

T.C
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İKTİSAT ANABİLİM DALI
ULUSLARARASI İKTİSAT BİLİMDALI

**KALKINMAYA YÖNELİK DEVLETİ POLİTİKALARININ SEÇİLMİŞ ÜLKE
ÖRNEKLERİYLE ANALİZİ**

Yüksek Lisans Tezi

ANWAR SEMAN KEDİR

İSTANBUL, 2019

T.C
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İKTİSAT ANABİLİM DALI
ULUSLARARASI İKTİSAT BİLİMDALI

KALKINMAYA YÖNELİK DEVLETİ POLİTİKALARININ SEÇİLMİŞ ÜLKE ÖRNEKLERİYLE ANALİZİ

Yüksek Lisans Tezi

ANWAR SEMAN KEDİR

Danışman: Dr. Öğr. Üy. ERDEM TURGAN

İSTANBUL, 2019



T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

TEZ ONAY BELGESİ

İKTİSAT Anabilim Dalı ULUSLARARASI İKTİSAT Bilim Dalı TEZLİ YÜKSEK LİSANS öğrencisi ANWAR SEMAN KEDİR'nin KALKINMAYA YÖNELİK DEVLET POLİTİKALARININ SEÇİLMİŞ ÜLKE ÖRNEKLERİYLE ANALİZİ adlı tez çalışması, Enstitümüz Yönetim Kurulunun 8.08.2019 tarih ve 2019-25/6 sayılı kararıyla oluşturulan jüri tarafından oy birliği / oy çokluğu ile Yüksek Lisans Tezi olarak kabul edilmiştir.

Tez Savunma Tarihi 12/11/2019.....

Öğretim Üyesi Adı Soyadı

İmzası

1.	Tez Danışmanı	Dr. Öğr. Üyesi ERDEM TURGAN	
2.	Jüri Üyesi	Prof. Dr. NURDAN ASLAN	
3.	Jüri Üyesi	Dr. Öğr. Üyesi EKREM ERDİNÇ GÜLBAŞ	

GENEL BİLGİLER

İsim ve Soyadı : Anwar Seman KEDİR
Anabilim Dalı : İktisat
Programı : Uluslararası İktisat
Tez Danışmanı : Dr. Öğr. Üy. Erdem Turgan
Tez Türü ve Tarihi : Yüksek Lisans – Ağustos 2019
Anahtar Kelimeler : Kalkınma, kalkınmacı devlet, devlet müdahalesi, Asya Mucizesi, devlet, Japonya, Güney Kore, Mauritius ve Etiyopya

ÖZET

KALKINMA YÖNELİK DEVLETİ POLİTİKALARININ SEÇİLMİŞ ÜLKE ÖRNEKLERİYLE ANALİZİ

Kalkınmacı devlet anlayışı, teorik bir zemin oluşturmamasının yanı sıra özellikle Doğu ve Güney Asya'daki bazı ülkelerin spesifik bir zaman dilimindeki ekonomi politikası üzerine açıklamalar getirmektedir. Teorik inşaa açısından, kalkınmacı devletlerin ana fikri, devletin kalkınma süreçlerinde önemli bir rol oynaması ve ekonomiye devlet müdahalesinin iktisadi büyümeyi desteklemesidir. Bu nedenle, ekonomik kalkınma konusunda piyasaya dayalı reform ve minimal devlet önermeleri olan neo-liberal anlayışa karşıdır. Kalkınmacı devletler, kalkınma ekonomisinde var olan neo-klasik fikir birliğine karşı bir alternatif olarak ortaya çıkmıştır. Yaygın iktisadi modellerin bu tür unsurlarına sahip olmadan ve kurumsal yapının engellerine maruz kalmadan, kalkınmacı devletler, dünya genelinde etkileyici bir şekilde büyüme rekoru kırmışlardır. Bu çalışma, seçili dört ülke olan Japonya, Güney Kore, Mauritius ve Etiyopya'nın kalkınmacı devlet yolunda ne gibi mesafe katettiklerini keşfetmeyi amaçlamaktadır. Bu çalışmanın araştırma sorunsalına, ağırlıklı olarak araştırma metodolojisinin nitel analizi ile yaklaşılmıştır. Tez, buna ek olarak, çalışmada incelenen dört ülkenin başarısını vurgulayan ekonomik ve sosyal göstergelere ilişkin nicel olarak desteklenmiş ampirik verilere sahiptir.

Dr. Öğr. Üy. Erdem Turgan
[Signature]

GENEL BİLGİLER

İsim ve Soyadı	: Anwar Seman KEDİR
Anabilim Dalı	: İktisat
Programı	: Uluslararası İktisat
Tez Danışmanı	: Dr. Öğr. Üy. Erdem Turgan
Tez Türü ve Tarihi	: Yüksek Lisans – Ağustos 2019
Anahtar Kelimeler	: Kalkınma, kalkınmacı devlet, devlet müdahalesi, Asya Mucizesi, devlet, Japonya, Güney Kore, Mauritius ve Etiyopya

ÖZET

KALKINMAYA YÖNELİK DEVLETİ POLİTİKALARININ SEÇİLMİŞ ÜLKE ÖRNEKLERİYLE ANALİZİ

Kalkınmacı devlet anlayışı, teorik bir zemin oluşturmasının yanı sıra özellikle Doğu ve Güney Asya'daki bazı ülkelerin spesifik bir zaman dilimindeki ekonomi politikası üzerine açıklamalar getirmektedir. Teorik inşaa açısından, kalkınmacı devletlerin ana fikri, devletin kalkınma süreçlerinde önemli bir rol oynaması ve ekonomiye devlet müdahalesinin iktisadi büyümeyi desteklemesidir. Bu nedenle, ekonomik kalkınma konusunda piyasaya dayalı reform ve minimal devlet önermeleri olan neo-liberal anlayışa karşıdır. Kalkınmacı devletler, kalkınma ekonomisinde var olan neo-klasik fikir birliğine karşı bir alternatif olarak ortaya çıkmıştır. Yaygın iktisadi modellerin bu tür unsurlarına sahip olmadan ve kurumsal yapının engellerine maruz kalmadan, kalkınmacı devletler, dünya genelinde etkileyici bir şekilde büyüme rekoru kırmışlardır. Bu çalışma, seçili dört ülke olan Japonya, Güney Kore, Mauritius ve Etiyopya'nın kalkınmacı devlet yolunda ne gibi mesafe katettiklerini keşfetmeyi amaçlamaktadır. Bu çalışmanın araştırma sorunsalına, ağırlıklı olarak araştırma metodolojisinin nitel analizi ile yaklaşmıştır. Tez, buna ek olarak, çalışmada incelenen dört ülkenin başarısını vurgulayan ekonomik ve sosyal göstergelere ilişkin nicel olarak desteklenmiş ampirik verilere sahiptir.

GENERAL KNOWLEDGE

Name and Surname : Anwar Seman KEDIR
Field : Economics
Program : International Economics
Supervisor : Dr. Öğr. Üy. Erdem Turgan
Degree Awarded and Date : Master – August 2019
Keywords : Development, developmental states, state intervention, Asian Miracles, State, Japan, South Korea, Mauritius and Ethiopia

THE ABSTRACT

THE POLITICS OF DEVELOPMENTAL STATES: ANALYSIS BY SELECTED COUNTRIES

The concept of developmental state represents both the theoretical construction and the description given for the political economy of some countries especially in Eastern and Southern Asia within a specific period of time. In terms of theoretical construction, the central idea of developmental states is that state plays an important role in development processes, and state intervention in the economy leads to economic growth. Therefore, it is against the neoliberal understanding of economic development which is based on market oriented reforms and minimal state role in the economy. However, developmental state emerged as an alternative to an existing neoclassical consensus in development economics. And without having such elements of prevailing economic models and facing impediment from such institutions, developmental states in the world have registered an impressive economic growth records. This thesis aims to explore the developmental state trajectories of four selected countries namely; Japan, South Korea, Mauritius and Ethiopia. The research questions of this work are well approached by qualitative analysis of research methodology. The thesis has the additional merit of being quantitatively backed by empirical data on economic and social indicators that underscores the successes of four countries analyzed in this study.

ÖNSÖZ

Bu çalışma boyunca büyük bir özveri ile yardımcı olan değerli hocam Dr. Öğr. Üy. Erdem Turgan başta olmak üzere yüksek lisans eğitimim boyunca hocalarıma, sınıf arkadaşlarıma ve aileme sonsuz teşekkürlerimi iletirim.

İstanbul, 2019

Anwar Seman KEDİR



İÇİNDEKİLER

	Page No.
LIST of TABLES	iv
LIST of FIGURES	v
ABBREVIATIONS	viii
1. INTRODUCTION	1
1.1 Background of the Study	1
1.2 Justification	3
1.3 Objectives of the Study	5
1.4 Research Questions and Methodology	5
1.5 Scope of the Study	6
1.6 Organization of the study	6
2. THEORETICAL APPROACH.....	8
2.1 The Concept of Development	8
2.2 State	9
2.3 Developmental State	11
2.4 Types of Developmental States	12
2.5 Developmental VS. Regulatory State	14
2.6 Features of Developmental States	15
2.6.1 Capable, Embedded and Autonomous Bureaucracies.....	16
2.6.2 Interdependent States-businesses Relationship	17
2.6.3 National Developmental Planning	17
2.6.4 Use of Industrial Policy, Education Policy and Agricultural Policies.....	18
2.6.5 Developmental Political Settlement.....	19
2.7 The Politics of Development	20
2.7.1 Politics	20
2.8 Theories of Developmental States and State Interventionism	22
2.9 Reconceptualising Development and Development State	24
2.9.1 Reconceptualising Development	24
2.9.2 Reconceptualising Developmental State	25
3. DEVELOPMENTAL STATES IN EAST ASIA.....	27
3.1 Developmental State in Japan	27
3.1.1 State Formation in Japan	27
3.1.2 Political System Reforms and Practice of Government in Japan	30
3.1.3 The Rise of Developmental State in Japan	32

3.1.4 Elements of Developmental State in Japan	33
3.1.4.1 Embedded Autonomy	33
3.1.4.2 Industrial Policy	34
3.1.5. Factors for Industrial Transformation.....	37
3.1.5.1 General Factors.....	37
3.1.5.2 New Policy Tools	38
3.1.6 The Result	42
3.2 Developmental States in Korea	48
3.2.1 State formation in Korea	48
3.2.2 Post Independence Developmental State Structure.....	49
3.2.3 The Japanese Legacy	51
3.2.3.1 Economic Integration with Japan.....	53
3.2.4 Conducive International Environment	54
3.2.5 Park Regime State-led Capitalist Development	56
3.2.6 State and Business Symbiotic Relationship.....	58
3.2.7 Political Repression in Developmental Trajectory of Korea.....	61
3.2.8 The Result.....	63
4. DEVELOPMENTAL STATES IN AFRICA	68
4.1 State Led Development in Africa.....	68
4.2 The Introduction of SAPs and the Washington Consensus.....	69
4.3 The Revival of State-led Development in Africa	69
4.4 Debates on Transferability of Developmental States to Africa	70
4.4.1 The Impossibility Theorem.....	72
4.4.1.1 Changed Global Economic Environment	73
4.4.1.2 The Generic Problematic Nature of the Transfer of Institutions	74
4.4.1.3 Historical Factors	75
4.4.1.4 State Capacity and Developmental Commitment.....	77
4.5 Developmental States in Mauritius.....	79
4.5.1 A Brief History.....	79
4.5.2 Mauritius Success	80
4.5.2.1 Export Processing Zone and Heterodox Trade Strategy	80
4.5.2.2 Adapting to External Shocks	81
4.5.2.3 Good Institutions.....	82
4.5.2.4 Preferential Free Trade, Openness and FDI	83
4.5.2.5 A Strategy of Nation Building and Welfare Provision.....	84
4.5.3 The Result.....	85
4.6 The Ethiopian Developmental State.....	90

4.6.1 State Formation in Ethiopia.....	90
4.6.2 Ethiopian Modernization Effort.....	91
4.6.3 The Developmental Agenda of Meles Zenawi.....	92
4.6.4 The Birth of Developmental State and Search for Capital	94
4.6.5 The State–Private Interaction	98
4.6.6 The Political Bases of Development	99
4.6.7 The Result.....	100
5. CONCLUSION	105
REFERENCES.....	108
Appendixes	115



LIST of TABLES

	Page No.
Table 1.....	43
Japan Population, GDP, GDP per Capita Indicators.....	43
Table 2.....	63
Korea, Rep. Population, GDP, GDP per Capita Indicators.....	63
Table 3.....	78
Index of state weakness in selected African states	78
Table 4.....	83
Index of governance, rule of law and human development in top performing African states.....	83
Table 5.....	85
Mauritius Population, GDP, GDP per Capita Indicators	85
Table 6.....	101
Ethiopia Population, GDP, GDP per Capita Indicators.....	101

LIST of FIGURES

	Page No.
Figure 1. Japan Periodical Growth Rates (annual %)	44
Figure 2. Japan Periodical Unemployment Rates (annual %)	45
Figure 3. Japan Periodical Average Inflation Rates (annual %)	45
Figure 4. Japan Human Development Index (by years).....	46
Figure 5. Japan Human Development Index Components (by years)	47
Figure 6. Korea, Rep. Periodical Growth Rates (Annual %)	64
Figure 7. Korea, Rep. Periodical Unemployment Rates (annual %)	65
Figure 8. Korea, Rep. Periodical Average Inflation Rates (annual %)	65
Figure 9. Korea, Rep. Human Development Index (by years).....	66
Figure 10. Korea, Rep. Human Development Index Components (by years)	67
Figure 11. Mauritius Periodical Growth Rates (annual %)	86
Figure 12. Mauritius Periodical Unemployment Rates (annual %).....	87
Figure 13. Mauritius Periodical Average Inflation Rates (annual %).....	87
Figure 14. Mauritius Human Development Index (by years)	88
Figure 15. Mauritius Human Development Index Components (by years)	89
Figure 16. Ethiopia Periodical Growth Rates (annual %).....	101
Figure 17. Ethiopia Periodical Unemployment Rates (annual %)	102
Figure 18. Ethiopia Periodical Average Inflation Rates (annual %)	103
Figure 19. Ethiopia Human Development Index (by years)	104
Figure 20. Ethiopia Human Development Index Components (by years).....	104
Figure 21. Japan Periodical Government Net Lending/Borrowing/GDP (annual %)...	115
Figure 22. Japan Public Debt/ GDP (annual %).....	116
Figure 23. Japan Current Account Balance/GDP (annual %)	117
Figure 24. Japan Export, Import and Trade Balance 1950-1959 (Billion Dollars)	117
Figure 25. Japan Export, Import and Trade Balance 1960-1969 (billion dollars).....	118
Figure 26. Japan Export, Import and Trade Balance 1970-1979 (billion dollars).....	118
Figure 27. Japan Export, Import and Trade Balance 1980-1989 (billion dollars).....	119
Figure 28. Japan Export, Import and Trade Balance 1990-1999 (billion dollars).....	119

Figure 29. Japan Export, Import and Trade Balance 2000-2018 (billion dollars).....	120
Figure 30. Japan Government Expenditure/GDP (annual %)	120
Figure 31. Japan Foreign Direct Investments Net Inflows/GDP (annual %).....	121
Figure 32. Korea, Rep. Periodical Government Net Lending/Borrowing/GDP (annual %).....	122
Figure 33. Korea, Rep. Public Debt/ GDP (annual %).....	122
Figure 34. Korea, Rep. Periodical Current Account Balance/GDP (annual %).....	123
Figure 35. Korea, Rep. Export, Import and Trade Balance 1960-1969 (billion dollars)	123
Figure 36. Korea, Rep. Export, Import and Trade Balance 1970-1979 (billion dollars)	124
Figure 37. Korea, Rep. Export, Import and Trade Balance 1980-1989 (billion dollars)	124
Figure 38. Korea, Rep. Export, Import and Trade Balance 1990-1999 (billion dollars)	125
Figure 39. Korea, Rep. Export, Import and Trade Balance 2000-2018 (billion dollars)	125
Figure 40. Korea, Rep. Government Expenditure/GDP (annual %).....	126
Figure 41. Korea, Rep. Foreign Direct Investments Net Inflows/GDP (annual %)	126
Figure 42. Mauritius Periodical Government Net Lending/Borrowing/GDP (annual %)	127
Figure 43. Mauritius Public Debt/ GDP (annual %)	127
Figure 44. Mauritius Periodical Current Account Balance/GDP (annual %).....	128
Figure 45. Mauritius Export, Import and Trade Balance 1990-2018 (billion dollars)...	128
Figure 46. Mauritius Government Expenditure/GDP (annual %)	129
Figure 47. Mauritius Foreign Direct Investments Net Inflows/GDP (annual %).....	129
Figure 48. Ethiopia Periodical Government Net Lending/Borrowing/GDP (annual %)	130
Figure 49. Ethiopia Public Debt/ GDP (annual %).....	130
Figure 50. Ethiopia Periodical Current Account Balance/GDP (annual %)	131
Figure 51. Ethiopia Export, Import and Trade Balance 1990-1999 (billion dollars)	131

Figure 52. Ethiopia Export, Import and Trade Balance 2000-2009 (billion dollars)	132
Figure 53. Ethiopia Export, Import and Trade Balance 2010-2018 (billion dollars)	132
Figure 54. Ethiopia Government Expenditure/GDP (annual %).....	133
Figure 56. Ethiopia Foreign Direct Investments Net Inflows/GDP (annual %)	133
Figure 58. Ethiopia Human Development Index Components (by years).....	134
Figure 59. Ethiopia Gross national income (GNI) per capita (2011 PPP\$) (HDI Component) (by years)	134



ABBREVIATIONS

ADLI	Agricultural Development Led Industrialization (Ethiopia)
CPIK	Committee in Preparation for Korean Independence (Korea)
ECA	Economic Commission of Africa
EPRDF	Ethiopian People Revolutionary Democratic Front (Ethiopia)
EPZ	Export Processing Zone (Mauritius)
FDI	Foreign Direct Investment
GDP	Gross Domestic Products
GERD	Grand Ethiopian Renaissance Dam (Ethiopia)
HDI	Human Development Index
IMF	International Monetary Fund
JDB	Japan Development Bank (Japan)
KCP	Korea Communist Party (Korea)
KDR	Korea Democratic Republic (Korea)
KPR	Korea People Republic (Korea)
KR	Korean"s People Republic (Korea)
MFA	Multi Fiber Agreement
MITI	Ministry of International Trade and Industry (Japan)
RFB	Reconversion Finance Bank (Japan)
SAP	Structural Adjustment Program
TPLF	Tigray People Liberation Front (Ethiopia)
Trans.	Translated
UN	United Nation
WB	World Bank
WWII	World War Second

1. INTRODUCTION

1.1 Background of the Study

In the era where the neoliberal political economy discourse was dominant and minimal role of state was considered the only right approach, ten countries from the global south, registered an impressive growth records in a year between 1960 and 1995; these high performing Asian Economies grew faster than any other country in the world. These countries includes Japan, three countries from South East Asia (Indonesia, Malaysia and Thailand), and the four tigers (South Korea, Hong Kong, Taiwan and Singapore), and some includes China and Vietnam to the list. The economy of this countries doubled on average of ten years which is miracle compared to seventy years in West Europe and North America. Such remarkable growth referred as “Asian miracle” in the academic discussion and, it has captured wide spread interest from policy makers and scholars.

The eight high performing Asian economies plus China and Vietnam have little in common except their geographic proximity; some of them are endowed with natural resource (Indonesia and Malaysia) while others have scant natural resource (Singapore, South Korea), some of them are big in terms of size population (China, Indonesia), some like Indonesia are culturally heterogeneous while Japan, Thailand and Taiwan are relatively homogenous. However, all of these countries achieved significant growth between 1960 and 1995 that made them to be explored by scholars extensively. Since then academicians are interested on how these countries attain such spectacular growth records. And most of the finding showed state’s important role in development process – developmental states as underpinning factor. The state role in development process includes; active role in planning and executing of development strategies instead of relying only on market forces, engaging in strategic public investments to complement the private sector and providing incentives and subsidies to the private sectors that engaged in strategically targeted industries and sectors.

Developmental states are types of states which are able to yield developmental outcome; primarily economic growth mainly by state role. And the increased in economic growth has to have legitimacy by improving standards of life and reducing poverty. Such kind of states can be democratic or authoritarian, or have different political system. Historically, Netherland is known to be the first developmental state that emerged in sixteen centuries, and then Britain and Germany follow the same strategy respectively. However, the broader exploration of the concept began on an analysis of successful state-led industrialization strategies of Asian Miracles.

The developmental state model was pioneered by Japan and emulated first in South Korea then into other regions of East and South East Asia countries respectively within varying degree of success and forms. The concept first introduced by Chalmers Johnson in his work titled *MITI and the Japanese Miracle* in 1982. In his book Johnson claimed that the miraculous structural transformation of the Japanese economy was neither haphazard nor exclusive factors of geography or factor endowments rather it was result of successful, planned and deliberate intervention on the market by Japanese government to guide the economic development. The idea was revolutionary and contrary to conventional understanding that state intervention is obstacle to the development.¹ Following the success of Japan other countries in the region such as South Korea, Singapore, Taiwan and Hong Kong later Malaysia Indonesia, Thailand, Vietnam, China and many others in other parts of the world replicated their own version of developmental state model– the role of state in the industrialization. It is the success of these countries commonly referred as Asian Miracles that captured the interest of scholar and policy makers and led to production of vast literature on the subject. .

However, since the outbreak the Asian Financial Crisis in in 1997, debuts have raised over the continued relevance and the possibility of replication of developmental states as model for long term growth to the other developing world. Scholars such as Wade argued the developmental states model work for a time due to some unique historical contexts of the Asian Miracles and favorable environments such as Cold War, forgiving international conditions for applying trade protection and, it stopped working

¹ Chalmers Johnson, **MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925- 1975**, Stanford: Stanford University Press, 1982, p.19.

after the crisis.² Besides, the success of developmental states has been crippled by its bad records on human right especially repression of labour and increasing acceptance of authoritarian tendency.³ Some also criticize developmental states model for its bad track record of environmental damage and exploitation. On the other hand, the “Krugman thesis” argues against developmental state model, and relates the success of East Asian as a result of massive deployment of inputs such as high education level, high saving rates and huge participation of the labour especially peasants“ into the modern sectors.

Despite all the doubt, the developmental states influence remained strong in developing countries. Most importantly, the China has replicated the Japanese developmental state model based on its institutional and social context, and to the condition of modern economy. The 1994 industrial policy was drawn mainly after exploring the experience MITI and the 1998 Noble policy which adopted “Beijing Consensus”. Ethiopia has tried to emulate the experience Japan, South Korea and China. The 2030 Kenya’s modernization plan is a replication of the development policy of Singapore and Malaysia.

1.2 Justification

The interest on the developmental states literatures faded following the Asian crisis and the shift into liberal economy by those of who considered being pioneers of developmental states. The concept seemed to become a principally historical construct: an account for miraculous period of high economic growth of some Asian countries within specific period of time. However, the main focuses of the developmental state inquire such as political and institutional foundation of economic growth and the relationship between state and market that are core to the discipline of development economics were unlikely to disappear. Moreover, ideological dominance is always about to switch; although Washington consensus destined to be the champion of post- Cold War period, the 2008 Global Financial Crisis proofed market triumphalism had short lived and led for some to quest for post- Washington consensus. It is such switch

² Wade, Robert, After the Crisis: Industrial Policy and the Developmental State in Low Income Countries. **Global Policy**, 1(2), 2010, pp. 150-161.

³ Thandika Mkandawire, “Thinking about Developmental States in Africa”, **Cambridge Journal of Economics**, Vol. 25, No. 3, 2001, pp. 289-313.

that revived the interest on developmental states. Therefore, it is significant to track the intellectual history and exploring such a topic has a relevance considering the number of poor population in the world.

In the present worlds of development understanding, it is very significant for developing countries to re-examine the role of state and its success in the Asian miracle. Economic growth is a tiny aspect of development, and development consist broader ranges of goals that requires potential role of state in the development process. For instance, some of the Sustainable Development Goals (SDG) which focuses on alleviating poverty, ending hunger, bringing gender equality, providing social services and others requires strong state that has expanded vision. Instead of narrow focus on its role in protecting private property, state should make public investment on strategically important sectors, settle coordination and collective action failures between the state and private sector and absorb risk in the case of new sectors. More importantly, most of the underdeveloped and developing countries in the world face the same challenges; economic development and poverty reduction.

However, state incapacity (failed and fragile state) became their major obstacles to formulate and execute development projects. Poverty reduction is related with two interrelated processes: economic growth that leads to job creation and other opportunity, and political process that establish institutional mechanism for redistributive provision. Without the state intervention and effective roles of the state neither of these processes has been possible. As it is failed many times in efforts such as SAP, economic growth and poverty reduction are not technical process essentially; instead they are political processes that require strong state (developmental state) with legitimacy to bring developmental outcomes. The very substance of the emergence of modern states and the process of structural transformation from agrarian to industrial society of modern states has all occurred with leading role of strong state. In fact, one of the major differences of modern state compared to its predecessor such as feudal, prince, absolute and other pre- modern states is its function of effectively organizing and promoting social and economic transformation.

1.3 Objectives of the Study

The general objective of this study is to analyze developmental state trajectories in Japan, South Korea, Mauritius and Ethiopia within specific period of time. In the process, the study will explore the intellectual debates on role of the state in the economy; examine the classical model of developmental states and their especially attributes; and the possibility of replicating such a model of economic governance into other environments.

1.4 Research Questions and Methodology

The study intends to answer the following research questions: What contexts/process shaped the developmental states in Japan, South Korea, Mauritius and Ethiopia, and what have these countries achieved, what are the key elements of successful developmental states, and would institutions of developmental states could be replicated.

The study employed qualitative analysis of research methodology to approach the research question raised. The qualitative method is utilized to explore, analyze and interpret the myth of developmental state experiences in the four countries. Intellectual debates on the role of state in the economy, Washington consensus and the introduction SAP have been discussed quantitatively. Extensive review literatures of both primary sources such as government report, policy documents and data's from the international institutions, and secondary sources such as books, journal articles, magazines, internet material dealing with topic has been made to explore the issue under investigation.

The study selected four countries: two from the classical East Asia developmental model; Japan and South Korea and two from Africa; Mauritius and Ethiopia. The reason behind the selection of Japan and South Korea is the fact that both counties achieved successful economic transformation in all measurements of development indicators. Mauritius is selected due to its exceptional success in Africa and for applying most of the key elements of developmental state model while Ethiopia is chosen for the connection of the researcher and its position on the literature as being one of aspirational developmental state.

Finally, the developmental state experience of Japan, South Korea, Mauritius and Ethiopia is explored in a demeanor that is unbiased and based on available information on the literature.

1.5 Scope of the Study

Developmental state is the vast topic and it covers wide ranges of issues, and there have been many countries that have passed through developmental states pathways. However, this study delimited to four countries namely: Japan, South Korea, Mauritius and Ethiopia. More importantly, the study is only concerned with developmental state policies of the four countries in specific period of time not their entire economic history. In the case of Japan and Korea, the study covers the developmental state policies of both countries from WWII to 1997 Asian crisis. The crisis itself and the shift in the policy following the crisis is not the area covered in this work. With regards to Mauritius the country is still in the successful path of developmental state routes since the independence and this has been covered. In the case of Ethiopia, Ethiopia pursued developmental states model since 1991, however, since last year with change in the government, it seems the new leadership is inclined to liberal policy and abandoning the existing developmental state policy, again this is not the area covered in this work.

1.6 Organization of the study

The study starts with introductory chapter that introduces the concept of developmental states in its subsection of background of the study. The introduction chapter provides conceptual and theoretical clarification of the term development, developmental states, state interventionism and other concepts. The first section also introduces research question, the objectives of the study, the scope of the study and the research methodology employed. The introduction section is followed by theoretical approach in the second chapter where the concepts of development, state, politics, politics of development, developmental states, key elements of developmental states and state role in the development and other issues will be covered in wider perspectives.

The third section reviews the developmental experience of East Asian countries. Two countries; Japan and South Korea are selected and the analysis of these countries has been made starting with their brief history of state formation. The section reviews the context on which these two countries embarked into developmental state policy, the specific policy employed, the institutional change made and the achievements of both countries in terms of both economic and social indicators.

The fourth section of the study deals with development state experiences in Africa. The section reviews the development strategies of African countries since the independence. It reviews earlier attempts of forging developmental states in immediately after the independence, the introduction of SAP, and the revival of developmental state. This section also reviews debate on the impossibility of replicating developmental states model in Africa. The study in its last section provides concluding remarks and policy recommendation for developing countries in Africa and elsewhere by stressing the need to form effective state.

2. THEORETICAL APPROACH

2.1 The Concept of Development

The concept of development is a center of debate among different scholars, and it was narrowly conceived to be similar with economic growth, which is rather its tiny aspect. Some scholars define development in the form of decrement of agriculture and the increment of both manufacturing and service sectors in a country. Such perspective equates development with economic growth - an increase in the real output of goods and services - an increase in income, in savings, or investment in a country.⁴ However, such type of approach has suffered criticism of being good centered instead of being people centered. Seers came up with broader view of development; for Seers, it is important to emphasize on at least three variables in discussing about countries development. These are; *“what has been happening to poverty? What has been happening to unemployment? In addition, what has been happening to inequality?”* Then he argues that, *“If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned”*. To the contrary, *“if one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if it doubles per capital income”*.⁵

In today's world, people-centered view of development dominates the scholarly discourse and received high recognition especially, the capability-building approach of development that is championed by Amartya Sen. Sen views development in terms of the broader concept of freedom and its extent. Expansion of freedom is both the primary end and the principal means of development and capability in turn, is a type of freedom, that *“...the freedom to achieve various lifestyles”* which a person may value. Therefore, capability approach is about having choice from list of things and chasing what one has chosen based on the life style one's follow. Sen further adds,

⁴ Michael Todaro, **Economic Development**, 6th ed., Longman: Addison Wesley Longman, 1996, p.49.

⁵ Dudley Seers, **The Meaning of Development**, United Kingdom: Institute of Development Studies, 1969, p.3.

*“...unfreedom means hunger, famine, ignorance, unsustainable economic life, unemployment, barriers to economic fulfillment by women or minority communities, premature death, violation of political freedom and basic liberty, threats to the environment, and little access to health, sanitation or clean water...”*⁶

The preamble of the United Nations Declaration on the Right to Development begins by recognizing development as *“...a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individual...”*⁷ It is evident that the perception of development tends towards the human centered approach through time. Looking in to these and the above contemporary definition of development, it is possible to infer that a people centered view of development received greater acceptance. The human person is the central subject of development that a developmental state ideology cannot be exceptional.

2.2 State

Max Weber laid the critical juncture in providing the definition for the state. He defines state as compulsory association that claims authority over defined territory and people within the territory.⁸ The state is an organized association that monopolize the use of physical force. In the words of Routley, state is *“useful shorthand for a set of processes and institutions which act as a form of domination or authority that produces particular sets of outcomes”* – this includes developmental outcomes such as economic growth, improved livelihood, legitimacy etc.⁹ In this view, state is seen as an institution that carry out socio-economic activities to achieve human well-being that includes maintaining of peace and supplying good and services.

⁶ Amrtya Sen, **Development as Freedom**, 4th ed., New York: Alfred A. Knopf, Inc, 1999.

⁷ UN Declaration on the Right to Development, **General Assembly Resolution 41/128**, 1986, 4 December.

⁸ Max Weber, **Economy and Society: An Outline of Interpretive Sociology**, New York: Guenther Roth and Claus Wittich Bedminster Press, 1968.

⁹ Laura Routley, “Developmental States: A Review of the Literature”, Manchester: **Effective States and Inclusive Development (ESID), Working Paper No.03**, 2010.

According to Osumah, the degree to which state is capable of fulfilling its functions, obligation and rules towards its citizen has directly related with its legitimacy.¹⁰ However, such capabilities of state have been different in time and space.¹¹ The 1940s and 1950s are years where states largely involved in structural transformation and made desirable welfare especially in post-war Europe.¹² The reconstruction in post-war Europe supported the provision of basic social services (health, education and housing). On the other hand, the concept of state and that of its institution enables negotiation, mutual respect and cooperation among different groups. State and its institution are also instruments of exploitation and predation. Lockhart and Ghani have list out ten important roles and functions of states which includes: monopoly of legitimate use physical force (violence), rule of law, provision of infrastructure services, management of public finance, administrative control, formation of social policy and market, public borrowing and directing public asset.¹³

States are different in relation to their intervention in the economy; they could either developmental or regulatory in their orientation. For instance, United States it is commonly regarded as a regulatory oriented; *“the state concerns itself with the forms and procedures of economic competition, but it does not concern itself with substantive matters.”*¹⁴ Whereas Japan is claimed to be a development oriented state. Since 1920s Japanese government engaged in massive government policies commonly known as „Japanese miracle“ that prioritized economic development, and state played an important role in the process beyond regulation. Concepts such as „failing“, „weak“, „dysfunctional“, „fragile“, „collapsing“ states are used to describe post-colonial states in

¹⁰ Oarhe Osumah, “Tonic or Toxin? The state, Neopatrimonialism, and Anticorruption efforts in Nigeria”, **The Korean Journal of Policy Studies**, Vol.28, No.1, 2013, pp.111-134.

¹¹ Economic Commission for Africa, “The Developmental State: What Options for Africa? Addis Ababa”, **An Issue Paper presented at the Third Meeting of the Committee on Governance and Popular Participation (CGPP-III)**, 20-21 February, 2013.

¹² Economic Commission for Africa, “The Developmental State: What Options for Africa? Addis Ababa”, **An Issue Paper presented at the Third Meeting of the Committee on Governance and Popular Participation (CGPP-III)**, 20-21 February, 2013.

¹³ Ashram Ghani and Clare Lockhart, **“No quick fix” in Developments**, London: DFID, No.43, 2008, pp.40-43.

¹⁴ Johnson, p.19.

