government's power and resources to local government units. Habibie could hold his power for only 17 months. Replacing him in November 1999, Abdurrachman Wahid, who was the first elected president in the republic's history, quickly signed the new legislation of local autonomy in 1999. Within a year and a half, the Abdurrachman Wahid's administration was discredited by the parliament, and replaced by Megawati Sukarnoputri in July 2001. Yet, the implementation of the law was already put into effect from January 1, 2002.

However, one should not overlook the fact that localization is taking place in such countries like Korea, too. Republic of Korea had successfully achieved a remarkably equitable development during the authoritarian rule under General Park Chung Hee, 1961-1978. However, for nearly 27 years from 1961 to 1988, local autonomy was forced to cease almost in toto. Only after the popularly elected General Roh Tae Woo replaced the military strong man Chun Doo Hwan as the president in 1987, his government legislated a law for local autonomy in 1988 as a part of his declared democratic reforms, and quickly re-established 230 odd local governments, legislatures and executives, with a substantial devolvement of central government's power and resources.⁹ In addition, the localization in terms of de-centralization is underway in Japan, too. Her 3,200 odd local autonomous authorities, which certainly enjoy much higher degree of "autonomy" than their predecessors under the military regimes in the pre-war period, have for long been seeking to enhance their own policy-making, administrative, and financial capabilities vis-à-vis the central government. Impinged upon the worst crisis in 50 years, the central government under Premier Ryutaro Hashimoto adopted a plan of administrative reform in 1998, and Keizo Obuchi, who replaced him in the same year, finally passed 420 odd legislations in October 1999. They have been put into effect since April 1, 2000 with purposes to promote more local initiatives in providing administrative services and goods at locality on one hand and to reduce the already too heavy responsibility of central government on the other.¹⁰

1957-1959, Cornell University Modern Indonesia Project, Ithaca, 1966, and also J. D. Legge, *Central Authority and Regional Autonomy in Indonesia: A Study in Local Administration 1950-1960*, Cornell University Press, Ithaca, 1960.

⁹ Interesting here to mention is that the core of Korean local autonomy in its conception was to promote the local government units' independence in administrative function from the central government on one hand and to enhance popular participation in the local administrative process on the other. H. Kobayashi, "Korea", in A. Morita ed., *Local Governments in Asia* (in Japanese), University of Tokyo Press, Tokyo, 1998, pp. 62-63.

¹⁰ Regarding Japan's efforts for administrative reform in this sense, useful is a series of pub-

From the above brief sketch on some cases of localization in Asia, one could argue that this region-wide phenomenon is, first of all, an effect brought about by the evolution of globalization and deepening interdependence since the 1980's. Indeed economic and political transactions now transcend national boundaries on one hand and they begin to wield greater influences on domestic scenes, far greater than ever before, on the other. Under such circumstances, many developing and transitional countries, even some developed ones, are being forced to downsize their state apparatus and to promote deregulation in order to achieve competitive development. In addition, the very success in economic development and the resultant emergence of "civil society" tend to increase popular demands on state to deliver more equitable and efficient services and goods such as job creation and security, life insurance, pension, health care, education, environmental protection, human rights and so. Being unable to match those needs, hence, much sought today are decentralization instead of centralization, de-concentration rather than concentration, popular participation but not any more state control, and so on.

And, due to the very fact that the region of Asia has remarked a "miracle" of economic development mainly by the centralization, concentration and regulation of power and resources onto state, or more correctly speaking central government, this shift of paradigm would bring about far bigger impact and changes in this region than in any other regions. It is especially the case with those authoritarian regimes in the region. In spite of all its power and resources unmatched to anyone, it seems to me, those regimes collapsed rather abruptly when they failed to deliver such services and goods as indicated above. Apart from their ill-preparedness vis-à-vis globalization to which many tend to look for the reasons of their failure, I would argue, those regimes were too rigid to the demands of localization. Even at this stage, one can safely say that localization is not the sole reason for the downfall of authoritarian regimes in Asia, but certainly it is a pivotal change that promotes the deconstruction of authoritarian rule on one hand and prepares the emergence of a new regime in the region on the other.

