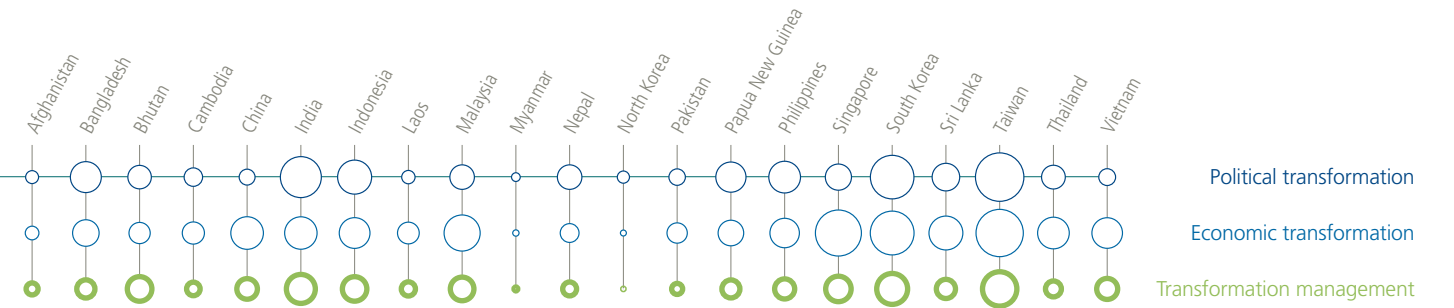


Asia and Oceania

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 South 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 underdeveloped, 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. Be-

cause 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.

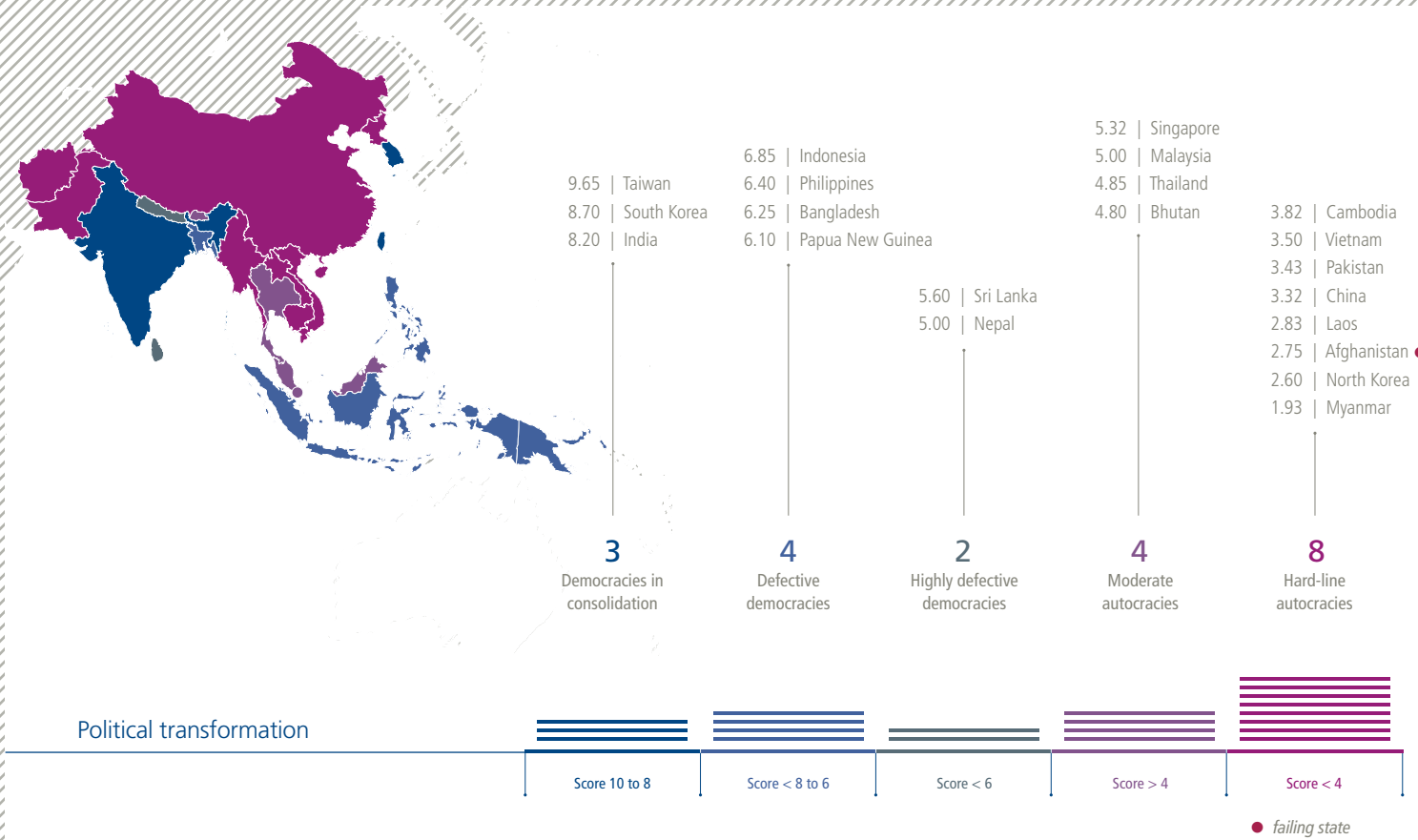
There are similar problems observed in transformation management. Without question, the “authoritarian development projects” of China, Vietnam and Singapore have successfully linked political stability with rapid growth. And it is undeniable that, in countries such as China and Vietnam, the benefits 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 in 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 Thai-