Africa and other parts due to their failure of fulfilling states functions such as protection, providing welfare services and rule of law among others.¹⁵

2.3 Developmental State

Similar to other concepts in social science we do not have agreed upon definition for developmental states. Different scholars defined developmental state mainly focusing on role of state in the economy. Johnson define developmental state based on experience of Japan as a „plan-rational state“ –planned, and rational intervention of state based on market confirming means. For him, *“developmental state is the one that is determined to influence the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate economic resources”*.¹⁶ Focusing on its objectives, Bagchi define a developmental state in such a way that shows the strong and deeply penetrating role of the state in the economy as a whole and in the market process. *“Developmental state is a type of state that places economic development as the top priority of government policy, and which is able to design effective instruments to promote such a goal. The instruments include the establishment of well-functioning formal institutions; weaving of formal and informal networks of collaboration among citizens and officials; and the utilization of new opportunities for trade and profitable production “*.¹⁷

Mkandawire gives emphasis to „state-structure nexus“ in defining developmental state; whose ideological underpinnings are developmental and one that seriously attempts to construct and deploy its administrative and political resources to the task of economic development is highly crucial in the developmental state. He defines developmental states by dividing in to two integral parts, namely structural and ideological; for him it is the relationship between the two which define developmental

¹⁵ Oscar Edoor and Josph Nwokpoku, “Asian Developmental States: Lesson for Africa”, **Yönetim Bilimleri Dergisi**, Cilt. 12, Sayı. 24, 2014, pp. 7-42.

¹⁶ Johnson, p.13.

¹⁷ Bagchi Amiya, “The Past and the Future of the Developmental State”, **Journal of Foreign policy of Brooking Global Economy and Development**, Brooking Foreign Policy, 2000, p. 398.

states and separate them from other type of state forms. From the ideological perspective, developmental states guarantee economic growth (industrialization is the most expression), build its legitimacy on the ability to sustain economic growth, and manage to harness elite and larger society support to implement hegemonic national project of huge impact. The structural part of the definition deals with institutional, political and administrative capacity of states to implement policies of various spheres effectively. It is the institutional character in addition to its objective that enables a developmental state to effectively achieve its growth and development plan.¹⁸

According to Leftwich, developmental states are those state that can yield developmental outcome; mainly economic growth but has to have legitimacy by improving standard of life, creating employment, expanding industrialization etc. such states can have different forms; autocratic, democratic, single party state or shifting coalition.¹⁹ While Woo Cummings simply describe developmental states as manuscript that explains economic life in East Asia characterized by coherent sets of successful policies that involves states, bureaucracy and businesses.²⁰

2.4 Types of Developmental States

In general, we have two classifications of developmental states model: the democratic and the repressive. The first group include countries such as Singapore, Japan, Botswana and Mauritius where they have some elements of democratic traits including fair, periodic and free elections. Whereas, the repressive developmental states includes authoritarian regimes such as Taiwan, China and Republic of Korea characterized by repressive tendency.²¹ Based on Sen's Capability approach of

¹⁸ Mkandawire, pp. 289-313.

¹⁹ Adrian Leftwich, *Developmental states, effective states and poverty reduction: The primacy of politics*, New York: **United Nations Research Institute for Social Development (UNRISD) Project on Poverty Reduction and Policy Regimes**, Department of Politics, University of York, 2008.

²⁰ Meredith Woo-Cumming (ed.), **The Developmental State**, Ithaca, Network: Cornell University Press, 1999.

²¹ Leftwich, p.16.

development, Evans classify developmental states in to two: those who focus on economic growth and individual capabilities.²²

Routley classified developmental states in to various categories based certain common attributes. In the first category we have „big three“ of the north East Asia that includes South Korea, Japan and Taiwan. The big three are characterized by high economic growth rate, autonomous and professional bureaucracy and industrial based economy. „South Asian Developmental States“ another group that includes Thailand, Philippines and Malaysia that attributed by corruption but not predatory. They are also characterized good economic growth based on foreign direct investment and less professional and autonomous bureaucracy.

The third classification include only one country Botswana, a developmental states based on natural resource and good rate of economic growth. The fourth group is called „social democratic developmental states“ that includes countries such as Mauritius, Chile and Costa Rica. States in this group are characterized by democratic nature, social protection and state“s expenditure for health and education and reasonable economic growth. The fifth group is called „developmental patrimonialism“ ~~that~~ includes Kenya (1965 – 75), Rwanda (20000-2010), Tanzania (1967-1978), Malawi (1964-78) etc. they are characterized by central rent, patromonialisim and limited developmental outcomes. The sixth division is called „aspirational developmental states“ that includes South Africa and Ethiopia. They are aspirational because it is political actors - leaders (Meles Zenawi, in the case of Ethiopia) and the ruling party (African National Congress, in the case of South Africa) that has intention of creating developmental states not the state itself. Finally, we have also China in another set that characterized by state investment in infrastructure, health and education and sustained and high economic growth.²³

²² Peter Evans, *The Challenges of the 21st Century Development: Building Capability-Enhancing States*, New York: **United Nations Development Programme**, 2010.

²³ Routley, 2012.

2.5 Developmental VS. Regulatory State

We live in the age of regulation; state institutions and others private partners increasingly engaged in monitoring the governance of capitalism instead of providing goods and services. The situation is termed as the age of regulatory capitalism; a capitalism which relies on regulation by both state and private sector at all levels. Therefore, regulatory state is one of the most significant institutions in the era of regulatory capitalism. The term regulatory states first brought to scholarly discourse by James Anderson in his book titled *The Emergence of Modern Capitalist State* where he examined the expansion of administrative states during the progressive age of 1890s to 1920s at the federal level in US in rebellion against the huge and powerful businesses.²⁴ Seidman and Gilmuor in their book *Politics, Position and Power: From the Positive to the Regulatory State* connects regulatory states in relation to privatization and outsourcing in addition to expansion of administrative states.²⁵

In Europe, the term appeared in scholarly discourse in the 1990s by Giandomenico Majone influenced by the work of Seidman - transition from positive states to regulatory states. Similar with Seidman, he conceptualized regulatory states as limited government characterized by administrative expansion and economic efficiency. Influenced by the US experience, he analyzed the growth of regulatory state in European Union. Majone first made differentiations between regulatory and positive states in terms of institutions, policy area, actors, instruments, function etc. With regards to function for instance, regulatory states engaged in correcting market failure while other types of directly engaged in macroeconomic stabilization including social welfare and redistribution. Such market- correcting function are enforced in distinct institutions and area of conflict that requires significant level of expertise. Majone's representation of regulatory state encourage a shift from distributive policy to regulatory policy, and in

²⁴ Faur, p. 11.

²⁵ Faur, p. 1.

that sense it is neoliberal – founded on the correcting market failure through competitive order and efficiency.²⁶

In 2000, John Braithwaite framed the term „New Regulatory State“ in opposition to the old regulatory state stressing the changes introduced from 1980s and focusing more on soft regulation and decentering role of state (hierarchical regulation) – rule at distance than direct control night – watchman state. In general, terms of instruments of control, Faur defines regulatory state as *is a state that applies and extends rule making, rule monitoring and rule enforcement either directly or indirectly in a consistent, reflexive way*. Such activates can be undertaken directly through bureaucratic branches of state or indirectly through control of another outsourcing organizational regulatory system.²⁷ This definition does not imply that regulatory agencies are unique to regulatory state; rather to stress intrusion of rule of regulatory law in both external and internal working of administrative state Regulatory states are different in terms of their goal of regulation, their moral judgment methods and kinds of monitoring. However, the most defining characteristic is their policy of governance through regulation instead of violence, tax and managerial service – bureaucracy.²⁸

2.6 Features of Developmental States

Developmental states are types of states which are able to produce developmental outcome; primarily economic growth mainly by state role. Such kind of states can be democratic or authoritarian, or have different political system. Sometimes the name is also used to refer countries under social democracy ideology. Historically, Netherland is known to be the first developmental state that emerged in sixteen centuries, and then Britain and Germany follow the same strategy respectively. However, it is the exceptional success of South East Asian countries commonly known as Asian Tigers (Singapore, Taiwan, japan, South Korea, Vietnam) in 1970s and 1980s that triggered broader exploration of the concept. Such experience of South East Asian

²⁶ Faur, p. 14.

²⁷ Faur, p.15.

²⁸ Faur, pp. 16-17.

states paved the way for debate on state intervention in the market, and state role of development. The debate then transformed in to accepting state key role in the economy including by World Bank but, leaving the nature of state intervention still under discussions.

There are several attributes of developmental singled out in literatures; the following are general characteristics of developmental states that are common in most of successful developmental states.

2.6.1 Capable, Embedded and Autonomous Bureaucracies

Developmental states are characterized by professional bureaucracy that is independent of politicians and society's pressure. *The bureaucracies of developmental states are generally seen to be in a number of ways close to the Weberian ideal. The civil service in a developmental state is usually recruited along meritocratic grounds from top universities; possess prestige as a career*²⁹ According Evans, the developmental states bureaucracy has embedded feature - the bureaucracy that should support compelling relationship between society and businesses and serve as institutionalized mechanism for constant deliberation of policies among different stakeholders. The Autonomy of bureaucracy is another key feature of developmental states – a bureaucracy that is capable of closing off special interests and politician pressure. Such attributes of the bureaucracy helped in pursuing and implementing developmental goals experimentally and give an opportunity of innovation for bureaucrats. Effective bureaucracy helped successful developmental states in managing economy and establishing correct industrial sector policy reform. In Johnson word politicians „reign“ while bureaucrats „rule“.³⁰

²⁹ Peter Evans, **Embedded Autonomy: States and Industrial Transformation**, New Jersey: Princeton University Press, Princeton, 1995.

³⁰ Johnson, p.15.

2.6.2 Interdependent States-businesses Relationship

Another differentiating attributes of developmental state is deep and symbiotic network between business and states. Businesses are expected to be accountable for their performance and need to meet expected standards in a return, government provide subsidies and different forms of incentives. The networks between businesses and states were formed through deliberation council with aim to create trust among them and facilitate collective action. In Japan for instance, industrial leader were part of the agenda and policy formation.³¹ Such alliances significantly simplified the flow of information, alleviate uncertainty for businesses and pave the way for productive and complementary investment by both government and private sector. The alliance is usually carried out by institutions called pilot agencies that have different name in different developmental states; Economic Policy Board in South Korea, Ministry of Finance and Development Planning in Botswana, Ministry of International Trade in Japan, Economic Development Board in Singapore and Economic Council in Finland are among others.³²

The alliance of states and businesses were crucial for the early stage industrialization; government should first make investment in non-profitable sectors such as education, health and infrastructure so that the private sector take a risk and invest on new sectors to jump-start industrialization. Such effort of coordination and simultaneous complimentary investment helped to solve credibility issue, identify capital scarce sector in which government has to invest, help to attain growth, and most importantly set up industrialization.

2.6.3 National Developmental Planning

A hegemonic and transformative development objective is another vital aspect of developmental states. As Johnson call it a „binding agent“ - robust sense of nationalism by people, elites and government to execute national projects. For instance,

³¹ Johnson, p.15.

³² Oscar Edoor and Josph Nwokpoku, p. 18.

in Japan, revolutionary nationalism stimulated a determined pursuit of attaining national development projects to cope up with Europe and USA. South Korean used the same discourse against Japan and achieved double digit economic growth.³³ According to Pempel, the strong sense of nationalism and commitment of the society to execute transformative development plans comes from increased standard of living by larger people hence giving legitimacy to successfully execute plans in to practice and earn mobilization of larger people. Pempel points such measure (persuading people to participate in transformative development projects) were prominent especially in authoritarian developmental states and sometimes take nationalistic tone.³⁴

Economic development is the primacy of most developmental states, and state has the capacity to carry out the developmental role including registering high economic growth. The state is more interested in accelerating the pace of economic growth by intervening in the allocation of resources than relying on market force. In such away, developmental states mobilize societal resources, and formulate and execute economic growth induced policies which are binding and authoritative. The impressive accomplishment of developmental states East and South East Asia is undertaken without the need to use the western practice of „Good Governance“. ³⁵

2.6.4 Use of Industrial Policy, Education Policy and Agricultural Policies

Developmental states played a fertile ground in supporting for a particular type of industries (sectors), engaged in setting up of large scale and high-risk state owned industries for the sake of risk aversion and initiation of investments for the private sector. The successful developmental states such as Asian Tigers and Japan employed broad sets of policies that promote industrialization such as coordination of complementary investment, export promotion using export incentives, infant industry

³³ Oscar Edoor and Josph Nwokpoku, p.32.

³⁴ Woo-Cumming, p20.

³⁵ Woo-Cumming, p.22.

protection, subsidies to promote technological advancement, price regulation, marketing for export etc.³⁶

Education that was characterized by nationalistic nature had given huge role in developmental states. The nationalistic nature of the education system served as bridge towards nation building, boost unity and national consensus. The education system required to harness skill and expand quality education that can be able to feed up the industry and the bureaucracy that is already based on meritocracy. An increase human resource in all spheres was another defining characteristic of developmental states.³⁷

Developmental states are also known by their successful agricultural and land reform policies. The successful implementation of agricultural policy reforms helped as stepping stone for expansion of industrialization; increased income of farmers used for industrial consumption hence accelerated industrial expansion.³⁸

2.6.5 Developmental Political Settlement

Another important element behind the success of developmental state is what Leftwich call it fair rule of the game. These countries were able to produce the correct platform and framework to accommodate all contending interest of politicians, elites, different interest groups, pressure groups, private sector and government. Coalitions were common, and all disagreements were settled on the framework fundamental vision at the core which laid a foundation for the successful implementation of development goals and peaceful settlement of political rifts.³⁹ Such implicit agreement among different stakeholders led to strong state building process instead of engaging in reinter politics which is common in most developing countries. It guarantees the creation of

³⁶ Ha-Joon Chang, **The economic theory of the developmental state**, London: Cornell University Press, 1999.

³⁷ Bagachi, 2010.

³⁸ Peter Meyns and Charity Musamba, *The Developmental State in Africa: Problems and Prospects*, University of Duisburg, **INEF Report 101, Essen: Institute for Development and Peace**, 2010, p.15.

³⁹ Leftwich, p.17.

institutionally arrangements that provide order and effective administration of justice, protection of private property and improvement in investment.

2.7 The Politics of Development

The development theory and practice thinking since the end of WWII witnessed serious errors both from the right and left wing. On the left, (socialism) proofed wrong, that it could be built in poor countries without necessarily being first industrialized. On the right wing capitalist thinking“s such as lassies faire will reduce poverty, minimal role state in the economy, industrialization without state involvements and others proofed erroneous. A top down approach of state and institution building; replicating of developmental state in all other underdeveloped states and reductionist understanding of poverty that it could be reduced by directing resource to the right place are another failures we have witnessed in the developmental theory and practices for the last five /seven decades. Most recently, we use technical policy terms such as social development, institutional reform, human, physical and social capital, policy reform etc.⁴⁰

However, it is politics that plays the central role as it direct distribution of resources and play a key role in process of economic growth in all kinds of development theories and practices thinking. Poverty reduction and development are not technical process rather they are quintessentially political. Therefore, it important first to understand what politics is and the politics of development is.⁴¹

2.7.1 Politics

Politics is narrowly associated but not limited with interrelated process about venues such as (parliament, bureaucracy) or peoples (politician, prince) or procedures (elections) which are the common expression of politics in modern states. But, it also includes all collective human activities that do not have formal rule and institutions

⁴⁰ Leftwich, p. 3.

⁴¹ Leftwich, p. 5.

below the level of state. Politics is a means for making binding collective decision and, such binding decisions are vital in order to survive in any human community whether it is a family or state. Decisions on resource are among the most decisive binding decisions; resource is everything used by individuals or groups to promote their interest that includes land and capital. Politics is best understood as of *all the many activities of cooperation, conflict and negotiation involved in decisions about the use, production and distribution of resources*. Politics is also seen as a tool for facilitating the integration of both politics itself and economics; integrating the concept about politics such as power and economics concepts such as allocation of scarce resources, and studying of their interrelationship.⁴²

According to Lindner and Rittenberger there are two interrelated spheres where political bargain over policy occurs that have implications for the development; the sphere of rules of the game (institutions), and the sphere where such games within the rule undertaken. The rules of the game are consensus about the rules and changing the rules for ongoing political activities. This level establishes the regime type, and constitution is the most expression that stipulates rules about distribution of power, procedural for decision making and other formal institutional agreements. Besides, in this level, fundamental process in relation to formation and the implementation of institution, standard of undertaking politics, formulating of economic, judicial and administrative institution that accomplish socio-economic goals including economic development and poverty reduction are constituted. In stable democracies such rules are established after complex contested process and last for long period of time.⁴³

The second sphere of politics is the level where the daily debate over policy happens. In this level the outcomes are predictable and unlikely to result revolutionary change such as change in the structure of power and wealth.⁴⁴ In general, the political future of development can be summarized in the following two propositions by Leftwich:

⁴² Leftwich, p.6.

⁴³ Leftwich, p. 9-12.

⁴⁴ Leftwich, pp. 9-12.

(a) When people change the way they use, produce and distribute resources, they also change their (social and political) relations – relations of power - with each other; and

(b) When people change their political and social (power) relations with each other, they usually change the way they use, produce and distribute resources.⁴⁵

While political changes such as extension of franchise, equality of women and recognition of trade unions affect the distribution of resource and economic power, economic changes such as the development of entrepreneurship, and expansion of trade also induces political change.

In many developing countries, formal rules of the game are less secure and enforceable, and there are rare political groups that are willing to define and promote collective interest that encompasses the entire nation. Consequently, there is constant uncertainty, fear of losing interest and military takeover. Such unpredictability⁴⁵ and poor institutional arrangements results absence of development coalition that will initiate development strategies hence, it has negative implication for development and poverty reduction.⁴⁶

2.8 Theories of Developmental States and State Interventionism

The role of the state in promoting economic growth and social progress in the developing world has been a subject of contestation among international development experts and policy analysts for the past years. According to Chang, conceptually developmental states can be put as blend of capitalist and socialist -between liberal open economy and central-planned model. It is combination of factors such as effectiveness that is required mechanism to regulate the economy, sustained industrialization and

⁴⁵ Leftwich, p.10.

⁴⁶ Leftwich, p. 11.

government that can pave the way for productive of contribution of private sector in the economy.⁴⁷

According to Onis, it is mercantilism theory which calls for state intervention laid down foundation for developmental states by opposing neo-liberal economic ideology. The developmental state and mercantilism ideology get the momentum in 1950s and 1960s justifying state failure for the decline of economy.⁴⁸ But, in late 1960s and early 1970s policy measures such as overvalued national currencies, heavily protected manufacturing industries and excessive state interventions led most of Africa and Latin America states in to crisis and worst performance in the economy. This development opens a room for neoclassical paradigm to become dominant theory. Neoclassical theory bashed again based on reinterpretation of successful development experience in South East Asia. Then institutional debate gained momentum – development can be achieved by central and strategic role of state in harnessing domestic and international market force. Given industrialization is center of development; this could be realized by effective state role both in terms providing “directional thrust to the operation of the market mechanism where the market is guided by a conception of long-term national rationality of investment formulated by government officials, it is the synergy between the state and the market which provides the basis for outstanding development experience”.⁴⁹ Developmental states are known to find the appropriate mixture of market orientation and government intervention consistent with rapid and efficient industrialization.

Leftwich argues that poverty is one of the pressing issue and challenges of any government; this could be only be solved through economic growth- by creating jobs, and political process- institutional mechanism that can provide redistribution provisions

⁴⁷ Chang, **The economic theory of the developmental state**, p.183.

⁴⁸ Ziya Oniş, “The Logic of the Developmental State”, **Comparative Politics**, Vol. 24, No. 1, 1999, pp 109-110.

⁴⁹ Oniş, pp. 109-110.

and welfare packages. Any one of this two has not been accomplished without direct intervention and action by strong and developmental states.⁵⁰

2.9 Reconceptualising Development and Development State

As much as understanding of development have changed after Amartya Sen's capability approach to development that brought most economic growth models to one, the understanding of developmental states also converged to such approach. The capability approach by Sen emphasizes on human capabilities in terms of both as an end goal of development and means to achieve economic growth.⁵¹ Such an understanding of development is shared by most strands of today's economics. It is also in line with conventional economic wisdom that emphasize on strong role of human capital for achieving sustained economic growth. The human capability approach fits with the empirical finding and theoretical arguments of new growth theorist who argues that in twentieth century, utilizing human capital such as entrepreneurship generates more development outcomes than capital accumulation of any kind.⁵²

2.9.1 Reconceptualising Development

Traditionally, capital accumulation was regarded as driver of growth and the growth in turn causes betterment of wealth, health and education in mid-twentieth century economic thought. While recent studies on economic growth have stressed on the improvements in human development indicators as a factor for increase in income. For instance, scholars such as Ranis and Stewart examined the interaction between human development and growth. Unlike the conventional view which argues human development is a result of economic growth, they argue that human development is means for sustained economic growth and it should precede economic growth.⁵³ Barro and Lee examine the economic growth consequence of investment in education.⁵⁴ The

⁵⁰ Leftwich, 2008.

⁵¹ Sen, p.18.

⁵² Evans, **Embedded Autonomy: States and Industrial Transformation**, p. 5.

⁵³ Evans, *The Challenges of the 21st Century Development: Building Capability-Enhancing States*, p. 5.

⁵⁴ Evans, p. 6.

relation between growth and capability expansion is strong across different economic levels. According to Nugent and Robinson, in agricultural economy of Central America Coffee producer, democratic economic order that give farmers incentive to invest in their own capabilities registered improved growth records. Similarly, Huo and Stephen analysed the shift to high tech and knowledge intensive production in the growth of Scandinavian states.⁵⁵

The change from capital oriented to human oriented development led to a new kind of political dynamics. The link between growth and political reforms remain unsettled theoretical issue, but recent research supports the positive correlation between accountability and capability expansion. Amarty Sen empirically analysed that in democratic states where there are an independent political institutions, they have less probability of being suffer from famine. In general, the change in approach in development theories has an important implication for the theories of developmental states. The centrality of state's role in economic growth was firmly established in first generation of developmental states literature. More importantly, capability approach of development makes states role significant and more central. However, such model of developmental state is different than the developmental is that was hailed in the 1980's and 1990's.⁵⁶

2.9.2 Reconceptualising Developmental State

If we agree on the concept of development as capability expansion, states have various kinds of challenges to fulfil. Although economic growth goal such as expansion of industrialization could be achieved by following certain policy instruments such as subsidies and lower interest rates or partnership with some narrow group, providing services such as quality education and health requires strong state capacity, state intervention and it is politically and socially more intrusive.⁵⁷ This is as due to the fact that capability improvement is mainly about demolishing unfreedom, it stands against

⁵⁵ Evans, pp.7- 8.

⁵⁶ Evans, pp. 6-7.

⁵⁷ Evans, p.7.

all forms traditional authority and challenges the dominance of capitalist elite. Therefore, the state should possess significant infrastructural (the power of reaching society and delivering services) and authoritative power (making citizens obey the rule).



3. DEVELOPMENTAL STATES IN EAST ASIA

3.1 Developmental State in Japan

The following section will deal with the developmental states in Japan which is known to be a pioneer of developmental state.

3.1.1 State Formation in Japan

Japanese prehistory and history could be divided into four different stages; the age of emperors, age of samurai, the age of modernization and the age after WWII. According to prehistory records (the period before the rise of emperor), the Japanese people were hunter-gatherers who used to live peacefully in fragmented villages but connected through long-distance maritime trade. The agricultural practices were limited until the introduction of rice farming in Asia in the 3rd century BC.⁵⁸ It is such a new development that radically changed life and became a factor for the later introduction of emperorship. The introduction of rice cultivation resulted in the increase in the size of villages, required leadership to coordinate the cultivation process and collective works more than family units. Such developments eventually opened the door for the emergence of regional religious and military lords in semi-state form to ensure social order. War continued to break out among different regional religious and military lords until imperial family of Taika seized all power and subordinate other regional lords and clan leaders in his rule in 645 AD. Emperors enjoyed a real political power since the rule of emperor Taika, and, eventually, Chinese-style effective central government with power of collecting tax was created. In 794 Kyoto became the permanent capital city after many efforts to build capital city in different parts of the country.⁵⁹

However, the age of dominance of emperor didn't last long; the regional lords refused to be under the emperor's control and halted paying taxes. In a move to be independent, they established their own manors and hired workers to farm. More

⁵⁸ Ohno, p.11.

⁵⁹ Ohno, pp.11-12.

importantly, a warriors group called samurai rose in order to protect their own land which they value most while the relative power of emperor and nobility was lessening. Samurai's started to be involved in various activities including conducting ceremonies in Kyoto. In 1192 the first samurai government formulated in place called Kamakura that is 350km east of the capital Kyoto – they established the capital in different place than Kyoto as the Emperor was still leading from Kyoto but with declining power. The samurai government was led by Shogun (highest samurai) and since the establishment the samurai government provided access to own land for samurai's and granted land for people that have especially contribution during the war. However, the Mongolians invasion in 1274 and 1281 resulted for the gradual break down of Kamakura government as it had finished the land to be distributed for samurai's. After the collapse of Kamakura government, internal rivalry among different samurai leaders called daimyo continued until one of the daimyo, Ieyasu Tokugawa, reunified Japan and founded the Edo rule in present day Kyoto in 1603. The age of crisis and instability (Warring Age-Sengoku Jidai) came to an end in more than two centuries rule of Edo government (1639-1854). The Edo government was extremely bureaucratic and politically conservative in nature. It introduced harsh rules on social order and blocked trade and foreign contact except few circumstances. While some historian attributes the Edo rule as dark age and 2 centuries of isolation, it during the Edo rule that agricultural productivity, trade, commercial crops and industries increased. More importantly, in this period, Japanese particular culture established and conditions for industrialization laid down.⁶⁰

Until the American troops forced the Japanese to abandon their isolation policy in 1853, Japanese refused the earlier opening up attempt by Russian and Westerners. The American forced Japan and signed friendship agreement in the following year despite installed anti-foreigner mentality flooded with Confucianism thought. The European also followed the American footsteps, and the American further expands their relations by signing a complete commercial agreement in 1858. However, such agreement was made despite a large number of opposition that gradually led to the fall of the Edo

⁶⁰ Ohno, pp.13-14.

government in 1867. Following the Edo rule, the Meiji government took the throne and reintroduced the emperor rule with real power at the top. The Meiji rule endorsed policy of swift modernization, westernization and militarization. In the Meiji regime, Japan introduced its first written constitution that laid down for the foundation of parliamentary system in 1889. Party system introduced and international cooperation especially with US made using diplomacy as a tool. The Japanese military rapidly grown and registered success against a war with China in the last decades of 19th century colonized Korea in 1910 and won war against Russian Empire in 1904-1905. In terms of economy, steps were taken for the expansions of modern industries that consume European technology. And eventually they managed to establish a textile sector which was internationally competitive. Despite the Great financial crisis and Great Kanto Earthquake in 1920s, the Japanese industry grew exponentially and export reached on of its highest level.⁶¹

In 1930s Japan turned in to fully military system, and in 1931 the military government annexed Manchurian – Province in Northeast China. The incident led to the full scale war with China in 1937 and the emergence of Pacific War in 1941 that resulted the promulgation of wartime economic planning. In 1945, Japan lost the war and its economic infrastructure was collapsed. Under US occupation following WWII, recovery strategy and material planning installed between 1947-48 that yield positive outcomes in curbing inflation and restoring the economy. Japan witnessed rapid expansions of industrialization especially the manufacturing sector and economic growth between 1955 and early 1970s. Seizing the opportunity from US in terms national security, stable exchange rate and expansions global trade, by the end of the 1960s, Japan acquired the second spot among the largest countries in the world next to US. However, the Japanese economy reached its maximum stage (matured), as a result its growth rate started to decline since 1970s. Besides, factors such as floating exchange rates, oil crisis, the asset (land and stock) bubbling in 1970s and 1980s resulted in

⁶¹ Ohno, p.15.

significant decline of Japanese economy in which the problem is still observable in today's Japan.⁶²

3.1.2 Political System Reforms and Practice of Government in Japan

It is important to look at the reform that took place in political arena to understand its impacts on economic transformation. Following the occupation by US after defeat in WWII, Japan made various Political system reforms. The complicated Meiji constitution was abolished and replaced by American made document which was in line with western liberal value such as individual rights, civilian rule, independent labour union, gender equality etc.⁶³ With the abolishment of the former Meiji constitution, the emperor lost his divine status and the house of peers were replaced by house of councilors. The new constitution introduced the cabinet accountability to the parliament in similar with British model in order to make clear distinction of separation power and avoid power fusion.⁶⁴

However, Japanese made a crucial political system reform that shares many features with that of Western liberal democracy in terms of structure, in practice, it remained distinct. For instance, the fact that bureaucracy assumed the central role is one of the most expression of the differences in practice, in comparison with other industrialized western countries – unlike the West, large numbers of bureaucrats join business and politics (especially the LDP – a dominant party that ruled Japan successively for many years) leaving their public office. The dominance of one party rule resulted a situation where politician was busy in intraparty politics, lack legitimacy and leaving them to depend on strong bureaucrat to keep their positions. While bureaucrats enjoy their legitimacy emanating from their expertise and assume a role of legislation and even in some case guiding some political superiors – a process where

⁶² Ohno, pp.14-15.

⁶³ Mark Beeson, **Japan's Reluctant Reformers and the Legacy of the Developmental State**, London: Routledge Curzon Press Ltd, 2003.

⁶⁴ Beeson, p.18.

created weak political executive according to Mulgan.⁶⁵ The close interaction between the bureaucrats and LDP created a symbiotic relationship and resulted the emergence of policy making group (tribe) called Zorku which have fused around different policy areas including defense, education and others. This group utilized their important brokering position between the bureaucracy and the business and seek bribe from business in a return for helping business evade restrictive regulation. The group also managed to form an important power base in the LDP's policy making mechanisms to influence policy initiatives in to their own interest.⁶⁶

In general, in terms of form, Japanese political system shares several features Western democracies including that of America, Britain and Australia. And the practical differences of Japanese system are explained mainly through the especial interaction of the bureaucracy with that of politicians – their symbiotic relationship which in turn is a result of dominance of one party rule – since 1955 until 1990s LDP dominated the political leadership with few interruption in 1995 of coalition government with Social Democratic Party that even last short. The LDP controlled the whole political arena throughout post-war period to the extent opposition parties are integrated into an encompassing framework of LDP's hegemony. The political rivalries often took place within intra-party not among opposition parties.⁶⁷ Many attributes the development of Japanese politics in this line for different factors; first, the role of Kakuei Tanaka who held significant power in organizing Japanese political system (political parties, voters, business, bureaucracy) in to a network he called „a conveyor belt of money and power“. Tanaka expand his influence and play a leading role in Japanese politics using the system he built and assuring support from personal faction in the system.⁶⁸

Moreover, the complicated features of Japanese electoral system forced the political competition to be played within the same party that in turn open door the prospect of organizing voters through favour – money politics. Politician were able to

⁶⁵ Beeson, pp.12-15.

⁶⁶ Johnson, p.15.

⁶⁷ Beeson, p.19.

⁶⁸ Beeson, p.5.

maintain their position by delivering necessary amount of money that derived from industries where Zoka's play a leading role, and Zoka's were members of Tanaka's faction. On the other hand, dominated by US Cold war hegemony, Japan didn't waste energy of choosing ideologies that made leadership easy with minimum expectation of fair distributions of resource and absent of series alienation of groups. Unlike the value in the West, electorates were willing to show tolerance over certain level of corruption and other malpractices as long as their interested is not seriously endangered. In this way the Tanaka rule able to establish itself especially by providing material benefit for targeted electorate.⁶⁹

3.1.3 The Rise of Developmental State in Japan

Most scholars would agree to frame the post WWII Japanese political economy under the concept of developmental states. The concept of developmental states first crafted by Chalmers Johnson in 1982 and basically it entails two interdependent ideas; the leading role of state in shaping the national economy development direction and distinct forms of interaction within different personnel, actors and institutions of the state. These two distinctive features of developmental states were reflected boldly in Japanese developmental trajectory after WWII in a fundamentally different style than it is in Anglo-America nations.⁷⁰ However, for some, the origin of such routes of development planning began back to the Meiji government where they crafted their own model of development project to challenge the European capitalist expansions. *The modern Japanese nation-state was created as a means of resisting foreign pressure and as a direct response to „imperialist encroachment“.*⁷¹ The way Japanese responded to the external pressure significantly influenced its internal political dynamics and its economic structure. Japanese pursued indigenous, self-conscious and successful policy towards gearing the national development. The government played a pivotal role in directing the shape of Japanese economic endeavor since Meiji rule.

⁶⁹ Beeson, pp.6-8.

⁷⁰ Beeson, p.3.

⁷¹ Beeson, p.12.

Therefore, developmental state approach after WWII was the continuation and strengthening policy-making that had already existed for a significant period in Japan especially, the post-war reconstruction process necessitated strong and interventionist state. Japanese policy makers were convinced of this fact, and they continue to implement the existing developmental state infrastructure including the bureaucracy despite optimum effort by US to shape the Japanese economy in its own prototype. The Americans implemented bunches of initiatives to mold the existing infrastructure in their own images, however, the focus shifted in building effective capitalist Japan that could serve as stronghold to fight and contain the expansions of communism in the tense of Cold War instead of changing the bureaucracy.⁷²

3.1.4 Elements of Developmental State in Japan

Japanese states demonstrated important elements of developmental state in their development trajectories. In the following sub sections, we will see some of these elements.

3.1.4.1 Embedded Autonomy

Japanese policy makers and elites were keen to frame policies that revive the collapsed economy after WWII alive. As a part of revitalizing the country's economy, policy maker employed distinctive public policy that resulted remarkable positive outcomes. One of these distinct policies has been the especial arrangement of the institutional interaction between state and business – big conglomerates such as Mitsui, Mitsubishi and others who had big role in Japanese economy while state refers to bureaucracy in states ministries especially in Ministry of International Trade and Industry and Ministry of Finance. The two ministries played the leading role in Japanese national development endeavor after WWII than any other institutions of states. The way in which Japan established relation among political class, business and bureaucracy was a distinctive factor for the post-war transformation of Japanese

⁷² Beeson, p.14.

economy. The Japanese bureaucracy not only planned the countries post-war development, they also devised the policy instruments to implement them.⁷³

This distinctive interaction of state and business commonly referred as embedded autonomy. It contributed massively in industrial transformation of Japan and effectively utilized in other East Asian countries. According to Peter Evans embedded autonomy configuration serve as a structural basis for desirable state intervention in achieving industrial transformation. The idea of embedded autonomy is in line with Weberian model of bureaucracy where members of the bureaucracy are recruited based on their meritocracy, competence, technocratic skills and motivation, as such they enjoy certain level of autonomy.⁷⁴ The autonomy of bureaucracy is an important factor for success of developmental project. If the bureaucracy retains its autonomy, it could play pivotal role in directing the country's economy in the right direction based on the national interest. On the other hand, if the bureaucracy couldn't retain its power of autonomy, it loses its effective role leading the course of development, lacks the ability to enforce policies and eventually will only serve businesses it tied with through rent seeking based on small group interest instead of national interest. In the case of Japan, both type of interaction observed, and they are one of the most important factor for Post-war success and failure of Japanese economy.