Administrative Reform and De-Centralization

I have argued in the above that localization is a multiple process from which resulting are not merely administrative reforms but also fundamental changes in economic, social and political life. Yet, at this stage at least, the central issue is administrative reforms. An increasingly globalized market makes the state-led development more difficult to maintain its competence.¹¹ The over-concentration of power and resources to state, or central government, no longer secures a kind

lished report by the government commission on promoting local autonomy, especially the first proposal in Secretariat of the Commission on Promoting Local Autonomy, *The Creation of Decentralized Society* (in Japanese), Gyousei, Tokyo, 1997.

¹¹ One of recent works touching on this topic is D. Yergin and J. Stanislaw, *The Commanding Heights, the Battle between Government and the Marketplace That Is Remaking the Modern World*, Touchstone, New York, 1998.

of development that is required today, one that is equitable, sustainable and competitive. Quite contrary, the top-heavy system of administration now becomes impediments to the transformation of development itself. Unavoidable is the reform of state. In addition, one should not overlook, no government is free from the pressure to deliver a wide range of goods and services more efficiently and more equitably. How, then, can such burgeoning demands be met and by whom?

It seems that a common answer to this is administrative reforms. According to one account, more than half of the largest 123 countries in the world had engaged in one kind or more administrative reforms in the 1980's and 1990's. It is revealing since they have different histories, different electoral systems, different stages of development, and yet they are employing a set of reform concepts and strategies remarkably similar among them. In addition contributing factors to the reforms also are more or less same, viz. global economic competition, democratization, the information revolution, and the performance deficit.¹²

This is the case with those in Asia, too. Almost throughout the region, administrative reforms have become very much the order of days. Under such circumstances, then, what is localization all about? The term of localization in the language of public administration usually means the three different but, more often than not, combined changes. The first is the so-called de-concentration in terms of power and resources of state more locally distributed without devolving them to local government units. The second is the de-centralization in terms of devolution of central government's power and resources to local government units, and the third the de-regulation in terms of privatization of central and local governments' power and resources. Among the three in the above, the latter two are significant here in the sense that they are more likely to bring about fundamental changes in administrative structure and at the same time in the concept of "public", the concept that has been almost totally monopolized by state, not by nation. Whereas the first type has been put into practice for some time. But, as an economist in Indonesia maintains, the de-concentration worked against its original purpose to promote local development by local initiatives, and instead resulted in a further domination of central government over local development.¹³

Regarding the de-centralization, there are a number of issues involved here. First of all, one of the main issues related to de-centralization is how much power and resources should be devolved to local government units. Disregarding the existence of different levels of local government units to which we will refer shortly, this is surely a more political rather than a logical question. Yet, the following two areas are most important. One is the redistribution of civil servants who have hitherto been "national" rather than "local". "National" here means that those who serve at locality, either at local branches of line agencies or local

¹² Elleaine Ciulla Kamarck, "Globalization and Public Administrative Reform", in Joseph S. Nye and John D. Donahue eds., *Governance in a Globalizing World*, Visions of Governance for the 21st Century, Cambridge, Massachusetts, 2000, pp. 229-252.

¹³ Interview with Dr. Dorodjatun Kuntjorojakti, at that time Dean of Faculty of Economics, University of Indonesia, Jakarta, March 1998. He is now Indonesia's Coordinating Minister for Economic Affairs.

government units and those employed by state or the central government, and paid by it. Thus their sense of belonging is not to specific local government units, even less to locality to which they are attached, but always to the central government. This is no longer the case with those civil servants devolved to specific local government units in the Philippines where nearly 40% of the former “national” civil servants are working as “local” administrators, even though some maintain their lingering mentality as part of central authority. I would not go into details here, but it is worth while mentioning that in Indonesia, out of little less than 4 million public servants, little more than 4% are locally employed “local” servants.¹⁴ And they are not occupying important positions at all either. In Thailand, there are not any “local” civil servants at all. The officials at locality are either “national” civil servants attached for a certain period of time or the elected local council members. The lack of personnel loyal to local government and local society indeed constitutes one of the core problems to local development by local initiatives.

