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# Revisiting the developmental state

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Ziya Öniş, Valbona Muzaka, David Booth, Courtney Lindsay  
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## Contents

<b>Introduction: Why revisit the developmental state?</b> .....	<b>2</b>
<i>Matthew L. Bishop and Anthony Payne</i>	
<b>Why have we seen so few developmental states?</b> .....	<b>5</b>
<i>Kunal Sen</i>	
<b>Fitting China into the debate</b> .....	<b>7</b>
<i>Shaun Breslin</i>	
<b>The 'Beijing Consensus' and prospects for democratic development in China and beyond</b> .....	<b>9</b>
<i>Ziya Öniş</i>	
<b>India and Brazil in the 21<sup>st</sup> century</b> .....	<b>11</b>
<i>Valbona Muzaka</i>	
<b>Towards 'developmental regimes' in Africa?</b> .....	<b>14</b>
<i>David Booth</i>	
<b>Understanding the Mauritius 'miracle'</b> .....	<b>17</b>
<i>Courtney Lindsay</i>	
<b>The new challenges of Asia's latecomer industrialisation</b> .....	<b>20</b>
<i>Henry Wai-chung Yeung</i>	
<b>Conclusion: Where does the developmental state stand now?</b> .....	<b>23</b>
<i>Matthew L. Bishop and Anthony Payne</i>	

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## Introduction: Why revisit the developmental state?

*Matthew L. Bishop and Anthony Payne*

The bleak and grinding years of crisis and austerity in the West – symptoms of the decaying neoliberalism that may finally be reaching its endgame – have contrasted markedly with the spectacular rise of China and the advance of other so-called ‘emerging’ powers over the same time-frame.<sup>1</sup> These twin processes have reignited interest in a range of questions – which have been covered frequently on both the *SPERI Comment* blog and in other publications in which the institute’s researchers are involved – relating to the state’s appropriate role in development and the nature of a modern industrial strategy.<sup>2</sup>

These debates all crystallise around the notion of a ‘developmental state’. This concept emerged in the early 1980s in the trailblazing writings of Chalmers Johnson and Alice Amsden.<sup>3</sup> It was subsequently – and quickly – picked up and developed further by many other academic political economists, such as Robert Wade, Peter Evans and Meredith Woo-Cummings.<sup>4</sup> Several drew self-consciously on the classical statist political economy of US ‘founding father’ Alexander Hamilton and the German Friedrich List to emphasise how, contrary to prevailing free-market explanations, the ‘catch-up’ development of much of East Asia owed much more to a high level of state intervention.

To be clear, this approach to development was never about rejecting markets, but rather recognising that, left to their own devices, they can have pernicious effects, including never coming properly into being in the first place. The goal of a developmental state was in fact conceived as building markets, but then deliberately distorting them to serve specific national development objectives through the judicious use of incentives, tariffs, subsidies and especially control of finance. Where liberals believe countries should accept and exploit their ‘comparative advantage’ almost as if it is naturally determined and therefore static, theorists of the developmental state see comparative advantage as dynamic and changeable, and something to be manipulated in a relentless process of industrial upgrading.

Such a way of thinking has retained many adherents in contemporary political economy. There is a simple reason for this: developmental states appear to work. Mariana Mazzucato (winner of the 2014 *New Statesman*/SPERI Prize) has shown how the *Entrepreneurial State* has actually been responsible for underwriting the major risks required for the kinds of technological innovations – such as the iPhone – that are often wrongly assumed to be the result of the genius and risk-taking of private firms like Apple.<sup>5</sup> Perhaps most strikingly, China’s recent industrial transformation has shown how dramatic levels of growth require massive amounts of state-direction.<sup>6</sup> This carries crucial lessons for other countries searching for a new development dynamic, as Chinese economist and former World Bank Senior Vice President Justin Yifu Lin pointed out so effectively in *The Quest for Prosperity*.<sup>7</sup>

Moreover, this is just the tip of the iceberg: numerous other excellent academic books have been written on the developmental state in recent years.<sup>8</sup> What explains this resurgence of interest? Partly it relates to the way that the growing number of cases of apparently successful developmental statism have continued to provide fertile ground for analysis.

