

*Economic Growth, Democratization and Peace: Prescription for the Asia-Pacific Region**

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Introduction

The geopolitical and economic importance of the Asia-Pacific region needs no more emphasis. Even if we count only the coastal regions of the countries in its compass, it accounts for a quarter of the world's population, two fifths of its surface, more than a third of its economic activity and a most diverse range of culture, lan-

guage, religion, government and history on earth. It must be a *cliche* by now to underline that the Asia-Pacific region is currently one of the fastest growing economies in the world. For instance, throughout the 1980s East and Southeast Asia grew at an average of 8 percent a year, compared with 2.5 percent for the world as a whole.¹ "Altogether, the 15 APEC members around the

* เอกสารประกอบการสัมมนาทางวิชาการ "บทบาทของสาธารณรัฐเกาหลีและไทยต่อความร่วมมือในภูมิภาคเอเชียและแปซิฟิก" เนื่องในโอกาสครบรอบ 10 ปี สถาบันเอเชียตะวันออกศึกษา จัดโดย โครงการเกาหลีศึกษา สถาบันเอเชียตะวันออกศึกษา มหาวิทยาลัยธรรมศาสตร์ร่วมกับ The Korea Association of Southeast Asian Studies (KASEAS) วันศุกร์ที่ 14 ตุลาคม 2537 ณ ห้องนวลจันทร์ โรงแรมอมารีเรียล

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Pacific Rim have more than 2 billion people, engage in 40% of all international trade and account for half the total world production of goods and services.”² Indeed we are now witnessing what early in this century Mr. John Hay, the U.S. President Theodore Roosevelt’s Secretary of the State, foresaw when he dubbed the Pacific as *“the ocean of the future.”* In the year 2000, the gross world product will be bigger than it was in 1990 by the \$7.5 trillion (in 1990 dollars). A half of the increase will be contributed by East Asia, according to the IMF prediction. Also, between now and 2000 Asia as a whole will, World Bank forecasts, account for half of the growth in world trade.³

Nearly all countries in the Asia-Pacific region are the front-runners of free trade and anti-protectionist policies. Asean members are endeavoring to turn the region into the most open trading area in the world. Taking the lead in global trade liberalization, APEC members are to consider a timetable to realize an ambitious vision of free trade in the region by 2020, which will boost economic dynamism to a unprecedented degree by removing all barriers.⁴ The issue of trade liberalization will become a priority agenda this year again when the APEC Summits will meet at Jakarta in November.

The economic success of the Asia-Pacific region is also accompanied by a brighter democratic prospect. Economic development in many countries of the region is gradually being matched by growing social pluralism and political maturity, leading to greater individual freedoms, more political democracy and enhanced human rights. Undemocratic regimes suffer from various symptoms of their ultimate decline. Some have already been replaced by new, reform-oriented leadership. A long-held monopoly of power by ruling parties’ has begun to erode in Japan and South Korea. And the torch of democratization is likely to be

passed on to Taiwan, and eventually to other neighbors in the region.

The concurrent economic prosperity, growing free trade and multilateral cooperation, and burgeoning political pluralism and democratization of the Asia-Pacific region pose to us a theoretically intriguing and politically challenging question: **Will economic growth conjoined with expanding free trade promote democracy and peace?** Today, I would like to talk about the relationship between economic growth, democracy, and international peace in general as well as in reference to the evolving Asian political-economic context. In order to invite a lively discussion, I will put my argument bluntly as the following:

(1) Economic growth via free trade fosters more democracy in Asia;

(2) Democratization will, in turn, help further economic development by facilitating economic reform, and by bringing social equity, efficiency in resource allocation and security of property rights, and;

(3) Democracy, joining forces with the region’s economic prosperity, will bring nations together for closer cooperations and more peaceful relations.

