

Democratization in Emerging Economies: Framing the Settings for Inclusive Economic and Sustainable Development

Introduction

Since the beginning of the century, the international community has been facing a multiplicity of challenges, including mass migration, climate change, and extreme poverty as the most critical. States have been cooperating to solve global issues under the umbrella of multiple intergovernmental and multilateral organizations. States' efforts to solve new challenges have been portrayed by rethinking the Millennium Development Goals (MDGs) into the creation of the Sustainable Development Goals (SDGs) as the new 2030 agenda. Scholars, civil society, low- and middle-income countries have been contributing their perspectives which have shaped an interconnected and multidimensional agenda. States have implemented people-centered public policy approaches which are focused on economic growth, social inclusion, and environmental protection within their national frameworks since 2015. However, some states face more difficulties in implementing these goals, approaches, and policies than others stakeholders. Some states are more successful than others in accomplishing inclusive economic and sustainable development, due to the degree of inclusion of their institutions which shape particular state-society and market relationships that ultimately produce certain types of public policies.

Challenges in Achieving the SDGs

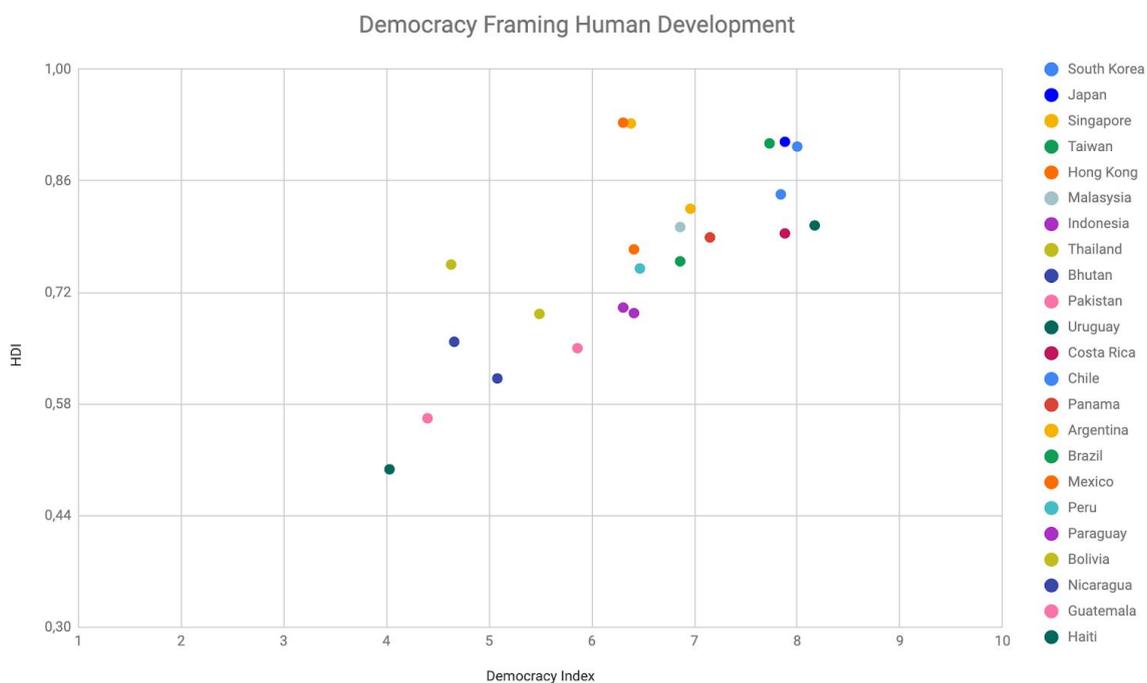
Today's international political and economic discourse has been centered around the role of the state in the market. As a consequence, this confrontation, which dates from the beginning of the cold war, has been defining different perspectives around development: the Washington and Beijing consensus. The increase of nationalist extremist both left- and right-wing political parties or leaders around the world points out not only a crisis of governability and the weakness of the international community to foster human/economic development, but also questions the establishment of the global economy¹. During the last few years, there have been several anti-establishment and nationalist leaders who question the policies and ideologies of both sides of development. That is why it is essential to consider some case studies that showcase these two antagonistic set of policies: the miracles of the Chilean and Southeast Asian economies. These cases began to experience exponential economic growth and development during the third wave of democratization, which is understood as a transition process to a system with fair and free elections, civil rights protection, and the rule of law². This process of transition to democracy was essential in the successful development of these economies due to creation of socially inclusive legal arrangements that allowed the implementation of responsive policies. That is why some countries have been able to implement economic and social policies that foster human development and accomplish the SDGs in a more interconnected way than other countries.