However, the redistribution of civil servants is closely related to the redistribution of tax collected. It is true that local taxes are legislated for long, but never effectively collected. The revenues of local government units have been overwhelmingly dependent upon the central government’s grants and other transfers. The following figure from IMF, *Government Financial Statistics Yearbook*, 1995, indicates clearly. Here you should recall that the 1990’s saw a drastic legal change of administrative reforms, yet its implementation is delayed by various reasons. Thus, basically the old system still holds its upper hand vis-à-vis local autonomous government units.

Table One: Local Government Revenues and Grants, Transfer and Expenditure

	Revenues and Grants Before Transfer (% of GDP, 1993)	Expenditure after Transfer (% of GDP, 1993)
Indonesia	0.5	2.2
Malaysia	2.5	4.0
Philippines	0.5	1.1
Thailand	1.0	1.4
Japan	11.5	19.1
United States	14.7	17.0

As shown in the Table One, local government units finance is truly small not only in terms of its share in GDP but also in terms of its absolute amount. This fact amply tells how little could be done by local government units in initiating their local development without depending on their central government. It is often pointed out as a general rule that local government finances grow large in federal government systems or very large economies. Yet, Malaysia under her federal system does not follow the rule. Nor Japan, who is not under a federal

¹⁴ H. Kano, “Bureaucracy in Indonesia”, in I. Iwasaki and Y. Hagiwara eds., *The Bureaucracy in ASEAN Countries* (in Japanese), Institute of Developing Economies, Tokyo, 1996, pp. 37-42.

system. High percentage in terms of local government revenues and their expenditure as of GDP indicate that although her relationship between the central government and local government units is still vertical in nature, the power and capability of the latter to raise their own revenues are almost equal to those in federal system. In this regard, by the way, I might argue one of the biggest differences between the Japanese prewar development and that of post-war, among others, lies in the empowered local government units vis-à-vis the central government. The relationship between central and local government units must have been changed even though the purpose was “demilitarization” of Japan, or more concretely not to let Japan reemerge as an authoritarian state. Indeed the central government’s substantial power and capabilities were devolved to the local government units during the time of the Allied Occupation, 1945-52.¹⁵

From this, it is encouraging to see the present tendency in the region to transfer the central government’s power and resources to local government units. Yet, another issue serious enough is the question of which level of local government units that should play a pivotal role in decentralization. Here we would see a rather astonishing picture. For example, Japan has the total of 3,200 odd local government units out of which 47 governments are at prefecture (equivalent to province) and another 10 or so are the so-called chartered cities with around or over one million residents, the cities of which enjoy much the similar “autonomy” to those at prefectural level from the central government. Yet, in the case of the Philippines, as local government units, there are 78 provincial governments, 69 independent cities and “highly urbanized cities” which are treated rather equal to provincial governments, 1,539 municipalities, plus 42,997 at Barangay, the lowest level of administrative unit, as of 1997. In fact, according to the local government code of 1991, the financial transfer of internal revenue, which it calls Internal Revenue Allotment or IRA, redistributes 23% to provincial governments, 23% to those in independent cities and “highly urbanized cities”, 34% to those in municipalities and 20% to those in Barangay.