land’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.





Strong state, weak democracy

Asia's tradition of strong stateness is reflected in the BTI 2012 findings. Equally evident, however, are problems associated with deficits in the rule of law, insufficient integration capabilities and the instability of democratic institutions, in particular.

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 civil rights and the protection of the freedom of expression. It received full marks in only six individual questions. The democratic trio is completed by India, whose average value of 8.20 points lifts it just above being classified as a defective democracy.

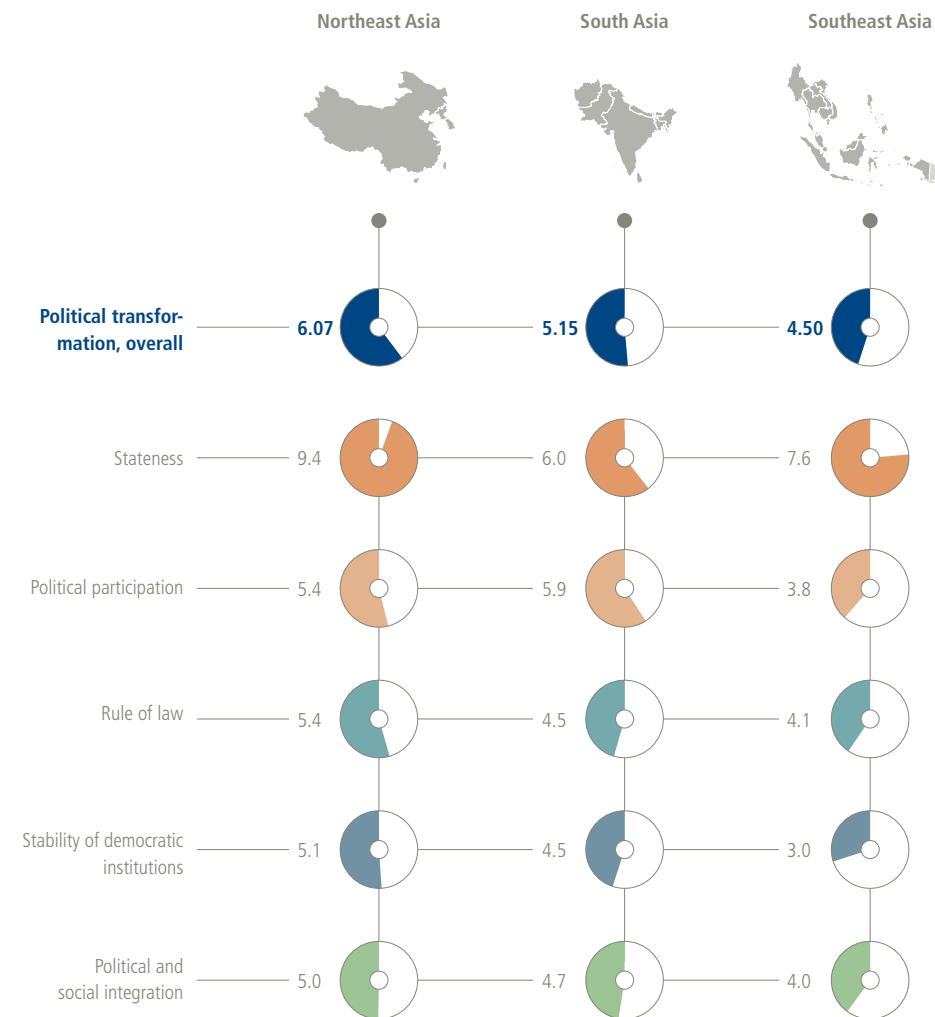
Among the defective democracies, the Philippines' improved position is particular-

