



Regional Report Asia and Oceania

Consolidation and Conflict

by Aurel Croissant and Christoph Trinn

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Regional Report BTI 2024

Asia and Oceania

Consolidation and Conflict

by Aurel Croissant and Christoph Trinn*

Overview of the transformation processes in Afghanistan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, North Korea, Pakistan, Papua New Guinea, Philippines, Singapore, Sri Lanka, South Korea, Taiwan, Thailand, Timor-Leste and Vietnam



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the re-view period from February 1, 2021, to January 31, 2023. Further information can be found at www.bti-project.org.

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Introduction

With a total of more than 4 billion residents in 2021, the 22 countries comprising the Asia and Oceania region accounted for almost 60% of the overall population of the 137 countries included in the BTI 2024. The region's cumulative economic output amounted to around \$27.7 trillion in the same year, corresponding to 65% of the total output of all BTI countries. Asia and Oceania is also home to both the world's largest autocracy (China) and the largest democracy (India). In terms of its economic and ideological weight, the People's Republic of China has clearly become the most relevant autocratic challenger to democratic liberalism in the first half of the 21st century. Exerting considerable political influence, it is increasingly asserting its ability to shape developments far beyond Asia and Oceania. The region therefore has particularly great significance for political and economic transformation worldwide.

While Asia was already the scene of impressive authoritarian modernization and catch-up industrialization in the post-World War II period, China and India rose to become vital engines of growth in the global economy following the end of the Cold War (Bosworth and Collins 2008). In addition, nations such as Bangladesh and Cambodia joined the club of rapidly growing developing countries in the 2010s. Many countries in the region undertook substantial reforms in the 1990s and 2000s aimed at strengthening democracy, the rule of law and good governance. The number of democracies tripled during this period (Croissant and Pelke 2021). However, many of these gains in democratic transformation have in recent years been threatened or unraveled by autocratization. The weakening of fragile democratic structures by those in power and the hardening of nondemocratic governing practices have served as hallmarks of Asia and Oceania's political transformation over the last 10 years.

The region's economic transformation was initially unaffected by the negative political transformation trend. However, this has begun to change in the wake of the pandemic. There is growing evidence that democratic erosion is often driven by polarizing populists in government – and that mediocre governance performance in turn has a negative impact on a country's socioeconomic development. This is particularly true of aspects of sustainable policy such as environmental protection and education. However, the effect is not limited to these areas.

Drawing from these observations, the BTI 2024 delivers three core findings for the Asia and Oceania region. First, the wave of autocratization has continued to roll unbroken across the region. Its beginnings clearly predate the COVID-19 pandemic, but the trend has gathered pace since then. Even as the pandemic eased, and all of the region's states eventually lifted their strict virus-control measures, this in no way led to a subsequent recovery of democratic and rule-of-law-based institutions, processes and practices. Nevertheless, it is important to differentiate systematically between two variants of autocratization. The first variant relates to democratic borderline cases, while the second concerns hardening autocracies. Both variants are forms of autocratization that lead to fragile forms of governance. Moreover, their latent susceptibility to crises distinguishes them from the (largely) consolidated democracies and autocracies in the region.

Second, in terms of economic transformation, most countries have not yet fully recovered from the setbacks experienced during the early and peak phases of the pandemic. On the contrary: For the region as a whole, the economic transformation trend during the BTI 2024 review period continued to point downward. The areas showing the greatest deterioration were monetary and fiscal stability, along with the sustainability-linked functions of environmental and education policy.

Third, governance performance in the region is also continuing to decline. Overall, the region's biggest drops in this area were seen in Myanmar following the February 2021 coup, and in Afghanistan after the Taliban took power in August of the same year. However, many countries have shown a declining willingness to engage in international cooperation, along with deteriorations in their steering capability and consensus-building. This latter trend was evident even in previous years, contributing to the region's declining quality of transformation governance. Once again, it is clear that populists in government perform particularly poorly in terms of governance quality. However, decision-makers in China also exhibited new or previously unremarked weaknesses in their steering capability. While the country's pandemic-era governance had still been highlighted positively as recently as the last Transformation Index in 2022, the recent declines appear to be the negative results of centralization, personalization and an ideologically driven approach to rule.

Political transformation

As in the BTI 2022, the region's political transformation showed a negative trend during the BTI 2024 review period. The total number of democracies fell from 11 to 10, as Papua New Guinea is no longer categorized as even a highly defective democracy. This is primarily due to administrative shortcomings in the country's 2022 parliamentary elections. Although political violence, vote-buying and electoral management bodies' inadequate organizational capacities have been a persistent feature of every election since independence in 1975, these weaknesses have now reached an unprecedented level. In India and the Philippines, for example, elections are also chronically difficult to organize and are marked by local violence, administrative problems and political corruption, but results are ultimately sufficiently trustworthy. In Papua New Guinea's case, this level of integrity was no longer sufficiently guaranteed. This is an unacceptable violation of the core constitutive feature of even a minimally defined democracy. In contrast, Nepal made further progress in deepening and securing the democratic reforms introduced after the constitutional crisis in the 2010s.

Tab. 1: State of political transformation

consolidating democracies Score 10 to 8	defective democracies Score < 8 to 6	highly defective democracies Score < 6	moderate autocracies Score ≥ 4	hard-line autocracies Score < 4
Taiwan	Timor-Leste	Malaysia	Singapore	Thailand
South Korea	Bhutan	Philippines	Papua New Guinea ▼▼	Pakistan
	Nepal ▲		Bangladesh	Vietnam
	Indonesia			China
	Sri Lanka			Laos
	India			Cambodia
				North Korea
				Afghanistan
				Myanmar ●

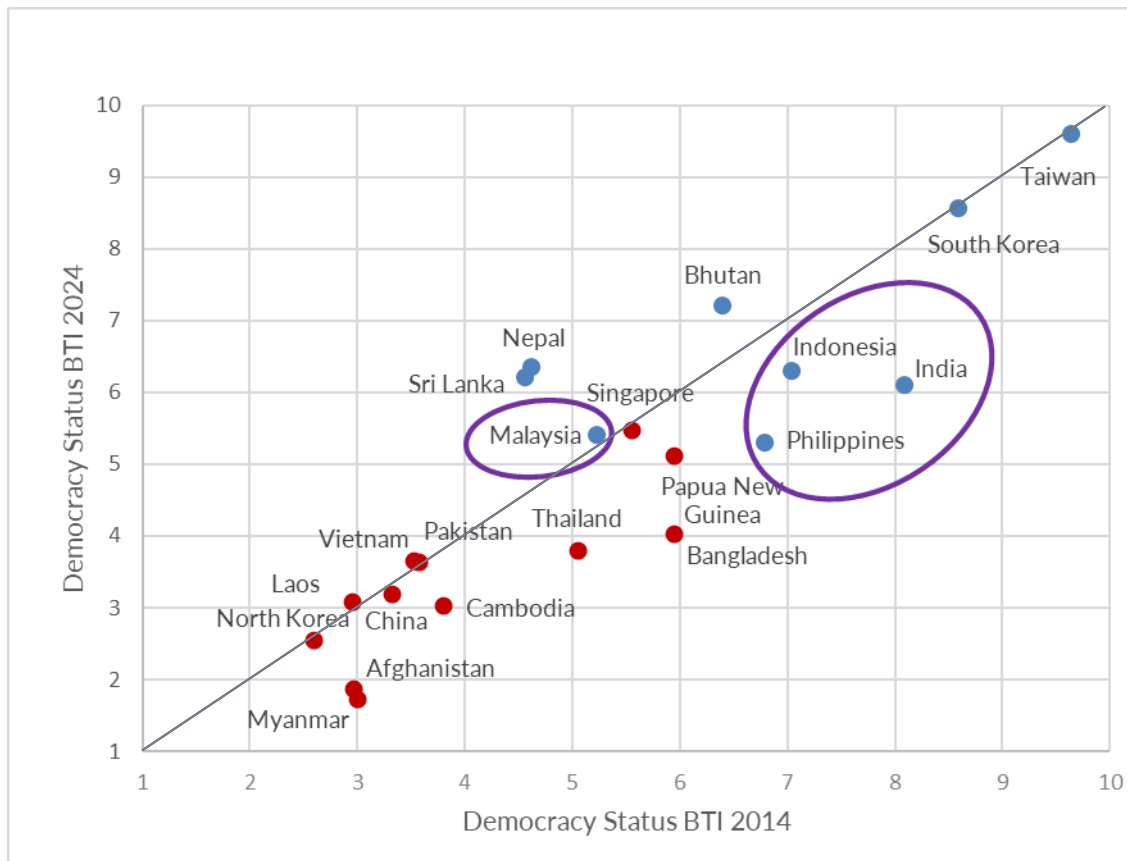
The table follows the BTI 2024 index scores. Countries are ranked according to their system categorization and respective score in political transformation status assessment. Arrows mark a change of category compared with the BTI 2022, dots mark failing states.

