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THE POLITICAL ECONOMY OF ASIAN INTERNATIONAL ORGANIZATIONS:
CASE STUDIES--COLLECTIVE GOODS, BURDEN-SHARING, AND BENEFITS

A DISSERTATION SUBMITTED TO THE GRADUATE DIVISION OF THE
UNIVERSITY OF HAWAII IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY
IN POLITICAL SCIENCE
DECEMBER 1977

By
Kook-Chin Kim

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ABSTRACT

This study is an effort to illuminate two crucial questions—burden-sharing and distributional issues—of Asian regional organizations to pursue common developmental goals of Asian developing countries. The four Asian IGOs—The Colombo Plan, the Asian Productivity Organization (APO), the Asian Development Bank (ADB), and the Southeast Asian Ministers of Education Organization (SEAMEO)—were selected for analysis in this study.

First of all, "developmental regionalism" constitutes a main objective of Asian regionalism at present. The recent surge in the formation of Asian IGOs is viewed as a new modus vivendi of collective action among the developing countries of Asia.

Secondly, in order to carry out the research, the theory of collective goods is applied, using two guiding hypotheses (1) for the burden-sharing analysis of Asian IGOs in relation to the provision of such collective goods as "peace," "security," and "development" and (2) for a cost/benefit analysis to trace the locus of individual (or private) benefits flowing from these IGOs to each member country. In addition, an analysis of side-payments and some notable side-payments from the four IGOs are discussed and suggested for further studies.

Thirdly, each of the four Asian IGOs are analyzed in the following manner: the basic information of the IGO is first delineated, with particular attention to the origins of the

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organization, its objectives and its organizational structure, and to the status of member countries; then an empirical analysis (i.e., burden-sharing and a cost/benefit analysis) was conducted through the use of cross-plots.

The examination of burden-sharing reveals, in most respects, a pattern consistent with the theory of collective goods: relative GNP attainment (economic size) appears to be the main determinant of membership contributions to each IGO for the sharing of collective burdens to produce collective goods. The analysis of individual benefits from the four Asian IGOs is more complex; individual benefits have been provided on the basis of "needs" of the member countries in some cases, and allocated on the basis of "resources" (or national wealth) in the remaining cases, with a balancing of costs and benefits.

Finally, in Postscript, the theory of collective goods is critically reviewed and some suggestions for both theory and research toward this direction are provided.
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CHAPTER I
INTRODUCTION

Point of Departure: A Perspective in the Study of International Organizations

International organization has been a significant feature of international life today. The creation of multilateral institutions or "organizations of nations" has been a standard response of statesmen or policy makers for solving problems or tasks which an individual nation could not attack alone in an era of increasing interdependence. In the process of becoming a major force in international relations, international organizations have developed so many varieties and strains in different directions that it has become increasingly difficult to know what they do deal with. In fact, there were over three hundred intergovernmental organizations in operation as of 1974, let alone the United Nations Special Agencies. They deal with such issues and tasks as "defense against international violence," "protection against the costs of conflicts," "relief of want or misery," "regulation of undesirable social practice," "advancing economic growth," "ensuring more equitable distribution of costs and benefits," and "management to enhance the benefits and limit the hazards of advancing technology."2

Obviously, international organizations differ in terms of tasks, resources, memberships, and accomplishments, in which they are involved. In spite of these differences, international organizations do have something fundamental in common; that is, they are created as collective action by political leaders or policymakers among several or
many states for solving a common problem or task, whether the development of social and economic welfare, the prevention of war, or the creation of a secure peace. In other words, they are a sort of collective enterprise which involves states as members; they seek to deal on a multilateral basis with common problems or tasks that were once treated on an individual basis. In this vein, Lynn Miller defines international organizations:

They possess institutional structures based on treaties which bind together several or many nation-states in long-term agreements designed to foster cooperation with each other, in specified ways, and for the promotion of general or particular political and/or social goals [emphasis added].

The role of international organizations is of immense importance today, not only because of the importance of issues or tasks with which they deal, but because "they are of all available institutions the most peculiarly adapted to the task of engendering collaborative action on common needs among a multiplicity of governments." In today's world, which is physically interdependent yet kept politically divided and lacking a centralized authority above national governments, international organizations are emerging as the only available alternatives for independent national governments to rely on in the pursuit of their common goals.

In the process of performing their designated functions for solving common problems or tasks, international organizations may provide for a better ordering of relations among independent national governments; in doing so, they may have the potential to promote integrative processes among membership countries. Being preoccupied with these potential aspects of international organizations as
instruments or vehicles towards political integration, some students of international organizations are not so much interested in getting the specified goals of international organizations done as in integrative phenomena which result from the processes of international organizations. Thus, some scholars are less concerned with purposes or objectives of international organizations than in the patterns of "collective decision processes," particularly with regard to the phenomenon of political integration.

The research in line with integration approaches may rest on an assumption that, in Finkelstein's terms, "through the erosion of state sovereignty--or its pooling--peaceful ties will be built, reducing and ultimately eliminating the motives and capacities of states that have historically produced war." Students of international integration generally emphasize the role of international organizations in "system transformation" rather than in the direct satisfaction of human needs to which the institutions are created to respond. One citation of a prominent definition of integration in the international organization literature will make this point more clear: political integration has been defined as "the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new and larger center, whose institutions possess or demand jurisdiction over the pre-existing national states."

Although international organizations may transform the structure of the international system, as emphasized in the integration approach, it also may be true that the raison d'être of international organizations
lies in serving the common good of membership countries. In this sense, governments are likely to look upon international organizations as instrumentalities through which they could further their shared interests. When national governments join international organizations, thus, they do not abdicate their own power: instead, they agree to institutionalize some of their mutual relationships for the pursuit of common good. In this regard, international organizations may be conceived as voluntary associations or organizations composed of a group of independent governments, who retain a considerable amount of discretionary power, even though they agree to join a common cause.

Notwithstanding the importance of international organizations in today's world, whether with regard to "system transformation," as emphasized in integration approach, or in relation to the direct satisfaction of "human needs," as stressed in the "human needs" approach, a more important consideration in our view is the question of how effectively or successfully they can deal with the problems to which they are created to respond or with the tasks which they are supposed to perform. For it may well be that the answers to this question will tell us much about the capacity of the nation-state system to adapt itself to rapidly increasing demands and needs across national boundaries in our time.

More specifically, we will address ourselves in this dissertation to two research questions: (1) the burden-sharing issue, i.e., how collective or common burdens are shared among the involved countries; and (2) the distributional issue, i.e., how costs and benefits are balanced among member countries. Both questions are suggested by the theory of collective goods.
We will investigate these two research questions, using Asian international organizations as a subsample of existing international organizations. The origins of Asian international organizations are relatively recent, and their success or failure seems vital in light of the promises that they provide to developmental efforts within Asian countries.

An underlying assumption in attempting this line of research should be clear in that Lasswellian\(^{12}\) who-gets-what questions intrude themselves into the calculations of political leaders of participating governments. We hope that the research thrust we pose for our dissertation will provide us with an improved understanding of internal workings of Asian international organizations and also will derive policy implications for policy makers in regard to decisions about international organizations.

In this sense, the research ideology underlying this dissertation clearly rests on an acceptance of David Easton's plea for "more relevant research," "prescription," and "action" with regard to the immediate issues of our times.\(^ {13}\) His advocacy of a "post-behavioral revolution" for a new image of political science as a discipline and political scientist as a profession is rooted in a deep commitment for the improvement of political life in our world by means of a generation of knowledge for immediate use. In the field of international relations, a focus has been put on the relevance of advanced social-scientific theory and research to the imminent crisis-laden realities of international relations, especially in regard to public policy issues.
Accordingly, this dissertation is intended to respond to such a demand for research related to public policy issues, as required by the discipline of political science in general and international relations in particular. The public policy issues searched for by this dissertation include the following: (1) policy makers, especially of developed countries involving Asian IGOs, see to it that their countries' burden-sharing for Asian IGOs maintains a proper level in terms of the theory of collective goods; (2) policy makers of Asian developing countries see to it that the joint functions for Asian IGOs are good bargains or costly burdens in terms of their countries' costs and benefits; and (3) policy makers of Asian IGOs see to it that their IGOs are effectively operated in terms of funding and allocations of benefits to member countries.

Scope and Plan of the Research

Primarily because of data availability, we rely on case study methods to carry on our research. For case studies, we have selected four Asian IGOs—the Colombo Plan (CP), the Asian Productivity Organization (APO), the Asian Development Bank (ADB), and the Southeast Asian Ministers of Education Organization (SEAMEO), out of over two dozen Asian intergovernmental organizations (IGOs) headquarter in Asia with a predominantly Asian membership. The criteria used to select these four Asian IGOs will be described later in detail. Each case study covers the period from the formation of the IGO up until 1974.

In order to explain this research project, the dissertation is presented in the following sequence. After this introductory chapter, Chapter II will describe the regional cooperation in Asia in general,
with a particular focus on the imminent needs of the Asian developmental regionalism and its prevailing trends, identifying streams of regional cooperation among the Asian countries; this chapter will explain why we attempt to study Asian IGOs, rather than other existing international organizations, and will supply substantive information so that case studies can be understood in broad perspective. Chapter III will focus on the theory of collective goods through a review of the literature, in order to derive two basic guiding hypotheses for this research project and will review research done in the field of international organizations which employs the theory of collective goods; in short, this chapter will provide us with a theoretical framework through which to attempt an analysis of the four international organizations. Chapter IV will present the research design for the analysis, discussing operational definitions of the concepts, variables, and measures, and deriving an analytical framework. In Chapters V to VIII, we will analyze each of the four Asian IGOs in depth; each chapter will, first of all, delineate the basic information relating to the IGO, with particular attention to the origins of the organization, its objectives, and its organizational structure, and to the status of member countries, followed by an analysis of burden-sharing and a cost-benefit analysis. The final chapter of this dissertation will summarize major findings derived from the case studies and will discuss policy implications for each IGO, concluding with a statement on implications for further studies.
FOOTNOTES


2. This list of tasks for international organizations is not exhaustive; see Lawrence S. Finkelstein, "International Organizations and Change," International Studies Quarterly, XVIII, 4 (December 1974), p. 506.


5. For instance, Ernst B. Haas clarified this point, in the preface of his work, Beyond the Nation-State, which is an in-depth case study of the International Labor Organization from the integration perspective. He states: "My purpose here is not to attack or defend the International Labor Organization, expose its shortcomings or praise its services, but to inquire whether its structure, tasks, and achievements meet the desiderata posed..., problems not of immediate relevance to those who originated and perpetuated the ILO. My findings here, moreover, are important not so much for...the international protection of labor standards as for...the adequacy of functional international organization in contributing to the integration...." Quoted from E. Haas' Beyond the Nation-State (Stanford: Stanford University Press, 1964) p. x.


7. Ernst B. Haas, "International Integration--The European and the Universal Process," International Political Communities (New York: Doubleday & Company, 1966), p. 94; an abundance of definitions appears in the international integration literature. For integration literature, see fn. 1 in Chapter II.

8. Notice Inis L. Claude's statement on the basically dualistic nature of international organization. Although he mentioned it on the global international organization, the point seems valid here: "On the one hand, it [international organization] may be regarded as a means for making the modern state system function more satisfactorily..., international organization is set within the context of the multistate system; it accepts the sovereign state as the basic entity of world political life; ....In contrast, international organization may be looked upon as a process of initiating steps in the direction of world government...."
9. See, for instance, the observation made by Gunnar Myrdal who once served as Executive Secretary of the United Nations Economic Commission for Europe: "In the typical case international organizations are nothing else than instruments for the policies of individual governments, means for the diplomacy of a number of disparate and sovereign national states. When an inter-governmental organization is set up, this implies nothing more than that between the states a limited agreement has been reached upon an institutional form... The organization becomes important for the pursuance of national policies precisely to the extent that such a multilateral co-ordination is the real and continuous aim of national governments." Gunnar Myrdal, Realities and Illusions in Regard to Inter-Governmental Organizations (London: Oxford University Press, 1955), p. 5.

10. The "functionalist" school seems to emphasize the notion of functional task performance as a strategy for an ultimate end-state of international integration, through bypassing "power politics" and, thereby, eventually diluting the national boundaries and sovereignty; see David Mitrany, A Working Peace System (Chicago: Quadrangle Books, 1966); more directly, Philip E. Jacob and Alexine L. Atherton lucidly clarify their position in laying stress on "human needs" in their approach; i.e., what they call "psycho-functional analysis," differentiating from "structural functional approach," to the study of international organizations. See their The Dynamics of International Organization (Homewood, Illinois: Dorsey Press, 1965), pp. 2-4. Meanwhile, Finkelstein suggests six research criteria for the study of international organizations, such as (1) solving functional problems, (2) enhancing international integration, (3) constituency preference or consensus, (4) survival, (5) growth, and (6) autonomy or differentiation from environments; for a detailed discussion, see Finkelstein, op. cit., pp. 503-515; see also Robert Cox, "Introduction: Perspectives and Problems," in R. Cox (ed.) The Politics of International Organization (New York: Prager, 1970), pp. 15-44.

11. Mancur Olson, The Logic of Collective Action (Cambridge, Mass.: Harvard University Press, 1971); for a detailed discussion, see Chapter III.


14. The theoretical framework for research and comparative case study scheme will be discussed in Chapter 3 and 4.

15. For a definition of an Asian IGO we use in this dissertation, see fn. 10, Chapter 2.

16. See Chapter 4.

17. In this dissertation, thus, we could not deal with the changes which have occurred in Indochinese countries (such as South Vietnam, the Khmer Republic, and Laos) after the termination of the Indo-Chinese War, in relation to their joined Asian IGOs; and will deal with these countries as they were in the pre-war situations regarding the Asian IGOs; for a discussion of their membership relations with the four Asian IGOs for our case studies, see Chapters 5-8.
CHAPTER II
REGIONAL COOPERATION IN ASIA--ASIAN REGIONALISM

Imperative Needs for Regional Cooperation

Theories of regional cooperation in the field of international relations seem to suggest two main perspectives toward the development of regional communities of states. One perspective focuses upon the extent of we-feeling among countries which is based on similarities in culture, history, religion, and politics. The second perspective is concerned with the recognition by countries with common ties of mutual tangible benefits that might result from cooperation and the realization that the concomitants of non-cooperation could be economically disadvantageous.¹

In Europe, regionalism has gradually flourished in part due to sociocultural affinities; by the end of World War II there already existed some two hundred European intergovernmental socioeconomic and functional institutions.² The countries involved were not newly independent, having long histories of national identity as well as a tradition of cooperation and interdependence. They had a long background and experience in economic and industrial development; the economic problem itself was one of reconstruction—not development—as they tried to band together to reconstruct the devastated economies of Western Europe after World War II. Even Latin America has a long history of close association with Western culture and civilization, having cultural unity in regard to religion and language. Cooperative associations among the countries of Latin America and between them and the United States have
long been established. Thus, it may not be surprising that regional cooperation is far more advanced in Latin America than in Asia.

Asia has lacked a unity in cultural, social, and political traditions. As Eugene R. Black, a long-time proponent of regional cooperation in Asia, comments on the heterogenous characteristics of Asia in comparison with other regions:

Asia lacks the long and continuous experience of contact and association, the common culture, the highly developed economies, and stable and effective governmental and political systems of Western Europe. It lacks the cultural and religious unity, the common history of association with regional institutions of Latin America. It lacks even the geographical unity of Africa. 3

Most countries in Asia became independent only after World War II, and they had to realize the difficulties of independence sooner than they expected. In recent years, two pervasive factors have brought Asia into prominence in international relations. First, the most basic division in Asia is the political division between the Communist and non-Communist countries. There are still frontiers where two main power blocs, i.e., the East-West rivalries, confront each other directly. Secondly, Asia is marked by underdevelopment and poverty on a scale unknown elsewhere, as Gunnar Myrdal documented in his three-volume Asian Drama. 4 Thus, two great lines of division in the modern world, the ideological and the economic, are present in Asia. Furthermore, colonial legacies have left unsolved "border disputes" and "ethnic conflicts," 5 even after the departure of colonialism in this region. In this vein, Michael Haas identified four sources of violent conflicts within Asia—"ethnic antagonisms," "foreign intervention," "ill-defined borders," and "poverty." 6 Indeed, during the post World War II period, the level of international violence in Asia is higher than any other region in the
Herein lies the challenge of Asian regionalism; that is, Asian countries must cooperate together for joint developmental efforts or they will be continually faced with underdevelopment and an endless succession of conflicts.

In this context, one observer of Southeast Asian problems comments:

...they [the states of South-East Asia] are also engaged in a complex quest for a modus vivendi among themselves: and the key to a more enduring kind of peace than that resulting from an intricate balance of world and regional forces appears to lie in their capacity to overcome the major problems of poverty, inter-communal conflict and state and national integration that beset their heterogenous peoples [emphasis added].

The phenomenon of Asian regionalism, particularly during the 1960s, can be understood as the expression of a common need among Asian countries to cooperate. Common problems and needs have prompted Asian leaders' collective action; the rapid surge of Asian regionalism during the 1960s may be understood in terms of Asian leaders' or statesmen's collective action or response to help to meet such common needs of problems as "peace" (security) and "economic development," which are interlinked with the national development and nation-building of most of the new states in Asia. Eugene R. Black wrote in this regard:

The strong and healthy movement toward increased regional cooperation which we are now witnessing in Asia evolved logically and at its own pace within the framework of political and national development of the Asian countries. Despite the infusion of some stimulus from outside associations, it is the product of Asian initiative.

Now, there are more than two dozen international organizations headquartered in Asia with a predominantly Asian membership. Most of them have been established since 1960, and half of the total have been established since 1965 (see Figure 1). During the 1960s Asia had
Figure 1. Growth of Asian IGOs Over Time (Cumulative Frequency)

Superseded by ASEAN.

witnessed the development of international organizations in number at a faster rate than in any other region in the world.\textsuperscript{11} What seems to be conducive to this growth of new international organizations in Asia, let alone the cooperative need or demand, is the major principle underlying the Asian regionalism that "peace may be achieved through economic development, as promoted by regional cooperation," i.e., to be known as "an indirect approach to peace."\textsuperscript{12} This economic approach to peace rests on the assumption that the alleviation of poverty through economic development will eventually bring peaceful relations among Asian countries. Thus, all of the new international organizations in Asia are concerned with economic issues and the provision of "multiplier effects" upon national developmental efforts of participating governments.\textsuperscript{13} One general observation is that the tactic of stressing tangible material benefits to participating nations has stimulated new international organizations in Asia by avoiding any challenge to national sovereignty, which is cherished jealously by the new states in Asia. In fact, one empirical study of Asian IGOs reports:

...the most technical and unpolticized organizations attract the most members, while politicized IGOs are relatively small in size and tend to lose members over time as consensus declines. In general, Western-dominated organizations show less growth than the most recent technically-oriented efforts, which appeal to needs among Third World countries.\textsuperscript{14}

Given such obstacles to regional cooperation in Asia as the heterogenous national characteristics, uncertainty and fluidity of international politics, with new states still at the stage of nation-building, concerned primarily with the internal problems of economic development and political unity and stability, any cooperative venture, to succeed, must be related to the prospect of tangible advantage likely to accrue
to the participants involved. The major contour of Asian regionalism is cooperation in functionally-specific technical regional organizations, as primarily linked to the acceleration of national developmental efforts. In the next section of this chapter, we will briefly delineate the trends in regional cooperation in Asia in terms of the kinds of international regional organizations existing today, through which Asian states conduct joint functions for a common purpose.

Trends in Regional Cooperation in Asia

One useful way of coming to grips with trends in regional cooperation in Asia, especially in terms of the development of Asian regional intergovernmental organizations, is to look at sources of leadership in their formation. According to Michael Haas, the formation of about two dozen Asian IGOs has been initiated from several sources: there have been seven major streams in the development of regional cooperation in Asia, including (1) the United Nations system, (2) Western countries, (3) the Afro-Asian movement, (4) Japan, (5) the United States, (6) joint efforts of statesmen in Southeast Asia, and (7) initiatives on behalf of "Pacific Asia."

The establishment of the Economic Commission for Asia and the Far East (ECAFE) in 1947 under the framework of the Economic and Social Council (ECOSOC) of the United Nations was the first concrete step toward regional cooperation in Asia. It is in this regional United Nations organ where newly emerging countries in Asia have gained their first experience in working together to thrash out mutual problems, in order to reach common bases for the solution of their problems. One of the most important accomplishments of ECAFE, especially in terms of
Asian regional cooperation, is its role in the establishment of Asian Development Bank (ADB) in 1964. ECAFE is credited with fathering two other Asian regional IGOs, namely, the Asian Coconut Community (ACC) in 1969 and the Asian Clearing Union (ACU) in 1974. And by the early 1960s ECAFE itself launched several projects, such as the Asian Highway and the Mekong Project, at first entirely with its own funding, which later acquired independent sources of funding and their own decision-making bodies to oversee operations. However, since ECAFE is a United Nations organ, it is not a truly regional international organization within the framework of this dissertation.

Another United Nations agency, the Universal Postal Union (UPU) has also contributed to the growth of regional cooperation. UPU, in keeping its policy of encouraging restricted postal unions, welcomed the formation of the Asian-Oceanic Postal Union (AOPU), which was initiated by the Philippines and South Korea.

Western powers, in partnership with Asian countries, constitute a second source of regional cooperation in Asia, forming the Colombo Plan for Co-operative Economic Development in South and South East Asia in 1950 and the South-East Asia Treaty Organization (SEATO) in 1954. The Colombo Plan, the first Asian regional IGO, was jointly proposed by the delegates of Australia and Ceylon at a meeting of Commonwealth Foreign Ministers held at Colombo in 1950. It was the first Asian international organization to concern itself with the development needs of Asia and to keep account of the assistance given; it was the first to promote mutual aid among the Asian countries, and it was the first to promote and coordinate technical assistance to and among Asian countries. In order to resist the advance of Communism in Southeast Asia, in the wake
of the French retreat from Indo-China, the **South-East Asia Treaty Organization** (SEATO) began in 1954. Born of Philippine and American parentage, SEATO was created to serve a military security role, but soon launched projects of an economic and nonmilitary character, toward which it devoted most of its budget in the decade before its demise in 1977. Thus, two of the earliest regional IGOs in Asia started with an impetus from outside powers.

The Afro-Asian movement, a third source of regional cooperation in Asia, began as a reaction on the part of India and other countries in Asia to the creation of Communist and non-Communist power blocs. Conscious that East-West rivalries deflected too much attention from the needs of developing countries, India sought to champion the cause of the Third World; the earlier efforts and leadership of India of this sort were reflected in three Asian Relations Conferences, held in 1947, 1950, and 1954. Twenty-nine countries from Africa and Asia met together at the Bandung Conference of 1955, wherein the Five Principles of Peaceful Coexistence were endorsed. But the intergovernmental legacies of this African-Asian movement include only two with headquarters in Asia, namely, the **Asian-African Legal Consultative Committee** (AALCC) in 1956 and the **Afro-Asian Rural Reconstruction Organization** (AARRO) in 1963, both of which are headquartered in New Delhi.

Japanese leadership has provided momentum for the growth of regional cooperation in Asia, starting with the formation of the **Asian Productivity Organization** (APO) in 1961 and the **Asian Parliamentarians' Union** (APU) in 1965. Several new Asian IGOs have emerged through the yearly meeting of the **Ministerial Conference for the**
Economic Development of Southeast Asia (SEAMCED) since 1966, in which Japan maintains a leadership role. They include such Asian inter-governmental organizations as the Southeast Asian Fisheries Development Center (SEAFDEC), the Southeast Asian Agency for Regional Development of Transport and Communication (SEATAC) in 1967, the Southeast Asian Regional Cooperation in Family and Population Planning (SEARCFPP) in 1971, and the Southeast Asian Medical and Health Organization (SEAMHO) in 1972, all of which report yearly to SEAMCED.

The financial support of the United States has contributed to the growth of regional cooperation in Asia; the United States Agency for International Development (USAID) provided financial support to APO as well as to the second and third of SEAMCED's projects; the Southeast Asian Ministers of Education Organization (SEAMEO), established in 1965, is a clear example of an Asian international organization that started due to United States' financing, although the United States is not a member of this organization. Another Asian IGO, born of the USA funding, is the Asian Vegetable Research and Development (AVRDC), which began in 1971; the United States is participating as a charter member in AVRDC.

The rapid growth of regional cooperation in Asia is mainly harvested in the subregional context of Southeast Asia. Southeast Asian sub-regionalism may be traced back to the Association of Southeast Asia (ASA), established in 1961 to enable Malaya, the Philippines, and Thailand to advance their own development through joint projects. Maphilindo, a loose confederation between Malaysia, the Philippines, and Indonesia, was set up in 1963 but was suspended later in the same year due to the border disputes over Sabah and Sarawak. The Association of
South-East Asian Nations (ASEAN) superseded ASA in 1967, adding Indonesia and Singapore as members. ASEAN functions both as a political and a techno-economic IGO, open to membership by all states of Southeast Asian region. In addition to these three organizations, Southeast Asian countries have established such Asian regional IGOs as the South-east Asian Central Bank Group (SEACEN) in 1967, the Association of Natural Rubber Producing Countries (ANPRC) in 1970, and the Regional Institute for Higher Education and Development (RIHED) in 1971.

A final source of regional cooperation in Asia springs up in so-called "Pacific Asia," a concept developed by former Japanese Prime Minister Takeo Miki. South Korea took the initiative for the formation of the Asian and Pacific Council (ASPAC) in 1966, originally hoping to bring together a security pact of non-Communist countries— an Asian and Pacific Treaty Organization (APTO); yet this ambition of South Korea was not shared by such countries as Japan, which insisted that ASPAC have a nonmilitary character. Within the ASPAC framework, several autonomous IGOs in specialized areas were established, including the Cultural and Social Center (CULSOCEN), the Food and Technology Center (FFTC), the Registry for Scientific and Technical Center (RSTC), and the Economic Cooperation Center (ECOCEN). The Central Banks of South East Asia, New Zealand, and Australia, known as SEANZA, falls into this category of Pacific Asian organization; SEANZA is an extension of SEACEN to Pacific countries. AOPU, a restricted postal union, which was mentioned above, also may be categorized into this group of Pacific Asian organizations.

Excluding ECAFE and its projects, the moribund ASA and Maphilindo, as well as such sub-IGOs as CULSOCEN mentioned above, there are currently
a total of some two dozen intergovernmental organizations through which Asian countries are weaving regional cooperation, for their common needs, conducting joint functions.

In terms of membership structure, Asian international organizations may generally be classified into three types: (1) super-regional organizations (e.g., Colombo Plan, Asian Development Bank) which include most of non-Communist Asian countries plus industrialized countries from outside the region; (2) regional organizations with no non-regional members (e.g., Asian Productivity Organization, Asia and Pacific Council); and (3) subregional organizations, particularly consisting of Southeast Asian countries (e.g., Association of South East Asian Nations, Southeast Asian Ministers of Education Organization). About half of the international organizations in Asia have been formed primarily among the countries of Southeast Asia. Except for ECAFE, the Colombo Plan and the Asian Development Bank are the most popular organizations in terms of membership. Subregionalism, particularly among the Southeast Asian countries, is the most frequent form of current regional cooperation in Asia. Given such complex political conditions in Asia as the political division between Communist and non-Communist countries, political rivalries between such countries as India and Pakistan, the small powers' resentment and fear of the domination by larger countries, the development of Pan-Asian organizations, if any, will be likely to occur only in the distant future.

Regional cooperation in Asia is likely to follow a different course from that taken in Western Europe, i.e., a tendency toward an exclusively closed system, as attested by such symptoms as "the internal intensification and expansion of transaction flow patterns, matched by
increasingly apparent external discontinuation of these patterns."
Most of the countries involved are former colonies and less-developed countries, whose development requires access to Western developed countries' markets, technology, and economic aid. Extra-regional cooperation, especially in terms of the flow of goods, and funding from developed countries (including Japan), seems likely to be critical for the viability of Asian IGOs.

Taking into account the fact that Asian international organizations are composed mostly of poor underdeveloped countries, the problem of how to fund the organizations appears to be one of the critical problems in connection with the viability of Asian IGOs. In fact, the failure to develop effective multi-task organizations in an Asian regional context is attributable to caution on the part of the member countries; it may be easy for an Asian country to support new international bodies, but there may be a reluctance to grant sufficient funds to the organization until consequences of its operations produce an immediate reward. In this context, in order for an Asian IGO to be viable, it seems a necessary element that expectations of the members should be unequivocal, constituting a consensus among the members concerning the role for the organization as an agent of social and economic development.

It is within this context that burden-sharing problems and questions of costs and benefits of membership countries, which we attempt to investigate in this dissertation, are posed; the theory of collective goods sheds some light on encountering these problems. In the next chapter it behooves us to examine the theory of collective goods.