ly noteworthy. However, the government of President Benigno Aquino III, in office since June 2010, has in truth simply arrested the ominous developments observed during the Macapagal-Arroyo era. With 6.40 points (+0.50), the Philippines' score remains well below that reached in the BTI 2006 (6.95); indeed, more than a quarter-century after the end of the Marcos dictatorship, it is clear that democracy remains a fragile construct. Human rights violations and corruption occur with worrisome regularity, and political power is still in the hands of a small stratum of well-established elites. Benigno Aquino III is also a product of this oligarchy.

The military's forcible suppression of protests in Bangkok in the spring of 2010 of-

fered 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 remains true despite the July 2011 elections and the opposition's return to government. In Cambodia, the incidence of attacks on dissidents and opposition figures has decreased. This trend in fact expresses the system of "calibrated repression" put in place by the government of Prime Minister Hu Sen as he seeks to secure the de facto single-party rule of the Cambodian People's Party. In Malaysia, too, the political space afforded to civil society ac-

State of political transformation by subregion, overall and by criterion



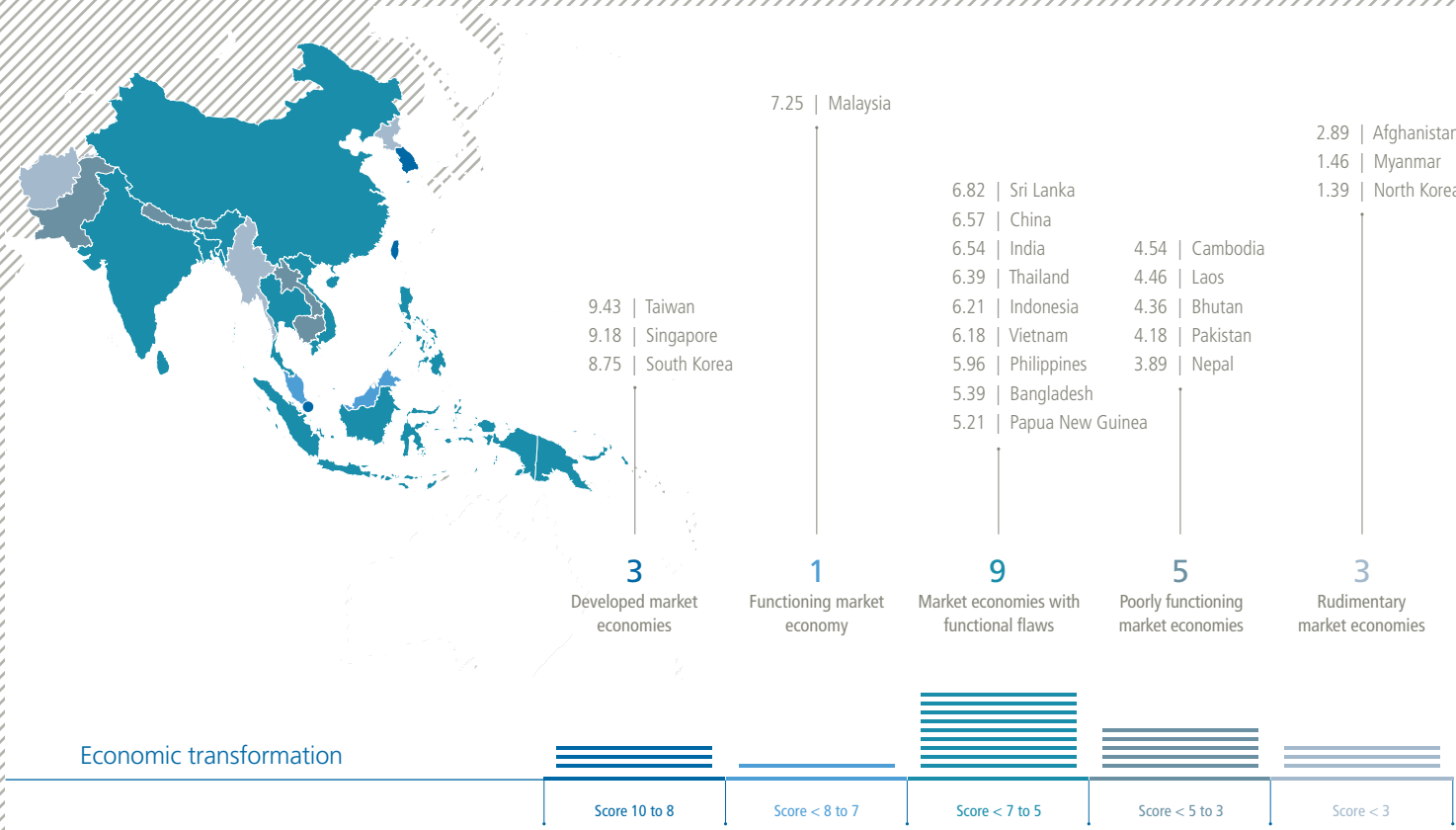
Northeast Asia scores considerably better than the other two subregions in terms of stateness, the stability of democratic institutions and the rule of law. These high scores reflect the advanced state of transformation achieved by the region's democracies, Taiwan and South Korea. As in the BTI 2010, Southeast Asia lags – in some cases markedly – behind the other two subregions in four of five political transformation criteria, the exception here being stateness.