Of particular significance for the overall regional trend is the fact that 14 of the 22 countries have experienced a deterioration in their political transformation scores, with this being very considerable in some cases. However, only five countries were able to improve the democratic quality of their political institutions and processes. Within the region as a whole, the greatest declines were seen in the two criteria of political participation (-0.34 as a regional average) and the stability of democratic institutions (-0.23). The BTI country experts noted improvements in overall political transformation scores in Nepal (+0.40) and Timor-Leste (+0.25) as well as in Bhutan (+0.15) and Malaysia (+0.10). These few moderate improvements contrast with a number of massive declines in overall democracy status scores, for instance in Myanmar (-1.42), Afghanistan (-1.21) and Papua New Guinea (-0.98). Bangladesh (-0.22), India (-0.20) and the Philippines (-0.10) have also seen substantial further deterioration in their overall democracy scores. In each of these cases, the declines reflect an ongoing process in which minority rights, civil rights and

political liberties are being gradually curtailed, the rule of law is being eroded, and democratic institutions are becoming increasingly dysfunctional.

As can be seen in Figure 1, the vast majority of countries of Asia and Oceania have seen hardly any sustained improvement in their democracy status over the last 10 years. On the contrary, a considerable number of states have experienced substantial setbacks.

Fig. 1: Political transformation in a 10-year comparison



Note: Excluding Timor-Leste, for which data has been available only since the BTI 2020. Blue dots indicate democracies. Circles denote democratic borderline cases.

This trend has produced an increasing number of “borderline cases” in Asia and Oceania that have an elevated risk of sliding into autocracy. These borderline cases can still be described as democracies, but for years have been undergoing a negative development that is bringing them steadily closer to the group of already clearly authoritarian political systems. This means that even the minimal conditions for democracy are today under massive attack. As a result, the democratic systems of government in these countries increasingly resemble fragile card houses that could collapse at any time. Malaysia is the exception in this regard. Here, the country’s assessed democracy status has actually improved compared to the pre-2018 authoritarian phase, but not to the extent that it has left the border zone between democracy and autocracy. Sri Lanka’s position above the diagonal in Figure 1 also shows clear improvement. However, this positive evaluation must be correctly classified. During the period assessed in the BTI 2014, the government was headed by President Mahinda Rajapaksa, the brother of Gotabaya Rajapaksa, who was subsequently ousted as president in 2022. During his time in government from 2005 to 2015, Mahinda Rajapaksa engaged in extremely repressive action against members of the opposition,

dissidents, critics and the civilian population in the areas formerly controlled by the Tamil insurgents. Accordingly, the political status of the island state changed from defective democracy to autocracy during this phase. Compared to this period of rapid democratic decline, there has indeed been significant improvement. However, unlike the development in Nepal, for example, Sri Lanka's democratic development since the early 2000s has been characterized by successive upward and downward swings. Consequently, any optimism must be cautious at best.

Table 2 illustrates the thesis of democratic borderline cases on the basis of six specific democracy indicators – specifically, comparing the threshold values defined as minimum conditions for a (highly defective) democracy with their actual levels in the countries (still) classified as democracies. The BTI 2024 counts a total of four such borderline cases, including India, Indonesia, Malaysia and the Philippines. By contrast, all three borderline cases observed in the BTI 2014 have today become authoritarian systems.

Tab. 2: Democratic borderline cases

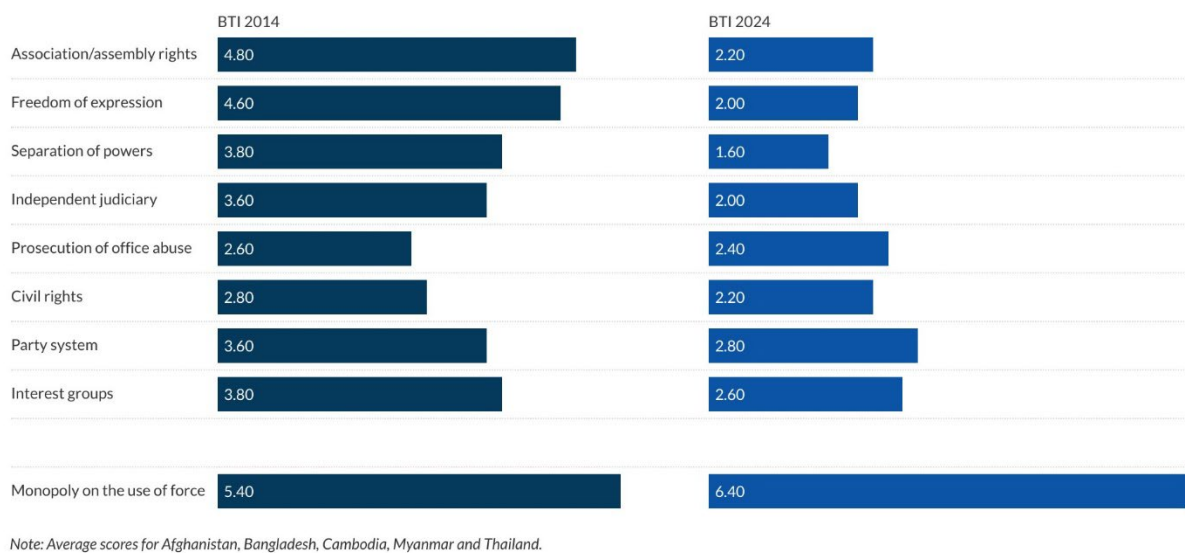
	Free and fair elections (6)	Effective power to govern (4)	Association/ assembly rights (4)	Freedom of expression (4)	Separation of powers (4)	Civil rights (4)
2024						
India	7	7	5	4	6	5
Indonesia	8	6	5	4	8	6
Malaysia	7	5	4	5	4	6
Philippines	7	6	5	4	4	4
2014						
Bangladesh	8	6	7	6	5	4
Papua New Guinea	6	4	10	9	6	5
Thailand	6	4	6	4	4	4

The individual democracy status indicators are also used in the BTI to decide whether a whether sufficiently free and fair elections are held. In line with the Transformation Index's broader understanding of democracy, a total of six threshold values are considered. If the country falls under even one of these threshold values, it is classified as an autocracy. The header indicates the threshold value that an indicator must reach for a political system to be classified as a democracy. Values close to these limits are marked in gray. country should be classified as a democracy or an autocracy. The decisive factor here is not only

In addition to these democratic borderline cases, a second category of “hardening autocracies” also contains political systems that have shown negative political transformation trends. These are systems that were previously less repressive or even minimally democratic, but over the last 10 years or so have become increasingly repressive, and have now taken on a clearly authoritarian character. This group includes Afghanistan, Bangladesh, Cambodia, Myanmar and Thailand.

In consolidated autocracies such as the People’s Republic of China, Laos, North Korea, Singapore and Vietnam, all politically significant groups recognize the autocracy’s core political institutions and follow its rules (whether out of conviction, fear or self-interest). The party-based rule is the only game in town (Adam Przeworski), so to speak. By contrast, the hardening autocracies cannot always rely on the general acceptance or at least widespread apathy of their subjects and semi-loyal elites. Moreover, these systems have not yet become so repressive that all remnants of civil rights and political freedoms appear to be faded memories or distant illusions. This results in a persistent, at least latent threat to the regime, and serves as a primary driver of the dictatorship’s hardening.

