Many democratic experiments in Third World countries have turned out to be “anti-growth” or just “growth-unfriendly”. Good government and good policy, rather than a pseudo-democracy or half-baked democracy, have proven to be more relevant to economic development. Such is the East Asian development model which suggests that democracy follows closely at the heels of successful economic development. Will China be an exception to the theory of economic development first, democracy later?

*S John WONG is Research Director at the East Asian Institute, National University of Singapore.
Japan’s economic growth engine was initially based on the export of labour-intensive manufactured products; it was soon forced by rising wages and increasing costs to shed its comparative advantage for labour-intensive manufacturing in favour of the four NIEs of South Korea, Hong Kong, Taiwan and Singapore, which started their industrial take-off in the 1960s. These four NIEs, once dubbed “Asia’s Four Little Dragons”, were arguably the most dynamic economies in Asia, as they had sustained near double-digit rates of growth for more than three decades from the early 1960s to the 1980s. The rise of the NIEs constituted the second wave of the EA region’s growth and integration.

By the early 1980s, high costs and high wages had also caught up with these four NIEs, which had to restructure their economies towards more capital-intensive and higher value-added activities by passing their comparative advantage in labour-intensive products to the late-comers of China and the four ASEAN economies of Indonesia, Malaysia, the Philippines and Thailand, and thereby spreading economic growth to the latter. In this way, China and some ASEAN economies were able to register high growth through the 1980s and the 1990s. Many Japanese scholars used to depict this pattern of growth in Asia as the “Flying Geese” model of economic development.

Today, most development economists have cast serious doubts on the predictions of the “flying geese” theory because new forces like economic globalisation and rapid technological progress – e.g. late-comers taking advantage of the technological backlog of the advanced economies – can disrupt such an orderly development sequence. In particular, the recent economic rise of China along with the relative economic stagnation
of Japan has further rendered this theory irrelevant. Still, the theory has provided a convenient and useful explanation of the historical process of economic development in EA, particularly in regard to the rise of individual EA economies in a clear sequence.

**East Asian Pattern of Political Development**

Two pertinent questions can then be posed: since economic development in EA has followed a distinctive pattern, does this also apply to its political development? Have individual countries (economies) in EA also followed a similar sequence of political development?

Economic development has a clear and commonly acceptable definition. It is conventionally defined as increases in per-capita GDP along with the realisation of certain well-defined social objectives such as employment, income equality and reduction of poverty. “Political development”, on the other hand, has no such clear-cut definition, as it means different things to different people.

In the early phases of economic modernisation, political development usually refers to the improvement of governance and effectiveness of public administration. As economic growth continues, rapid political changes will take place towards more political liberalisation and greater opening up of political processes, which in effect means greater democratisation.

The trouble is that democratisation is also an unclear concept. It also means different things to different political regimes, ranging from the narrow concept of “intra-Party democracy” in China to the Western form of liberal democracy based on open and competitive elections.

**Economic Development First, Democratisation Later**

With the above complications in mind, we can pose the question: has EA political development also followed a similar “flying geese” pattern, with Japan taking the lead in democratic political development? This was then followed by the NIEs of South Korea, Taiwan and Singapore – Hong Kong is excluded here because it used to be a British colony and is now a special administrative region of China – and still later by some ASEAN countries like the Philippines, Indonesia, and Thailand.

More importantly, the “flying geese” pattern of the democratisation process implies that all these economies started to open up their political systems after, not before, their successful industrial take-off. Such is the notion of “development first, democratisation later”, which is based on a strong economic rationale in the specific context of EA development experiences.

To begin with, EA’s dynamic economic growth can be adequately explained by neo-classical economic theory. EA economies have consistently chalked up high rates of economic growth because of their high levels of domestic investment, which are matched by equally high levels of domestic savings. For an exogenous explanation of EA’s high growth, one can also easily point to what the noted economist Ian Little called its “good policy”, which refers to the pragmatic economic policies of EA governments (including the Chinese government today) as manifested in their “pro-
Good government and good policy are, in fact, more relevant for economic development while a pseudo-democracy or a half-baked democracy may even be harmful to economic growth. One can find numerous Third World countries as examples of this phenomenon.

This follows that any political and social system which can generate more GDP by increasing production, consumption, investment and exports is good for growth. Not surprisingly, many democratisation experiments in the Third World have turned out to be “anti-growth” or just “growth-unfriendly”, especially in the early phases of industrialisation. Too much politics can sometimes actually hurt the investment climate. Over-contentious election campaigns can disrupt production. The call for greater workers’ rights can frighten away foreign investors. Advocacy for more equal income distribution can reduce or slow capital accumulation. In short, for a developing economy to rush into a full-fledged liberal, competitive democracy, there could be unacceptable economic trade-offs in terms of poor economic performance.

It is to be remembered that in the EA context, Japan’s industrialisation occurred before World War II when Japan was under an aggressive military regime. Later, South Korea’s industrialisation take-off took place under a military dictatorship while Taiwan’s was under martial law. Hong Kong’s industrialisation was carried out under colonial rule with no political democracy whatsoever. For years, only Singapore had operated a one-man one-vote parliamentary system. But many Western scholars have refused to recognise Singapore’s system of democracy because of its persistent one-party domination.