tors remains constrained, as was illustrated by the violent police response to the mass demonstrations for electoral reform in July 2011.

Although Myanmar held its first parliamentary elections in 20 years in November 2010, the country's electoral process can hardly be considered free and fair. Controlled by the Myanmar military, these polls in no way fulfilled minimum democratic standards. Decision-making power remains solely and firmly in the hands of the generals, even though a few noteworthy concessions were made to the opposition in 2011.

Considered together, these and many other developments represent two ends of a scale. On the one hand, we observe strong traditions of stateness; indeed, the 21 countries

here show an average of 7.4 points. In most of the region's countries, the state's monopoly on the use of force is largely assured, and a sufficient basic administrative structure is in place. This is in stark contrast to the weakness of democratic institutions in the "hybrid" regimes and "young" non-consolidated democracies, while in some cases – as in China, Vietnam and Laos – they are absent altogether. The average for this criterion remains a meager 4.0 points.



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.

However, the BTI 2012's data also reflect the structural vulnerability of these three models of success. The central challenge for all three countries will be to balance the social and political effects of growth and modernization – regional developmental disparities within each country, for example, or increases in social disparities. Otherwise, inequalities could undermine future stability and growth, particularly in China and Vietnam, where one-party dictatorships possess neither democratic processes nor

relevant institutions for integration and consensus-building.