Fig. 2: Indicators of authoritarian hardening in five countries

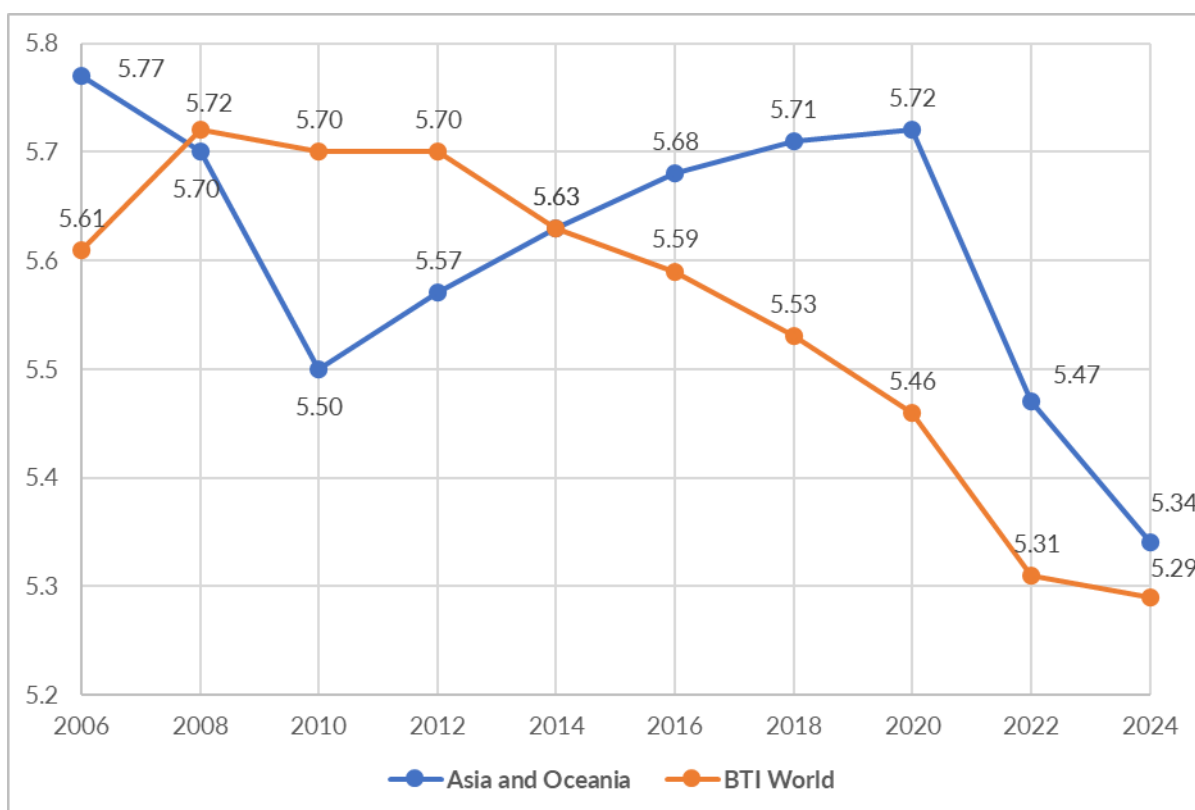


The cases cited here show a decline in democracy scores in almost all areas of political transformation (Fig. 2). The only criterion that has improved in almost all cases is statehood (with the exception of Myanmar). In most cases, this has been primarily due to improvements in the state’s monopoly on the use of force since 2014. But this is not necessarily good news. Strengthening the state’s monopoly on the use of force in the absence of democratic oversight enables those in power to wield these instruments against other actors in society to further their own authoritarian ambitions. In other words, in the course of their authoritarian hardening, these states are becoming both more assertive and more repressive.

Economic transformation

The COVID-19 pandemic has left a deep scar on economic transformation across Asia and Oceania. The overall positive development of the previous decade, which had run counter to the slow downward global trend, was clearly disrupted by the cessation of broad parts of public life, the shutdown of economic activities and the interruption of trade routes. While the region's average economic transformation score in the BTI 2020 was 5.72, this fell to 5.47 in the BTI 2022. As a whole, the region was not able to recover from this slump during the BTI 2024 observation period. Indeed, the contrary is true: The average regional score for economic transformation is now just 5.34 (see Figure 3). The monetary and fiscal stability criterion was hardest hit overall (-0.39). But sustainability, as it relates both to environmental and education policies, also suffered significant losses (-0.14).

Fig. 3: Economic transformation trend (BTI 2006 – 2024)



Once again, there are clear differences between the countries in the region. Singapore saw the greatest gains in its overall state of economic transformation, with an increase of 0.29 points. This is quite remarkable, as the city-state's economy was hit hard by the pandemic-related impediments to global trade. This was partially reflected in the fact that median household income fell by 69% in 2021, exacerbating the already problematic levels of inequality. Nevertheless, the city-state managed a rapid economic recovery, especially in comparison with its most direct rival, Hong Kong. While Singapore's economy contracted by 3.9% in 2020 due to the pandemic, the country returned to an annual GDP growth rate of 8.9% in 2021 (ADB 2023). According to the

BTI 2024 assessment, Papua New Guinea showed an overall improvement in its economic transformation status (+0.25). In the BTI 2022, by contrast, the country's decline in this area was among the region's greatest. The country's dependence on the global demand for raw materials, which was a disadvantage during the COVID-19 crisis, has today proved to be an advantage thanks to the recovery in demand and rising commodity prices. Papua New Guinea's economy was thus able to make up for the 3.2% contraction in GDP observed in 2020 with a 2022 growth rate of precisely the same magnitude (ADB 2023). However, this growth has done little to benefit the broader population, as can be seen from the fact that almost a quarter of Papua New Guinea's population is considered to be undernourished. In addition, the World Bank estimates that 85.7% of the population is affected by multidimensional poverty, as measured by the organization's Multidimensional Poverty Measure (World Bank 2020).¹

Myanmar showed the region's greatest economic transformation losses by far, with an overall decline of 1.32 points. The COVID-19 pandemic, the military coup, the prolonged civil resistance and the resurgence of ethnic violence all combined to exacerbate what were already problematic economic conditions. This was reflected in a 5.9% contraction in GDP in 2021. In consequence, the World Bank estimated that the proportion of the population living in poverty doubled to 40% in 2022. This meant that the developmental progress made between 2010 and 2020 was wiped out in just two years. However, Sri Lanka (-0.71) also recorded a sharp economic decline. The island state suffered a severe shortage of essential goods such as fuel, electricity, fertilizer, food and medicines. This led to nationwide mass protests in 2022, and ultimately to the resignation of the prime minister and the president. The country stumbled from the global pandemic crisis into a phase of severe internal instability. The economic recovery in 2021, which produced GDP growth of 3.5%, therefore represented only a brief interim high in between a decline of 4.6% in 2019 and a more serious slump of 7.8% in 2022 (ADB 2023). As a result, Sri Lanka – along with Timor-Leste – was one of the few countries in the region to record a decline in GDP per capita (-\$343) in 2022 as compared to the previous year.

Table 3 depicts economic performance scores, a key area of economic transformation, from the BTI 2020, the BTI 2022 and the BTI 2024. The comparison of economic performance after the COVID-19 crisis with performance before the pandemic's economic impact was reflected in the BTI's data is particularly meaningful. Basically, differences across the region have become greater. While the standard deviation for these scores in the BTI 2020 was 1.9, it has now risen to 2.3. Improvements in economic performance are evident only in Singapore and Taiwan, countries that have long displayed a high level of economic transformation. However, even stagnation at a high level, as seen in Vietnam, Indonesia and Bhutan, can be an impressive achievement. By contrast, 73% of the countries in the region show setbacks in economic performance compared to pre-crisis levels. China, South Korea, Cambodia and Malaysia all suffered declines from a high level, while India, Bangladesh and the Philippines experienced still sharper downturns. The remaining countries (41%) were at a low level of development even before the pandemic and have seen their economic performance decline further since. Myanmar brings up the rear here, but Sri Lanka and Laos also registered extremely sharp drops in their economic performance. Overall, no country at a low transformation level managed to show improvement in this criterion after the pandemic. Laos, for example, was exposed to the double shock of rising oil prices and the rapid decline in the value of its own currency (the kip), which led to an explosion in energy and

¹ This index evaluates the percentage of households in a country that are comprehensively disadvantaged in the areas of monetary poverty, education and basic infrastructure services.

consumer prices. At times, the country teetered on the brink of insolvency. In mid-2022, Prime Minister Phankham Viphavanh (in office since 2021) was forced to reshuffle his cabinet in order to bring the economic situation under control – by local standards, an almost dramatic measure for the regime.