In the following sections, I will first elaborate that trade within as well as between nations promotes economic growth. Next, I will examine the logic and evidence attesting to a reciprocal causal relationship between prosperity and democracy; that prosperity derived from sustained economic growth promotes more democracy, and democracy fosters further economic growth and reforms required for sustaining it. Third, I will demonstrate some historical and systematic record showing that there is almost no risk of war among democracies. In concluding part, some prescriptive policy implications will be drawn from my earlier presentation.

Free Trade, Economic Growth and Democracy

Let me begin by discussing the first point, i.e., the relationship between free trade and prosperity. The positive contribution of free trade to economic growth and prosperity is regarded as undisputed knowledge among economists. International trade enables enterprises and nations to specialize according to their comparative advantage, to raise productivity, and to realize gains from trade by enlarging the size of the market. Few would disagree on the observation that the engine of the vigorous economic growth in the Asia-Pacific region is trade. As the *Time* magazine pointed out, "Freedom to export has been the womb for every Asian *"economic miracle"* from Japan and Taiwan to miracles-in-the-making Thailand, Indonesia and China."⁵ Suffice to put East Asian economic performance in stark contrast to, say, Latin America's for the past decades to illustrate this point. Since 1965 eight East Asian economies – Hong Kong, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand – have together grown at an annual rate of nearly 6 percent, three times as fast as Latin America and more than twice as fast as the rest of East Asia. The export performance of these East Asian economies has been particularly dramatic, with their share of world exports of manufactures leaping from 9 percent in 1965 to 21 percent in 1990.⁶ Recent shift in policy to export-oriented growth in India which had taken the line of import-substitution-industrialization also accentuates that outward-looking, open trade policy is a better choice for viable economic development.

Thus, it is no doubt that **free trade is instrumental to bringing higher economic growth.**⁷ Two challenges to the positive trade-economic growth link are dependency/world-system model and strategic trade theory.⁸ However, the former is poorly supported by

empirical evidence, while the latter does not reject the validity of the free trade-economic growth link on the whole sale. Economies of the open, trade-promoting countries have grown faster than most of those with closed or protectionist policies. The way countries in the Asia-Pacific region looks to the future is in line with theory and policy prescribed by the positive trade-economic growth linkage.

Now let me turn to how economic growth helps democratic development. Debates are still unresolved on the empirical validity of theory that posits positive relationship between economic development and political democratization. Here, I shall confine myself to delineating contending positions with a broad brush.

Postwar political science, especially modernization theory, posited a positive, linear correlation between economic growth and democracy: the more economic development, the more democracy.⁹ This optimistic position soon faced challenges from the development both in the real world and in the academic debates. Despite substantial economic growth, a number of the Third World countries, contrary to the common wisdom, regressed into authoritarianism rather than democracy. Samuel P. Huntington warned against the optimism by pointing out that the political instability may result from modernization because of the gap between social mobilization and political institutionalization.¹⁰ Guillermo O'Donnell called our attention to the elective affinity between economic growth and authoritarianism.¹¹ However, quantitative, cross-national research that undertakes to test the validity of each contending view mostly supports the optimist's position.¹²

Economic development tends to help foster democracy. Why? The causal link seems to be two-fold. One is consistent with time-honored common wisdom ever since Aristotle emphasized the role of the middle class in maintaining stable

democracy in his *Politics*. Economic growth inevitable enlarges the size of the middle class. Newly forming middle class growingly demands for more political and social freedom proportional to their improved level of living. Also, as people grow richer, democracy is one of the things they want, and it becomes ever more difficult for governments to deny them.