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

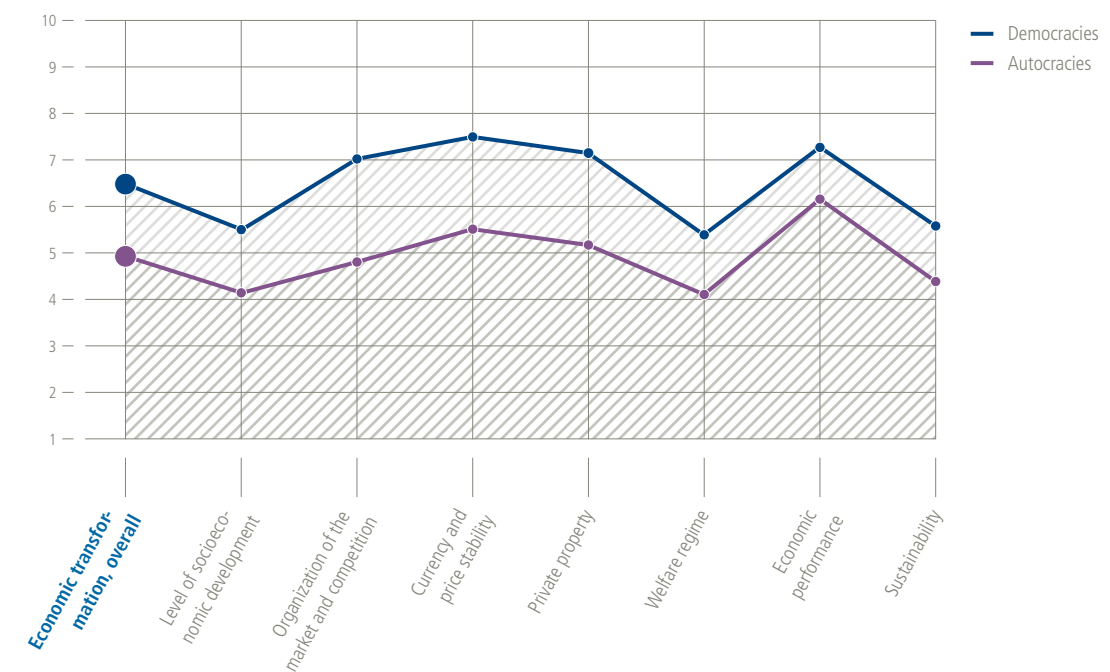
BTI question associated with this issue, China achieves eight points, and India only six.

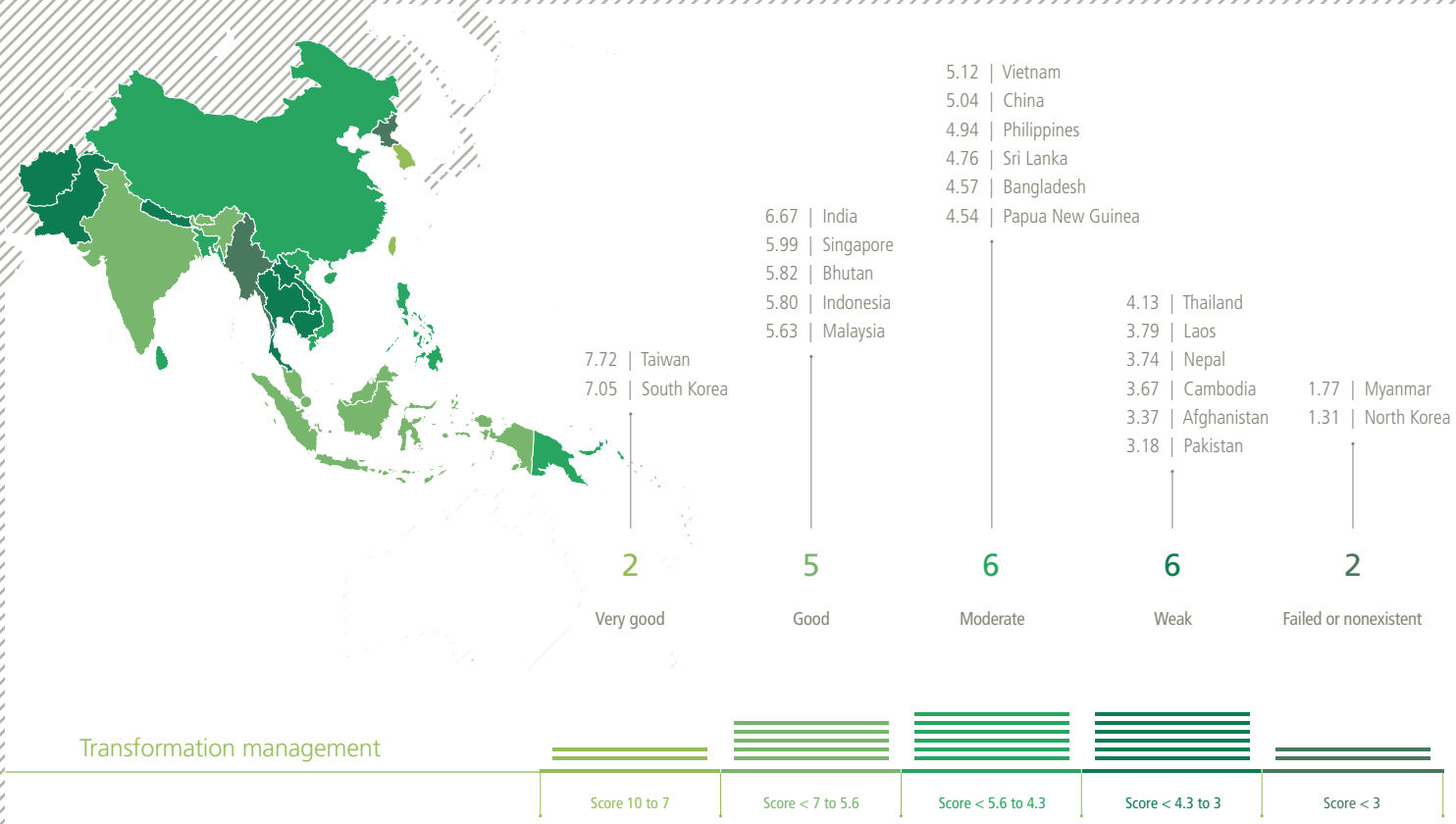
Given the impressive economic performance of some of Asia's autocracies, it is hardly surprising that the old debate over the interdependency between political system and socioeconomic development has been rekindled in recent years. According to this once again prominent thesis, autocracies can promise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