The Philippine case can even end up as a counter-argument. Philippines’ economic growth had actually plunged and remained low for years after it had achieved the so-
called democracy following the downfall of Marcos! In the Philippines (as in many other developing countries), corruption was rampant before democracy. After their achievement of democracy, corruption is still rampant. If anything, democracy offers a fertile ground for new forms of corruption such as rent seeking and pork-barrel politics or vote buying. The same is true of Indonesia, whose high economic growth plunged after the emergence of democracy in the post-Suharto years.

Japan, Korea and Taiwan have experienced lower rates of economic growth after their democratisation. One explanation is that their economies have already become mature. But a more important reason for their low growth is associated with the “growth-diluting” forces that usually accompany the introduction of liberal democracy. For instance, a democratic society is under greater pressure to divert resources from the single-minded pursuit economic growth to addressing the many social demands for greater equity and greater social welfare spending, and hence a greater trade-off of economic efficiency for more social justice. A developing country in making the transition to democracy also has to pay a considerable “transaction cost” in terms of chaos and disruption, as what has happened recently in Thailand.

Democracy to Emerge After Successful Development

While the implications of the foregoing arguments, based on the EA development experiences, show no direct relations between political democracy and economic development, they nonetheless strongly suggest that democracy follows closely at the heels of economic development. In other words, all successful economies will, in time to come, become politically democratic. Once a country has achieved its economic take-off, domestic political forces and social changes will be fast at work to push the country towards a more democratic path.

The reasons are very simple. Successful economic growth, in bringing about a general rise in incomes, will also bring about the rise of the middle class and a better educated populace who will demand for an opened-up political process and a greater say in economic and social policies. Sustained economic growth is sowing the seed of democracy in its process.

Therefore, it is just a matter of time, and a matter of sequence. Every country will get there, first economically and then socially and politically. This is essentially part and parcel of EA development experiences: after successful economic development, democratisation.
China’s Exceptionalism?

China’s economic development pattern fits in very well with the EA model of development. Its political development seems to have also followed the EA model in its early phases of economic modernisation.

In initiating China’s economic reform, Deng Xiaoping had made it abundantly clear that economic reform was to precede political reform. As a result, China’s economic reform has been eminently successful, particularly in comparison with the early reform practices of Russia and East Europe, which instituted glasnost before perestroika, the exact reverse of what the Chinese had done. Deng was right that economic reform could be jeopardised by too much politics. He took the view that it would be plainly unrealistic for a big and diverse country like China at its early stages of development to take to such drastic political transformation as democratisation. This would simply bring more disorder (luan) to China. Nor would political democracy necessarily facilitate China’s dynamic economic growth. Such is Deng’s reform with “Chinese characteristics”.

Without doubt, Deng could see very well the economic efficiency of the market system. Economic reform in bringing about the market system can deliver high economic growth, as evinced by China’s three decades of successful economic reform and development. What Deng had failed to realise is that in the long run a well functioning market system is incompatible with the Leninist type of the Party-state.

Viewed from a different angle, political reform is in fact the unfinished business of Deng’s reform. The present Chinese leadership is therefore facing the critical challenge: should political reform or progress towards democracy now be stepped up? More specifically, in the EA “flying geese” model, China starts off as a laggard both economically and politically. Economically China has since been fast in catching up with the rest of EA. How fast will China catch up politically?

The Chinese leadership has long argued that China’s economic reform and development has been highly successful because it has been carried out gradually; such is “reform with Chinese characteristics”. To be sure, China’s political reform is now being carried out gradually and experimentally too. If eventually successful, it could well be “democratisation with Chinese characteristics”!

Indeed, the Chinese leadership in recent years has undertaken many reforms and introduced many measures to make the political system a little more open. These include
greater intra-Party democracy, local elections, legal and constitutional protection of citizens’ rights, appointments of officials based on merits, and the like. Another breakthrough in this direction was the open declaration by President Hu Jintao during his visit to Washington (April 2006) that “without democracy, there would be no modernisation”.

From Beijing’s standpoint, China has already taken its first steps in political reform. The critical question is whether the time is now ripe for China to undertake bigger steps towards bolder political reform.

China’s per-capita GNP today is about US$2,800 at current market exchange rate, having become one of the lower middle-income economies. When Taiwan and South Korea marched into democracy in 1990, their per-capita GNP was respectively US$9,000 and US$6,000. Comparatively speaking, China seems not economically ready to make a great leap into democracy yet. But then, both Indonesia and the Philippines had started to embrace democracy with their per-capita GNP levels well lower than that of China today.

China at its present stage of development is facing many political and social challenges from rising income and regional disparities to rampant corruption and mounting social protests. To be sure, many of these problems are the by-products of its fast economic growth and successful market reform. With further economic growth, many of these problems can be resolved or alleviated. But a more pluralistic political system can certainly help the government cope with these problems. Democracy can be a good safety valve for societies in trouble. China’s leadership will realise that China cannot stand still in the EA current of democratic development.