In Indonesia, at the end of Suharto regime, there were 27 governments at Propinsi or province from which we should now omit East Timor now independent from Indonesia, 249 at Kabupaten or regencies, 65 at Kotamadya or municipalities which enjoy almost equivalent status with regencies, and 4,026 at Kecamatan or district, and then 66,545 at Desa or village, the lowest administrative unit.¹⁶ Since then, due to the dramatic political changes, these numbers increased but not substantially. Among this enormous number of local government units, those in Kabupaten or regencies had been the highest unit of “indigenous authorities” during the Dutch colonial period, and interesting enough to mention here the new law of 1999 of local autonomy redistributes substantial part of na-

¹⁵ Comprehensive information on Japan’s local government, see M. Nishio and M. Muramatsu eds., *Administrative Services*, 5 vols. (in Japanese), Yuhikaku, Tokyo, 1994.

¹⁶ The numbers are from Badan Pusat Statistik, *Statistik Indonesia*, 1997, Jakarta, 1998, p. 6. However, since then East Timor left and a number of new Kabupatens are created, thus those numbers would be increased today.

tional revenue, 60%, to this level of local government units. Considering the recent rise of outright independence demands from Jakarta such as those in Aceh, Papua or formally Irian Jaya, and so on, let alone the bitter experience of East Timor's separation in 1999, of course, politically it would be safer not to transfer that much revenue to those provincial governments. Historically speaking, in addition, the provincial governments have played their more political roles as the agent of central government rather than as the administrative agent of local government units in their provinces. Against such a background, as many fear, the promotion of autonomy at this level would soon encounter with the sudden rise of independence movements. Apart from these political connotations and denotations, the administrative de-centralization is an enormous task and all kinds of troubles are anticipated in the process for some time to come. Nonetheless, one thing is certain that the relationship between central government and local government units is going to be changed dramatically in favor of the latter.

Conceptual Transformation of "Public"

In terms of de-regulation and transfer of government power and resources to non-governmental organizations, since the mid 1980's, there had been a number of attempts put into practice. Well known were those efforts by almost all states in the region to cope with "liberalization" promises, regional and global. Here, however, I am not going to touch upon these "liberalization" issues, since there is another set of issues which are extremely significant but grossly underestimated until today. These issues are related to what I call the conceptual transformation of "public".¹⁷

De-regulation of course does not automatically bring about more functional and effective "small government" as Thatcherists might argue. More often than not, such attempts did discourage or even choke off a "big government function" like social welfare program waged by local government units. The big cut of public spending in these areas brought about serious social and economic gap again, the gap with which local government units alone cannot tackle in a satisfactory manner. In addition, it is peculiar enough to say that such type of de-regulation did promote a re-concentration and re-centralization of power and resources onto the central government, albeit in a relative term. This teaches us the fact that de-regulation per se would work either ways, de-centralization or re-centralization, depending upon specific conditions, over-all policy, and amongst others political will.

Yet, in the situation of Asia in which a search of post authoritarian rule is the central issue, de-regulation would have very different meaning. Of particular interest is the changing relationship between the ruler and the ruled as an outcome of de-regulation. An interesting reference here is the effect of the de-regu-

¹⁷ On this approach, I greatly owe to J. S. Migdal, "The State in Society: an Approach to Struggles for Domination", in J. S. Migdal, A. Kohli and V. Shue eds., *State Power and Social Forces, Domination and Transformation in the Third World*, Cambridge University Press, 1994.

lation on information and communication, the de-regulation of which was implemented soon after Suharto's downfall in Indonesia in 1998. Perhaps beyond Habibie government's intension, ushered was the subsequent growth of free flow of information, and the rapid expansion of "critical" views on the previous as well as the incumbent government. All kind of media, newspapers, magazines, electric or printed, developed quickly. The paucity of information, which characterized Suharto's era, was suddenly replaced by the overflow of information, qualified or unqualified. Undoubtedly, the ruler no longer is someone beyond public scrutiny. But much more significant, I would argue, is a turn-over of conception of "public". Suharto no longer monopolizes "public", and he is just an ordinary private citizen. On the other hand, media, mass or mini, are "public", at least in the eyes of those who read them. Through TV coverage of parliament discussions, live telecasted all the time, those watchers were made felt as if they were part of that political process. Surely they took active part in the national and local elections in July 1999, free in 44 years, to which over 90% of registered voters turned out. Natural as it is, they now feel they are "public" and the ruler is one of them.