Before going into the discussion of the theory of collective goods in the next chapter, it seems useful to summarize some of the
salient facets of regional cooperation in Asia for the purpose of this research:

(1) Asian regionalism has shown a marked surge, particularly during the 1960s, as Asian political leaders undertake collective action in the face of common needs or problems.

(2) The convergence of diverse interests of new developing countries in Asia has meant regional cooperation in such less politicized areas as techno-economic matters; through which they can derive mutual tangible benefits.

(3) Most of the Asian IGOs are created to promote national developmental efforts; policy makers are oriented pragmatically toward these intergovernmental organizations.

(4) Mainly being composed of the less developed countries, Asian IGOs need cooperation from the developed countries (including Japan), especially in terms of funding, for survival or viability; some Asian IGOs, such as the Colombo Plan and the ADB, include industrialized countries from outside the region as members.
FOOTNOTES


3. See ibid, p. 4.


6. Michael Haas, "The 'Asian Way' to Peace," Pacific Community, IV (July 1973), pp. 498-514. Haas observed that the Asian Way, an operational code of diplomatic style, has been developed among Asian political leaders to cope with four sources of conflicts in Asia. The Asian Way consists of six principles: (1) Asian solutions to Asian problems; (2) the equality of states through
mushawarah; (3) decision by consensus through mufakat; (4) incrementalism based on informality; (5) separation of politics from administration; and (6) collective self-help through bayanihan. The main achievement of the Asian Way consists of the formation of new regional IGOs within Asia, at a faster rate in the 1960s than any other region in the world. These new organizations, in turn, were formed by applying the Asian Way; the Asian Way is practiced within these organizations, and they serve to reduce the sources of international conflicts through their operations.

7. In each of the decades since 1946, Asia has been a battleground of one-third of the wars around the world. See ibid., p. 498.


10. Asian international organizations in this dissertation refer to international organizations headquartered between Afghanistan and Pakistan in the West and the Philippines and Japan in the east. To be "international" an organization must have at least three member countries. This definition of Asian international organizations excludes the United Nations system in Asia, such as ECAFE (the Economic Commission for Asia and the Far East, now called the Economic Commission for Asia and the Pacific), RCD (Regional Cooperation for Development), organizations located in Australia and New Zealand, and bi-national and non-governmental international organizations.


12. Michael Haas, op. cit., p. 510. In this respect, the shape and growth of Asian regionalism may be similar to functionalist approach to peace, as advocated by such writers as David Mitrany. See his A Working Peace System (Chicago: Quadrangle Books, 1966). For a discussion of applying this proposition to Asian regionalism, see James Neal Schubert, The Functionalist Approach to Peace in Asia (Unpublished Ph. D. Dissertation, Department of Political Science,
University of Hawaii, 1975); for a critical discussion of this subject, see Michael Leifer, op. cit., especially Chapter 9.


15. Peace or conflict resolution, to which these techno-economic IGOs may have contributed, is a by-product in this sense. Recall, for instance, that the establishment of the Asian Development Bank reduced tensions between Malaysia, on the one hand, and Indonesia and the Philippines, on the other. For a detailed discussion, see Michael Haas, op. cit., pp. 510-512; Robert Fluker, op. cit., p. 196.


17. ECAFE was retitled as ESCAP (the Economic Commission for Asia and the Pacific) in 1973 to reflect an expansion of membership and scope of operations. For avoidance of confusion, we intend to use the old title ECAFE in this dissertation. For a detailed discussion of ECAFE, see David Wightman, op. cit.; see also L. P. Singh, The Politics of Economic Cooperation in Asia: A Study of International Organizations (Columbia, Missouri: University of Missouri Press, 1966), especially Chapters 2-8. For basic information on Asian IGOs, apart from the United Nations system, see Michael Haas, Basic Documents of Asian Regional Organizations (Dobbs Ferry, New York: Oceana Publications, 1974), 4 vols.

18. For a detailed discussion of ADB, see Chapter 7.

19. For a detailed discussion of the Colombo Plan, see Chapter 5.

20. For a discussion of Indian Leadership in Asian regional cooperation, see L. P. Singh, op. cit., Chapter 1; Sisir Gupta, India and Regional Integration in Asia (Bombay: Asia Publishing House, 1964).


22. See Chapter 6.

23. See Chapter 8 for a detailed discussion.
24. Somsakdi Xuto, one student of Asian regionalism, sees the formation of ASA as a watershed of Asian indigenous regional cooperation, differing from the earlier regional efforts of Asia, which were due to an outside impetus. See his "Regional Cooperation in Southeast Asia," in Bernard Grossman (ed.), op. cit., p. 260.

25. One time Bernard K. Gordon suggested that ASEAN might develop a military capability against the "People's War" approach, as instigated by China. See his Toward Disengagement in Asia (New Jersey: Prentice-Hall, Inc., 1969), especially Chapter 8.

26. The concept "Pacific Asia" was developed when Miki was Foreign Minister in the late 1960s; it covers countries of Asia that have shores on the Pacific along with Australia and New Zealand, and countries of Oceania. Australia and New Zealand have been accepted as regional members of ASPAC, ECAFE, AOPU, and ADB.


28. Outside the UN system, three Asian IGOs have Western countries as members--AVRDC (USA), the Colombo Plan (Canada, UK, USA), and ADB (fourteen countries). The new role of Western countries is mainly relevant to Asian international organizations by providing finances to assist them. For a detailed discussion, see Chapters 5 and 7.

29. For analytical purpose, Asia may be divided into five subregions--East Asia, Southeast Asia, South Asia, West Asia, and Pacific Asia. Except for Southeast Asia, other subregions have not developed sufficient subregional identity to form Asian IGOs; "regional organizations" here refer to organizations composed of regional members, regardless of the subregional identity, excluding non-regional countries. As mentioned above, such Oceanic countries as Australia and New Zealand are counted as regional members.

30. In terms of religion, cultural heritage, and colonial experience, Southeast Asian countries are quite diverse, but the realization that they might all suffer from economic competition with one another has brought about an enthusiasm for joint projects.

31. Rivalry between India and Pakistan in the subcontinent of South Asia has led Pakistan to seek for intimate intergovernmental collaboration with the countries in West Asia; Pakistan is a member of the Central Treaty Organization (CENTO), the Islamic Secretariat, and the Regional Cooperation for Development (RCD); her withdrawal from SEATO in 1972 further indicates this tendency.
32. The earlier efforts of Indian leadership in regional cooperation in Asia failed in part due to the apprehension of smaller countries for the domination of bigger countries such as India. See L. P. Singh, op. cit., p. 5; see also Sisir Gupta, op cit., p. 37. The rapid surge of subregionalism among the countries of Southeast Asia from the late 1960s may be viewed in the context of their eagerness to avoid domination from the larger countries of Asia, i.e., India and Japan.

33. Integration research, especially transaction flow analysis, usually focuses on the amount of cohesion in transaction patterns, especially in the Western European context. See Conald Puchala, "International Transactions and Regional Integration," in Leon N. Lindbergh and Stuart A. Scheingold (eds.), Regional Integration: Theory and Research (Cambridge, Massachusetts: Harvard University Press, 1971), pp. 139-149.

34. One empirical study of Asian IGOs reports that within Asian IGOs there has been very little spillover in general; once a founding charter is adopted, the organization is usually restricted to issue-areas therein. The same study also reports that nearly one-third of the IGOs are technical and single issue in scope. See Michael Haas, The Asian Way to Peace: The Politics of International Cooperation in Asia, op. cit.
CHAPTER III
THEORETICAL FRAMEWORK: THE THEORY OF COLLECTIVE GOODS

General Discussion of the Theory

Not unlike many theories in political science, the theory of collective goods\(^1\) thrusts economic reasoning into the analysis of political phenomena, particularly voluntary groups or organizations. Voluntary groups or organizations may be defined as "associations of people and/or groups of people who share common interests, who communicate about achieving their shared interests, and who pool \textbf{resources in some fashion} in order to achieve these shared interests."\(^2\) Drawing on the economic theory of public goods, Mancur Olson developed the theory of collective goods, often known as the theory of collective action, to explain how voluntary groups or organizations operate.\(^3\)

The theory of collective goods postulates one basic premise, namely, that collectivities, such as groups, organizations, alliances, or interstate organizations, are formed when individuals or states realize that by individual action they cannot produce a desired or needed good or cannot produce it in sufficient amounts; this premise rests on the assumption that \textit{collective action} through such collectivities will permit them to achieve a common goal, i.e., the provisions of the desired good for \textbf{less cost} than they would have to pay if provided by individual action.\(^4\) For example, labor union members will jointly support a labor union for such common benefits as higher wages, improved working conditions, and job security; similarly, at the international level, states join alliances or interstate organizations either
for security or for common task performance, such as economic development.  

As a theoretical framework, the theory of collective goods addresses itself to the purposes and benefits of organizations, i.e., collective or private goods that they produce and especially to the interrelationships of these factors in voluntary organizations. This theory assumes that one purpose of an organization is that of serving the common interest of its members. According to Mancur Olson, "the achievement of any common goal or the satisfaction of any common interest means that a public or collective good has been provided for that group (organization)." Thus, the theory postulates that the provision of public or collective goods is the fundamental function of organizations generally.

In this context, a public or collective good is defined by one or both of the following properties:

(1) "if the common goal is achieved, everyone who shares this goal automatically benefits or, in other words, nonpurchasers cannot feasibly be kept from consuming the good, and

(2) "if the good is available to any one person in a group, it is or can be made available to the other members of the group at little or no marginal cost."

In the terminology of economics, these properties or characteristics of collective goods are called, respectively, "non-exclusiveness," and "jointness of supply" (or nonrivalness); the latter is a common but not a necessary attribute of collective goods. Private goods or benefits, by contrast, lack both of these properties.
With regard to the distinction between collective and private benefits, Philip M. Burgess and James A. Robinson comment:

This theory, it should be emphasized, involves a distinction only between collective and private benefits, it assumes or implies nothing about whether benefits are political, social, economic, or military. Some theories of international organization emphasize that economic functions undergird political functions, or vice versa. Other theories stress differences between single-function and multi-function organizations. The theory of collective action should not be confused with a theory of mixed (political, economic, and military) functions or with a theory of multiple functions. Likewise, the theory applies to economic, political, and military coalitions. 11

They further assert that the theory of collective goods predicts differences in organizational performances only with regard to whether benefits are collective or private. 12

One central focus of the theory of collective goods is on how the common burden in achieving common interests is shared among the members in voluntary organizations. By the properties of a collective goods, i.e., no member of an organization can be denied its benefits; the theory assumes that there is no rational reason for a member to pay its share of costs in obtaining the collective good, unless rewards distinct from the collective good are proffered or there is coercion. 13

Thus, the theory implies that members' behavior may differ according to the type of benefits, i.e., collective or private benefits, as produced by the organization.

Based on the unique properties of collective goods mentioned above, Mancur Olson discusses how large or small groups are likely to work in terms of the provision of the collective good. In his book, The Logic of Collective Action, Olson postulates that "the larger the group, the farther it will fall short of providing an optimal amount of a
collective good." But he demonstrates how small groups can provide collective goods without either coercion or reward and in these respects differ from large groups. He reasons:

In small groups each of the members, or at least one of them, will find that his personal gain from having the collective good exceeds the total cost of providing some amount of that collective good; there are members who would be better off if the collective good were provided, even if they had to pay the entire cost of providing it themselves, than they would be if it were not provided. 15

Olson's argument is that the voluntary, self-interested actions of members can provide collective goods, simply because the group is small, and thus it is worthwhile for some members to provide all the good. Still, even in small groups, the collective good will not be provided on an optimal scale, since its provision will be regulated by the satisfaction of the individual members. That is to say, the small member in terms of "extent of interest in the collective good" will still be receiving free amounts of collective good from the largest member, "the member who would on his own provide the largest amount of collective good," often more than the former would have provided for itself, and thus has no incentive to expend its own resources to obtain any of the collective good. 16 Hence, in small groups with common interests, the largest member is likely to bear a disproportionate share of the burden of providing the collective good, resulting, in Olson's terms, in a proclivity toward the "exploitation of the great by the small." 17

Based on Olson's theoretical analysis of burden-sharing among members in voluntary organizations, especially in small groups, Olson and Zeckhauser present an empirical model for the study of alliances in their article "An Economic Theory of Alliances," 18 where they attempt an empirical analysis of NATO alliance behavior. Beginning with Olson
and Zeckhauser's collective good model of alliances, this approach has been fruitfully applied to the study of alliances, especially burden-sharing aspects of member countries. 19

Alliance Burden-Sharing and the Theory of Collective Goods

Olson and Zeckhauser's Collective Goods Model of Alliances

Olson and Zeckhauser discuss the problems of burden-sharing in an organizational setting at the international level in their analysis of NATO. They present a "model that attempts to explain the workings of international organization," which, they assert, is applicable to any international organization in which independent nations seek to further their common interests. 20

In the model, they assume that one purpose of an alliance, serving the common interests of its members, is security—the protection of the member states by the collectivity. The "public" in the case of alliances consists of states which are members of the alliance organization. 21 Alliance benefits are divided into two basic types, collective and private. 22

The model focuses upon burden-sharing and the insufficiency and inefficiency found in international burden-sharing. The model suggests that there might be dual patterns of distribution of burden-sharing of member countries, according to the type of benefits the alliance produces, i.e., collective or private. In other words, they claim that the model could predict the way in which member countries support international organizations, especially alliances, according to the type of benefits produced by the organization.
Burden-Sharing Patterns in Collective Goods

In the case of military alliances, the collective good is deterrence, as noted above. For the common benefit of deterrence, alliance military capabilities, as provided by individual members, are assumed to constitute collective goods.

One central focus of the model is on the effect that providing a collective good has on alliances, especially burden-sharing within the alliance. Olson and Zeckhauser posit that alliance output from a collective good will always be suboptimal; the larger members (in terms of GNP) are those that "place a higher value on the public good" and shoulder a disproportionate share of the defense burden. The model implies that the amount any nation contributes to a collective good, in part, may affect the contributions of other nations; the more a particular nation in an alliance contributes to the overall defense capabilities, the less will other nations contribute to that capability, and vice versa, thereby resulting in suboptimality of alliance output and disproportionality in alliance defense burden-sharing. The degree and significance of suboptimality and disproportionality will decrease in such circumstances where the military forces of alliance members provide important noncollective benefits as well as alliance benefits; noncollective benefits give the members an incentive to maintain larger forces. Although recognizing the importance of noncollective or private goods aspects of defense capabilities in an alliance, Olson and Zeckhauser assert that alliances provide collective goods above anything else. Thus, the postulate mentioned above, i.e., the amount a member contributes to a collective good (defense capability) will be
affected by the contributions of its allies, with a consequent suboptimality in alliance output, will be likely to hold.

In order to measure the degree of suboptimality and to discover if a collective good is being provided, Olson and Zeckhauser assume that, if the model is accurate, the larger a nation is, the larger its proportion of contributions devoted to defense capabilities will be. With GNP and defense expenditures (D) as indicators of economic size and contributions, the model posits that the larger a member nation's GNP, the greater will be that percentage of GNP expended to defense expenditures (D/GNP). Olson and Zeckhauser find this burden-sharing hypothesis consistent with the data in their empirical analysis of NATO. 27

This hypothesized relationship, derived from the theory of collective goods, has been found valid in various researches on alliances, including NATO; Ypersele 28 examined data from NATO countries at two points in time, 1953 and 1963, and found that the relationships between size of the alliance member, as measured in terms of GNP, and member's defense expenditures were highly related at both points in time. Pryor 29 found in the context of both NATO and WTO (the Warsaw Treaty Pact) for 1956 and 1963 that defense expenditures were actually borne in the direction predicted by the theory of collective goods, i.e., size of GNP was positively associated with defense expenditures. Russett 30 has considerably extended this line of research by examining data from a number of alliances and different points in time, employing the theory of collective goods; he examined NATO, WTO, CENTO, SEATO, the Rio Pact, and the Arab League. Russett's analysis of data for these military alliances indicates that Olson and Zeckhauser's hypothesis largely
holds, except for the Rio Pact and the Arab League. In the case of the
Rio Pact, the relationship between GNP and defense expenditures for the
pact as a whole is very low, and the data indicate that Latin America
countries are assuming only a very small portion of the defense burden.
The analysis of the Arab League reveals a total absence of relationship
between GNP and defense expenditures, indicating that it probably
creates no collective good. As to the two deviant cases, i.e., the
Rio Pact and the Arab League, Russett comments that the Rio Pact may be
a "privileged group"; Olson indicates that it is often politically
worthwhile for the largest member (the USA) to provide most of the good
and others (Latin American countries) may not have incentives to make
a contribution. In contrast, the state of war between some of the
members of the Arab League and Israel and the ensuing necessity for
those to be in a state of military readiness may make the theory of
collective goods inappropriate for the Arab League.31

As discussed above, the theory of collective goods has been applied
to the study of international alliances, particularly military alliances,
with considerable success. As is also clear, however, the theory does
not account for burden-sharing patterns in all alliances studied. This
suggests that it seems crucial to explore the conditions under which the
theory is valid for international alliances and when and/or where it is
not. The lack of success with respect to some alliances, such as the
Rio Pact and the Arab League, suggests a theoretically interesting
implication that the theory seems to be valid only with respect to
alliances of a certain type which appear to have members ranging in size
from very large to relatively small. Alliances, such as NATO, CENTO,
SEATO, and WTO, where the theory of collective goods largely holds, have this type of membership structure, namely, having a range of variation in size. In contrast, the Rio Pact and the Arab League do not have such a range.

In short, an examination of the empirical findings from a collective goods analysis of various alliances suggests that as an organization provides a collective good, member states do indeed behave in certain ways, i.e., members will share the collective burdens of the organization in proportion to their economic size, although not without deviant cases, as discussed above. However, since these researches have been conducted mostly on military alliances, it remains to be seen whether this burden-sharing hypothesis, derived from the theory of collective goods, will hold in the analysis of other international organizations, especially Asian functional international organizations.

Burden-Sharing Patterns in Private Goods

It may be recalled that private goods are also important organizational benefits that are tangible and divisible; thus, in the case of private goods, the benefits could be selectively distributed to the members in an organization.

Olson and Zeckhauser suggest that programs such as NATO's infrastructure (military construction, such as common supply depots and pipelines) activities produce private goods: their benefits are perceived to be concrete, marginally specific, and mutually exclusive, providing related members with selective incentives such as host nation proprietorship, foreign exchange earnings, and prestige, since the infrastructure facilities of NATO are in continental European countries.
NATO's infrastructure program also has budgetary structures and processes which allocate the costs connected with new programs before they are authorized.

Herein, Olson and Zeckhauser assert that a marginal cost-sharing arrangement, in which alliance members share marginal costs in proportion to the additional benefits derived, seems applicable to private goods characteristics of NATO infrastructure activities. Thus, they expect that the pattern of cost-sharing of NATO infrastructure is likely to differ from that of defense burden-sharing, wherein members' contributions are affected by the valuation of the collective good.

In order to see the difference between the distribution of infrastructure costs and the distribution of alliance defense burdens, Olson and Zeckhauser test the following hypothesis:

In the NATO alliance there is a significant negative correlation between national income and the percentage of national income devoted to infrastructure expenses.

Their analysis reveals that larger nations expended a smaller share of the infrastructure costs than other alliance costs. There was a striking contrast between the distribution of cost-sharing of NATO infrastructure expenses (private goods) and that of defense burden-sharing of the alliance (collective goods), and there was a significant negative correlation between size (national income) and the percentage of national income spent on the NATO infrastructure, whereas the positive correlation prevailed for the latter case. Thus, in the case of private goods, wherein a marginal cost-sharing arrangement, i.e., cost-benefit principle, may be applied, Olson and Zeckhauser assert that there is no tendency toward disproportionality in the sharing of burdens.
Although Olson and Zeckhauser suggest a criterion comparable to proportionality of benefits and costs in their burden-sharing formulation and marginal cost-sharing arrangement, they do not provide a measure of benefits in their empirical analysis of NATO infrastructure: in their test of the hypothesis quoted above,\(^3\) they merely found that there was a different pattern of burden-sharing, when comparing collective goods and private goods; but they did not employ a cost-benefit analysis in their study. Despite their failure to provide an empirical example in this respect, Olson and Zeckhauser's theoretical formulation suggests a burden-sharing hypothesis in the case of private goods: to the extent that private goods are provided in an organization, the proportionality of costs and benefits (cost/benefit analysis) seems likely to be a determinant in the sharing of burden.

While a number of scholars employing the theory of collective goods for the study of international organizations emphasize the importance of private goods in soliciting membership or for the viability of an organization,\(^3\) there is indeed a paucity of empirical studies on the distribution of private goods or benefits to the members in an organization at the international level,\(^3\) which may have crucial implications for policy as well as for theoretical research. Moreover, considering that most international organizations are engaged in the production of goods or services of just these private goods in order to obtain "multiplier effects," or "economies of scale,"\(^4\) it may be empirically tempting and worthwhile to examine the above hypothesis on private goods in international organizations, going beyond military alliance situations.
In short, the theory of collective goods, especially Olson and Zeckhauser's model, was developed so as to advise policy makers in deciding what share of the burden of a collective enterprise between countries should be shared by each of the members. The theory makes an analytical distinction between collective and private goods as organizational goods. Two burden-sharing hypotheses suggest themselves:

Hypothesis 1: To the extent that an international organization provides collective goods, the members' shares of the burden are likely to be proportionate to their economic size;

Hypothesis 2: To the extent that private goods or services (rewards) are distributed to the members in an international organization, each member's share of the costs is likely to be determined by a cost-benefit analysis (or proportionality of costs and benefits).

Application of the Theory of Collective Goods to Asian International Organizations

Theoretical and Research Relevance

In Chapter II, we discussed important features of Asian international organizations. Asian IGOs were viewed as a new modus vivendi among Asian political leaders. They were created as collective actions or responses to meet or solve common needs or problems; otherwise, divergent Asian countries found a convergence of interests in accelerating national efforts for economic development through these regional IGOs in order to stave off poverty and underdevelopment. Thus, from
the standpoint of these countries, the foremost concern seemed to be tangible benefits or rewards from these IGOs, and the availability of resources seems to be a crucial factor for survival or viability for Asian IGOs. "The more funds available, the more successful an Asian IGO," seems largely true at this stage of development of most Asian IGOs. Also, we discussed that extra-regional cooperation, especially in terms of the flow of goods and funding from developed countries was essential with respect to survival or viability of Asian IGOs. It was pointed out that most of the countries involved in Asian IGOs are former colonies and less-developed countries (LDCs) belonging to the so-called "Third World." Developmental efforts of these countries require access to Western countries' markets, technology, and economic aid. Also, we discussed that a recent surge of Asian regionalism, particularly during the 1960s, has evolved logically and at its own pace within the framework of political and national development of the Asian countries; the acceleration of developmental efforts for nation-building and national development through regional cooperation are viewed as ultimately related to "peace" and "security," through "economic development"--an indirect approach to peace in Haas' terms--the imminent needs for which, we discussed, are much desired. We discussed obstacles to regional cooperation in Asia, such as heterogenous national characteristics, uncertainty and fluidity of world politics, involving two great lines of division in the modern world, namely, the ideological and economic divisions--East-West rivalries and North-South problems; in addition, colonial legacies have left unsolved border disputes and ethnic conflicts. Moreover, Asian countries themselves are divided into three
main power blocs, i.e., the Communist, non-Communist, and nonaligned countries, especially during the Cold War era. Moreover, we discussed the fact that rampant nationalism, particularly among political elites of new states in Asia, has determined the main contour of regional cooperation in Asia in the direction of functionally specific and techno-economic IGOs rather than politicized IGOs.

Thus far, we pinpointed various facets of regional cooperation in Asia in a skeletal format, in order to apply the theory of collective goods to the study of Asian IGOs.

**Collective Goods in Asian IGOs**

It seems, first of all, essential to examine the concept "collective goods" in the Asian regional context, especially with regard to Asian IGOs. In other words we have to examine the question of what kinds of collective goods do Asian IGOs, particularly for four IGOs selected for case studies for this research--the Colombo Plan, APO, ADB, and SEAMEO--provide member countries?

The summary discussion of Chapter II in the above section explicitly suggests that three main concepts, namely, "peace," "security," and "development" revolve around the main contour of regional cooperation in Asia, particularly Asian IGOs, constituting collective goods for Asian countries as well as for Western developed countries involving Asian IGOs. The concept of "development" provides the basis for the consensus behind Asian regional cooperation, resulting in a rapid surge of Asian IGOs during the 1960s, avoiding politicized issues such as security. However, as Haas well documented in his article, "The Asian Way to Peace," an ultimate concern of Asian regionalism is with peace and security through an "indirect approach" to peace, i.e., reduction
of poverty and backwardness through economic development. In fact, the
web of regional cooperation, mainly through Asian IGOs, contributes to
conflict resolution in Asia. For example, the establishment of the
Asian Development Bank served in part to reduce tensions between
Malaysia, on the one hand, and Indonesia and the Philippines, on the
other, which began with the North Borneo dispute; the settlement of
this dispute took place at a meeting of the Southeast Asian Ministers
of Education Organization wherein representatives from the Philippines
and Malaysia agreed to a detente which continues to the present.46
In this context, Haas comments:

In reading the titles...the impression becomes even
clearer that economic motives prevail. But when what
is not self-evident is the fact that by acting in a
nonpolitical manner these bodies have promoted peace. 47

From the standpoint of Western developed countries (including
Japan) as well as of developing countries in Asia, what is the central
focus of collective goods in the Asian regional context, particularly
in relation to Asian IGOs? Why do developing countries have to
cooperate with each other through these Asian IGOs? Why do Western
developed countries support these Asian IGOs?

In general, to borrow Haas' terms, "the obvious benefits to be
derived from peace include minimizing deaths from conflicts, cutting the
costs of resolving recurrent conflicts, and elevating the quality of
life within Asian countries." 48

However, a careful examination of collective goods, such as peace,
security, and development, especially in terms of policy issues,
suggests that the crux of the matter may be summarized as a collective
approach to the economic needs of Asian developing countries, with an
emphasis on the political problems in the region of Asia, particularly the expansion of Communism. In fact, the establishment of the Colombo Plan originated from this conscious counter-measure policy--economic aid to Asia, similar to the operations of Marshall Plan aid--initiated by the Commonwealth countries, such as the United Kingdom, Canada, Australia, and New Zealand, in the face of the Communist victory in China in 1949. The logic underlying the policy mentioned above, i.e., an economic approach to the political problems, particularly to stem the expansion of Communism, is that political stability through improved economic conditions is the best defense against the expansion of Communism.

One of the crucial foreign policy goals of Western developed countries, especially American foreign policy, toward the deterrence of expansion of Communism in Asia, has been constant, although some shifts occurred in strategies or tactics in dealing with the expansion of Communism in the Asian region. Emma H. Fifield, a prominent expert in American policy in Asia, comments with regard to the US foreign policy in Southeast Asia:

American policy in Southeast Asia at present and in the foreseeable future centers on the problems of security and stability in a divided world. Developments of the past can provide valuable perspective although the United States does not have the advantage of many years of direct contact throughout the area. Only in the last decade has the security of Southeast Asia--the maintenance of the political independence and territorial integrity of its states--become a major concern of policy-makers in Washington. Security is a concept that has been no longer primarily restricted to military and strategic consideration... embrace in varying degrees of importance diplomatic, political, economic, ideological, and culture relationships.... Since specific policy goals will vary with time, the changing circumstances, and the countries involved...it [the book] examines the constants and variables....
During the peak of the Cold War in the early 1950s, a central focus of American foreign policy, as well as the foreign policy of developed countries, was to prevent the expansion of Communism by building up a series of military pacts (such as SEATO, CENTO, and NATO). This containment policy, mainly through alliance formation around the Communist bloc, was based on the possibility of a "frontal attack" from a rim of the Communist countries, as witnessed in the Korean War.\(^\text{52}\) A second shift in American foreign policy against the expansion of Communism in Asia may be said to begin with the doctrine of counter-insurgency of "indirect aggression," especially referring to the era of the "cultural revolution" of Communist China during the 1960s. A case in point may be the involvement in the Indochinese War of the United States and its allies, such as Australia, South Korea, the Philippines, and Thailand. The doctrine of counterinsurgency (or indirect aggression) is based on the so-called "Domino" theory, namely, that a Communist success in one country in Southeast Asia would lead to an eventual Communist success in other countries in the area.\(^\text{53}\) A third shift in American foreign policy, along with that of its allies, notably Japan, occurred during the peak of the American military escalation in the Vietnam War in the mid-1960s. More specifically, it may be traced back to its origin, when President Lyndon Johnson decided to respond to his critics at home and abroad for his escalation policy in the Indochinese War by pledging American support to regional cooperation among Southeast Asian countries; as a concrete step toward this direction, he announced a pledge of US $1 billion to support regional cooperation in a speech at Johns Hopkins University on April 7, 1965, appointing Eugene R. Black
as his Special Adviser for this purpose. President Lyndon Johnson wrote in a Foreword to Black's *Alternative in Southeast Asia*, wherein Black envisioned the U.S. policy focus on developmental regionalism in Asia, as follows:

As part of America's effort to bring peace of Southeast Asia, I gave Eugene Black, Former President of the World Bank.... His task was to encourage the nations of that area of the World to work together in a mighty venture to develop the potential resources of their region...to substitute peaceful cooperation in development for the destruction of war..."development diplomacy," the art of bringing rich and poor countries together in working accommodations designed to overcome some of the worst problems of world poverty [emphasis added].

