Asia and Oceania

Puncturing the myth of authoritarian-led growth

The BTI’s largest and most heterogeneous region delivers some striking findings. While many of the region’s states continue to fall into the gray zone between dictatorship and democracy, the region’s boom economies are driving widespread growth throughout the area. Claims that authoritarian-led growth models are generally more successful than democratic alternatives are exposed as myths. Even in particularly dynamic countries like China and Vietnam, the advantages of this kind of growth do not necessarily compensate for their drawbacks, especially when it comes to transformation management.

“Asia and Oceania” refers simultaneously to four different subregions that differ in every respect: Northeast Asia, with the two Koreas, the People’s Republic of China, Taiwan and Japan (which is not examined as a part of the BTI); Southeast Asia, comprising the 10 member states of the Association of Southeast Asian Nations (ASEAN), of which Brunei is not included in the BTI, as well as East Timor (also not examined here); South Asia, which includes the five states of the Indian subcontinent along with Afghanistan and Sri Lanka; and, finally, Oceania and the Pacific islands, of which Papua New Guinea is represented in the BTI.

Distinguishing between these subregions makes analytical sense both in terms of transformation theory and practice. We see, for example, the phenomenon of “hybridization” in the political development of South- and Southeast Asia. Many countries in this area combine democratic and autocratic institutions, processes and practices. In other words, they remain somewhere between dictatorship and democracy – whether showing improvements (Philippines) or suffering setbacks (Thailand). Throughout the region, constitutional structures remain undeveloped, serving primarily to provide security to investments. Even Singapore, whose score of six points for the rule of law criterion is strikingly high for a non-liberal system, is strictly speaking a “constitutional state for elites.”

A second finding relates to the region’s degree of economic interdependency. Because the governments of South Korea, Taiwan and China, in particular, have implemented successful adaptive strategies, and because the regional influence of the Chinese economy has continued unabated, the region as a whole has weathered the global financial and economic crisis comparatively well. Sixteen of the 21 economies retained at least the transformation level of the BTI 2010. The most prominent example of dynamic economic reform is without doubt that of China (+0.36), but Vietnam (+0.25), Indonesia (+0.43) and India (+0.08) have also ensured that Asia is today regarded by the West as the world’s most dynamic developing region. However, this perception overlooks a critical fact: Behind their pure growth statistics, these emerging economies show significant deficits and structural vulnerabilities in terms of social, regulatory and environmental policy. Clearly, a different situation holds in North Korea and Myanmar, where the elite continue to plunder their own societies in order to maintain their autocratic rule. The hopelessness of these two states’ economic state of affairs is exceeded internationally only by that of Somalia.

There are similar problems observed in transformation management. Without question, the “authoritarian development projects” of China, Vietnam and Singapore have successfully linked political stability with rapid growth. And it is undeniable that, in countries such as China and Vietnam, the benefits of social and economic modernization are spread broadly across social strata. Nevertheless, these autocracies perform only moderately well in the BTI 2012. This has to do, on the one hand, with the BTI’s normative framework. Indeed, one-fourth of the management questions, assessing steering capability and elite consensus, are normatively weighted. On the other hand, it is telling that countries like China and Vietnam also demonstrate, at best, mediocre performance on “system-neutral” criteria, such as resource efficiency or anti-corruption policy – and this is a region that, with an average management score of 4.70, is placed somewhat behind West and Central Africa.

In Afghanistan, Bangladesh, Nepal, Sri Lanka, Papua New Guinea and Thailand, management performance has deteriorated significantly in the past two years. In Thailand’s (4.13 points) case, this has resulted in the country being relegated to the “weak” management category. Taiwan, however, has replaced South Korea as regional leader, thanks to a gain of 0.59 points, reaching a total of 7.72. The gains made in the Philippines (+0.85) are even more palpable and attest to management performance of at least “moderate” quality.
During the period under review, Taiwan impressively lived up to its reputation as a successful alternative to the mainland’s authoritarian development model, achieving the best-possible score of 10 on 13 of 18 individual political transformation questions. Asia and Oceania’s second-most developed democracy, South Korea, saw its rating fall somewhat as a result of worrying trends observed in the Macapagal-Arroyo era. With 6.40 points (+0.50), the Philippines’ score remains well above the region’s average value of 8.20 points, lifting it just above the democratic trio, which is completed by India, whose marks in only six individual questions.

The advanced state of transformation achieved by the region’s democracies, Taiwan and South Korea, as in the BTI 2010, Southeast Asia lags – in some cases markedly – behind the other two subregions in four of five political transformation criteria, the exception here being stateness.