Tab. 3: Economic performance

Country	Assessment	Comparison pre- vs post-Covid crisis	2024	2022	2020
Taiwan	Increase at high level	1	9	8	8
Singapore	Increase at high level	1	9	7	8
Vietnam	Stagnation at high level	0	9	9	9
Indonesia	Stagnation at high level	0	8	7	8
Bhutan	Stagnation at high level	0	7	7	7
North Korea	Stagnation at low level	0	1	1	1
China	Downturn at high level	-1	8	9	9
South Korea	Downturn at high level	-1	8	7	9
Cambodia	Downturn at high level	-1	7	7	8
Malaysia	Downturn at high level	-1	7	7	8
Nepal	Downturn at low level	-1	5	5	6
Thailand	Downturn at low level	-1	5	5	6
Papua New Guinea	Downturn at low level	-1	5	4	6
Afghanistan	Downturn at low level	-1	3	3	4
Timor-Leste	Downturn at low level	-1	3	3	4
India	Severe downturn at high level	-2	7	6	9
Bangladesh	Severe downturn at high level	-2	6	7	8
Philippines	Severe downturn at high level	-2	6	5	8
Pakistan	Severe downturn at low level	-2	3	4	5
Sri Lanka	Severe downturn at low level	-3	4	6	7
Laos	Severe downturn at low level	-3	4	5	7
Myanmar	Severe downturn at low level	-4	2	5	6

A comparison of developments in India and China, the region's two economic powerhouses, is also revealing. In terms of economic performance, as shown, India was unable to return to its pre-pandemic level (BTI 2020: 9 points), but did recover by one point as compared to its COVID-19-era slump (BTI 2022: 6, BTI 2024: 7). After suffering a 5.8% decline in GDP in 2020, India's economy grew by a quite respectable 9.1% in 2021. This trend continued in 2022 with an increase of 6.8%. This made India one of the fastest-growing economies in the world. However, the economic success is still translating into greater prosperity for the general population to only a limited extent. Inequality and poverty remain widespread and deeply rooted problems in the country. In 2021, the top 10% of the population controlled almost 65% of country's wealth, while the bottom 50% controlled just under 6% (WID 2023).

India's fundamentally positive economic development contrasts with that of China: While the country was initially able to maintain its high scores despite the effects of the COVID-19 crisis (BTI 2020: 9, BTI 2022: 9), it has since lost a point on the economic performance criterion, leaving it with eight points in the BTI 2024. The People's Republic was also able to grow economically in the crisis years of 2019 and 2020 (respectively with GDP growth rates of 6.1% and 2.1%). GDP even grew by 8.4% in 2021. However, this trend collapsed in 2022. In that year, China's economy grew by just 3.0% – a low figure compared to previous years, and insufficient given pressing national challenges such as youth unemployment, demographic change and rising inequality levels. This anemic growth rate was primarily due to the disastrous consequences of repeated pandemic-related lockdowns of public and economic life, leading to a cascade of nationwide protests in November 2022. These protests were also partially responsible for the high youth unemployment rate, which reached a record level of 19.9% in July 2022. China's relatively weak development compared to India's surprisingly strong recovery – despite the latter country's losses compared to pre-crisis levels – is also reflected in the overall view of economic transformation in these two countries. While India recorded a slight economic transformation gain of 0.11 points compared to the BTI 2022, China suffered a marked loss of 0.32 points in the BTI 2024.

Tab. 4: State of economic transformation

highly advanced Score 10 to 8	advanced Score < 8 to 7	limited Score < 7 to 5	very limited Score < 5 to 3	rudimentary Score < 3
Taiwan	Malaysia	China	Bangladesh ▼	Afghanistan
Singapore		Vietnam	Cambodia	Myanmar ▼
South Korea		Thailand	Nepal	North Korea
		Indonesia	Timor-Leste	
		Philippines	Papua New Guinea	
		Bhutan	Laos	
		India	Pakistan	
		Sri Lanka		

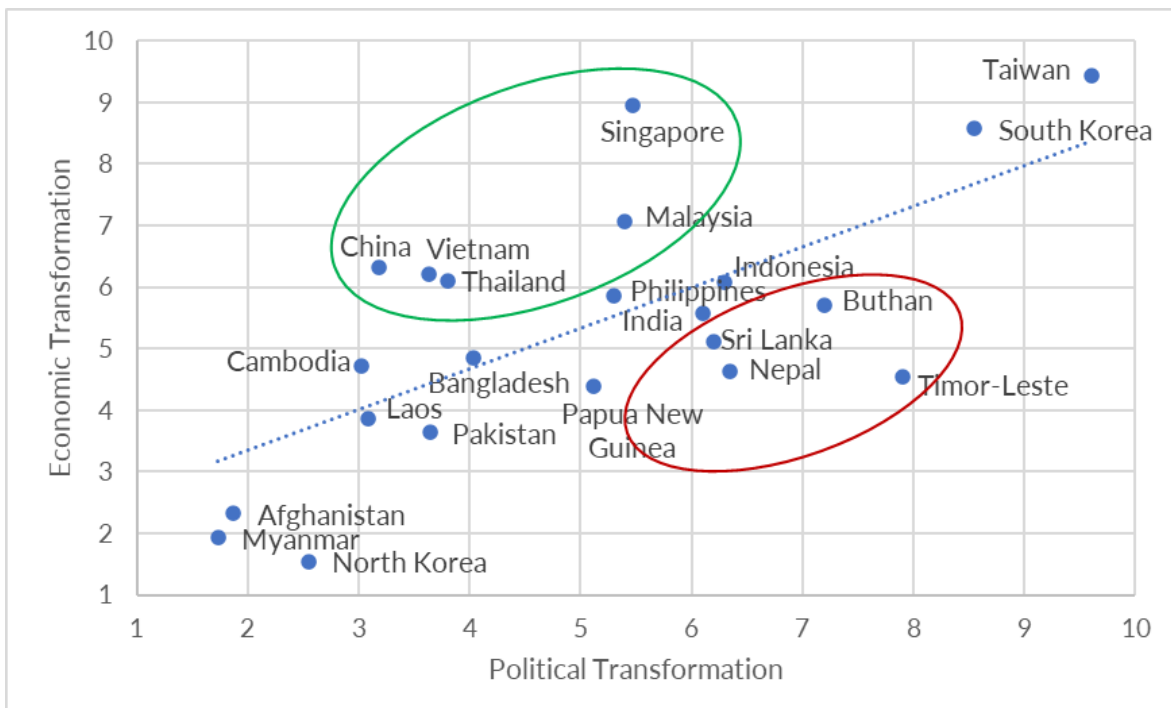
The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in economic transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

Table 4 once again looks at all 22 countries in the region. The great stability of the regional group compared to the BTI 2022 quickly becomes clear. Bangladesh and Myanmar are the only states to have changed categories. The former is now in the group of countries with very limited economic transformation, while the latter has slipped into the lowest category of countries, whose economic transformation can only be described as rudimentary.