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.

State of economic transformation in democracies and autocracies





Democracies hold the advantage

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

Over the course of the BTI 2012's period of review, the region's transformation management once again deteriorated slightly, with ratings rising for two countries and falling for six. The two countries showing significant gains are the regional leader, Taiwan (+0.59, to 7.72 points), and the Philippines, whose significant improvement (+0.85, to 4.94 points) should not occlude the fact that social segregation continues to prevent many from participating in political processes. As long as the former sugar barons and large landowners continue to profit from the persistence and stability of democratic institutions, these governmental forms will be protected. Moreover, the elites' continued monopoly ensures that long-term demands for extensive land reform will remain blocked.

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 notori-

ous 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 cooperation 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 disproportionately 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 do 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.

The Taiwanese "miracle" continues

Although opinions differ on the character of the East Asian economic miracle, in the case of Taiwan, the BTI data speaks for itself. The island republic is not only the most economically successful of the so-called tiger economies; with respect to democratic stability, it has long figured among the top group and, in terms of its ranking in the Management Index, has even jumped from sixth place to first place among all 128 BTI countries.

In six of the BTI 2012's 14 individual transformation management questions, Taiwan achieved the maximum possible score of 10, while its score of nine on four other questions earned it a position better or equal to every other BTI country. Overall, an increase of 0.59 points has led to a total of 7.72 points in the Management Index, which the country report attributes above all to the change in political course carried out since the middle of 2008, when the formerly authoritarian Kuomintang (KMT) returned to power after eight years. Since then, the KMT has used its nearly three-quarters parliamentary majority to defuse the country's troubled relationship with the People's Republic of China, which remains Taiwan's primary structural problem.

Fourteen bilateral agreements, the establishment of direct transportation links and a "quasi-free-trade agreement" (ECFA) signed in June 2010 all constitute a significant alleviation of tensions with the People's Republic. These relationships today seem "more stable than ever before," the country report states. This is in large part the achievement of a Taiwanese government demonstrating ample policy learning capacity, as shown by the fact that it eschewed ideology in formulating its response to the growing popular desire for contact with mainland China. At the same time, the new government expanded its international credibility further, a critical asset given Taiwan's unsettled international legal status. The country's credibility score has risen by two points in comparison to the BTI 2010. The opposition Democratic Progressive Party (DPP) has begun debating a possible break with its strict pro-independence stance. This is a further sign that Taiwan's political process works – and that its leadership will continue to find pragmatic solutions in the course of political policy-making.

Population: 23.2 mn
Life expectancy: 78 years
Human Development Index rank (out of 187): –
GDP p.c. PPP: \$ 35,228



Transformation management Taiwan





Widening gaps, divergent paths?

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 bridled 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 or Malaysia – too tenacious. Twelve of the 21 countries surveyed are ruled by autocrats and show little hope of undergoing change in the near future.