The military’s forcible suppression of protests in Bangkok in the spring of 2010 confirmed clear testimony to the depth of Thailand’s democratic deficits. Other institutions lacking democratic legitimacy, such as those associated with the monarchy, also have ample opportunity to intervene. As a consequence, the BTI 2012 no longer registers the country as a democracy, an assessment that endures even though a few noteworthy concessions were made to the opposition in 2011. The 2010, the country’s electoral process can hardly be considered free and fair. Controlled by the Myanmar military, these polls no way fulfilled minimum democratic standards. Decision-making power remains in the hands of the Military Council and the Generals, as was illustrated by the military’s forcible suppression of protests in Bangkok in the spring of 2010.
part of scholars, entrepreneurs, politicians – whether on the overall rankings for economic transformation.

However, an overall comparison between democracies and autocracies shows that democratic systems can promise a policy course that is steadier, more reliable and more strongly oriented toward overall economic development than democratic systems can.

Data from the 2012 BTI show that this thesis applies only in exceptional cases. In Asia, these exceptions are China, Singapore, Vietnam and, to a certain extent, Malaysia. However, an overall comparison between autocracies and democracies shows that democracies achieve a higher average score in all areas than do states with autocratic governments. Even China and Vietnam are still far from reaching the level of the top democratic performers in the market economy rankings.

Growth and social tensions

In no area is the span of regional variation so large as in economic performance. The range includes economies at the level of OECD states as well as several, such as Myanmar and North Korea, in which disastrous conditions have become the norm. While much has been made of the enormous strength of China, India and Vietnam, these drivers of growth are far from invulnerable.

At a respective second, fourth and seventh place, Taiwan, Singapore and South Korea rank among the BTI’s top economic performers overall. And, indeed, their level of development can be compared with that of core OECD states – even exceeding it in some areas. At the other end of the scale stand Afghanistan, Myanmar and North Korea, where transformation along market economic lines is barely palpable. In North Korea’s case (1.39 points), signs of market economic tendencies are weak enough that the country ranks second-to-last in the BTI’s overall rankings for economic transformation.

However, global interest in the region’s economic development – whether on the part of scholars, entrepreneurs, politicians or journalists – has focused neither on these extremes nor on the majority of countries that have maintained a largely constant level of development and transformation. Rather, the spotlight of public awareness has been directed at the three countries – China, India and Vietnam – that have raced through a series of changes toward a market-based order in a manner as dynamic as it has been innovative.

Their impressive rates of growth and investment are clearly reflected in the economic performance criterion: Here, China and India are the only countries among all 128 BTI countries surveyed to achieve the maximum score of 10 points, while Vietnam is close behind. The innovation capacity of these governments is equally remarkable, as is the fact that China, Vietnam and, to a lesser extent, India have successfully harnessed this momentum to improve the living conditions of a large portion of the population.

The real strength of India’s path of transformation derives from the combination of reasonably well-functioning democratic structures and successful economic transformation. However, the social problems associated with the country’s development are at the same time more serious. With five points each, China and Vietnam conform to the regional average (4.8 points) in terms of their respective socioeconomic development levels. India, with four points, lies somewhat lower. Thus, the proportion of poor people living on less than $1.25 (in purchasing-power parity terms) per day is 16 percent in China and 13 percent in Vietnam, but 42 percent in India. With regard to education policy, too, the two most populous countries in the world show clear differences. On the relevant institutions for integration and consensus-building.

Given the impressive economic performance of some of Asia’s autocracies, it is hardly surprising that the old debate over the interdependency between political system and socioeconomic development has been rekindled in recent years. According to this once again prominent thesis, autocracies can promise a policy course that is steadier, more reliable and more strongly oriented toward overall economic development than democratic systems can.

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continued monopoly ensures that long-term pro-Barons and large landowners continue to benefit from the persistence and stability of patronage considerations or scarcity of resources are distributed on the basis of consensus-building and steering capability – criteria of transformation management that are weakened by autocratic regimes’ closed political systems and restrictions on participation – that Asia’s democracies prove superior. With respect to the system-neutral areas of international co-operation and resource use (from efficiency to anti-corruption policy), too, democracies are well ahead of the autocracies on every individual question.

However, the democracies of Asia and Oceania have significant difficulties with resource efficiency, as well. The region’s underdeveloped constitutional states facilitate corruption, which – particularly in South and Southeast Asia – appears almost to be a defining feature of the administrative culture. Scarce resources are distributed on the basis of patronage considerations or flow proportionately into military expenditures, and budget processes lack transparency. It is in fact an Asian autocracy, Singapore, that attains the best resource-usage score (9.33 points) of any BTI country.