As a concrete result of these American commitments to regional cooperation in Asia, the Asian Development Bank (ADB) and the Southeast Asian Ministers of Education Organization (SEAMEO), both of which are selected for case studies in this research, were brought forth. Moreover, the Asian Productivity Center (APO), an earlier Asian IGO (selected also for a case analysis), received financial support during the 1960s within the framework of U.S. policy toward Asian regional cooperation, although it is not a member of the organization.

In more concrete terms, Black delineates the basis for U.S. support developmental regionalism in Asia:

Most important, if the energies and resources of the international community can be engaged in such a program, it will inhibit violence in this troubled and dangerous corner of the world through the construction of hydroelectric dams, irrigation schemes, and ancillary projects. It would evoke among these countries a sense of what is possible if they cultivate the habit of working together. ...and by working with and through appropriate regional and international organizations, the United States can hold out the possibility of replacing the costly, dangerous, and highly uncertain business of American involvement in counterinsurgent warfare with American involvement... [emphasis added].
Further, Black suggests that American support to regional cooperation in Asia (developmental regionalism) contributes in effect to security and stability of the countries in Asia, particularly Southeast Asian countries. He argues:

Each government in Southeast Asia faces grave problems in maintaining internal order; each may be vulnerable to serious internal upheaval, possibly encouraged from without [threat from China] and probably marked with considerable violence. As a result of our experience in Vietnam, we know that the United States cannot take direct responsibility for internal security in these countries. We do have it in our power to withhold or supply equipment and training and to re-enforce or liquidate our military bases. Whether we exercise these powers or not, our actions or inaction will be important factors bearing on the stability of the region. We can exercise them in ways in tending to promote regional cooperation [emphasis added].

Other American allies, such as Western European countries and Japan, Australia, and New Zealand, seem to share in American support for Asian developmental regionalism as an alternative to bring peace and security to Asia. In more general terms, Fifield comments: multilateral foreign aid by Western developed countries, especially the USA, serves to promote collective goods, such as the welfare of mankind and world order.

One of the most significant characteristics of recent years is cooperation between several industrial nations in order to assist in economic development of "backward" countries. A number of industrialized powers like the United States, France, Great Britain, and the Federal Republic of Germany also participate in a variety of multilateral programs..., but there is a growing realization that in a shrinking world the welfare of mankind is indivisible. Both political and humanitarian considerations motivate the Western supports of... or multilateral foreign aid. Assistance can be used toward advancing the common interests of a group of states, and it can also contribute to the establishment of a world order beneficial to all. In fact, many Western officials would maintain that
national interests and world order are now two sides of the same coin. In more concrete terms, Fifield concludes that multilateral foreign aid by Western developed countries, especially the United States, provides for such collective goods as stability and security (or peace) in the Asian regional context. As he put it succinctly:

> Obviously the economic problems of Southeast Asia will long challenge the policy-makers in Washington. Conditions in the area, the threat posed by Sino-Soviet economic inroads, the issues associated with American aid, whether [on a]...multilateral basis, and the traditional problems related to normal trade, commodity prices, and private investments, all call for constant study and evaluation. However much a truism, it bears repeating that policy must be flexible to meet change while resolutely promoting the objective of laying the economic foundations for stability and security in ways mutually beneficial to the states of Southeast Asia and the West.

In short, as is clear in the above discussion, collective goods, defined as rewards (or benefits) that are shared by the members in an IGO but cannot be divided and carved up, are composed of three concepts—"peace," "security," and "development" in Asian IGOs in general and in the four IGOs selected for our case studies in this research in particular. Due to the characteristics of the Asian regional milieu, as discussed in Chapter II and reviewed in the above section, developmental regionalism directs the major contour of regional cooperation in Asia toward more "unpoliticized" matters wherein Asian LDCs and the DCs (including Japan) together conduct joint functions for national development and nation-building of Asian countries as well as regional development in general, which will eventually contribute to promoting such collective goods dimension as peace and security in Asia. In this developmental regionalism, to
borrow Black's terms, "by sharing experiences, pooling the scarce channels through which development finance from outside can flow, the nations of the region can take and have taken practical, cooperative initiatives." But, as discussed above, an ultimate concern of the USA (including Western developed countries) in supporting Asian developmental regionalism is with the prevention of the expansion of Communism in Asia. Thus, the DCs provide Asian IGOs, particularly the four IGOs selected for case studies in this research, with financial contributions, even though they do not receive direct tangible organizational benefits (or individual benefits) from these IGOs as members. In cases of APO and SEAMEO, the USA government provided these IGOs with financial contributions, although it is not a member of these IGOs. However, the DCs involving Asian IGOs, which are "suppliers" of financial contributions to these IGOs, may benefit from side payments, i.e., indirect organizational benefits resulting from operations of the IGOs, in addition to collective benefits discussed above.

Theoretical Isomorphism

At a theoretical level, as explicitly suggested in the earlier part of this chapter, the theory of collective goods is most relevant to voluntary organizations. International organizations in general and Asian IGOs in particular may be generically categorized into the species of voluntary organizations, as opposed to involuntary organizations.

In addition, one theoretically interesting postulate of the theory of collective goods, namely, that a collective good may be
provided in an almost "optimal" degree in an organization composed of members ranging in size, seems well suited to describe some of the Asian IGOs, such as the Colombo Plan, ADB, and APO. Larger developed countries, having richer resources and capabilities to provide the collective good, have joined these IGOs as members.

In short, the application of the theory of collective goods to the study of Asian IGOs seems justifiable in terms of the criteria of theoretical and research relevance.

**Burden-Sharing Hypothesis and Funding Formulas**

As suggested in the above discussion of the theory of collective goods, one of the primary reasons for countries to form international organizations is to alleviate financial burdens in matters of mutual concern: an IGO promises to provide countries lacking in resources and developmental capabilities with what could not be undertaken nationally. In contrast, an IGO may provide wealthier countries with the benefit of an increased opportunity for leadership in the global or regional communities of states. For IGOs, i.e., collective enterprise between countries, often with an uneven distribution of resources, to achieve their shared interests, the theory of collective goods promises to provide some clues to problems of funding, which seem to have crucial policy implications with regard to survival or viability of an IGO, especially in the case of Asian IGOs.

John A. Pincus, apart from the theory of collective goods, has examined the record of cost-sharing arrangements in such various international organizations as the Universal Postal Union (UPU), the League of Nations, the UN, the International Monetary Fund (IMF), the
International Bank for Reconstruction and Development (IBRD). He observes that all of them have funding formulas which are based on both ability-to-pay and benefit criteria. These formulas often become no more than a basis for negotiation, when sums at stake are large (or seem likely to set a precedent). Furthermore, when sums are large, the benefit principle tends to be replaced by ability-to-pay considerations. He comments on funding formulas in international organizations:

> Formulas have no particular intrinsic merit. They are normally arrived at by a bargaining process that may not reflect considerations of economic efficiency and equity. If it is agreed that burden-sharing criteria and formulas based on them are simply one method of attaining a goal, the question follows: Under what conditions are such criteria likely to be accepted? In an international alliance there is no method of imposing taxes on sovereign member states. Burden-sharing schemes, "objective" or not, must be accepted by each member, whether the sums are large or small.

Pincus' study of burden-sharing formulas and criteria, as applied in international organizations, seems to provide a point of departure where the theory of collective goods, especially the burden-sharing hypotheses discussed above, may shed some light. The theory may provide policy makers or students of international organization with a guidepost in answering the question under what conditions funding formulas and criteria are likely to be accepted, as Pincus has raised in his study of international burden-sharing problems.

Funding formulas, as adopted in IGOs, may be generally classified into several types. A simple method is to apportion equal assessments to each member; this formula may be utilized especially when membership dues are very small. Accordingly, each member may have an equal
vote in decision-making. A second method consists of a graduated scale of contributions, based on each member's ability to pay; even in this case, an equal vote for each member may still be observed in most of these international organizations. A third method, notable in international financial institutions, is to have members subscribe to capital stock rather than to rely on annual payments; shares of subscribed stock are apportioned on a proportional basis, in consideration of several criteria, particularly national income; a weighted voting scheme is adopted in decision-making. Similar to the stock method, an endowment fund may be utilized in financing an organization: special contributions or amounts received from the sale of stock or bonds are pooled; in this fashion, the initial capital can grow and thus depend less upon the funds originally provided. A final method of organizational financing is project-by-project funding on an ad hoc basis; in this case, funds are not provided in advance but are instead defrayed on a case-by-case basis, according to proposals put forward for projects.

What are the relationships between funding formulas and our two main burden-sharing hypotheses? If the theory of collective goods is correct, member countries will support collective goods provided by an IGO through a graduated scale of contributions (or assessments); in contrast, private goods or services distributed by an IGO will be financed on the basis of project-by-project contributions. Thus, for instance, the USA bore the lion's share of support for SEATO, since it was primarily concerned with the principal deterrent benefits (collective goods) provided by the organization, whereas the cost for
individual soldiers' stipends for participating in SEATO military exercises was defrayed by the armed forces of the participating countries. 72

Here, it may be necessary to comment on the relationship between member's voluntary contributions and membership assessments apportioned by a funding formula, since the theory of collective goods is intrinsically concerned with the level of voluntary contributions by the members of an organization. One may argue that it may not be appropriate to view membership assessments as voluntary contributions or supports for an organization, since membership assessments may be viewed as one of the requirements of membership. In his study of financial problems of the United Nations, Edward E. Rowe suggests:

Perhaps the problem of assessments can be partially resolved with the suggestion that all funds are, to some degree, voluntary. Certainly the last several years have demonstrated very dramatically that states can refuse to pay assessments they oppose and still continue their membership. Also, membership itself is voluntary. Large members of states have chosen not to become members of one or more of the UN-related agencies, and thus obviously avoid these assessments.73

Along this line of reasoning, the funding formula of an IGO may be viewed as voluntarily accepted by the members, whether or not through a negotiation process. Furthermore, in the sense that compliance with membership assessments or sharing of burdens can not be enforced, unlike collection of taxes, it seems justifiable to view membership assessments as members' voluntary contributions. Thus, in our study of Asian IGOs, we expect member countries' share of the burden to be proportionate to their economic size (GNP). However, we need to modify the original hypothesis slightly in regard to the cost-sharing
of private goods by looking at the benefit side more than the cost side; this is necessary for two reasons: (1) Asian countries are most concerned with obtaining tangible rewards, i.e., private goods or services, as distributed by Asian IGOs; (2) thus, it seems more sensible to locate the locus of the distributed tangible benefits, i.e., private goods, in terms of members' cost payments. Hence, our hypothesis regarding private goods and services is restated as follows:

To the extent that private goods or services are distributed by an Asian IGO, each member's allotment of the benefits will be determined by a cost/benefit analysis.

The cost/benefit analysis should be viewed as a corollary to the whole picture of burden-sharing issues raised in Hypothesis 1. For, as Pincus poignantly has argued, "burden-sharing issues arise in any international activity when the distribution of costs is not considered equitable in view of the distribution of welfare or benefits among participants [emphasis added]." Plausibly, the main welfare or benefits in the context of Asian IGOs may consist of tangible and divisible private goods and services, the distribution of which the involved Asian leaders seem likely to examine in terms of their payment of costs. However, taking into the fact that such collective goods as peace, security, and development provide a common ground for rich and poor countries to cooperate, the Asian IGOs seek to overcome some of the worst problems of world poverty, being mainly engaged in the production of just these private goods and services by allocating
loans and technical assistance. We may therefore examine our two hypotheses in real situations of Asian IGOs.
FOOTNOTES

1. The literature relevant to these theories seems too fecund in political science literature to cite here; Sidney R. Waldman deals with some salient points of these theories, including the theory of collective goods, from the perspective of exchange theory, see his book Foundations of Political Action: An Exchange Theory of Politics (Boston: Little, Brown and Company, 1972), pp. 209-250; Brian M. Barry made a comparative discussion of the two works, i.e., Anthony Downs' An Economic Theory of Democracy (New York: Harper & Brothers, 1957) and Mancur Olson's The Logic of Collective Action, op. cit., as models for political participation as rational action, see his work, Sociologists, Economists, and Democracy (London: The Macmillan Co., 1970), Chapter 2.

2. Philip M. Burgess and James A. Robinson, "Alliances and the Theory of Collective Action," Midwest Journal of Political Science, XIII, 13 (May 1969), p. 195; by elaborating Olson's theory of collective action, they assert, "this theory (the theory of collective action) applies to all types of voluntary associations: inter-nation coalitions and alliances; domestic political coalitions; loosely organized intra-nation associations such as civil rights groups, professional associations, and labor unions in 'right-to-work' states; and other associational interest groups." See ibid.

3. See Mancur Olson, op. cit.; by applying the concept of public goods, as developed by economists such as Paul A. Samuelson, John G. Head, Richard Musgrave, and Julius Margolis, to the analysis of social organizations, Olson developed the theory of collective goods in The Logic of Collective Action. In this single volume, Olson discusses many social voluntary groups or organizations, such as labor unions, pressur groups and political parties from the perspective of the theory of collective goods; for a citation of the economists mentioned in the above, see ibid., fn. 21, p. 14.

4. See Bruce M. Russett and John D. Sullivan, "Collective Goods and International Organization," International Organization, XXV, 4 (Autumn 1971), p. 845; John Gerard Ruggie explained less costs through collective action in terms of "opportunity costs," implying that "the recognition that autonomous action in pursuit of one national objective would require that other objectives be foregone or reduced, whereas collective action might alleviate the burden of a particular objective, allowing resources to be allocated elsewhere, or that it might facilitate national objectives in some other manner." See John Gerard Ruggie,

5. In much broader theoretical framework than one we discuss here, John Gerard Ruggie examined the problem of collective good phenomena at the international level, particularly dealing with science and technological developments, with regard to its impact on the process, constraints, and future forms, of international organization; see his article, "Collective Goods and Future International Collaboration," *The American Political Science Review*, LXVI, 3 (September 1972), pp. 874-893; see also his article, "The Structure of International Organization: Contingency, Complexity, and Post-Modern Form," *Papers, Peace Research Society*, XVIII, (1971), pp. 72-91.


7. See *ibid.*, p. 15 (emphasis added).

8. See *ibid*.

9. Considering two elements in defining collective good, i.e., the necessity of specific group or organization and non-exclusiveness, Mancur Olson defines a public or collective good as "any good such that if any person \( x_1 \ldots, x_j \ldots, x_n \) consumes it, it cannot feasibly be withheld from the others in that group... those who do not purchase for any of the public or collective good cannot be excluded or kept from sharing in the consumption of the good,..." See *ibid.*, pp. 14-15. The above definition is cited from Mancur Olson and Richard Zeckhauser, "An Economic Theory of Alliances," in Bruce Russett, (ed.), *Economic Theories of International Politics* (Chicago: Markham Publishing Co., 1968), pp. 26-27.

10. The theory of collective goods posits that private goods or benefits are important organizational goods; Olson calls these selective incentives, that is, benefits which (unlike collective good) are selective and provide motives other than the provision of collective good to keep people continuing contributions to an organization. See Mancur Olson, *op. cit.*, pp. 51, 133-134.


12. In an alliance simulation through a laboratory experiment, Burgess and Robinson examine the effect of supplementing collective benefits with private benefits to individual members; they find that coalitions which supplement collective benefits with private benefits, tend to be more cohesive and the members view the alliance as effective; furthermore, alliances providing private benefits exhibit greater unanimity. See *ibid*. Philip M. Burgess and Richard Conway extend this research on the theory of collective goods from a laboratory experiment to field study
in natural setting, applying the theory to the study of labor union locals; they find that private benefits, as provided by labor union locals, are significantly associated with the behavior of union members. For detailed discussion, see Burgess and Conway, *Public Goods and Voluntary Associations: A Multi-Stage Investigation of Collective Action in Labor Union Locals* (Beverly Hills: Sage Publications, 1973).

13. For a discussion on rewards see fn. 10, 12 of this chapter. The theory of collective goods explains why large organizations, such as governments, have to rely on coercion to extract contributions (taxes) to bear the cost of providing such collective benefits as national defense, internal security, and so forth; that is, voluntary contributions are not rational, because one person's contribution to national defense, internal security and well-being bears no relation to a very small increment he receives in added defense, security, or health; nor is it practicable (because of the non-exclusive attribute of collective benefits) to induce contributions by selectively providing defense, security, or well-being only to those who bear their share of the burden. For a detailed discussion, see Mancur Olson, *op. cit.*, pp. 5-52; see also Burgess and Robinson, *op. cit.*, p. 197.

14. Mancur Olson, *op. cit.*, p. 35. This contention of Olson's is based on an exposition, that is, the rational man in a large group has no reason to contribute to a collective good when that good cannot be withheld from him for his failure to contribute, i.e., when the absence of his contribution will not discernibly affect the amount of collective good obtained. For a view contrary to Olson's contention that large groups will tend to produce a sub-optimal supply of collective goods, see J. M. Buchanan and G. Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor: University of Mich. Press, 1962). For a critical view of the apparent effect of group size upon the provision of collective good, as deduced from the principles of rationality and self-interest of members, see Norman Frohlich and Joe A. Oppenheimer, "I Get By with a Little Help from My Friends," *World Politics* XXIII, 1 (October 1970).

15. Olson, *op. cit.*, pp. 33-34.

16. Ibid., 34-35. Olson derived this exposition as well as others, especially burden-sharing aspect of small groups, in this section, from presenting technical arguments, using cost curves, which we do not repeat here. For a detailed discussion, see *ibid.*, pp. 23-33.


20. Olson and Zeckhauser, op. cit., p. 25.

21. They note that The Logic of Collective Action treats organizations of individuals, whereas the model [the Economic Theory of Alliances] deals with organizations of states; see ibid., fn. 2, p. 27.

22. For different characteristics between collective and private goods, see fns. 9 and 10, this chapter.

23. With certain reservations, deterrence at the alliance level may be seen as having collective qualities. Russett illustrates such factors as "a nation's will or ability to regulate the credibility of deterrence, "geographical proximity," and "intangible political, social, and economic ties" between the big power and the states it would protect; nonetheless, he admits that deterrence largely fits into the characteristics of collective goods. See Russett, op. cit., pp. 94-95.

24. While recognizing that military forces in an alliance also provide purely national, noncollective benefits to the nations that maintain them, Olson and Zeckhauser argue, "there can be little doubt that above all alliances provide public goods." See Olson and Zeckhauser, op. cit., pp. 35-36.
25. See ibid., p. 30. The authors present their arguments partially through the use of indifference curves, in which defense expenditures are selected as an indicator of the public good.

26. Olson and Zeckhauser support this statement by providing two examples. Portugal's mobilizing additional forces to suppress the independent movement in Angola, a national goal unrelated to the purpose of NATO, may at the same time increase the total strength of the alliance; similarly, allied nations' suspicions of each other may enlarge their military forces because of conceivable future conflicts with each other. See Olson and Zeckhauser, op. cit., p. 35.

27. In addition to the analysis of NATO, Olson and Zeckhauser report the testing of the same hypothesis on the United Nations in their article; they found that larger nations tended to comply with assessments expected of them by that organization. See ibid., pp. 39-40.


29. Pryor, op. cit.

30. Russett, op. cit.

31. See Russett, op. cit., pp. 120-122; for the Arab League, each member of the League prefers maintaining national defence capabilities (collective goods) in the face of the enemy (Israel).

32. The Rio Pact has one large member and the remaining members are relatively small, having no middle powers, which are observed in other alliance pacts. The members of the Arab League appear to be more nearly equal in regard to the measure of size (GNP) employed in these studies. I relied on John D. Sullivan for this point; see Sullivan, op. cit., p. 112.

33. Olson and Zeckhauser, op. cit., p. 41.

34. See ibid, p. 33. This formulation is a logical derivation from their two nation model of alliance to optimize each nation's benefits; the Pareto-optimal level is suggested as an optimal criterion, in which "no individual in the group at issue be made better off without making someone else worse off. The possibility of dropping below the Pareto-optimal level, as well as of shifting along it, brings a mixture of competition and cooperation to the situation." See ibid, particularly fn. 10, p. 33.

35. See ibid., p. 43.

36. Ibid.

37. See fn. 35, this chapter.

39. See Burgess and Robinson, op. cit.; Burgess and Conway, op. cit.; for a brief note on their works, see fn. 13, this chapter.


44. I use the term "development" in much broader terms, not in a narrow sense of economic growth; it connotes "developmental efforts" of the Asian LDCs.

45. Haas, op. cit.; see also fn. 6, Chapter 2.

46. See ibid., pp. 511-512.

47. Ibid., p. 511.

48. See ibid., p. 501.

49. For a detailed discussion, see first section of Chapter 5.


52. For an article dealing with U.S. policy from this perspective, see Bruce M. Russett, "The Asian Rimland as a 'Region' for Containing China," in his Power and Community in World Politics (San Francisco: W. H. Freeman and Company, 1974), pp. 103-121.


54. See fns. 1-2, Chapter VIII of this dissertation.


56. Fifield, op. cit., pp. 277-278; see also fn. 8 and Table 6, Chapter 6, of this dissertation.

57. In addition to APO, the US government provided two other Asian IGOs with financial support, namely, SEAMEO and AVRDC; for a detailed discussion, see Chapter II of this dissertation.


59. See ibid., pp. 155-156.

60. For a discussion of Japan's role in regional cooperation in Asia, see Yung-Hwan, Jo, op. cit.; see also Josefa M. Saniel, op. cit.

61. Fifield, op. cit., p. 274.

62. See ibid., p. 284.

63. Black, op. cit., p. 96.

64. Fifield succinctly points out as follows: "...the prevention of the expansion of communism in Southeast Asia is clearly a matter of great importance. American stress on this aspect is perhaps more significant in terms of congressional appropriations and public support at home than in some countries of Southeast Asia that certainly need to be bolstered against the inroads of communism but whose outlook on world politics keeps them from being openly anti-Communist." Fifield, op. cit., p. 262.

65. For a detailed discussion of side payments, see Section 3, Chapter 4 and Chapter 9 of this dissertation.

66. For a detailed discussion of this point, see Chapter 1 (Introduction) of this dissertation.

67. See pp. 35-36 of this chapter; see also Olson, op. cit., pp. 34-35; Russett and Sullivan, op. cit., p. 853.
68. In the above section of this chapter, we discussed to a considerable extent that the developed countries (including Japan) support Asian IGOs in order to provide such collective goods as "peace," "security," and "development" in the Asian regional context; the DCs and the Asian LDCs share common interests in promoting "developmental regionalism" in Asia, whose ultimate concern is to bring peace and security in Asia, indirectly through accelerating "developmental efforts" of Asian countries; see Chapter 2 and the above section. Here, we discuss the relationship between IGOs and the theory of collective goods in general terms.


70. Ibid., p. 52; for a theoretical discussion on criteria for international cost-sharing, apart from the theory of collective goods, see Thomas C. Schelling, "International Cost-Sharing Arrangements," *Essays in International Finance*, XXIV (September 1955), pp. 18-32.

71. Note an equal voting system in the United Nations, despite its valuation of membership assessments, based on an ability-to-pay principle largely, as opposed to a weighted voting scheme in the World Bank group.

72. Individual soldier's military training obtained from participating in SEATO military exercises may be viewed as private goods.


74. As explicitly suggested in the above discussion, our first hypothesis seems most germane to an examination of burden-sharing aspects of the DCs which may contribute financial support to Asian IGOs, particularly with respect to the provision of collective goods, whereas our second hypothesis is constructed to examine whether individual benefits received by each Asian developing member country from an Asian IGO are equitably allocated in terms of the country's cost payments. As discussed in the earlier part of this chapter, Olson suggests "marginal cost-sharing" as the only truly equitable means for apportioning costs among members in an organization; however, he could not operate this concept in his study of NATO. As William Loehr critically put it, "this [Olson's 'marginal cost-sharing' arrangement] is not an operational concept since it requires a knowledge of both the community welfare functions and the production possibilities relationships of members. While the latter is simply difficult to obtain, the former is impossible." However, as to general situations of international organizations in which members will have the willingness to pay for private
goods--or services as a means to provide collective goods--as is also the case in Asian IGOs wherein Asian developing countries are primarily concerned with tangible material benefits [private goods], Loehr makes a positive comment: "...dealing with private goods and their relation to public goods, are least objectionable on theoretical grounds." Further, as to Russett and Sullivan's suggestion that "collective goods theory has alerted us to the importance of achieving many collective goods among states but has not yet offered a practical means of obtaining them," Loehr comments: "We fully agree, and suggest that a practical means may be found more easily in the theory of private rather than public goods." Also, it is our view that Olson and Zeckhauser's collective goods model of alliances are basically static; particularly with respect to their formulation of "marginal cost-sharing." Thus, in order to come to grips with real "dynamics" of Asian IGOs, especially the four IGOs selected for case analysis herein, we attempt to examine our second hypothesis with respect to allocations of private goods by these IGOs to each member country. In the above discussion, it seems obvious that our two hypotheses which we derive on the basis of the theory of collective goods, are theoretically meaningful and contextually relevant and are worthwhile examining in empirical situations of the four Asian IGOs selected for case studies, particularly in order to derive policy implications. For Loehr's comments cited above (emphasis added), see William Loehr, op. cit., pp. 428-430; for Russett and Sullivan's statement cited above, see Russett and Sullivan, op. cit., p. 852. For our critical view of Olson and Zeckhauser's collective goods model, see Thomas J. Volgy, op. cit., pp. 183-184. Volgy comments on Olson and Zeckhauser's collective goods model of alliances, "...it is clear that actors do not join in groups solely for the pursuit of the public good. Private goods--benefits flowing to individual actors from the organization which are not shared equally by others--function as another primary incentive for participation and contribution by members. This latter stimulus helps to reduce the disequilibrium in contributions. Two general alternatives are available [as]... sufficient incentives for the continued participation and contribution of members. One obvious method is to increase private benefits. However, the limits on this avenue are quite finite. Certain organizations do not have sufficiently diverse resources to satisfy the needs and demands of a heterogenous membership. A satisfactory provision of private goods to those who are not sufficiently motivated by the collective good could become extremely expensive for the organization. Therefore, an alternative or supplementary method of stimulating members may be necessary. Crucial to Olson's analysis is the value of the public good for the members. Although this value notion is a relatively static phenomenon in his model, it need not be. One less costly method of perpetuating the organization is through escalating the value of the public good, by socialization of participating actors into the norms and values of the organization. The norms of the organization reflect the process of value escalation, and in
turn, participating actors internalize the escalated values. This inflation of values can provide an important effect on the level..." (emphasis added). See ibid. At this stage of development of Asian IGOs, especially the four IGOs selected here, we could not expect the internalization of collective goods phrased in terms of "peace," "security," and "development" of Asian developing countries for their involved IGOs, rather, it seems more appropriate to dig into their perceived benefits (or rewards) from those IGOs which may be eventually related to "the internalization" or "escalation of public good" among Asian countries with respect to viability of Asian IGOs. On the other hand, for the DCs (including Japan), it may be crucial that the escalation of such notions of collective goods as peace, security, and development, as will be promoted by Asian IGOs, must be fully expanded for persuading legislative leaders or taxpayers, in relation to the provision of multilateral aid to support Asian IGOs. However, as suggested above, the DCs involved in Asian IGOs may benefit from indirect organizational benefits in the form of side-payments, whose analysis we could not conduct in this research, primarily because of data availability. For implications for further studies in this direction, see Chapter IX (concluding chapter) in this dissertation.

75. Pincus, op. cit., p. 85.
CHAPTER IV
RESEARCH DESIGN

Framework for the Research

It may be recalled that the theory of collective goods is policy-oriented, concerned with the elevation of organization or group performance, soliciting membership, and resource mobilization for the provision of collective good in voluntary organizations. The theory seems relevant for deriving innovative policy specifications or recommendations. Thus, its focus seems to be on social engineering or the manipulation of social structures and processes in ways that may affect performance in desired directions. In this respect, the theory of collective goods may differ from other "theories" in the framework of social science which are concerned primarily with the generation of the explanatory knowledge.¹

Our two hypotheses derived from the theory of collective goods deal with the sharing of collective burdens and cost-benefit analysis of member countries in Asian IGOs. The hypotheses strongly reflect policy-oriented element. In fact, one function of a cost-benefit analysis is to provide a decision-maker with the information necessary for decision-making.² In regard to the policy-oriented research, we are less concerned with hypothesis testing per se in this research than with obtaining more substantitive information about the workings of Asian IGOs by examining our two hypotheses. In this sense, our two hypotheses may be viewed as guiding hypotheses for this research, through which we may come to grips with the problems of burden-sharing
aspects and balancing relationships between costs and benefits among membership countries in Asian IGOs. Thus, the unit of analysis of this research is the individual member country in an Asian IGO whose costs and benefits we will investigate.