There is a clear correlation between the state of economic and political transformation ($r = 0.69$). Figure 4 shows a comparison of the two dimensions. Here, the fundamentally close connection between political and economic development becomes apparent. Closed autocracies such as Afghanistan, Myanmar and North Korea have catastrophic economic records, while South Korea and Taiwan both represent the prototype of economically successful liberal democracies in the region. Countries such as Bangladesh, Cambodia, Laos and Pakistan, but also Indonesia and the Philippines, have levels of economic transformation that correspond closely to the level of political transformation of the regime in power. On the other hand, two groups of outliers stand

out. There are a number of authoritarian systems that also boast high levels of economic transformation. These include China, Singapore, Thailand and Vietnam. Borrowing from a recent study by Dan Slater and Joseph Wong (2022), these states can be described as “developmental autocracies.” In contrast, there are four countries that have achieved a relatively low degree of economic transformation relative to their (limited) level of democracy. Bhutan, Nepal, Sri Lanka and Timor-Leste do not perform well in this comparison. However, they have also had to deal with very challenging underlying conditions. All four countries are small landlocked or island states with weak infrastructure, unfavorable geographies and either no raw material resources worth mentioning (Bhutan, Nepal, Sri Lanka) or a strong dependence on natural resources (Timor-Leste). In Sri Lanka, the enormously costly civil war that lasted from 1983 to 2009 is an additional burden. Measured against these challenges, it can be said that these states’ democratic records are relatively good given their economic circumstances. However, this assessment must be qualified with regard to Sri Lanka. This country had comparatively favorable conditions at the time of its independence in 1948. However, those in power squandered these advantages with poor decisions based on an ethnonationalist ideology. In this respect, today’s poor governance continues what has been observed since the 1950s in a populist guise. Bhutan and Nepal, on the other hand, have shown growing political transformation gains that may also have an economic impact in the future.

Fig. 4: Political and economic transformation



Governance

Unsurprisingly, the negative dynamics of democratic and economic transformation are also reflected in the data on the quality of governance as it relates to transformation processes. The region's average score on the Governance Index in the BTI 2022 – that is, at the height of the COVID-19 pandemic – was 4.84, which already represented a slight deterioration compared to previous years. In the current edition, it has fallen further to just 4.65.

Tab. 5: Governance quality

very good	good	moderate	weak	failed
Score 10 to 7	Score < 7 to 5.6	Score < 5.6 to 4.3	Score < 4.3 to 3	Score < 3
Taiwan	Singapore	Indonesia	Laos	Myanmar ▼
	South Korea	Vietnam	Thailand	North Korea
	Bhutan	India	Bangladesh ▼	
	Timor-Leste	China	Pakistan	
		Papua New Guinea	Cambodia	
		Malaysia	Afghanistan	
		Sri Lanka		
		Nepal		
		Philippines		

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in the Governance Index. Arrows mark a change of category compared with the BTI 2022.

The BTI 2024 again confirms that Taiwan has very good transformation governance. The island even takes first place in the overall BTI 2024 rankings – even though the heightened tensions between Beijing and Taipei have been accompanied by an increase in polarization between the political camps, with the closely linked issues of national identity and relations between Taiwan and mainland China taking center stage. In another four countries, governance performance as a whole is deemed good (see Table 5). In this context, Singapore represents an exceptional example of good transformation governance. The People's Action Party, which has been in power since 1959, has shown no inclination to transform the soft despotism of its rule into a freer and more competitive political order based on a liberal democratic model. Nonetheless, the city-state occupies second place in the governance ranking for Asia and Oceania, and eighth place overall among the 137 BTI states. In terms of steering capability and the efficient use of resources, the authoritarian city-state is even at the top of the BTI rankings – either tied with or closely followed by Taiwan. The key weakness in the city-state's governance continues to be consensus-building, especially with regard to public consultation and the influence of anti-democratic or semi-loyal elites. It is striking that Bhutan and Timor-Leste, two other small countries that number among the top five in the region's governance rankings, also perform well in the overall ranking of 137 countries (12th and 30th place respectively).

The four democracies in the group of countries with good or very good governance also have in common the fact that anti-democratic actors have very little (Bhutan) or no (Timor-Leste, South Korea, Taiwan) significant influence on policymaking or policy implementation. In all four countries, both the relevant elites and ordinary citizens accord democratic institutions a high

level of recognition. Indeed, at both the attitudinal and behavioral level, the overall impression is that democracy is largely “the only game in town” (Przeworski). Nevertheless, following the change in South Korea’s government in 2022, there have been growing concerns that the conservative new President Yoon Suk-yeol might revert to old patterns. Specifically, some observers fear that, like his party colleague Park Geun-hye (president from 2013 to 2017), Yoon could be tempted to use the state and security apparatus to spy on and intimidate the liberal opposition and progressive forces in South Korean society under the pretext of combating pro-North Korean activities. Nevertheless, the outcome of the political crisis surrounding former President Park has demonstrated the high level of consolidation reached by South Korea’s democracy, despite all the conflicts and polarization.

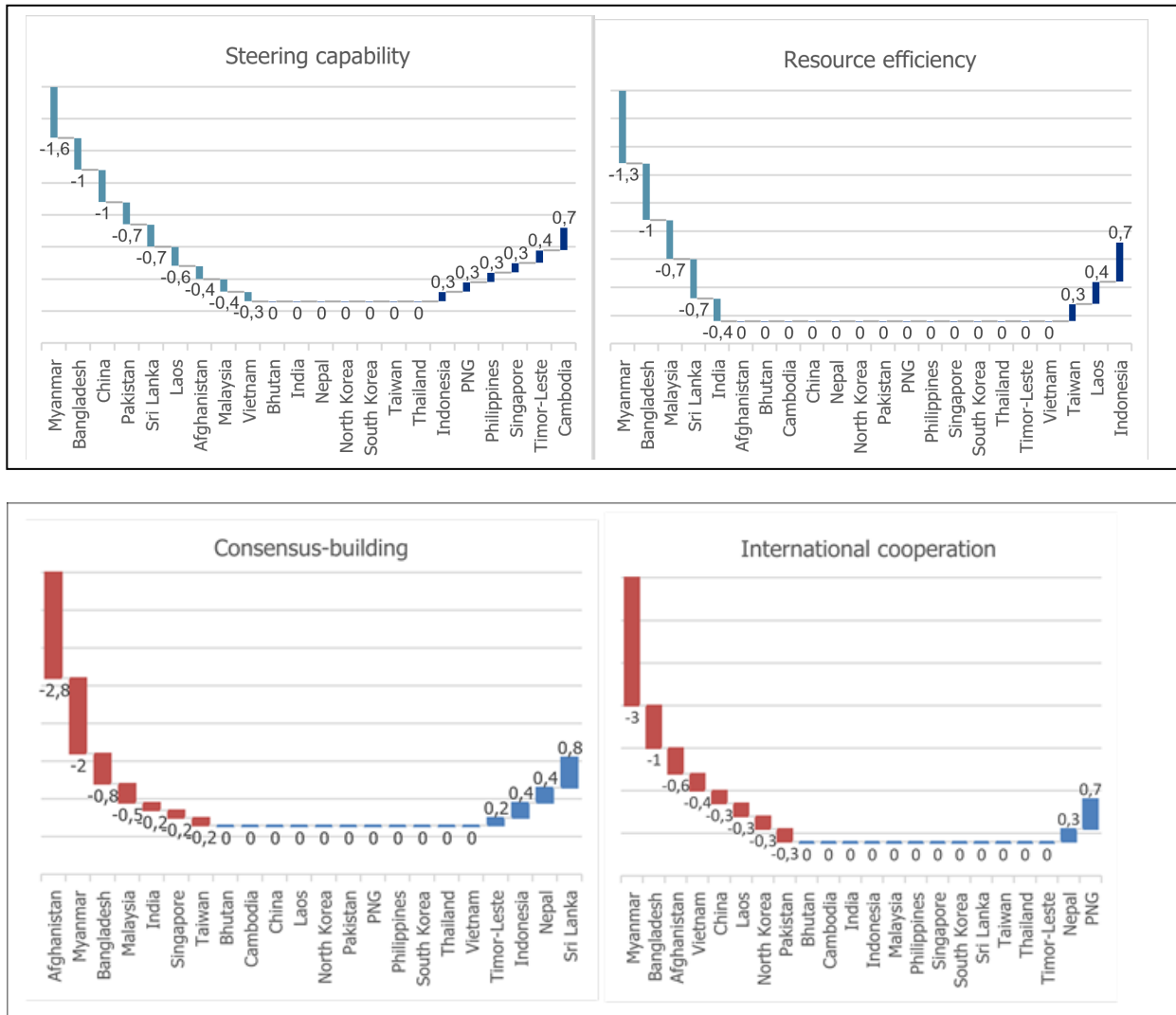
In nine states, including the three autocracies of China, Papua New Guinea and Vietnam, the overall quality of governance is moderate. In six others, it is weak. Among this latter group, the deterioration in governance performance in Bangladesh is particularly noteworthy. There, Prime Minister Sheikh Hasina Wazed’s Awami League government, which has been in office without interruption since 2009, has sought to legitimize its course by pointing to economic growth, rising incomes, infrastructure development and the fight against terrorism. However, in all these areas, it is increasingly facing a crisis of performance and rising complaints over resource distribution patterns. The government has not made the restoration of democratic practices, which existed here until 2007, a priority. Nor does there appear to be any willingness to engage in genuine dialogue with the political opposition or civil society organizations. The government’s lack of willingness to learn or cooperate in recent years, which is increasingly affecting relations with international organizations and foreign governments, gives little hope of a short-term reversal of this trend. Myanmar experienced an outright collapse in steering capability following the military coup in 2021. The country experts are more critical only of North Korea. As in previous years, Pyongyang brings up the region’s rear in the BTI 2024 due to its failed governance (Table 5).