Again, even on the SPERI Blog, many of us have sought to apply this idea to countries as diverse as Rwanda (which is growing rapidly) and even supposedly 'developed' countries like the UK, which look increasingly to be in need of a substantial dose of developmentalism.<sup>9</sup> Perhaps most important is the United States itself: the bastion of free-market rhetoric has actually always intervened substantially more than is widely realised precisely because, as Linda Weiss has put it, '*it has a state whose risk appetite is enormous, extraordinary and enduring*' (emphasis added).<sup>10</sup>

Yet, if the concept of the developmental state has been so well covered, why are we seeking to revisit it here? There are at least four broad reasons why it is worth thinking about developmental states afresh.

First, it is not clear that the idea travels as easily as we might think across time and space. The original developmental states of East Asia (Japan and the 'Tigers' of Korea, Hong Kong, Singapore and Taiwan) were in many ways unique, and they all developed rapidly together in a particular geopolitical climate, and often with huge amounts of US aid.<sup>11</sup> They were different to the early developers, and also different to those that have come since. That the label is now applied – whether loosely or tightly – to a vast array of countries as diverse as Indonesia, Brazil, Mozambique, Mauritius and Botswana (amongst many others) suggests that it may have lost a degree of comparative analytical purchase. Moreover, it is not clear whether any country, let alone all countries, can replicate the kinds of transformations that occurred in East Asia in the 1970s in the contemporary era of global value chain-driven globalisation.<sup>12</sup>

Second, and consequently, we wonder whether there may be an excessive degree of conceptual stretching occurring today. In a wonderful review article in 1991 Ziya Öniş outlined clearly the key elements of a developmental state.<sup>13</sup> These included, but were not limited to: a singular focus on productivity growth and industrial upgrading; a highly penetrating central state apparatus (and even potentially intrinsic authoritarianism); market-distorting interventions to protect strategic industries; export-led growth; and an insulated and developmentally minded bureaucracy. This latter point, especially, is crucial: as Öniş noted at the time, the whims of politicians were necessarily to be subordinated to highly capable technocrats: 'politicians "reign" while the bureaucrats "rule" [and] the objective of the political elite is to legitimize the actions of the elite bureaucratic agencies'.<sup>14</sup> It is not, therefore, sufficient just to identify the combination of high levels of growth and state intervention: these two things do not, of themselves, render a state truly 'developmental'.

Third, these states have always been with us. As Ha-Joon Chang reminded us a few years ago in *Kicking Away the Ladder* (probably the most-read contemporary book on university political economy of development courses), even the Western countries that claimed to have developed via open markets did precisely the opposite.<sup>15</sup> Britain, the US, Germany, France and others were highly developmental – and arguably remain so in certain respects and to differing extents – suggesting that the process of development always embodies in practice, even if not in theory or ideology, a complex mix of state-market interactions. It may be implausible in reality to draw a simple binary distinction between 'neoliberalism' and 'developmentalism' as so many have done, for example, in contrasting the West with China. Neoliberal deepening was itself a state-led process, just as developmentalism relies on market mechanisms. Countries can and do exhibit characteristics of both simultaneously.<sup>16</sup>

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Fourth, a whole host of other thorny questions still haunt the developmental state landscape. Does globalisation inherently make economically nationalist policy more difficult? Are strong states always desirable or developmental, and where does one find a developmentally-minded bureaucracy that is able to operate at arms-length from political actors? Can very poor countries really build the necessary institutions to transcend a historically-constituted dependence on, say, extractive industries? Is it plausible to allow countries great leeway to engage simultaneously in mercantilist policy while trying at the same time to maintain a relatively open global economy? Can we tolerate the fact that developmentalism seems to require, at best, repression and, at worst, outright authoritarianism? Is everything still rosy in the first-generation developmental states or do we now gloss over the developmental challenges facing them? What actually distinguishes a genuinely developmental state and do the many countries to which such a label is assigned really fit the bill? Who, if anyone, is responsible for driving developmental plans forward today, and do they all have to operate at the national state level?