Scope of the Research

Among approximately two dozen Asian IGOs, as reviewed in Chapter II, four Asian IGOs are selected as research subjects for case studies: the cases are the Colombo Plan (CP), the Asian Productivity Organization (APO), the Asian Development Bank (ADB) and the Southeast Asian Ministers of Education Organization (SEAMEO). Our selection of the cases is based on three criteria. (1) As suggested in the foregoing discussion, three IGOs, i.e., the Colombo Plan, APO, and ADB, may provide the pertinent empirical contexts to examine the theory of collective goods, wherein both poorer and richer countries are participating as member countries for mutual concern. (2) The cases to be examined are selected to represent each of the distinct phases in regional cooperation in Asian IGOs. The Colombo Plan represents the earliest trends of the Asian IGOs, starting from 1950. The APO is chosen to represent the early 1960s, with Japanese leadership as a source of initiating Asian IGOs. The ADB is selected to represent the mid-1960s when outside regional powers, particularly the United States, began to have a more positive view of the Asian regionalism as a developmental alternative for the Asian countries. SEAMEO, as started with the USA's financial support, may represent the late 1960s, when subregionalism, especially among the Southeast Asian countries, constituted a major
trend in Asian regional cooperation. (3) Finally, as it is often the case in an empirical research, the research scope for this dissertation is greatly constrained by the consideration of the data availability; data, especially for individual benefits for each member country distributed by an Asian IGO are very hard to assemble.

**Time Span**

The selection of the time span for the four cases to be analyzed is determined on the basis of the following two factors: (1) for burden-sharing data (membership assessments), a recent time point is selected in each case, taking into account the fact that assessment data do not vary to a substantial degree; (2) for private or individual benefit data, the time span covers according to the extent of the data available rather than selecting a specific time point, in consideration of the nature of data, i.e., that individual benefits flowing from each Asian IGO to member countries appear too sporadically to deal with them for a specific time point.

The time span analyzed in the case studies of four Asian IGOs is shown in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>CP</th>
<th>APO</th>
<th>ADB</th>
<th>SEAMEO*</th>
</tr>
</thead>
</table>

* The data for a cost/benefit analysis are not available.
Research Procedures

Concepts, Variables, and Measures

In this section, we discuss the operational definitions of the key concepts, indicating specific variables and indicators. In our discussion, rather than presenting an exhaustive list of specific variables to be employed in the four case studies as will be discussed in detail in each case study, we present a comparative case study framework.

The following are the operational definitions of the concepts used in this research:

(1) Burden-Sharing

Indicating how collective burdens or organizational costs are shared among the member countries in an IGO in operational terms, burden-sharing refers to two components--(a) regular contributions (membership assessments) for funding the administrative expenditures of institutions, such as the secretariat or bureau of an IGO, and (b) extraordinary contributions for funding specific projects or programs. For example, in the case of APO, project burden-sharing occurs in two ways: the host country provides a share of the cost, and the countries sending participants to APO programs or projects defray the travel costs and per diem expenses of their own nationals. As discussed in Chapter III, the DCs (including Japan) involved in Asian IGOs may be said to share the collective burden as a means for providing collective goods--as will be promoted by Asian IGOs--such as "peace," "security,"
and "development" (in more concrete terms, the prevention of expansion of Communism in Asia) for Asian developing countries. However, the DCs may benefit from indirect organizational benefits in the form of side-payments in return for their contributions (burden-sharing) to support Asian IGOs. On the other hand, the Asian LDCs share the collective burden in anticipation of tangible material benefit (private goods) from Asian IGOs, in addition to collective goods phrased mainly in terms of the three concepts mentioned above.

(2) Economic Size (or capacity)

This indicates how much richer or poorer the member countries are in an Asian IGO, in terms of the capability of resource mobilization. Gross National Product (GNP) is used as an operational indicator.

(3) Costs

The costs in an IGO are expenses paid to the organization by the members. Each member's costs may consist of (a) regular payments (membership assessments), as a share of the collective burden, and (b) extraordinary payments for specific projects or programs, such as air travel costs or per diem allowances to the participants therein.

(4) Benefits

Benefits occurring to the member countries in an Asian IGO, first of all, may be divided into two categories: (a) direct organizational benefits, which are divided into collective and individual (or private) benefits, and (b) indirect
organizational benefits. Direct organizational benefits refer to the benefits directly resulting from an IGO's objectives, stipulated usually in its charter or constitution, or the benefit accruing from the valuation of a collective good (e.g., the prevention of expansion of Communism in Asia), shared commonly by policy-makers of participating governments in an IGO, even though this commonly shared policy goal is not stipulated in constitutional terms. According to an analytical distinction made by the theory of collective goods, these direct organizational benefits are divided into collective and individual benefits. Collective benefits in Asian IGOs are twofold. At a first level, as discussed in Chapter III, collective goods in Asian IGOs refer to such collective value dimensions as "peace," "security," and "development" which seem to lead DCs (including Japan) to support an Asian IGO; Asian leaders also share these common values (or policy goals) either for political stability or for economic development of their countries, in the face of the expansion of Communism, although they seem very cautious to express these shared goals, particularly the prevention of expansion of Communism in Asia, in open terms for various political reasons which we have also discussed in Chapters II and III. At a second level, in a narrower sense, collective benefits to the members in an Asian IGO also include institutional benefits, namely, benefits accruing from the existence of the secretariat, the bureau, or the central office, which
constitutes a *collective good* for the members; each member country may be viewed as collectively sharing in this institutional benefit. Individual benefits, other important direct organizational benefits, in an Asian IGO, refer to specific individual goods or services distributed by the IGO to each member. Individual goods or services in Asian IGOs consist of the provision of technical assistance and loan allocation. Individual goods are usually expressed in *monetary terms*. Otherwise, especially in the case of technical assistance, the benefits received by a member country may be measured by multiplying the number of participants in a seminar or in specific training by the duration of seminar or training days, i.e., in *man-days terms*. Since these individual benefits accrue from operations of various functions of an Asian IGO, we may term these individual benefits *operational benefits*. On the other hand, indirect organization benefits refer to *side-payments*, namely, the benefits occurring to specific member countries (mostly, DCs in Asian IGOs) indirectly, from an administrative process of an IGO. For example, a country where an IGO is headquartered may benefit indirectly from the dollars spent for the administrative expenditures of an IGO office. Likewise, project or program operations may bring about indirect organizational benefits or side payments through *per diem* allowances spent by participants at host countries for training sessions or conferences. In Asian IGOs, personnel hired by an IGO
secretariat may be viewed as an indirect benefit to the member countries from which those personnel are recruited. However, since the data relating to the side-payment in the four cases are not available for our analysis, we could not conduct an analysis of side-payments in this research to shed light on the subject. Since these indirect organizational benefits or side-payments accrue from an administrative process of an IGO, we may call these benefits administrative benefits.

Table 2 recapitulates the above discussion on the concepts, variables, and measures.

**Functional Relationships (Independent and Dependent Variables)**

At a conceptual level, the functional relationships of the concepts in our two hypotheses seem sufficiently self-explanatory. In the burden-sharing hypothesis, the concept "burden-sharing" is our dependent variable, whereas economic size (GNP) is viewed as the independent variable. In the bivariate relationships, the burden-sharing of each member country in an Asian IGO is hypothesized to be proportional to its economic size (GNP). On the other hand, in our hypothesis on private goods (or individual benefits), our dependent variable is the benefit received by each member country in an Asian IGO, whereas the independent variable may be regarded as the cost paid by each member country to the organization.
Table 2
Concepts, Variables, and Measures

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Variables</th>
<th>Measures</th>
<th>Remarks (Data Availability)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burden-Sharing</td>
<td>(1) Regular Contributions</td>
<td>(1) Membership Assessments</td>
<td>available</td>
</tr>
<tr>
<td></td>
<td>(2) Extraordinary Contributions</td>
<td>(2) Share of Project or Program Expenditures</td>
<td>n.a. (partly)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Air-Travel Costs</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Per Diem Allowances</td>
<td>n.a.</td>
</tr>
<tr>
<td>Capacity to Share Burden</td>
<td>(3) Economic Size</td>
<td>(3) Gross National Product (GNP)</td>
<td>available</td>
</tr>
<tr>
<td>Costs</td>
<td>(4) Expenses Paid to an IGO</td>
<td>(4) = (1) + (2)</td>
<td>partly available</td>
</tr>
<tr>
<td>Benefits</td>
<td>Collectively Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Organizational</td>
<td>(Value Dimensions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Collectively Shared</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Policy Goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Peace</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Institutions) (b) Institutional Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5) Individual Benefits:</td>
<td></td>
<td>available</td>
</tr>
<tr>
<td></td>
<td>(Operational)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Trainee (or Participants)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Loans and Technical Assistance in Monetary Terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Organizational</td>
<td>(Administrative)</td>
<td>b. $ per diem in Conference Sites or Training Venues</td>
<td>n.a.</td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
<td>c. Personnel Hired by an IGO Secretariat</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total</td>
<td>(7) Total Benefits</td>
<td>(7) = (5) + (6)</td>
<td>partly available</td>
</tr>
</tbody>
</table>

As mentioned above, this table is not exhaustive; empirical measures of the variables are presented in detail in each case study.
The following model which is constructed for the study of Asian IGOs, especially the four IGOs selected for case analysis, from the perspective of collective goods theory, captures the gist of our research scheme (Figure 2).

**Research Method**

Our two hypotheses will be examined by means of cross-plots for the four Asian IGOs selected as case studies. We will first plot membership assessments against each country's GNP. Next, we will present a cross-plot of costs and benefits for each member country of the same Asian IGOs.

Rather than using correlational methods, we use a logarithmic graph marking the two dimensional axes, membership assessments and GNP of each member country, on the one hand, and costs and benefits, on the other hand. This method may lack precision for measuring the strength or weakness of the hypothesized relationships; however, as discussed above, we are less concerned with hypothesis testing per se in this research than with searching for relevant policy implications with regard to the workings of Asian IGOs, so as to derive pertinent policy implications. In this respect, scatterplots may be regarded as one of the most effective forms of displaying this data.
Collective Goods

Private Goods

Milieu Demands:
- Common or Collective Benefits
- Peace
- Security
- Development
- Need for Asian IGOs Supports

Figure 2. A Model for the Study of Asian IGOs

Key:
- Operationalized.
- Not operationalized or inoperational.
FOOTNOTES


2. Ralph Turvey succinctly states the functions of cost-benefit analysis: "Cost-benefit analysis can be understood in two senses. In one it consists simply of the work necessary to present a decision maker with the information which he requires in order to make a decision. In the other sense it goes further and includes the task of making the decision." Quoted from Turvey's "On the Development of Cost-Benefit Analysis," in M. G. Kendal (ed.), Cost-Benefit Analysis (New York: American Elsevier Publishing Co., 1971), p. 5.

3. A factor analysis of shared membership in Asian IGOs during the period 1960 to 1971, except for the period during the 1950s when the formation of Asian IGOs was found very sparse, found the three distinctive phases; the early 1960s, the mid-1960s, and the late 1960s, accounting for 72.5, 16.9, and 6.1 percent of the variance respectively. See James N. Schubert, The Functional Approach to Peace, op. cit., p. 163.


5. This may be attributed to a funding formula adopted by each Asian IGO in our case studies.

6. In the case of the Colombo Plan, we decided to deal with the year 1973 because of the incompleteness of data for other years; in the cases of both APO and ADB, we decided to deal with all years, to the extent of the data available, as measured in terms of a yearly average of individual benefits received since joining of each Asian IGO by member countries.

7. Different aspects of burden-sharing among member countries for each case study will be discussed in detail in each case analysis.

8. For example, Japan's generous contributions to ADB's ordinary and special accounts resources may be explained in terms of an analysis of side-payments in plausible terms; for a detailed
discussion of this point, see Chapter 9 (concluding chapter) of this dissertation.

9. For a discussion of the standpoint of the Asian LDCs with respect to Asian IGOs, see Chapter 2; see also Chapter 3, Application of the Theory of Collective Goods to Asian International Organizations, p. 39.

10. One caveat may be warranted here, i.e., about the relationship between "burden-sharing" and "costs." At a theoretical level, it should be clear that the concept of burden-sharing is most germane to a provision of collective goods, whereas the concept of costs is relevant to private goods in our research scheme. But, on an operational plane, the two concepts are measured in terms of the same indicator (membership assessments) in this research, primarily because of data availability in relation to air travel costs, per diem allowances, and other costs for participating in specific projects or programs conducted by an IGO.

11. In this research, we use interchangeably the concept of goods and benefits; this is also the same with using such descriptions as collective or public and private or individual.

12. For a discussion of an analytical distinction between collective goods and private goods, see Chapter 3, especially fns. 9-12.

13. For an operationalization of "institutions" as collective goods, see Francis Beer, op. cit., p. 12.

14. Similarly, Olson discusses the "by-product" or "special interest" theory of organizations, which he developed to explain deviant cases unaccountable by the theory of collective goods; see Olson, op. cit., Chapter 6.

15. See Chapter 9. We will suggest some notable side-payments which may occur to specific member countries, especially to the DCs, in our discussion on each of the four Asian IGOs in subsequent chapters.

16. Note that variables dealt with in this research, such as membership assessments, costs, and benefits, may be readily open to policy manipulation by the related policy makers of Asian countries and of Asian IGOs. However, this is minimal in the cases studied.
CHAPTER V
THE COLOMBO PLAN: CASE STUDY 1

Introduction

Origins and Objectives

The Colombo Plan, formally launched on July 1, 1951, originated at the first post-war meeting of the Commonwealth Foreign Ministers, which was held in Colombo January 9-14, 1950. This is why the Plan is associated in name with the capital of Ceylon (now, Sri Lanka).

Originally, the purpose of the Conference of the Commonwealth Foreign Ministers, which convened together for the first time in Asia, was to have a general discussion of international relations with particular focus on Asia. However, the dramatic success of the Communist takeover in China caused a change in the order of priorities, and the security of South and Southeast Asia was a major topic of immediate importance. There was a discussion on the establishment of a military pact against Communist China, but this idea was dropped due to strong objections from Asian countries, particularly India, who argued that political stability through improved economic conditions would be the best defense against the expansion of communism in the area. K. M. Panikar, Indian Ambassador to China in Nanking before the Communist victory in China, felt that an economically vigorous international organization in Asia would be an appropriate policy direction in the face of Communist expansion; he persuaded his Australian counterpart in Nanking on this subject, and they submitted a joint proposal along this line of idea to their home
governments before the Colombo Meeting. Their ideas, expressed in a joint proposal, formed the basic framework of a plan enunciated by Percy Spender, the Australian Minister for External Affairs, at the Colombo Meeting, which led to the formation of the Colombo Plan.¹

The basic contours of the Colombo Plan were twofold. Spender's proposal stressed a collective approach to the economic needs of South and Southeast Asia, with an emphasis on the political problems in the area. J. R. Jayawardene, then Ceylonese Finance Minister, proposed a Commonwealth "Marshall Plan," more directly cast in economic terms. The two proposals were similar in content, but Spender's proposal was more persuasive at the meeting: not only did he stress the emergent political problems of the area, but he also urged that economic aid to Asia--similar to the operation of Marshall Plan aid--be channeled through an Asian intergovernmental agency.²

Along the lines of the Australian and Ceylonese proposals, a decision was made at the Colombo Meeting to establish a Commonwealth Consultative Committee (CCC) to work out a detailed plan for furthering economic development in South and Southeast Asia. At a meeting of the CCC held at Sydney in May, 1950, each Asian member of the Commonwealth was requested to prepare developmental programs, including a statement of six-year requirements for capital aid and technical assistance. At the second meeting of the CCC, convened from September 25 to October 5 in the same year at London, the so-called London Plan, pooling together various preparatory documents, was adopted. The CCC agreed that the Colombo Plan officially would begin operations on July 1, 1951.³ As the countries outside the Commonwealth
framework joined, the prefix "Commonwealth" was in time deleted, and the official designation of the Colombo Plan became the "Colombo Plan for Co-operative Economic Development in South and South-East Asia."

The Colombo Plan is an international arrangement for facilitating economic assistance to the non-Communist countries in Asia. It promotes economic cooperation between the member countries of the area and members outside and also among the countries of the area themselves. In constitutional terms, the objectives of the arrangement, as set forth in the Constitution for the Colombo Plan Council, is to raise the living standards of peoples in Asia by promoting economic development through technical assistance and capital aid.4

As L. P. Singh has put it:

The Colombo Plan is not a plan in the economic sense. There is no single integrated plan for the whole area, nor is there a master plan to which the national plans are expected to conform. It is no more than an aggregate of bilateral arrangements involving foreign aid for the economic development. ... Member countries of the area determine and execute their own developmental programs, for the whole or part of which they receive capital or technical assistance. The principles of individual responsibility for plans and bilateral assistance are cardinal to the whole scheme of the Plan. Nevertheless, the organizational framework of the Plan does introduce certain elements of a multilateral nature...5

Organizational Structure and Membership

The Colombo Plan has three principal organs, i.e., Consultative Committee, the Council for Technical Co-operation (known as the "Council"), and the Bureau for Technical Co-operation (known as the Bureau).

The Consultative Committee, the plenary body of the Plan, is a policy-making ministerial meeting, attended by Ministers of Foreign
Affairs and other senior officers from the member countries. There is one annual meeting of the Consultative Committee at venues rotated between donor and recipient countries. During the annual meeting, both donor and recipient countries review and discuss aid problems and priorities, especially relating to capital aid projects. Annual Reports, containing a general review of the economic situation of the area and the member countries' reports on capital aid and technical assistance, are presented at each annual meeting of the Consultative Committee.

The Colombo Plan Council consists of one delegate from each member country, and is attended primarily by the staff of countries posted at diplomatic missions in Colombo. The Council convenes at Colombo four times a year; although the Council is lower in status than the Consultative Committee, it is for all practical purposes autonomous, as it can recommend directly to the member governments. Originally, the Council was charged to act as a clearinghouse for offers and requests of three types of assistance, i.e., supplying experts, providing training places, and supplying equipment needed by the experts or at training sites. In practice, both donor and recipient countries preferred to handle projects on a bilateral basis, lest a central coordinating body should impose its own criteria and conditions and thus provide restrictions between the member countries' otherwise freer negotiating terms. Thus, the Council merely provides opportunities for continuing consultation among the member countries on matters of technical assistance; it has no power to legislate or issue instructions.
The Colombo Plan Bureau was established in 1951 to assist the Council in the performance of its duties through the administrative duty of receiving requests for technical assistance, presenting them to the Council, and notifying the member countries of the awards. However, since the Colombo Plan scheme became a bilateral enterprise, as discussed above, the Bureau's function was limited to recording the extant projects of technical assistance, when notified by donor and recipient countries. As an integral part of this record-keeping function, the Bureau now provides publicity about technical assistance, capital aid, and national development in the region through annual reports and supplementary publications. An Information Unit, created to perform the task of publicity of the Plan apart from the Bureau in 1953, was incorporated into the organizational structure of the Bureau in 1957; the Principal Information Officer is in charge of the operation of the Unit. The Bureau functions as the secretariat for the Council and has performed secretariat functions for the Consultative Committee, leaving more routine matters to the country hosting the Consultative Committee. The Director of the Bureau is appointed to a three-year term by the Council from a nonregional member country; he is responsible for the tasks entrusted to the Bureau, such as maintaining records on technical assistance and capital aid; preparing reports; publicizing the availability of training facilities, experts, and equipment; organizing national seminars and regional colloquia; publicizing the aims of the Plan; disseminating information on population control; and assisting the host country for the annual meeting of the Consultative Committee.
In 1963, a new position—the Adviser on Intra-Regional Training—was established to promote technical assistance among the developing member countries. The aim of intra-regional training, namely, to reduce the flow of trainees to locations outside the region and to render the content of a training course more attuned to local conditions in Asia, has been assisted through national seminars and regional colloquia arranged by the Adviser. In addition, third country training is provided: a developing member country in the region provides a training place for the training of individuals from other regional developing members, but costs are borne by one of the developed member countries outside the region, including Japan.9

The U.S. Agency for International Development (USAID) has posted a Regional Population Adviser and a Regional Drug Adviser at the Bureau in the years since 1969, although these Advisers are not a part of the organizational structure of the Bureau. Between 1969 and 1973, the Regional Population Adviser was assigned the task of persuading member governments of the advantages of introducing the subject of family planning and population awareness into school curricula. Since 1973, the Regional Drug Adviser has developed a program for drug abuse control, seeking to eliminate and to remedy the causes and effects of narcotics addiction.

The operations of the Bureau reflect the informal character of the Colombo Plan. As Singh puts it, "not to inject more officialdom and formality into the international arena, but simply to provide the basic necessities, by way of records, information, and guidance, for smooth and direct negotiations between individual member governments."10
The Colombo Plan is one of the largest IGOs in Asia in terms of membership. Seven original members from the Commonwealth framework participated in preparatory work at the meetings in Colombo and Sydney in 1950; the membership of the Plan has grown to reach twenty-seven countries. Originally a rigid distinction was made between donor and recipient countries; the countries outside the region—the United Kingdom, the USA, Canada, Australia, New Zealand, and later Japan—were called the donor countries, and the members inside the region were classified as recipient countries. But this distinction gradually became blurred, particularly in the field of technical assistance due to the advent of intra-regional training.

As suggested above, membership in the Consultative Committee is separate from membership on the Council: most countries joined both organs within one or two years; however, Laos joined the Council in 1955, four years after joining the Consultative Committee; the United States did not participate in the Council until 1959, it joined the Consultative Committee in 1951. Originally aid under the Colombo Plan was restricted to countries in South and Southeast Asia, but the Colombo Plan Region expanded beyond the framework of the 1950 London Report to Nepal in 1952, to the Philippines in 1954, to South Korea in 1963, to Afghanistan in 1964, to Iran in 1967, to Fiji in 1972, and to Papua New Guinea in 1973 (see Figure 3). For the joining of the Colombo Plan, a country has only to make its intention known informally, in advance of a Consultative Committee meeting, and to send a delegation to be accredited; once sponsorship is undertaken by a member country, admission is decided by unanimous consent.
Figure 3. Member Countries in the Colombo Plan by Year of Joining

Australia, Britain, Canada, Ceylon (1950)
India, New Zealand, Pakistan

Cambodia, S. Vietnam (1951)

Burma, Nepal (1952)

Indonesia (1953)

Japan, Philippines, Thailand (1954)

Laos (1955)

Malaya (1957)

USA (1958)

Singapore (1959)

USA (1960)

Bhutan, S. Korea (1962)

Afghanistan, Maldives (1963)

Singapore (1966)

Singapore (1967)

Bangladesh, Fiji (1972)

Fapua New Guinea (1974)

Note: Singapore federated with Malaya into Malaysia in 1963 but was separated in 1965.
Analysis

Burden-Sharing Analysis

Contributions under the framework of the Colombo Plan are made in three forms. The largest chunk consists of capital aid, which is provided directly between donors and recipients. The second amount constitutes technical assistance, which is also transferred directly from donors to recipients. The smallest amount, derived from assessments of the member countries, defrays the administrative overhead costs of the Colombo Plan Bureau and the Colombo Plan Staff College for Technical Education, located in Singapore. The burden-sharing formula for the expenses of the Bureau originally was that all members of the Colombo Plan were to pay equal shares. In 1971 the fee schedule was revised in such a way that member countries with GNPs exceeding US $1 billion share two-thirds of the costs on an equal basis, whereas the remaining countries bear equal shares of the residual one-third. But burden-sharing became less proportionate to GNP as developing member countries at the $1 billion level increased in number, adding to the original six donor countries (Figure 4). Meanwhile, in establishing payments for the Staff College, three categories were set forth: six mini-state members in terms of GNP or per capita GNP (Bangladesh, Bhutan, Burma, Fiji, the Khmer Republic, Laos) each contribute a nominal US $500 per year; three countries (Afghanistan, Maldives, Nepal) bear equal shares, paying $1871 each; the rest contribute $3742.

In order to examine our first hypothesis on burden-sharing, we have constructed a cross-plot in Figure 4, including both the
Figure 4. Annual Assessments for the Colombo Plan Bureau and Staff College for Technical Education, 1973

two-level fee schedule for the Bureau and the three-level schedule for the Staff College for 1973. As suggested above, burden-sharing became less proportionate to GNP when the original six countries were joined by fourteen developing countries at the $1 billion level (Sri Lanka, Khmer Republic, Singapore, Burma, South Vietnam, Malaysia, Bangladesh, Thailand, Philippines, Indonesia, South Korea, Pakistan, India). To further elaborate burden-sharing aspects of the Colombo Plan Bureau, these fourteen developing countries were paying $120,246 together or 60 percent of the collective burden; the original six donors, i.e., richer countries in terms of both resources and capabilities, contributed $51,534 or a mere 26 percent of the costs; and seven mini-state members in terms of GNP together shared $30,058, a residual 15 percent of the common burdens. This less proportionate burden-sharing pattern is clear in Figure 4. The overall distribution, which is a left-J shape, suggests that poorer countries with scarce resources pay higher assessments in the Colombo Plan than richer countries, compared with GNP attainments. Within the theoretical framework of collective goods, this less proportionate pattern may be understood in the case of the Colombo Plan, as a function of its unique bilateralism, since most organizational benefits are direct transactions between donor and recipient countries and do not go through an organizational channel. In fact, this disproportionate burden-sharing clearly reflects and summarizes a conflict between richer countries, which have sought to keep the Bureau concerned mainly with bookkeeping and publicity, on the one hand, and poorer countries, which want to have the functions of the Bureau expanded, on the other hand. Seen in this light, the
establishment of the Staff College may be considered a concession of sorts to the needs of developing member countries; but its three-level fee schedule shows the same disproportionate burden-sharing pattern.

The existence of both the Bureau and the Staff College constitutes collective goods, but burdens for their support fall most heavily upon poorer countries in relation to their capacities-to-pay (GNPs). For the most part, however, a country's GNP does predict its levels of capital aid and technical assistance, which compose the main bulk of the financial contributions in the Colombo Plan scheme. In Figure 5, we plot both capital aid and technical assistance contributions for the year 1973 against GNP size. As shown in Figure 5, a linear relationship is discerned between the two factors, i.e., contributions of capital aid and technical assistance, on the one hand, and GNP attainments, on the other hand, especially among the original six donor countries. Aggregating capital aid and technical assistance together (Table 3), the line would straighten out to some extent, even though Australia is found to be an exceptionally generous contributor in terms of its GNP share. Meanwhile, the United Kingdom and Canada appear less generous in their aid contributions in terms of both capital aid and technical assistance, lagging behind the linear relationship displayed in Figure 5. Particularly in the case of the United Kingdom, this may be partly attributed to her financial difficulties in recent years. What is notable is that India provides neighboring countries with considerable amount of capital aid and technical assistance as a regional power, despite its extremely limited capabilities, especially in terms of GNP per capita.
Figure 5. Capital Aid and Technical Assistance Contributions to Colombo Plan Region, 1973

Capital Aid
(In US $ million)

Technical Assistance
(In US $ million; circled)

### Table 3

Aid Contributions of Major Donor Countries for 1973

<table>
<thead>
<tr>
<th>Donor Countries¹</th>
<th>In US $million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1,117.0</td>
<td>118.0</td>
</tr>
<tr>
<td>Japan</td>
<td>656.7</td>
<td>31.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>154.0</td>
<td>26.3</td>
</tr>
<tr>
<td>Canada</td>
<td>163.3</td>
<td>4.2</td>
</tr>
<tr>
<td>India</td>
<td>24.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Australia</td>
<td>256.0</td>
<td>20.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4.6</td>
<td>5.5</td>
</tr>
</tbody>
</table>

¹ Displayed in terms of GNP (1970) rank order.

In regard to technical assistance, it should be noted that Asian developing countries are also active, perhaps due to the encouragement of intra-regional training by the Colombo Plan Bureau through the Adviser on Intra-Regional Training. Among the developed countries, New Zealand and Australia are especially generous in providing technical assistance.

**Cost/Benefit Analysis**

In order to examine our second hypothesis on private or individual goods (or benefits), we plot the received benefits of capital aid and technical assistance against the two-level fee schedule of the Colombo Plan Bureau; no particular pattern emerges, as seen in Figure 6. Undertaking a plot based on the three-level schedule for the Staff College, the picture is unchanged.

