INTERNATIONAL COOPERATION IN THE 21ST CENTURY: IN SEARCH OF A CONVIVIAL GLOBAL SOCIETY*

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Abstract

This paper examines political efforts to create a convivial global society, centered on several issues on governance and conviviality in Asia today, from the perspective of international cooperation.

Section 1 “Risks Underlying the Asymmetric World” points out the risks hidden in the asymmetric world, where the major historic tide of “globalization” (the spread of a world standard) underpinned by economic liberalization and political democratization must content with “localization” (emphasis on peculiarity). In the world after the September 11 terrorist attacks against the very heart of the United States, there is a tidal wave of orientation to create a “convivial global society,” in which the common values of peace, prosperity and stability are pluralistically shared, overcoming the risks of asymmetry and tit-for-tat sequences. In this new political initiative towards an unknown world, there are some critical challenges, including the pursuit of public goals in the international community and of effective measures to reach them.

Section 2 “Look into the New Tide of International Cooperation” takes a general look at the history and the new stream of international cooperation from the viewpoint of international relations. In the context of contemporary international relations, nations have operated their international cooperation based on a common understanding of international regimes and behavior in specific or individual policy areas, while voluntarily accepting the international system for their own interest in a framework based on the sovereign nation-state. This arena sees two philosophies of realism and liberalism as traditional intellectual foundations intricately intertwined, a diverse network including not only state entities but also non-state entities, and the characteristics and limitations of “global governance” defined as the absence of world government in global society. In recent years, a new concept of “global public goods,” evolved from the conventional concept of “international public goods,” has been proposed. Also, comprehensive policies for international cooperation based on “human security” are implemented. The new concept of the 21st century is underpinned by the stance that regards “development” as a process in which living humans struggle for three pillars of freedom: freedom for humanity, freedom from shortage and poverty, as well as freedom from terror and conflict.

Section 3 “Front Line of Development Cooperation” reviews frontline efforts in international development cooperation with a view towards sustainable growth and poverty reduction from the perspective of cooperation policies. The global action for cooperation in the post-Cold War era is characterized by an emphasis on the market mechanism, good governance and improvement in aid effectiveness led by selectivity. In addition to these tendencies, the focus of cooperation quickly shifts to

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“poverty reduction” because of strengthened international cooperation in anti-terrorism measures. Today, poverty reduction is stressed again. There lies the well-calculated strategic intention of developed countries on how to control the world beyond humanitarian consideration or emotional reaction in providing support to the world’s economically challenged. The World Bank’s political package for poverty reduction, the Comprehensive Development Framework and Poverty Reduction Strategy Paper, has a critical role in institutionalizing the international discipline of “good governance,” which developing countries are asked by major developed countries, especially the United States, to create. The package forms the regime of international development cooperation. It should not be forgotten that the development cooperation strategies in the post-Cold War age carry with them the ideological trait for world governance that can be typically seen in the attitude that the market should play a central role in economic development. On the other hand, fooled by the often empty rhetoric of aid organizations, and swamped with preparations of request documents far beyond their administrative capacity, developing countries sturdily operate their development administration to enjoy the largest possible practical benefits. In the new world of international development cooperation, aid donors and aid recipients have different dreams yet lie in the same bed with a dynamic and tense relationship.

Section 4 “Learning from Development Experience in Asia” takes a look back mainly on development experience in Asian, especially East Asian, countries from the standpoint of development policies to discuss new challenges in “strategic management capability” on the horns of the dilemma between globalization and localization. We are facing in Asia today new challenges for governance and conviviality, although these are commonly confirmed through the development experiences of the East Asia Miracle and the East Asia Crisis and their lessons. First, developing nations must somehow develop and establish the institutional capability for dynamic political, economic and social systems to respond to an ever-changing world market and to seize opportunities. Second, powerful and capable government is indispensable to adapt to major situational changes in globalization, even as there is a need for small government created through structural reform in agreement with neo-classical economics. We need to resolve this dilemma. Third, rapid institutional reform, including the reform of conventional power sharing, income distribution and the vested-interest structure, is expected to have a diverse impact on the social compact for governance and conviviality that has been developed and long maintained in society. In an incomplete government and an incomplete market, incomplete citizens must be committed in various ways to reconstruct a new nation, as a political community with a government, market and civil society. In the era of new international integration, developing countries themselves more than ever must effectively combine the three capabilities for self-support, which are “strategic management capability,” “institutional capability of the political, economic and social system” and “ownership-based governability” to secure the widest possible options.

Since the terrorist attacks on September 11, 2001 (referred to below as “9.11”), the world has experienced a rapid change in current. International cooperation, the main subject of this paper, is not an exception. The realm of contemporary international relations has seen the commencement of new political attempts to gradually reform existing systems in complex governance with different players and multi-tiered networks for the creation of a convivial global society.

This paper discusses the efforts to create a convivial global society, focusing on several issues on governance and conviviality in contemporary Asia, from the viewpoint of international cooperation. After taking a general view of the actual state of international cooperation in the midst of the change in international relations to overcome the risk deriving from asymmetry of today’s world, it reviews frontline efforts in international development cooperation for sustainable growth and poverty reduction, especially in developing areas and countries, as well as the Asian development experience to raise new challenges in strategic development management.
1. Risks Underlying the Asymmetric World

A certain e-mail is flitting around the world. This is the world famous “A Village of 100 People,” starting with “If the world were a village of 100 people...”

Many readers may have received this message on their PC and realized that they are part of the global community.

In Japan, it became part of Internet folklore entitled *Aru Gakkyu Tsushin* (A Class Memo) and still continues to be transferred among Internet surfers as a contemporary version of a message in a bottle.

This electronic message was again in the spotlight when it appears as a visually appealing picture book, *If the World were a Village of 100 People.* The world climate after 9.11 and people’s interest in it turned it into a best seller.