This fact also demonstrates the diversity of conclusions that derive from a comparison of systems on the basis of management quality. Defective democracies, such as Bangladesh, Papua New Guinea and the Philippines, perform more poorly than does Singapore, Vietnam and China. At the same time, transformation management in Laos and Cambodia can be contrasted with strategies in South Korea, Taiwan, India and Indonesia. This comparison would seem to confirm the claim that incentives for political elites to make public goods available in sufficient quantities are higher in democracies than in autocracies.

Democracies hold the advantage

Can autocracies manage economic transformation processes better? Are single-party systems the better formulators? The BTI says no. The democracies of Asia perform better, on average. But there are exceptions.

Among countries in which transformation setbacks were observed, Sri Lanka (-0.47 points) showed the most substantial decline, driven by the worrisome authoritarian tendencies of President Rajapaksha’s government following its military victory over the northern Tamil insurgency. Considerable setbacks were also recorded in Papua New Guinea (-0.45 points) and Thailand (-0.43 points). In the latter case, despite the return to a formally civilian government in December 2007, political elites have shown little acumen in overcoming deep social divides. The internal political turmoil culminated in May 2010 in a civil-war-like conflict between the so-called red shirts and the Thai military. In Bangladesh (-0.30 points), hopes that adversarial parties would engage in a political learning process were disappointed, while in Nepal (-0.39 points), the crisis of governability that has persisted since the overthrow of the monarchy in 2007 continued. Management performance in Afghanistan was rated even more poorly. The Karzai government’s politically and economically inconsistent course served to diminish its credibility at the international level. Though it received seven points on the question regarding credibility in the BTI 2008, the Karzai government received only three points in this edition.

The low average score of just 4.70 points attained by the Asia and Oceania region as a whole in terms of transformation management is attributable in part to the weaknesses and crises symptomatic of the defective democracies and hybrid regimes. The score was also pulled down by the region’s notorious transformation holdouts, Myanmar and North Korea.

As noted before, the argument that autocracies have greater capacity than democracies to act as modernization agents and overcome their barriers to development is not borne out. For it is not only in terms of consensus-building and steering capability – criteria of transformation management that are weakened by autocratic regimes’ closed political systems and restrictions on participation – that Asia’s democracies prove superior. With respect to the system-neutral areas of international co-operation and resource use (from efficiency to anti-corruption policy), too, democracies are well ahead of the autocracies on every individual question.

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The gap in Asia and Oceania between those countries making headway and those suffering setbacks is growing. Here, we see beacons of democratization and booming economies contrasting with stagnating transformation and economies hindered by adverse conditions.

Across the region, only a few countries have demonstrated progress along the path to democracy. The institutional problems of the region’s young democracies have proved too intractable, the autocratic regimes in Myanmar and North Korea too unyielding, and the opponents of democracy under the rule of law – whether in Singapore, Pakistan, Cambodia, Nepal, Papua New Guinea, Sri Lanka and Thailand in the recent past. On a more positive note, Indonesia was able to consolidate its democratic transformation and is today grouped with China, Vietnam and India as an example of how economic reform and transformation management can succeed. This is in large part because Indonesian decision makers were able to improve their ability to steer reform and employ their resources efficiently.

What conclusions can we safely draw from this? Certainly not a presumption of “authoritarian superiority.” Harvard-based economist Dani Rodrik has pointed out the flaws in any such assumption. “For every authoritarian country that has managed to grow rapidly, there are several that have floundered. For every Lee Kuan Yew of Singapore, there are many like Mobutu Sese Seko of the Congo.” Asia’s “Mebutus” reside in Pyongyang, Phnom Penh and Nay Pyi Taw, the newly constructed capital of Myanmar. Yet the transformation results of governments in Dhaka, Islamabad and Vientiane are also far from impressive. Indeed, the BTI 2012 data shows that successfully modernizing autocracies are clearly in the minority. Strictly speaking, the empirical basis for the authoritarian myth in Asia is limited to just three cases: China, Singapore and Vietnam. China in particular has pursued a very successful course of market reforms since the late 1970s. At the same time, decision makers in China’s Communist Party show little evident willingness to give up their control over the political system, although they have experimented with democratic instruments at the local level. Human rights abuses, corruption and official arbitrariness are persistent elements of daily political life in the People’s Republic and, despite the widely admired successes in the fight against poverty, China remains in many regions a poor and underdeveloped country.

The country’s future progress will depend on small measure on whether the institutionalization of the rule of law and the separation between the party and state institutions is further advanced – thus, whether China’s Communist Party opens its political system to competition to an extent comparable with what has been done in the economic field. Without this “dual” transformation, and the associated creation of institutions for the articulation, organization and integration of dissent, politically explosive social conflicts may ultimately subvert the regime’s integrative and repressive capacities – with serious consequences for both political and economic development.

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