Shifts within the individual governance categories are also important. For example, under President Joko Widodo (“Jokowi”), who has been in office since 2014, Indonesia regained some of its previously lost governance quality in the BTI 2024. Like Vietnam and India, the country is now ahead of China in terms of its government’s management of transformation processes. However, a direct comparison between India and China shows that shifts in the rankings do not always indicate an actual improvement in government performance. In both countries, respectively under strongmen Narendra Modi (prime minister since 2014) and Xi Jinping (regime leader since 2012), the quality of governance has been declining. However, this downward trend was even more pronounced in China than in India during the BTI 2024 review period, while in previous years China was able to make up ground against India. Nevertheless, this should not obscure the fact that the Indian prime minister’s authoritarian governance style is jeopardizing the long-standing foundations of India’s democratic institutions at the national level. By transforming the country’s secular democracy into a Hindu ethnocracy, the governing Bharatiya Janata Party risks squandering India’s greatest comparative advantage relative to China.

Across the region as a whole, international cooperation between states (-0.24), consensus-building capacities (-0.22) and policymakers’ steering capabilities (-0.20) have seen the greatest downward slides. None of these developments come as a surprise. The declining willingness to engage in international cooperation can be observed in Beijing’s tendency to pursue an increasingly confrontational course in geopolitical matters, a development viewed with concern by

many states in the region, as well as in the Myanmar military junta's deep isolation and the impact of that country's domestic crisis on relations within ASEAN. The Taliban's takeover in Afghanistan and the Bangladeshi government's declining credibility and diminishing reliability in the use of international support have also had a negative impact. These four states additionally showed the region's biggest slumps with regard to steering capability, anchoring a second negative trend in overall regional governance performance. Here, the Chinese government's COVID-19 policy in the late phase of the pandemic, which was driven by ideology and the interests of maintaining power; the Myanmar junta's brutal crackdown on any expression of discontent, criticism or support for the opposition; and the Kabul and Dhaka governments' total focus on maintaining power and asserting their rule all had particularly negative effects. Governance in these four countries is also characterized by decision-makers' unwillingness to engage in any genuine consensus-building process – although, thanks to China's already very low starting level in this criterion, this is visible primarily as a significant decline in the other three countries' scores. Neighbors Bangladesh and Myanmar also perform much worse in terms of resource efficiency than was the case in the BTI 2022. They share this development with India, Malaysia and Sri Lanka. Overall, Myanmar saw the region's sharpest drop in governance performance during the BTI 2024 review period (-1.91). Afghanistan's decline (-0.90) looks almost moderate by comparison. However, no observer should conclude from this that the Taliban might not be ruling so badly after all. The decline only appears less catastrophic because the governance of the regime overthrown by the Taliban in August 2021 was already woeful. This contrasted with the well-intentioned, albeit often unsuccessful government of Myanmar's State Counselor Aung San Suu Kyi before that country's coup on February 1, 2021.

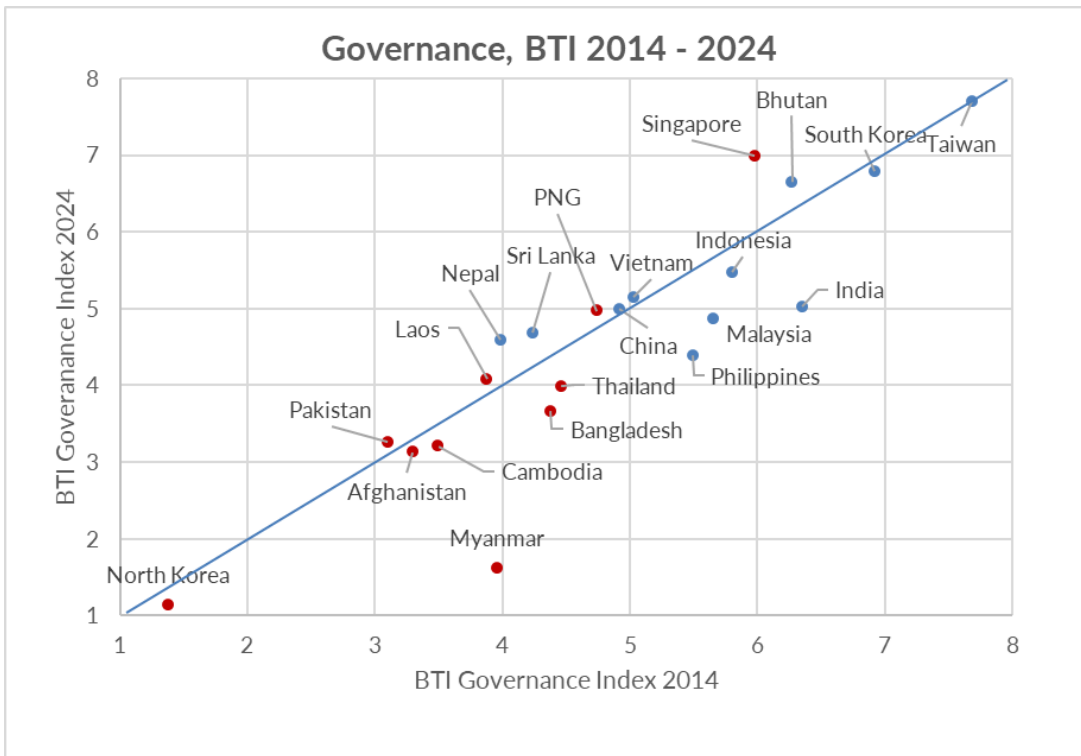
Fig. 5: Governance criteria in Asia and Oceania (BTI 2022 vs. BTI 2024)



However, the focus on negative examples should not obscure the region's positive trends and developments. These latter do exist, although they are rarer and less clear. Timor-Leste and Indonesia, respectively, showed improved governance performance in two and three out of the four criteria. Other countries also showed gains in specific areas. For example, despite the previously discussed shortcomings in political and economic transformation, as well as in the criterion of resource efficiency, policymaking elites in Sri Lanka showed significant improvement with respect to consensus-building. Papua New Guinea's government showed better steering capability and international cooperation, while Nepal improved in its consensus-building and its international cooperation (Fig. 5).

Once again, it is worth taking a final look at the development of governance performance in the region over the last 10 years. The countries that were deemed to have good or very good governance quality in the BTI 2014 still display successful policy management and the ability to shape transformation processes 10 years later. By contrast, the countries identified in the first two sections of this regional report as embracing autocratization or whose economic transformation is (very) limited, are often those countries in which the quality of governance has deteriorated significantly over time.