The other explanation is recently offered by Rueschemeyer, Stephens, and Stephens, on the basis of multiple case studies covering Europe, South and Central America and the Caribbean countries. In an interesting way, they stress a democratizing role of the working class.¹³ According to them, industrial capitalism encourages democracy by fostering structural conditions that empower the working class. Democracy emerges from and reinforces changes in the relative balance of power among classes and social groups. Capitalist industrial development is likely to cause the power of the most intransigently antidemocratic groups - such as landlords engaged in labor-repressive agriculture - to decline. Conversely, as the capitalist development goes on, an expanding division of labor enlarges the number of urban subordinate classes. Furthermore, it contributes to an increasing differentiation of these subordinate classes. These subordinate groups stand to gain more from an expanding

franchise and functioning representative institutions than they would get otherwise. Therefore, they press for more democracy and inclusionary politics. In contrast, dominant classes tend to be hostile to more democracy to the extent that they lose more than gain as the system expands to include more subordinate groups.

In Europe where the industrial development occurred step by step over an extended span of time, the inclusion of social groups into political arena proceeded sequentially, starting from middle class first and then moving toward on to working class. Compared to European case, the political consequences of rapid industrial development in Asia are to be determined by the conjoining demands for democratization of both middle class and the working class simultaneously. Nevertheless, economic development has increased the size of the classes that stand to gain more from a wider political franchise. A growing size of the urban middle class and working class are constituency demanding wider inclusionary politics. Thus, it is reasonable to say that **economic growth tendentially improves conditions for more democracy because it widens a space in which a broader political inclusion is possible**. The following remark is illuminative for this causal link:

We doubt very much whether South Korea's Park Chung Hee or Taiwan's Chiang Kai-shek were themselves committed to the clear-cut democratic path taken by their successors. But their decision to open up their economies and bring development to the people put in motion the first real checks on their regimes political power and set in motion the liberalization that came later.¹⁴

Democracy, Economic Development and Peace

Needless to say, the relationship between economic development and democracy is not a one-way traffic but a two-way interaction. Now let me very briefly discuss the other side of the

coin : the role of democracy in economic development. Does democracy foster economic development? Although quantitative research yields a somewhat mixed result.¹⁵ I would say yes, at least, in the long run. As Mancur Olson recently argues, democracy is far more conducive

to long-term economic growth than dictatorship, even of an apparently benevolent kind.¹⁶ Economic history – and, more recently, the historic collapse of communism – shows that security of property (protection from theft, legal or otherwise) is the foundation for material progress. Security of property is more firmly anchored under democracy than under autocratic rule. Regard for individual rights is necessary for lasting democracy and regard for exactly the same rights is also needed if there is to be any lasting commitment to security of property and enforcement of contracts. That is, the conditions necessary for a lasting democracy are the same necessary for the security of property and contract rights that generates further economic growth consequentially.

Empirical researches also confirm a positive contribution of democracy to economic development. For example, according to Sargent Bhalla, a former economist of the World Bank, an improvement of one mark (on a seven-mark scale ranging from free to not free) in civil and political freedom raises annual growth per head by roughly a full percentage point.¹⁷ Thus, we come to a conclusion that **civil and political**

freedoms are prerequisites for material advancement of individuals and sustained economic growth of nations. Not only economic growth fosters democracy, but also democracy helps further economic development.

Then, does democracy bring a safer and more peaceful world? The relative pacifism of democracies among themselves is widely acknowledged in the relevant literature.¹⁸ There is almost complete agreement among those who have systematically and quantitatively analyzed the empirical evidence that democracies rarely, if ever, fight each other. The strong disposition of democracies to avoid war each other seems to be in nearly universal agreement among the theorists of international relations. It is not an exaggeration to comment that “they almost never fight each other... This absence of war between democratic states comes as close as anything we have to an empirical law in international relations.”¹⁹

Why democracies are more pacifying than non-democracies? According to Bueno de Mesquita and Lalman, democracies are pacifying because they can easily reassure each other:

Democracies confronting one another are less likely to engage in violence than are mixed dyads because each believes the other is likely to be averse to using force (that is, to be dovelike), and each state is more likely to be dovelike. Leaders averse to using force who confront rivals also believed (with sufficient confidence) to be averse to using forces do not use force.²⁰

Between democracies and non-democracies such reassurance is impossible. However, democracies are not weak in terms of their winning capabilities once they are at war. According to Lake, democracies have also been even about twice as likely to win wars as have dictatorships.²¹ Thus, **democratization reduces the risk of war among nations. By avoiding war each other, democratizing political systems would lead to a more peaceful world order. More democracy would**

also bring about an enhanced international position of the country.