The conceptual transformation of "public", as briefly depicted of its essence in the above, is more likely becoming a pivotal factor for the changing relationship between the ruler and the ruled. More concretely, I would imagine, de-regulation opens possibilities of the popular participation in policy-making process, enhances the political will for reform from the bottom, and promotes public scrutiny as well as popular participation to central and local administrative processes. All these are important components of localization indeed. Even though this sudden opening for popular participation may create a situation where submerged disputes deeply embedded in local communities, like religious or ethnic rivalries, turn to be open conflicts, it is clear that the re-installment of authoritarian rule would not be the answer. Quite contrary, a search of new rule is the only way left in order to settle local disputes by local initiatives in a peaceful manner. In this regard, due to the limitation of space, I cannot discuss in detail on the important role NGOs and Peoples Organizations (POs) will play. Only suffice to say at this moment is the fact that these non-governmental organizations will be significant partner not just in the delivery of public goods and services but also in the making of the new rule especially at local level.

Governance and Capacity-Building

As we have seen, administrative de-centralization and de-regulation in terms of conceptual transformation of "public" are the two extremely important factors for the search of a post authoritarian rule in this region. Yet, one should not forget to mention the fact that, first of all, the legacy of centralized administration is still strong, secondly the relationship between central government and local government units is not yet mutually cooperative, and thirdly popular participation into political and administrative processes has not yet been formulated. On the contrary, traditional or even feudalistic practices are still intact in many parts of rural communities in the region. Those local "bosses" have succeeded to

survive by incorporating themselves into the authoritarian rule as the "bridge-heads" of centralized administration.

In such a transitional period, crucial is to upgrade the capability of local officials in performing governmental functions from raising revenue to policy making and its implementation. Facing with increasing demands for equitable delivery of goods and services, they no longer can rely on the central government but on themselves. What then can be done? Firstly, it is to establish cooperative relations with local NGOs, POs and other community organizations as partner of local administration. In short, the promotion of popular participation is basic and essential to the re-establishment of local autonomy.

Secondly, it will be increasingly important to set up a horizontal network among local government units across the country. This is clearly seen in the case of the Philippines as well as Indonesia in the devolution period. Together with such alliances like a league of mayors, governors and so on which had once been functioning as a clientele nexus to the central authority, an emerging alliance is providing a common board on which local government units are enabled to lead favorable negotiations with the central government, especially the national parliament. This is mainly because the cooperative relations with local executive chiefs as well as local administration are increasingly important to those elected officials, national and local. At the same time, as the case in Japan amply indicates, the horizontal network provides a multiple opportunity of exchanging such information unavailable to certain localities, and also promote mutual cooperation and competition among them. The latter effect is extremely significant in the sense that the mutual cooperation and competition among them tend to enhance incentives of local officials to upgrade their capabilities.

Thirdly, it goes without saying, how important it is to build a vertical but mutual dependent relationship between the different level's government units. Among others, for the time being at least, crucial is a mutual interdependence with the central government. This is not merely because local government units rely heavily on financial, personnel, and even policy supports from the central government, but also they increasingly need to coordinate their efforts with the central government in a period of "division of labor". It may be too early to talk about a possibility to install such a principle like "subsidiarity" in EU, which sets a rule for burden sharing between governments at different level. But in the long run, the burden sharing may become the serious issue between government units at different level.

And finally, also indicated in the case of the Philippines, Korea, China and Japan, local government units are in need of cooperating with their counterparts in different countries in such areas as social welfare, hygiene including garbage collections, public health, environmental protection, job security, human rights protection and so on, all of which are increasingly devolved to the responsibility of local government units. In this, of course, of no less important is building the capability of winning aids from donor agencies, national and international, too.