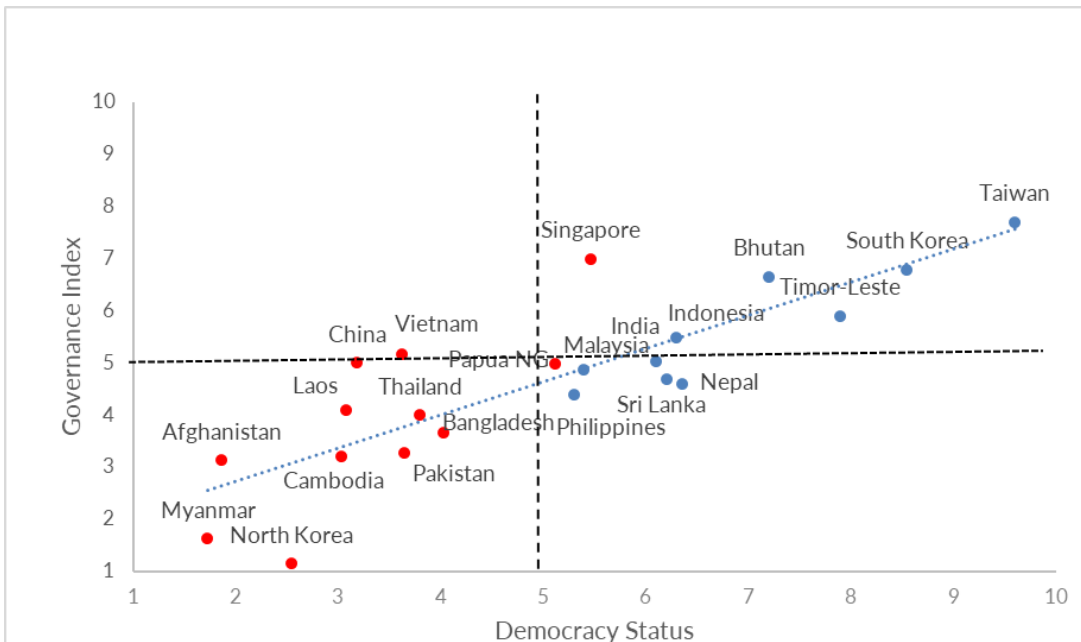
Fig. 6: Development of governance quality over time



Note: Excluding Timor-Leste.

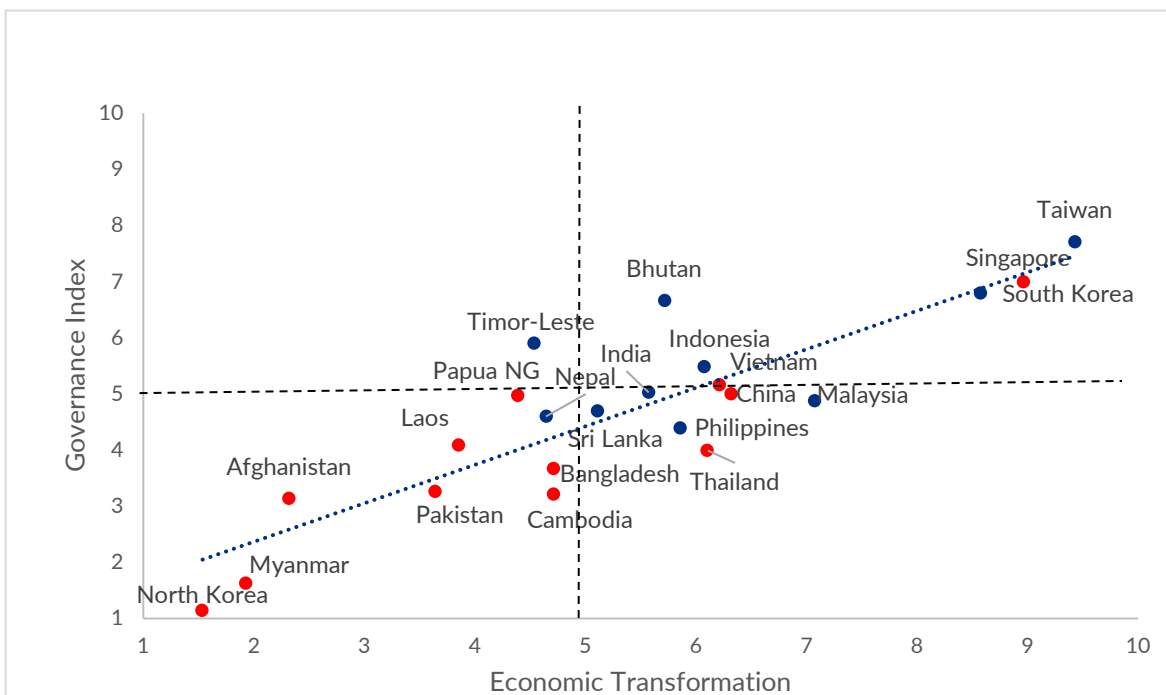
At least for this region’s 22 countries, this points to a clear connection between governance quality and transformation performance in the two dimensions of the BTI’s Status Index. Political transformation scores and Governance Index scores show a clear correlation ($r = 0.70$). With the exception of the very moderate autocracy in Singapore, countries whose political decision-makers are not democratically legitimized, and whose political and socioeconomic transformation processes are subject to no or only weak democratic incentive mechanisms and rule-of-law-based oversight, score clearly lower than countries with better-developed democratic structures.

Fig. 7: Governance and political transformation, BTI 2024



A comparison of governance and the state of economic transformation offers a similar picture. The correlation between these two dimensions is strong ($r = 0.75$). To be sure, authoritarian states such as China, Thailand and Vietnam score considerably higher than the majority of (defective) democracies in Asia and Oceania. Again, however, Singapore is the only nondemocracy that also performs strongly with regard to the combination of governance and socioeconomic transformation. Yet the real dividing line here is not between democracies and dictatorships, but between the three successful developmental states of the 1950s to the 1980s (Singapore, Taiwan and South Korea), three very poorly governed and very weak economies (Afghanistan, Myanmar, North Korea), and a large group of more or less repressive autocracies and more or less defective democracies that all show rather middling levels of governance and economic transformation.

Fig. 8: Governance and economic transformation, BTI 2024



Outlook

The COVID-19 pandemic continued to be the dominant theme during the first year of the BTI 2024 review period. However, as the pandemic subsided, and virus-control measures were lifted or expired in the course of 2022, the subsequent economic recovery proved more limited than many had hoped. This was largely due to the political and economic upheaval caused by the war in Ukraine, which was felt in this region as well as others. India and China managed to negotiate special contracts giving them access to cheap energy from Russia. But given that many of the region's economies are strongly oriented toward Western export markets, the economic slowdown in Europe, rising inflation (particularly with regard to food prices), and in some cases issues of food insecurity represent a considerable threat to the economies of Asia and Oceania. However, it should also be emphasized that India has definitely been one of the beneficiaries of the Ukraine war, as it processes Russian crude oil and exports it to Europe. This has allowed Russia to at least partially circumvent the EU embargo. While a small number of countries in the region have positioned themselves very clearly against the Russian war of aggression (Taiwan, South Korea, the Philippines, Timor-Leste, Singapore), the vast majority of countries have been careful to avoid taking sides (e.g., India, Indonesia, Thailand). Members of a small but important group of countries have even sought to convey that they remain Russia's ideological or economic partners (Laos, Vietnam, North Korea, Myanmar and especially the People's Republic of China). In general, most governments in the region seem to perceive the war as a European problem that nonetheless has implications for Asia – the most important of these certainly being that the Pax Americana is increasingly crumbling in Asia and Oceania as well.

As in previous years, the current transformation report offers few grounds for optimism. The overall negative trends with regard to democratic and economic transformation in the region have continued unabated. Some improvements do stand out from this overall tendency, such as the substantial gains in Nepal. But these too must be viewed realistically. Like Sri Lanka, this country has recovered from the authoritarian setbacks of the 2010s. However, given the political instability and democratic volatility that have persisted in Nepal (and Sri Lanka) for more than two decades, any conclusions about democratic transformation must remain preliminary at best.