Conclusion: Implications for Future

So far, I have argued that free trade in the Asia-Pacific region promotes economic prosperity of both individual countries and the region as a whole. Economic prosperity promotes and requires democracy. Democracy, once established, will make a positive feedback to a sustained

economic development. And the growth and maturity of democracies are likely to reduce the level of international conflict and help neighboring countries cooperate each other for a lasting peace.

If this line of argument is correct, the key to open up the benign linkage is, first of all, to **promote national and international environments conducive to free trade and anti-protectionist policies.** Indeed, it is mainly through trade and commerce that *"developing nations learn the important virtues required for civil society and the rule of law: the importance of due process, the value of hard work and primacy of contracts."*²² Free trade contributes to prosperity. Prosperity helps democracy to bloom, and extend the *"zone of peace."* It is in this connection that Mr. Lee Kuan Yew, the former Prime Minister of Singapore, correctly warned against the rising tide of protectionism in his speech to the American Congress in the 1980s that *"the alternative to free trade is not just poverty, it is war."*²³

If all nations in the Asia-Pacific region were to take the advantage of free trade, to become democracies, and to engage in peaceful relations, then we need more than just to emphasize the importance of free trade. Free trade enhances democracy and peace when none of the regional countries take advantage of others. A positive growth-democracy-peace link can not be realized if trade serves only to the interests of a minority at the cost of the majority, or if it is politically manipulated to serve mainly to the expansionist aims of the major powers.

A commanding reality in the Asia-Pacific region is that no nation can prosper in isolation from the others. However, in spite of the positive development on the whole, there are still many anomalous *"Asian contradictions"* that pose serious challenges for the future. For example, multilateral trade talks on the economic and political agenda for the Asia-Pacific community still lack a clear vision and common definition of situations across the region. Some countries call for an exclusive regional bloc that would appear to exclude others in the region. Some even

fear that the U.S. is *"scheming to transform the APEC into a trading bloc with discriminatory outside tariffs."* Skeptics further view that the APEC is a 'big brotherism' in a new form, using Asia as an alternative market the U.S. can dominate, should the GATT round collapse.

In addition, many of the Asia people are still kept in mired poverty amidst the booming Pacific age. If this poverty persists, the region can not enjoy long-term stability in trading, let alone democracy and peace. Furthermore, hostility and mutual suspicions, lingering danger of civil war and territorial disputes are not likely to disappear soon in Asia. Despite the coming of the post-Cold War era and amongst the booming economy and burgeoning democracy, military build-up is still going on in many countries. A new network of political leadership is called for in the Asia-Pacific region in order to solve these contradictions.²⁴

What is to be done if all nations are to take the advantage of free trade, to become more democratic, and to engage in peaceful relations? At the multilateral level, there is a need to institutionalize regular consultation among summits on global and regional issues. The region as a whole needs to upgrade its current level of interdependence. For this, countries in the Asia-Pacific region should cooperate together to make the APEC framework work more effectively. The authority of the APEC summit meeting can be enhanced so as to better coordinate other regional or sub-regional networks. Its scope can be further increased to act as a functioning forum for security cooperation, so that the mechanisms can also serve to settle the regional disputes peacefully, reducing the endangering arms race as well.

A precondition for the extended scope and authority of the APEC is that, first of all, none of the members dominates the rest or commits actions detrimental to the regional interest. Secondly, it must also serve positively to cater for the global human interests, especially, in such areas as education, health, environments, and preservation of natural resources. Third, the scheme

should be made to produce substantial international cooperation in promoting democracy, economic development, peace and human rights in Asia. For this, it is desirable to set up an institution within the APEC framework which monitors on regular basis the progress of the region in achieving these objectives.