In the real world, international organizations, troubled with aid fatigue and budget cuts by their industrialized member countries, have been inspired by the high popularity of this contemporary letter in a bottle to operate similar campaigns. Among them is a TV commercial of the United Nations Development Programme (UNDP) that is aired in many countries.

*If the world consisted of 100 people...*
57 would be Asian, 21 would be European, six would be North American, eight would be South American, and eight would be African.
One would be near birth and one near death.
20 people would own 90 percent of the world’s wealth.

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1 Ikeda, K (re-told) and Lummis, C.D. (trans); *If the World Were a Village of 100 People*, Magazine House, 2001. Also refer to Ikeda, K and Magazine House (eds.); *If the World Were a Village of 100 People (2)*, Magazine House, 2002, with further explanations on the background of statistics in the “Village of 100 People.”
And while more money is spent on cosmetics than the public aid, 15 people would be starving.

And because 10 times more money are spent on weapons than the basic education, 16 people wouldn’t be able to read.

20 people would have one or more TVs at home. 17 wouldn’t even have a home.

These twenty people are the first generation that have the means to end poverty with only 0.2 percent of their wealth.

And since you are at home right now watching TV, you might be one of them.

Drifting around in the ocean of today’s diverse media, the modern “message in a bottle” translated the world into a palm-sized sphere to help us realize in our daily life that we are linked to the rest of the world.

And what cannot be missed is the fact that the message suggests three key terms of “education in international understanding” (global learning): “acceptance” (accepting others as they are), “understanding” (understanding others that are different) and “education” (the significance of education for understanding the reality).

But we must not forget that it has an unintended irony. While it appeals to a more profound understanding of a pluralistic world, its oversimplification of the world may lead us to easily forget or ignore the reality of a world that is not expressed in figures.

In fact, although it started to be circulated in spring 2001, the contemporary “bottled letter” had an explosive worldwide dissemination triggered by the 9.11 shock. It should be noted that the message has sent the existence of world terrorists away into oblivion, although it stresses the “acceptance,” “understanding” and “education” discussed above.

We can see in the world a reaction to an unexpected event that drives individuals and the world into anti-terrorist military action in a simplistic dichotomy between justice and evil and a political choice in line with that dichotomy. Like these, today’s “bottled letter” involves a risk of ruining oneself.

This example reminds us of the key proposition that a fact cannot be what it is until it is interpreted. Ryunosuke Akutagawa’s short novel *In a Grove*, written in 1922, still resonates in our world.

The modern world has a conflict between the major historic wave of “globalization” (spread of world standard), with economic liberalization on one flank and political democratization on the other, and “localization” (emphasis on peculiarity). The world standard is a system supported by the values and the paradigm espoused and recommended by the nation or the group of nations that lead the worldwide political and economic management in the stream of history. Development in means of transport and in information technologies accelerates its dissemination on a global scale.

There is no denying that the events of 9.11 that shook the world had an aspect of a fanatical manifestation of a conflict of “localization” against “globalization.” The subsequent developments can be seen as global-scale political efforts to realize new governance and a convivial society in the clash of the two principles.

Unlike “government” as a conventional state system and “governability” with an emphasis on capability of a governing structure to achieve its goal, “governance” is an approach considered to be a governing mechanism, or interactive process, operated by multiple players.

Networks of such players include (1) bilateral and/or multilateral relations between states as major players in international relations, (2) international integration led by international organizations as institutional public goods and by the rules of international cooperation as functional public goods and (3) transnational relations involving citizens, municipalities, enterprises and nongovernmental organizations (NGOs).

And the “convivial society” refers to a lively social sphere in which members mutually accept many different histories, climates, cultures and values to share independent and organic relations.

The terrorist attacks branded for human history as “9.11” have ultimately added the problem of
terrorism and the underling problems as global issues. This section takes this experience, still fresh in our minds, as an example that characterizes a facet of the modern world.

This 9.11 has a key term “asymmetry,” which implies a risk that something will collapse if it is left as it is.

Then, why can 9.11 be described as “asymmetric?” First, when the terrorists carried out the attacks, a tiny rat shook a giant elephant. In response, the wounded elephant formed an encircling net with its allies to run a series of military campaigns entitled “Operation Enduring Freedom” and various anti-terrorism measures on a worldwide scale under an uncertain banner of “justice.” A state player targeted a non-state player.

Both parties have “asymmetry” in common despite their differences in positions and views. The acts of the two players, both of which are characterized by “asymmetry,” generated an enormous number of casualties on both sides. They must be considered sinful human follies. It is also a heartbreaking fact that the retaliation produced a massive number of refugees on the other side. And the wave of ambiguous political slogans of “justice” and “freedom” further boosts the risk of a tit-for-tat sequence.

These circumstances bring about potential tension and apprehension that anything could happen in any corner of the world, including fears about a conflict between Israel and Palestine.

What matters here, beyond the issue of terrorism, is the reality of the “imbalance” involved in today’s globalizing world that underlies the “asymmetry” strategies taken by both players.

And what is more important is that there is some invisible risk in this “imbalance.” What are the imbalance and the risk? The following three things at least can be pointed out.

First, there is an imbalance between the countries and groups that benefit from globalization, that is economic liberalization and political democratization, and those that feel the bitterness of marginalization, in which they are left behind and neglected by others. And this involves the risk of a lack of mutual understanding, mutual benefits and interdependence between them.

Second, while the disparity between rich and poor countries is growing, there is an unfavorable possibility of a declining interest by the rich in the poor and of opportunism, including political action in the guise of humanitarian aid.

And third, amid the disproportionate relationship between faith in liberal democratic values and simplistic dichotomous concepts, a certain universalism may prove triumphant.

From this standpoint, multifaceted considerations for effective measures to control these risks involved in the imbalance of the contemporary world are essential for eradicating terrorism as the final goal in international cooperation.