In short, localization today requires not just the institution building of local government units but also capability building of local officials as well as local

NGOs and POs. Indeed, what is important is how to establish “local governance”.¹⁸

Comparison and Conclusion

Having seen the rising importance of local governance in Asia, whether or not this tendency could be also seen in the former Soviet Union and other transitional economies? First of all, it is safe to say that the effects of globalization are omnipresent.

And the effect of globalization is extensive such as the enhanced economic competition, democratization, information revolution and so on. As Robert Keohane and Joseph Nye predict, then, that “the internal structures of states will be crucial in their ability to adapt to globalization and its effects on them.”¹⁹ Russia and other transitional economies are not exceptions.

Secondly, it is also safe to say that administrative reforms are in question, disregarding different histories, different political systems, and different stages of development. In this, some might argue that Russia and other transitional economies, especially those in East Europe need centralization, concentration and more state regulation, rather than de-centralization, de-concentration and de-regulation. However, one should bear in mind that administrative reforms are in great need today in order to enhance “the ability to adapt to globalization”, but not the capability to protect national pride, ideology and security. This is no longer the time for “high politics”, but for “low politics”. States today are demanded to deliver public services and goods more efficiently, not just the sense of belonging and stability, the latter of which has little to do with administrative efficiency.

Thirdly, now the central question is how to make the whole state system more efficient in delivering public services and goods. In this, as Asian experiences amply show, crucial is to make search of “division of labor” between central government and local governments on one hand and government sector and non-government sector on the other. In other words, it is a search of the best mix of central government, local governments, and NGOs. This search requires the redistribution of governmental responsibilities between central government and local government units by encouraging the latter to perform more responsibility in delivering public services and goods. De-centralization is inevitable. However, which level of local government units are important agents of the de-centralization varies from one country to another. In relation to this governmental reform, equally important is to deregulate state control so that private sectors can play

¹⁸ “Local governance” here certainly is not identical with local government. Regarding the distinction between the two, see JICA, *op. cit.*, p. 52. A recent work on local governance in Western Europe indicates shift from local government to local governance due mainly to sweeping changes brought about by the increasingly “internationalized economies and Europeanized polity”. Peter John, *Local Governance in Western Europe*, Sage Publications, London, 2001, especially chapter 1, pp. 1-24.

¹⁹ Robert O. Keohane and Joseph S. Nye Jr., “Introduction”, in Joseph S. Nye Jr., and John D. Donahue eds., *op. cit.*, p. 15.

more important role in delivering public services and goods. The latter has been the main focus of administrative reforms in industrialized countries since the 1980's, like the case in New Zealand and Great Britain.

Then finally who are the beneficiaries of this change? Of course, the recipient of public services and goods, or citizens. Then, who are the citizens? According to one account, civil society has been emerging since the time of Soviet Union, albeit "a highly distorted form", by the expansion of patron-client relations.²⁰ And the emerging "private sector" within the state did accelerate the downfall of the Soviet Union on one hand and did on the other provide a kind of second truck through which the malfunctioning first truck or the newly established Russian public administration was compensated in its delivering public services and goods. It may explain why the end of Soviet Union did not result such serious dislocation as in some Eastern European countries, notably the former Yugoslavia. But, the nascent "civil society" based on the clientelism did not stop the emergence of cronies like in the Philippines and Indonesia with a gross inequality and widespread corruption. Indeed, it soon became apparent that without deep changes, reforms needed were not feasible. This leads us to a tentative conclusion in which Russia too faces a serious demand of a more efficient delivery of public services and goods. Like or not, she needs to make a search of a "best mix".

²⁰ Tatiana Vorozheikina, "Clientelism and the Process of Political Democratization in Russia", in Luis Roniger and Ayse Gunes-Ayata eds., *Democracy, Clientelism, and Civil Society*, Lynne Rienner Publishers, Boulder, 1994, pp. 109-113.