To carry on the analysis further, in Figure 7 we plot costs and benefits of developing member countries. Benefits are calculated by aggregating capital aid and technical assistance received by each individual member, while costs are measured by the sum of the two-level fee schedule for the Bureau and technical assistance contributions made by some member countries. In Figure 7, countries which make larger payments are found to get larger benefits: South Korea, India, Pakistan, and Thailand are included among the countries which derive a fair amount of benefits and pay substantial costs as well by providing other regional countries with technical assistance; Singapore is excluded from this group, probably because it is in a higher stage of development. However, the largest beneficiaries, notably South Vietnam and Indonesia, belong to a group of countries which pay only
Figure 6. Benefits from Colombo Plan Aid, 1973

Technical Assistance Funds Received (in US $million; circled)

Capital Aid Funds Received (in US $million)  Source: Colombo Plan annual reports (1973-1974).
Figure 7. Colombo Plan Costs and Benefits

- S. Vietnam
- Indonesia
- Philippines
- P.N. Guinea
- India
- S. Korea
- Pakistan
- Laos
- Afghanistan
- Bangladesh
- Burma
- Thailand
- Nepal
- Malaysia
- Fiji
- Bhutan
- Singapore
- Maldives

Costs in US $ thousand (logarithmic scale)

Benefits in US $ million (logarithmic scale)
Bureau assessments, even though in the upper-level apportionments.

The Philippines, which contributes a tiny amount for technical assistance, derives substantial benefits from the Colombo Plan scheme, along with the Khmer Republic, which pays only the upper-level assessments. Papua New Guinea and Laos appear to derive larger amounts of benefits in terms of their costs; they pay smaller level assessments for the Bureau.

The above cost/benefit analysis of the Colombo Plan for the year 1973 suggests that aid has tended to flow largely toward the richest of developing countries, thereby indicating that the larger a country contributes toward the Colombo Plan, either for the Bureau or for technical assistance, the larger the subsequent capital aid and technical assistance. However, this finding has some exceptions. In order to obtain a more complete picture of the bilateral aid pattern of Colombo Plan countries, we examine bilateral aid flows from the original six donor countries to the countries in the Colombo Plan Region.

**Politics of Aid**

Breaking down bilateral aid flows from the original six donor countries to regional countries, as seen in Table 4 and Table 5, a curious pattern may be discerned: since foreign aid is an instrument of foreign policy in most cases, bilateral aid flows of the Colombo Plan seem to indicate that the largest bulk of bilateral aid from each donor country is provided to recipient countries most closely related to the political interests of donor countries. In the case of capital aid, as shown in Table 4, Australia provided Papua New Guinea
<table>
<thead>
<tr>
<th>Country</th>
<th>Australia</th>
<th>Canada</th>
<th>Japan</th>
<th>New Zealand</th>
<th>U.K.</th>
<th>U.S.A.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
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<td>....</td>
<td>0.45</td>
<td>....</td>
<td>-0.21</td>
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<td>....</td>
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<td>0.38</td>
<td>0.23</td>
<td>302.00</td>
<td>326.89</td>
</tr>
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</table>

Table 5

Bilateral Technical Assistance Flows for 1973

<table>
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<tr>
<th>Country</th>
<th>Australia</th>
<th>Canada</th>
<th>Japan</th>
<th>New Zealand</th>
<th>U.K.</th>
<th>U.S.A.</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Afghanistan</td>
<td>0.14</td>
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<td>0.01</td>
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with as much as US $192.64 million, 75.3 percent of her total capital aid contributions. Canada provided India with US $73.90 million. Japan's largest amount of capital aid for the year 1973 went to South Korea. New Zealand rendered her largest capital aid of US $1.25 million to Indonesia. Britain's largest amount of capital aid (US $85.78) flowed into India. For the year 1973, South Vietnam derived the largest chunk of capital aid (US $302 million) from the United States.

Breakdown of technical assistance distributions to regional member countries (Table 5) indicates a similar pattern across the original six donor countries in the case of capital aid, although the countries that receive the largest amount of technical assistance are different in some cases. Australia provided Papua New Guinea with the largest amount of technical assistance (US $9.32 million). Three Commonwealth donor countries (Canada, New Zealand, the United Kingdom) rendered the largest bulk of their technical assistance contributions to Malaysia. The largest amount of technical assistance provided by Japan for the year 1973 flowed into Indonesia. The United States provided South Vietnam with as much as US $54.59 million (46 percent) of her total technical assistance contributions; for the same year the United States provided US $22.14 million in technical assistance to Thailand and $21.79 million to Laos, while a tiny amount of technical assistance ($1.42 million) was provided to India, the largest country in the Colombo Plan Region.

The pattern of bilateral aid under the Colombo Plan deviates from a purely cost/benefit analysis in terms of political objectives.
L. P. Singh also observed the political motivation behind bilateral aid flows during the earlier period of the Colombo Plan operation:

The Colombo Plan association, is not or rather, cannot be, free from strains inherent in such schemes of international cooperation. Some of the non-Commonwealth members, such as the Philippines, Burma, and South Vietnam, have felt and complained that the Commonwealth countries have a soft spot for their Commonwealth colleagues, who receive the lion’s share of their aid. For this reason they have unsuccessfully sought to devise some kind of a preliminary multilateral arrangement for capital aid under the plan....Preferential treatment in matters of foreign aid is not characteristic of Commonwealth countries only. South Vietnam is one of the three largest recipients of United States capital aid. Pakistan, a SEATO member, receives nearly half the amount that India, five times larger in population than Pakistan, receives. The Philippines receives more than Indonesia....The Commonwealth recipient countries, therefore, point to this pattern of United States aid in reply to criticisms by non-Commonwealth members regarding the aid behavior of Commonwealth donors.20

However, as Singh aptly assessed, the bilateralism of the Colombo Plan is admired as a unique method of operation. At a time when the developing countries all over the world are pressing for multilateralism of aid to avoid political pressures, the informality and the business value of the Plan's meetings are highly respected by all the participating governments. A formal constitution would not have been any better for the objectives of the Plan.21 It is said that the United States aid is more respectable owing to the Colombo Plan label.22
FOOTNOTES


3. The Colombo Plan was supposed to operate from its launching year in 1951 to mid-1957; it has been authorized to continue for additional terms of five-year basis. See Haas, *ibid.*, p. 2.


6. "Supplying experts" means the dispatch of experts for consultation in research, training or developmental projects. "Providing training places" means the award of fellowships to study in universities, technical institutions, or in private industrial firms.


8. Since 1970 the Consultative Committee has entrusted the Bureau with publicizing the flow of capital aid, as based on materials supplied to the Bureau on a voluntary basis in its annual reports.

9. Both intra-regional and third-country trainings constitute two new categories of technical assistance which have been added to the original three mentioned above. See Haas, *The Asian Way to Peace: The Politics of International Cooperation in Asia*, *op. cit.* (forthcoming).


11. Although the USA showed considerable interest in the Colombo Plan as a counterpart to the Marshall Plan for Asia, in February, 1951, Secretary of State Acheson announced that the U.S. would not join the organization. The Acheson decision was later reversed with American membership in the Consultative Committee in 1951; but the USA did not participate in Council meetings, not making payments for annual assessments to defray costs of running the Bureau until 1959. See Haas, *op. cit.* (forthcoming).

13. From 1951 to 1973, the Colombo Plan disbursed a total US $2,058 million of technical assistance, spending in the proportion of 19 percent on trainees and students, 50 percent on experts, and 31 percent for supplying technical equipment. See ibid.

14. Considering that paucity of middle-level technicians, as opposed to engineers on the one hand, and craftsmen on the other, is an obstacle to technological development within Asia, the 1973 Consultative Committee decided to establish a regional center to train instructors in the field of technical education, i.e., the Colombo Plan Staff College for Technical Education. The College, opened in 1974, is operated by its own Board of Governors and reports directly to the Consultative Committee.

15. Payments for the Staff College cover such basic operating costs as salaries of non-teaching staff, office expenses, visiting staff travel and subsistence, College Staff travel and subsistence, the Director's salary, and the cost of maintenance of the College. For a full text of Memorandum to Understanding relating to the College, see the Colombo Plan for Co-operative Economic Development in South and South-East Asia: Twentieth Annual Report (Wellington, New Zealand: CP Bureau, 1973), pp. 621-634.

16. Within the theoretical framework of collective goods, a pejorative argument may be raised on the classification of bilateral Colombo Plan aid as collective goods: Olson and Zeckhauser conceived of foreign aid as a collective good, to the extent that aid-giving nations value the development of the LDCs; however, they contended that aid allocations constitute private rather than collective goods, to the extent that they are provided to particular underdeveloped areas, such as past or present colonies, according to the aid-giving nations' special interest; Olson and Zeckhauser, op. cit., p. 40. Nonetheless the original six donor countries' bilateral Colombo Plan aids are doubtless burdens to them.

17. But India's capital aid is narrowly restricted to her neighbors, such as Bhutan (US $14.6 million), Nepal ($9.4 million), and Sri Lanka ($0.5) for the year 1973. See The Colombo Plan: 21st Annual Report (Colombo: Colombo Plan Bureau, 1975), p. 506.

18. The Staff College assessments are deleted in measuring costs, considering that the benefits, as produced by the College, are not available.


21. Ibid.

22. See *ibid.*, p. 208.
CHAPTER VI
ASIAN PRODUCTIVITY ORGANIZATION: CASE STUDY 2

Introduction

Origins and Objectives

In Europe, shortly after World War II, Britain's lead in initiating a productivity movement to step up industrial development stimulated the formation of national productivity centers by other European countries. Ultimately, under the auspices of the Organization of European Cooperation (OEEC)--now the Organization for Economic Cooperation and Development (OECD)--the participating governments decided to pool their national productivity activities, and the European Productivity Agency (EPA) was set up as a branch of OEEC in 1953.

With a view to forming a federation of national productivity centers in Asia, the Japanese Productivity Center (JPC) took the lead in convening a meeting, the First Asian Round-Table Productivity Conference in Tokyo in March, 1959, with the assistance of the Japanese Government. At this meeting, it was decided in principle that an intergovernmental body among Asian countries would be established along the lines of a federation of national productivity centers. At the Second Asian Round-Table Productivity Conference, held at Manila in September, 1960, a Convention on the Asian Productivity Organization was discussed. The Convention of APO was formally signed at a special conference held at Manila on April 14,
1961; APO officially began operations on May 11, 1961, with five countries having ratified the Convention by that time. The basic raison d'être of APO is to assist national productivity centers (NPOs) within the member countries of Asia through providing advanced courses to consultants and training personnel from the NPOs. In return, NPOs conduct training, consultation, and other productivity activities in their own countries. In this fashion, by providing what cannot be handled individually by the NPOs, APO intends to generate "multiplier effects" through a multilateral undertaking to facilitate the adaptation and transfer of advanced technology to Asian developing countries by utilizing available facilities in some of the more developed member countries, especially Japan, and further by disseminating advanced knowledge and experience in regard to productivity.

To these ends, APO sponsors symposia, seminars, and conferences; offers training courses; dispatches experts to provide technical services to NPOs; conducts publication and information activities for disseminating knowledge about productivity and for promoting mutual cooperation among NPOs; awards fellowships; and arranges study missions for observing industrial operations in various countries.

The underlying philosophy of APO, in carrying out these projects or tasks, is to link two factors--management and technology. Rather than defining productivity as a mere ratio of outputs to inputs, APO seeks to introduce the modern management concepts into business operations while elevating the technological quality of machinery and engineering within industries. Thus APO's activities focus on the
promoting of productivity through simultaneous efforts in regard to
management and technology, which are viewed as essential for economic
development.  

Organizational Structure and Membership

In comparison with the Colombo Plan, hierarchy and division of
labor seem to be more observable in the organizational structure of
APO. The Governing Body is the supreme plenary organ of APO; it meets
once a year to deliberate and make major policy decisions of the
organization. Each member country sends a delegation to the Governing
Body meeting, consisting of a Director and an Alternate Director.
Normally, the Director, representing the government, is a Minister of
International Trade or holds a similar position in his government,
whereas the Alternate Director is the head of the country's NPO.  

Prior to the Governing Body meeting, normally three-months
beforehand, a Workshop Meeting of the heads of NPOs is held to discuss
in detail APO programs or projects for the following year. Generally
focusing on questions of implementation, the Workshop Meeting builds
a consensus for the smoother proceeding of the Governing Body meeting.
Recommendations made at the four-day Workshop Meetings are usually
adopted by the Governing Body.

APO's tasks, as discussed above, are carried on by the four
divisions within the APO Secretariat, which is located in Tokyo. APO
is headed by a Secretary-General. The Program Division is the main
operational division; it organizes and coordinates the majority of
projects, which are mainly concerned with the training of NPO
personnel, trainers and consultants, in both management and
technological fields for secondary and tertiary industries. The Agricultural Division, as established in 1966, focuses on how to improve agricultural productivity through agricultural management and technological aspects at the community level; the projects undertaken by this Division cover a variety of subjects, including the efficient use of farm machinery, fertilizers, and agricultural chemicals, marketing and distribution of agricultural products, transportation and storage of these products. The Information Division is entrusted with the main task of disseminating knowledge through publications, of preparing audio-visual materials for more effective course instruction, and of providing publicity for the organization. In addition to these three operational divisions, as discussed above, the Administrative/Budget Division handles problems of accounting and personnel.

In terms of an exclusively Asian membership, APO is the oldest and the largest intergovernmental organization; starting with eight member countries in 1961, it had reached the present membership of fourteen countries by 1969. Out of the sixteen countries that participated in the First Asian Productivity Conference in Tokyo, countries pursuing nonalignment policies have failed to join APO.

The status of the APO membership countries on the basis of the year of joining is represented in Figure 8.

Analysis

Burden-Sharing Analysis

The scale of assessments for members of the Asian Productivity Organization has been calibrated on the basis of GNP much more exactly
Figure 8  Member countries in APO by Year of Joining

1961  India, Japan, Nepal, Pakistan, Philippines  
      South Korea, Taiwan

1963  Hongkong

1965  Iran, South Vietnam

1967  Ceylon

1968  Indonesia

1969  Singapore

than in the case of the Colombo Plan (see Figure 9). The scale of assessments for APO members has been changed on two occasions. The APO Convention adopted in Manila in 1961 distinguished between basic and supplementary contributions: each member country was to pay a basic contribution of US $2,000, while member countries with GNPs exceeding US $3 billion would contribute an additional $1,500 for each unit of $1 billion. In 1962 the basic contribution was reduced to $1,000, leaving the supplementary contribution unchanged. In 1971 the basic payment was increased to $2,500, whereas the latter was increased to $1,875 for each unit of $1 billion. The nearly perfect positive correlation between membership assessments for the year 1971 and GNP attainments, as displayed in Figure 9, is consistent with our first hypothesis on the sharing of the collective burden in the case of APO. The main purpose of the assessments is to pay for the administrative costs of the APO Secretariat in Tokyo. Operational costs for projects rely on other sources: special (or extraordinary) contributions are a second source of revenue. The Japanese Government has matched the total amount of membership assessments with funds from two of its Ministries—the Foreign Office and the Ministry of International Trade and Industry, and the United States Agency for International Development (USAID) provided substantial financial support to APO in the 1960s, hoping that neutralist and non-Communist countries of Asia would be willing to work together for non-political objectives. However, as shown in Table 6, the provision of the USAID's grants to APO was terminated from 1970 on, in accordance with its policy of phasing out financial support as Asian IGOs became more
Figure 9. Asian Productivity Organization Burden-Sharing, 1971

Table 6

Financial Sources of the Asian Productivity Organization

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<td>USAID Grants(^a)</td>
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<td>Ford Foundation(^b)</td>
<td>320,000</td>
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<td>Others</td>
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\(^a\) Actually USAID grants were provided to APO from 1961 to 1968.

\(^b\) The grants of Ford Foundation were provided to APO for three years from 1964 to 1966.

Source: APO Secretariat.
For each project, there is an additional method of burden-sharing; "participating country expenses," which are a third source of funds for APO operation, are handled as follows: the host country bears a share of costs to defray local expenses for APO functions, and countries sending participants to APO functions defray the travel and per diem allowances of their own nationals. Exact figures for project expenses are not available for inclusion in this analysis.

In short, our first hypothesis on sharing of the collective burden, as derived from the theory of collective goods, describes the situation for APO. Japan, the only Asian developed member country, has provided substantial financial contributions to APO, thereby indicating that a high degree of collective good is provided in the case of APO.

Cost/Benefit Analysis

The examination of our second hypothesis on the distribution of individual or private benefits clearly reveals that individual members country's needs, rather than national wealth, have been main determinants of benefits received from APO (see Figures 10, 11, and 12). Three individual benefits, namely, seminar participation, expert consultation services, and APO fellowships, are operated in man-days terms.

In Figure 10, the yearly average of seminar participant-days up to 1968 is cross-plotted with membership assessment contributions for the year 1968. Notably South Korea and Taiwan have derived the most benefit, whereas Japan, the largest contributor, appears to have
Figure 10. Asian Productivity Organization Costs and Benefits

Assessments of Members, 1968 (logarithmic scale)

Figure 1. Asian Productivity Organization Costs and Benefits

Figure 12. Asian Productivity Organization Costs and Benefits

Assessments of Members, 1970 (logarithmic scale)
derived the least; moreover, several countries with modest yearly APO contributions (Philippines, Iran, and Thailand) have less benefited from APO seminar participation. India, the second largest yearly APO contributor, is found to have derived relatively less benefit.

In Figure 11, the yearly average of expert consultation services up to 1970 is cross-plotted against membership assessment contributions for the year 1970 for each APO member country. According to the plot, South Vietnam, Nepal, and Thailand receive the most benefit, whereas Japan and Indonesia (a late joiner in APO) have received none of these benefits. Relatively less benefit has been derived by Iran, Singapore, and the Philippines. As in the case of seminar participation, India also appears to have derived relatively less benefit in relation to her contributions. Both the Philippines and Iran also appeared to have derived less benefit from APO seminars, as discussed above.

In Figure 12, we plot the number of fellowship recipient-days during the period of 1962 to 1970 against 1970 assessments. Nepal, one of the smallest contributors, appeared to have derived the most benefit, whereas Indonesia and Singapore, both late joiners in APO, had no APO fellowship recipients. As opposed to seminar participation and expert consultation services, Japan enjoyed fellowship benefits to a modest extent. Iran, South Vietnam, and Hong Kong derived less benefit in receiving APO fellowships. What is interesting is the plot of India, which shows an almost similar position throughout three cross-plots (Figures 10, 11, and 12).
All in all, the cost/benefit analysis of APO quite clearly suggests that individual member country's needs have been main determinants of benefits received from APO. In a rather obvious contrast with the case of the Colombo Plan, for APO more individual benefits, such as seminar participation, expert consultation services, and fellowships, are made available to poorer countries, even though participant expenses are defrayed by home governments.
FOOTNOTES

1. For the full text of the Convention, see Haas, Basic Documents of Asian Regional Organizations, op. cit., Chapter 4.

2. APO's unique approach to productivity, based on a dual emphasis on management and technology, is widely respected; it has served as a model for a reorientation of technical assistance efforts within Asia, attracting considerable attentions from OECD and similar agencies around the world. See Haas, The Asian Way to Peace, op. cit., Chapter 5 (forthcoming).

3. The Governing Body meets annually for four days, although its formal meeting is short. The Chairman announces decisions reached beforehand in private without taking votes. See ibid.

4. The APO Secretariat has approximately twelve professionals and eighteen general services staff. The Secretary-General has no prescribed tenure. See ibid.

5. In 1967, A Regional Information Unit was established in Manila, in accordance with the APO constitutional provision for regional centers on specialized aspects of production.

6. The Division is occasionally engaged in smoothing out problems of human relations during the various training programs, as conducted on the basis of a multinational composition, to ensure maximum benefit for the participants. See Hass, op. cit.

7. An NPO has been established recently in Australia. APO hopes that Australia and New Zealand will join and thus share expertise along with Japan in contributing training programs and personnel to APO. See Christopher Beck, Far Eastern Economic Review, LXXVI (April 8, 1972), Focus Section, p. 26; see also Haas, op. cit.

8. According to Singh, these nonaligned countries did not join APO, not only because of limitation of resources but of a political reason that a majority of APO members were Western-oriented and thus APO was viewed as a United States "front organization" by the leaders of the nonaligned countries. See Singh, op. cit., pp. 222-223.


10. The total amount of assessments generally occupies thirty percent of the total revenue of APO and is about equal to the personnel costs of APO Secretariat. See ibid.
11. The Ministry of International Trade and Industry (MITI) funds operational projects, while the grants from the Foreign Ministry are used for the administrative costs of these projects.


13. USAID makes it a policy to phase out support for international organizations after a period of five or so years, whence the organization is expected to be self-sustaining. This policy was most carefully followed in the case of SEAMEO. See ibid.

14. The calculated tables for three APO individual benefits on this mode of operationalization are attached as Appendix A; for a discussion of time coverage for these variables, see fn. 5, Chapter 4.

15. See Figure 8, this chapter.

16. A more rigorous cost-benefit analysis may require an inclusion of participant costs paid by home governments, such as air travel costs, per diems, and participating country fees, for the analysis; however, these data are not available for this analysis.
CHAPTER VII

ASIAN DEVELOPMENT BANK: CASE STUDY 3

Introduction

Origins and Objectives

The concept of a regional development bank in Asia had been discussed during the 1950s to no avail. Various proposals for a regional development bank in Asia were made by the United States, Japan, and ECAFE, but they failed to interest the developing countries of Asia during that period.¹ The 1950s, when East-West rivalries were acute, witnessed the heyday of neutralist foreign policies among the Third World countries, which tended to distrust the initiatives of the developed countries. The annual meetings of ECAFE were too often consumed by the East-West struggle to give attention to the development-oriented ECAFE projects.² Meanwhile, the bulk of loans from the World Bank group was absorbed largely by the larger developing countries in the region virtually without an intergovernmental bank to serve their needs.

In addition, the establishment of the Inter-American Bank in 1959 and the African Development Bank in 1964 seemed to have provided Asian countries with an increased desire to form a regional bank on their terms. The leadership of U Nyun, Executive Secretary of ECAFE, was essential for pulling together all the varied aspirations and needs of the various countries in the region in the early 1960s, creating the necessary climate for concretizing the idea of a regional development bank in Asia.³
Concerted planning for a regional bank among the developing countries of Asia brought about the necessary momentum. A Thai proposal for a regional bank was made at ECAFE's Intra-Regional Trade Promotion Talks in January, 1963. A Philippine resolution for "accelerated measures for regional economic cooperation" was supported at ECAFE's Nineteenth Session in March of the same year. The regional bank idea was endorsed at the first meeting of the ECAFE Ministerial Conference on Asian Economic Cooperation held at Manila in December, 1963. At ECAFE's Twentieth Session in 1964, the regional bank idea was officially approved, and ECAFE staff proceeded to organize a group of experts--called the Working Group of Experts--to give more detailed consideration to the establishment of a regional bank; their statement of guiding principles for the bank was accepted at ECAFE's Twenty-First Session held at Wellington in March, 1965, leading to a formation of a Consultative Committee, which was entrusted with drafting a formal agreement regarding the establishment of the Asian Development Bank. The formal agreement (referred to as the Charter) was endorsed at the second Ministerial Conference on Asian Economic Cooperation held at Manila in November-December, 1965; twenty-one countries signed the founding Agreement at the Conference of Plenipotentiaries, held at Manila in December of the same year. By late August, 1966, the required minimum number of countries had ratified the Agreement, and the ADB was formally open for business on December 19, 1966, at Makati, a financial center just outside Manila.  

As a banking institution, the ADB has two rather obvious functions--raising funds and providing loans. As a regional
development bank, it performs additional functions, such as technical assistance in preparing applications for loans and regional activities on behalf of Asia and its subregions.6

Organizational Structure and Membership

The organizational structure of ADB is the most complex among the Asian IGOs, with the largest staff.7 The Board of Governors, the highest policy-making organ, meets for three days once a year. In 1966 and 1972 it met in a developed country, while in other years meetings were held in developing member countries. There is one Governor for each member country, and each member also selects its own Alternate Governor; Governors tend to be the Ministers of Finance, and Alternate Governors are heads of Central Banks for their countries. The Board of Governors decides such questions as membership, amendments to the Charter, changes in the amounts of authorized capital stock, and elects the Board of Directors and the President of the Bank.

The Board of Directors, which is chaired by the President of the Bank, makes decisions regarding loans (greater than $50,000), investments, and other specific operations of the Bank. Originally there were ten Directors (and as many Alternate Directors), but the number was increased to twelve in 1969, with eight for regional members and four for nonregional.8 The Board of Directors meets once or twice a week. Directors serve two-year terms and may be re-elected for additional terms.

The President of the Bank serves a term of five years; he must be a national of a regional member country. He supervises the Bank's operations in all phases and is entrusted with the authority to approve loans of less than $50,000. There is a constitutional provision for
more than one Vice President, but only one person has been nominated by the President to serve for this position. The Vice President, as the deputy of the President in managing the Bank, performs the functions of the President when the latter is absent or incapacitated.

The ADB Secretariat contains eleven subdivision (departments and offices). The staff's main task consists of receiving proposals for loans and technical assistance, following up these proposals to ensure that they are soundly conceived, and then administering projects approved by the Board of Directors. The main tasks were performed by an Economic and Technical Assistance Department and an Operations Department until 1969, when the former split into the Project Department, which appraises proposals for loans and implements technical assistance, and the Economic Office, which performs general economic analyses, reviews the methodology of economic analyses in regard to project appraisal, and conducts post-evaluation of Bank-financed projects. In order to demarcate the responsibility between areas of concern, the Projects Department was divided into two distinct Projects Departments; i.e., Projects Department I and Projects Department II. The former is concerned with the tasks relating to agriculture, irrigation, development banks, industry, and education; the latter focuses upon transport, communications, public utilities, consulting services, and loan administration. The Operations Department was originally set up to supervise approved loan projects and to carry out technical assistance; in 1969 the latter function was transferred to the Projects Department, so the Operations Department now focuses on providing liaison between the Bank and its members,
identifying projects, negotiating loans, and coordinating ongoing projects. In 1970 the Operations Department created a Division, focusing entirely on loan administration and supervision, to operate both in ADB offices and in the field. In practice, much cooperation is maintained between these three departments, keeping closer coordination in order to ensure continuity in a project going through the various processing phases within the Bank.

In 1966 the Office of Treasurer was set up to maintain accounts and to take steps to increase the inflow of funds; the Financial Adviser, assigned to this office, was in charge of supervising borrowing and investment of ADB capital. In 1969, the Office was divided into the Treasury Department and the Office of the Financial Adviser, thereby formally separating the two functions.

Other several subdivisions in the ADB Secretariat provide administrative services. The Administrative Department is concerned with personnel matters. The Office of the Internal Auditor is in charge of examining accounts. The Office of the General Counsel draws up loan agreements and attends to other legal matters concerning the Bank's activities. The Office of the Secretary assists the Bank's meetings, providing documentation and setting the agenda. The Information Office deals with matters of publicity.

The ADB structure was very similar to the framework of IBRD until 1972, when the latter was reorganized; ADB still resembles the World Bank more than its sister regional development banks in regard to constitutional provisions and lending policies. This similarity was deliberately designed: Asian countries insisted on a bank that
would command sufficient funds to be effective from the beginning of
its operation. Some features, designed especially to induce
developed countries outside the region to join, were inserted into
the founding Agreement.

As noted above, there are two categories of members in ADB, i.e.,
regional and non-regional member countries. Regional members include
the countries of Asia and Oceania, such as Japan, Australia, and New
Zealand (adopting ECAFE's definition of regional countries); non-
regional members are developed countries outside the region, such as
the United States and European countries. ADB started with thirty-one
countries in its first year of operation, and ten more countries have
joined since that time (see Figure 13). According to the ADB
Agreement, membership is open to members and associate members of ECAFE,
to other regional countries which are members of the UN or any of its
specialized agencies, and to developed countries outside the region,
subject to the same provisos about the UN membership. Membership is
thus open to the People's Republic of China. The British Solomon
Islands, Gilbert and Ellice Islands, Hong Kong, and Papua New Guinea
were admitted to ADB membership as associate member status of ECAFE.