Therefore, states' capacity to elaborate representative policies and their autonomy to implement them shapes their strength to better promote human development capabilities. The

¹Arnson, Cynthia; Kenneth, Roberts; Bethell, Leslie. *The 'New Left' and Democratic Governance in Latin America*. August 2007. <https://www.wilsoncenter.org/sites/default/files/NewLeftDemocraticGovernance.pdf>.

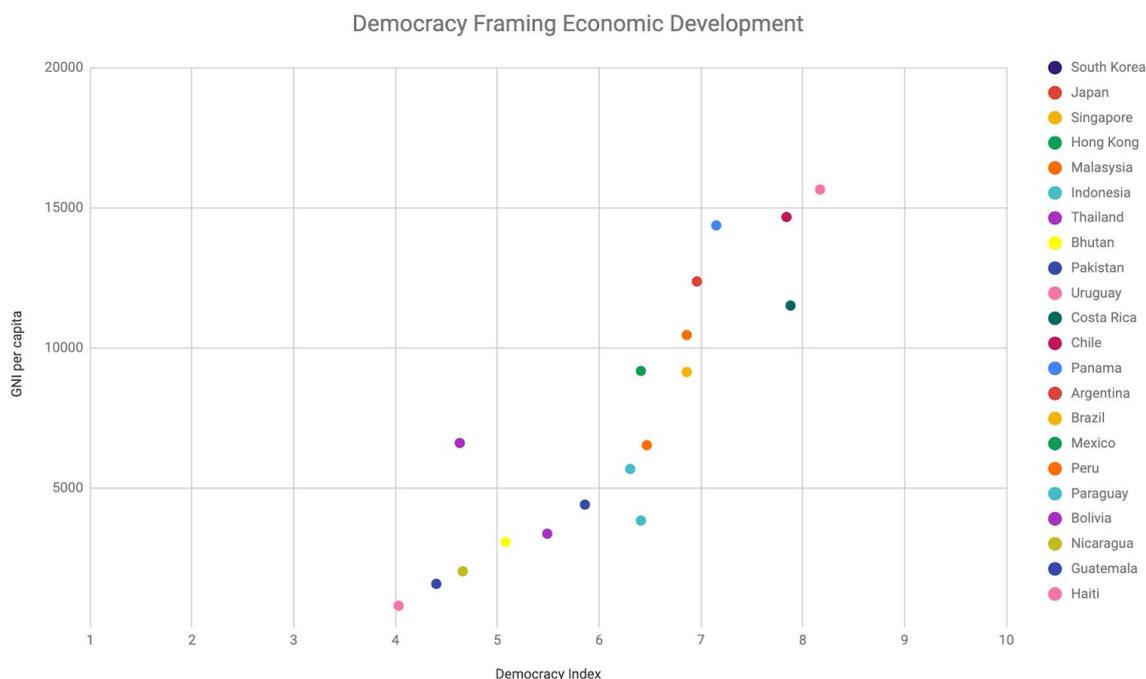
²Diamond, Larry Jay., Sutoro Eko, and Dwipayana, A. A. G. N. Ari. *Developing Democracy: Toward Consolidation*. Yogyakarta, Indonesia: IRE Press, 2003.

transition to more democratic systems in these case studies during the 1970s have shown high levels of human and economic development when compared to their regional counterparts. Countries' governance defines whether or not economic growth will be sustained while social development is promoted³. As Larry Diamond suggests, "for democratic structures to endure – and be worthy of endurance – they must listen to their citizens' voices, engage their participation, tolerate their protests, protect their freedoms, and respond to their needs."⁴ States must focus on the quality of their systems of governability rather than ensuring economic growth and short-term goals. The process of democratization leads to a state that implements reforms which guarantee a clear, level playing field that enables inclusive economic and development policies in the long-term. Even though some countries in the region that experience the same process and reforms failed to procure long-term development outcomes, Chile in South America and Hong Kong, Singapore, South Korea and Taiwan in Southeast Asia highlight successful and antagonistic models of development. These countries are leading nations in terms of economic growth and human development within the middle-income countries. Both experiences had weaknesses and strengths, so how did these countries achieve human development?



³"UN Live United Nations Web TV - What Is Democracy? Stepping Up Engagement Around Goal 16 (HLPF 2019 Side Event)." United Nations. Accessed July 26, 2019. <http://webtv.un.org/watch/what-is-democracy-stepping-up-engagement-around-goal-16-hlpf-2019-side-event/6059506636001/?term=>.

⁴Diamond, Larry. *The Spirit of Democracy the Struggle to Build Free Societies throughout the World*. Brantford, Ont.: W. Ross MacDonald School Resource Services Library, 2013.