3.1.4.2 Industrial Policy

Industrial policies played the leading role in Japanese post-war economic transformation. The so called „Dodge Plan“ is commonly used as demarcation line to identify different industrial policy employed before and after the plan to restore Japanese post-war economy. It was named after Joseph Dodge who was assigned by US to serve as the advisor of the Supreme Commander of Allied Powers. Prior to the Dodge Plan, government wield huge control over the economy in attempt to re-establish the war-toned economy. The primary goal was reconstructing the economy and for this end

⁷³ Beeson, p.19.

⁷⁴ Evans, **Embedded Autonomy: States and Industrial Transformation**, p.24.

government issued „Priority Production“ policy in 1947 and 1948 which aimed at concentration of resources especially capital in to strategically important industries such as steel and coal. In line with this, price control, rationing system and commodity allocation plan was introduced to support priority production policy.⁷⁵ In this period, production had increased exponentially, firms enjoyed environment where there is no market competition and less pressure from labour unions (if the workers protest, they will be easily layoff). For some, if Japan had been typical western democratic states, the economic transformation would not happen at all. Although policy of planning and control brought positive changes in terms of the industrial production increment, it faced challenge of high inflation and budget deficiency. Given the challenge and the assigning of Joseph Dodge in 1949 led to enforcement of different policy of managing the economy.⁷⁶

After taking the advisory role, Commander Joseph Dodge rule for minimal role of government, unifying exchange rate and the need for rebalancing government budget. The priority of Japanese government become increasing the size of Japanese international trade: for this end, annual economic report was prepared in 1953 that identified the smaller share of Japanese international trade as major obstacles. The share had declined significantly even compared to its share in 1937, and despite the recovering trend in other European countries that also devastated by the WWII at least to the pre-war level. In general, the report identified three core problems related with international trade and recommended the restructuring of the economy based on the report findings. First, the report found out that trade with China and colonies that constitutes forty per cent of the international trade was vanished. Second, the industrialization of Asian countries slowdown the cotton export that had been taken

⁷⁵ Tetsuji Okazaki, *Developmental State Evolving: Japan's Gradation from a Middle Income Country*, Tokyo: **University of Tokyo, Discussion paper**, 2017.

⁷⁶ Tetsuji Okazaki and Masahiro Okuno-Fujiwara, **Japanese Economic System and Its Historical Origins**, Oxford: Oxford University Press, 1999.

place and thirdly, major pre-war export items to US such as raw silk was altered by synthetic fibers.⁷⁷

The identified problems on the report finding was preoccupied in the first, post-war long-term economic plan called Five Years Plan for Economic Independence that was announced in 1955 after cabinet meeting. As indicated in the name of plan, the end goal of this five years“ Economic plan was to create economically independent Japan that is self-sufficient Japan that balances its budget deficiency by itself without support from foreign aid or Americans involvement. The plan identified the need for structural shift in the industries from producing light products in to producing heavy industrial products as light industries had been expanded in developing countries. It focused on expansion of secondary industries (heavy industries) such as steel, machinery and steel product as a main source of export.⁷⁸

Moreover, in a move to support the structural shift in the industrial production, expand export and facilitate Japanese integration in to market economy, government undertook several organizational reforms. One of the most important organizational reforms undertaken includes the integration of Agency of International Trade and Ministry of Commerce and Industry under the new formed ministry called the Ministry of International Trade and Industry (MITI) in 1949 aimed at shaping the direction of industrial policy to expand export. Briefly after its formation and motivated by earlier Dodge Plan, MITI introduced the policy of „industrial rationalization“ – reducing prices of industrial products and improving their efficiency as its main goal in attempt to join market economy.

⁷⁷ Okazaki, p.12.

⁷⁸ Okazaki, p.18.

3.1.5. Factors for Industrial Transformation

There are many factors that attributed for the Japanese industrial transformations; the following sub sections deal with some of them.

3.1.5.1 General Factors

After WWII, Japan achieved a significant level of economic growth and industrial transformation despite serious challenges of post-war reconstruction. Scholars attributed different factors for the success of Japanese industrial transformations. Chalmers Johnson (one of the first to analysis the Japanese transformation) presented bunches of factors for the success of Japanese transformation. In his word “*much of Japan’s success „depended to a large extent on losing a big war to the right people at the right time*”.⁷⁹ The agony of defeat ion WWII and occupation served as impetus for mobilizing all section of the population towards transformation of the country in to a new chapter and legitimized the need for strong state in this process of transformation. Besides, the beginning of Korean War positively contributed for revitalizing of the economy. As a result of defeat in WWII by US and occupation of Korea, the role of military declined – the country freed from devastating role of militarism while in parallel the bureaucracy took a root and start to influence the direction of the country with fewer contenders. On the other hand, the discouraged business group called zaibatsu that had little support from the state in provision scarce capital and discouraged political group who lost their influence due to intra-party rift started to assume bigger role and put their influence on the subsequent development trajectory. According to Gerschenkron, Japan also utilized from the opportunity of late developer’s status- used existing technology and ideas in already industrialized countries in the west without spending time and capital in better way than other developing countries outside Europe and North America.⁸⁰

⁷⁹ Johnson, p.19.

⁸⁰ Beeson, p.22.

Japanese had a distinctive system of providing credit to business through banks and other financial institutions that is under rigid control of Ministry of Finance. Ministry of Finance was providing credits and thus shaped business decisions in constant with state priority-strategic sectors especially in the years of higher growth (1960s-70s). In the same line, Ministry of Trade and Industry also exercise power over provision of foreign exchange and prioritize providing foreign exchange for export oriented businesses.⁸¹ On the other hand, intricate lines of communication established between state and business to ease and speed the process of economic transformation and industrial advancement. One of the most used tools of communication line between state and business was the practice of amakudari – a mechanism where retired officials assume positions in the board of private firms. The fact such former bureaucrat assumes such strategically important position and facilitate communication with high business organization support the enforcement targeted policies.

3.1.5.2 New Policy Tools

Japanese government employed some intensive new policy initiatives to restructure the economy and transform the economy. The following sub sections discuss some of these new policy instruments.

The Introduction of Japanese Development Bank

In the 1950s a new policy instruments (tools) were presented to enforce market based industrialization rationalization policy as government control was no long viable. As a part of a new policy tools, public financial institution such as The Japan Development Bank (JDB) was established in 1951 replacing Reconversion Finance Bank to stem financial supply for industrial expansions and economic reconstruction, and to complement the private financial institution that engaged in the same goals. While the former Reconversion Finance Bank (RFB) was unable to provide such support as the economy is under government control, the JDB was founded based on

⁸¹ Beeson, pp.23-29.

market economy thus it aimed providing policy based finance and strong banking. There were two main background factors that led to the establishment of JDB; one, to stem funds that needed to refurbish industrial equipment's to improve efficiency. And two, to outsource the postal saving system to private financial institution as it consumed huge amount of fund without productive return. For this end, Fiscal Investment and Loan Program were introduced in 1953 as an institution where the JDP loans were integrated.⁸²

Reform on Taxation Policy and Ease at Foreign Exchange Allocation

In 1951, Japan re-examined its taxation law especially the Tax Special Treatment Law and special depreciation was introduced on the inputs regarded to contribute positively for restoring of Japanese economy. Firms are awarded extra 50 per cent tax relief in addition to already existing tax depreciation. In 1952, tax relief measures were broadening using a new declaration called Corporate Rationalization Promotion Law. According to the law, firms allowed to lower half of the book value of new equipment are which is important for modernization of products in industries (not all industries but heavy industries) in the year of establishment. Such measure allowed firms to delay their tax payment which in turn support them not to face the constraints of liquidity.⁸³

On the other hand, a policy of direct control on the international trade was abolished and replaced by a new foreign exchange allocation system in 1951. For this, a legal frame work was established under the Foreign Exchange and Foreign Trade Administration Law in 1951 and the enforcement began in December the same year. The law stipulates the foreign exchange to be wielded under government control and allocated based on „foreign exchange budget“. MITI took the authority to withdraw portion of the budget for purpose of commodity imports. There were two division of foreign exchange budget; budget for automatic approval goods (AA goods) and budget

⁸² Okazaki, p.11.

⁸³ Okazaki, pp.17-20.

for foreign exchange allocation (FA goods) which account about seventy to eighty per cent of the total exchange budget. Through allocation of foreign exchange, MITI indirectly employ pressure including setting quotas on those who engaged importing of commodities for the purpose of protecting the domestic industries. Similarly, MITI also employ indirect control through foreign exchange allocation over industries who engaged on heavy industrial production as they rely on imported raw material. In general, though it foreign exchange allocation power, MITI facilitated easy access of foreign exchange for those companies engage on heavy industrial production for export purpose while it limits the access of foreign exchange for firms engaged in commodity imports.⁸⁴

Updating Equipment of Basic Intermediate Goods Industries

The industrial rationalization policy targeted two strategic industries (the coal mining and steel industry). These two industries were treated as basic intermediate goods industry at the early stage of the policy, and they had been developed in Japan before the outbreak of the war. The two industries became a priority of industrial rationalization policy as Japan switched in to market economy that require efficiency, but the old industries were inefficient and used old equipment's. And the price of both steel and coal were high which was a robust challenge. Given the challenge, MITI established the Council for Industrial Rationalization in December 1949 and investigated the challenges on the sector and publish a report entitled on the „rationalization of iron and steel industry and the coal mining industry“ as a policy measures on 1950. On the same year August, the Cabinet Meeting issued declaration based on the report.

The report identified the high price of coal compared to international price as main stifle for competitiveness of other industries such as iron and steel. And a high price of steel was also another obstacle that effect not only steel industry export but also

⁸⁴ Okazaki and Okuno-Fujiwara, pp. 2-4.

export of machinery which rely on steel. As a result, rationalization of the two industries undertaken and for this end, the cabinet meeting made some steps for facilitating the rationalization process that aimed of expanding machinery export. Among the important steps undertaken includes; priority in accessing foreign exchange to the import of technology and equipment and provision of low interest rate funds by JDB. After the implementation of the reform in 1950s, steel and iron investment resumed, it exploited the tax depreciation and used advanced technology and modern equipment and became a competitive industry in Japan and internationally.

Promoting Automotive Industries and New Industries

The automotive industry (one category in machinery industry) was a massive part of the goal to expand machinery industries in order to promote export. Since 1948 it had given priority by MCI and then by MITI under the program called „Basic Plan“ as a part of countries economic recovery plan. The Basic Plan aimed at expanding the production automobile for domestic consummation and expanding export emphasizing on the East Asian market. The plan to support for automobile industry met opposition first by other ministries such as ministry of Transport who was in favor of imported cars, and while Bank of Japan was dubious on the idea of protecting domestic car manufacturers in terms of comparative advantage. However, in 1952, MITI released a pamphlet that aimed at appealing the larger people in which it argued the significance of the industry for Japanese transformation and its potential of replacing the aircraft industry.⁸⁵

MITI employed different policy tools to support the automobile industries; it protect the sector by regulating the foreign direct investment on the sector, it putted restriction on imported passengers cars and support domestic producers to use foreign technologies. The domestic automobile manufacturers intensify using foreign technologies and foreign car manufacturers also increased licensing of their

⁸⁵ Okazaki, pp.12-14.

technologies for domestic firms as there was little room for foreign direct investment. For instance, Nissan adopted technology from United Kingdom's Austin, Isuzu adopted from Hillman of the same country and Hino from Renault of France. Government managed to reduce significantly the amount of imported passenger's cars and strengthen the domestic production; hence it is possible to claim the Japanese automotive industry as developed within government protection policy.⁸⁶

Moreover, MITI's automotive industry support policy included both assembling and automotive part industries. The vertical integration process was smaller, low quality and the assembling industries were also heavily relying on foreign companies for supply, but as a result of MITI pro automotive industry policy, the production had been expanded and the production process had been progressed. On the other hand, a new declaration called the Act on Temporary Measure for Promotion of Machinery Industry was endorsed in 1956 to promote machinery production including basic machines, specific machineries, common parts and others. MITI allowed firms engaged on those kinds of machineries with low interest loan from JDB and tax relief that contributed for high labour productivity and enhancing the quality of machinery parts.⁸⁷

3.1.6 The Result

The Japanese economy was among the first outside West Europe and Northern America that achieved high growth rate in the last century. As we discussed above such high growth related with especial role of state and certain elements of developmental states. The following section will discuss the overall performance of the economy in terms of economic and social indicators such as GDP, GDP per Capita, growth rate, HDI, unemployment, inflation, current account balance, export performance, FDI flows and others. Some of these indicators are analyzed in the following sections and the remaining indicators are found on the appendix section of this work.

⁸⁶ Okazaki, p.15

⁸⁷ Okazaki, pp.15-17

1. Population, GDP, GDP Per Capita

Table 1
Japan Population, GDP, GDP per Capita Indicators

Years	1960	1970	1980	1990	2000	2010	2015	2018
Population (thousand)	92,501	104,345	116,782	123,537	126,843	128,070	127,141	126,529
GDP (current US\$) (million)	44,307	212,609	1105,386	3132,818	4887,520	5700,098	4389,476	4970,916
GDP per capita (current US\$)	479	2,038	9,465	25,359	38,532	44,508	34,524	39,287

Source: World Bank Databank, World Development Indicators

As we can see from the table 1 the total GDP and GDP per capita has increased exponentially in a year between 1960 and 2000s roughly until Asian crisis. This are the years where effective developmental state policy has been employed, for instance GDP per capita reached 25, 359 USD in 1990s from 479 USD it has been in 1960s which is more than 5 times bigger. The GDP reached 3132, 818 USD in 1990 from 44, 307 USD it has been in 1960. Japan had also a moderate population growth rate.

2. Growth

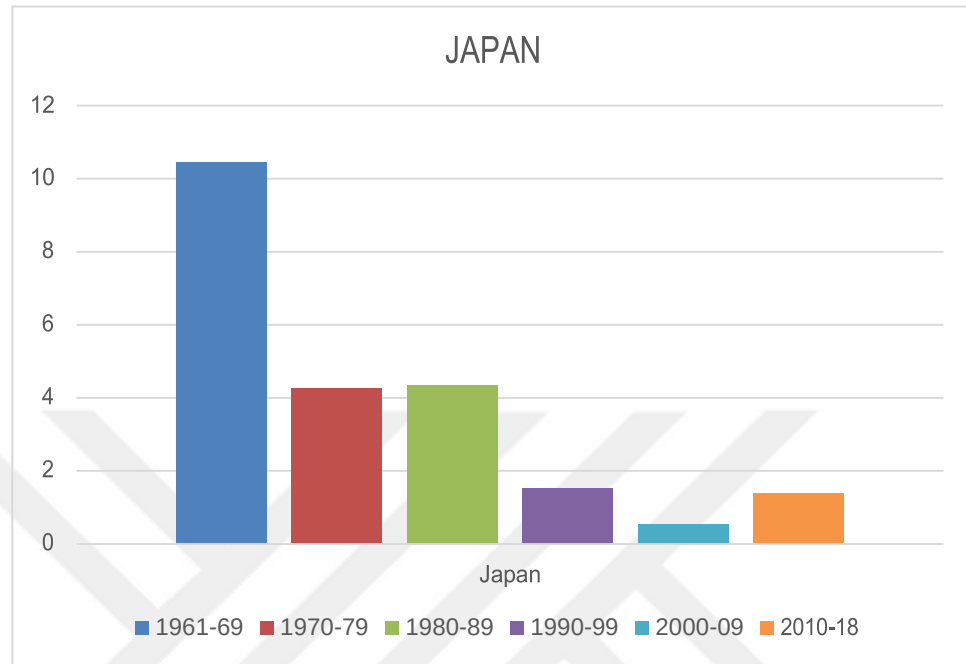


Figure 1. Japan Periodical Growth Rates (annual %)

Source: World Bank Databank, World Development Indicators

Japan has recorded an impressive double digit growth during the initial stage of developmental states trajectory. The annual growth rate has reached its highest in a year between 1960 and 1970s passing annual growth rate of 10 per cent. In 1970s and 1980s the Japanese economy again registered significant growth rate of maximum of 4 per cent. The economy continued with its robust growth rate with minimum of 4 per cent until the Asian crisis in 1997.

3. Unemployment

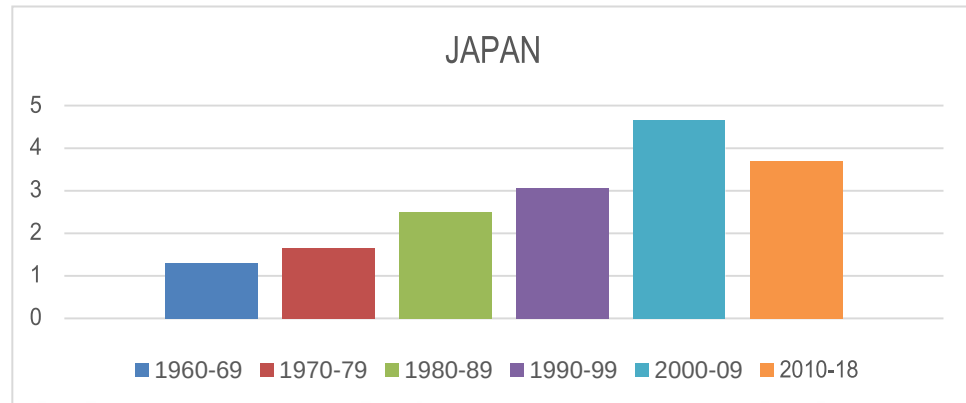


Figure 2. Japan Periodical Unemployment Rates (annual %)

Source: World Bank Databank, World Development Indicators

Unemployment reached its lowest level between 1960 and 1970 reaching less than 2 per cent. On the subsequent years until the crisis, unemployment level remained less than 4 per percent.

4. INFLATION

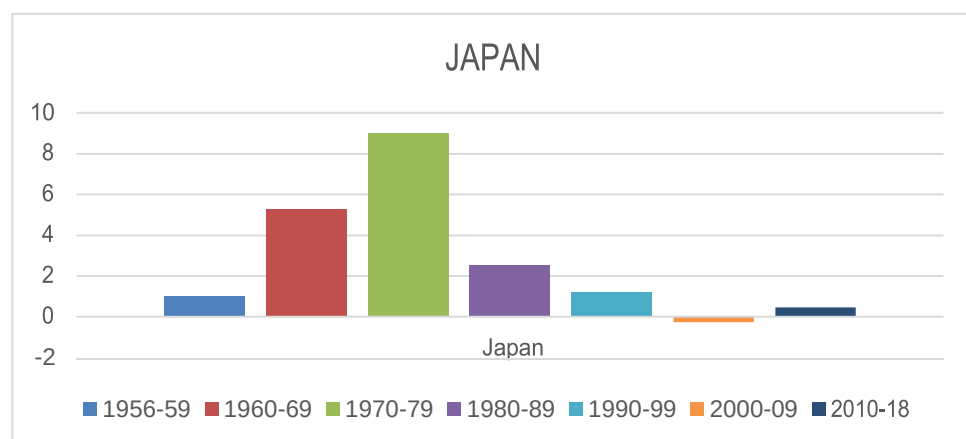


Figure 3. Japan Periodical Average Inflation Rates (annual %)

Source: World Bank Databank, World Development Indicators

Inflation rates remain below 8 percent in most of the developmental state era. In 1960s inflation was less than 6 per cent. It had increased between 1970s and 1980s, but it has again slowed in 1990s and further after the crisis.

5. Human Development Index

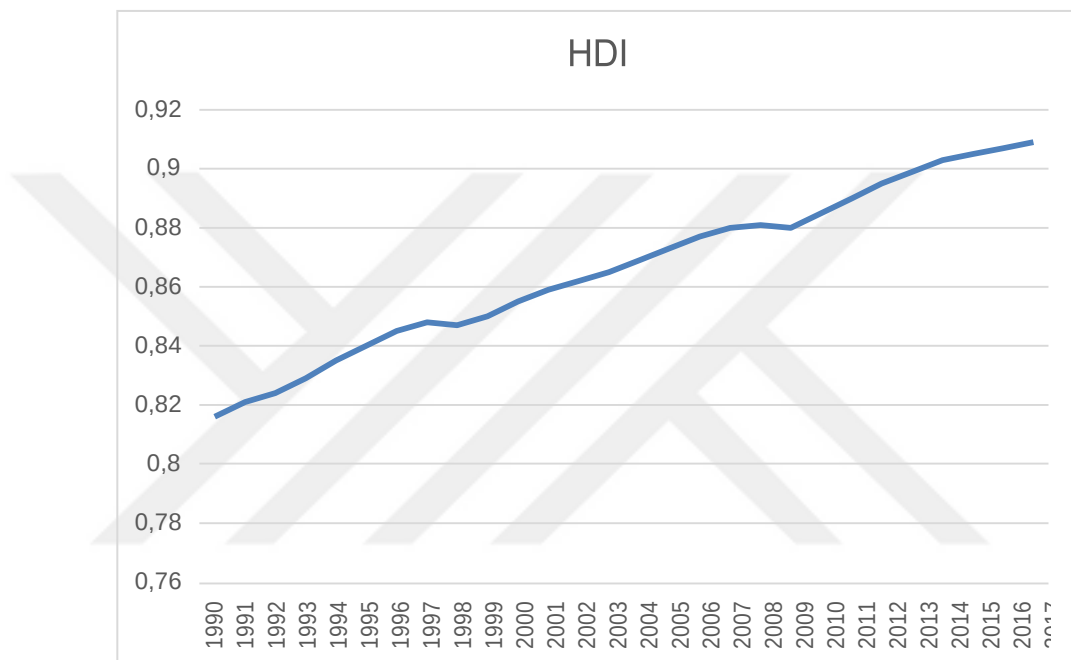


Figure 4. Japan Human Development Index (by years)

Source: United Nations Development Programme, Human Development Reports
<http://hdr.undp.org/en/data>

As we can see from Figure 15, there is upward trend in terms of human development index; Japanese economy demonstrated a high level of human development index following the installment developmental state policy. Presently, Japan reached almost 9 HDI which an index is given for one the highest performer.

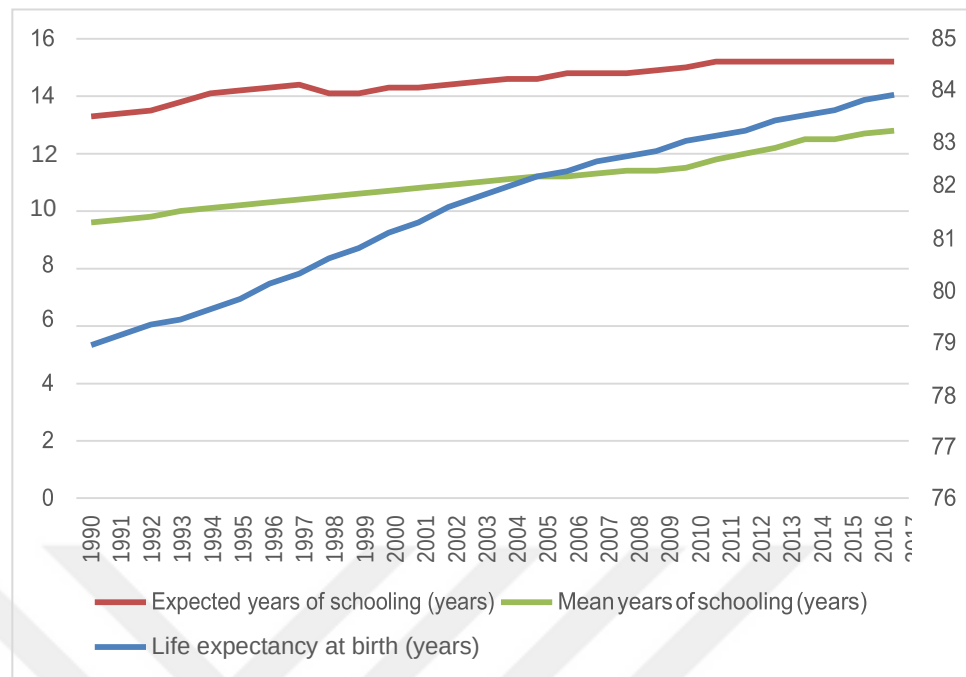


Figure 5. Japan Human Development Index Components (by years)

Source: United Nations Development Programme, Human Development Reports

<http://hdr.undp.org/en/data>

Japan is among the advanced countries in the world of highest scorer in all component of human development index. According to figure 5, there is also upward trend in all components of human development index; all life expectancy at birth, expected years of schooling and mean years of schooling following the developmental state policy.

3.2 Developmental States in Korea

Korea (the present day South Korea) is one of the high performing Asian Tigers where developmental state took strong roots. The following sub sections discuss South Korean developmental states trajectories in details.

3.2.1 State formation in Korea

There are different trajectories of state formation in the world. In Western Europe for instance, state formation is associated with war making that protract over many hundred years“ back.⁸⁸ The collapse of empires is another phenomenon that led to the emergence of many states under different name. In most of today“s developing nations, state formation is related independence after under colonial rule. The Korean case is not an exception and Korea emerged as a result of demise of Japanese“s control over Pacific Asia in WWII. Japanese long and protracted colonial rule in Korea had both negative and positive influence in Korea. Japanese installed their government structure including their legal system and integrated their economy in which two countries shared similar of model of development trajectory. After long years of Japanese“s control, Korea transformed from traditional monarchy in to modern centralized states characterized by effective and coercive institutions that allied mostly with producer classes instead of peasants and labourers.⁸⁹

After Japanese rule over Korea was near to end, US and USSR reached an agreement to divide Korean peninsula under their temporal trusteeship based on 38th parallel.⁹⁰ Upon the request of Japanese and announcement of surrender, retired revolutionary, Yo Unhyong who is leftist, established administrative body called Committee in Preparation for Korean Independence (CPIK) to maintain order and safeguard the safety of Japanese officials remained in Seoul. Subsequently, the

⁸⁸ Charles Tilly, **Coercion, Capital, and European States, A.D.990 -1990**, Oxford: Blackwell.1990.

⁸⁹ Atul Kohli, **State Directed Development: Political Power and Industrialization in the Global South**, New York: Cambridge University Press, 2004, p.27.

⁹⁰ Vu Tuong, “State Formation and the Origins of Developmental States in South Korea and Indonesia”, **Studies in Comparative International Development**, Vol. 41, No. 4, 2007, pp. 27-56.

committee expanded across many provinces and took the government control.⁹¹ At first, the CPIK forces were dominated by communists, but after the knowledge of occupation of US force, the committee reorganised by including large number leftist (42/55 higher authorities) and form a new government called Korean People's Republic (KPR). On the other hand, a week before the occupation of US to Seoul, the Soviet army had arrived in Pyongyang that was a center for the separated Korean Guerilla fighters under the leadership of Kim Il-sung and all communists and even disappointed leftist in South Korea. After the arrival American, military government ruled by Americans themselves established refusing the legitimacy of KPR. Korean Democratic Party established representing right conservatism who had already enjoyed good relation with Japan, while Syngman Rhee a prominent figure formed Central council for Acceleration of Korean Independence.

Until 1948, three forces that includes the communist (KCP-Kim Ku), the conservatism (CCAKI- Rhee) and leftist (KDR-Yo) dominated Korean Politics. By 1950, the military government collapsed and the Rhee - a right wing extremist came as a dominate power pushing for separate election for Southern Korea. In the North, Kim Il-sung eliminated all the potential contenders, and by the mid of 1948 both USSR and US force left the Korean territory leaving two ideologically opposite, independent states of South Korea and North Korea.

3.2.2 Post Independence Developmental State Structure

After the collapse of the military, the Rhee regime became dominant and more importantly, political development between 1945- 50 helped Rhee to consolidate his power without significant threat. By 1950, the communist, leftist and moderate nationalist lost their influence and remained minority while Rhee consolidate his power significantly by eliminating his rivals including the extreme communist. Such dominance created an opportunity for Rhee government to establish a new structure government called developmental states. Rhee strengthens his power using all means;

⁹¹ Tuong, p. 27.

using his loyal network, building coercive state institution and eliminating oppositions. In general, until his removal from power by popular movement especially by students in April 1960, Rhee established effective a developmental state which was very repressive against communism but promoted capitalist development.⁹²

The new rule by Park forced the existing capitalist to be a real capitalist based on efficiency and effectiveness without depending on the government rents. The park government made strict regulation on criteria of providing credit for private sector, and state controlled most investments on the capital beginning from 1960 to 1980 a period when Rhee was toppled by coup in 1961.⁹³ The post 1961 development strategy and the independent nature of Park government relied on the legacy of Japanese colonial government and Rhee regime. Park utilized coercive bureaucracy, highly militarized state institution, and weak bourgeois that inherited from its predecessors to build effective state-led developmental state. Park built productive and indigenous bourgeois class based on efficiency and effectiveness instead of political connection, given the lack of such group in Rhee regime.

In general, examining of the evolution of state formation in Korea and its development trajectory involves two contradictory elements. In one hand, post- colonial Korea is dominated by the Japanese colonial legacy and its subsequent state building measures by Rhee that characterized by its elements such as predatory, repressive bureaucracy and highly militarized. Such legacies are even evident in post crisis Korea after 1997. On the other hand, the state had managed to reform itself from its predatory nature in to creating strong state-led capitalist developmental states in 1960s and market-led (efficient) neoliberal regular state in 1990s. However, both elements helped Korea to build strong state-led economy and implement its economic projects and transform the system. Until 1990s the Korean government maintained its autonomy without sharing its discretion of making policy for any private groups. Government enjoyed high level of autonomy and did not fail under the influence of capitalist policy

⁹² Tuong, p. 28.

⁹³ Iain Pirie, **The Korean Developmental States from Dirigisme to Neo-liberalism**, London: Routledge studies in the growth economies of Asia, 2007.

choices; and it had a resource and capacity to fully implement chosen policies without being challenged by different groups. Besides, Korean government established competitive bureaucracy that could be compared with developed world in terms of the level of skills, education requirement and admission standard.⁹⁴ Strong state and its relative autonomy were among the critical elements post-colonial Korea (1961 to 1997) that helped to efficiently execute economic reforms and accumulate capital based on principles of developmental states.

3.2.3 The Japanese Legacy

Exploration Korean Economy should start by looking dynamics of Japanese imperialism in general and the nature in Korea in particular. Unlike the European colonialism system, the Japanese colonialism took different forms. It was characterized by intensive control and a complete integration of colonies in to its own political and economic structures. Such parallel approach of colonialism was viable due to the proximity of colonies in terms of both geography and culture, and the nature of Japanese colonial government. Thus the domestic political economy of Japan had direct bearing on its colonies. Domestically, the Japanese government employed interventionist policy; government directed the flow of capital to strategically selected sectors and industries.⁹⁵

Korea had been the best spot for Japanese colonial project of creating state-led development and capital accumulation. Korea became center for industrial production; yearly industrial production growth rate reached 15 percent in most of the years between 1930 and 1940. It had employed 1.3 million of Koreans that accounts 40 percent of the total production.⁹⁶ Korea under Japanese colony already started to be industrialized and characterized by effective interventionist state. Japanese built modern state in Korea characterized by coercive institutions that accelerate political control and

⁹⁴ Pirie, p.12.

⁹⁵ Penelope Francks, **Japanese Economic Development: theory and practice**, London: Routledge. 1992.

⁹⁶ Pirie, pp.14-15.

economic exploitation. Both Japanese colonial state and its immediate successor, independent Korean state, were repressive, effective and employed intensive control over all aspects of life including the social life. Japanese structural legacy was eminent in all aspects; the immediate independent states like its predecessor intensively manipulate labour, and intervened in the market and process of capital accumulation by subsidizing large industries and directing the allocation of credit.⁹⁷

Although the Korean War dismantled most of the existing industrialization, Modern Korea state was characterized by Japanese elements in several aspects. The institutional and human legacy of colonial origin was a base for the subsequent direction of the political economy of modern Korean state. Modern Korea had effective institutions, strong bureaucracy and repressive and militarized state. The fact that the US officials re introduced all the colonial institution after their occupation in 1950 is another indicator that showed the effectiveness of the institutions. The revival of colonial institutions also had an important contribution for Rhee administration after the end of the US rule. Rhee, an exile nationalist who had no support with any organized group, exploited the colonial institution to form leviathan type strong state that lasted until 1960. The modern post-colonial Korean state under Rhee was no more different than its predecessor, its financial source was UU (US used to grant USD 1 billion every year until mid-1950s), Rhee was a US puppet, and the new institutions are all the revival of old colonial structures.

Embedded Autonomy was another important trait of post-colonial Korea that inherited from its old colonial structure. State in modern Korea place itself at distance from embedded relationship with any groups. State's embedded autonomy together with its administration and coercive capacity served as a stepping stone to accomplish industrial transformation." *In terms of its sheer size, its repressive capacity, and its level of penetration into all aspects of national life, the Korean state of 1961 could match*

⁹⁷ Pirie, p.16.

*anything the Japanese created. In 1961 the civil service and military had 240,000 and over 600,000 personnel respectively”.*⁹⁸

On the other hand, another important mark the Japanese colonial rule left in Korea was the lack of indigenous urban based bourgeois group. Although the Japanese included tradition rural elites in their projects, they didn’t allow the emergence of urban based indigenous bourgeois to participate in the industrialization process.⁹⁹ However, some argues there were some fake- bourgeois under the rule of Rhee (fake because they were weak, exploit state capital, lack entrepreneurship skill, based on political connections. Rhee regime priority was state building not development, and state- business interaction is also based on political affinity. Rhee effectively utilized the aid that came from US until 1958 effectively to build strong repressive state. However, the subsequent decline in US aid resulted in a shift in state- business relationship.

3.2.3.1 Economic Integration with Japan

Korea’s success in terms of productivity and high growth could not be dealt separately without the role of labour configuration in Korea based Japanese system. Following the Normalization Treaty with Japan in 1965, the Korean labour system rapidly integrated in to Japanese dominated production network in the region.¹⁰⁰ The process had mainly undertaken through inter-firm cooperation arrangements where the Korean companies gained access to technology. In the regional labour division, the Japanese firms focused on producing high – value innovation goods while shifting the capital for low value and low volume manufacturing products to Korean firms - the Japanese firm still develop and design the products but manufactured by Korean firms. Such collaboration of firms provided a base for sustained growth, high productivity and directing the long-term term development of the country.