In our modern society, people tend to regard their individual identity not as a property of single subjectivity but as a property of collective subjectivity. It is more important than ever to develop our capabilities to see what is invisible, without being affected by the excess of information and media coverage, the neutrality or objectivity of which is hard to maintain.

It needs to be noted now that there has been an upsurge of public opinion in favor of overcoming the “asymmetry risk” and the “tit-for-tat sequence” and creating a “convivial global society,” in which common values of peace, prosperity and stability are shared in a pluralistic manner.

*2 “Global issues,” covered in the United Nations Agenda include:
Africa initiative, ageing, agriculture, atomic energy, children, climate change, culture, decolonization, demining, development cooperation, persons with disabilities, disarmament, drug control and crime prevention, education, elections, energy, environment, family, food, governance, habitat, health, human rights, humanitarian affairs, indigenous people, intellectual property, international finance, labor, international law, law of the sea and Antarctica, least developed countries, Millennium Assembly: The Declaration and the Report, question of Palestine, peace & security, population, refugees, social development, outer space, statistics, sustainable development, terrorism, trade & development, volunteerism, women and youth.
For details on each of the issues above, visit:
http://www.un.org/partners/civil_society/agenda.htm
The establishment of a global society like this clearly requires a multi-angle view of the realities of history, a well-developed sense of balance and comprehensive medium- and long-term remedies.

So the international cooperation in the fight terrorism has given us two key challenges. First, we must look for a public goal in an international society that faces the risk of today’s asymmetric world. This is a common benefit shared by those who share their social significance, lead a communal life and share more or less a common fate. Second, we also need to seek an effective measure to achieve it, including matters on “public”-“private” relationships.

Our new political initiative towards an unknown world has begun.

2. Look into the New Tide of International Cooperation

A new era needs a new form of international cooperation. This section takes a general look at the history of international cooperation and a new trend from the perspective of international relations.

International cooperation is a process in which multiple players mutually exert their capabilities for planning, negotiation and execution beyond national boundaries to reach an agreement on a common goal or to achieve an agreed common goal with a balance between individual interests and common interests.

Contemporary theories of international relations reflect the forms of international cooperation typical of different periods, while they have as intellectual foundations traditionally developed paradigms, namely “realism” and “liberalism.”

Realism sees sovereign nation-states as major players. The state-based decentralized international system has no world government. In this model, each state pursues power as a relative value while it sets its own conservation and security as its primary goal.

Liberalism does not regard conflicts and orientation to power as historically constant. The modern society sees transnational economic activities animated and international interdependence diversified and deepened. In this model, consensus-based establishment and the observance of the international system and rules are emphasized to ensure policy coherence through policy coordination,
to deal with policy discrepancies and increasing opportunity costs.

Here, policy coherence refers to horizontal, vertical and chronological consistency of multiple policy objectives to be procured to improve policy effects. In policy coordination, a player adjusts its action through selection of policy means to make itself consistent with what another player should be like at present or in future.

These two philosophies interact and methodologically evolve in today’s international cooperation, which is implemented as an actual policy option. There are three characteristics to this.

First, theories of international relations after World War II have traced the history of political endeavor made by groups of nations for creation of mechanisms and rules on the provision of “international public goods.”

Second, stabilization of the world order is largely attributable to the hegemons’ provision of international public goods called a “regime” and their maintenance of order. In general, conventional international public goods are a multi-tiered policy system formed by the international regime in specific or individual policy areas such as security, free trade and international finance.

An international regime means an internationally agreed mechanism, which is a group of explicit or implicit principles, norms, rules and procedures, on specific areas of issues.

Third, modern international relations have moved from a hegemonic phase though the phase of hegemony decline to a multi-polar phase. Accompanying this shift has been a change in the international management system and its code of behavior.

Each of the phases had their own characteristic principles. In the hegemonic phase, it was the concept of cost sharing under the hegemony system known as “Pax Americana.” In the period of hegemony decline, it was responsibility sharing under the international system for cooperative management (“Pax Consortis”). And in the multi-polar period, it is a sharing of common values under global governance.

In other words, modern international relations theories see that different states have been committed to international cooperation with their common understanding on international regime and international code of behavior in specific or individual
policy areas while they voluntarily accept the international system for the sake of their own interests in the system based on sovereign states.

In addition to the changes since the end of the Cold War, there is a new trend present in all subsystems (politics, economy, society and culture) that constitute the entire international social system in the wake of the 9.11.

It is especially remarkable that a new concept of "global public goods," evolved from the traditional "international public goods" is proposed in this situation.

"Global public goods" are those public goods that produce universal benefits for many countries, people and generations. There are three points that differentiate global public goods from international public goods.

First, as explained above, traditional international public goods have been separately produced and provided for different specific or individual policy fields. However, the concept of global public goods is a cross-sector one. It collectively, not separately, deals with a broad array of issues, including poverty, terrorism, conflicts, reconstruction, development, environment, investment, trade and finance, all interrelated with one another.

Second, the conventional approach focused on traditional, that is to say bilateral or multilateral, interstate relations, but the new approach has a feature based on global governance called "governance without government" in the global community, although it forms a wide range of networks that cover not only state players but also non-state players.

“Global governance” consists of a broad spectrum of approaches for public or private individuals or organizations to make management and operation of common issues.

Third, we need to pay attention to the roles of ideas and knowledge as signposts of policy direction.

A majority of players involved in international cooperation reciprocally learn the ideas and knowledge that they share. It is more significant than before for the learning to provide road maps and focal points for policy choice or to support the promotion or maintenance of institutionalization.

Now global public goods attract public attention. Three reasons for this phenomenon can be identified.

The first is the change in the role of states and international relations after the Cold War. The second is the co-existence of the uni-polar rule of the United States and the multi-polar system, and the third is the increase in global issues and sharing of the concept for the creation of a convivial global society.