On national level, economic policies should be kept open, not closed, among the countries in the region. Also, the region must be open to imports and investments from the rest of the world. Exclusive trading bloc and 'big brotherism' will hinder the growth of the open regionalism. Open regionalism means not only the abolishment of trade barriers inside the region. It also requires imposing no discriminatory barriers against the rest of the world. Additionally, it should be emphasized that policies of providing helping hands to those peoples and countries who are in extreme poverty is very important in the process.

On the level of leadership, we need to foster an emergence of a new, transformational leadership, a leadership that is capable of nurturing changes toward a positive loop on prosperity–democracy–peace linkage. A new, transformational leadership is necessary in order to end the old way of doing politics, and to facilitate changes in the way people look at and act for politics in the global age. Such a leadership has to pass the test of democratic processes and build a new kind of authority being called for in an age of the 'grassroots democracy'. The task of transformational leadership is to nurture a renewed spirit of community solidarity and foster active citizenship to build democracy. In order to do that, the leadership should be able to bring out the best in most of their peoples at this crucial turning point of human history.

Nations rose and fell. They grew, prospered, and led the peoples successfully toward the joy of democratic life, when the state was capable of revitalizing the civic competence.

Democracy, of which the basic principle is to respect and enhance political freedom and human rights, is the first and foremost ingredient in the growth of the civic competence. Democracy can bring the process of economic development under humane control. Peace is possible when there are democracy and economic prosperity. Peace, in turn, makes democracy and economic prosperity real. Thus, the pivotal lynchpin of prosperity and peace is democracy. Therefore, **the future of Asia-Pacific region hinges largely upon how to nurture democratic leadership that could resourcefully work out measures to fulfill a positive causal loop between economy, polity and peace in the region.**

In former Soviet Union and East Europe, the collapse of communist regimes and recent stagnation of their societies after the transition to democracy were caused by a combination of grave economic failure of the regimes and poor organizations of their civil society. In Asia, however, the prospect for deepening democracy is brighter in that the authoritarianism is being kicked out in the course of economic success and growing social plurality. Economic development stimulated the rise of civil society and a proliferation of the nongovernmental organizations. Expanding material base has also made the transition to democracy relatively easier by producing economic room for conflicting groups to make mutual adjustment. For example, the relatively smooth political transition in South Korea since 1987 was a lot indebted to the fact that the growing economy provided rooms for major contending groups to settle for negotiation and compromise rather than direct confrontation. Also, expanding industrial return largely explains the current labor peace in South Korea. Thus, I believe that **growing economic dynamism in the Asia-Pacific region will provide favorable soil to the growth and emergence of a new and more democratic leadership in the near future.**

Footnotes

1. *Newsweek*, November 15, 1993, p. 14.
2. *Time*, November 22, 1993, p. 18.
3. Data are quoted in "A Survey of Asia: A Billion Consumers," *The Economist*, October 30, 1993, p. 5.
4. See, for a detail, *Asian Wall Street Journal*, August 1, 1994: August 30, 1994.
5. *Time*, November 22, 1993, p. 21.
6. Data quoted in *The Economist*, October 2, 1993, p. 29.
7. See, for example, Bela Balassa, *The Newly Industrialized Countries in the World Economy* (New York: Pergamon Press, 1981); World Bank, *Korea's Experience with the Development of Trade and Industry: Lessons for Latin America* (Washington D. C.: Economic Development Institute of the World Bank, 1988); S. Schlosstein, *Asia's New Little Dragons: The Dynamic Emergence of Indonesia, Thailand and Malaysia* (Chicago: Contemporary Books, 1991); W. McCord, *The Dawn of the Pacific Century: Implications for Three Worlds of Development* (New Brunswick: Transaction Books, 1991); World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Washington, D.C.: Economic Development Institute of the World Bank, 1993).
8. For an informative discussion of these contending positions and relevant references, see Erich Weede, "Economic Policy and International Security: Rent-Seeking, Free Trade and Democratic Peace," Paper Presented at the XVIth World Congress of the International Political Science Association, August 21-25, 1994. Berlin, esp. pp. 2-4.
9. The seminal work in this perspective is Seymour M. Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review* 53 (1959): 69-105.
10. Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).
11. Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism* (Berkeley: Institute of International Studies, University of California, 1973); David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979).
12. For quantitative research on the topic, see, for example, Kenneth A. Bollen and Robert W. Jackman, "Economic and Non-Economic Determinants of Political Democracy in the 1960s," *Rosearch in Political Sociology* 1 (1985): 27-48; Robert W. Jackman, *Politics and Social Equality* (New York: Wiley, 1975); Chung-Si Ahn, *Social Development and Political Violence: A Cross-National Causal Analysis* (Seoul: Seoul National University Press, 1981).
13. Dietrich Rueschemeyer, Evelyn Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