⁹⁸ Pirie, p.62.

⁹⁹ Pirie, p.63.

¹⁰⁰ Pirie, p.65.

On the other hand, the linkage created two different outcomes; first, it helped Korea to advance its global labour division and became a home for both labour and capital intensive light manufacturing and heavy industries respectively from once poorest nations in the world. Second, the network resulted technological dependency of Korean firms with their Japanese partnership that created the trap of Korean firms in to producing low value products, not progressing in to production high value added goods and service. However, compared to other Southeast Asia countries, some Korean firms especially assisted by government, reduced the technological dependency on Japanese firms.¹⁰¹

3.2.4 Conducive International Environment

Korean state-led developments (miracle) took place in the certain international contexts; the Vietnam War, Cold War, US support and others which were favorable for Korea. In the late 1950s the Korean economy went in to recession that led the removal of Rhee regime and the coming Park government by coup. The significant decline in US aid especially between 1957 and 1961 was among the major factors accounted for the nearly collapse of the economy. In 1961, after short-lived rule by Chang, Park regime controlled the country and embraced transformations in the domestic structure of the economy. The Park regime made two important political reforms to attract investment and financial support; in 1965 he signed a treaty with Japan to normalize relation, and the same year he involved in Vietnam War in the side of US in return for financial support.¹⁰² Both political reforms made important impact for the subsequent political and economic development in the Korea. The political reforms resulted a profound short term boost in already declining economy. After the adjustment of relation with Japan, Japan granted and provided soft loan that account USD 800 million while Korea secured close to USD 1 billion in return for supporting US in Vietnam War. As argued

¹⁰¹ Pirie, p.66.

¹⁰² Martin Hart-Landsberg, *The Rush to Development Economic Change and Political Struggle in South Korea*, New York: **Monthly Review of an independent socialist Magazine**, 1993.

by many, it is such grants in 1965 that served as base to fuel the industrial take –off in Korea.¹⁰³

In addition to its short term contribution of macro-economic boost, the political reforms taken had also important implication in determining the direction and role of Korean economy in global and regional economic structures. Since the injection the financial grants that came up with the political reforms, Koreans economy embarked in producing industrial goods, became part of Japanese controlled regional division of power and major exporter of industrial good to US characterized their low value at first. The US market created fertile ground for the expansion of Korean industries; one of the significant expressions of such development is the 232 percent increase in of Korean export to US and the US controlled Southern Vietnam.¹⁰⁴ Beyond the exchange of good and services the US and Korea relationship involved various actors including firms and individual, involves wide range of issues and sustained for more than 30 years. While the opening of market by in US created a served as takeoff Korean industrial production, the imported goods also helped US economy to fight the existing inflation. Korean’s goods were awarded preferential access to US market in a return for showing solidarity in Vietnam War with US.

Domestically two important nature of Korean economy accounted for the high productivity and growth rate; directing capital to strategically more crucial sector by keeping wage low, and its labour system integration with Japanese. Korea’s high productivity and growth also directly related with it’s the geopolitical position during the Cold war. Its strategic position in the Cold war allowed Korea to seize significant amount of capital flow in terms of loans and grant and huge exporting opportunities. The US controlled South Vietnam was another destination for Korean export and served as another base for the expansions of Korean industry in 1970s. The Korean industrial

¹⁰³ Pirie, p.68.

¹⁰⁴ Pirie, p.69.

export to South Vietnam reached 94.3 percent in steel export, more than 40 percent in chemical and machinery export and 51 percent in transportation equipment export.¹⁰⁵

3.2.5 Park Regime State-led Capitalist Development

Since the Park regime came to power through military coup in 1961, he demonstrated strong desire to work in harmony with private capitalist except for brief detentions of 51 key bourgeoisies immediately after the coup. Park was aware of the pivotal role of the private capitalists would play in his ambitious goal of creating developed capitalist state in Korea. As such Korea in 1960s and 1970s was safe haven for bourgeoisie. The Park regime offered ranges of privileges for private firms including provisions of cheap credits and use its power to repress the working class to make them work for lower wages and in disciplined manner. The Korean developmental state provided to the private capitalist everything they demanded except their freedom to engage business sectors of their selection.¹⁰⁶

The park regime was determined to build strong, effective, internationally competitive indigenous economic policy with minimum level of industrial self-sufficiency. His policy also aimed at building industries that were in line with standards of second industrial revolution and based on domestic firms - highly national. According to Park, it is through building strong domestic firms which are self-sufficient in pivotal heavy industrial products such as steel, electronics, chemicals, arms, ships and machinery is a base to create an independent and strong Korea. This was evident from his mobilizing slogan of "*steel is a national power*". Park aspirations of building national economy based on self-sufficiency in the industry was a guarantee to survive against any political (in case aid would be reduced from US) and economic crisis that might happen in any part of the world and would affect Korea.¹⁰⁷

¹⁰⁵ Pirie, p.55.

¹⁰⁶ Pirie, p.67.

¹⁰⁷ Pirie, pp.67-68.

The park regime employed a comprehensive reforms based on capitalist economy planning to reach its objectives. One of the most important reforms undertaken during the Park regime was a rigid control on the flow of finance. The government maintains strict policy to ensure the capital flow in to strategically selected sectors by controlling the commercial bank, intervening in security and stock market and directing the foreign loans and aids. Besides, government employed economic manipulation tool by creating artificial interest rate to create credit shortage for strategically unimportant sectors. While firms engaged in strategically important sectors secured favourable treatments in terms of accessing loans under official interest rate and rewarding subsidy by the state, other firms who engaged in unfavourable sector faced direct control by state in terms of license allocation including political intervention to the extent of confiscation of their assets.¹⁰⁸

The state provided all forms of support including cheap credit for firms engaged in industrial production while repressing even closing firms that engaged in commercial rent seeking activities. Since 1960s state transformed bourgeois who were formerly engaged in commercial rent seeking activities in to the producer of industrial output. In the new system, rent seeking activities or bribing was not enough to receive credit or get favour from the state, the firms should qualify the efficiency standard in addition to paying the required bribe. It is such policy on industrialization that resulted the rapid increase on average yearly growth of export 42.1 percent and output 9.6 percent between 1963 and 1970. *To place these figures in context, despite massive US aid, the Korean economy had grown by an average of only 4.5 per cent per annum between 1953 and 1962.*¹⁰⁹

In 1970s, the success of state led development in Korea continued; industries were expanded exponentially and they became the producer of capital-intensive goods and services such as arms, ships, chemicals and steel compared to labour intensive light industries in 1960s. By employing various tools, government continued to induce

¹⁰⁸ Pirie, p.45.

¹⁰⁹ Pirie, p.47.

investments in strategic sectors and avert the risk for bourgeois who were uncertain at first to invest on heavy industries. Beyond providing the necessary capital, the government was successful in creating a keen interest on the significant numbers of private firms to engage on the heavy industries as a main activity without reluctance and consideration of profit. It is such firms that played a leading role in the 1980s' second industrialization revolution. One of the most expressions of such structural transformation could be seen in chemical industry in which its shares of total manufacturing reached 55 percent in 1979 from forty per cent in 1971. Besides, heavy industrial export shares in total export increased significantly to 37.7 per cent in 1979 from 13.7 per cent in 1971. In general, the heavy industry expanded by 9.57 per cent in a yearly bases and its share of export in total export reached close to forty per cent on a yearly.¹¹⁰

3.2.6 State and Business Symbiotic Relationship

State and business relationship in the developmental state Korea was dynamic and complex that state led the process of industrial deepening – structural change until 1997. The small and medium size corporates had little part to play in the robust and heavy industry-deepening. The state established relationship with enthusiastic and large corporates mostly based on personal ties and capitalist's willingness. The need for giving especial privilege for large firms arise from the global industrial structure, hence the need to make them internationally competitive so that they can seize international share of market. Therefore, state obtained assurance and keen interest of large conglomerates where they engaged in massive investment of infrastructures and industrial deepening including on heavy industries especially since 1975s.

On the other hand, state systematically limits the allocation of capital on some sectors of the economy and significantly suppresses consumption at home to make sure proper flow of capitals in to strategically important sectors – heavy industries. For instances, in 1978, chemical and other heavy industries secured 59.5 per cent of the total

¹¹⁰ Pirie, p.48.

domestic loans in the manufacturing sector. While cheap credit and foreign borrowing were amongst important tools employed to support heavy industries, the Korean government also used other instruments such as tax exemption for its plan of industry-deepening especially for chemical industries. In a year between 1976 and 1980, government geared up 4.66 USD dollar foreign loans in to heavy industries while the light industry guaranteed only 1.1 billion dollar.¹¹¹

One of the most important outcomes of state mobilization of capital for strategically selected industries was the shift in the nature of state-business relationships. Beyond the change in structure of the economy, state mobilization of capital heralded a new chapter of state-business (chaebol) partnership based on symbiotic relationship. Since the 1961 coup, Park was convinced of the importance of such groups, retains a good relation with chaebol and was confident of their efficiency and competitiveness to the level of international arena. On the subsequent years also, the state conceived chaebol to be the base for the success and expansions of Korean capitalism. Therefore, the state industrial policy mainly focused on providing fertile ground for large firms and playing a key role for reproduction of large firms/ chaebol.

The government and chaebol relationships had been in significant change both quantitatively and qualitatively throughout 1960s and 70. While in 1960s the state-business relationship was based on institutional mechanisms - capital-state collaboration, in 1970s and 80s such partnership took different forms, they became based on personal ties between chaebol and influential policy makers. The selected big firms to head Korea's industrialization process enjoyed access to cheap credit, tax exemption and other privileges and had huge impact on the policy making process. Equally, instead of being inactive recipient of large conglomerate demands, state executives had significant level of control over the behavior of the chosen large conglomerates to lead industrialization drive. The State executives' controls over the behavior of large firms in terms of commanding their discipline, making sure they met

¹¹¹ Pirie, p.49.

minimum efficiency criteria, reached the expected amount of output and export target and over issue of over competition.¹¹²

The second industrialization revolution set high requirements of efficiency and expenditure for research and development to remain competitive at the international level. Such challenge created the need for massive level of capital which was a big issue for 1970s Korea that was in the verge of industrialization, had no such kind of capable large firms, had limited domestic market and had tiny financial bases compared to the existing advanced economy.¹¹³ The Korean developmental state responded to the challenge by forging close alliance with few and selected private conglomerates. By picking few private conglomerates and providing them all sort policy support mainly market reserve and cheap credit, the developmental state in Korea aimed to build strong firms that could compete internationally in heavy industries in the contexts of second industrialization revolution. By granting massive amount of cheap credits that came mostly from foreign sources, the state in Korea took a risk of becoming among the most indebted country in the world; in the case of failure of credit granted firms to compete internationally and failure to deliver the expected amount of production out of heavy industries.

At the same time, the success of such firms in competing internationally and becoming the leading producers of heavy industries signifies the radical shift in Korean position in the global division of labour.¹¹⁴ It is such scenario that created a state of mutual dependence (symbiotic relationship) between private capitalist (chaebol) and the state. While the chaebol depended on state provision of cheap credit and official loan to maintain the competition internationally and finance their growth even their survival in the case of bankruptcy, the effectiveness of Korean developmental state also depended on the success of such groups, hence the interaction of both was based on mutual recognition.

¹¹² Ha-Joon Chang, **The Political Economy of Industrial Policy: Structural Interdependencies, Policy Alignment and Conflict Management**, London: Macmillan, 1996.

¹¹³ Pirie, p.50.

¹¹⁴ Evans, **Embedded Autonomy: States and Industrial Transformation**, pp25-28.

3.2.7 Political Repression in Developmental Trajectory of Korea

Systematic, social and political repression on small farmers and labour was part of government policy that played a massive role for Korean miracle. The expansions of state led-industrialization and high growth wouldn't have been materialized ~~with~~ repression policy of Park regime to build a huge, disciplined and cheap working force. State employed two distinct policy instruments to achieve such a goal; first, by keeping the agricultural price low within its control mechanisms, it systematically forced the farmers to left their land and join the working force in cities. Using such price control mechanism, thus making life hard in country side, state expanded the size of proletariats in the city that could work for cheap wage. Such planned repression policy of government resulted the significant decrease of number of population that live in country side from 72 percent to 28 percent in only between 1960 and 1980.¹¹⁵ As agreed by many scholars such Gills, such transformations in structural change in agriculture were inescapable step in the process of primitive capital accumulation and state's goal of becoming leafing industrial capitalist state.¹¹⁶

Second, the Korea working class material and political progress were repressed by different policy of state in addition to its agricultural policy. The policy that constrain consumption pattern of proletariats was one of the most expression. The developmental state in Korea made sure that the limited resources in the country to be used for accumulation of national capital that could be used to build internationally competitive heavy industries not useless consumption by the proletariat. State made proclamation that snatch workers right to strike and set up independent trade union and for those who would not be abide by such rule, they would be imprisoned and even face harsh beating and torture. In all criterions, the working conditions were one of the worst in the world even to the standard of late industrializing states. The park regime imposed harsh treatment towards the working class; the Korean proletariats were among the longest hour working and highest percentage industrial accident enduring in the world. The park regime also kept the rise of real wage low compared to an increased labour

¹¹⁵ Lie, 1998, pp.111 cited in Pirie, 2007.

¹¹⁶ Pirie, p.49.

productivity level; while labour productivity increased by an average of 11.1 percent in yearly bases between 1971 and 1981, the government only rise real wage by 7.8 percent in the same period.¹¹⁷

Moreover, the state did not intend; to secure good working environment and safeguard against the whim of unemployment, or old age or bad health condition. Some of the institutional measure undertaken by Park government on the issue had limited impact. For instance, various legislations were enacted on issue of accident insurance, health insurance and public assistance program. However, the contribution such enacted legislations on alleviating the problem of workers in general was limited, for instance the 1965 Public Assistance Program, they had only impacted the poorest section of workers not address the deep rooted problem of average workers. The Industrial Accident Insurance Scheme in 1964 and the National Health Insurance Scheme in 1977 only address well-paid core industrial proletariats. Unlike other working group, core industrial workers were privileged with pro worker policies and their rights as a worker were protected. The shift in pro worker policy for core industrial worker was part of government strategy of expanding enterprise corporatism- a community within top firms. Both government and the private capitalist were willing to bid for a better deal for core workers in terms of better payment, job security or other so as to make sure their loyalty for existing order. Besides, it became a requirement for top firms that involved in the capital-intensive production to have a qualified, disciplined, stable and committed work force to compete internationally and produce the highest possible value of investment. Looking at it from authoritarian state's perspectives, appeasing the core workers and incorporating them in to state led development is a common strategy observed in most of authoritarian states, otherwise it would have been unlikely to survive the influence such groups in democratic system where there would be under strong labour movements.¹¹⁸

¹¹⁷ Pirie, p.55.

¹¹⁸ Huck-ju Kwon, *The East Asian Welfare Model: Welfare Orientalism and the State*. London: Routledge, 1998, pp. 27-74.

3.2.8 The Result

In the 1960s Korea was among 25 poorest nations in the world. However, after successful implementations of developmental state policy between 1960s to 1990s, Korea became one successful industrialized country in the world, after four decades the GDP per capita reached 11,000 USD from 82 USD it has been in 1960. The following section will discuss the overall performance of the economy in terms of economic and social indicators such as GDP, GDP per Capita, growth rate, HDI, unemployment, inflation, current account balance, export performance, FDI flows and others. Some of these indicators are analyzed in the following sections and the remaining indicators are found on the appendix section of this work.

1. Population, GDP, GDP Per Capita

Table 2
Korea, Rep. Population, GDP, GDP per Capita Indicators

Years	1960	1970	1980	1990	2000	2010	2015	2018
Population (thousand)	25,012	32,241	38,124	42,869	47,008	49,554	51,015	51,635
GDP (current US\$) (million)	3,957	8,999	64,981	279,349	561,633	1094,499	1382,64	1619,424
GDP per capita (current US\$)	158	279	1,704	6,516	11,948	22,087	27,105	31,363

Source: World Bank Databank, World Development Indicators

Korea which had been one of the poorest countries in the world by 1960s has registered an impressive expansion of the economy following the installment of developmental states. The GDP has expanded in to 279,349 USD in 1990s from 3,957 USD in 1960s. The GDP per capita reached 6,516 USD in 1990s from 158 USD in 1960s which more 30 bigger.

2. Growth

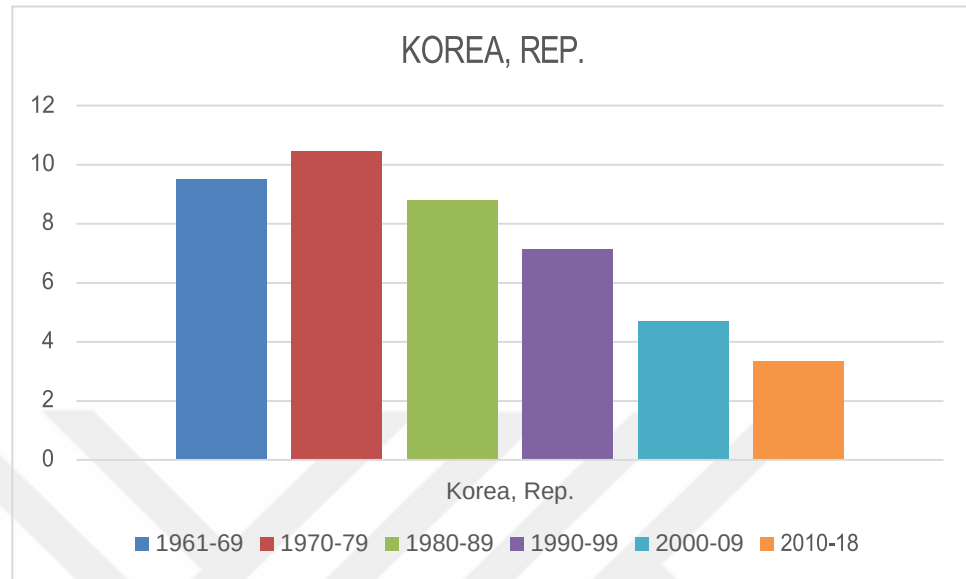


Figure 6. Korea, Rep. Periodical Growth Rates (Annual %)

Source: World Bank Databank, World Development Indicators

Korea registered one of its highest growth rates during the developmental state period. The Korean economy had grown 9 per cent in the 1960s and it further expanded more than 10 per cent in the 1970s.

3. Unemployment

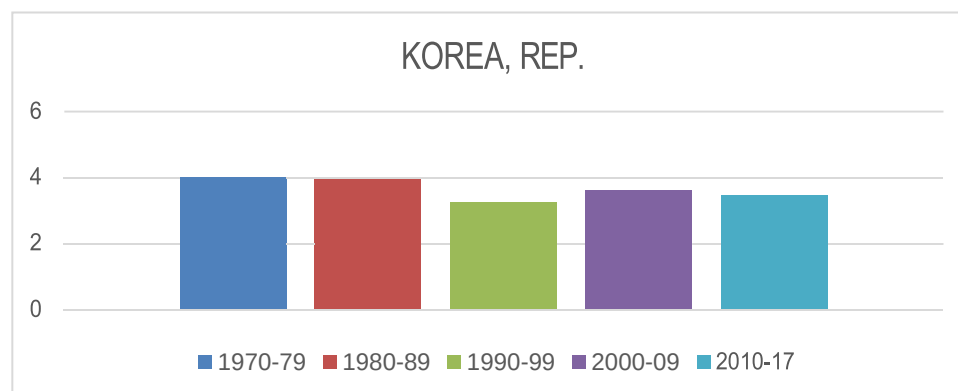


Figure 7. Korea, Rep. Periodical Unemployment Rates (annual %)

Source: World Bank Databank, World Development Indicators

Korea maintained its unemployment rate below 5 per cent in most years of its developmental state trajectory. Unemployment rate was 4.1 per cent in 1960s and it further shrieked below 4 per cent in 1970s and 1980s.

4. Inflation

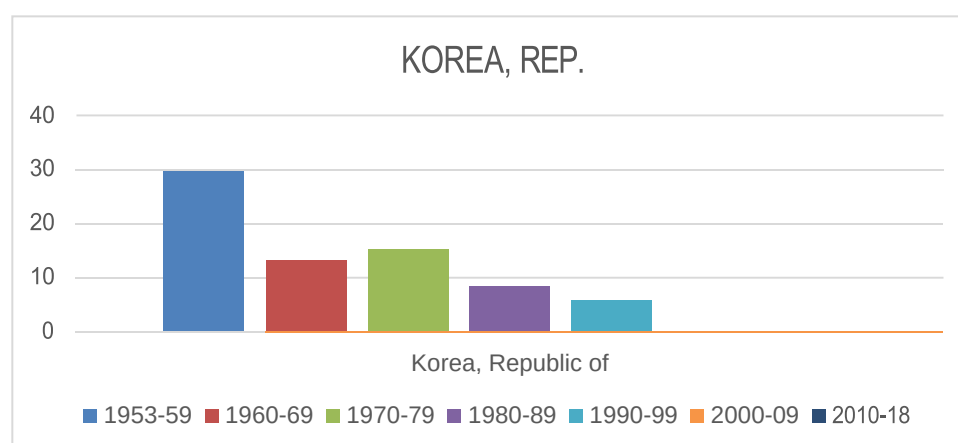


Figure 8. Korea, Rep. Periodical Average Inflation Rates (annual %)

Source: World Bank Databank, World Development Indicators

Inflation significantly reduced in 1960s reaching below 13 per cent from nearly 30 percent before. And it remained below 15 percent in most parts of developmental state policy.

5. Human Development Index

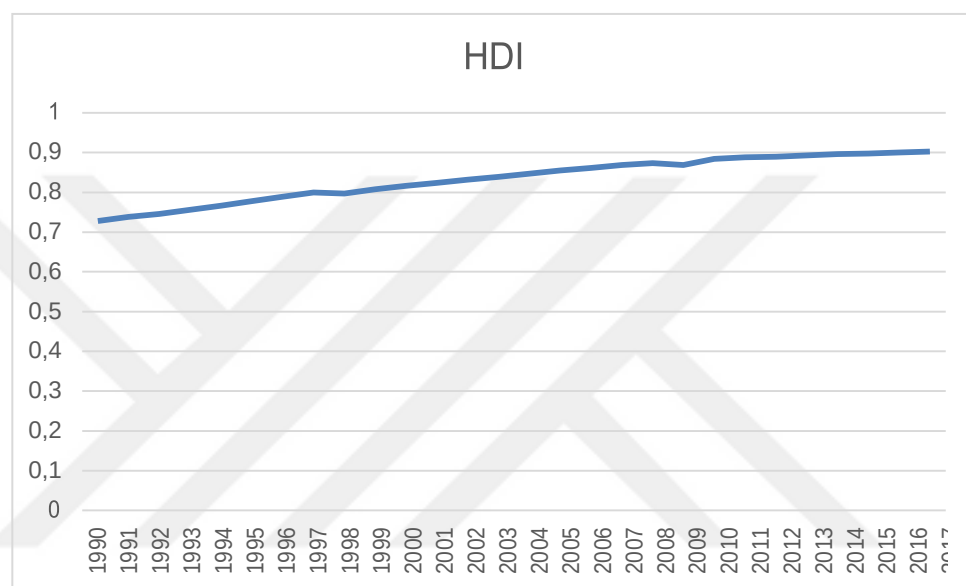


Figure 9. Korea, Rep. Human Development Index (by years)

Source: United Nations Development Program Human Development Reports

<http://hdr.undp.org/en/data>

Korea has shown remarkable improvement in terms of human development index following the developmental state experience. It has a human development index close to 0.9 which is among the highest.

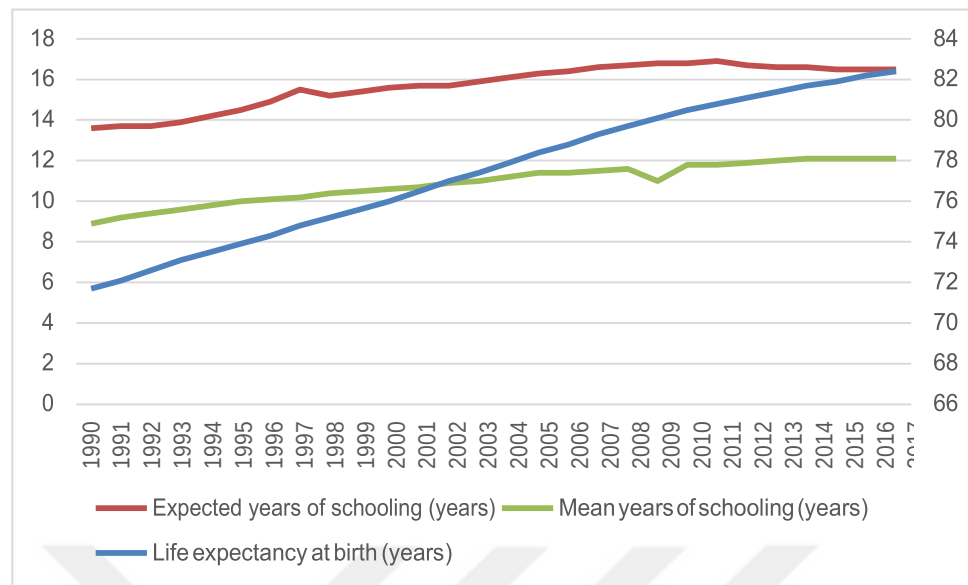


Figure 10. Korea, Rep. Human Development Index Components (by years)

Source: United Nations Development Programme, Human Development Reports

<http://hdr.undp.org/en/data>

In terms of different components of HDI; mean years of schooling, life expectancy at birth and expected years of schooling, Korea has shown important improvement following the developmental state trajectory; life expectancy past 80 years threshold.

4. DEVELOPMENTAL STATES IN AFRICA

4.1 State Led Development in Africa

After the end of WWII, international community engaged in forging state led economic model in newly independent African states with aim to bring economic growth and industrialization. Economic commission for Africa (ECA established in 1958 as a regional body representing Africa under the mandate of UN) is the leading example in supporting such model. Some positive results have been registered with regards to health, education and other social services. However, especially by the late 1970s, in many African states the intervention resulted in wastefulness in the economy and failed to provide developmental outcome. Even some of the positive results registered were limited to some narrow interest group connected through clientelistic network.¹¹⁹ According to report by ECA, the ruling elites at the top abused developmental role of state in the economy by expanding rent seeking behavior and drafting policies favoring groups they represent. This can be different from state to state, yet in most cases it was done through strong leaders, dominant/single party system and even technocrats.¹²⁰

Many factors are pointed for the failed state intervention in African and other developing world; increasing dictatorship, inefficient state enterprises, lack of hegemonic developmental goals, protection policy without necessary measures to promote domestic production, „state capture“ – a rent seeking behavior where only few influential interest groups take advantage from the state intervention to promote self interest in the place of national development objectives, manipulation of market by politicians and bureaucrats to secure political support, absence of meritocratic and institutionalized bureaucracy, poor political structure etc. On the other hand, some argue the centralization as main problem; state intervention was implemented in Africa as a nation building measure with aim of uniting different facets of society (multi-ethnic, religious and culture) that resulted in developmental failure as it disregards the demands of

¹¹⁹ Meyens and Musamba, p.25.

¹²⁰ Economic Commission of Africa, **The Developmental States: What Options for Africa?** Addis Ababa, Ethiopia: An Issue Paper, United Nations Economic and Social Council, 2013, pp. 4-10.

self-administration and bottom up approach.¹²¹ Mkandawire reject the above claims and linked the problem with adoption of SAPs as it limited the ability of African states to design their own policies.¹²²

4.2 The Introduction of SAPs and the Washington Consensus

Early 1980s marked with abolishment of state led economy echoed by international institutions namely by World Bank and IMF to restore market based economy, came after Washington Consensus – neo liberal economy strategy aimed to distance the reach of state in the economy and depend on market as most effective instrument of allocating resources. In place, donor receiver countries recommended to install structural adjustment programs – privatization, free trade, and export led growth strategy, deregulation, devaluation, no price regulation and subsidies reduce social expenditures by government etc. Even though SAPs brought macroeconomic stability in part, they cripple government's role in formulating socioeconomic policies especially in: delivery of basic social services, support for civil service, financing of state in vital economic sectors etc. Alongside SAP, by the mid-1980, wave democratization engulfed Africa; international donors conditioned Africa once again to forge democracy based on multi-party system and take good governance measures. Both SAP and democratization failed to deliver basic changes in promotion of living standards for African population as they remain to live under poverty. That is why the year 1980 was taken as lost decade for Africa; as Africa during independence year was much better off in all measure of socio economic indicators.¹²³

4.3 The Revival of State-led Development in Africa

From mid 1990s development scholars went in to rethinking and recognizing the role of state in the economy, this time mainly after successful experience of state-led development in Asian Tigers. These countries under went massive economic growth,

¹²¹ Meyens and Musamba, p.20.

¹²² Mkandawire, p.290.

¹²³ Mkandawire, p.291. and Meyns and Musamba, p.22.

structural transformation from agrarian society in to high tech and high value added good producer and most importantly recorded impressive social transformation. Even World Bank in its 1997 World Development report called „rethinking state“ recognized the requirement of strong state capacity to effectively bring socio economic development. And effective and functioned state requirements for better operation of market based economy. In the report state intervention on antipoverty programs and public health described as minimalist state function.¹²⁴ ECA report for the 2005 shared the rethinking and advised African states to follow the routes of Asian Tigers.¹²⁵

4.4 Debates on Transferability of Developmental States to Africa

Some argue the impossibility of replicating Asian Tigers model in Africa; this is mainly because the institutions that helped the Asia tigers achieve success are time-specific and contextual both in terms of history and geo-politics. Besides, change in global economic environment – neoliberal dominance, globalization, pressure from supranational organization and the increasing role of civil societies and centrality of public decision making added the challenge of forging developmental states in Africa and elsewhere.¹²⁶ Musamba argues the existing structure of (institutions, politics, and culture, social, administrative...) does not fit the requirements of forging developmental states).¹²⁷ Ziya Onis identified three core elements which are difficult to replicate: the bureaucratic autonomy, high degree of state-business cooperation and devotion to stick to growth at the expense of other goal.¹²⁸

On the opposite“s side, Mkandawire argues developmental states are not new phenomena yet it does not produce the desired outcomes across the nations. Post independent leaders of Africa such as Kwame Nkrumah“s of Ghana, Julius Nyerere of Tanzania, Kenneth Kaunda of Zambia and others intensively engaged in building developmental ideologies. Nkrumah was proponent of forging regional integration

¹²⁴ World Bank, 1997, pp. 27

¹²⁵ ECA, 2005

¹²⁶ Meyns and Musamba, p.15.

¹²⁷ Meyns and Musamba, p.16.

¹²⁸ Onis, p.120.

under sprit Pan- Africanism to advance economic development in Africa, Nyerere brought the concept of ujamaa – plan for collectivization of agriculture with goal to support rural transformation, Zambia adopted humanism model of development under Kaunda, negritude in Senegal etc. Several African states made industrialization a goal, engaged in building state capacity, made significant investment in producing skilled human resources, in Cote d’Ivoire for instance, one third of its government spending went for health and education. Given all these policy measures, the early post-colonial state in Africa was portrayed by some as a developmental state hinting the possibility to retake the same developmental policies.¹²⁹

More importantly, 10 out of 27 best performing economies in the world with 6% GDP on average between the 1967- 1980, were Africans. However, the oil shock in 1970s and 1980s plus various internal factors dragged many African states developmental effort. By 21st century Mauritius and Botswana listed as successful developmental states, Ethiopia and South Africa mentioned as aspiring developmental states - aspiring because it is not clear the successes yet political actors continually and publicly pursuing the case, countries such as Rwanda, Kenya Tanzania, Malawi and Cote d’Ivoire referred as developmental Patrimonialism in their history of development trajectories, countries such as Ghana, Uganda and others are mentioned states blending liberalism and with developmental states ideology.¹³⁰ In general replicating of specific policies to new environments will be futile without strong institutional and political fertile grounds needed for their effective enforcement. ECA identified lack of state capacity and effectiveness as an obstacle to accomplish MDGs in Africa.¹³¹

¹²⁹ ERA, **Governing development in Africa: the role of the state in Economic Transformation**, Addis Ababa, Ethiopia: United Nations Economic Commission for Africa, 2011.

¹³⁰ ERA, pp..

¹³¹ ECA, 2012.

4.4.1 The Impossibility Theorem

The „impossibility theorem“ is the idea that developmental state model is not feasible to Africa and particularly question the applicability of developmental state model of East Asian states in Africa. The simulacrum of developmental state model of East Asian states to Africa is impossible due to both change in international environment and the way African states are seen. The long existing political, social, institutional, cultural, administrative, economic and technical conditions in Africa are not well suit for successful installation of developmental state.¹³² Onis argues the notion of replicating East Asian developmental state model in Africa is ahistorical, as the success in the mentioned regions largely depend on peculiar historical circumstances.¹³³ Moreover, contemporarily, developmental is state incompatible with high presence of neoliberal dominance, globalization, increased and widespread role of civil society organizations, pressure from supra national actors and business networks, and change role of state on centrality of public decision-making. Hence, given all this circumstances it is not viable to prescribe installment developmental state in Africa. Besides, rampant corruption, violation of human right and political uncertainties is another key issue that questions the viability of developmental state model in Africa.¹³⁴

According ECA, owing to low record of state led-development in Africa by newly independent African rulers, there are prevalent suspicions on viability and applicability of developmental state on the lands of Africa. Even to the cases where state strong intervention was prevalent, it served ruling classes agenda- state intervention was used as a tool for accumulation of wealth for consolidations of power by ruling elites. The vacancy of legitimate development oriented leadership and sustainable vision, ineffective institutions- independent bureaucracy, unproductive private sector, absence of indigenous business during independence and anti-private sector attitude and predatory feature of newly independent African leaders –state are

¹³² Meyns and Musamba, pp. 30-31.

¹³³ Onis, p. 120.

¹³⁴ Meyns and Musamba, pp. 30-31.

among the factors listed out by Economic Commission of Africa as challenge to install developmental states in Africa.¹³⁵

The impossibility theorem arguments can be summarized in to the following main variables.