Another notable tendency is that international organizations like the United Nations, especially the United Nations Development Programme (UNDP), advocate the recent plan for global public goods3. Here, we may need to note the political intention of international organizations rather than demand the reality resulting from the change in climate described above, for their own survival and resurgence as institutional public goods based on international functionalism. This is because financial sources for their activities are shrinking with financial pressures in their developed member states.

At the same time, an intricately intertwined combination of realism and liberalism defines the characteristics and limitations of global governance in international relations today. It is also noteworthy that the contemporary world has compound governments, with the order varying depending on the region and the policy field.

It is indisputable that no sovereign state can produce a governing function without political legitimacy granted from the international regime or organizations. On the other hand, it is also important that many different non-state players are in a sense united based on an awareness of forming an extensive international regime beyond national borders.

Bearing these circumstances in mind, we will look at the declarations made at the G8 summit held each year, specifically the Okinawa summit declaration4 in July 2000, to examine the impact of the new trend in international cooperation discussed above.

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3 For “global public goods,” refer to: http://www.undp.org/globalpublicgoods/
Held just before the new millennium, the Kyushu-Okinawa G8 Summit made the declaration that remarkably suggested comprehensive policies for international cooperation based on the concept of “human security.”

The philosophy of human security rests on the position that the state-centered traditional approach of “security,” in which the government of a country is responsible for maintaining its safety and prosperity and protects the lives and fortunes of its citizens, can no longer fully respond to the many difficult problems confronting the world following the collapse of the Cold War structure. This supports an attitude emphasizing the “human-centered security” to protect individuals from threats to their own existence, life and dignity so that they can realize their own rich potential.

Basically, every individual is equally rich in potential and should be respected as an individual irrespective of nationality, race, sex or other characteristic. The accumulation of the free creative activities of individuals has supported the development of the human race. But when threats of poverty, environment destruction, conflicts, land mines, refugee problems, drugs and infectious diseases including HIV/AIDS jeopardize their existence, lives and dignity it becomes tremendously difficult for people to exert their potential and capabilities. This is harmful not only to the future of individuals but also the future of all whole society.

Put in another way, the philosophy that underpins the paradigm shift from state-based security to human-based security positions the process in which people seek freedom as development.

The freedom here has three pillars: freedom for humanity, freedom for shortage and poverty and freedom from terror and conflict. This design is apparently based on the thinking of Amartya Sen, a Nobel prizewinner in economics.

These modes of freedom require certain public goods for: (a) freedom for humanity, as classified under the category of the institutions and policies concerning (1) human rights and democracy, (2) environment and life and (3) knowledge and cultures; (b) freedom from shortage and poverty, as classified under the category of the institutions and policies concerning (1) trade and finance, (2) sustainable growth and (3) poverty reduction; and (c) freedom
from terror and conflict, as classified under the

category of the institutions and policies concerning

(1) security, (2) conflict prevention and (3) the

prevention of infectious diseases.

Based on the concept as described above, the

“comprehensive policies on international cooperation

in the 21st century” for “human security” have a multi-

layer structure that comprehensively encompass a

wide range of policy areas: world economy, interna-
tional finance, trade, development, the

environment, information technology, cultural

diversity, regional problems, the prevention of conflict,

post-war reconstruction, arms export, disarmament,
terrorism, crimes and drugs, health, food and energy,

population, ageing, life science, education and other

areas.

With cross-sector interrelationships, these policy

areas are grouped into three major issues: greater

prosperity, greater world stability and deeper peace

of mind.

These three policy streams are based respectively

on freedom from want and poverty, freedom from

terror and conflict and freedom for humanity.

With the concept of international cooperation in

the 21st century, a number of players have begun to

harmonize individual interests with collective interests

that transcend national frontiers to accomplish an

agreed common goal and exert their own capabilities

(in planning, in negotiation and in execution) towards

establishing a multi-tiered system that consists of

global public goods, regional public goods and a civil

minimum (minimal life standards of citizens in a

global society).

On the other hand, it is common in international

politics for a fierce tug of war over the new leadership

role to occur behind the scenes of any promotion of a

new concept or formulation of a new policy.

As we move into a new era, we need a political

pursuit of an unfinished dream.

3. The Front Line of 

Development Cooperation

This section reviews frontline efforts in international
development cooperation directed at sustainable
growth and poverty reduction in developing areas and
countries, one of the key areas of international

cooperation policy discussed in the previous section.
The discussion is from the standpoint of aid policy.

There are three key points in the historical

background of aid in the post-Cold War era.

First, increasing attention is paid to achieving an

appropriate balance between the public and the market

or private sectors as well as to pressure to cut aid

budgets because of the decline in the geopolitical

significance of many developing countries following

the meltdown of the Cold War structure.

In these circumstances, the “good governance”

approach mainly touted by the World Bank and the

Comprehensive Development Framework (CDF)

approach, discussed below, reflect the consideration

for the building of the capacity of political, economic

and social systems on the part of aid receiving

countries with a bitter lesson learned from the failure

of government in development aid management and

as conditions for ensuring aid effectiveness.

Especially in terms of institutional framework of

governance, it is now necessary to research many

different aspects of countries, including (1) democratic

political systems, (2) rule of law, (3) accountability,

transparency and disclosure as part of the execution

of power, (4) capacity for planning and implementing

policies, (5) decentralization, (6) citizens’

participation in policy decision processes, (7) control

of public spending (including deterrence of excessive

military expense) and (8) prevention of corruption.

While development aid has experienced a

paradigm shift from structural adjustment to structural

reform, and along with calls for the promotion of not

only economic liberalization but also political

democratization, the so-called “political conditionality,”
as a condition for aid giving, has begun to be adopted

in various aspects.

Second, it must not be forgotten that this tide is

backed by the active use of practical lessons (the effect

of learning by trial and error) based on past experience

for the study of organizational approaches to enhance

the efficiency of governments in developing countries

in policies and practices for development aid

management for as well as in measures that
governments can take to secure reliability in policy
formulation\footnote{5}.