As in previous years, the region is divided both in terms of political and economic transformation. The stability of successful democracies in South Korea, Taiwan and India, and of autocracies including China, Singapore and Vietnam, stands in stark contrast to the instability of a half-dozen political systems caught in the gray zone between democracy and dictatorship, from Thailand to Pakistan. In economic terms, the boom economies of China, India and Vietnam have made further progress. In the regional context, the increasing gap between advancing and languishing economies is cause for concern.

The causes of these divisions are varied. Adverse conditions and geopolitical factors do not alone suffice as explanations, even in the cases of Afghanistan and Pakistan. More crucial in many places is the lack of effective

transformation management, if the will to change indeed exists at all. In this regard, Myanmar and North Korea offer the most conspicuous examples, but similar shortcomings have been evident in Bangladesh, 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 “Mobutus” 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 in no 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 outstrip the regime’s integrative and repressive capacities – with serious consequences for both political and economic development.

 This summary is based on the Asia and Oceania regional report by Aurel Croissant, available at www.bti-project.org/aso

 The full reports for each country in the region are available at www.bti-project.org/countryreports/aso

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Interview

“No choice but to promote a green economy”

China is an economic top-performer but needs to transform its development model, says Zhang Xubiao

The central government considers the “harmonious society” to be one of its major political goals. How successful has it been in implementing policies targeting this vision?

As a political slogan, the “harmonious society” implies that social tensions are becoming increasingly serious with rapid economic development. Therefore, maintaining stability has been seen as the top priority of the central government. In terms of policy-making, the government has made a great effort to improve people’s livelihood and social security. However, some local governments have taken steps in the wrong direction, trying to maintain “social stability” by limiting freedoms of expression, which could exacerbate social tensions.

So the central government is hindered by conservative party representatives on the provincial or local levels?

Indeed, there is a gap between local government interests and the central government’s interest in improving Chinese workers’ living conditions and the quality of environmental protection. Many local governments still emphasize economic development at any cost over social and environmental considerations. Although there are strict labor and environmental laws and regulations, enforcement depends very much on the local government’s awareness, its capacity and the level of corruption.

On the BTI’s 2012 measure of economic performance, China receives the highest possible score of 10. To what extent is this economic success based on the comparative advantage of an underpaid, often unskilled workforce and unbridled environmental degradation? To what degree has the economic boom improved Chinese workers’ well-being and chances for a sound environmental policy?

This success story has demonstrated again that capitalist-style development has its very dark sides but works well in the market. So far, there is no difference between China and other developed countries at their early stages. But the question at this stage is how the Chinese government can use the yields of the economic boom to improve Chinese workers’ well-being and the environment, especially since emergent interest groups entail the re-allocation of interests. It is a really hard job that will test the central government’s courage and its intelligence in maintaining economic stabilization.

According to recent calculations, the costs resulting from water pollution, soil erosion and desertification or health damages are already eating up most of the surplus created by economic growth. Do you agree with such an assessment, and what is the outlook of the Chinese economy in terms of sustainability?

I agree. A transformation of the economic development model is necessary for China. Some provinces have changed policies in order to encourage the shift from labor-intensive industries to knowledge-intensive industries, from high-energy-consumption industries to low-carbon industries, but the sustainability challenges will continue. Given the sheer volume of the Chinese economy, there is no choice but to promote a green economy.

To what extent could an increasing role of civil society watchdogs regarding corruption, exploitation or environmental pollution actually be conducive to the central government’s goal of improving social cohesion and environmental protection?

Definitely, there are some civil society watchdogs using their activity and social media to pressure the government on those issues. But their activity and impact is limited as a result of the political environment. It seems that the central government still believes that democratization is not conducive to achieving these goals and would instead destabilize the basis of the current political system.

How should Europe and the United States react to political rights violations? Is this an issue that is better left to domestic Chinese discourse? Is external intervention perhaps even counterproductive, or do Chinese reformers benefit from public statements by Western politicians?

Violations of political rights should be condemned; the international community should insist on justice. Political reform in China has a long way to go, but bear in mind what the German legal philosopher Rudolf von Jhering said: “Our rights involve a parcel of our social worth, our honor. Whoever violates our rights, attacks our worth, our honor.”