4.4.1.1 Changed Global Economic Environment

Successful developmental states have enjoyed and seized favoring global conditions as it is key and closely correlated with international market. According to Evans industrial transformations which were the defining elements of developmental states irrevocably defined in global terms and condition, hence the condition for state to carry out economic growth measures and industrialization largely depend on and influenced by global environment.¹³⁶

Global economic liberalization and globalization are among the major shift in international interaction resulted pivotal impact for emergence of developmental states. This shift in today's political economy of international environment hindered the African states to pursue developmental industrial and economic policies. Such influence was less common in the cases of successful developmental states. More importantly the strategic geopolitical position of East Asian countries and cold war situation helped them ease pressure by USA (who was constantly putting pressure on third world countries to open up markets). Surprisingly even these countries get access to USA market against heavy protections policy of USA at home, and preferential trade areas which is heavily driven by political commitment in relation with cold war.¹³⁷ On the other hand, the peculiar tie with dominant global power trajectory does not apply to new African states who aspire to be developmental given inescapability of globalization and rampant pressure to liberalize is very prevalent. Most of today's successful development

¹³⁵ ECA, pp. 4.

¹³⁶ Evans, **Embedded Autonomy: States and Industrial Transformation**, p.6.

¹³⁷ Chang, 2006.

states were out such influence, and feely pursue their industrial and economic reforms in protectionists and nationalistic fashion.¹³⁸

While the contemporary global political-economy environment put huge influence on countries to open up their market and liberalize their economy hindering the development space available for developing countries, and lose control of their infant and emerging industries. The expanding global market helped successful developmental states to upgrade their economy, the newly aspired countries to be developmental have to struggle with slowed growth in global market. Besides, the changes were not limited to slowing growth of the market goods; it affected negatively the global labour market particularly manufacturing jobs.¹³⁹

4.4.1.2 The Generic Problematic Nature of the Transfer of Institutions

The generic problematic of replicating institutions from one context to another specially the very country specific of East Asian institutions is one of the most contentious debates on developmental state literatures. Johnson identified abstract character of Japanese model and spoke about the possibility of adopting experience to USA, he mentions that those Japanese experience which were built based on pre-existing indigenous assets are not through copy pasting of models works somewhere else hereby suggesting states instead of replicating better to create institution of their own fabric and context specific from local asset.¹⁴⁰

Peter Evans also points the success behind East Asian developmental states are their ability to fabricate and innovate indigenous institutions not copy pasting from other part of the world. But, the argument is not to rule out the possible transferring lesson from good models anywhere, but it to indicate that those experiences in East Asia are very context specific and the transferring of them has to be underway in way they can be adopted, and tailored in to context of African states not in blind following of East

¹³⁸ Ibid

¹³⁹ Evans, *The Challenges of the 21st Century Development: Building Capability-Enhancing States*, p.14.

¹⁴⁰ Johnson, p.15.

Asian model.¹⁴¹ But, the discrepancy why the new circumstance proved to be beneficial for East Asia countries not for African countries has to do with geo-historical „individuals“ with a specific pre-colonial, colonial, and post-colonial heritage which endowed them with different capabilities to cope with the change listed below.

4.4.1.3 Historical Factors

There are certain peculiar factors that served as an important cornerstones for the success of the East Asian developmental states but challenge for the late learners.

4.4.1.3.1 Surplus Labour

The conventional argument of classical economist such as Arthur Lewis that underdeveloped regions are known by surplus labour does not fit to the reality in most of African states, specially sub Saharan. Slavery drained the structural shortage of labour relative to natural resource available. Even during colonialism, the demand and supply for labour for exploitation of natural resources were available only to urban centers. It is only after 1980s Africa turned to labour surplus.

On the flip side, East Asia fulfilled Arthur Lewis's conditions of under development (abundant labour relative to natural resources) through heritages from pre-colonial and colonial periods. This could be attributed factors such as material culture of rice cultivation, influence by Chinese centered population explosions and replacement of labour-intensive industries due to integration of European system and proximity. This discrepancy is important, given high competition among underdeveloped region in 1980; seizing big, flexible and low cost labour supply become a defining variable for countries to harness the advantage of international market.¹⁴²

¹⁴¹ Evans, **Embedded Autonomy: States and Industrial Transformation**, pp.45-48.

¹⁴² Giovanni, pp. 24-31.

4.4.1.3.2 Indigenous Entrepreneurship

East Asian states have the advantage of local entrepreneur who can effectively utilize and mobilize the surplus labour for wealth creation in the region and compete and harness global opportunities. East Asian nations endowed one of oldest and extensive entrepreneurs' networks which embedded in the overseas Chinese diaspora and dominated the region for long time. Conducive structural abundance of labour relative to natural resource, and move by US to exploit the surplus labour following the 1970s crisis helped the better performance the local entrepreneurs' networks.¹⁴³ While nothing that resemble such conditions are available in most of African states. Slave trade one of pre-colonial factors for shortage of local entrepreneurs. During colonialism local people were only entitled to engage on protection- production activities while foreigners dominate the entrepreneurial functions in trade and production.

4.4.1.3.3 State Formation

East Asian states are among the leader of state formation. They inherited a mixture of China- centered and European- centered state formation and national economic integrations which created conducive environment to harness global market opportunities. On other hand, pre-colonial and colonial legacies in Africa left little room for political-economy settings for strong national economy. Besides, the preferential treatment that the United States accorded its East Asian allies in the early stages of the Cold War played a critical role in the „take-off“ of the region's economic renaissance. United States gave the exports of its East Asian allies' privileged access to the US domestic market, while tolerating their protectionism, and even exclusion of US multinationals.¹⁴⁴

¹⁴³ Giovanni, pp. 24-31.

¹⁴⁴ Giovanni, pp. 24-31.

4.4.1.4 State Capacity and Developmental Commitment

Another important factor that helps as a vital variable in East Asian model, but missing in Africa is state capacity plus commitment to achieve developmental ends. State effectiveness together with bureaucratic capacity is precondition for the flourishing of developmental states. It is one the pivotal elements successful developmental states have demonstrated. *The bureaucracies of developmental states are generally seen to be in a number of ways close to the Weberian ideal. Their staffing is seen to be significant. The civil service in a developmental state is usually seen to be: recruited along meritocratic grounds from top universities; possess prestige as a career; have clear merit based promotion prospects; and have a sense of internal cooperate coherence.*¹⁴⁵

State capacity is measured by economic indexes (GDP growth, GDP precipitate, income inequality, inflation regulatory quality); political indexes (government indexes, rule of law, voice and accountability, control of corruption and freedom rating) ;security indexes (conflict intensity, political stability and absence of violence, incidences of coup, gross human right, territory affected by conflict); social welfare (child mortality, primary school completion, undernourishment, percentage of population with access to improved water source and sanitation facilities and life expectancy).¹⁴⁶

¹⁴⁵ Johnson, p.16.

¹⁴⁶ Susan E. Rice and Stewart Patrick, 2008.

Table 3
Index of state weakness in selected African states

Rank	Country	Overall Score	Economic	Political	Security	Social Welfare	GNI Per capita
1	Somalia	0.52	00	00	1.37	0.70	226
3	Congo, Dem. Rep	1.67	4.06	1.80	0.28	0.52	130
5	Burundi	3.21	5.01	3.46	2.95	1.43	100
6	Sudan	3.29	5.05	2.06	1.46	4.59	810
7	Central Africa Rep.	3.33	4.11	2.90	5.06	1.25	360
8	Zimbabwe	3.44	1.56	1.56	1.56	3.84	350
9	Liberia	3.64	3.39	3.91	6.01	1.25	140
10	Cote D'Ivoire	3.66	5.23	2.12	3.71	3.56	870
11	Angola	3.72	5.42	2.67	5.32	1.45	1980
28	Nigeria	4.88	5.39	3.51	5.37	5.24	640

Source: Susan E. Rice and Stewart Patrick. (2008)

Note. 0.00 represents the worst score, a score of 10 represents best performer

Though successful developmental set state capacity as prerequisite as we can see from the table most African states are ranked at the weakest state capacity hereby making the transaction unluckily.

Besides, together with state capacity, the commitment by governments, elites and larger people to realize national projects are another pivotal element successful developmental have showed. The larger people commitment follows due to progress in living standard that give national projects a legitimacy and acceleration to convert them in to practice. Johnson call this revolutionary legitimacy; it is also called hegemonic project by Pempel - urging the people put all effort to achieve grand national projects (development) which more prevalence in authoritarian developmental state regimes. The legitimacy of the national projects helped for the mobilization of the larger

population hereby accelerating developmental ends; in some cases, take the form of nationalistic tone.¹⁴⁷

4.5 Developmental States in Mauritius

4.5.1 A Brief History

Mauritius is one of the few islands in Africa which located in south west part of the Indian Ocean. It includes the main island Mauritius and its dependencies: Chagos Archipelago, Rodriguez, St Brandon, Tromelin and Agalega. The Dutch were first settler in Mauritius in 1598, but they left the island in 1710 after creating huge environmental damage to the forest and animals living there. The French took over the island and started growing mainly sugar for export that depended hugely on slavery. In 1814, Napoleon lost the war and Mauritius was officially transferred to Britain. In 1935, slavery was abolished as it has already been abolished in the British Empire before. As abolishing of slavery created labor shortage, half a million workers were brought from India from 1849 to 1923. In March 1968, Mauritius gets its independence in bloodless struggle; where different political parties participated for independent voting unlike other Africa states. In most cases, governments have been coalitions; the first Prime Minister Ramgoolam, played key role in bringing unity and reconciling all the tension with different groups. In 1992, Mauritius became republic by electing its own heads of state cutting away from British Queen.¹⁴⁸

With regards to economy, Mauritius is known for lack of minerals, oil and natural resources but mono crop plantation - the only significant available natural resource was sugar-cane plantations which were effectively cultivated by the French's. During British colonial era, Mauritius engaged in production of some agricultural products, and primary raw materials for the seek feeding up the manufacturing

¹⁴⁷ Woo-Cumming, pp.25-27.

¹⁴⁸ Frankel Jeffrey, *Mauritius: African Success Story*, Cambridge: **HKS Faculty Research Working Paper Series RWP10-036**, John F. Kennedy School of Government, Harvard University, 2010, pp 7-9.

industries at United Kingdom. Until independence, sugarcane consist 95% of total export earnings.¹⁴⁹

4.5.2 Mauritius Success

Mauritius is considered as one of successful developmental states in Africa replicating most of the vital elements of developmental states in Asian Tigers.

4.5.2.1 Export Processing Zone and Heterodox Trade Strategy

After the failure of import substitution strategy and rising unemployment, a new development plan was adopted based export oriented industrialization. At the core of the its objective, government legislated strategy called Export Processing Zone („export enclaves“) - a geographic zone which has special privilege of accessing import equipment that will be used for manufacturing of goods for free. Mauritian governments took bold steps in attracting foreign investment, tackle capital shortage and provide variety of incentive and financial assistance to set up EPZ industries. In general, government achieved impressive increments of exports by; removing tariffs on import inputs, providing privileges for manufacturers in EPZ, reducing minimum wages and establishing soft labor standard, subsidies on services such as water and electricity and favorable law for foreign investors including giving them permanent residence and easy work permit for technicians.¹⁵⁰

On the other hand, Rodrik points „heterodox trade policy“ for the success of Mauritius – like the East Asian Mauritius employed heterodox trade strategy which resulted high returns to the export sector, while preventing resources from being diverted into the protected import-competing sector using EPZ. *Mauritanian*

¹⁴⁹ Sheila Bunwaree, Can and Should Democratic Developmental States Be Emulated? The Mauritian Experience Under Scrutiny, Mauritius: University of Mauritius, 2015.

¹⁵⁰ Jeffery, 2010, and Sheila, 2015

*government employed heterodox liberalization; it has played both facilitative and regulatory roles in the economy by creating enabling environment that promote competition, and protecting the economy in the case of shocks and threats from vulnerable groups.*¹⁵¹

4.5.2.2 Adapting to External Shocks

Mauritius economy has strong resilience and able adapts with various external shocks faced in different periods of its developmental endeavor. Before the independence, the economy was able to sort out the labor shortage caused by abolishment of slavery in experimental way of bringing half million contracted workers from India. After independence, Mauritius was quick to fix the failure of import substitution strategy and high unemployment problem by implementing trade- led growth strategy based on promoting export. It has also resisted the oil crisis by effectively undertaking adjustment reforms (devaluation of Mauritius Rup, borrowings, trade reforms...). However, *Mauritius implement SAPS reforms in the environment of negotiations and consensus and successfully resisted the pressure from World Bank in removing free social services. By the end of 1990, the country achieved full employment and reached in to the status of tigers.*¹⁵²

In 2004, Mauritius faced difficult trade shocks after the termination Multi Fiber Agreement (MFA) in sugar and clothing plus high competition of low-wage textile manufacturer in china which led to 25 % drop in employment and 30 % fall in output. In a response the Mauritian government launched a reform program for business facilitation which includes reforms such as capital- intensive apparel in move to compete with Chinese counterpart, simplified tax system, granting citizenship for immigrants.¹⁵³ Most recently Mauritanians economy is characterized by large

¹⁵¹ Jeffery, p. 15.

¹⁵² Jeffery, p.17.

¹⁵³ Richard Sandbrook, "Origins of the Democratic Developmental State: Interrogating Mauritius", **Canadian Journal of African Studies**, vol.39, No.3, 2005, pp.549-581 and Jefferson, 2010.

investments on tourism, ICT and banking sectors and, seafood lies at core plan of future economy.¹⁵⁴

4.5.2.3 Good Institutions

According to Subramanian, it was good institutions that were based on rule of law and protecting property right that allowed a formation of EPZ which is core reason for the success.¹⁵⁵ In all measures of quality institution such as rule of law, political participation control of corruption etc.; Mauritius ranked at the top among African states (see table 1.1). Mauritius is one of the two countries in Africa that remained democratic after independence with stable parliamentary democracy. Mauritius is also a country in Africa with the least military spending; in 1992 for instance, only 0.45 percent of its GDP went to military spending – the lowest among all African countries which spend 2.8 per cent of GDP on average. This has double benefits; in terms of financial saving and freedom from military coup. Mauritius succeeded in removing tension among different groups in the process towards independence by devising consensual electoral system and coalitions that includes all the groups which resulted consensus- building. All Political and administrative post includes ethnic balance and minorities.¹⁵⁶

*Together with strong leadership by first Prime Minister Ramgoolam, good institutional arrangements have contributed to the, high levels of equitable investment in social welfare and human development, competitiveness and resilience in the economy, establishment of strong and inclusive institutions and assisted the success of development strategy of heterodox liberalization and policy continuity.*¹⁵⁷

¹⁵⁴ Sandbrook, p.549.

¹⁵⁵ Jeffery, p.18.

¹⁵⁶ Henry Wai- Chung Yeung, **The Economic Development of Mauritius Since Independence**, Sydney: School of Economics, University of New South Wales, Jeffery, 2010 and Sheila, 2015.

¹⁵⁷ Jeffery, p.22.

Table 4
Index of governance, rule of law and human development in top performing African states

Country	2016 Rank in overall Governance	2016 score in overall Governance/100	2016 Rank in Participation and Human right	2016 score in Participation and Human right/100	2016 rank for Safety and Rule of Law	2016 score for Safety and Rule of Law/100	2016 rank for human development	2016 score for human development/100
Mauritius	1	81.4	2	77.5	1	82.7	1	86.1
Seychelles	2	73.4	8	69.5	5	74.0	2	84.9
Botswana	3	72.7	10	66.9	2	81.6	3	78.0
Cape Verde	4	72.2	1	78.0	4	76.1	4	74.0
Namibia	5	71.2	3	75.5	3	78.1	11	67.0
South Africa	6	70.1	4	74.7	7	67.1	8	70.7
Tunisia	7	65.5	7	70.2			9	70.5
Ghana	8	65.0	5	72.0	6	71.5	12	65.2
Rwanda	9	63.9					5	72.4
Senegal	10	61.6	9	68.3	10	65.2	21	58.0

Source: 2017 Ibrahim Index of African Governance

4.5.2.4 Preferential Free Trade, Openness and FDI

In 1970, Mauritius became a member of Yaounde II convention which was a special agreement and arrangement that France negotiated for, and on behalf of, its colonies in Africa. As France was part of European Economic Community, Mauritius enjoyed special privileges and free trade access in the European markets. Even though the fact that they are part of this deal is related with their colonial history, Mauritius diplomat work hard in securing trade preferential zone helping them boost their export. Mauritius also exploited advantage from relatively loose treatment under the Multi- Fiber Agreement.¹⁵⁸ *Openness played huge role in attracting foreign direct investment and increasing capital flow that helped the creation EPZ. The devaluation of currency*

¹⁵⁸ Yeung, Sandbrook 2005, and Sheila 2015.

*attracted foreign private investors and make export internationally competitive. All of this openness reforms in the economy resulted high output and boom in the export.*¹⁵⁹

*Different ethnic communities in Mauritius (Chinese-Mauritians, Indo Mauritians and Franco Mauritians) which had important connection with their ancestors back at homeland played significant role in attracting foreign direct investment. FDI investment does not only bring capital to jump-start industrialization; it also comes up with different ideas which are vital for transformation of the economy. In this regard, the Chinese businessmen played significant role in bringing and convincing the idea of textile apparel industry in EPZ.*¹⁶⁰

4.5.2.5 A Strategy of Nation Building and Welfare Provision

*In the process towards independence and early year of independence Mauritius implemented a solid strategy for nation building which has strengthened national unity and establish the foundation for successive improvements in all spheres. The strategy for nation building includes: consultative approach of policy formation, inclusion of minorities, best loser electoral system that secure the inclusion of different ethnic groups, multi-party system representing different voices etc. such policy brought strong institution, national consensus, democratic development, a negotiated economic redistribution and partnership among the major ethnic groups.*¹⁶¹

Besides, Mauritius provides free education, health and old age pension for all of its nationalities. It has largely invested in education to recruit skilled and adaptable labor force able to work in EPZ and to attain the export- oriented strategy. More

¹⁵⁹ Ibid

¹⁶⁰ Jeffry, p.24.

¹⁶¹ Jeffry, p.24.

importantly, the free provision of social services also part of nation building strategy to bring equity and ensure inclusive growth by distributing opportunities equally.¹⁶²

4.5.3 The Result

Mauritius economy is viewed as a miracle in Africa; for two decades the economy has grown for more than 6 per cent. In few years after 1968, it has successfully transformed in to upper-middle income country, from its dependence on mono crop economy. The following section will discuss the overall performance of the economy in terms of economic and social indicators such as GDP, GDP per Capita, growth rate, HDI, unemployment, inflation, current account balance, export performance, FDI flows and others.

1. Population, GDP, GDP Per Capita

Table 5
Mauritius Population, GDP, GDP per Capita Indicators

Years	1960	1970	1980	1990	2000	2010	2015	2018
Population (thousand)	659	826	966	1,059	1,187	1,250	1,263	1,265
GDP (current US\$) (million)	..	..	1,132	2,653	4,663	10,004	11,692	14,220
GDP per capita (current US\$)	..	..	1,172	2,506	3,929	8,000	9,260	11,239

Source: World Bank Databank, World Development Indicators

Mauritius is one the most successful developmental state in Africa. It has forged the developmental state governance since the 1980s and registered remarkable improvements. Its GDP had quadrupled and its GDP per capita increased exponentially. The GDP has reached 14,220USD in 2018 from 1132 USD in 1960s. Its per capita income reached 11, 239 USD in 2018 from 1,172 in 1960s.

¹⁶² LamKodation, and Jeffery, 2010

2. Growth

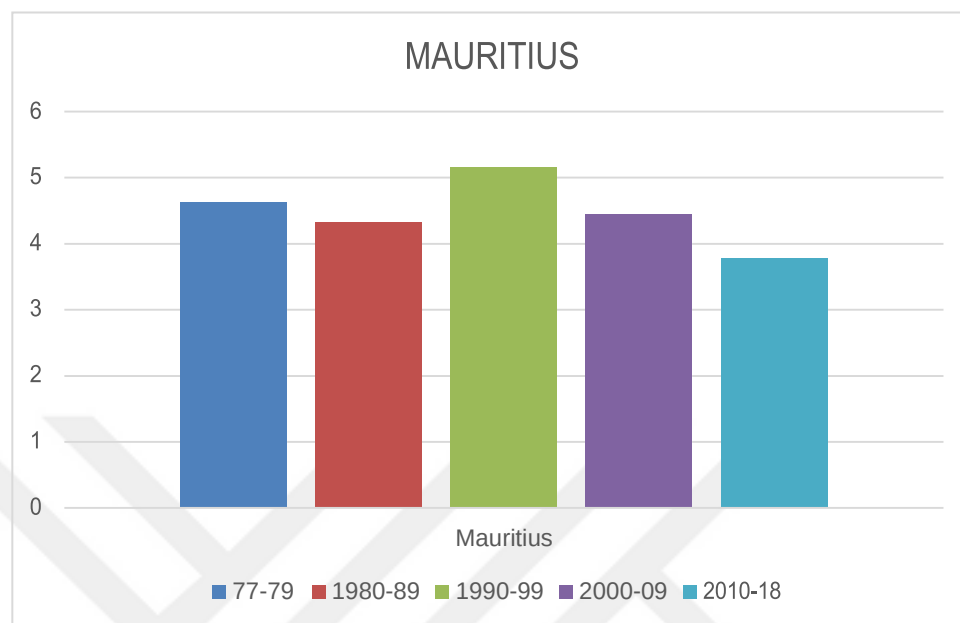


Figure 11. Mauritius Periodical Growth Rates (annual %)

Source: World Bank Databank, World Development Indicators

Mauritius is one the few countries in Africa that has registered continued and strong growth. Following the implementation of developmental state policy, the economy of Mauritius has grown with average of 4 per cent in annual bases. In 1970s, the economy grew by 4.8 per cent, in 1980s by 4.3 per cent and again in 1990s by a record of more than 5 percent. And still today, the economy of Mauritius continued its impressive performance.

3. Unemployment

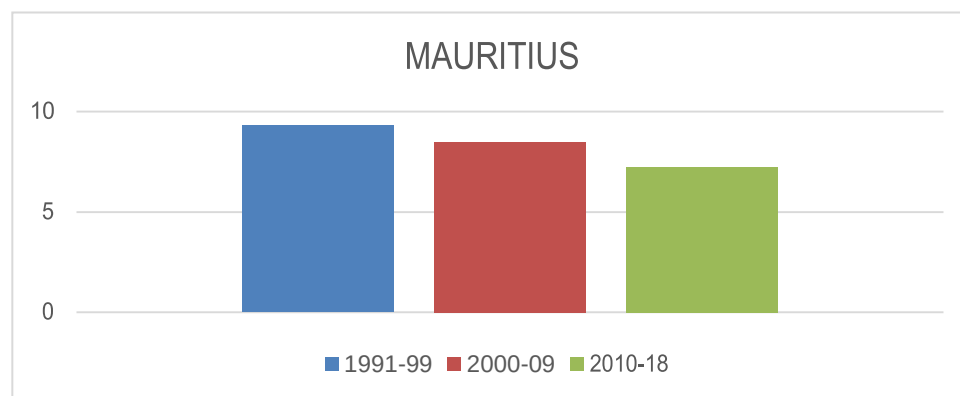


Figure 12. Mauritius Periodical Unemployment Rates (annual %)
Source: World Bank Databank, World Development Indicators

Unemployment remained below 10 per cent in most years of Mauritius developmental state trajectory. Unemployment rate was 9.2 per cent on average in 1990s; it further decreased to 7.2 on average between 2010 and 2018.

4. Inflation

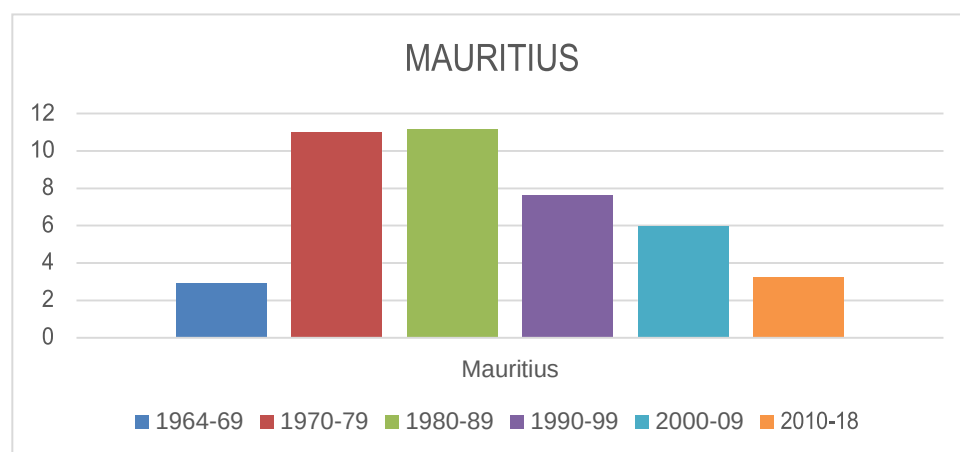


Figure 13. Mauritius Periodical Average Inflation Rates (annual %)
Source: World Bank Databank, World Development Indicators

Inflation was another economic indicator where Mauritius economy demonstrated strong improvements. Inflation rate was dropped below 8 per cent on average in 1990s and it further went down to 6 per cent between 2000s and 2009.

5. Human Development Index

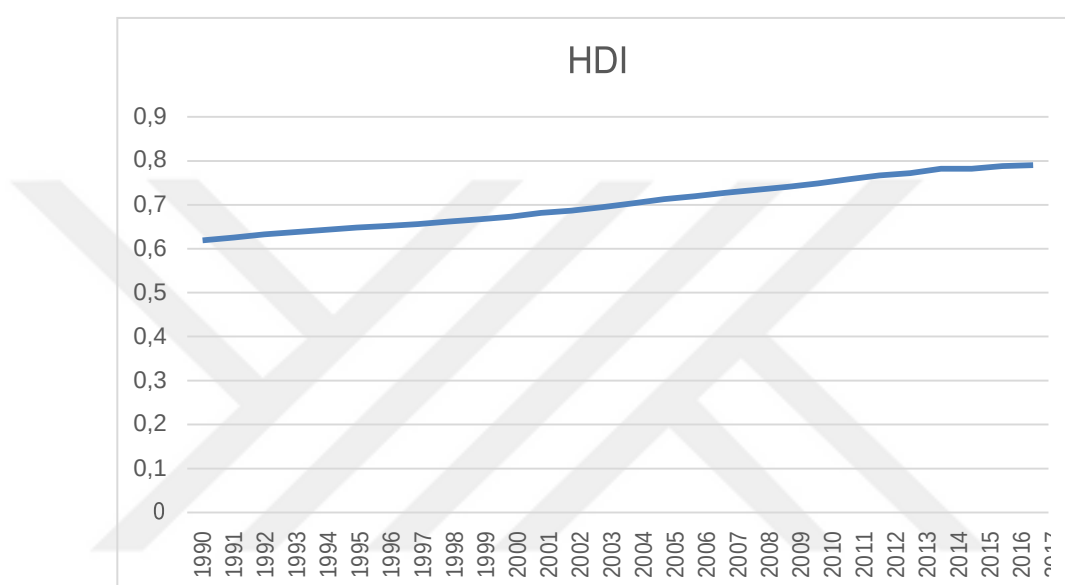


Figure 14. Mauritius Human Development Index (by years)

Source: United Nations Development Program, Human Development Reports

<http://hdr.undp.org/en/data>

Mauritius is one of the few countries in Africa with modest rank in terms of human development index. The countries showed remarkable improvement since the installments of developmental state governance. Its HDI reached 0.69 in 2017 which is an upper middle level.

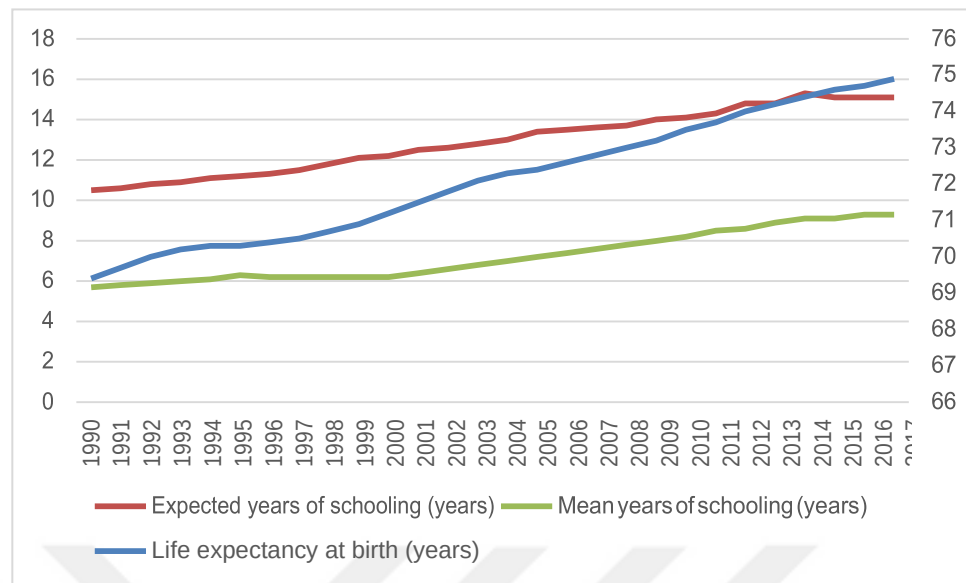


Figure 15. Mauritius Human Development Index Components (by years)

Source: United Nations Development Program, Human Development Reports

<http://hdr.undp.org/en/data>

Mauritius is also among few countries that has shown remarkable improvements in all components of human development index. Life expectancy at birth reached 75 in 2015 from less than 70 it has been in 1990s.

4.6 The Ethiopian Developmental State

Ethiopia is one of the countries identified as aspiration developmental state in developmental states literature. The following sub section discusses in detail Ethiopian development trajectory especially after 1995.

4.6.1 State Formation in Ethiopia

Ethiopia is an ancient country that located in the horn of Africa bordered by Kenya in the South, Eritrea in the North and North East, Sudan in the West and South West, and Djibouti and Somalia in the East. After secession from Eretria the country covers 1.13 million square kilometers and has population of 102.5 million according to recent figure by central statistics of Ethiopia. The country is home for more than eighty-five nation and nationalities that speak different languages; Amharic, Oromo, Tigrinya and Somalia are among the majors. Ethiopia is among a few countries in the world with its own calendar called Julian calendar which is seven years behind the Gregorian calendar and has thirteen months. And the New Year celebrated in 11th of September.

Ethiopia is among few countries in Africa that has long experience of state formation. It is among the oldest independent country in Africa that existed for more than two thousand years since the earliest kingdoms such as Adal, Damot and Aksum dating back to the first century B.C.¹⁶³ Ethiopia is also among the country that embrace Islam and Christianity at first and known to be home for the first mankind. The current landscape of Ethiopia had been first created by attempt of emperor Tewdros II in 1850, but it gained the present shape by Emperor Menelik II through both peaceful and forceful expansions and conquests.¹⁶⁴

The statehood experience in Ethiopia (state as a political unit) has been largely identified by its feature of authoritarianism on the one hand and obedience on the other

¹⁶³ Ethiopia, **The World Fact book**, Washington, D.C., Central Intelligence Agency, 2015

¹⁶⁴ The Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

– the domination of the North highlanders on the rest of the country. It has been hierarchical, undemocratic, mostly centralized, and intolerant of diversity and dissent. Such limitations are factors for protracted conflict through history and negatively contributed to the development endeavors of the country. In contrary to African experience in which state formation in the continent is largely a result of colonialism, statehood in Ethiopia has been indigenous, driven by war at the beginning and by revolution subsequently. As a result of such organizational capacity (important attribute in state formation that highlighted by scholars such as of Charles Tilly and Skocpol), Ethiopia under Emperor Menilik able to defeat colonial attempt by Italy in 1896.

4.6.2 Ethiopian Modernization Effort

Ethiopia effort to catch up with modernity found among early modern countries such as Japan and Russia than the West Europe. The 1931 first written constitution of the Emperor Haile Selassie for instance, is derived mostly from Japanese constitution. Development plans and project exist since the reign if emperor Tewodros which ruled Ethiopia from 1855 – 68, and known to be father of modern Ethiopia though their implementation was hampered by fragile state apparatus, huge cultural and physical hindrances. Following the end of Italian occupation (1936- 1941), emperor Haile Selassie embarked on fundamental modernization programmes that includes development plans focusing utilizing of low land areas which assumed to be virgin lands and convenient for state led development.

Following the 1974 revolution, Marxisit military junta called Derg controlled state and rule till 1991. Derg rule was dictatorship in character and it was massively supported by Soviet Union. As such it had Marxisit elements such as nationalization of urban and rural lands, centralized economy and structure of administration that reaches to the lowest levels and associations. During Derg Regime (1974-1991), Ethiopia underwent and different trajectory of development, and the regime had ambitious and transformational development projects until its end. Clapham identified two main factors for the failure of the development plan during Derg regime; first, copy pasted

blueprints such as state farms and five-year plans from USSR Leninist party were already inadequate even in original cases. Second, the top down approach of implementing development plans lacks context in Ethiopia and increasing guerrilla oppositions from different regions of the country also extracted resources in to strive for survival. Development trajectory during the Derg regime in Ethiopia confirms Kohli finding that *creation of effective states precedes the emergence of industrializing economies, and that patterns of state authority are critical to the development process.*¹⁶⁵

4.6.3 The Developmental Agenda of Meles Zenawi

In 1991, a new regime called Ethiopian People Revolutionary Democratic Front (EPRDF) came in to power led by the then leader Meles Zenawi. EPRDF is a coalition force dominated by insurgency group from Tigray called Tigray People's Liberation Front (TPLF). Initially Meles was inspired by Marxism, Maoism and the likes of Enver Hoxha's of Albania, but due to the collapse of USSR and the need to build a new system that address the existing political and social problem in the country, Meles went to articulate a new and country specific model of development path based on the East Asian development ideology. Meles was against „Washington consensus and views the free market model serving the interest of developed world and promoting dependent relationship of developing world. Therefore, he was in search for more purposive and calculated development agenda that lift out of dependency from developed world.

EPRDF/TPLF first focuses on the development program of „Agricultural development –led industrialization“ given the cause for guerrilla movement against Derg regime was persistent poverty in Tigray. More importantly, the new government was interested to follow the routes Model of productive peasant agriculture in East Asia with the goal to secure self-reliance.¹⁶⁶ However, the implementation of agricultural

¹⁶⁵ Kohli, p28.