Moreover, rising public consciousness and efforts seen in monitoring and controls on the excessive consumption of resources made by the civil society, including NGOs, has been a remarkable spur to the move.

This tendency attracts more attention than it did in the past as a discussion surrounding the issue of appropriate management of public spending, including the “common basket” approach, in which aid programs are under shared management, and the “sector-wide approach”\footnote{6}(SWAP). The “fungibility” of aid funds, the problem that money is fungible, is also within the scope of the discussion on the fiscal and budgetary allocation of financial resources including aid funds in the public expenditure.

Third, these issues have further emphasized the political aspects of conditionality in aid giving. At the same time, they have raised a fundamental question on how to define “development.”

Also, the current urges us to be more selective when it comes to the priority of countries, sectors and projects to which assistance is provided, to effectively use limited aid resources.

Under these circumstances, world aid, particularly in the 1990s, had the following ten features:

First, Japan maintained its status as top donor in terms of aid volume while other developed countries showed so-called aid fatigue\footnote{7}.

Second, an emphasis on the market mechanism has continued to be regarded as an effective prescription for development aid management\footnote{8}.

Third, the significance of “partnership” between aid donors and aid recipients was more intensively highlighted than in the past in addition to “ownership” and “good governance” of recipient countries in development aid management.

Fourth, the financial situation and aid fatigue of developed countries has brought the issue on qualitative enhancement of assistance to the fore. The focus of assistance has also shifted from structural adjustment to poverty reduction.

Fifth, attention was drawn to the role of international financial institutions for development, including the International Monetary Fund and the World Bank, in development aid management, especially to the validity of the economic management

\*5 It must be noted that the new trend of research on “aid effectiveness” has formed this increasing consciousness. One example is a policy research paper entitled Assessing Aid: What Works, What Doesn’t and Why released in 1998 by the World Bank. The World Bank paper can be summarized into the following five key messages: (1) money matters in a good policy environment, (2) aid can be the midwife of good policy, (3) money matters in a good institutional environment, (4) aid can be the midwife of good institutions, (5) money, but more ideas, too. In short, it is important to be aware of the importance of the implications of the three key terms: institution, policy and governance. This paper is one of the key research achievements on aid effectiveness analysis in the third generation (aid-policy-growth). It can be seen as a clear statement of the World Bank’s policies on aid to developing countries. No profound understanding of its concept will be possible without positioning in the intellectual evolution in a series of the World Bank policy research papers from The East Asia Miracle in 1993 through World Development Report 1997: The State in a Changing World to World Development Report 1998/99: Knowledge for Development.

\*6 Traditionally, air donors and international organizations have run development assistance according to their own plans. This method is now considered ineffective, because of insufficient coordination between individual projects and programs as well as insufficient capacity on the part of aid recipients to absorb the assistance. Thus, the “Sector-Wide Approach” (SWAP) has been proposed and it is now mainstream in Sub-Saharan Africa. In this approach, donors (bilateral and multilateral aid agencies) formulate and execute consistent development programs for individual sectors, such as health and education, in collaboration with aid-receiving countries. However, Japan is not in favor of SWAP, as it is placing an emphasis on the increasing visibility of its own aid to “show the flag.”

\*7 With budget cuts as part of its administrative and fiscal reform, Japan’s ODA in 2001, at US 9,678 million dollars on a net disbursement basis, dropped into the second place, surpassed by the United States, which increased its ODA to 10,884 million dollars as part of its anti-terrorism measures.

\*8 The application of neo-classical economic prescriptions, which stress the importance of the market mechanism, to practice of development aid has the following three remarkable features or inclinations: (1) the most efficient allocation of resources can be achieved through market mechanism, (2) the market functions equally both in developed countries and in developing countries, and (3) Without correction or removal of distortions in the policy framework (policy environment) of an aid receiving country, aid to the country concerned will only aggravate the distortions.
and structural reform conditions placed on aid recipients. There have been some struggles\(^9\) for leadership between international entities during the restructuring of the international development aid regime and the international financial system.

Sixth, policy collaboration and coordination between major aid donors enhanced their importance. At the same time, a comprehensive partnership was underlined. It involved not only governments but also the public sector and civil society both in aid giving countries and in aid recipient countries as players involved in development aid.

Seventh, the shift from the “East Asia Miracle” to the “East Asian Crisis” sparked a debate over the effective development mechanism in the context of the practical solutions to overcome the crisis. The debate also covered the role of governments and the market in development management, restrictions on international financial transfers and new attempts for regional cooperation.

Eighth, we saw a rise in the concept of “human security” at the turning point of international cooperation. This concept was developed to embrace efforts to deal with a rash of problems in regional or ethnic conflicts and refugees.

Ninth, expanding their roles in international cooperation and their global networks, NGOs have strengthened their influence on the formulation of development aid policies beyond national borders.

And tenth, there were widening and deepening interest in “sustainable development” and in “global issues” in diverse fields.

Having carried with it these features, international development cooperation was confronted at the outset of the 21st century with the events of 9.11. Six months later, in March 2002, there was an important international conference in Monterey, Mexico: the International Conference on Financing for Development.

The meeting adopted the “Monterey Consensus”, with the following seven agreements: (1) “partnership” between developed countries and developing countries and “ownership” of developing countries, (2) improvement in the domestic conditions for mobilizing international and domestic financial resources for development, (3) foreign direct investment, (4) establishment of economic and social infrastructures, (5) multilateral trade systems, (6) the significance of meeting the aid target of 0.7% of GNP\(^{10}\) and (7) determination of a method for holding international conferences to achieve an agreement by 2005.