In the pages that follow, which derive from a series of blogs on the *SPERI Comment* site from late 2017,<sup>17</sup> several distinguished academic analysts of development offer answers to some of these questions and in general give their thoughts on the future parameters of the developmental state debate.

## Why have we seen so few developmental states?

### *Kunal Sen*

The original developmental states of East Asia had one unifying economic characteristic: they witnessed almost uninterrupted rapid economic growth for well over four decades. This is very different from what we have observed for other developing countries, where economic growth has been boom and bust, defined by a rapid growth acceleration followed by a deceleration that at times was quite prolonged.<sup>18</sup> With the exception of China, no other country has observed rapid *sustained* growth in the past few decades.

Why have we seen so few examples of countries with developmental state properties when it comes to economic growth? Is it due to the lack of political and economic space for nation-states in low and middle-income countries to chart their own independent path to industrialisation and structural transformation in the current liberal economic order,<sup>19</sup> where the forces of globalisation are too strong to be kept at bay? Or are there other explanations for the lack of examples of successful developmental states in the Global South today?

To answer this question, take three countries in South East Asia – Indonesia, Malaysia and Thailand. All were star economic performers from the 1960s to the 1990s and looked for some time to emulate the growth success of the old developmental states. These countries also had extensive state intervention and a pro-growth ideology within the ruling coalition, which were characteristics of the old developmental states. They also had authoritarian political regimes for long periods of time: again, a property of the old developmental states.

However, after the Asian financial crisis of 1996, economic growth plummeted in these countries and never recovered to its pre-crisis level even twenty years or more since the onset of the crisis. These countries are now going through prolonged growth decelerations and it looks very unlikely that they will reach high-income status for some time to come, an outcome which was taken for granted in the early 1990s before the financial crisis hit.

What, then, explains the inability of Indonesia, Malaysia and Thailand to become economic success-stories of the type exemplified by Hong Kong, South Korea, Singapore and Taiwan? The answer to this question lies in politics, or what we can call the political settlement: that is, the balance of power between elite groups in the society.<sup>20</sup>

Let's look at Indonesia first. The state intervention of the Suharto regime in the years of positive Indonesian growth did not resemble the more strategic industrial policies witnessed in Korea, Singapore and Taiwan, but was followed principally to increase the business clients of the state. 'Politico-business' oligarchies held political power and had authority over the 'strategic gate-keeping institutions of the state', ensuring that they maintained control over the allocation of rents. The underlying political settlement in Indonesia, wherein the state was harnessed to the unconstrained interest of a privileged group of oligarchies, explains both the nature of the financial crisis in the late 1990s,<sup>21</sup> with its widespread bankruptcies and debt defaults among these oligarchs, *and* the stagnation in economic growth in the post-crisis period.<sup>22</sup>

A similar story can be observed in Malaysia and Thailand. Both countries had rapid economic growth from the 1960s to the mid-1990s, under authoritarian political systems for the most part (although there were frequent bouts of multi-party elections, interspersed

with military coups, in Thailand from 1973). This growth strategy was underpinned by a relatively open economic environment for the export-oriented manufacturing sector, where multinationals mostly dominated. At the same time, political elites had close collusive relationships with domestic capitalists in non-tradable sectors, such as utilities and finance, and import-competing sectors, such as cement.

The collusive relationship was an outcome of the political settlement in the two countries. In Malaysia, it reflected the need for political stability (after the devastating ethnic riots in 1969) by providing rents to the Bumiputera (Malay) capitalists and thus represented a means of countering the power of the Chinese capitalist class. In Thailand, it existed in sectors such as timber, rice-milling, property, retail and pharmaceuticals, where the establishment, particularly the palace (through its investment arm, the Crown Property Bureau), developed substantial interests during the years 1957 to 1973 when Field Marshal Sarit Thanarat was in power.

