

BARBARIANS IN THE BOOTH

Asian autocrats, wake up: those democratic hordes can turn out to be your best friends

BY SIN-MING SHAW

IN RECENT YEARS, LEADERS OF A number of well-to-do Asian countries have mounted a rather sophisticated attack against genuine democracy. They appeal to "Asian values," an idea, it must be noted, that has also won sympathy in the Western corporate world. These leaders point out that even the usually staid World Bank has recognized their phenomenal economic track record as an "Asian miracle." They attribute this success largely to an Asian stress on social harmony and a respect for political authority. The Asian cultural mind-set, they say, is so different from the West's that a contentious Westminster-style democracy is wrong for Asia. In any case, they claim that Asians do not have a sufficient level of education and sophistication to make democracy work.

Most Asians do not buy these arguments, of course. The South Koreans and Taiwanese, for example, have completely rejected the ideology of Asian values to live in thriving democracies. Now the recent events in Indonesia and last week's election in Hong Kong—where an overwhelming turnout favored the Democrats—might convince much of the world that democracy has won new victories. But it is premature to suggest that the protagonists of Asian values have learned the right lessons. Tung Chee-hwa, the chief executive of Hong Kong and a deeply sincere autocrat, is unlikely to believe democracy is right for Hong Kong regardless of what the people want. He studied in England, lived in the United States and came away with an open disdain for Western democracy. He and other advocates of Asian values essentially view voters as "barbarians at the gate" to be warded off, not served.

Are they right?

It is clear that political democracy is not a prerequisite to economic growth. The track record of the Asian tigers for most of the post-war years confirms that. But capitalism is irrefutably a precondition of economic success. True capitalism is really true economic democracy, where private ownership rights and access to the marketplace are rigorously protected by a fair judicial system. The broader the economic rights enjoyed by the people, the more sustainable economic growth is, and the fairer wealth and income distribution are. This is the story of Singapore, Hong Kong and Taiwan. On the other hand, South Korea when it was dominated by conglomerates, the Philippines under Marcos and Indonesia under Suharto were classic examples of distorted market economies practicing what is best described as crony capitalism. These countries did not have eco-



Celebrating democracy: Hong Kong voters

nomc democracy. In the end, they produced inefficient, unfair societies with disastrous political consequences.

Is political democracy an inevitable outcome of a successful economic democracy? As people become wealthier and better educated, they naturally want their views and preferences reflected openly, fairly, without fear, in the kind of political system that only democracy can accommodate. That doesn't mean their leaders will agree that democracy is a desirable end in itself. Nonetheless, Asia's remaining autocrats had better get wise to the practical advantages of political democracy. Contrary to the tenets of Asian values, democracy is a far more stabilizing institution than an unrepresentative autocracy can ever be. Look at what happened in Indonesia. Most people there shared little of the growth in past years, nor did they have a say in how wealth and opportunities were distributed or frustrations expressed peacefully. Is it any wonder that they used violence to protest against high prices and layoffs?

In Hong Kong the lack of democracy will hurt the government's ability to deal with a looming economic and fiscal crisis. The territory's main problem is outrageous land prices—pushed up by the government's longstanding reliance on land sales and related incomes as a source for as much as 30 percent of the annual budget.

Since colonial times, these huge land revenues have enabled the government to maintain Hong Kong's legendary low corporate and individual income-tax rates. More than half of Hong Kong's stock-market capitalization is derived from property, and the real-estate sector accounts for well over 40 percent of the local GDP. It is little wonder that the private-sector property cartel has become a politically powerful force.

While property barons flourish, many Hong Kong enterprises have been priced out of the market and half of the territory's people, unable to afford their own homes, must live in public housing. If it is therefore in the long-term interest of Hong Kong to allow property prices to fall freely much farther than they have recently, how will the government handle future fiscal deficits? Should tax rates be increased? Should tax exemptions be curtailed? Should Hong Kong switch to a value-added tax to increase its conspicuously small tax base?

At present, thanks to a paranoid attitude in Beijing—and in the person of Chief Executive Tung—Hong Kong's legislature does not have the wide franchise that Tung urgently needs to help him formulate a policy for all of the people in Hong Kong. The Democrats might be the most popular party in the territory, but election rules give them only a minority of legislative seats. The irony is that Tung now needs the Democrats more than they need him: if the economy continues to slip, a near certainty, the popularity of the chief executive and the unrepresentative legislature may slide even further, a potentially dangerous development. People would rally behind a true democracy only in hard times. How unfortunate, therefore, for Tung and Hong Kong that he has concluded from his years in the United States that democracy is not a good system for Hong Kong's Chinese.

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