The conference also reaffirmed the Millennium Development Goals (MDGs) adopted in the United Nations Millennium General Assembly in September 2000. The new goals are an upgrade of the report entitled “Shaping the 21st Century: Contribution of Development Cooperation,” commonly known as “DAC’s New Development Strategy,” approved at the ministers’ meeting of the Organization for Economic Cooperation and Development (OECD). The goals have given priority to the following seven international goals:

1. To eradicate extreme poverty and hunger, by reducing by one-half, between 1990 and 2015, the proportion those whose income is less than one dollar a day and the proportion of those suffering from hunger;
2. To achieve universal primary education, by ensuring that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling;
3. To promote gender equality and empower women, by eliminating gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015;
4. To reduce child mortality, by reducing by two-thirds, between 1990 and 2015, the under-five mortality rate;
5. To improve maternal health, by reducing by three-quarters, between 1990 and 2015, the maternal mortality rate;
6. To combat HIV/AIDS, malaria and other diseases, by having halted by 2015
7. To ensure environmental sustainability, by taking precautionary measures to forestall, slow, and reverse the degrading processes of environmental change, and by achieving sustainable development and human well-being within the context of uncertainty and the limits of the earth.

\(^9\) Political debates of the International Monetary Fund (IMF) and the World Bank over financial support to East Asia in the wake of the currency and economic crisis and the tug of war between the United Nations Development Programme (UNDP) and the World Bank over the reconstruction assistance to Afghanistan after 9.11 can be taken as examples. For the former, refer to Stiglitz, J.E.; *Globalization and Its Discontents*, W. W. Norton & Company, 2002. The latter is based on the author’s personal view.

\(^{10}\) Developed countries spent an average of 0.40% of GNP on ODA in 2001, while Japan spent 0.23%. That suggests how difficult it will be to reach the 0.7% international target.
and beginning to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases; and (7) To ensure environmental sustainability, by integrating the principles of sustainable development into country policies and programs and by reversing the losses of environmental resources.

Thus, it seems that “poverty reduction” has dominated world development aid, including both the major bilateral aid donors and international organizations. There are three reasons for the resurgence of “poverty reduction” that can be cited from the perspective of the paradigm shift in international development cooperation of the post-Cold War age.

First, the conclusion of the Cold War lowered the geopolitical significance of many developing countries, as discussed earlier. On the other hand, the existence of regions and countries that cannot benefit from globalization, especially from the global diffusion of the market economy, or in other words, the presence of marginalization, has begun to be considered a threat to the economic prosperity of developed countries.

Second, in relation to these matters, poverty issues\(^\text{11}\) in particular are likely to generate a serious situation if they are left unresolved, because it is closely related to conflict, population and environmental problems. This has aroused attention paid to poverty problems from the viewpoint of the construction of a safety net in civil society as a safeguard against the momentum for the growth of market economy that is expanding on a global scale. The worldwide networks of NGOs have played a critical role in this.

And third, accompanying the above circumstances, budget cuts accompanying aid fatigue in developed countries and a rising social consciousness in civil society when it comes to checking and controlling resource waste has encouraged poverty to be strategically selected as a key aid area to secure the

\(^{11}\) The contemporary world is asymmetrical, with rich societies and widespread poverty. A handful of developed countries enjoy unprecedented affluence. The average income of 20 developed countries is 37 times as high as that of the 20 least developed countries. This gap has doubled in the past 40 years. On the other hand, 2.8 billion people, or nearly half the world population, live on two dollars or less a day, among which as many as 1.2 billion people are obliged to live on one dollar or less per day.
effectiveness of limited aid resources.

To sum up, underlying the aid for poverty reduction, developed countries have a carefully devised strategic intention to run and control the world that outweighs humanitarian considerations or emotional response in giving relief to the poor of the world. We should not ignore this point.

The two traditional philosophies of international relations such as realism and liberalism, both of which were discussed above, prove dynamically influential even in a world of international development cooperation, where the global governance approach has a fresh development.

In this situation, trends in world aid have begun a dramatic shift towards poverty reduction. It is clear that 9.11 has accelerated this move.

And remarkably, the World Bank, as an international financial institution, plays a leading role in attempts to reduce poverty.

The World Bank conducts its strategic campaigns for sustainable growth and poverty reduction with an inseparable combination of CDF and the Poverty Reduction Strategy Paper (PRSP), which are tied up with research activities.

CDF offers a practical matrix of development activity for problem solutions. It has on the horizontal axis the prerequisites for sustainable growth and poverty reduction, including structural, human and physical conditions and specific strategies. On the vertical axis, it maps the action plans of partners who can assist the process of development, or more specifically, the governments of developing countries, aid organizations (multilateral and bilateral), civil society in all its forms and the private sector (domestic and foreign). In short, it is an action program based on the governance approach.

PRSP takes the steps of (1) implementation of Structural Adjustment Program (SAP) by the World Bank and IMF, (2) debt rescheduling by the Paris Club, an unofficial group of lender nations for public debt relief, and (3) formulation of PRSP by borrower nations in the first phase. The second phase includes (1) execution of the new SAP based on PRSP and (2) implementation of partial debt cancellation ahead of schedule, while the third phase has (1) debt cancellation by the World Bank and IMF and (2) debt cancellation by the Paris Club.

As reviewed above, the World Bank’s approach is characterized by (1) long-term efforts, (2) comprehensiveness, (3) ownership, (4) partnership and (5) emphasis on outcome. It should be stressed here that approaches such as CDF and PRSP are not only limited to actual aid operation for poverty reduction but are also highly influential to the management of world politics and economy, in the following five senses:

First, we must not forget that the basic principle that underpins the CDF and PRSP promoted by the World Bank carries with it the trait of an ideology in favor of world governance. This is represented in the “Washington Consensus,” which expressed the view, along with a strong message that the market should play a central role in economic development. In this sense, it is hoped that actually putting these poverty reduction approaches into practice will serve as a key policy measure for the institutionalization of international rules of “good governance” (a synergy of good policies and good institutions) that developing countries are asked to have by major developed countries that constitute the international development.