14. *Far Eastern Economic Review*. April 14, 1994, p. 7.

15. There is enormous amount of quantitative research testing the relationship between regime types and economic growth. For a sampling of recent research, see John F. Helliwell, "Empirical Linkages between Democracy and Economic Growth," *British Journal of Political Science* 24 (1994): 225-48; Adam Przeworski and Fernando Limongi, "Political Regimes and Economic Growth," *Journal of Economic Perspectives* 7 (1993): 51-69; L. Sirowy and A. Inkeles, "The Effects of Democracy on Economic Growth and Inequality: A Review," *Studies in Comparative International Development* 25 (1990): 126-57; Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca: Cornell University Press, 1990). esp. chap. 10.

16. Mancur Olson, "Dictatorship, Democracy, and Development," *American Political Science Review* 87 (1993): 567-76.

17. Quoted in *The Economist*, August 27, 1994, p. 17.

18. See, for example, Stuart A. Bremer, "Dangerous Dyads: Interstate War, 1816-1965," *Journal of Conflict Resolution* 36 (1992): 309-41; Bruce Bueno de Mesquita and David Lalman, *War and Reason* (New Haven: Yale University press, 1992); William J. Dixon, "Democracy and the Management of International Conflict," *Journal of Conflict Resolution* 37 (1993): 42-68; Michael W. Doyle, "Liberalism and World Politics," *American Political Science Review* 80 (1986): 1151-69; Nils Petter Gleditsch, "Focus on Democracy and Peace," *Journal of Conflict Resolution* 36 (1992): 369-76; David A. Lake, "Powerful Pacifists: Democratic States and War," *American Political Science Review* 86 (1992): 24-37; Zeev Maoz and Nasrin Abdolali, "Regime Types and International Conflict," *Journal of Conflict Resolution* 33 (1989): 3-35; Zeev Maoz and Bruce M. Russett, "Alliance, Contiguity, Wealth, and Political Stability: Is the Lack of Conflict among Democracies a Statistical Artifact?" *International Interaction* 17 (1992): 245-67; Zeev Maoz and Bruce M. Russett, "Normative and Structural Causes of Democratic Peace, 1945-1986," *American Political Science Review* 87 (1993): 624-38; Melvin Small and J. David Singer, "The War-proneness of Democratic Regimes, 1816-1965," *The Jerusalem Journal of International Relations* 1 (1976): 50-69.

19. Jack S. Levy, "The Causes of War: A Review of Theories and Evidence," in Philip E. Tetlock, et al, eds, *Behavior, Society, and Nuclear War*, vol. 1 (New York: Oxford University Press, 1989), p. 270.

20. Bueno de Mesquita and Lalman, *op.cit.* p. 155.

21. Lake, *op.cit.*

22. *Far Eastern Economic Review*, April 14, 1994, p. 7.

23. Quoted in "A Survey of Asia," *The Economist*, p. 24.

24. Ironically, the United States is currently being criticized for going protectionism with its super 301 clause.