A broad base of ADB membership from the start was in fact
attributed to the ADB founders' intention of having the institution
start with a capitalization of $1 billion (US dollars). To this end,
there was no alternative but to solicit members on a wide basis from
the beginning; thus, some provisions of the Bank were designed to
attract European countries as members, as discussed above.
Figure 13. Member Countries in ADB by Year of Joining

Regional Members

Afghanistan, Australia, Cambodia, Ceylon, India
Japan, Laos, Malaysia, Nepal, New Zealand,
Pakistan, Philippines
Singapore, South Korea, South Vietnam,
Taiwan, Thailand, Western Samoa, Indonesia

1966

Nonregional Members

Austria, Belgium, Canada, Denmark, Finland, Germany
Italy, Netherlands, Norway, Sweden,
United States, United Kingdom

1966

1967

Switzerland

1969

Hongkong

1970

Fiji

1971

Papua New Guinea

1972

Tonga

1973

Bangladesh, British Solomon Islands, Burma

1974

Gilbert and Ellice Is.

What deserves attention in connection with ADB membership is the voting formula, which indicates the locus of power over decision. Initially, voting formulas for the Inter-American, African, and World banks were carefully examined by ECAFE. In all of these cases votes are roughly a function of the financial contributions of member countries to the overall capitalization of the bank. The World Bank is clearly controlled by the donors; the regional banks are largely controlled by the countries of the region. Since ADB founders wanted the countries outside the region to be included in the Bank's membership a compromise was necessary; as a result, it was decided that nonregional members were to have no more than forty percent of the votes, and that regional members (including Japan as well as Australia and New Zealand) would control the remaining amount (sixty percent in the beginning). Taking into account the fact that the USA and Japan offered $200 million each, out of the initial capitalization of $1 billion, each country would be expected to hold twenty percent of the votes, so the compromise might be in actuality construed as the richer countries' controlling sixty percent of the votes and the poor countries' forty percent of the votes. This arrangement was also expected to attract outside members to join the Bank, on such an understanding for this new financial institution to be able to keep the standards and operations on a par with the World Bank, with the developed members being dominant enough to control it at their preference. But should the capitalization be increased by the Board of Governors, it was agreed that first options for new subscriptions would be taken by the poorer countries in Asia, namely, those having
less than six percent of the subscribed capital stock (Article 5, Section 3); thereby poorer countries could have chances to increase their control as their economic development progressed.

The allocation of the ADB's votes is made for two separate categories of member countries. A basic vote is allocated to each member, regardless of the size of members' contributions or their regional status; basic votes together occupy twenty percent of the total votes. In addition to basic votes, the members have one vote per share subscribed; in other words, out of the remaining eight percent, which are divided into forty percent for nonregional members and sixty percent for regional, proportional votes are allocated to the members in amounts that correspond to their relative share of financial subscriptions.

The complex procedure for allocating votes affects one main decision, i.e., the selection of members of the Board of Directors. This selection is made by the Board of Governors through a rather complex procedure. Once elected, Directors cast the total number of votes that were cast to elect them, but they may split their votes in accordance with instructions from Governors who voted on their behalf.

Compared with the Colombo Plan, a similar Asian IGO involving aid allocation but wherein decisions for aid are made by donor countries in bilateral negotiations with recipient countries and other decisions are made by consensus, the provisions on voting are regarded as an important feature of ADB, having significant political implications involving the distribution of some $3 billion. It is suggested that
there may be three possible groupings of countries, such as the USA and Japan (occupying twenty-five percent of the votes), other developed countries (thirty-two percent), and developing countries (forty-three percent). As it turned out, the distribution of power in ADB is patterned in such a way that formal votes are unnecessary in meetings. Normally, considerable discussion occurs before meetings in which decisions are finalized. The members of ADB rely on methods of informal consensus-building, rather than allowing the organization to split into divisions and blocs in voting on substantive matters. As a result, the partnership between Japan and the USA sets the tone during deliberations.

Analysis

Burden-Sharing Analysis

As a regional development bank, the Asian Development Bank employs various methods for raising funds and several categories of disbursements to developing countries in Asia. ADB divides its resources into the two basic types, ordinary capital resources and special funds. Ordinary capital resources are derived from three sources. The main source consists of subscriptions to ADB capital stock by member countries; a second source lies in borrowings, that is, income derived from the sale of ADB bonds on the open market of member or non-member countries; finally, a third source is the sale of participation in ADB loans to commercial banks. Special funds resources are derived from two sources: the main source is from extraordinary contributions, made mostly by developed member countries, along with a few regional developing countries; the second source
consists of resources transferable to special funds, which are up to ten percent of the paid-in subscriptions by member countries to the Bank originally for ordinary capital resources. Two funds have been set up from extraordinary contributions: the Technical Assistance Special Fund, a small fund, was established in 1967; the Asian Development Fund (ADF), a larger fund, was newly created in 1974, incorporating the functions of the former Agricultural Special Fund and the Multi-Purpose Special Fund, both of which also began in 1967. Generally, ordinary capital resources are used for "hard" loans; special funds are disbursed for "soft" loans and technical assistance grants.

With regard to our first hypothesis, we have cross-plotted the subscriptions to ADB capital stock by member countries (Figure 14) and special fund contributions against their GNPs (Figure 15).

The right-J distribution of the cross-plot between subscribed shares of member countries and GNP attainments seems to be a result of careful advance planning by the founders of ADB. As discussed in the previous section of this chapter, in order to prevent countries outside the region from controlling the Bank, the founding Agreement allows non-regional members to purchase up to forty percent of the ADB capital stock and in order to encourage additional Asian countries to become members, there is a stipulation that ADB capital stock controlled by regional members should not be less than sixty percent of the total subscribed capital stock; furthermore, a special consideration is given to those regional countries having less than six percent of the subscribed capital stock so that they may purchase larger amounts of shares when the ceiling on authorized capital is increased.
Figure 15. Asian Development Bank Special Funds Contributions

(in US $ million)

1,000

100

10

1

US $1 billion $10 billion $100 billion $1,000 billion

GNP, 1970 (logarithmic scale)

Nonregional members, mostly European countries, appear on the upper part of Figure 14, below the line of perfect proportionality, since these countries cannot purchase more shares of ADB capital stock, even though they are richer countries with large GNPs. For the J-shaped distribution among regional member countries of Asia, it appears that per capita GNP would straighten out the relationship displayed in Figure 14. What should be noted is the behavior of the United States and Japan: the United States subscribes to only 20,000 shares of ADB capital stock, or 8.7 percent of the total subscriptions, contributing less than India, which holds 23,250 shares of 10.1 percent of the subscribed capital stock; on the other hand, Japan, as a regional member, controls 21.8 percent of the ADB capital stock with 50,000 shares, more than twice as much as that of the USA. This is an obvious result of the United States' refusal to increase its ADB capital subscription during the three times when ADB capitalization increased, leaving her initial ADB subscription intact. Thus, the USA's commitment to ADB is at a second order of importance in her foreign policy: the USA's initial commitment to ADB was in part an effort to enable Japan to launch ADB. The USA's behavior toward ADB makes a sharp contrast with her continuing strong support to the Inter-American Bank, in which the USA is the dominant aid-giver. Japan, which had never been a major influence in the World Bank, mobilized resources for ADB with speed and decisiveness shortly after the USA agreed to be a partner in the effort to raise capital from European countries. As to the USA-Japan partnership in ADB, which began from the formative period of ADB, John White has observed:
The main issue around which discussion revolved was the mobilisation of external support: hence the significance of the part played by the USA. Subsidiary issues...related to the problem of how to balance the need for external support against the need to give the institution an Asian character. In this respect, the position of Japan was initially reluctant to become unequivocally committed... when American support was assured could Japan accept the role which fell naturally to it...the pattern of membership which finally emerged--with the USA dominant among the non-Asian developed members and Japan holding the balance between the non-Asian countries--looks natural enough.28

In Figure 15, we cross-plot special fund contributions,29 consisting of the Asian Development Fund (ADF), the Multi-Purpose Special Fund, and the Technical Assistance Special Fund, against the contributors' GNPs. As in the case of subscriptions to ADB capital stock for ordinary capital resources, GNP levels generally seem to account for the overall distributions of special funds contributions. There are a few deviant cases. Among the developed member countries on the upper part of Figure 15, the United States and Italy have been notably stingy in ADB special fund contributions, in terms of their relative GNP attainments,30 whereas Japan has been exceptionally generous.

Near to the bottom line, a pile-up of the Asian developing countries are joined by Austria, a small European country; these countries have made contributions only to the ADB's Technical Assistance Special Fund account; India and Taiwan appear to have made somewhat larger technical assistance contributions among these groups. Table 7 breaks down ADB special funds contributions, amounting to US $519.42 million as of December 31, 1974, into three each specific special fund accounts, providing exact figures for individual country
<table>
<thead>
<tr>
<th>Contributor</th>
<th>Asian Development Fund</th>
<th>Multi-Purpose Special Fund</th>
<th>Technical Assistance</th>
<th>Total</th>
<th>(Per Cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>15.86</td>
<td>11.41</td>
<td>0.75</td>
<td>28.02</td>
<td>(5.39)</td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td></td>
<td>0.12</td>
<td>0.12</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>2.77</td>
<td>0.69</td>
<td>3.46</td>
<td>(0.67)</td>
</tr>
<tr>
<td>Canada</td>
<td>6.85</td>
<td>27.80</td>
<td>0.20</td>
<td>34.85</td>
<td>(6.71)</td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
<td></td>
<td>0.20</td>
<td>0.20</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.89</td>
<td>2.65</td>
<td>0.76</td>
<td>6.30</td>
<td>(1.21)</td>
</tr>
<tr>
<td>Finland</td>
<td>2.60</td>
<td></td>
<td>0.12</td>
<td>2.72</td>
<td>(0.52)</td>
</tr>
<tr>
<td>West Germany</td>
<td>22.72</td>
<td>27.40</td>
<td>0.49</td>
<td>50.61</td>
<td>(9.64)</td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td>0.24</td>
<td>0.24</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>1.58</td>
<td>0.19</td>
<td>1.77</td>
<td>(0.34)</td>
</tr>
<tr>
<td>Japan</td>
<td>105.22</td>
<td>161.55</td>
<td>9.64</td>
<td>276.51</td>
<td>(53.23)</td>
</tr>
<tr>
<td>South Korea</td>
<td></td>
<td></td>
<td>0.03</td>
<td>0.03</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7.51</td>
<td>7.47</td>
<td>0.44</td>
<td>15.42</td>
<td>(2.97)</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.52</td>
<td>1.07</td>
<td>0.38</td>
<td>4.97</td>
<td>(0.96)</td>
</tr>
<tr>
<td>Norway</td>
<td>2.84</td>
<td></td>
<td></td>
<td>2.84</td>
<td>(0.55)</td>
</tr>
<tr>
<td>Pakistan</td>
<td></td>
<td></td>
<td>0.02</td>
<td>0.02</td>
<td>(0.00)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
<td></td>
<td>0.02</td>
<td>0.02</td>
<td>(0.00)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.87</td>
<td></td>
<td>0.20</td>
<td>8.07</td>
<td>(1.55)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>17.59</td>
<td>13.92</td>
<td>0.49</td>
<td>32.00</td>
<td>(6.16)</td>
</tr>
<tr>
<td>United States</td>
<td>50.00</td>
<td></td>
<td>1.25</td>
<td>51.25</td>
<td>(9.87)</td>
</tr>
</tbody>
</table>

Total            | 245.47                 | 257.61                     | 16.33                | 519.42| (99.9)     |

\(^a\) Short of 100 percent due to rounding.

contributions. In monetary terms, Table 7 shows particularly two countries' (Japan and the USA) level of support for ADB. That is, Japan has made contributions (US $276.51 million) corresponding to 53.23 percent of the total ADB's Special Funds resources up to the end of 1974, whereas the United States provided only $51.25 million, less than one-fifth of Japanese contributions during the same period. These two countries (Japan and the USA) are followed by other DCs, such as West Germany ($50.61 million), Canada ($34.85 million), the United Kingdom ($32.00 million), and Australia ($28.02 million).

We close the burden-sharing analysis for ADB by noting how expenses of the ADB Secretariat are funded. Obviously in the category of a collective burden, expenses of the Secretariat are met out of ordinary capital resources and are supplemented from special funds if technical assistance or regional activities are involved; there are no specific apportionments for this purpose. In short, ADB member countries have provided funds to ADB in the forms of subscriptions or special funds, and these have roughly corresponded with the level of their GNPs, as predicted by the theory of collective goods.

Cost/Benefit Analysis

As mentioned above, there are several categories of the ADB's fund disbursements to developing countries in Asia. Ordinary operations consist of "hard" loans disbursed from the ordinary capital resources; these loans are provided to governments as well as to private enterprise, with the respective governments endorsing the projects and guaranteeing the loans thereof. Special operations are financed from special funds for such categories of disbursements as
"soft" loans, technical assistance, and regional activities. "Soft" loans from special funds are disbursed on more concessional terms to serve the need for economic and social development of the less developed members, as opposed to conventional terms, which are applied for loans from ordinary resources. Special Funds loans were originally provided with strings attached to their use, especially in the early years of ADB: that is, these loans were generally to be used initially to procure goods and services from the contributing member country. But the terms of special funds contributions have been more liberalized in recent years, and ADB has grown more powerful, so special funds loans have been gradually untied; in particular, the Asian Development Fund (ADF) was set up to meet this specific purpose of providing untied aid.

From its inception up to the end of 1974, ADB disbursed 211 loans across ordinary and special funds loans, amounting to US $1,923.71 million for 189 projects in twenty-one Asian developing countries. Out of these, loans from ordinary capital resources numbered 124, amounting to a total of US $1,431.14 million, or 74 percent of the ADB's total loan disbursements; 87 loans were financed from special funds, at a total of $492.57 million, or 26 percent of the total lending. The total amount of technical assistance provided by ADB from 1967 to 1974 was US $19.3 million. These three categories of disbursements, such as ordinary loans, special fund loans, and technical assistance, are private or individual goods; they are obviously counted as direct tangible material benefits by the less developed member countries in Asia.
We have attempted a cost/benefit analysis to come to grips with the configuration of resource allocations, i.e., the distribution of loans and technical assistance, in relation to our second hypothesis. Representing members' shares of subscribed stock as cost functions for individual member countries, the distributions of the three private benefits, as measured by the yearly average of each benefit received by each member country since joining, are plotted in Figures 16, 17 and 18.

For ordinary loan allocations, as shown in Figure 16, there is a positively direct relationship between the amounts of allocated ordinary loans from ADB to its member countries and the latter's shares of capital stock subscribed. In other words, it appears that ADB members' shares of subscribed stock are determinants of the allocation of loans from the ordinary resources. India, obviously a deviant case, has chosen for the present not to seek ADB loans, depending instead on the World Bank; its larger shares of the ADB capital stock have been sufficient to accord it a seat on the Board of Directors. Meanwhile, South Korea appears to have received the most benefit in terms of the allocation of ordinary loans from ADB; the Philippines and Malaysia, somewhat richer among the less developed countries of Asia, are also found to have received considerable benefit from ADB with regard to the allocation of ordinary loans on conventional terms. Mini-state members (Western Samoa, Gilbert and Ellice Islands, Tonga, British Solomon Islands, Papua New Guinea), as well as the three Indochinese countries (Laos, the Khmer Republic, South Vietnam), appear on the bottom line, indicating that they are
Figure 16. Asian Development Bank Allocation of "Hard" Loans from Ordinary Funds

(in US $million)

Total Subscribed Shares (logarithmic scale)

Figure 17. Asian Development Bank Allocation of "Soft" Loans

(in US $million)

Figure 18. Asian Development Bank Technical Assistance Funding

Technical Assistance Allocations, Yearly Average (1967-1974) (logarithmic scale)

Total Subscribed Shares (logarithmic scale)

not yet ready for conventional loans. Also, near to the bottom line appears a pile-up of relatively poorer countries among the Asian developing countries; these include Bangladesh, Burma, Sri Lanka, Afghanistan, and Nepal, which have made fair amounts of contributions to ADB in terms of their subscriptions of the capital stock but lag behind in "hard" loans because they have received primarily "soft" loans allocations or technical assistance allotments, so that they can prepare "hard" loans with overall economic plan in mind.

Taking a look at the cross-plots in Figures 17 and 18, mini-states and poor Asian developing countries, as discussed above, obtain considerable "soft" loans on more concessional terms or technical assistance allocations. On the upper part of Figure 17 emerge the poorer Asian developing countries (Bangladesh, Burma, Indonesia, Pakistan), which are most successful in securing "soft" loans: around the mid-part appear a cluster of the less developed member countries (South Vietnam, Nepal, Papua New Guinea, Sri Lanka) which have received minimal amounts of ordinary loan allocations. Laos has received concessional loan allocations to a considerable extent, whereas the Khmer Republic is somewhat less favored in this respect. Some of the mini-state members, notably Western Samoa and Tonga, appear to have received substantial amounts of concessional loans from the ADB's Special Funds account, in striking contrast with ordinary loan allocations, none of which were provided to those countries. All in all, it is found that countries with great needs receive higher priority in the allocations of the ADB's "soft" loans, whereas national wealth is an important predictor to allocations of
ordinary loans. The same pattern appears to exist in allocating experts for technical assistance.

As shown in Figure 18, Bangladesh and Indonesia--two countries with huge populations which lack developmental capabilities--appear to have top priority in the allocation of technical assistance. The Philippines seems to have been favored in this respect as well, perhaps due to its geographical advantage; that is, the ADB Secretariat is located near Manila. Afghanistan, Nepal, South Vietnam, and Sri Lanka also appear at the upper part of Figure 18, indicating that a substantial number of experts has been dispatched to these countries for technical assistance. The mini-states (Tonga, Western Samoa, British Solomon Islands), including Laos, are also found at the upper left, indicating that substantial amounts of technical assistance have flowed into these regional mini-states members from ADB; a notable deviant case is the Gilbert and Ellice Islands, which has received none of the three private benefits at all; this is because this small country only joined the ADB in 1974, the timepoint used to bound our data. As in the case of concessional loans, the objective needs of countries generally account for the allocation of technical assistance from ADB to its developing members.

In short, our cost/benefit analysis for ADB reveals that allocations of ordinary loans from ordinary capital resources have been made largely in proportion to the member countries' shares of subscribed stock. Some of the richer among the less developed Asian countries have been favored in receiving these conventional loans, reflecting the Bank's "sound banking policy" of lending to "more
credit-worthy borrowers." 36 Contrary to the allocations for ordinary loans, the objective needs of countries have received top priority in the allocation of both special funds loans on more concessional terms and technical assistance; thus, poor developing countries of Asia have been favored in relation to the disbursements of "soft" loans and technical assistance. India, a striking deviant case, has chosen for the present to keep its position as an aid-giver rather than a recipient in the case of ADB, thereby receiving none of the three private benefits from the latter, but deriving a leadership position instead.
FOOTNOTES


2. Ibid., p. 282.


4. For the full text of the Agreement, see Haas, Basic Documents of Asian Regional Organizations, op. cit., Chapter 8.

5. ADB was later relocated at its present permanent site in Pasay City, just south of Manila. For a discussion of politics involving the location of ADB, see White, op. cit., pp. 48-49.

6. Among its regional activities, ADB conducts preinvestment surveys, meetings of technical experts on its own initiative or at the request of member countries, and provides grants to international organizations, such as APO, ECAFE, AVRDC, and LAWASIA (the Law Association for Asia and the Pacific).


8. The selection of the ADB Directors, based on the weighted voting power assigned according to the members' subscribed shares of capital stock, reveals an interesting facet of interstate relations, i.e., to select a director by pooling their votes. For a detailed discussion see Haas, op. cit., pp. 291-292. See also White, op. cit., p. 62.


10. What is noteworthy among these features is the "tied procurement" clause (Article 14, Section 9), which prescribes that capital goods used in a project should be purchased solely from member countries of the Bank.

11. Taiwan joined ADB as the Republic of China; thus, it technically does not occupy the "China seat," as it did in the UN. North Korea, admitted to the World Health Organization (WHO) in 1973, is now eligible for ADB membership. The USSR and other socialist
countries in Eastern Europe refused to join: they objected to unequal voting power. For a detailed discussion of the latter point, see White, op. cit., p. 53.

12. These countries' applications to ADB were submitted by their respective metropolitan countries.

13. See fn. 10, this chapter.

14. This compromise brings Japan into a key position of holding the balance between the Asian developing countries and the non-Asian developed countries. See White, op. cit., p. 46.

15. The provision for basic votes was designed to attract smaller Asian countries to join.

16. The selection procedures are described in Annex B to the founding Agreement: in the case of Regional Directors, the Governors cast their votes for various candidates, and the top eight persons, receiving more than eight percent of the total voting power of regional members, are elected. If eight directors are not elected on the first ballot, additional ballots are cast until all eight directors are selected. Directors representing nonregional members are selected in a similar way, though the minimum is 17 percent.

17. The authorized capitalization of ADB was increased from $1 billion to $1.1 billion at the inaugural meeting in 1966; a second increase was authorized to $2.75 billion in 1971; and $3.366 billion was authorized in 1973.

18. See White, op. cit., p. 57.


20. As discussed in the previous section, shares of subscribed stock determine a member country's voting strength; a table of subscriptions to ADB capital stock and their voting power appears in Appendix B.


22. As of the end of 1974, US $14.01 million has been derived from loan participation. See ADB, Annual Report 1974, p. 28.

23. Technically, subscribed capital is divided into two parts, i.e., amounts to be paid in to the Bank and those which are callable from the countries yet in fact are kept by the member countries
until needed. The callable amount serves to guarantee ADB loans and bonds in the capital markets of the world and, thus, loans are disbursed from the paid-in amounts.

24. For a detailed discussion of loan disbursements of ADB to developing countries, see the cost/benefit analysis in the next section of this chapter.

25. For a detailed discussion, see Article 5 (subscriptions of shares) in the ADB founding Agreement, which is located in M. Haas's Basic Documents of Asian Regional Organization, op. cit.

26. See fn. 17 of this chapter.


28. See ibid., p. 41.

29. It would be unrepresentative to plot special fund contributions for any specific year; thus, we use the total amounts of special fund contributions made by the members up to the end of 1974. Special fund contributions for each year are tabulated in Appendix B.

30. France and Sweden have not made any special fund contributions to ADB.

31. For a discussion of ADB's regional activities, see fn. 6, this chapter. ADB's regional activities involved twenty-two projects up to mid-1974; these included eight preinvestment economic surveys for some member countries or the Southeast Asia sub-region; nine developmental projects, such as for training, seminar, and workshop opportunities; and direct grants to other Asian IGOs.

32. For lending terms for both ordinary and special funds loans, see Asian Development Bank, Annual Report 1974, op. cit., p. 17.

33. See ibid., fn. 4(a), Appendix 1-K, p. 82.

34. See ibid., pp. 5 and 13.

35. For measures in this way, see fn. 5, Chapter 4, of this dissertation.

36. These terms are borrowed from John White, op. cit., p. 74. He has made a poignant criticism of the operations of ADB in its earlier days as too cautious, sticking to the role of a conservative banking institution rather than taking an imaginative approach to the needs of developing countries as a regional
CHAPTER VIII

SOUTHEAST ASIAN MINISTERS OF EDUCATION ORGANIZATION

Introduction

Origins and Objectives

One developmental strategy of policy makers in Asia is to form social capital, i.e., to train workers for new occupations with higher levels of productivity in an emergent industrial economy while promoting technological and economic capital formation through trade and investment. The desire for social capital formation, thus, leads policy makers in Southeast Asian countries to stress the role of education.

Reflecting such concerns, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) held an initial Conference of Asian Ministers of Education and Ministers Responsible for Economic Planning, and convened a second Conference at Bangkok in November, 1965. Meanwhile, in September of the same year, President Lyndon Johnson announced plans for a new program in the field of international education, thereby encouraging countries around the world to draw up proposals for possible funding in this field by the United States. When the UNESCO conference adjourned, the representatives from Southeast Asian countries (Thailand, Laos, Malaysia, Philippines, Singapore, and South Vietnam) who attended the UNESCO meeting, stayed on in Bangkok to discuss possibilities for regional cooperation in the field of education. This gathering
became known as the first meeting of what later was called the Southeast Asian Ministers of Education Council (SEAMEC). SEAMEC formulated a proposal and invited comments from Eugene Black, who was in Bangkok at that time, acting as President Lyndon Johnson's Special Adviser on Southeast Asia to assist ECAFE in establishing the Asian Development Bank. Black supported the ideas put forward by SEAMEC with enthusiasm; subsequently, when he returned to Washington, he arranged for financing by the USAID in the preliminary planning to establish a Southeast Asian intergovernmental organization in the field of education.

An interim secretariat, called the Southeast Asian Ministers of Education Secretariat (SEAMES), was set up within the Thai Ministry of Education to develop proposals for establishing regional centers in specialized fields of education, as suggested by SEAMEC. For the purpose of reviewing these proposals, a Technical Workshop met at Kuala Lumpur in July, 1966. A Select Committee, consisting of the Under-Secretaries of Education of Southeast Asian countries, examined and screened the proposals during October of the same year. The proposals were finally presented to the second meeting of SEAMEC at Manila the next month. SEAMEC agreed to the establishment of an organization with four centers in such specific fields as agriculture, English language training, medicine and public health, and science and mathematics education. At the third SEAMEC meeting, held at Singapore in February, 1968, the Charter was signed, and the Southeast Asian Ministers of Education Organization (SEAMEO) began shortly thereafter.
The recognition of a shortage of trained personnel in such fields vital to the development of Southeast Asian countries was a driving force behind the formation of SEAMEO. Accordingly, SEAMEO aims at upgrading skills of existing personnel, especially the promising younger professionals in the fields of education, science, and culture. SEAMEO pursues these objectives through such channels as training, research, and information dissemination. As specified in the SEAMEO Charter, the most specific objective of SEAMEO is to "assist in articulating education to the economic and social goals in the individual Member States (Article 1, Section 2d)."

Organizational Structure and Membership

The two main organs of SEAMEO are SEAMEC and SEAMES. SEAMEC is the plenary organ for policy decision. SEAMEC meets in annual sessions lasting for about four days, attended by each delegation from the member countries; normally the respective Ministers of Education head each country's delegation. SEAMEC annual meetings decide questions of general policy, appoint the Director of SEAMES, receive annual reports from the SEAMEO Regional Centers, and approve the SEAMES budget. SEAMES, the SEAMEO secretariat, is mainly entrusted with the function of coordination of SEAMEO's activities; located in Bangkok, it is now separate from the Thai Ministry of Education. SEAMES is headed by a Director, who serves a term of about three years. The Director is mainly in charge of raising special funds. SEAMES has a Program Division, composed of an Assistant Director, a Program Development Assistant, and a Program Analyst; the tasks performed by this Division include reviewing the activities of the
SEAMEO Centers, investigating the feasibility of proposals for new Centers, and holding special seminars and conferences on a regional basis. The Information Officer produces publicity materials and other publications and reports; it also organizes seminars and conferences conducted by the Program Division. The Administration and Finance Division maintains accounts and files, manages funds, and takes care of a small library of documents and other materials. 4

Each Regional Center of SEAMEO has been established by SEAMEC. But, once established, each Center has substantial autonomy in both administrative and financial matters, having its own Enabling Instrument which defines purposes, functions, and the funding scheme.

