

Development: the recent crisis and north-south relations

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Introduction

1. The recent global financial crisis took the wool off our eyes in East Asia. We were shaken by what hit us and woke us up from the illusion that we could de-couple ourselves from America and Europe. Moreover, the most recent challenge hurled against the euro zone, instigated by the financial crisis of Greece, took away some of the awe we have been forced to have for the euro, in view of our own difficulties in forging monetary arrangements in our region.
2. As a result, in East Asia today, there is a higher degree of realism---less illusion about our being so far away, and more appreciation of the need for discipline that monetary arrangements impose--- in viewing development and in substantiating our desire for greater cooperation as well as for faster community-building in our region.

A Governance Framework for Development

3. The development paradigm we have been using may be characterized as opening up to the North (from our perspective, the West), in the process exporting to Western markets and creating a supply chain link with the West that has increased trade volumes and brought about the classical economic advantages of free and open trade. We are very far (many decades away) from forging a regional monetary arrangement, which would be a pale shadow of the equivalent of the euro as a common currency in East Asia. In the meanwhile, we have pursued the Chiang Mai initiative (broadly a pooling of reserves to assist an economy in a financial crisis) for the region, while individually building up huge pools of foreign exchange reserves.
4. Even as we apply the concept of free and open trade to within Asia, thereby increasing intra-Asian trade significantly and giving rise to what turned out to be an illusion that we could de-couple ourselves from the West as it fell deeply into a recession, we have been forced to adopt a governance paradigm for the development of our domestic economies and societies. The governance paradigm came as part of the rescue packages---from the IMF

and the West---slightly more than a decade ago when our region had to get out of our own financial crisis and its consequent economic recession.

5. Governance is a framework that imposes universally accepted principles and norms of behaviour in government, corporate business, and civil society. The principles are many, but they revolve around four: fairness, transparency, accountability, and (social) responsibility. These principles are being brought down to a set of “best practices” as well as to formal rules, many of which have been issued as official regulations, stemming from laws (many of which have been passed within the past decade).
6. Governance in government requires the formulation of a long-term, comprehensive program---indeed, a strategy---that takes the focus from personalities, which pass away after some time in office, and trains it instead on institutions and the community as a whole. Moreover, it requires the participation and involvement of the citizenry through the sectors into which they have grouped themselves. Thus, a working partnership is forged, between the governors and the governed, with the latter actually being asked to put in their own substantive contributions towards promoting the public welfare. Through such a partnership, a system of public reporting on performance is put in place: such a system institutes a mechanism for transparency and accountability. It is also a prod towards higher level performance in public service. A key feature of this program, which holds great potential, is that it is being brought from the level of national government agencies, down to local government units, and finally down to the base political units responsible for small basic communities (the historical barangays or villages for instance in the Philippines). Thus, the governance program, with its citizen participation and involvement, is brought down to the grassroots.
7. Governance in corporate business requires the use of governance scorecards in regular reporting on performance. Performance through governance scorecards includes financial performance, but extends beyond it. In this regard, it presents a more complete and balanced view of business performance. It emphasizes both shareholder value and service to other stakeholders. It forces an articulation of the specific ways in which business lives up to its social responsibility. Moreover, governance scorecards are not limited to corporate headquarters. They are cascaded down to the last business unit of the corporation. This secures alignment and a more efficient coordination, which generally are productive of higher levels of business performance over-all.
8. Governance in civil society puts the burden upon the key drivers of change in society: the family, the school (at all levels), and the non-corporate

business as well as other social enterprises. The latter extend to various associations and social groups, including professional and civic organizations. The burden imposed on them is two-fold: that they take care of their internal governance so they strengthen themselves; and that they go beyond their parochial interests and team up with others in working for the common good of the broader community. Thus, they are very strongly persuaded to become free, willing and effective co-operators of the State as the primary coordinating agent for the common good of society.

9. Governance in all three sectors of a political community---government, business, and civil society---seeks to strengthen and develop its fundamental components so that in the end all sectors work for the common good through solidarity with each other, while stressing and respecting subsidiarity. Moreover, governance seeks to bring its discipline and social orientation down to every individual, thereby underscoring the personal dignity of every member of the political community.
10. This governance framework is being actively used in promoting internal development in several East Asian economies. Typically, it is applied first to the business corporation. It then spreads to government itself (many governments in the region are trying to fight against the scourge of corruption, the flip, bad side of governance). Once it gets to be applied to government, it soon gets extended to civil society also. Moreover, a number of East Asian economies are cooperating with each other so they learn from each other in the adaptation to local circumstances of the governance paradigm as outlined.

Concluding Comments

11. The work on governance as a framework for development is a work in progress. But even as it is being undertaken, it underscores the fundamental truth about universal principles. It moves away from rigid, extreme ideologies of the past and into flexible adaptation of good governance principles, founded upon “sound doctrine”. In terms of practices, not one size fits all: thus, the stress on “best practices”, which need to be adapted to different circumstances. But the flip side of this is the universal applicability of the same sound principles.
12. In trying to adapt sound principles to concrete circumstances, there is an absolute need for an open dialogue between the different “soft sciences” in this instance. We have borrowed heavily from the soft sciences of economic development, strategic management, political science, and public administration. Such borrowing has been mainly pragmatic, but at the same

time it has been submitted to an over-all framework consistent with “social doctrine”.

13. As we borrowed from various (soft) sciences, we have found that cooperation and dialogue between North and South, between East and West can be productive. In practical terms, however, cooperation is most useful, in our experience, in having cooperation within a region, which necessarily entails South-South cooperation. This presents a challenge: the field is ripe with a potential harvest, but the labourers and the resources they have at hand are few.

Manila, May 13, 2010