¹⁶⁶ Christopher Clapham, “The Ethiopian Developmental State”, **Third World Quarterly**, Vol.39, No.6, 2018, pp.1151-1165.

development – led industrialization (ADLI) did not result the intended surplus which was significant for the success of the whole policy package. Many factors attributed for low performance; first, EPRDF's key priority in the early stages (1991 to 1998) was to build its political base not development programmes. On the early years, the regime was thoroughly engaged on decentralization measures such as formulating regional states for each of major ethnic group in the country under the leadership its own (though in practice controlled by the security apparatus of the central government). Such measures are counter development by nature and diverse already scant resource for administration activities. Second, the 1998 Ethio-Eritrea War over conflict on territory dominated the country's priority that negatively affects the development trajectory. And most importantly, the situation thwarted Ethiopia from using Eritrean Red Sea ports, leaving Ethiopia to rely on Djibouti ports.¹⁶⁷

However, the implication of Eritrean war for the subsequent development programmes and Ethiopian nationalism were important. It proofed Ethiopianism still to be strong than the fragmented ethnic politics the leadership was assuming. The outbreak of the war also resulted division within TPLF itself that brought Meles Zenawi as a dominant figure, a situation that prompted side-lining of the rivals, and the complete personnel control of Meles Zenawi on the country's development policy formulation and other important issues. More importantly since the beginning of 2000s, Ethiopia was in need of a national development programs that overstep ethnic federalism and, the country's external security and internal integrity will rely on. Especially the 2005 election crisis resulted the need for the securitization of comprehensive development strategy as source for performance legitimacy – getting acceptance by distributing gains derived from development successes.

¹⁶⁷ Dominique Jacquin-Berdal and Plaut Martin, eds., **Unfinished Business: Ethiopia and Eritrea War**, Trenton NJ: Red Sea Press, 2004.

4.6.4 The Birth of Developmental State and Search for Capital

The new development strategy seek to learn from any where appropriate, but, it was heavily inspired from the East Asian model, particularly from China and other countries such as Japan, Taiwan and South Korea.¹⁶⁸ Even though the main factor of production (land) remain under state control and productivity in peasant agriculture continued to be the focus, government engaged in activities such as providing infrastructure conditions that boost fertile ground for industrial development to be carried out by private sector. In this regard, the infrastructural investment programs focused on three areas undertaken to curb major obstacles for the development. First, given mountainous landscape of much of the country, extensive expansion of road network put in to effect in terms of curbing communication network including the reconstruction of ancient rail road to the ports of Djibouti.¹⁶⁹ Second, in terms of providing skill and knowledge needed for the economy (human capital formation), close to 50 universities have been built by government in almost all region with allocation of 70 percent for natural science (40 percent engineering and 30 percent other science) and 30 percent to social sciences (arts and humanities).

However, as many argues such the unprecedented expansion came at the cost compromising the quality of education. Besides human capital formation in education sector, massive progress has been made in terms of health services. Third, the expansion of hydroelectricity takes a role in providing infrastructural conditions for industrial development. Ethiopian government has engaged in massive mega hydroelectric projects such as Grand Ethiopia Renaissance Dam (GERD -which will be among largest hydroelectric power plants in the world), Gilgel Gibe I, II and III, Tana Beles and many others that serve infrastructural conditions to boost industrialization. Moreover, such hydroelectricity projects are built not only to provide Ethiopia's domestic electricity demand or water for irrigation agriculture but also, to export to neighboring countries (electricity export to Sudan, Djibouti, Kenya, Uganda, Tanzania, Rwanda and South

¹⁶⁸ Clapham, p.1152.

¹⁶⁹ United Nations Development Programme (UNDP), **National Human Development Report Ethiopia**, 2014, p. 83.

Sudan are operating, and some of them are under construction, while other are planned) taking the advantage of mountainous topography of the country.

However, the challenge of building such infrastructure conditions came from lack of capital as Ethiopia does not have natural resource, minerals or oil, and consistently run deficient balance of payment to support such investments. Therefore, in a plan to provide capital for infrastructural investment, government used three main sources. The first source is domestic savings; this includes rents from government exclusive monopoly of some sectors such as telecommunication that yields massive profit and private sector rents – loan from private sector with significantly lower interest rate than the inflation rate in the form of requiring banks to hold some portion their deposit in government bonds. In general, direction of rents to appropriate sector critical for health of economy; it helps to prevent excessive private consumption and save unnecessary funding for the sake appeasing different political and social interest. Directing of rents for the political interest is common problem in most of African countries especially in the countries where rent is easily available due to endowment in mineral extraction, instead of allocating rents for long-term development goal or social welfare programs.¹⁷⁰ For Ethiopian case such situation is commonly referred as rent seeking behaviour – miss use of rents for individual and some group interest is manifested especially by TPLF group.

Concessional loans and External development aids consists the second main source of capital particularly for mega infrastructural projects. Although, Ethiopia openly object neoliberal consensus, and distant from meeting the so called „good governance“ criteria such as multiparty system, rule of law and human right, a principle that favoured by most Western donors, the country managed to attract significant amount of capital in the forms of loan and development aid from Western states and institution. The especial favour derived partly from successful diplomatic skill of portraying the country as stable state and provider of stability in unstable regions. Ethiopia placed itself as country that contribute a lot in global war on terror, supplier of

¹⁷⁰ Clapham, pp.1152-1153.

peacekeeping force and successful mediator in many conflicts especially in the Horn of Africa. Moreover, Western donors agreed with Ethiopia on the issues of common causes such as poverty reduction and the effort to meet the then millennium development goals (reduction of infant mortality, expansion of primary education, elimination of extreme poverty, gender equality...). The country also made reputation of appropriate allocation of resources for such causes which are also another important criterion for Western donors - in addition to political and economic liberalism criteria, donors are also interested in the criterion of the value of money and efficiency at the operational level.¹⁷¹

Chines are another important source of investment for infrastructural projects; it heavily engaged in most of the countries big infrastructural projects such as railroad, hydroelectricity (Gilgel Ghibe III) , light railway in the capital, irrigation projects in Sothern Ethiopia, construction booms in all regions including condominium houses. The reasons for China huge investment in Ethiopia lies on Ethiopia"s importance in the continent (similarity in the ideology, diplomatic headquarter for Africa, second populous country in the continent and fastest growing economy) unlike natural endowment which link most of chines investment in Africa. From Ethiopia side, the Chines involvement is justified through the importance of skill transfer that comes with most of Chines investment.¹⁷²

Foreign direct investment has been the third main source of capital and it has been derived from different countries including China, Turkey, India, USA, Japan in various sector.¹⁷³ The volume of inflows of FDI has significantly increased from USD 279 million in 2012 to USD 4 billion in 2017, and it consists more than half of the figure in the whole East Africa although, it slightly declined to USD 3.1billion in 2018

¹⁷¹ Dereje Feyisa, "Aid Negotiation: The Uneasy Partnership Between EPRDF and the Donors", **Journal of East African Studies**, Vol.5, No.4, 2012, pp. 788-817.

¹⁷² Feyisa, p.780.

¹⁷³ United Nations Conference on Trade and Development (UNCTAD), 2016 <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

due to the existing political uncertainty.¹⁷⁴ Netherlands and India have taken the first role in investing in floriculture sector which serve as source of large number of employment especially for women, and skill transfer for small scale entrepreneurs.¹⁷⁵ Leather products, mainly shoes and textile are another important sector that has attracted FDI from countries such as China, Turkey, Bangladesh, India and South Korea, given massive potential of livestock resources and cheap labour.¹⁷⁶ And most of the textile and leather industry factories are located in the industrial parks where it part of government's industrialization policy. In his recent book titled *Made in Africa*, a senior economic advisor to Prime Minister of Ethiopia, Arkebe Ukubay stressed the commitment of government to expand industrial park and active industrial policy on the areas of cement, floriculture and leather industry. And he claimed success on the cement and floriculture sector in promoting development, and raised the challenge of fragmentation and path dependency for low performance in the leather industry.¹⁷⁷

In agriculture sector government retained the policy of supporting small holder farmers especially in the high density areas where traditional approach of ox plough taking place. However, in the later years of EPRDF, it started to support on large-scale commercial agriculture by providing cheap land for foreign investment from Saudi Arabia, India and Japan. Such commercial farming installed in areas where there is virgin land in regions like Gambella at South and west part of the country especially in the era of global concern for food stock and farming land, but they didn't yield the expected production.¹⁷⁸

¹⁷⁴ United Nations Conference on Trade and Development (UNCTAD), World Investment Report, 2016, <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1555>.

¹⁷⁵ Tim Kelsall, **Business, Politics and the State in Africa: Challenging the Orthodoxies on Growth and Transformation**, London: Zed Books, 2013, pp. 108-110.

¹⁷⁶ Kelsall, p.110.

¹⁷⁷ Clapham, pp.1155-1157.

¹⁷⁸ Clapham, pp.1159-1160.

4.6.5 The State–Private Interaction

The successes of developmental state do not only depend on states ability to provide infrastructural bases but also the productivity of private sector. In Ethiopia case, EPRDF regime has recognized the need for private sector involvement, expansion of entrepreneurship, attraction of FDI and limited role of state, if development policies are to be achieved. However, government retained direct control over massive profit generating public utilities such as the most successful Ethiopian Airlines, Ethiopian Telecom and Electricity. It also engaged in the production of sugar and fertilizer in addition to running mega hydroelectric projects such as Grand Renaissance Dam. In terms of private sector involvement, the army affiliated (mostly run by retired officers), Metal and Engineering Corporation (METEK), has engaged in numbers of investments including supplying of defense equipment"s, construction of railway locomotives etc.

On the other hand, two endowment companies called EFFORT and TIRET that fails in to private sector and affiliated with ruling party have significantly involved in the economy. EFFORT is TPLF affiliated conglomerate that consists 16 different companies that involved across all the country in various sectors including agro- processing, construction, cement, banking, transportation textiles and industrial engineering. Although government denies the political connection, notably, EFFORT enjoys favour from the alleged relationship, and presently with change in leadership the volume of the group is significantly diminishing.¹⁷⁹ TIRET is another conglomerate group of endowment fund in Amhara region that has a huge influence across the nation although it far from the level of EFFORT. MIDROC is another important business group that has invested massively in various sectors including banks, real estate, construction, cement commercial agriculture, mineral, hotel etc. the group is owned by Ethiopian born Saudi national Mohammed Al Almoudi and it has numbers of business; Sheraton Addis luxurious hotel, Dashen Bank, Durba cement, Lega Dembi gold mine are the major ones.

¹⁷⁹ Mesfin Gebremichael and Vaughan Sarah, Ethiopia: **Rent Seekers and Productive Capitalist**, APPP Research Report 02.

The business group has played significant role in expansion of investment in different sectors, although its influence relatively declined since the death of the former Prime Minister Meles Zenawi in 2012. Government and domestic private sector partnership has been regarded as one of the most important factor for success of developmental states. However, in Ethiopia case such element is missing due to lack of domestic entrepreneurship – traditionally, businesses in Ethiopia have been dominated small traders of Muslim and ethnically Gurage origin. And such gap has been balanced by attracting FDI from abroad as case in China.¹⁸⁰ Remittance from different countries especially from Northern America has been another source of capital; it reached USD 5 billion in 2018 from USD 300 in 2013. It boosted small scale businesses and supported in easing the pressure from balance payment deficiency.¹⁸¹ Even though the regime formally recognized the need for participation of private sector in the economy, in practice, the ruling party found to be associated with rent seeking behavior, creating suspicious environment for private sector, political control over foreign investors and in general, Marxist tendency in terms of business –politics relationship.¹⁸²

4.6.6 The Political Bases of Development

Inclusive but constrained political system is one of the four preconditions of successful developmental states in creating rent centralization in Kelsall requirements. According to Kelsall, constrained political system is need to for easy control of rent in to some group which is driver of the development, but in unconstrained systems such as in multiparty system; this is not possible as the system does not allow the centralization of rent under some groups instead of its diversion for all groups.¹⁸³ In the case of Ethiopia during EPRDF regime, they system has both the characteristics of constraints and less evidence of supporting inclusiveness. Formally, the four coalition parties from Oromo, Amhara, Sothorn Nations and Tigray under EPRDF coalition have given wide range of control over the governance of their constituents. The 1991 FDRE constitution

¹⁸⁰ Clapham, p.1159.

¹⁸¹ Muluneh Gebre, Ethiopia Draws \$5b in Remittances during 2018, (28 December 2018), <https://7dnews.com/news/ethiopia-draws-5b-in-remittances-during-2018>

¹⁸² Global Entrepreneurship and Development Institute, Global Entrepreneurship Index, 2018, <https://thegedi.org/global-entrepreneurship-and-development-index/>

¹⁸³ Kelsall, pp.111-112.

clearly gives exclusive and concurrent power for regional government to effectively administer their own regions. However, in practice, the state conduct in Ethiopia remained to be top down in nature dominated by the northerners mainly the Amhara's and Tigrayan's at the top.¹⁸⁴ Ethiopia had a peaceful transition of power during Hailemariam Desalegn in 2012 after the death of Meles Zenawi who is from the southern part and has no background of arm struggle(purely technocrat) , but criticised for being puppet for TPLF.

The quest for development policy has been the driver for Ethiopia's external relation with different countries. Although, Ethiopia located in one of the world most conflicted zone, Horn of Africa where three countries in the region seceded, Ethiopian maintained to be stable and enjoyed a good relation with most the countries in the region. Moreover, Ethiopia played a significant role in solving conflicts in Sudan, South Sudan and Somalia. Using its historical significance and strategic importance, the country received significant aid from Western donors in spite of the bad record on human right records.

4.6.7 The Result

Ethiopia is another country in Africa lauded for its recent high growth. Many attributed this in developmental state policy while other categorize as a country aspiring to be developmental. The following section will discuss the overall performance of the economy in terms of economic and social indicators such as GDP, GDP per Capita, growth rate, HDI, unemployment, inflation, current account balance, export performance, FDI flows and others.

¹⁸⁴ Clapham, p.1158.

1. Population, GDP, GDP Per Capita

Table 6
Ethiopia Population, GDP, GDP per Capita Indicators

Years	1960	1970	1980	1990	2000	2010	2015	2018
Population (thousand)	22,151	28,415	35,142	47,888	66,225	87,640	100,835	109,225
GDP (current US\$) (million)	..	..	..	12,175	8,242	29,934	64,465	84,355
GDP per capita (current US\$)	..	..	..	254	124	342	639	772

Source: World Bank Databank, World Development Indicators

Ethiopia which has heated by repeated famine and drought registered an impressive GDP and double digit growth following its forging of developmental state ideology. Its GDP reached 84, 355 USD in 2018 from 12, 175 USD in 1990s. The GDP per capita reached 772 USD increasing 3 folds in 2018 from 254 in 1990s.

2. Growth

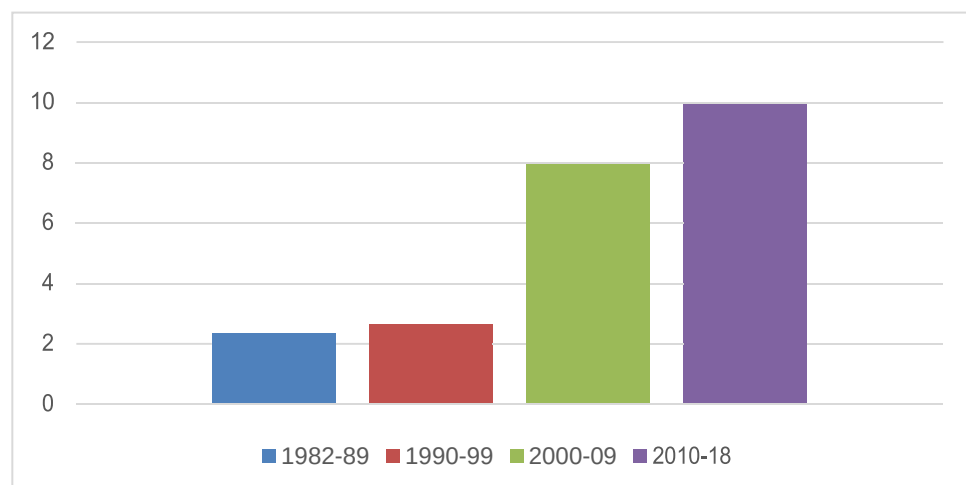


Figure 16. Ethiopia Periodical Growth Rates (annual %)

Source: World Bank Databank, World Development Indicators

For the last 20 years, Ethiopia has registered an impressive double digit growth. The annual growth rate was more than 8 percent in 2000s and it further increased in the following years reaching 9.8 percent on average 10 years between 2010 and 2018.

3. Unemployment

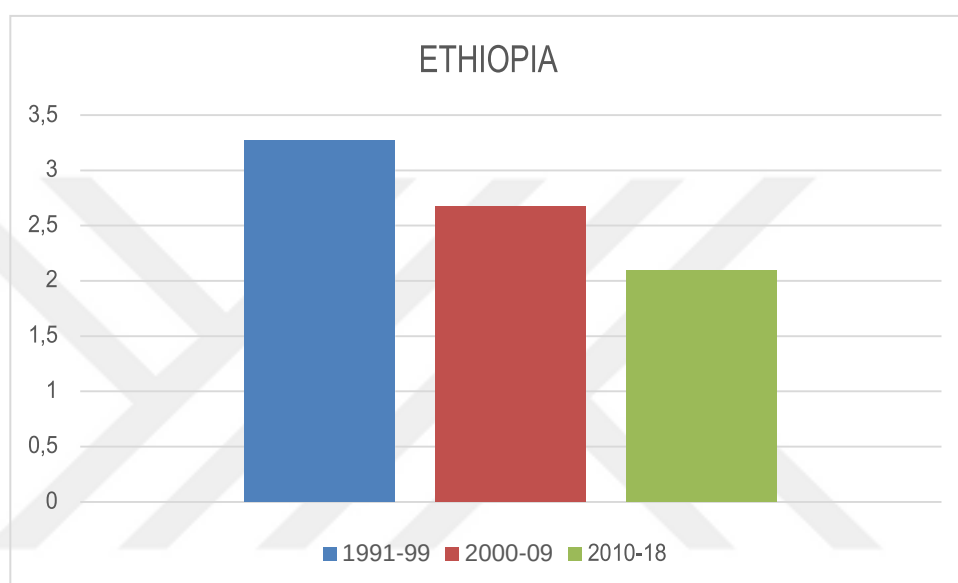


Figure 17. Ethiopia Periodical Unemployment Rates (annual %)

Source: World Bank Databank, World Development Indicators

Unemployment rate remain low throughout Ethiopian developmental state trajectory. Since 1990s, it remained below less than 5 percent. Unemployment rate was 3.3 per cent in 1990s, less than 3 percent between 2000 and 2009 and it further decreases below 2.5 per cent from 2010 to 2018.

4. Inflation

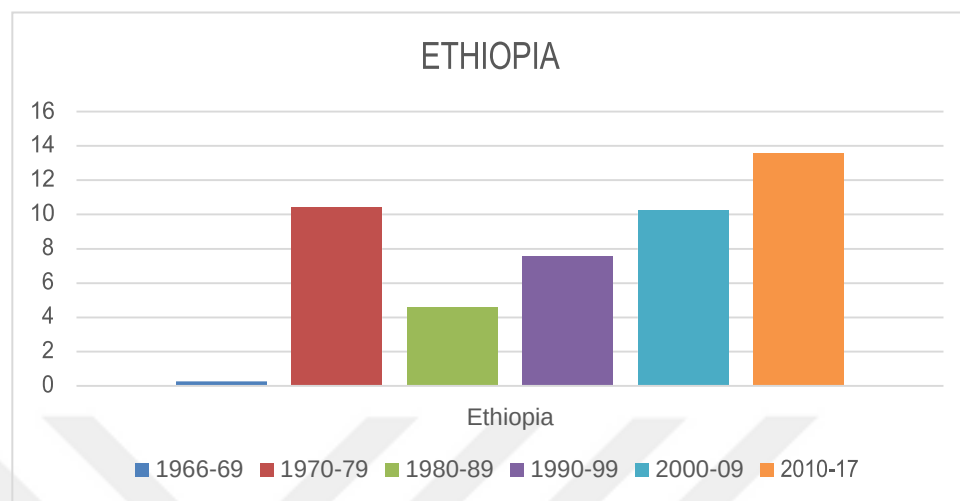


Figure 18. Ethiopia Periodical Average Inflation Rates (annual %)

Source: World Bank Databank, World Development Indicators

Although Ethiopian government struggled in keeping inflation rate low, it has managed in its first decades of developmental state keeping below 10 per cent in 1990s. Inflation rate slightly rose in between 2000 and 2009 reaching 10.2 per cent before it reached 13 per cent from 2010 and 2018.

5. Human Development Index

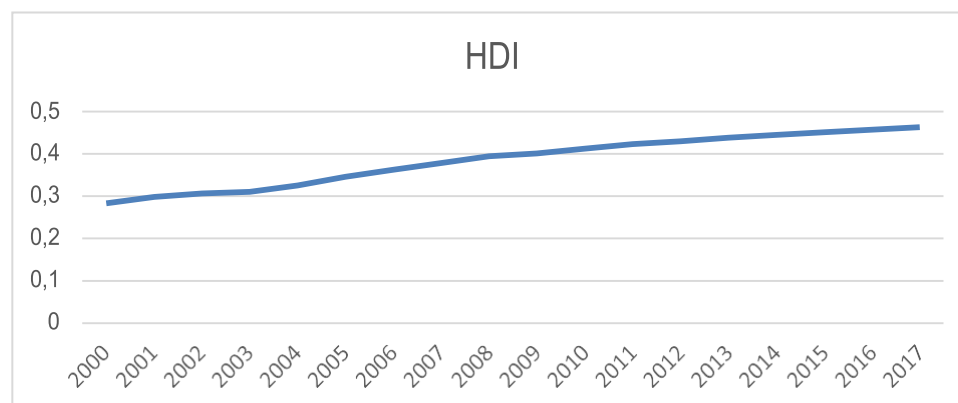


Figure 19. Ethiopia Human Development Index (by years)

Source: United Nations Development Program, Human Development Reports
<http://hdr.undp.org/en/data>

Even though Ethiopia remained far from attaining the decent level of human development index, there has been significant raise since the forging of developmental state policy. HDI reached 0.43 in 2017 from 0.27 in earlier 2000s.

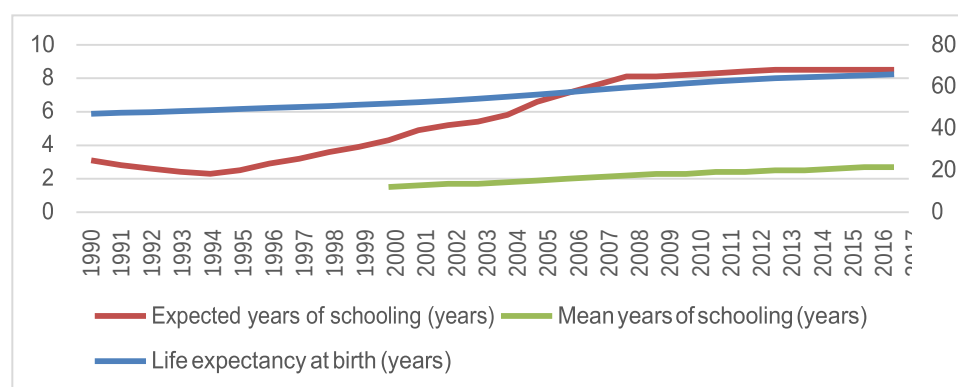


Figure 20. Ethiopia Human Development Index Components (by years)

Source: United Nations Development Program, Human Development Reports
<http://hdr.undp.org/en/data>

5. CONCLUSION

For the most part of the last century, Africa and Asia found to be continents with highest percentage of poverty in its all forms. However, the numbers of poor people live under poverty line significantly reduced among countries in Asia since 1960s while Africa continued to be a continent with most destitute people. In contrary to the exceptional success of developmental states in East and South East Asia, most of the African countries remained in poverty trap mainly due to poor management of the economy. While government in Asian countries engaged in a political strategy of raising the living standards by focusing on increasing growth, competitiveness, human capital investment and productivity, most of African countries handle political competition through distribution of state consumption. Therefore, it is highly significant for African countries to investigate the process that framed the Asian developmental states and see if such approach could help to lift the continent out of poverty trap.

However, most scholars down played the possibility of developmental states in Africa given different ahistorical and other factors. Yet, such generalizations are flawed and only based on the comparative analysis of individual countries which were in crisis. Besides, the neoliberal perspectives to development in Africa which was a new received wisdoms of governance, deemphasized the importance of state capacity which is the main features if developmental states. In fact, the Asian model hardly conforms to the Washington consensus; state intervenes extensively, the policies are illiberal, rents were allotted to chosen firms, government and business work together etc. Instead of building strong state and get the intervention right, African states seek to line with liberal polices of excessive trust on market which does not help to lift millions of people out poverty. The academicians and policy makers in Africa put unnecessary focus on the role of regime type and liberal institutions such as rule of law, accountability and the nature of bureaucracy.

On the other hand, the past half century marked with debates among development scholars on the role of state in the economy especially in newly independent developing states. However, after success story of the Asian tigers mainly

by pursuing state-led development model, the debate moved to acknowledging the state intervention in the economy including by World Bank but, leaving the nature of state intervention still under discussions. In fact, the Bank acknowledged that an *effective state is vital for the provision of goods and services – and the rules and institutions – that allow markets to flourish and people to lead healthier and happier lives. Without it, sustainable development, both economic and social, is impossible.*¹⁸⁵ However, the consensus on essential role of state in development does not extend on the type and nature of state that carry out such role. Especially African states are told or taken for granted that the neo-liberal model is the perfect for all socio-economic problems in the continent. In fact, bunches of states in immediate post-independent Africa demonstrated traits that would qualify them as being developmental, and achieved their highest growth record during such time where state intervention was high. Presently, Mauritius and Botswana could be categorized leading developmental state model in Africa.

It is the exceptional growth and transformations of the economies of Asian Miracles have that led scholars and policy makers to ask whether such model can be transferred to other countries. Development practitioners thoroughly engaged in studying such institutional frameworks of the best practices, the main features of such governance models and the necessary conditions of replicating such practices in other locations. However, the idea of such model can be replicated in new location has been an area of debate, and it is difficult to transfer such institution into new location even if the necessary conditions are met as they are not sufficient condition to set up developmental states.

The notion that the state has very limited roles to play in economic development is unsubstantiated by the historical evidence from all now developed countries. Therefore, the approach to development in Africa should draw lesson from best practice of Asian Miracles as the region has been the fastest growing the region in the world in the last sixteen years. More importantly, many of the countries in the region had similar conditions with countries in Africa sixteen years back. For instance, South Korea had been amongst the 25 poorest nations in the world in 1960s. .

¹⁸⁵ World Bank, 1997, p.1.

In general, poverty reduction requires both economic growth and investment in welfare. Both of these attributes require in a return strong state, and desirably a developmental one. Strong states not only provide institutions that foster growth but also directly involve and take measures that affect poverty massively. State capacity is one the main reasons behind the success of developmental states. State capacity/ effectiveness refer to the existence institutional establishments that enable state to drive developmental project in different directions. Ultimately, therefore, a minimally *effective state* consists of a set of public institutions, underpinned by widespread legitimacy, and which is authorized, limited, held in place and maintained by dedicated political and juridical processes. In short, poverty reduction is ultimately a function of *state formation and state capacity*; state formation and capacity is essentially an *institutional matter*; and the design and maintenance of such institutions is essentially a *political matter*.

Economic development is the primacy of most developmental states, and state has the capacity to carry out the developmental role including registering high economic growth. The state is more interested in accelerating the pace of economic growth by intervening in the allocation of resources than relying on market force. In such away, developmental states mobilize societal resources, and formulate and execute economic growth induced policies which are binding and authoritative. The impressive accomplishment of developmental states East and South East Asia is undertaken without the need to use the western practice of „Good Governance“

REFERENCES

Books

Beeson Mark, **Japan's Reluctant Reformers and the Legacy of the Developmental State**, London: Routledge Curzon Press Ltd, 2003.

Chang Ha-Joon, **The economic theory of the developmental state**, London: Cornell University Press, 1999.

Chang Ha-Joon, **The Political Economy of Industrial Policy: Structural Interdependencies, Policy Alignment and Conflict Management**, London: Macmillan, 1996.

ERA, **Governing development in Africa: the role of the state in Economic Transformation**, Addis Ababa, Ethiopia: United Nations Economic Commission for Africa, 2011.

Evans Peter, **Embedded Autonomy: States and Industrial Transformation**, New Jersey: Princeton University Press, Princeton, 1995.

Francks Penelope, **Japanese Economic Development: theory and practice**, London: Routledge. 1992.

Gebremichael Mesfin and Vaughan Sarah, Ethiopia: **Rent Seekers and Productive Capitalist**, APPP Research Report 02.

Ghani Ashram and Clare Lockhart, **"No quick fix" in Developments**, London: DFID, No.43, 2008.

Jacquin-Berdal Dominique and Plaut Martin, eds., **Unfinished Business: Ethiopia and Eritrea War**, Trenton NJ: Read Sea Press, 2004.

Johnson Chalmers, **MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925- 1975**, Stanford: Stanford University Press, 1982.

Kelsall Tim, **Business, Politics and the State in Africa: Challenging the Orthodoxies on Growth and Transformation**, London: Zed Books, 2013.

Kohli Atul, **State Directed Development: Political Power and Industrialization in the Global South**, New York: Cambridge University Press, 2004.

Ohno Kenichi, **The Economic Development of Japan: The Path Traveled by Japan as a Developing Country**, Azko Hayashida (trans.), Tokyo: Yuhikaku Publishing, 2005.

Okazaki Tetsuji and Masahiro Okuno-Fujiwara, **Japanese Economic System and Its Historical Origins**, Oxford: Oxford University Press, 1999.

Pirie Iain, **The Korean Developmental States from Dirigisme to Neo-liberalism**, London: Routledge studies in the growth economies of Asia, 2007.

Seers Dudley, **The Meaning of Development**, United Kingdom: Institute of Development Studies. 1969.

Sen Amrtya, **Development as Freedom**, 4th ed., New York: Alfred A. Knopf, Inc, 1999.

Tilly Charles, **Coercion, Capital, and European States, A.D.990 -1990**, Oxford: Blackwell.1990.

Todaro Michael, **Economic Development**, 6th ed., Longman: Addison Wesley Longman, 1996.

Weber Max, **Economy and Society: An Outline of Interpretive Sociology**, New York: Gunther Roth and Claus Wittich Bedminster Press, 1968.

Woo-Cumming Meredith (ed.), **The Developmental State**, Ithaca, Network: Cornell University Press, 1999.

Yeung Henry Wai- Chung, **The Economic Development of Mauritius Since Independence**, Sydney: School of Economics, University of New South Wales, Jeffery, 2010 and Sheila, 2015.



Journals

Amiya Bagchi, “The Past and the Future of the Developmental State”, **Journal of Foreign policy of Brooking Global Economy and Development**, Brooking Foreign Policy, 2000, p. 398.

Clapham Christopher, “The Ethiopian Developmental State”, **Third World Quarterly**, Vol.39, No.6, 2018, pp.1151-1165.

Edoor Oscar and Josph Nwokpoku, “Asian Developmental States: Lesson for Africa”, **Yönetim Bilimleri Dergisi**, Cilt. 12, Sayı. 24, 2014, pp. 7-42.

Feyisa Dereje, “Aid Negotiation: The Uneasy Partnership Between EPRDF and the Donors”, **Journal of East African Studies**, Vol.5, No.4, 2012, pp. 788-817.

Mkandawire Thandika, “Thinking about Developmental States in Africa”, **Cambridge Journal of Economics**, Vol. 25, No. 3, 2001, pp. 289-313.

Oniş Ziya, “The Logic of the Developmental State”, **Comparative Politics**, Vol. 24, No. 1, 1999, pp 109-110.

Osumah Oarhe, “Tonic or Toxin? The state, Neopatrimonialism, and Anticorruption efforts in Nigeria”, **The Korean Journal of Policy Studies**, Vol.28, No.1, 2013, pp.111-134.

Sandbrook Richard, “Origins of the Democratic Developmental State: Interrogating Mauritius”, **Canadian Journal of African Studies**, vol.39, No.3, 2005, pp.549-581 and Jefferson, 2010.

Tuong Vu, “State Formation and the Origins of Developmental States in South Korea and Indonesia”, **Studies in Comparative International Development**, Vol. 41, No. 4, 2007, pp. 27-56.

Other

Bunwaree Sheila, Can and Should Democratic Developmental States Be Emulated? The Mauritian Experience Under Scrutiny, Mauritius: University of Mauritius, 2015.

Economic Commission for Africa, “The Developmental State: What Options for Africa? Addis Ababa”, **An Issue Paper presented at the Third Meeting of the Committee on Governance and Popular Participation (CGPP-III)**, 20- 21 February, 2013.

Economic Commission for Africa, “The Developmental State: What Options for Africa? Addis Ababa”, **An Issue Paper presented at the Third Meeting of the Committee on Governance and Popular Participation (CGPP-III)**, 20- 21 February, 2013.

Economic Commission of Africa, **The Developmental States: What Options for Africa?** Addis Ababa, Ethiopia: An Issue Paper, United Nations Economic and Social Council, 2013.

Ethiopia, **The World Fact book**, Washington, D.C., Central Intelligence Agency, 2015.

Evans Peter, The Challenges of the 21st Century Development: Building Capability-Enhancing States, New York: **United Nations Development Programme**, 2010.

Faur David Levi-, State Making and Market Building for Global South: The Developmental State Vs. The Regulatory State, **Jerusalem: Jerusalem Papers in Regulation and Governance**, 2012.

Gebre Muluneh, Ethiopia Draws \$5b in Remittances during 2018, (28 December 2018), <https://7dnews.com/news/ethiopia-draws-5b-in-remittances-during-2018>

Global Entrepreneurship and Development Institute, Global Entrepreneurship Index, 2018, <https://thegedi.org/global-entrepreneurship-and-development-index/>

Hart-Landsberg Martin, The Rush to Development Economic Change and Political Struggle in South Korea, New York: **Monthly Review of an independent socialist Magazine**, 1993.

Jeffrey Frankel, Mauritius: African Success Story, Cambridge: **HKS Faculty Research Working Paper Series RWP10-036**, John F. Kennedy School of Government, Harvard University, 2010.

Kwon Huck-ju, The East Asian Welfare Model: Welfare Orientalism and the State. London: **Routledge**, 1998.

Leftwich Adrian, Developmental states, effective states and poverty reduction: The primacy of politics, New York: **United Nations Research Institute for Social Development (UNRISD) Project on Poverty Reduction and Policy Regimes**, Department of Politics, University of York, 2008.