The East Asian Miracle

Democracy fosters very high human development (over 0.800) and upper-middle income per capita (between \$4,000-\$12,000) due to the creation of inclusive state-society relations that enables policies that represent all social sectors of society and sustained economic growth⁵. On one hand, democratization in Southeast Asia promoted economic growth and investment in human capital by providing strong institutions. The socio-economic framework promoted development through private investment, macroeconomic stability, an integrated banking system, and social policies. The state played an active role in the economy rather than minimizing its intervention, as the Bretton Woods Institutions suggest. The government subsidizes declining industries, protects domestic import substitutes, and invests in human and physical capital. However, these models of state-led development through industrial policy and interventions in financial markets were eased by the transition to democracy that were fostered by deliberation councils. Japan, Korea, Malaysia, and Singapore established forums that enhanced communication between business and government, so private sector groups were invited to help shape and implement the government policies relevant to their interests⁶. These councils were intended to make allocation rules dear to all participants rather than fostering competition through lobbying. The deliberation councils facilitated information exchanges between the private sector and government, amongst firms, and between management and labor sectors. Thus, councils supplemented the markets information transmission function, enabling the state to respond

⁵"The World Bank In Middle Income Countries." World Bank. Accessed July 26, 2019. <https://www.worldbank.org/en/country/mic/overview>.

⁶World Bank Research Report. "The East Asian Miracle: Economic Growth and Public Policy." September 1993.

more rapidly than other economies to changing markets. These changes during the third wave of democracy established a particular shift in development strategy, from one based on free markets and democracy, to one based on semi-free markets and an illiberal political system.

The Chilean Miracle

On the other hand, Chile implemented pro-market reforms during its transition from a military dictatorship to a democracy. These reforms and policies have led the country to become the most developed economy in South America, with a rising middle class and high improvement in human development outcomes. Even though these reforms were implemented during the period of the Chilean dictator Pinochet, these structural reforms that he implemented fostered economic and human development. These reforms and policies remained when the country returned to democracy in 1990. So, did these pro-market economic policies make possible the transition to democracy in the country?

These neoliberal reforms and policies strengthen the state's capacity to formulate and implement policies that foster inclusive economic and sustainable development outcomes. As a consequence, a prosperous economy that increase the Chilean middle-class took place. These dramatic shift of power dynamics empower the classes and stimulates their desire for political freedom, for a solid middle-class demand the transition to a democratic government in the 1990s. The economic program of the 1970s and 1980s included a broader tax base, effective tax collection, and reorienting public spending priorities toward investment and the provision of basic services. A large group of economists - the Chicago Boys - implemented monetarist or liberal economic policies under the military junta through their program "the brick."⁷ This program consisted of the bases of the Washington Consensus and included deregulation and privatization, privatization of several state enterprises, and an independent central bank. This program was one component of a more comprehensive efforts to re-order state-society relations. This program replaced policies based on substitutions of imports, price control, restrictions to imports, and so on that were suggested by Comisión Económica para América Latina y el Caribe (CEPAL). "The Brick" proposed policies that fostered economic growth and human development through free-market policies. These policies created a new political economic framework undermine political centralization and political control. The successful implementation of such policies lead to an increase of the economic growth, which increases the percentage of the middle class and end up fostering the transition to a democratic government.

Conclusion

Today, July 25th 2019, after participating in meetings and conferences in the HLPF, I am observing a broken international system. I am analysing a global interconnected economy that is producing cyclical, deep, and severe crisis every ten years as well as creating enormous inequalities of wealth, power, and information. While, influential organizations such as the International Monetary Fund or the World Bank defend policies that perpetuate

⁷Isaak, Robert. "Making "Economic Miracles": Explaining Extraordinary National Economic Achievement." *The American Economist* 41, no. 1 (1997): 59-69.

today's very system. The power disparity at the international system between developed and developing countries visualizes norms, policy advice, and agendas that only benefited a small elite. These global issues are just an expression of national dynamics, which can be clearly exemplified by the emergence of radical, nationalist, and populist leaders such as Donald Trump, Jair Bolsonaro, or Boris Johnson. They are an expression of "people are fed up of the same results." The very establishment and system that perpetuates intentionally or not poverty, gender inequality, and underdevelopment. As an illustration, the Chile and East Asian miracles highlight that there is not only one way in producing sustain inclusive economic and sustainable development. They showcase role models to consider at the time to elaborate both national and international economic and social policies. Even though today's system has radically improved life standards in the entire globe for the last half of the century or so, there are still new and critical challenges which need to be addressed by shifting our norms and ideas. In that way, maybe one day, we could comply with the promise that we made four years ago, "Leaving No One Behind."