*12 For instance, refer to World Development Report 1990, in which the World Bank dealt with the poverty issues in its research and World Development Report 2000/2001: Attacking Poverty. The latter reference suggests three preferential challenges for poverty reduction: opportunity, empowerment and security. Based on the understanding that these three factors must supplement one another and that a broad array of approaches are required for them to be effective, it proposes the governance approach for partnership among government organizations including municipalities of developing countries, bilateral aid agencies of developed countries, international organizations, enterprises, NGOs, civic groups and local communities.

*13 The “Washington Consensus” is a policy prescription shared among policy economists influential in policy decisions made by international organizations based in the US capital of Washington, D.C., such as the IMF and the World Bank, and by the United States government on economic reform in developing countries. Specifically, it consists of ten propositions: (1) fiscal discipline, (2) redirection of public expenditure towards education and infrastructure, (3) tax reform, (4) financial liberalization, (5) a competitive exchange rate, (6) trade liberalization, (7) liberalization of foreign and domestic investment, (8) privatization, (9) deregulation and (10) security for property rights.
cooperation regime, especially the United States.

Second, PRSP has a decisive influence on whether developing countries can have access to public aid funds, since it was designed as a condition for the application of debt relief measures and, moreover, since it was made compulsory to all borrowers to which the International Development Association (IDA) provides credits.

Third, PRSP is also decisive to the basic framework and direction of development strategies in the sense that, coupled with Country Assistance Strategy (CAS) of the World Bank, it impacts on borrowers’ development strategies, budget allocation, decisions on priority areas, the selection of individual projects and even the methods to evaluate development effects.

Fourth, CDF and PRSP combined have an impact on the framework of partnership among major players in development aid management, including the governments of developing countries, private companies, civil society such as NGOs, bilateral aid agencies and international organizations.

And fifth, PRSP, seen as a key measure to achieve the MDGs noted above, functions as a powerful device for the intentions and actions of both aid donors and aid recipients. This is in line with the four other aspects discussed above.

The aid community, consisting of international organizations such as the World Bank and developed countries, tries for worldwide sustainable growth and poverty reduction in developing areas and countries in a bid to implement its new world strategy for the restructuring of an international development cooperation regime. This includes attempts to reform the international financial system.

On the other hand, developing countries sturdily proceed with their development management and administration to maximize the practical benefits they can enjoy, while remaining at the mercy of the possibly dishonest rhetoric of aid agencies and pressed far beyond their administrative capacity to prepare request documents.

In the new world of international development cooperation, aid donors and aid recipients have different objectives in a relationship that is as dynamic as it is tense. In other words, it is really the case expressed by the saying, “We may sleep in the same bed, but we have different dreams.”
4. Learning from Development Experience in Asia

Learning lessons from past experience is critical to ensuring the effectiveness of new international development cooperation. This section principally reviews development experience in Asia, especially in East Asia, from the standpoint of development policies to examine new challenges of strategic management capabilities on the horns of the dilemma of globalization and localization.

The lessons that we have now learned from the two important events that we have experienced, the East Asia Miracle and the East Asian Crisis, will be summarized as follows, including aspects that are also true of other developing regions14.

To begin with, we have realized the following five points through our experience with the East Asia Miracle.

First, a proper combination of three kinds of development management, (1) for the adequacy of the policy framework in the macro-economy, (2) for the validity of the incentive mechanism in the micro-economy and (3) for efficiency with improvements in physical, institutional and human infrastructure, is essential for promoting sustainable growth.

Second, it is important to select development-planning models that are best suited to actual conditions and to the stage and phase of development in individual countries. The issue concerning the consistency of the comprehensive model approach with model analysis at a microscopic level must be taken into account.

Third, the structural adjustment program should (1) secure a balance between economic rationality and the political and social costs following policy reform, (2) ensure the effectiveness of policy dialogue and conditionality and (3) introduce adjustment plans including institutional reform step by step in medium- and long-term development plans.

Fourth, it is important for development administration to strive not only to improve administrative efficiency through institutional and organizational development in the public sector but also to manage developments directed at managerial improvement and market cultivation in the private sector as well.

And finally, the structural transformation process ought to form a strategic management capability that consists of adaptability, flexibility and pragmatism within the political, economic and social systems of the country concerned.

Likewise, another five key lessons have been learned from the East Asian Crisis.

First, stable and reliable political management and governing system are indispensable to sound management of economic policies.

Second, economic policies have involved an excessively optimistic attitude with an entrenched structure that produces current account deficits as a result of continuous capital inflow during the so-called “Asia Boom” and with an increasing dependence on short-term foreign capital such as hedge funds. In particular, the delay in implementing policies to reduce current account deficits demonstrated this overly optimistic view or even a sort of arrogance. In other words, self-controlled analysis of actual capabilities and policy management that match those capabilities are required.

14 For the issues raised in this section, please refer to the following papers, all written by the author:
“Chi wa Chikara nari: Kaihatsu to Enjo no Keiken ni Manabu” (Scientia est Potentia: Learning from the Experiences in Development and Aid) in Kaitatsu to Seiji (Development and Politics) as vol. 6 of the Iwanami Koza (Iwanami Lecture) Kaihatsu to Bunka (Development and Culture) series, Iwanami Shoten, 1998.
“Enjo no Yukosei o Tou: Governance-Ron tono Kanren ni oite” (The Aid Effectiveness Reexamined: From the Viewpoint of Governance Approach) in Asia no Governance (Goverance in Asia), the Japan Institute of International Affairs, 2001.
Third, monetary authorities of these countries badly underestimated the danger of capital markets while they aggressively promoted liberalization of financial and foreign-exchange markets with their currencies pegged to the US dollar. On the other hand, there is a valid economic theory that, among the three policy options of free capital transactions, lower interest rate and stable foreign exchange rate it is possible to pursue any two, with the other abandoned. According to this, it is important to make a flexible selection from the three options in the actual response.

Fourth, in terms of sequence in liberalization, trade should be liberalized before the financial market is liberalized, and the domestic sector should be liberalized before the external sector is liberalized in the financial market.