Meyns Peter and Charity Musamba, The Developmental State in Africa: Problems and Prospects, University of Duisburg, **INEF Report 101, Essen: Institute for Development and Peace**, 2010, p.15.

Okazaki Tetsuji, Developmental State Evolving: Japan's Gradation from a Middle Income Country, Tokyo: **University of Tokyo, Discussion paper**, 2017.

Routley Laura, "Developmental States: A Review of the Literature", Manchester: **Effective States and Inclusive Development (ESID), Working Paper No.03**, 2010.

The Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

UN Declaration on the Right to Development, **General Assembly Resolution 41/128**, 1986, 4 December.

United Nations Conference on Trade and Development (UNCTAD), 2016 <http://unctadstat.unctad.org/wds/TableView/tableView.aspx>

United Nations Conference on Trade and Development (UNCTAD), World Investment Report, 2016, <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1555>.

United Nations Development Programme (UNDP), **National Human Development Report Ethiopia**, 2014.



Appendixes

Japan

6. Government Net Lending/Borrowing

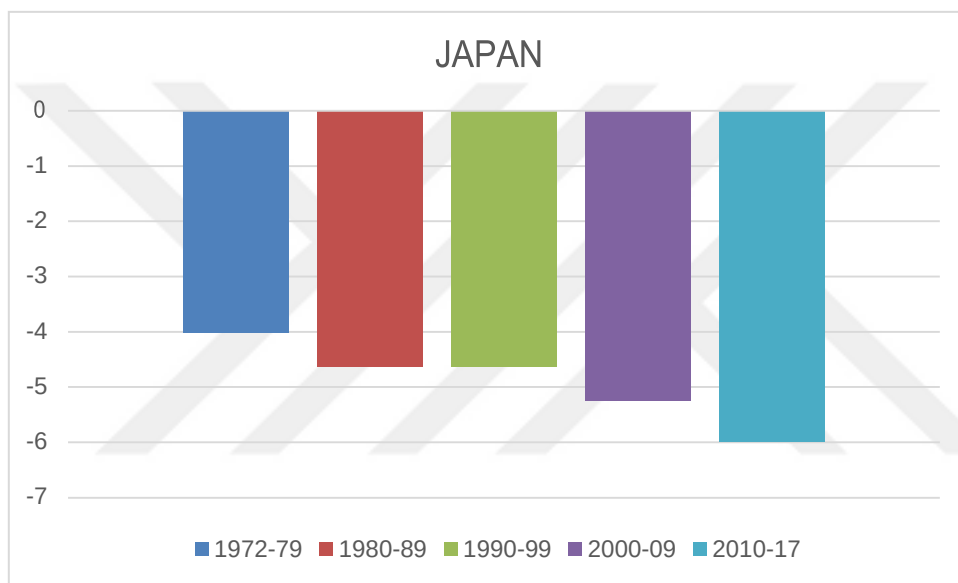


Figure 21. Japan Periodical Government Net Lending/Borrowing/GDP (annual %)
Source: World Bank Databank, World Development Indicators

7. Public Debt

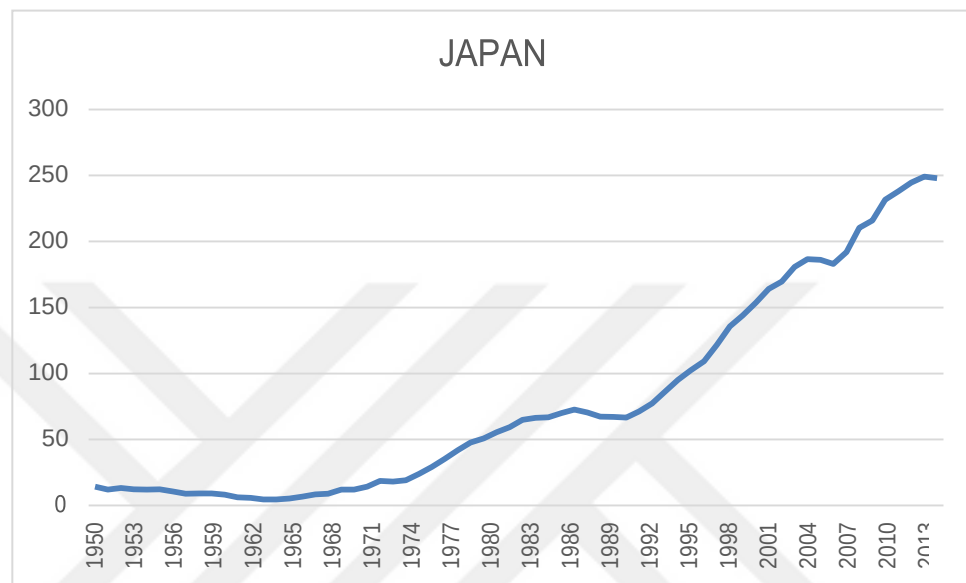


Figure 22. Japan Public Debt/ GDP (annual %)

Source: IMF Data, Historical Public Debt Database

8. Current Account Balance

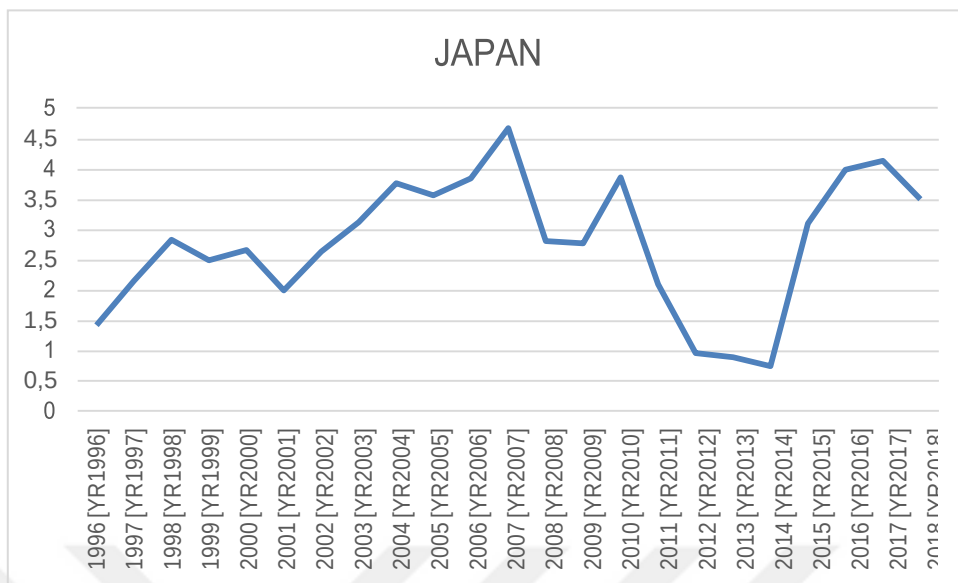


Figure 23. Japan Current Account Balance/GDP (annual %)
Source: World Bank Databank, World Development Indicators

9. Trade Balance

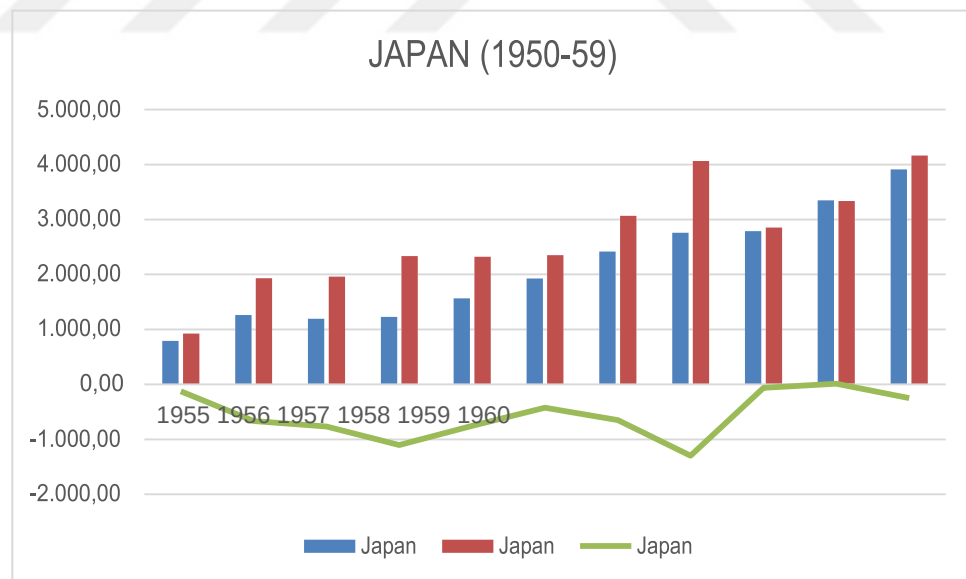


Figure 24. Japan Export, Import and Trade Balance 1950-1959 (Billion Dollars)
Source: IMF Data, Direction of Trade Statistics

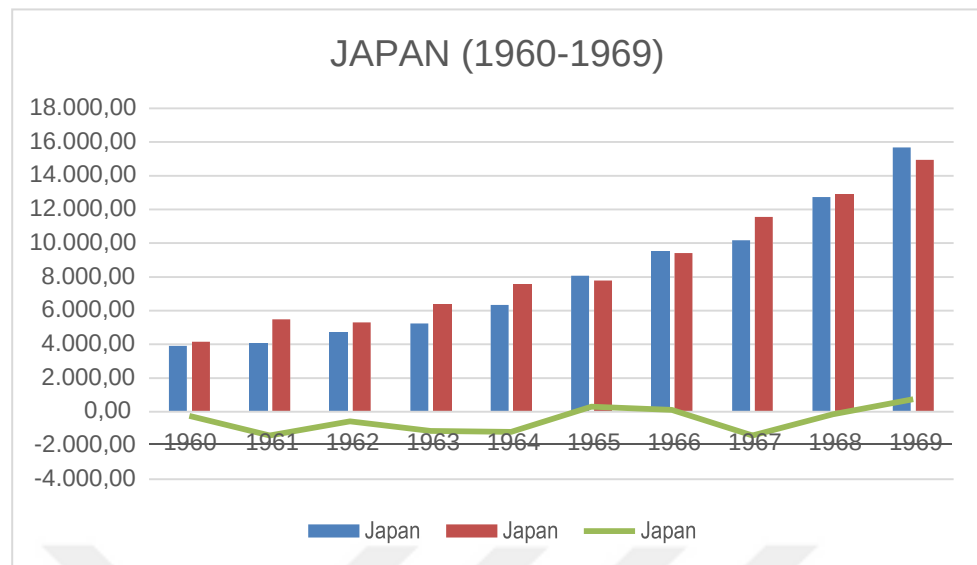


Figure 25. Japan Export, Import and Trade Balance 1960-1969 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

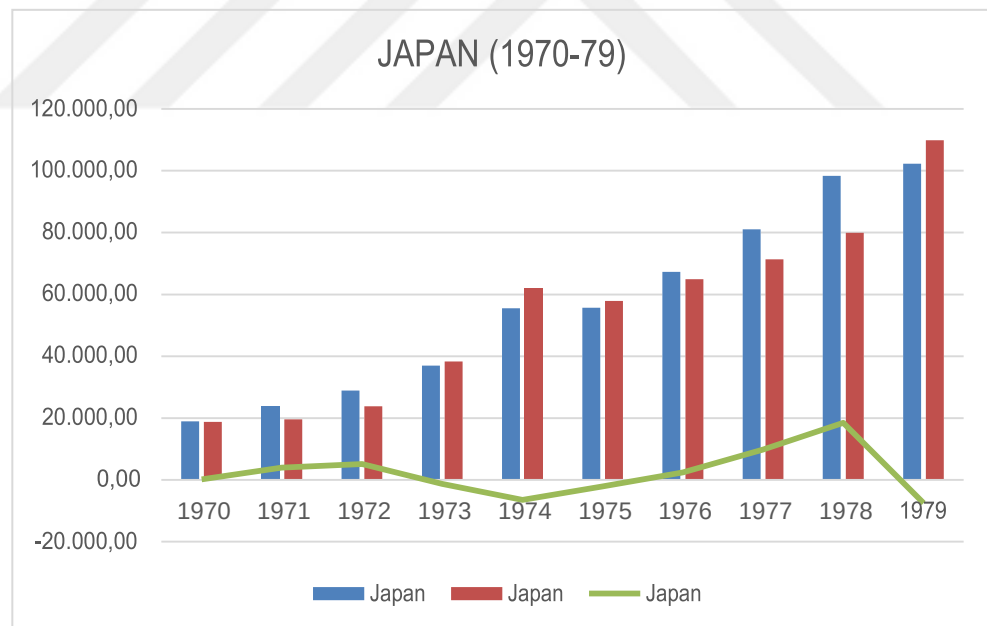


Figure 26. Japan Export, Import and Trade Balance 1970-1979 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

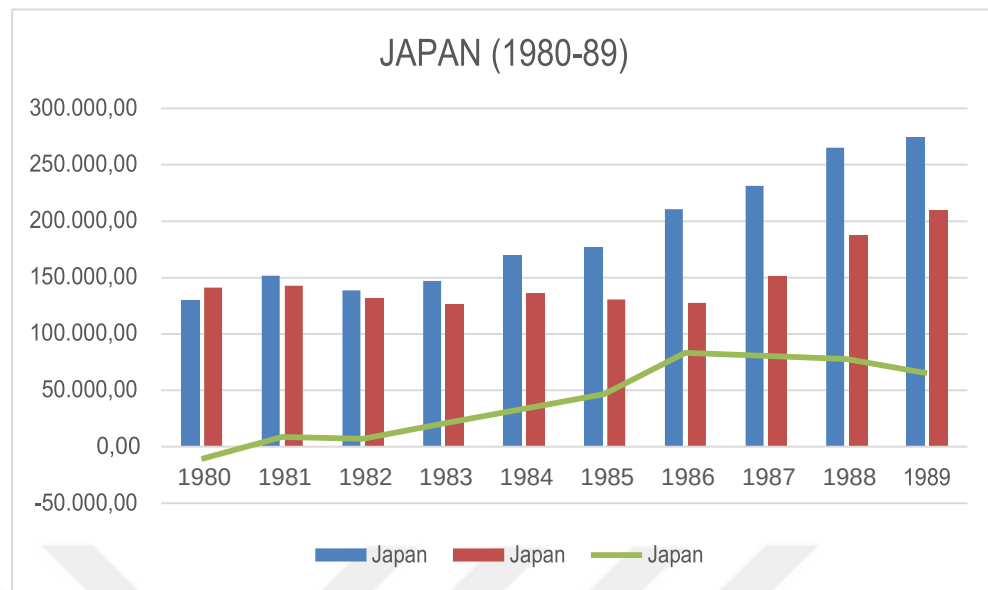


Figure 27. Japan Export, Import and Trade Balance 1980-1989 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

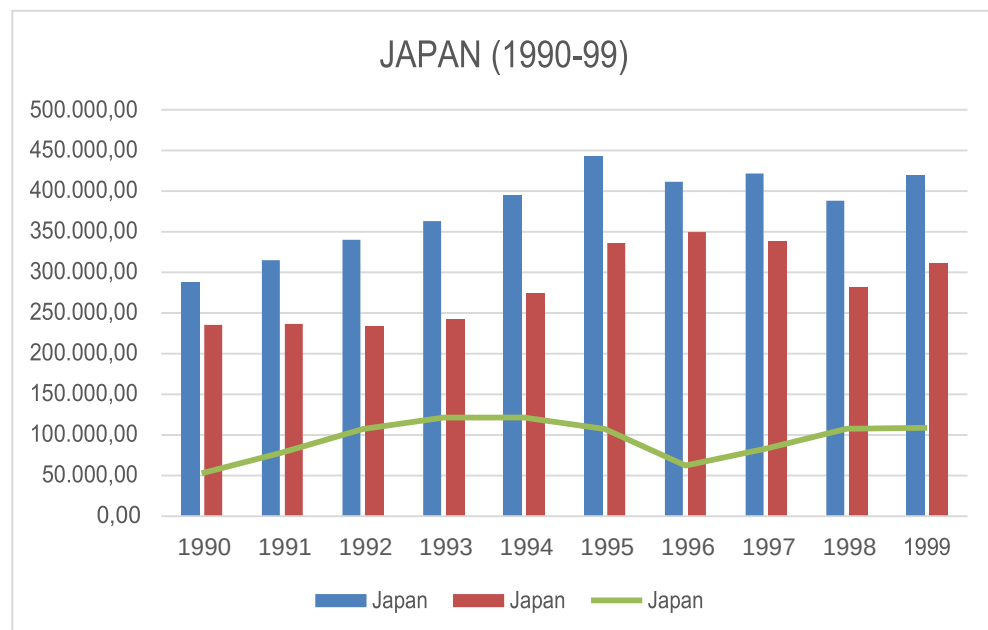


Figure 28. Japan Export, Import and Trade Balance 1990-1999 (billion dollars)

Source: IMF Data, Direction of Trade Statistics

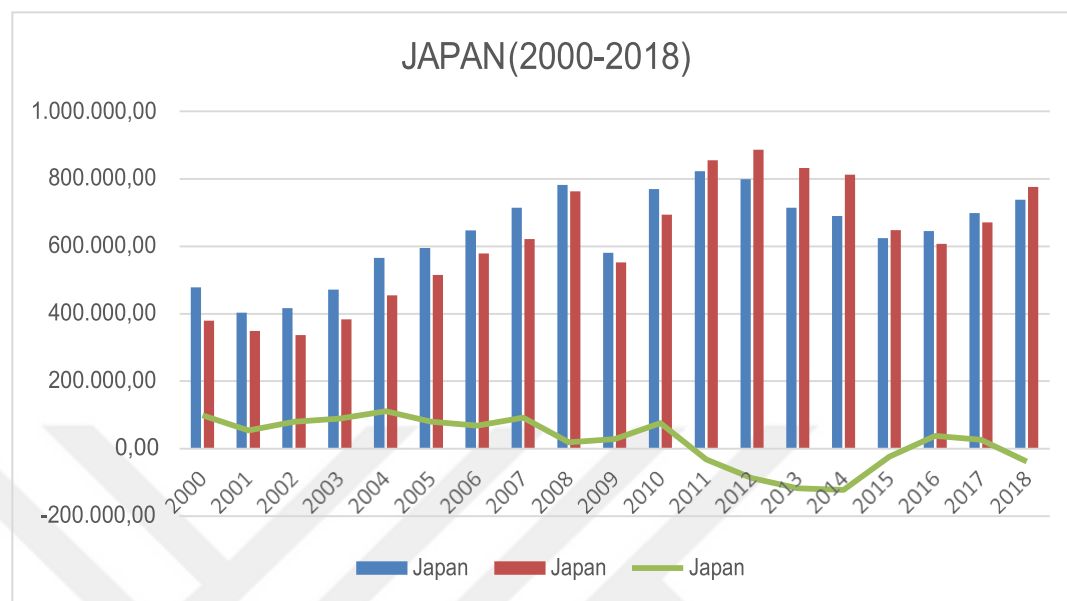


Figure 29. Japan Export, Import and Trade Balance 2000-2018 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

10. Government Expenditure

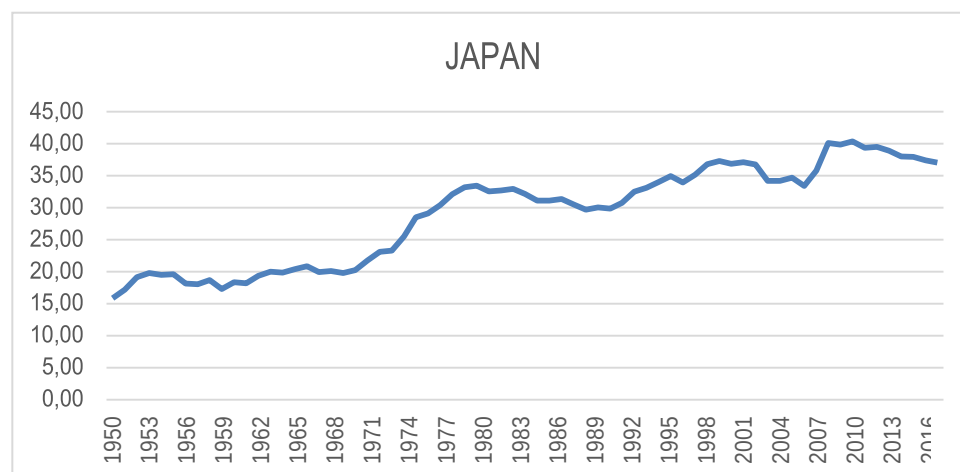


Figure 30. Japan Government Expenditure/GDP (annual %)

Source: IMF Data, Fiscal Prudence and Profligacy Database
<https://www.imf.org/external/datamapper/datasets/FPP/1> and IMF Data, World Economic Outlook (April)

11. Foreign Direct Investments (Net Inflows)

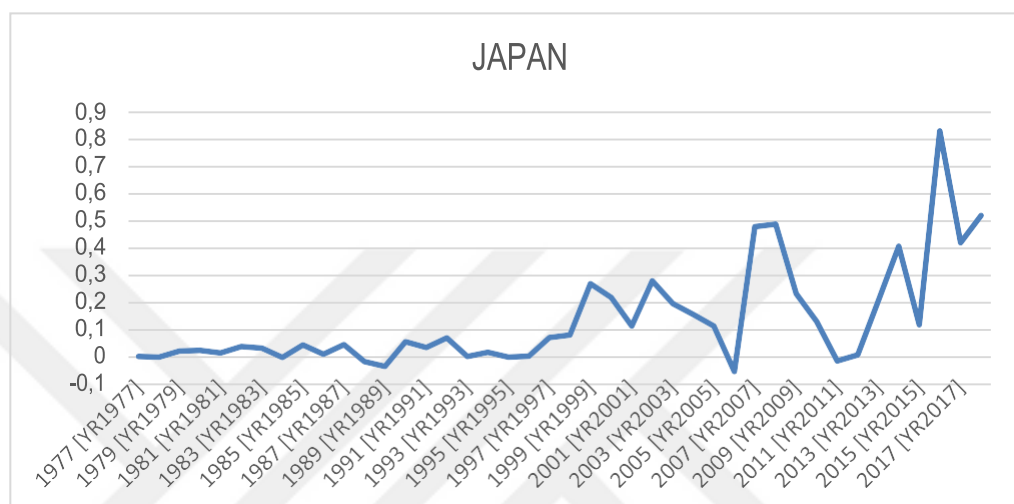


Figure 31. Japan Foreign Direct Investments Net Inflows/GDP (annual %)
Source: World Bank Databank, World Development Indicators

South Korea

6. Government Net Lending/Borrowing

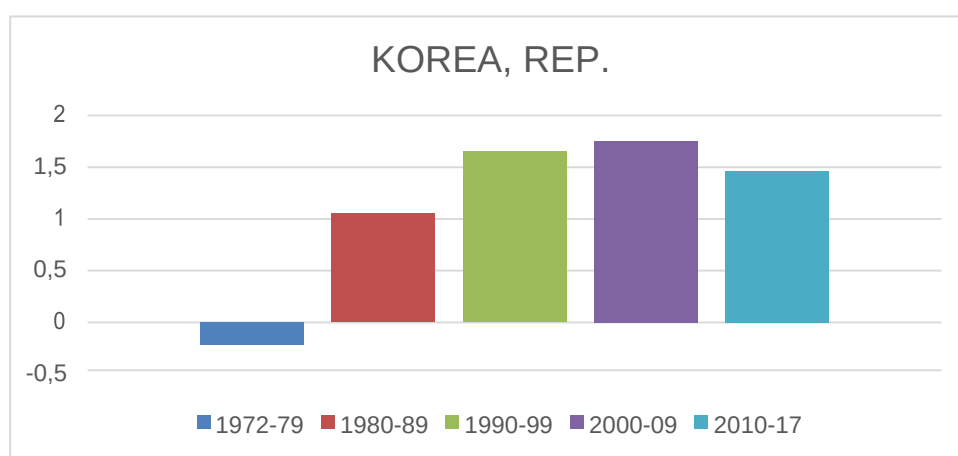


Figure 32. Korea, Rep. Periodical Government Net Lending/Borrowing/GDP (annual %)
Source: World Bank Databank, World Development Indicators

7. Public Debt

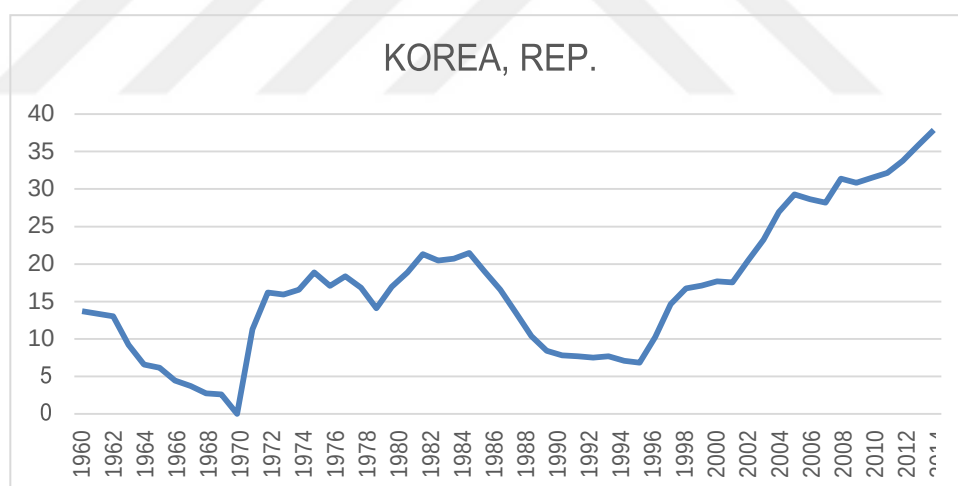


Figure 33. Korea, Rep. Public Debt/ GDP (annual %)
Source: IMF Data, Historical Public Debt Database

8. Current Account Balance

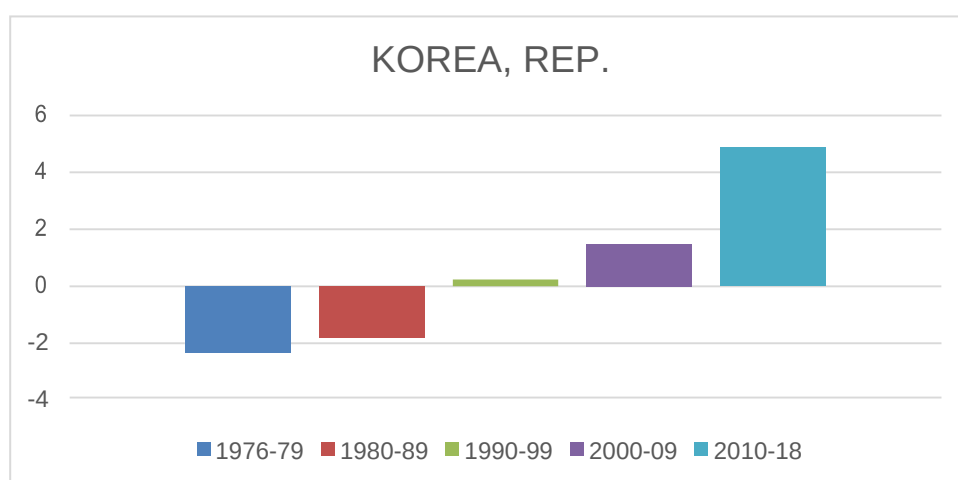


Figure 34. Korea, Rep. Periodical Current Account Balance/GDP (annual %)
Source: World Bank Databank, World Development Indicators

9. Trade Balance

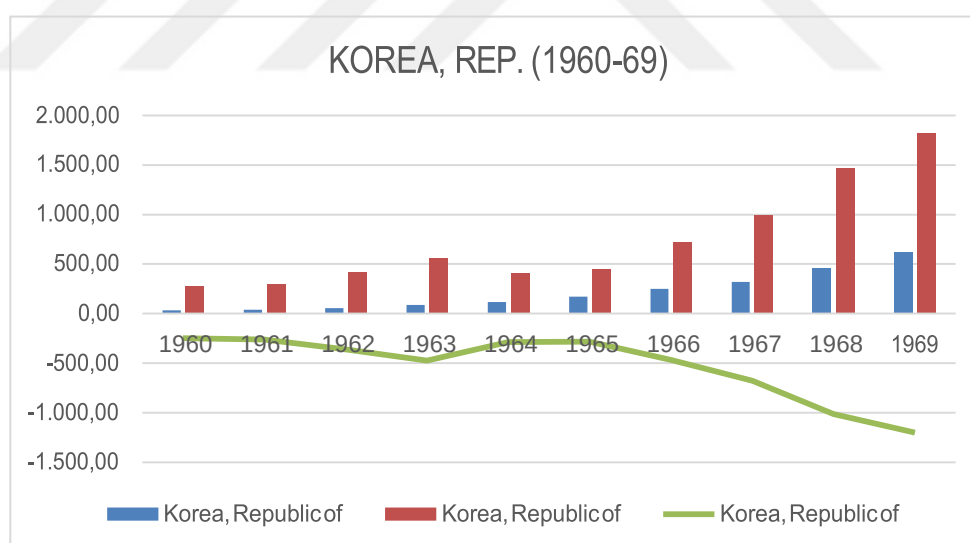


Figure 35. Korea, Rep. Export, Import and Trade Balance 1960-1969 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

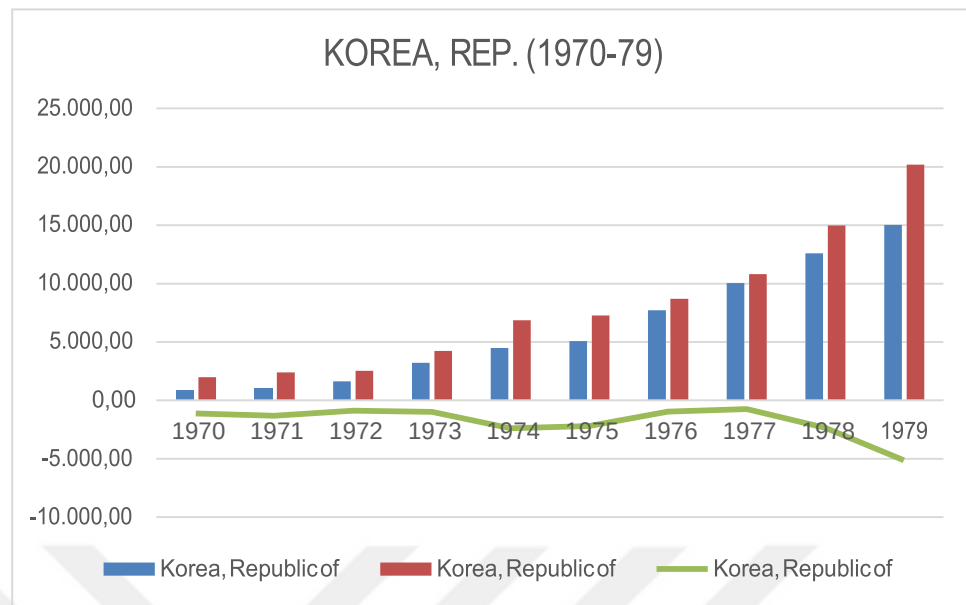


Figure 36. Korea, Rep. Export, Import and Trade Balance 1970-1979 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

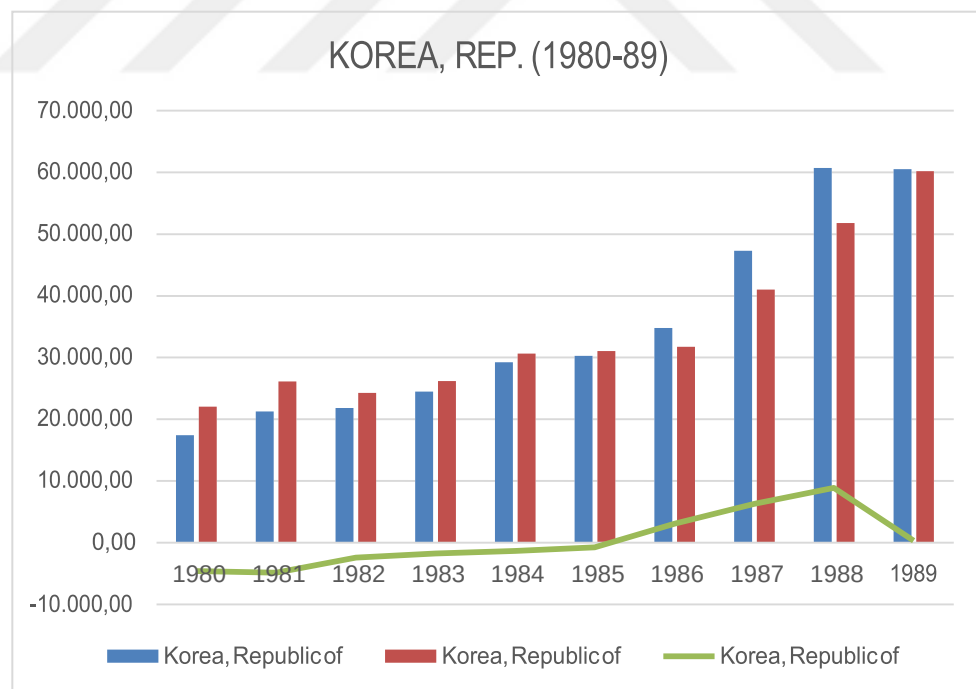


Figure 37. Korea, Rep. Export, Import and Trade Balance 1980-1989 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

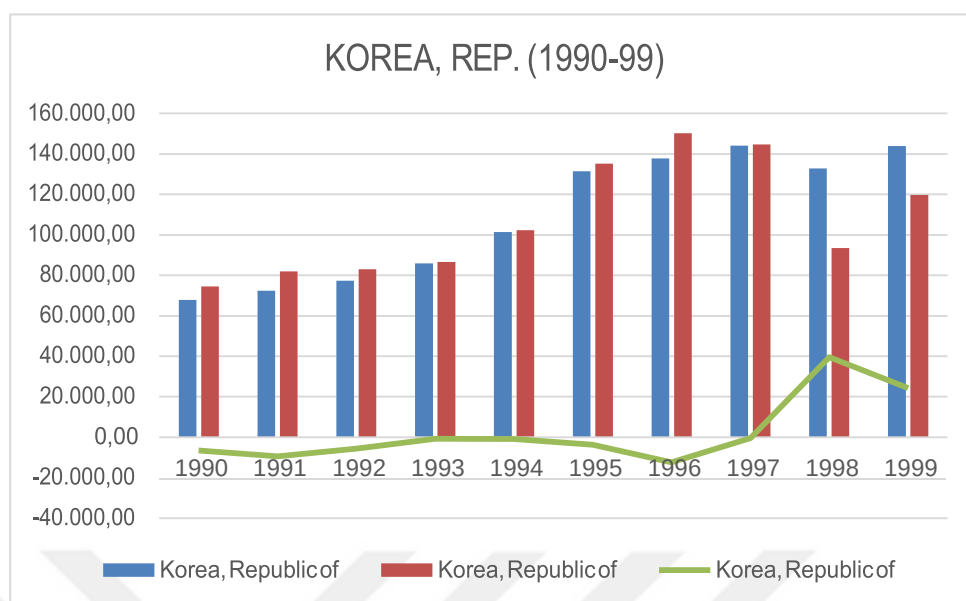


Figure 38. Korea, Rep. Export, Import and Trade Balance 1990-1999 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