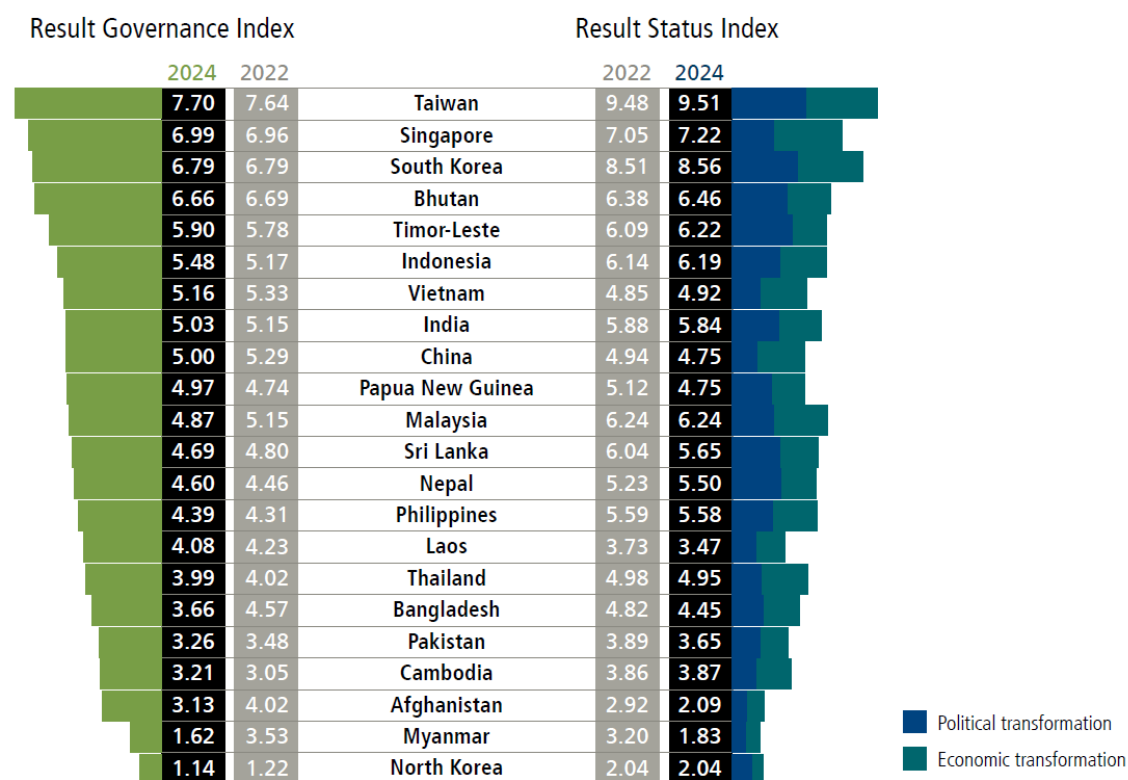
The weakening of existing democratic freedoms, rights, processes and institutions by actors at the center of political power structures (“endogenous” autocratization) continues to be the predominant form of “authoritarian transformation” in Asia and Oceania. In this respect, this region is similar to most others around the world. Nevertheless, it is striking that the military coup in Myanmar and the Taliban's victory in the Afghan civil war have again given substantial significance to older forms of “external” autocratization that were dominant during the Cold War. In this respect, the region differs greatly from Latin America and the Caribbean, East-Central and Southeast Europe, and post-Soviet Eurasia, while showing some similarities to the Middle East and sub-Saharan Africa, particularly West Africa and Central Africa.

A series of developments will be of particular importance for the future. They should thus be observed particularly closely. First, there is the question of the future of Indian democracy. A slide by the subcontinent into electoral autocracy would undoubtedly be a serious setback, not only for India itself, but also for democracy in Asia as a whole. However, while the current trend is undoubtedly moving in the direction of ethnocracy, the resilience of the democratic system

should not be underestimated. Indian democracy has shown functional weaknesses and very significant social and spatial disparities since the state's founding. This has meant some population groups have been unable to make use of democratic rights and freedoms as effectively as others. Today, this is true in reverse – that is, the ongoing autocratization of federally organized India is not transforming all regions and individual states to the same extent. Instead, it is affecting different population groups in different ways, and is having particular impact on certain specific facets of the democratic rule of law while leaving others (almost) untouched. This is shown, for example, by the fact that the integrity of (national) elections remains comparatively robust.

Second, it will be necessary to observe how the democratic borderline cases and hardening autocracies develop over the coming years. For example, it is by no means clear whether the Rajapaksa clan's flight from the mass Sri Lankan protests in 2022 represents a change for the better, or has simply prolonged "Sri Lanka's agony" (DeVotta 2022). In Thailand, voters sent a clear signal in favor of democratic and constitutional reforms in the May 2023 elections. However, the military and monarchy's representatives in the political system have as yet refused to give in to this pressure. This increases the risk of protest and repression, and even of a new coup. Overall, the democratic borderline cases and hardening autocracies together comprise almost half the region's countries. It is in this group that substantial short-term changes toward more or less democracy are most likely to occur.

Third, there is the question of China's future development. Chinese modernization in the post-1978 period was defined by several key elements, including the institutionalization of term limits; a predictable succession plan; mechanisms of collective decision-making; and structures creating a decentralized and experimental – albeit authoritarian – "developmental state." By contrast, the current trend is toward the introduction of lifelong leadership; the personalization and centralization of leadership structures and decision-making powers; and the re-ideologization of society, politics and the economy. The advantages and disadvantages of such a systemic change can plainly be seen in the successes and failures of Chinese governance across the different phases of the pandemic. It is now quite clear that the causes of the country's current economic problems can be located in these political shifts. Restoring the confidence of local and international companies will require the introduction or strengthening of effective mechanisms to protect companies and private property, as well as a retreat from the favoritism that has been increasingly shown toward state-owned companies since the pandemic. If the party clings to the policy agenda promoted by President Xi Jinping, who in recent years has reversed many of the measures that made the economic development of the last four decades possible, it will be difficult to regain the country's lost momentum.



Another important development concerns the tensions between China and the United States, which are making it difficult to resolve a large number of problems worldwide and particularly within the Pacific arena. The future may well see a fierce military rivalry develop between these countries alongside their political competition. Although the strategic rivalry between the two powers is in general a key feature of current international relations today, these tensions are felt nowhere more directly or sharply than in Asia and Oceania. This is an increasingly challenging situation for the other countries in the region, regardless of their relationship with China. Governments are feeling growing pressure to position themselves politically, even if they would rather avoid direct confrontation. Moreover, the situation is forcing decision-makers to reconsider economic dependencies on both China and the West, with potentially far-reaching consequences for their nations' future development strategies. For countries such as India, Indonesia, the Philippines, Taiwan and Vietnam, China's rise in influence and power presents both opportunities and strategic challenges, and in some cases even dangers. For autocratic governments in states such as Cambodia, Laos and Myanmar, it primarily offers political and economic options that can be used to evade the West's pressure for political reforms. Examples such as Pakistan and Sri Lanka show that the major collaborations promoted by China as part of the Belt and Road Initiative and its various sub-initiatives harbor major risks as well as opportunities. Decision-makers in Vientiane, Phnom Penh and Naypyidaw are probably also well aware that too much dependence on a China, which is acting increasingly aggressively beyond its own borders, could ultimately restrict their own future policy flexibility. The strongly nationalist party cadres in Laos and the generals in Myanmar are unlikely to see this as being any more appealing than dependence on Western support.

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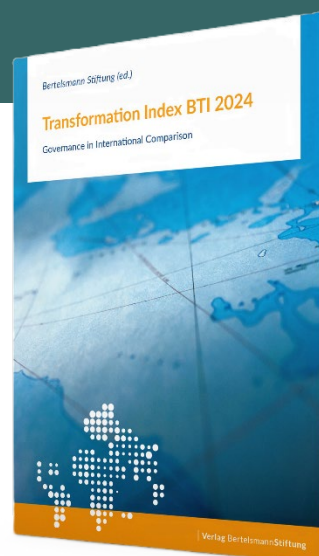
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