And fifth, it is essential to again realize that market speculation in a country could be transmitted to other countries with rising current account deficit or with massive external debt, given that the world’s financial markets are increasingly closely linked. In the worldwide diffusion of the market economy system, the international financial system must be reexamined and an effective international safety net should be established to prevent any expansion of the crises.

Next, we will consider three new questions commonly confirmed to be involved in governance and conviviality of Asia today through development experience of the East Asia Miracle and the East Asia Crisis as well as their lessons.

First, in the age of new international integration, developing countries must find a way to develop or establish “institutional capability” for their dynamic political, economic and social system that enables them to adapt to the continuously changing world market and to take advantage of opportunities.

The harsh wave of globalization, including requests for closer international policy coordination after accession to the World Trade Organization (WTO), urges developing countries in a manner and at a pace exceeding the level of their current institutional capability to meet this difficult challenge.

Second, the neo-classical economic prescription for “structural reform” for sustainable growth and poverty reduction demands that developing countries have small governments.

More than ever, however, it is necessary for them to have “powerful and capable governments” to meet the difficult demands and conditions posed by the international development cooperation regime, as
discussed in the previous section, as well as to adapt to a major climate change in globalization, including intensifying international competitions, an accelerating shift to a knowledge-based economy and quicker technical progress. They need to resolve this dilemma.

In East Asian countries in particular, the roles and the functions expected to be played by governments are actually increasing because of the aftereffects (malfunction of enterprises and the financial sector) and the negative legacy (greater needs for and fiscal spending on relief to enterprises and the financial sector and establishment of a social safety-net) of the monetary and economic crisis.

Third, the direction of “institutional reform” required in rapid globalization, as well as the two preceding problems, is expected to have multifarious impacts, through changes to the existing power allocation, income distribution and vested-interest structure, on relations in the “social compact” for governance and conviviality that have been long established and maintained in the societies concerned.

Nevertheless, it is difficult to rule out the possibility of social tension or political destabilization that could put the traditional foundation of governance and conviviality in jeopardy, given that the social transformation process uncovers various domestic interests, including vested ones. What we need now is a new political function that organically combines international demands that constantly call for quick achievement and the total mechanism of governance and conviviality that can be generated only gradually.

There is one thing that cannot be ignored in any consideration of attempts to tackle these difficult problems.

The real world has neither a complete government nor complete market. It means that no actual policy selection involves a combination of a complete government and an incomplete market or of an incomplete government and a complete market.

In practice, it is critical to ensure organic coordination and partnership between an incomplete government and an incomplete market that is suited to the peculiarities and the reality of the country concerned. This should also be secured in an identification of an appropriate scope and level of selective government intervention.

The experience of East Asia’s miracle and crisis produces a learning-by-doing effect in which we have learned the failure of system, which is the fourth
failure in policy management, in addition to the conventional three failures of government, market and coordination between the two.

It can be said that the horizon of knowledge has broadened from a simplistic dichotomy of “Government or Market?” towards the cooperation of the two actors through policy debates over the invisible hand and the guiding hand of development management and their actual consequences.

Moreover, the present tidal wave of globalization, especially of political democratization, has posed questions about creation of a new civil society composed of enlightened and independent-minded individual citizens to individual traditional societies and communities in Asian countries with different histories, different cultures and at different levels of development.

There are intricate connections of long-standing bonds, various intentions and diverse values, and even conflicts and clashes sufficient to overturn the political regime at times.

In this sense, the era of governance and conviviality has already started, when the ideal style of a new “state” is sought. It is a political community in which its incomplete government, its incomplete market, as mentioned earlier, and incomplete citizens alike are actively involved in various ways.

It has never been more necessary than in the age of new international integration for developing countries to make their own initiatives to secure the widest possible options with effective combination of the three capabilities for self-support, namely “strategic management capability,” the “institutional capability of the political, economic and social system” and “ownership-based governability.”

In a nutshell, it will be essential to continue to make further efforts for equilibrium between the domestic society and the international society in pursuit of an ideal approach for development management based on the principle of “a sound policy in a sound system,” coined from the proverb of “a sound mind in a sound body.”

We must not forget the three-dimensional perspective on the dynamism in governance and conviviality of today’s Asia and multifaceted activities for new development of international development cooperation in the 21st century aimed at creation of a convivial global society.
To conclude, the literature briefly discusses what is necessary to accomplish the agenda of “International Cooperation in the 21st century.”

The endeavor must, first of all, be based on the principle of “human security,” which views the process for pluralistic freedom as development. Next, it must have the creation of a “convivial global society” as the ultimate target. And it must put into practice comprehensive policies for international cooperation, which have a multi-tiered combination of global public goods, regional public goods and civil minimum (minimum life standards of citizens in the globalized society).

Future international cooperation will need to have a multi-angle perspective and multiphase efforts, coupled not merely with conventional political cooperation theories and economic cooperation theories but with global public welfare theories.

Also, the following triple set will be more significant than in any other period in the past, regardless of the players, encompassing national governments, international organizations, local governments, enterprises, citizens and NGOs.

This triple set comprises, first, a rearrangement of existing values, which includes the revision of the conventional budgeting system, second, the establishment of new leadership and alteration to rules on the coordination mechanism and third, a concept for viewing “external” (foreign) and “internal” (domestic) policies and activities collectively.

In addition, it is vital to achieve a remarkable self-transformation of diverse domestic interests, including vested ones, through social learning on the basis of this new principle.

For international cooperation in the new age, there is a desire for mature global governance that benefits from the participation of voluntarily self-enlightened individuals, their groups and worldwide networks in the course of restructuring of relationships between public aspects and private aspects.

To sum, it is quite crucial to stand on twin standards of conduct: “Think Globally and Act Locally” and “Think Locally and Act Globally.”

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15 For the author’s view on “international cooperation in the 21st century,” refer to:
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