So far, six SEAMEO Regional Centers have been created; they include the four Centers whose operation was approved at the Third SEAMEC Conference in 1968, the Regional Center for Education in Science and Mathematics (RECSAM), Regional English Language Center (RELC), Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA), Tropical Medicine and Public Health Project (TROPMED). More recent Centers are the Regional Center for Tropical Biology (BIOTROP) and the Regional Center for Educational Innovation for Tropical and Technology (INNOTECH). 5 In addition to these six regional development-oriented Centers, two Centers concerned with cultural fields have been proposed—an Applied Research Center for Archeology and Fine Arts (ARCAFA) and a Southeast Asian Regional Center for Social and Cultural Studies (ARCSCS). 6 Six countries were represented at the first meeting of SEAMEC in 1965; Indonesia joined the discussion and planning in 1966. Thus, seven countries signed
the SEAMEO Charter in 1968. The Khmer Republic joined in 1971. The membership of SEAMEO, hence, is composed of eight countries (see Figure 19). Participation by SEAMEO members in the Regional Centers is optional, though the only case of nonparticipation is Singapore in regard to SEARCA. A favorable two-thirds vote is required for a new country to be admitted to SEAMEO; only Southeast Asian countries are eligible for SEAMEO membership. In view of growing interest in SEAMEO by countries outside Southeast Asia, SEAMEC decided in 1971 that countries or agencies outside Southeast Asia could join as Associate Members, subject to a two-thirds vote, provided that they fulfill the main requirement, i.e., "a willingness to promote cooperation among Southeast Asian nations through education, science, and culture." 7 France joined as an Associate Member in 1973, Australia and New Zealand in 1974. 8 Although representatives or participants from a number of countries outside Asia attend SEAMEO Conferences and programs operated by each SEAMEO Regional Center, 9 it is obvious that SEAMEO will continue to preserve its identity as a Southeast Asian IGO. To quote an evaluation of SEAMEO by the Philippine Minister of Education, Juan L. Manuel:

As a consequence of this consortium concept, SEAMEO can now provide in certain areas what we used to seek in Europe and the United States of America...formerly when we wanted our educators and teachers to be trained in teaching English...we sent them to Ann Arbor, Michigan, or to UCLA, California....Now we send them to RELC in Singapore. In the field of science and mathematics teaching, we used to send our trainees to Pennsylvania State or to Chicago. Now we send them to RECSAM in Penang, Malaysia. In the field of advanced studies and research in agriculture, we used to send our scholars to Cornell, to Iowa State or to Minnesota. Now we send them to SERCA in Los Banos, Philippines.10
Figure 19. Member Countries in SEAMEC by Year of Joining

1968  a  Malaysia, a  Singapore, Lao, Indonesia

1969  a  Philippines, South Vietnam

1971  a  Khmer Republic

1973  c  France

1974  c  Australia, New Zealand

a Six countries joined SEAMEC in 1965.
b Indonesia joined SEAMEC in 1966.
c Associate Members.
Analysis

Burden-Sharing Analysis

The financial aspects of SEAMEO are rather complicated due to its decentralized structure. SEAMES and each of the Regional Centers, as discussed in previous section, maintain separate sources of funding and accounts. First of all, SEAMEO member countries pay annual assessments to defray the operating costs of the Secretariat (SEAMES), the existence of which constitutes collective goods in our research scheme; member countries' assessments to defray these costs (or burdens) are apportioned on the basis of their percentage shares of Asian Development Bank (ADB) stock. Secondly, for each Regional Center, there are two categories of funding, basic project costs, which are divided into capital and operational costs, and special funds; funding for the former was largely arranged in three phases. During the interim operational phase, the United States government provided funds for basic project costs for each Regional Center; later, funds are supplied by both the member country hosting a Regional Center and the USA on a fifty-fifty matching basis for the first five years. For the provision of special funds, the SEAMEO Educational Development Fund, managed by SEAMES, has been established. This fund consists of three components. The first component is made of contributions for immediate use; the United States government assists SEAMES in fund-raising efforts by matching any amounts raised by the latter from non-USA sources on a proportional basis. The second component is the SEAMEO Endowment Fund, for which contributions have been solicited within Southeast Asia as well as outside the
The third component, authorized in 1973 by SEAMEC, is the sale of SEAMEO Educational Development bonds; initially for US $30 million, proceeds from the bond issue are placed in a trust fund and administered by a Board of Trustees appointed by SEAMEC (the Council).

For the purpose of burden-sharing analysis, we have selected membership assessments for defraying the costs of the Secretariat (SEAMES) for the year 1973 and the SEAMEO Endowment Fund contributions made by the member countries up to the end of 1972 (Figures 20 and 21 respectively). As hypothesized by the theory of collective goods, GNP is the main determinant of assessments to support the Secretariat (Figure 20). Indonesia falls short of its GNP level due to its lower per capita GNP. On the other hand, Thailand is "overburdened" because it contributes additional amounts to defray the costs of the Secretariat (see Table 8), which is located in Bangkok.

The cross-plot for the SEAMEO Endowment Fund, displayed in Figure 21, reveals that there is largely a linear relationship with GNP. Once again, Indonesia, a poorer country on a per capita GNP basis, lagged behind. The Philippines has not yet forwarded her pledged amount to the Fund. Thailand is again the most generous contributor. The Khmer Republic has not made even its pledges to the Fund. Table 9 breaks down SEAMEO Endowment Fund contributions made by the member countries.

As mentioned above, data for private benefits, distributed to each SEAMEO member country are not readily available for a cost/benefit analysis. However, the principle of parity has been in general observed in the participation of SEAMEO member countries in
Figure 20. Southeast Asian Ministers of Education Organization
Annual Assessments, 1973

US $100,000

$10,000

$1,000

GNP, 1970 (logarithmic scale)
a. Thailand makes an additional contribution as the host country.

Figure 21. Southeast Asian Ministers of Education Organization Special Endowment Fund Contributions

US $1,000,000

$100,000

$10,000

Contributions to Special Endowment Fund in 1972

Thailand

Singapore

Philippines

Indonesia

S. Vietnam


aPledged amounts.
bPledged amounts are included in addition to actual contributions.
### Table 8
The SEAMEO Membership Assessments

<table>
<thead>
<tr>
<th>Member Countries</th>
<th>1971</th>
<th>1972</th>
<th>1973</th>
<th>ADB index (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>41.1</td>
<td>43.6</td>
<td>44.5</td>
<td>20.68</td>
</tr>
<tr>
<td>Khmer Republic</td>
<td>5.7</td>
<td>6.1</td>
<td>6.2</td>
<td>2.89</td>
</tr>
<tr>
<td>Laos</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.35</td>
</tr>
<tr>
<td>Malaysia</td>
<td>32.9</td>
<td>34.9</td>
<td>35.6</td>
<td>16.54</td>
</tr>
<tr>
<td>Philippines</td>
<td>57.5</td>
<td>61.0</td>
<td>62.3</td>
<td>28.94</td>
</tr>
<tr>
<td>Singapore</td>
<td>8.2</td>
<td>8.7</td>
<td>8.9</td>
<td>4.14</td>
</tr>
<tr>
<td>Thailand&lt;sup&gt;a&lt;/sup&gt;</td>
<td>32.9</td>
<td>34.9</td>
<td>35.6</td>
<td>16.54</td>
</tr>
<tr>
<td>South Vietnam</td>
<td>19.7</td>
<td>20.9</td>
<td>21.4</td>
<td>9.92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>198.7</strong></td>
<td><strong>210.8</strong></td>
<td><strong>215.3</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

*<sup>a</sup> Thailand made additional contributions as the host country, equivalent to US $24.6 thousand for 1971, $26.1 thousand for 1972, and $26.7 thousand for 1973.*

**Source:** SEAMEO: *Regional Progress Through Education* (Bangkok: SEAMES, 1972), p. 32.
Table 9
The SEAMEO Endowment Fund Contributions
(as of December 1972)

<table>
<thead>
<tr>
<th>Member Countries</th>
<th>Contributions (Deposited Amount)</th>
<th>Annual Interest Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>18.1 (14.6)a</td>
<td>3.6</td>
</tr>
<tr>
<td>Laos</td>
<td>4.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Khmer Republic</td>
<td>....</td>
<td>...</td>
</tr>
<tr>
<td>Malaysia b</td>
<td>....</td>
<td>...</td>
</tr>
<tr>
<td>Philippines</td>
<td>.... (153.8)a</td>
<td>...</td>
</tr>
<tr>
<td>Singapore</td>
<td>145.0</td>
<td>54.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>500.0</td>
<td>14.0</td>
</tr>
<tr>
<td>South Vietnam</td>
<td>10.9</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>831.9</strong></td>
<td><strong>74.5</strong></td>
</tr>
</tbody>
</table>

a Indonesia and the Philippines pledged to contribute US $14.6 and 153.8 thousand respectively for the fiscal year 1972.

b Malaysia pledged to contribute a substantial gift (amount unspecified).

the projects of the SEAMEO Regional Centers. Singapore, as previously noted, has chosen not to participate in SEARCA functions, simply because it is not an agriculturally-oriented country.

In sum, the analysis of burden-sharing aspects of SEAMEO reveals that GNP largely accounts for member countries' sharing of the collective burdens, i.e., both annual contributions to defray the costs of the Secretariat and the SEAMEO Endowment Fund contributions. Data for a cost/benefit analysis in the case of SEAMEO are not available for inclusion in this analysis.
1. Amid a growing criticism against the US escalation policy in the Vietnam War in the mid-1960s, President Johnson decided to respond to his critics by pledging American support for regional cooperation in Asia, particularly in Southeast Asia; he offered a concrete pledge of $1 billion for this purpose in a speech at Johns Hopkins University on April 7, 1965; he made a similar suggestion in an address at the Smithsonian Institute in September of the same year; see Black, "Regional Cooperation and Development Policy," op. cit., p. 11.

2. Black, Alternative in Southeast Asia, op. cit., pp. 109-113; see also his article, "Regional Cooperation and Development Policy: The Asian Example," op. cit., p. 11. President Johnson appointed Eugene Black, a former president of the World Bank, as his Special Adviser on Southeast Asia, on behalf of his proposal to support regional cooperative efforts in Southeast Asia in 1965; see fn. 1 of this chapter.

3. For a full text, see Michael Haas, Basic Documents of Asian Regional Organizations, op. cit., Chapter 11.


5. RECSAM was set up at Penang, and RELC in Singapore. In the case of SEARCA and TROMED, existing institutions were designated as host organizations; for SEARCA, this was undertaken by the College of Agriculture of the University of the Philippines; and for TROMED, a network of national centers were approved at the SEAMEC meeting. For a detailed discussion of each of these regional Centers, see Haas, ibid.

6. The establishment of ARCAFA to be located in Phnom Penh was in principle approved in the SEAMEC meeting in 1975; and preparatory meetings have continued for another Center to be born at Jakarta. See ibid.

7. Provisional terms and conditions of Associate Membership were drawn up at the 1972 SEAMEC Conference; see Bangkok Post, February 7, 1972, Supplement, p. 3. Quoted in Haas, ibid.

8. In addition, Japan and South Korea are considering the possibility of becoming Associate Members. See ibid.

9. SEAMEO Conferences are attended by such countries and agencies from outside Asia as Austria, Canada, Germany, Italy, the Netherlands, Papua New Guinea, the Soviet Union, the UK, the USA,
the Asia and Ford Foundations, the Colombo Plan, ILO, UNDP, UNESCO, UNICEF, and WHO. Participants in the programs operated by each regional Center have also come from outside the region, including Bangladesh, Ghana, India, Iran, Japan, Nepal, South Korea, Taiwan, and Turkey. See ibid.

10. SEAMEO: Regional Progress Through Education (Bangkok: SEAMES, 1972), p. 3.

11. SEAMEC, the plenary organ of SEAMEO, draws up the Asian Development Bank (ADB) index calculated on SEAMEO members' percentage shares of ADB stock. See SEAMEO: Regional Progress Through Education, op. cit., p. 31.

12. Capital costs are for the construction of buildings, and operational costs are for the staff and support of services needed to maintain each Regional Center.

13. SEAMEO: Regional Progress Through Education, op. cit.

14. Special funds are provided for the expenses for such projects as training and research scholarships, seminars, conferences, exchanges of personnel, and Governing Board meetings. See ibid.

15. In order to derive an annual income of around US $2 million for yearly expenditures, the endowment should be between $20 and $25 million, invested in securities that will yield returns of eight to ten percent. See SEAMEC, Sixth Conference: Annual Report (Saigon: SEAMEC, 1971), Vol. II, pp. 65-69.

16. See Organizational Structure and Membership this chapter.
Summing up of Major Findings

Burden-Sharing Aspects

The examination of burden-sharing aspects of four Asian IGOs (the Colombo Plan, APO, ADB, and SEAMEO) reveals, in most respects, a record consistent with the theory of collective goods. Relative GNP attainment (economic size) appears to be the main determinant in apportioning yearly assessments to member countries for the sharing of collective burdens to produce collective goods.

Cast Study 1: The Colombo Plan

In the case of the Colombo Plan, it appears that poorer countries of Asia carry disproportionately high burdens for both the Bureau and Staff College. Within the theoretical framework of collective goods, this pattern may be understood in the case of the Colombo Plan as a function of its unique bilateralism, since most organizational benefits are direct transactions between donor and recipient countries and do not go through an organizational center, as noted in Chapter V. As a consequence, functions of administration have been kept to a minimum—mainly for record keeping—and operation requires small budgets. On the other hand, the analysis reveals that GNP largely accounts for contributions of both capital aid and technical assistance by donor countries, especially the original six donor countries.
Case Study 2: APO

In the case of APO, there is an almost perfect positive correlation between GNP and membership assessments for the APO Secretariat which exists for the provision of collective benefits to the APO member countries. Japan, which is the primary initiator in the formation of APO--the only economically developed member country--appears to have borne a lion's share of the burdens for the operations of APO, as predicted by the theory of collective goods.

Case Study 3: ADB

In the case of ADB, expenses for its Secretariat are paid out of the income of the Bank, especially accruing from loan repayments, rather than relying on direct membership apportionments. ADB member countries provided funds to ADB in the form of shares (subscriptions) of its capital stock for ordinary capital resources; shares appear to have been proportionate to member countries' GNP levels. Similarly, special (or extraordinary) contributions to the ADB's Special Funds accounts roughly corresponded with GNP levels, as hypothesized by the theory of collective goods. Japan appears to have been the most generous contributor to the ADB's Special Funds accounts, which is also the case in its subscriptions of the ADB capital stock. In contrast, the United States has been quite stingy in its contributions to the ADB's Special Funds accounts as well as to the capital stock subscription, holding less subscribed stock than India.
Case Study 4: SEAMEO

In the analysis of SEAMO, GNP is a strong correlate of membership assessments to defray the expenses of SEAMES (the Secretariat). To a lesser extent, GNP is also positively related to SEAMEO Endowment Fund contributions made by SEAMEO member countries. The SEAMEO Endowment Funds were set up to defray the operational costs of SEAMEO's Regional Centers. The burden-sharing analysis in the case of SEAMEO suggests that a collective good is provided by the SEAMEO Centers, wherein member countries share the burdens in proportion to their capacity to pay.\(^1\)

Costs and Benefits

The analysis of individual benefits from the four Asian IGOs to their respective member countries is more complex. All four Asian IGOs provide individual goods or services in the form of loans, technical assistance, opportunities for training, and the like. We have quantified the data of individual benefits from the four IGOs on a country-by-country basis to examine whether a cost/benefit theory accounts for the flow of individual benefits from four Asian IGOs. We find that individual benefits have been provided on the basis of "needs" of the member countries in some cases, and allocated on the basis of "resources" (or national wealth) in the remaining cases, with a balancing pattern of costs and benefits.\(^2\)

Case Study 1: The Colombo Plan

A cost/benefit analysis of the Colombo Plan largely reveals that Colombo Plan capital aid and technical assistance has tended to flow largely toward the richest of developing countries, which contributes
larger amounts to the Colombo Plan (for the Bureau and/or technical assistance). In an attempt to clarify some deviant cases, we have traced bilateral aid flows from donor to recipient countries; the analysis reveals that some of the largest aid recipients had a close political linkage with donor countries, especially interests of the latter's foreign policy. The notable cases in point were Papua New Guinea vis-à-vis Australia, and South Vietnam vis-à-vis the United States. Since bilateral aid between donors and recipients is the norm in the Colombo Plan scheme, a "politics of aid" intervenes between donor and recipient countries; thus, aid is clearly an instrument of foreign policy in the Colombo Plan. For individual member countries, our cost/benefit analysis reveals that some countries (notably Maldives, Iran, and Singapore) appear to have received the least benefit from the Colombo Plan scheme; to some extent, Bhutan and Nepal are found to be outside the attentions of major donor countries, receiving relatively small amounts of capital aid and technical assistance (refer to Figure 7).

Case Study 2: APO

Our cost/benefit analysis of APO clearly reveals that the "needs" of individual member countries have been the major determinant of individual benefits received from APO, contrary to the case of the Colombo Plan: more individual benefits, such as seminar participation, expert consultation services, and fellowships, have been used by APO's poorer countries, largely on a proportional basis, than by the richer countries, even though participants expenses, such as air travel costs, per diems, and participating country fees, are defrayed by
home governments.\textsuperscript{4} The analysis reveals that such countries as Iran, Indonesia, and Singapore have received the least benefit. India, the second largest contributor to APO in terms of membership assessments, appears to have lagged behind to a large extent in receiving individual benefits from APO functions. Japan, which has borne the largest burden for APO, appears to have received none of two APO individual benefits—seminar participation and expert consultation services—benefiting only from APO fellowships to a modest degree. Japan does not participate in various management and technology-oriented functions provided by APO because the instructors of APO are themselves from the Japan Productivity Center.

Case Study 3: ADB

Both loans and technical assistance constitute the individual benefit of ADB. Our analysis reveals that "hard" loans have been distributed largely in direct proportion to the capital stock subscription by members: thus, some of the richer developing countries in Asia have been favored in receiving conventional loans: South Korea, the Philippines, and Malaysia are included in this favored group. For "soft" loans, it is found that poorer developing countries of Asia, notably Bangladesh, Burma, Indonesia, and Pakistan, appear to have been most favored in securing "soft" loans; a cluster of Asian developing countries—South Vietnam, Nepal, Sri Lanka, and Laos—also have received these concessional loans to a large extent. The largest amounts of technical assistance have been allocated to two of the poorest countries, Bangladesh and Indonesia. The Philippines, Afghanistan, Nepal, along with mini-state members
(Tonga, Western Samoa, and British Solomon Islands) are found to have been favored in receiving the ADB's technical assistance. In general, the analysis reveals that members' subscribed shares account for allocation of "hard" loans, and that "needs" of the countries are the strongest correlates of allocations of both "soft" loans and technical assistance. A notable deviant case is India, which has not received any direct benefit from ADB at all; it has preferred to assume a leadership position instead.

As mentioned in Chapter VIII, we could not do a cost/benefit analysis in the case of SEAMEO because data are not available for our analysis.

Implications for Further Studies

In summary, our research has been consistent with the theory of collective goods in case studies of four functional Asian IGOs. As discussed in our review of the collective goods literature in Chapter III, the theory has been previously applied to the study of alliance burden-sharing aspects, particularly in relation to military alliances (such as NATO, SEATO, WTO, etc.) but hitherto has been ignored in regard to nonmilitary international organizations. That is to say, our research has empirically demonstrated how the theory predicts the ways in which member countries support nonmilitary IGOs in Asia. Moreover, this research has extended the theory of collective goods by drawing policy-oriented conclusions in regard to allocations of individual goods from the respective four Asian IGOs. As discussed in Chapter III, the theory of collective goods emphasizes individual or private goods as well as collective goods as
organizational benefits. In doing so, we feel that this research may be helpful to the relevant policy makers in regard to their decisions on the respective four Asian IGOs, particularly regarding problems of funding and distributional problems of individual benefits from these IGOs.

However, as discussed in Chapter IV, we could not conduct a more thorough cost/benefit analysis because of the incompleteness of the data available. Further research is therefore needed.

More critically, however, we could not conduct an analysis of side-payments which focus on "indirect" benefits occurring to specific member countries in an IGO, because the data are not available. The four Asian IGOs examined in this research do have side-payments and indirect benefits. For example, half of the Colombo Plan Plenary Sessions are held in the six original donor countries; as a result, the per diem allowances provided by each participating government are likely to be pumped more into the economies of the richer countries than into the poorer countries. Moreover, the Director of the Colombo Plan Bureau comes from one of the six countries external to the Colombo Plan Region, while the staff are primarily from the richer of the developing countries of the Region. Policy makers in participating governments are likely to calculate these indirect benefits as well as the direct costs and benefits to determine whether an IGO is worthwhile or burdensome. The APO Secretariat is located in Tokyo, and its staff members are mostly of Japanese nationality. In addition, despite the APO's efforts to rotate training venues or conferences among the member
countries, Japanese experts participate in the APO's Expert Consultation Services, and thus bring more dollars into the Japanese economy. An analysis of side-payments in this fashion may generally account for the reason why Japanese Government has been so generous in supporting APO. For ADB larger amounts of side-payments will flow into wealthier developed member countries. Since the loans and technical assistance involve the financing of projects that will be handled by firms with the technical know-how (e.g., to build bridges, irrigation systems, and the like), the actual transfer of payments in ADB normally proceeds as follows: (a) from developed countries to the Bank in the forms of stock subscriptions or special funds contributions; (b) from the Bank to the developing countries in the forms of loan disbursements; and (c) from developing countries to developed countries as payments for the projects to be financed—thus, side-payments occurring to developed countries. Consequently, wealthier countries, notably Japan and the United States, will have mostly the funds spent recycled back into their own economies through this sequence of payments. In the case of SEAMEO, the main side-payment consists of the location of SEAMEO Regional Centers, though they are located in an equalitarian way, with approximately one Center per member. SEAMEO participants will provide indirect benefits (or side-payments) to the local economies as per diem expenses.

As explicitly suggested in the above discussion, an analysis of side-payments appears to account for the behavior of developed countries in Asian IGOs, although we could not examine this process
in depth in this research. A future study, along this line of research, will be useful in tracing the flow of side-payments. Thus, future research should explore three facets of the theory of collective goods--burdensharing in regard to collective goods, costs and benefits in the distribution of private goods, and side-payments flowing from indirect benefits.

In relation to future research outlook, we conclude that the Lasswellian mode of inquiry of politics, asking Who Gets What, When, How, as posed at the beginning of this research, remains appropriate and sensible for an understanding of political behavior of "men," their "countries," and "international organization" in the world in which we live.
FOOTNOTES

1. This implication is derived from our first hypothesis; see Chapter 3.

2. A balancing relationship between costs and benefits implies that individual benefits flow in larger proportions to those countries paying larger costs; in our research scheme, it is the latter countries that have richer resources.

3. See Mongtomery, Foreign Aid in International Politics, op. cit.; for an excellent empirical study of foreign aid, see Eugene R. Wittkopf, Western Bilateral Aid Allocations: A Comparative Study of Recipient State Attributes and Aid Received (Beverly Hills: Sage Publications, 1972).

4. Because of this participating cost-sharing, a cost-benefit analysis may apply to such individual benefits as seminar participation, for APO intends to operate this sort of project on the basis of self-financing. Meanwhile, expert consultation services, rendered by APO, entail side-payments (indirect benefits) to richer countries from which the experts come, a side-payment--payment for services rendered by experts--will flow into richer countries in this fashion; for a detailed discussion, see the final section of this chapter.

5. See fn. 4 above.

6. For a detailed discussion, see Chapter 4.

7. See Chapter 5.

8. See fn. 4 above.

9. See fn. 10, Chapter 7; Lester B. Pearson comments on "tied" aid provisions by the DCs: "There is one form of 'string' which recipients of aid specifically object to, known as 'tying.' It is an arrangement which provides that the capital being allocated for aid should be spent in the donor country.... Indeed, tying can reduce the value of aid by as much as twenty percent. It can also alter priorities in recipient countries, create administrative complications, as well as interfere with the growth of trade, especially among LDCs [emphasis added]." see his The Crisis of Development (New York: Prager Publishers, 1969), p. 70.

10. See fn. 5, Chapter 8.
POSTSCRIPT--THE THEORY OF COLLECTIVE GOODS RECONSIDERED

It is very difficult--conceptually and operationally--to apply Olson's theory of collective goods to the study of Asian IGOs, in view of the importance of burden-sharing issues to which the theory addresses itself. Thus, I feel that a reconsideration of the theory of collective goods in a critical fashion would be of some help for those students of international organizations who want to apply the theory of collective goods to the study of IGOs, as I did in this dissertation. Moreover, it seems that this way of sharing experience may facilitate the generation of a more reliable social knowledge in a cumulative and parsimonious fashion.

Below I will critically examine the theory of collective goods (Olson's and Zeckhauser's collective goods model of alliances), focusing on (a) the nature of the theory, (b) untidy efforts at conceptualization and operationalization, and (c) the necessity to modify the theory for future empirical research. Finally, I will discuss the growing demand for the study of collective goods phenomenon (or "collective situations," to borrow John Gerard Ruggie's terms) in interstate relations as a way of concluding this postscript. Let me, first of all, deal with the nature of the theory of collective goods, particularly Olson's and Zeckhauser's collective goods model of alliances.
Perhaps one way of understanding a social theory may be to ask for what practical or specific objective the theory was developed, especially if it is for other than a general academic purpose, i.e., the accumulation or generation of knowledge. In other words, an inquiry into social issues or problems to which the theory addresses itself may shed light on the nature of the theory developed. In this respect, Olson's and Zeckhauser's "An Economic Theory of Alliances" (or collective goods model of alliances) was in fact developed to provide the United States' policy makers with guidance on "controversial" burden-sharing issues among allies for joint defense. More specifically, American policy makers felt that their allies were providing less than a fair share of contributions to joint defense, especially in NATO, Olson and Zeckhauser responded that that line of feeling or complaint was attributed to an ignorance of the proper rational choice behavior of an individual member country in an alliance (in this case, NATO), through their presentation of "An Economic Theory of Alliances."

In their article, Olson and Zeckhauser discuss policy recommendation as follows:

The model's implication..., does not entail the conclusion that the small nations should be told they 'ought' to bear a larger share of the common burdens. No moral conclusions can follow solely from any purely logical model of the kind developed here. Indeed, our analysis suggests that moral suasion is inappropriate, since the different levels of contribution are not due to different moral attitudes...[thus,] less than proportionate contributions of the smaller nations are securely grounded
in their national interests.... Thus, American attempts to persuade other nations to bear 'fair' shares of the burdens of common ventures are likely to be divisive and harmful even to American interests in the long run [emphasis added].

Olson's and Zeckhauser's collective goods model of alliances was developed to deal with a specific immediate problem, i.e., burden-sharing problem in NATO, despite their claim that the model could be applied to the study of international organization to pursue common interests of member countries, as discussed in detail in Chapter III of this dissertation. In this respect, a nonacademic, practical purpose of the theory is to persuade American policy makers who are simultaneously concerned with seemingly "contradictory" dual foreign policy goals in the post-World War II period, namely, to augment American military strength with that of its allies (or to gain the allies' resources as an increment to its own), on the one hand, and to extend the deterrent umbrella to protect its allies, on the other. As Russett cogently puts it:

...so long as the smaller state is neither coerced by the big one nor offered special incentives, and unless the threat to the small state is very grave--as in actual war time--the small state is likely to regard the big country's armed forces as a substitute for its own. The small country will feel able to relax its own efforts because it has obtained great power protection. Thus the big power's success in extending its umbrella works against its other goals of using the alliance to enhance its own military strength [emphasis added].

Thus, the theory of collective goods (or Olson's and Zeckhauser's collective goods model of alliances) was originally developed to provide US policy makers with guide in regard to
decisions on burden-sharing issues among allies for joint defense. In this sense the theory is more concerned with social engineering aspect, i.e., to analyze and solve some specific immediate problem (e.g., burden-sharing among allies in NATO for joint defense in this case) rather than with the generation of explanatory knowledge of social phenomenon. It is in this respect that the theory of collective goods (or Olson's and Zeckhauser's model of alliances) should be called as a "theory" in a much qualified sense, especially in terms of the criteria for a "theory" in the framework of social science. As Olson and Zeckhauser mention in the quote cited above, the theory of collective goods is a purely logical model, derived deductively from a "two-country model;" it relies mainly on the concept of the indifference curve, a standard analytical tool in economics, for such logical derivations as "disproportionality" in burden-sharing aspect in an alliance and "suboptimality" in the provision of the collective good in the alliance. Thus, as is also the case in many studies of economics, the logical derivations or postulates of Olson's and Zeckhauser's collective goods model of alliances rest on a strict acceptance of a ceteris paribus assumption. In other words, their postulates are derived mainly from a purely formal, logical system, and are thus tenable only on much qualified terms, especially when they are applied to an empirical situation. As to Olson's and Zeckhauser's assumption of equal tastes (or stakes) of the countries in their two country alliance model, William Loehr critically comments as follows:
It is, of course, very unlikely that two countries indeed have equal tastes, but...in the Olson analysis this assumption always leads to the unlikely conclusion that the smaller country in a two country alliance will supply none of the public good while the larger supplies all [emphasis added].

Although Olson and Zeckhauser themselves discuss limitations of their purely logical model, in order to apply it to the analysis of NATO, they argue that the logic of their model is likely to hold in the case of NATO. As an example of the crucial assumptions of Olson's and Zeckhauser's collective goods model, we should note that the bargaining process, which will necessarily occur in an alliance or coalition situation, is ignored in their model. As already suggested in Chapter III, Stephen N. Brown and associates dispute Olson's and Zeckhauser's contention that the larger countries are likely to bear a disproportionately larger share of the burden in the provision of the collective good in an alliance (or organization) in Olson's terms, entailing "a proclivity toward the exploitation of the great by the small." Brown and associates argue as follows:

...this bargaining tactic is efficacious within an international organization only if the members' interests extend to several public goods. Only the presence of many such goods engenders bargaining and therefore increased supply. Consequently, the organization increasing the volume of one public good simultaneously provides many public goods....This essay's contribution to theory [the theory of collective goods] is the discovery of conditions that bring forth bargaining and economic cooperation. If an organization's primary purpose is to provide greater amounts of public goods, then the organization must be structured in such a way that the disadvantages of noncooperation are readily apparent to members. Public-good theory identifies bargaining as a tool to manipulate supply and suggests the type of organization that is most likely to optimize the public good supply. Thus, in public good analyses, theory is extremely important because it can unveil new perspectives on policy [emphasis added].
Given the complex situation of politics between the member countries in an alliance (e.g., note President de Gaulle's threat to withdraw from NATO and the so-called "credibility gap" among allies, especially European allies, toward the American intention in regard to the use of nuclear weapons in an actual war situation), it is difficult to avoid the criticism that Olson and Zeckhauser have ignored a crucial variable, i.e., the bargaining process, in their model.\(^{13}\) The presence of bargaining usually leads to a consensual foundation on which collective enterprises among states for the pursuit of common interests seem possible in today's international society, which is a basically decentralized system, lacking central authority above sovereign states.