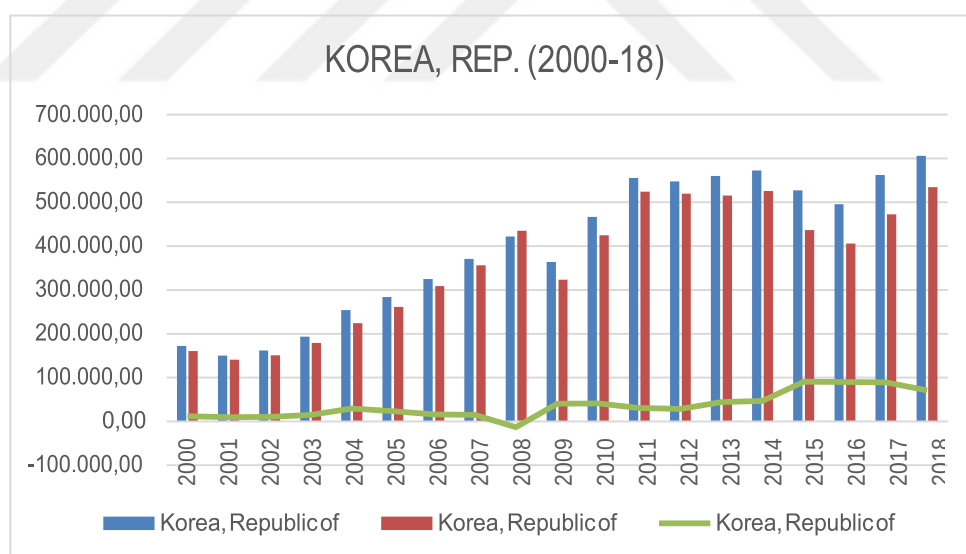


Figure 39. Korea, Rep. Export, Import and Trade Balance 2000-2018 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

10. Government Expenditure

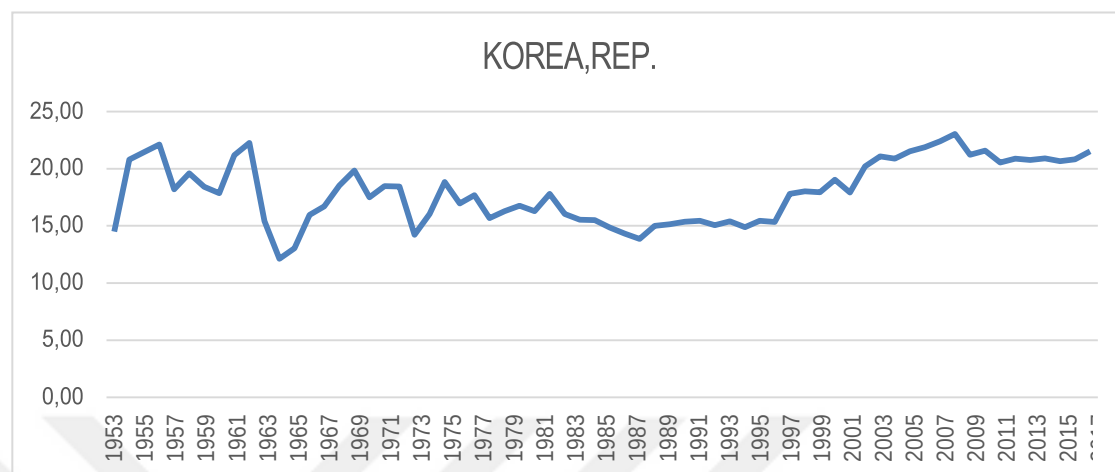


Figure 40. Korea, Rep. Government Expenditure/GDP (annual %)

Source: IMF Data, Fiscal Prudence and Profligacy Database

<https://www.imf.org/external/datamapper/datasets/FPP/1> and IMF Data, World Economic Outlook (April)

11. Foreign Direct Investments (Net Inflows)

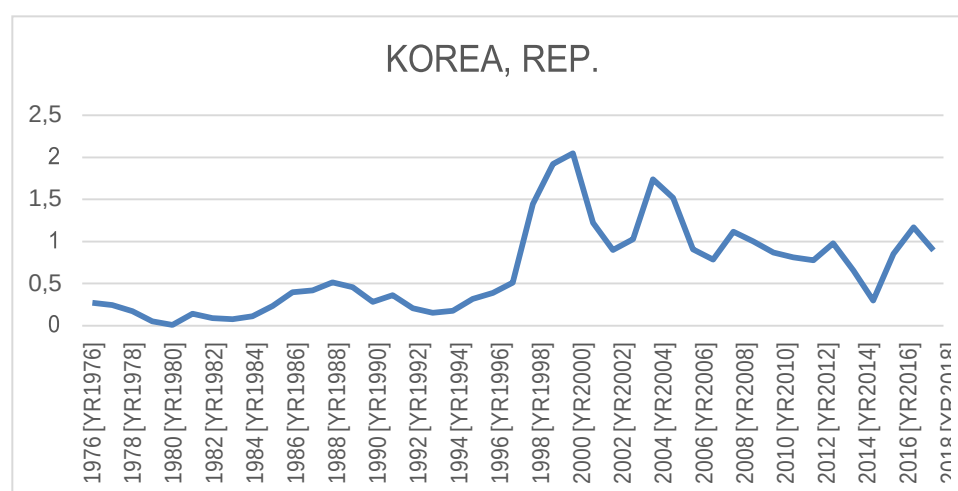


Figure 41. Korea, Rep. Foreign Direct Investments Net Inflows/GDP (annual %)

Source: World Bank Databank, World Development Indicators

Mauritius

5. Government Net Lending/Borrowing

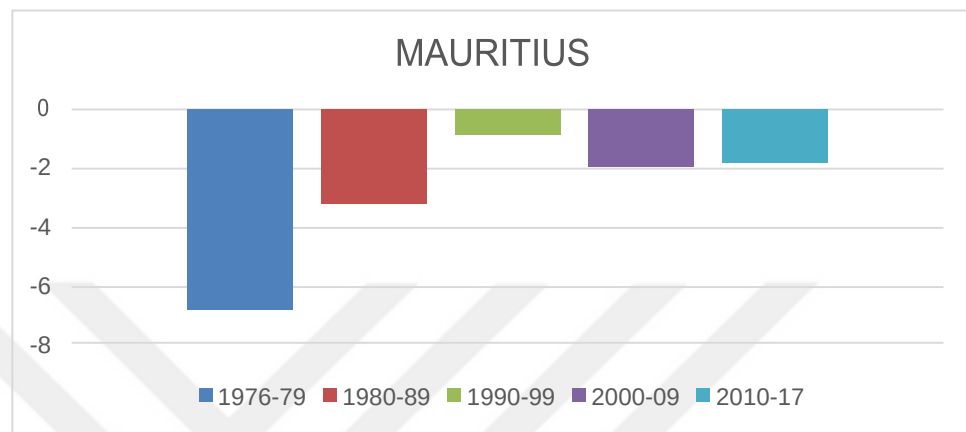


Figure 42. Mauritius Periodical Government Net Lending/Borrowing/GDP (annual %)
Source: World Bank Databank, World Development Indicators

6. Public Debt

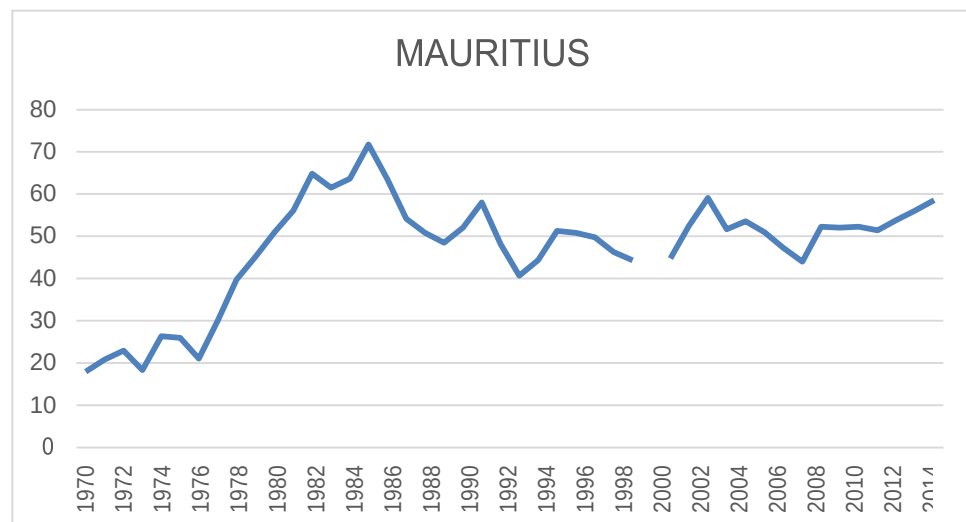


Figure 43. Mauritius Public Debt/ GDP (annual %)
Source: IMF Data, Historical Public Debt Database

7. Current Account Balance

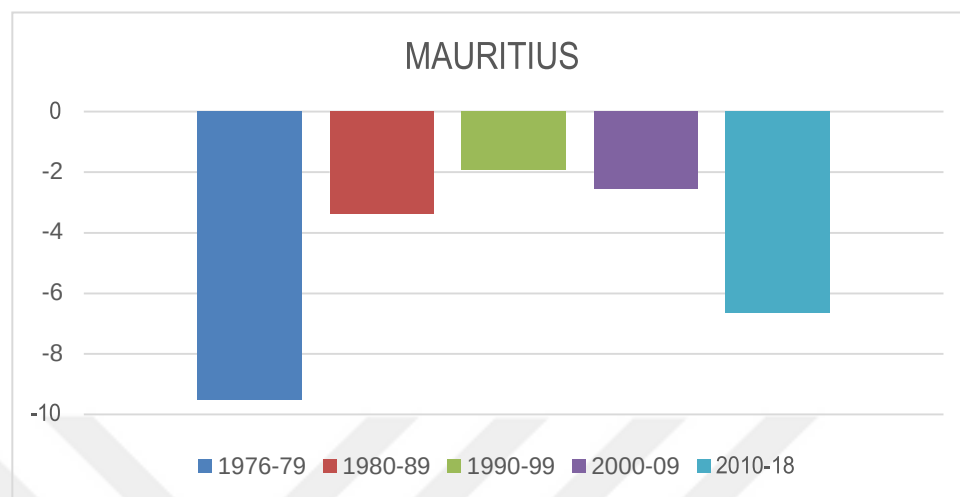


Figure 44. Mauritius Periodical Current Account Balance/GDP (annual %)
Source: World Bank Databank, World Development Indicators

8. Trade Balance

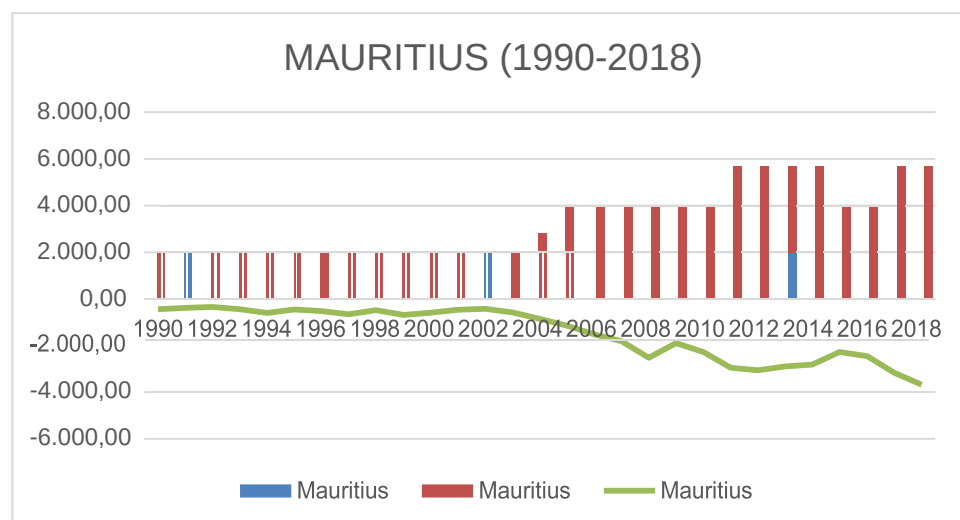


Figure 45. Mauritius Export, Import and Trade Balance 1990-2018 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

9. Government Expenditure

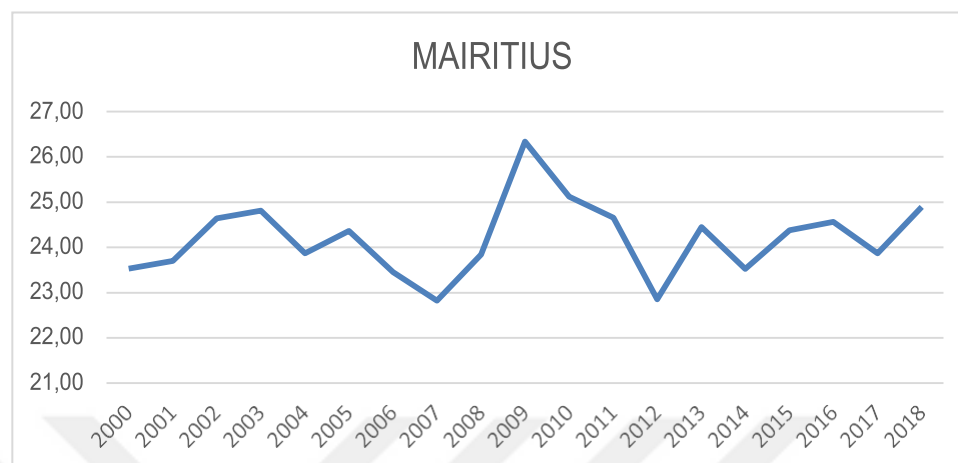


Figure 46. Mauritius Government Expenditure/GDP (annual %)

Source: IMF Data, Fiscal Prudence and Profligacy Database <https://www.imf.org/external/datamapper/datasets/FPP/1> and IMF Data, World Economic Outlook (April)

10. Foreign Direct Investments (Net Inflows)

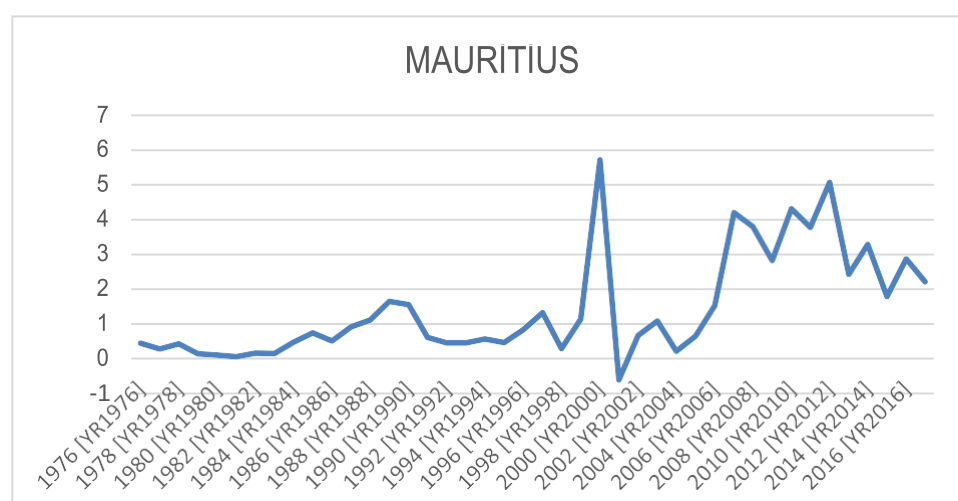


Figure 47. Mauritius Foreign Direct Investments Net Inflows/GDP (annual %)

Source: World Bank Databank, World Development Indicators

Ethiopia

5. Government Net Lending/Borrowing

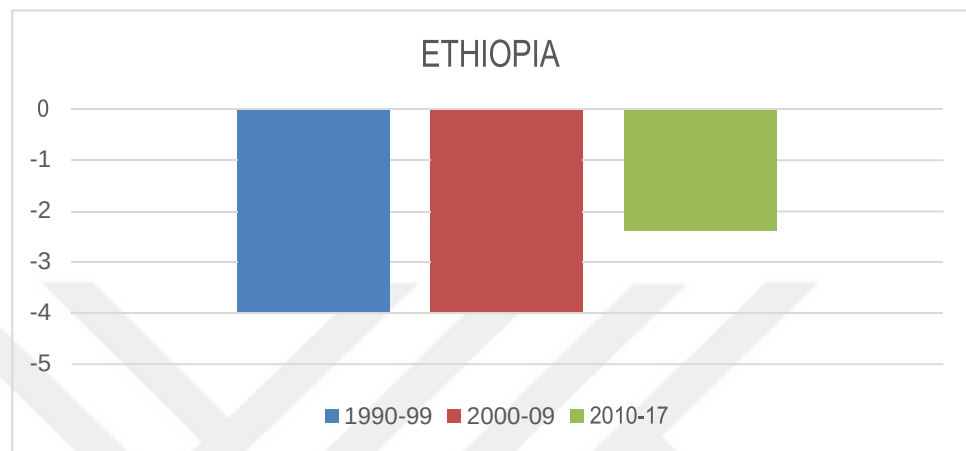


Figure 48. Ethiopia Periodical Government Net Lending/Borrowing/GDP (annual %)
Source: World Bank Databank, World Development Indicators

6. Public Debt

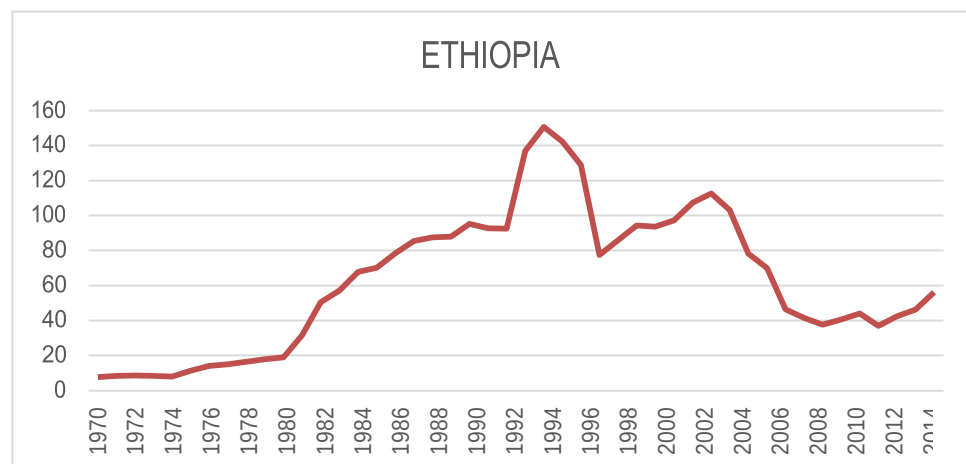


Figure 49. Ethiopia Public Debt/ GDP (annual %)
Source: IMF Data, Historical Public Debt Database

7. Current Account Balance

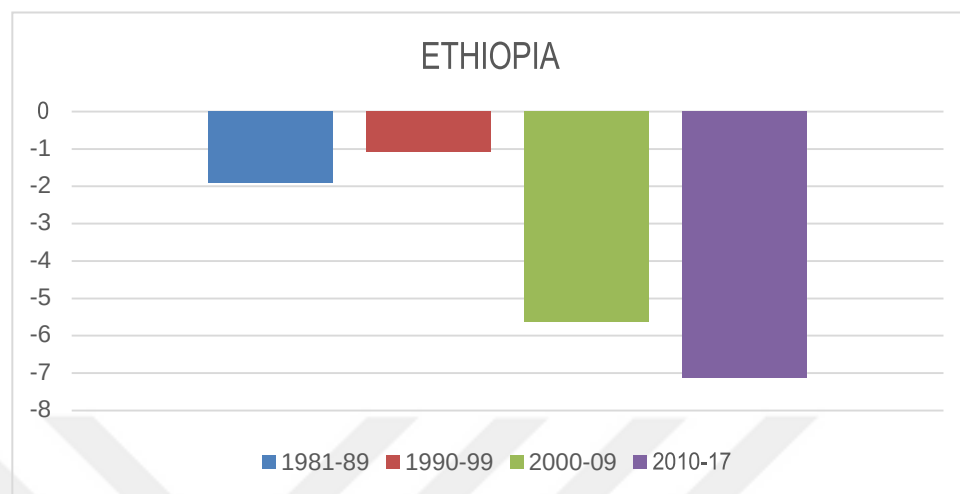


Figure 50. Ethiopia Periodical Current Account Balance/GDP (annual %)
Source: World Bank Databank, World Development Indicators

8. Trade Balance

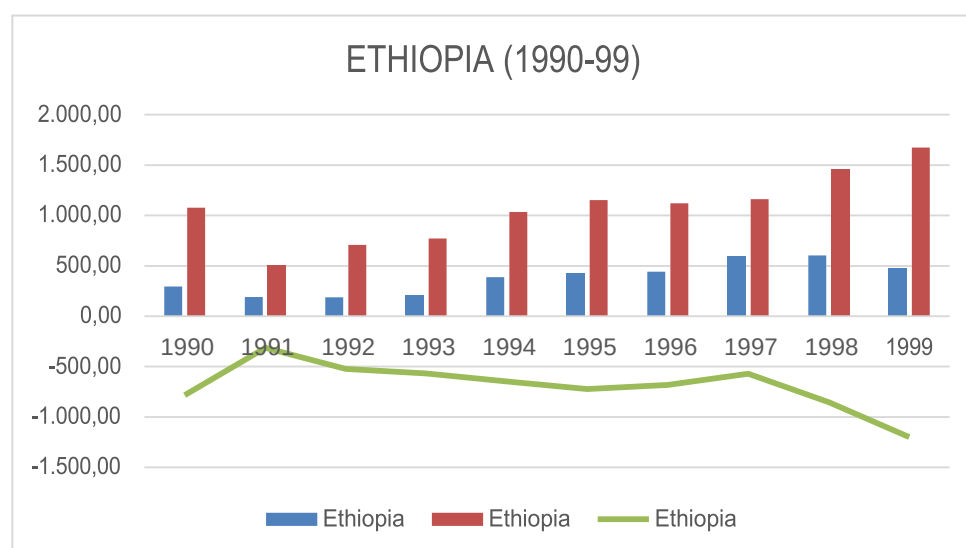


Figure 51. Ethiopia Export, Import and Trade Balance 1990-1999 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

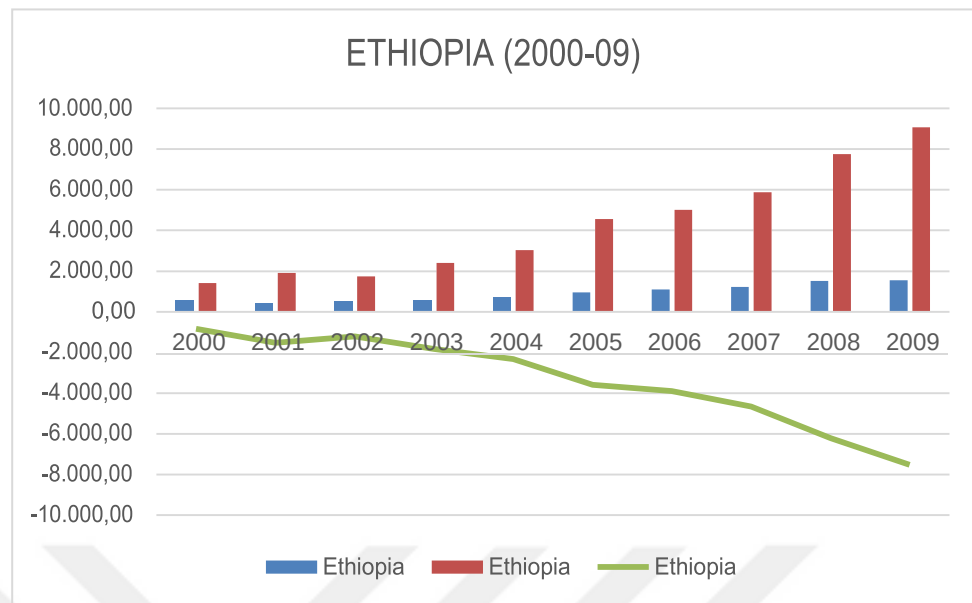


Figure 52. Ethiopia Export, Import and Trade Balance 2000-2009 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

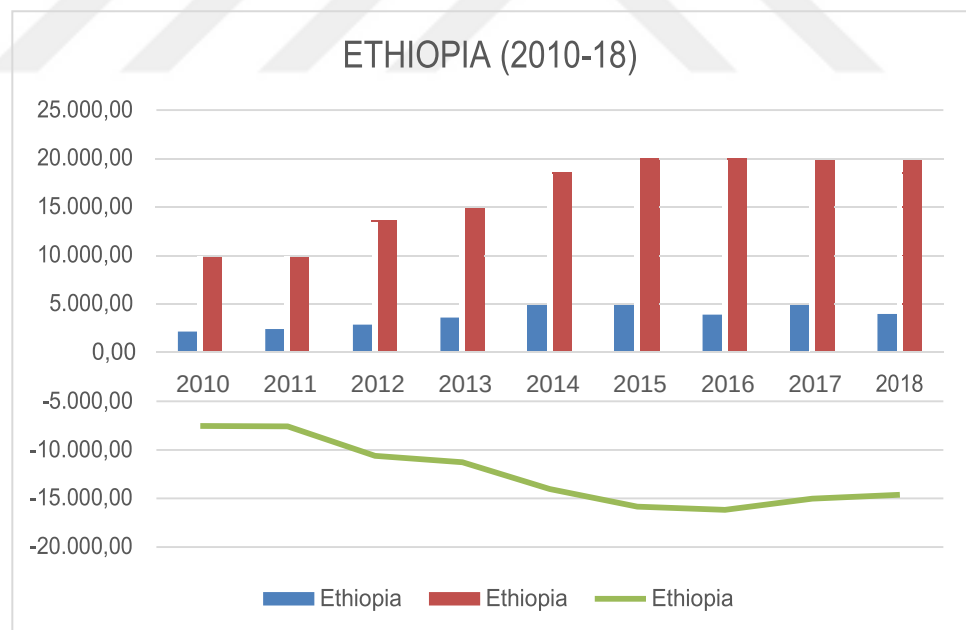


Figure 53. Ethiopia Export, Import and Trade Balance 2010-2018 (billion dollars)
Source: IMF Data, Direction of Trade Statistics

9. Government Expenditure

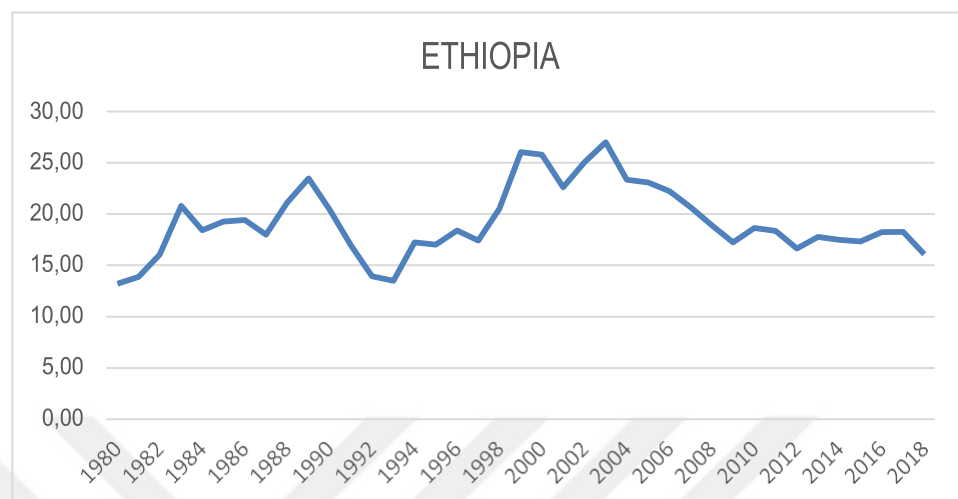


Figure 54. Ethiopia Government Expenditure/GDP (annual %)

Source: IMF Data, Fiscal Prudence and Profligacy Database

<https://www.imf.org/external/datamapper/datasets/FPP/1> and IMF Data, World Economic Outlook (April)

10. Foreign Direct Investments (Net Inflows)

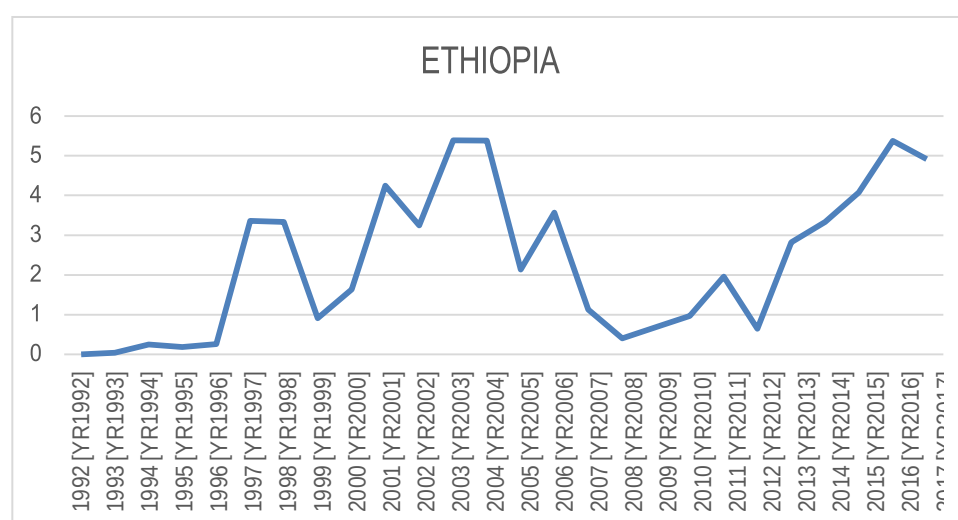


Figure 56. Ethiopia Foreign Direct Investments Net Inflows/GDP (annual %)

Source: World Bank Databank, World Development Indicators

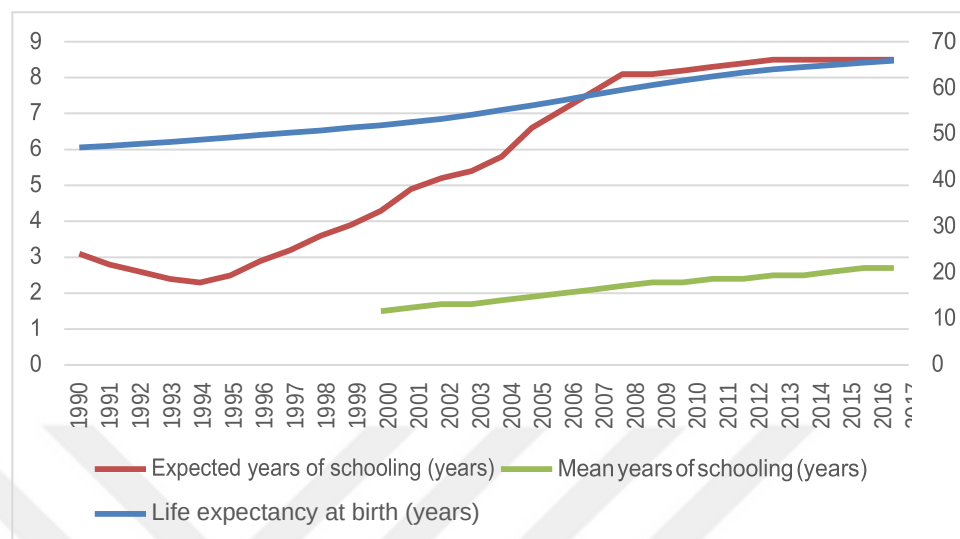


Figure 58. Ethiopia Human Development Index Components (by years)

Source: United Nations Development Program, Human Development Reports

<http://hdr.undp.org/en/data>

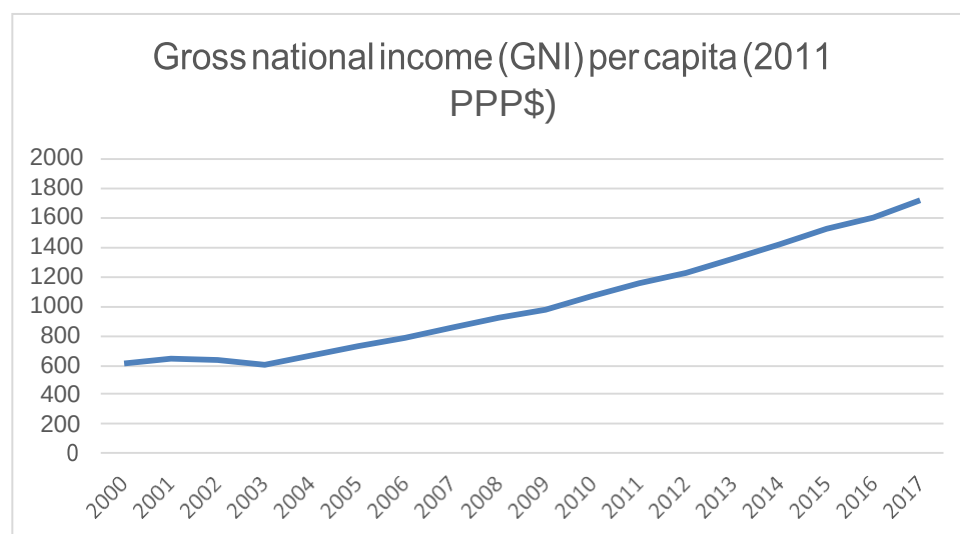


Figure 59. Ethiopia Gross national income (GNI) per capita (2011 PPP\$) (HDI Component) (by years)

Source: United Nations Development Program, Human Development Reports

<http://hdr.undp.org/en/data>