We are going to close this section on the nature of the theory of collective goods (Olson's and Zeckhauser's collective goods model of alliances) by pointing out that the theoretical postulates which are derived from Olson's and Zeckhauser's two country alliance model, such as a "disproportionality" in burden-sharing working against the big country in an alliance and "marginal cost-sharing" formulation to ensure the "optimality" in the provision of the collective good in the alliance,\(^{14}\) should be viewed as a Weberian "ideal type," despite their usage of the term "model," perhaps unintentionally ignoring a difference between a scientific "model" and a Weberian "ideal type." Lawrence C. Mayer aptly distinguishes between "model" and "ideal type," as follows:
Models...are distinguished from what Max Weber meant by an "ideal type." The Weberian constructs consist of hypothetical examples which are the most characteristic of a class of phenomena and which actual examples of that class in the observable world resemble to varying extents...ideal types may be viewed as polar types on a continuum...Such an ideal type is not precisely what is meant by a model. The logical relationships between the properties or elements of the ideal are not always specified. In fact, they are occasionally incompatible with one another...Ideal types, like other analytical formulations, suggest questions that it might be useful to pose and in this way provide standards of selecting and organizing data...These Weberian constructs imply standards for engineering their real world counterparts [emphasis added].

Seen in this light, it is obvious that Olson's and Zeckhauser's postulates, such as the "disproportionality" of burden-sharing working against the big country in an alliance and the "suboptimality" in the provision of the collective good, on the one hand, and the "marginal cost-sharing" formulation to ensure "Pareto-optimality" in the provision of collective good, on the other, represent two polar examples on a continuum of international cooperation, similar to Weberian "ideal types." For, as Olson himself recognized this point, the former postulates ("disproportionality" of burden-sharing and "suboptimality" in the provision of the collective good in an alliance) may hold in the extreme hypothetical polar case in which "independent contributions" of the members are assumed in their strict sense, whereas the latter postulate on the "marginal cost-sharing" arrangement or formulation may be tenable in the other hypothetical polar case on the continuum of international cooperation in an alliance. But in the real world, the contributions of the member countries in an alliance are made neither on the basis of "independent contributions"
(or decisions) nor on the basis of a complete cost/benefit ratio, as Olson and Zeckhauser assume in their two country alliance model; as this dissertation empirically demonstrates, the contributions of the members can be found on the "mixed cutting points" on the continuum of the two polar hypothetical cases.

Primarily because of this deficiency of the Olson model, namely, that it employs a Weberian "ideal type" analysis, I did not intend to directly test the theory in this research, although I did use the theoretical framework of the theory of collective goods to guide the analysis. In the next section of this postscript I discuss the problems inherent in Olson's and Zeckhauser's conceptualization and operationalization efforts for both their theory-building and research; these problems account for my somewhat ambivalent position on the theory of collective goods.

(b) Untidy Efforts in Conceptualization and Operationalization of the Theory of Collective Goods

First of all, Olson and Zeckhauser, along with other economists, such as John G. Head, Richard Musgrave, Paul A. Samuelson, Julius Margolis, and Gerhard Colm, view properties or characteristics of collective goods and externalities in terms of "nonexclusiveness" and "jointness of supply;" but, as discussed in Chapter III, Olson and Zeckhauser contend that the latter property ("jointness of supply") is a sufficient but not a necessary condition to constitute collective goods. Thus, they define collective goods as "if the common goal [collective good] is achieved, every one who shares this goal automatically benefits; in other words,
nonpurchasers cannot feasibly be kept from consuming the good, whose conception seems to fit into the property of "nonexclusiveness" of collective goods. This conception of collective goods presupposes "indivisibility" as a necessary condition (or element) of collective goods; otherwise, the definition may be self-contradictory. That is, if "collective goods" are divisible (or, to ignore the criterion of "indivisibility" in distinguishing between "collective goods" and "private goods"), it logically follows that the "goods" must be exclusive. William Loehr, critically examining the theory of collective goods, asserts that a theory of private goods seems more relevant and utilizable than the theory of collective goods, in dealing with divisible and exclusive goods; for these goods actually connote private goods and, in these goods, nonpurchasers can be kept from benefitting (or be charged for benefitting). It is in this respect that the concepts of Olson's and Zeckhauser's "Economic Theory of Alliances" cause "controversy" and "confusion" among critics of their theory. Olson and Zeckhauser suggest a so-called "marginal cost-sharing" formulation (or arrangement) as a means for an "optimal" provision of the collective good in an alliance, namely, to ensure "Pareto-optimality."

To quote from their "marginal cost-sharing" formulation herein, Olson and Zeckhauser say:

There could be an optimal quantity of the collective good...only if there were an arrangement ("marginal cost-sharing" formulation) such that the alliance members shared marginal costs in the same proportions in which they shared additional benefits (that is,
in the same ratio as their marginal rates of substitution of money for the good). When there is such a marginal cost-sharing scheme, there need be no tendency toward disproportionality in the sharing of burdens [emphasis added].

As may be clear in the quote cited above, Olson and Zeckhauser here commit a grave conceptual error as well as a logical inconsistency. To elaborate further, their conception or definition of the collective good is clearly based on the criterion of "non-exclusive-ness" (or "indisibility" as discussed above) and is presupposed to entail, in Ruggie's terms, a situation of "nonappropriability of cost" among the members of the group. Olson and Zeckhauser logically cannot derive the above "marginal cost-sharing" formulation, namely, a burden-sharing arrangement on the basis of a perfect cost/benefit ratio among the members in an alliance. Conceptually, Olson and Zeckhauser confuse the notion of "the purely collective good to the purely private good continuum." In terms of this notion of "collective-private goods continuum," Olson's and Zeckhauser's marginal cost-sharing formulation may be applicable to only one end of the continuum, i.e., to purely private goods or services, notwithstanding their contention to provide an "optimal provision of the collective good" in an alliance. In this respect, Loehr's criticism of Olson's and Zeckhauser's "marginal cost-sharing" formulation, is right in that "Olson's and Zeckhauser's marginal cost-sharing formulation" is not an operational concept, since it requires knowledge of both the community welfare functions and the production possibilities for the members. For Loehr, "while the latter [the production possibilities, i.e., "opportunity costs"]
(i.e., defense expenditures (D)/GNP as an indicator of contributions) and their GNP level as an indicator of economic size of individual member countries in NATO, in regard to the provision of the collective good of the alliance (i.e., security or deterrence provided by NATO defense capabilities), on the one hand. They reveal that there is a significant negative correlation between national income (NI) and the percentage of national income contributed to defray the expenses of NATO infrastructure activities which Olson and Zeckhauser conceive as "private goods." Leaving aside some methodological problems criticized elsewhere, it is fundamentally misleading for Olson and Zeckhauser to test their hypothesis on "marginal cost-sharing" formulation, which they claim ensures an "optimal" provision of the collective good in an alliance for the case of private goods (i.e., NATO infrastructure activities, such as military construction of common supply depots and pipelines). It is misleading because (1) they explicate, in Loehr's terms, an "inoperational concept" of "marginal cost-sharing" formulation in their model, in regard to the provision of the collective good in an alliance, and (2) they operationalize (or test, although inadequately, as discussed above) their formulation in the context of private goods. In this dissertation, I modified Olson's and Zeckhauser's collective goods model of alliances--especially with regard to the second hypothesis, using a cost/benefit analysis; to be more specific, I take Olson's and Zeckhauser's (and Russett's and others) hypothesis on the provision of the collective goods in an alliance in the case of my first hypothesis, modifying their
of members] is simply difficult to obtain, the former [the community welfare function] is impossible" when one attempts to apply Olson's and Zeckhauser's marginal cost-sharing formulation in regard to the provision of collective goods.

Herein, it may be necessary and instructive to discuss the relationship between Olson's and Zeckhauser's marginal cost-sharing arrangement and our second hypothesis in regard to the distribution or allocation of private or individual goods or services. As discussed in Chapter III, the notion of cost/benefit ratio is used herein to trace the locus of private or individual benefit received by each member country in an Asian IGO. My innovation was to emphasize the benefit side more than the cost side, considering that Asian developing countries are most concerned with tangible material benefits (i.e., private or individual benefits in our research scheme) from Asian IGOs. I modified Olson's and Zeckhauser's operationalization of their marginal cost-sharing formulation. As suggested implicitly in the above discussion, Olson and Zeckhauser test their hypothesis on their marginal cost-sharing formulation not in the case of collective goods but in the case of private goods (i.e., NATO infrastructure activities) although this is an inadequate testing, which does not empirically demonstrate the proportionality of costs and benefits according to their marginal cost-sharing formulation. They find merely that there are two different patterns of burden-sharing among NATO allies, namely, the positive linear relationship between defense contributions of NATO members, as measured in terms of D/GNP ratio
"marginal cost-sharing" formulation in order to trace the locus of tangible material benefits (i.e., divisible private or individual good) distributed by Asian IGOs to individual member countries. This modification of Olson's and Zeckhauser's formulation is in keeping with Burgess' and Conway's emphasis on the importance of private goods as crucial organizational benefits for which members are solicited to join an organization. Burgess and Conway aptly put it in their study of labor union organizations, employing the theory of collective goods, as follows:

...private benefits [or goods] do not have the non-exclusibility characteristics and may not have the jointness of supply. First, private benefits are available only to the members of the association that create them. Nonmembers may be excluded. Second, the use or enjoyment of private benefits may result in a reduction of benefits available to others....The theory of collective action...[for providing means of inducing potential users of the collective good to join or support a voluntary association's production of collective benefits] suggests an answer. Voluntary associations induce support (i.e., membership) from potential users of collective benefits...by providing private benefits, benefits that either cannot be obtained elsewhere or that can be obtained less expensively through an association, the raison d'être of which is the provision of collective benefits; this is, of course, what cooperative associations do. They make it rational to join and support the association by offering commodities at lower prices to members than to nonmembers or by excluding nonmembers from making purchases. Persons or groups of persons who would, in any event, member or not, enjoy the collective benefits produced by an association, are thus induced to join and support the association's efforts in producing collective benefits in order to avoid exclusion from valued private benefits [emphasis added].

Herein, Burgess and Conway more clearly clarify the relationships between three factors, i.e., an organizational goal (the pursuit of common interests or benefits—the collective good), collective
benefits (or goods) as effects which voluntary organizations are formed to provide, and private benefits (or goods) as a means to solicit members to join the organization (i.e., toward achieving a common goal or good). William Loehr, one of the rigorous critics of Olson's and Zeckhauser's model of alliances, also shares this view on the importance of private goods in an IGO. He comments that "members [in an IGO] will have the willingness to pay for private goods or services as a means to provide collective goods." 30

On this theoretical ground, I formulated my second hypothesis, using a cost/benefit analysis to trace the locus of private benefits received by each member country in an Asian IGO. What seems a worthwhile comment here on our research is an operational aspect of our second hypothesis (i.e., cost/benefit analysis of flows of private goods from an Asia IGO). That is to say, side-payments or indirect organizational benefits to be received by the developed countries involving Asian IGOs should be counted as benefits for the DCs and be presented on cross-plots. In Chapters IV and XI, we discussed an operational procedure for the study of side-payments and some notable side-payments in the four Asian IGOs selected for this dissertation, but we could not conduct an analysis of side-payments in this research, primarily because of a lack of adequate data available. Since side-payments are classified as private goods, if the side-payments received by each DC were cross-plotted, along with individual or private benefits received by each Asian LDC, we could account for some deviant cases among the DCs involving Asian IGOs which our first hypothesis
(i.e., hypothesizing a proportional relationship between members' contributions to an IGO and their GNP levels in regard to the provision of collective goods) may not expect.

Thus far, I have discussed some critical misleading points of Olson's and Zeckhauser's collective goods model of alliances and also have reviewed the theoretical framework for this dissertation in this context, following the present theoretical and research boundary of collective goods theory (particularly, Olson's and Zeckhauser's collective goods model of alliance. In the next section, I will argue briefly that there is a need for a broader conception of collective goods in an era of increasing interdependence among nations, and I will analyze the impact of collective goods on international relations, particularly international organizations.

(c) Future Research Outlook on "Collective Goods" Among Nations

Starting with Olson's and Zeckhauser's collective goods analysis of NATO, the theory of collective goods has been previously applied to the study of alliance burden-sharing, particularly in relation to military alliances (such as NATO, SEATO, WTO, etc.) but hitherto had been ignored in regard to nonmilitary international organizations, despite Olson's and Zeckhauser's claim that "the model is relevant to any international organization that independent nations establish to further their common interests." Perhaps, one of the reasons to analyze military alliances may be in part attributed to the ease with which we may consider "security" or "deterrence" to constitute a collective good, phrased in terms of "nonexclusiveness" and/or "jointness of supply." As Francis Beer
aptly puts it, "the separation of collective and private goods seems easier in conditions of laboratory experiment (Burgess and Robinson, 1969). In the world of real alliances, however, the isolation of areas where only common or private interests are involved is much more problematic." I fully agree with Beer's view on this point. In applying the theory of collective goods to the study of Asian functional IGOs, I tried to come up with three concepts (i.e., "peace," "security," and "development") which explain why Asian regionalism provides collective goods, regardless of whether these collective goods are divisible or indivisible. I did not attempt to measure the effects of these collective goods on the development of Asian countries on their regional "milieu" in the sense of enhancing the social ecology in this dissertation, due to a different research focus. However, given such an era of increasing interdependence among countries as in our time in which we are, in Ruggie's terms, "for the first time, living a single history on our only one earth," it is nothing short of surprising that "technological, ecological, political, economic, and social environments are becoming so globally enmeshed that changes taking place in one segment of international society will have consequential repercussions in others." Thus, in order to come to grips with an increasing demand for complex and dynamic "social choice" among nations in this era of increasing interdependence, it seems desirable that a "narrower" conception of collective goods (or good), as defined in terms of "nonexclusiveness" and/or
"Jointness of supply," should be reinterpreted more broadly as enhancing the social ecology. In this broader conception of collective goods, we could subsume a variety of tasks of international organizations, such as "security," "economic development," "trade promotion," "finance," "foreign aid," "outer space and ocean development," and "the development of technology and science." As suggested in the earlier part of this postscript, Ruggie conceptualizes changing patterns of international organization in the face of increasing and complex "social choice" among nations, especially in terms of "collective situations" and "collective responses." With respect to the impact of technological and scientific development on international organizational change, Ruggie put it as follows:

By introducing political purposes in the equation linking technological change to international organization, we considerably complicate our descriptive and prescriptive tasks. International organization is no longer a simple response to technology, but, rather a more complex product of the intersection of two axes. Along the first is plotted the tension between science, heavily informed by consensual knowledge of cause/effect relations, and politics, heavily informed by normative purposes, negotiated priorities and available capabilities. The outcome of this tension may be said to define the situation which science and its products will have occasioned. Along the second axis is plotted the tension between the need of states to respond collectively to problems and opportunities such situations contain, and their desire to maintain national autonomy and flexibility in so doing [emphasis added].

Seen in this light, the concept of "collective good" is directly relevant to enhancing social ecology in regional or global terms. The theory of collective goods, broadened along the line of
reasoning suggested above, may shed light in illuminating problems which result from complex "social choice" among nations. In this respect, we agree with Olson's insightful comment:

"Taken individually, the states of the world are more often than not rational; taken together, they constitute an international system that is usually irrational. They conform, in other words, to the central insight of the theory of collective goods: With these goods [collective goods], unlike others [private goods], rational individual behavior normally does not spontaneously lead to a rational collective outcome. Only arrangements designed to give individual states an incentive to act in their common interest can bring a collectively sane result." 36

It is my view that the "theory of collective goods" is still an "underdeveloped" theory in conceptualization and operationalization, especially with regard to an empirical research. Also, as already discussed in this dissertation, the theory of collective goods may, at this stage of development of the theory, be different from other "theories" in social science in its emphasis on "problem-solving" and, thus, on the "manipulation" of social relations for specific innovative policy recommendations (or specifications) rather than on the generation of the explanatory knowledge. However, in this regard also, the theory of collective goods poses interesting questions (such as alliance burden-sharing issues) but provides inadequate answers. But, given the crucial implications of the issues of collective goods among nations (such as peace, security, development, human welfare, the sharing of technological and scientific knowledge, the development of ocean beds, and the exploration of outer space), the potential utility for a better
theory of collective goods should be explored and expanded. For a
breakthrough in this research direction, I have two suggestions.

First of all, rather than sticking to a narrower conception
of collective goods in terms of "nonexclusiveness" and/or
"jointness of supply," the concept of the collective good should
be broadened and reinterpreted as enhancing the social ecology.
It seems obvious that today's major issues, in international
relations in general and international organizations in particular
(i.e., peace, security, human welfare, etc.), could be subsumed in
this broader conception of collective good. By broadening the
concept of collective goods, we could attempt to measure the
concept of the collective good, especially in terms of the effects
of these collective goods on the improving conditions of social
ecology. For this direction of research, recent attempts to
develop social indicators would be helpful. Olson himself pays
attention to this direction of collective goods research, writing
in his postscript to The Logic of Collective Action:

...an increase in the relative importance of collective
goods and externalities means that the National Income
and other measures of the National Product, though
still extraordinarily useful, are becoming less
satisfactory as measures of "welfare" or well-being.
There is accordingly an increasing need for additional
supplementary measures of "welfare" or "illfare," such
as statistics on congestion, pollution levels, crime
rates, health status, and so on. I have defined such
measures of welfare or "the quality of life" as
"social indicators." Most social indicators are
measures of the volume or quantity (but not the money
value) of an external economy (or diseconomy) or
collective good (or bad).
From this perspective of collective good research, for instance, the effects of grants, loans, and development assistance of various kinds, as studied in this dissertation, could be measured (e.g., in terms of favorable terms of trade, industrial capital base, capital formation, and investment above replacement needs). This leads to an analysis of the impact of these goods on the development of social "milieu" or social ecology (in this case, the regional social "milieu" of Asia).

Secondly, as Volgy conceives it, the "value escalation or inflation of collective good" should be exploited, especially in relation to the intentions of collective goods providers (i.e., the DCs in this dissertation). This seems important, especially in terms of establishing a climate of opinion and decision-making which is conducive to an improvement in the common social ecology of mankind (e.g., note a statement that "human welfare is indivisible in this era of an increasing interdependence"). Such efforts should be systematically recorded (or documented) and be examined in relation to cumulative feedback effects of the collective good.

Thus, the theory of collective goods may continue to address itself to crucial policy questions such as human welfare, foreign aid, and the sharing of technological and scientific knowledge, to improve social ecology in our interdependent world.
1. One of the primary reasons why I did not attempt to test the theory of collective goods in this dissertation is in part due to the fact that I felt that the theory of collective goods (Olson's model) was conceptually inconsistent; see fn. 75, Chapter III of this dissertation.

2. Cognizant that "the scope and complexity of new scientific and technological developments are outpacing the capabilities of our systems of international organization to manage them," particularly in regard to a question of "social choice" among countries, Ruggie elaborates the concepts of "collective situation" and "collective response," in order to deal with "space," "sources of energy," "climate," "genetic structure," and so forth, which are increasingly coming to be objects of social choice among different countries and the manner in which choices made by different societies are perceived to affect patterns of international exchange and domination. For a detailed discussion, see John Gerard Ruggie, "International Responses to Technology: Concept and Trends," op. cit., pp. 559-560; International Organization devotes its entire volume to deal with this topic; see John G. Ruggie and Ernst B. Haas (eds.), "International Responses to Technology" International Organization, XXIX, 3 (Summer 1975); Ruggie's article above provides a conceptual or theoretical framework for case studies in the volume.

3. Since we have already discussed the theory of collective goods in Chapter III to a substantial extent, we feel that we need not discuss all contents of the theory again here; thus, we are about to discuss some critical points of the theory untouched in this dissertation.


7. See fn. 1, Chapter 4 of this dissertation for the literature for meanings or functions of a "theory" in social science.

8. See the quote cited from Olson's and Zeckhauser's article above.

9. For a detailed discussion of these logical derivations, see Section 2, Chapter 3 of this dissertation.

10. See William Loehr, op. cit., p. 422.

11. See Olson and Zeckhauser, op. cit., pp. 33-39; on p. 35 they argue: "Whatever the reasons for the different evaluations different nations have for military capabilities in an alliance, the model here still applies. If two countries in an alliance had equal national incomes, but was more concerned about the common enemy for geographic, ideological, historical, or other reasons, the more concerned nation would not only put a higher valuation on the alliance's military capacity, but would bear a share of the total alliance costs that was even greater than its share of the total benefits. The model deals with the general case of differences in the absolute valuation that nations put upon additional units of an alliance good, whether these differences are due to differences in national income or other reasons."


13. Although Olson himself recognizes an importance of bargaining among the members in an organization, he questions the workability of the concept of bargain in view of "the costs of bargaining," the time required for "the act of bargaining," and the changing incentives of the members on the optimal supply of the collective good, in a long period of bargaining process even in a small group. See Olson, op. cit., Appendix, p. 176, for a detailed discussion of Olson's argument.

14. For a detailed discussion of Olson's and Zeckhauser's theoretical postulates, see Chapter 3 of this dissertation.


16. For a discussion of "Pareto-optimality," see fn. 34, Chapter 3 of this dissertation.
17. See Mancur Olson, "Increasing the Incentives for International Cooperation," International Organization, XXV, 4 (Autumn 1971); our arguments below partly based on Olson's comments on his works. To illustrate a few comments of Olson's: "In the real world this type of arrangement [the agreement of independent contributions] is usually combined with the other polar type of arrangement [marginal cost sharing formulation]..." In the same article, Olson comments: "Though it is presumably utopian to expect anything like an exact identity of each member's shares of marginal costs and benefits (and any deviation from this ideal leads to a less than optimal level of provision), it will often be feasible to align marginal cost and benefit shares more closely than they have been aligned in the past if there is a conscious effort to do so... if what has been said about the polar case of marginal cost sharing is taken to be merely a guide about the direction in which it is best to move, however slightly at first, then it is clear that this exposition can have practical significance." The above two quotes from Olson's comments on his own theory sufficiently seem to support my arguing the nature of the theory of collective goods, especially in terms of the practical, policy-oriented elements and also a Weberian "ideal type" nature of the theory. For source references of the quotes cited above, see ibid., pp. 868 and 873 respectively [emphasis added].

18. Since, as Mayer aptly pointed out, "the ideal type implies normative goals (for example, rational efficiency), if offers but one of several possible alternative criteria for judging a real world case" [emphasis added]; thus, Mayer argues that Weberian "ideal types" provide only standards (or guideposts) for engineering their counterparts in the real world. See Mayer, op. cit., pp. 106-107 [emphasis added]. Moreover, he doubts an empirical testability of Weberian "ideal types," on an obvious ground that it may be meaningless to confirm (or falsify) the proposition and tell how many degrees a real case may deviate from an "ideal type." We fully share with Mayer's view of a Weberian "ideal type."

19. See fn. 3, Chapter 3 of this dissertation, for a discussion of these economists.

20. For a detailed discussion of these properties of collective goods, see Chapter 3 of this dissertation; these characteristics define a pure type of collective goods and externalities. However, it should be emphasized that "collective goods," defined in terms of "nonexclusiveness" and "jointness of supply" (or nonrivalness), refer only to a pure type of "collective goods," indicating one extreme point on the purely collective to purely private good continuum. Russett and Sullivan clarify
this point: "In most formulations of the theory of collective goods it is assumed that the good under discussion is 'pure,' i.e., it conforms completely to the two criteria of non-exclusivity and jointness of supply. As Paul Samuelson has noted, this is one extreme point on the purely public to purely private good continuum. He suggests that a model of a mixed public-private good could be developed, although he himself has not proposed one. James Buchanan has discussed such a model, and Morton Karmien and Nancy Schwartz have formally analyzed one aspect of the impure public good problem. Any theory of public goods will ultimately have to deal with the consequences of departure from pure publicness. But...we assume that the public goods produced by states are relatively pure public goods [emphasis added];" see Russett and Sullivan, op. cit., p. 848. Moreover, they add: "The same goods may appear as public or private goods depending on one's perspective. From the viewpoint of an individual within a state, military deterrence is clearly a public good. The state's deterrent forces, if necessary and effective, protect all citizens of the country; no member of the state can plausibly be excluded. For the state's opponents, however, its deterrence will appear as a private good since it is purchased at their expense, a case of rivalness. But the first state's deterrent forces may again provide a public good to the ally that take shelter under its protector's umbrella. Thus, countries' purchases may constitute public goods for their own citizens and private or public goods for the citizens of other states [emphasis added]." See ibid., pp. 848-849.


22. See fn. 17 of this postscript.

23. John Gerard Ruggie constructs the following four-fold classification of all goods and services, in terms of the two basic dimensions of a collective good and an ensuing burden-sharing scheme:

<table>
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<th>Possibility of Exclusion//Appropriability of Cost</th>
<th>Perfectly Divisible</th>
<th>In Joint Supply</th>
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As to the first shell (1), as crisscrossed by the "divisibility" of goods or services, and the "appropriability" of the cost involved in the provision of those goods and services, Ruggie comments: "In the strict sense here employed, A's production or service is perfectly divisible and one from which others can be kept from benefitting (or be charged for benefitting), exhibits no collective dimension whatever. Yet, it the
production of just these goods and services which accounts for most of the activities of intergovernmental organizations..., all states may bring to bear various efficiency criteria, such as economies of scale, and therefore seek the collaborative production of a particular good or service. Thus, simply, in order to be able to do what it cannot now do, or to do more, or more efficiently what it is already doing, a state may enter into international arrangements facilitating such desires. See John Gerard Ruggie, "Collective Goods and Future International Collaboration," op. cit., p. 888 [emphasis added]. Herein, Ruggie's description on functional IGOs in general is also valid to Asian IGOs, as this dissertation research empirically demonstrates.

24. See fn. 75, Chapter 3 of this dissertation.

25. The concept of "opportunity cost" is a standard term in economics; Ruggie defines the concept in more comprehensive terms, especially in terms of a comparative advantage of collective action among countries from which resources alleviated would be allocated to other purposes, whereas, autonomous action, in pursuit of one national objectives, would require that other objectives be foregone or reduced; see Ruggie, "International Responses to Technology: Concepts and Trends," op. cit., p. 562; for a complete quote of the above definition, see fn. 4, Chapter 3.

26. Although we recognized Olson's and Zeckhauser's logical and conceptual inconsistencies, especially in regard to their theoretical or logical formulation, i.e., marginal cost-sharing arrangement for an optimal supply of the collective good and their hypothesis testing in the private goods (NATO infrastructure activities), we did not explicitly mention this inconsistency in Chapter 3, primarily because Olson himself (Olson, 1970) and other students of the theory of collective goods theoretically and empirically dealt with private goods as one of the important organizational goods, together with collective goods. For a detailed discussion of private goods, see fns. 10-12, Chapter 3 of this dissertation; see also Burgess' and Conway's view of private goods as one of the important organizational goods, such that members join an organization, due to these private goods (or benefits), as cited below.

27. See Beer, The Political Economy of Alliances: Benefits, Costs, and Institutions in NATO, op. cit. Beer critically examined methodological problems in Olson's and Zeckhauser's "Economic Theory of Alliances," especially with regard to the operationalization of the research, such as an adequate selection of indicators (or variables), measurement procedures, and inadequate research technique employed; for a detail discussion, see ibid., especially pp. 9-13.
28. For a detailed discussion of researches employing the theory of collective goods, see Section 2, Chapter 3 of this dissertation.

29. Burgess and Conway explicate their view, based on Olson's *The Logic of Collective Action* (op. cit.); see Burgess and Conway, *op. cit.*, pp. 7, 9-10, for a reference of the quote cited above.

30. For a discussion of Loehr's critique of Olson's and Zeckhauser's collective goods model of alliances, see fn. 75, Chapter 3 of this dissertation; for a reference of the quote cited above, see William Loehr, *op. cit.*, p. 429 [emphasis added].

31. For the literature of collective goods theory and research, see Chapter 3 of this dissertation.


33. In this dissertation, the distinction between collective goods and private goods is made, only based on the criterion of "divisibility" of goods. Thus, it is viewed that the property of "goods" (i.e., either collective goods or private goods) functions as an antecedent variable in relation to our two hypotheses.


38. For a discussion of Volgy, see fn. 75, Chapter 3 of this dissertation.
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* a Indonesia and Singapore joined APO in 1968 and 1969 respectively.
### APPENDIX A-2

**Asian Productivity Organization Expert Consultation-Days**

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### APPENDIX B-1

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