The consequence, in the case of Malaysia, was the failure of the state to foster a globally competitive domestic capitalist class as, unlike in South Korea, subsidies provided to Malay entrepreneurs did not have performance requirements. With the increasing vulnerability of the ruling coalition since the 1980s, there was ever more recourse to doling out public-sector jobs to politically-influential individuals, resulting in revolving-door patronage appointments. As a consequence, the competence and autonomy of the technocracy – which are essential ingredients of a successful developmental state, as Bishop and Payne noted in the opening to this paper – were gradually eroded over time.

While the old developmental states could move steadily up the technology ladder as their labour-intensive industries became uncompetitive with increases in wages, the Malaysian state lacked the enforcement capacities to discipline politically connected firms in 'high rent' sectors and adopt the effective industrial policies that were needed for further upgrading of technological capabilities.

Thailand's story is somewhat different as a globally competitive auto sector has developed since the 1990s and linkages have been forged between multinational car manufacturers and predominantly Sino-Thai suppliers through local content policies initially devised in the 1980s. Unlike in Malaysia, where ethno-political considerations prevented the ruling coalition from promoting Chinese-owned firms, Thailand's political settlement allowed – indeed, even encouraged – politicians to nurture Sino-Thai capitalists, both as a means of stimulating growth and as a source of personal enrichment. Nevertheless, the collusive relationship between the ruling political elite and economic elites in 'high-rent' sectors such as construction and cement became increasingly patronage-based, and detrimental to growth over time.<sup>23</sup>

In sum, what is the most important lesson can we learn from the inability of Indonesia, Malaysia and Thailand to follow the path of the old developmental states? It is surely that a successful developmental state is only possible when the political settlement allows the possibility of ruling elites to have the enforcement capacities to discipline politically-connected firms and follow effective industrial policies that are needed further to upgrade technological capabilities. The problem is that for many developing countries, such as Indonesia, Malaysia and Thailand, as we have seen, the underlying political settlement has provided political elites with little incentive to enact the institutional reforms needed for further growth and structural transformation.<sup>24</sup>

At the end of the day, this is the main reason why we have seen so few developmental states emerge within the developing world.

## Fitting China into the debate

*Shaun Breslin*

Where you think you are can depend on where you came from. If you start mentally in the 'liberal west' and then go to China, the Chinese economy is much more state-guided and coordinated (and, indeed, state-owned) than your starting point. However, if you start from China's (fairly recent) past – let us say the beginning of the 1990s – then the startling thing about the country is not the pervasiveness of the state, but the extent of the role played today by market and private actors in directing economic activity when compared to the past.

And it's not a case of one perception being wrong and the other right. The transition from socialism in China has created an economy where the market and the private sector is the main source of growth, employment and profits. Where the state used to set prices for goods and commodities, they are now overwhelmingly priced as a result of supply and demand. It is for this reason that some have concluded that China should be viewed as having a market economy, rather than a form of state capitalism.<sup>25</sup>

But equally, state ownership remains dominant in what used to be called the commanding heights of the economy, like energy or transportation, sectors that impact on much of what happens elsewhere. These State Enterprises receive significant support in terms of tax breaks, financial transfers and other forms of assistance that places them in a privileged position in the Chinese market (and also, through outward investment, in some non-Chinese markets too).<sup>26</sup>

Moreover, if you search through the ownership details of many nominally private companies, you often end up back with a state-owned company at the apex of a complicated ownership pyramid.<sup>27</sup> The financial system also remains heavily influenced by the state (albeit supported by a large and growing informal financial sector that has emerged to serve those who struggle to get what they want through the formal system).<sup>28</sup> Take the Commercial Bank Law, one of the clearest examples of what at times appears to be a rather tenuous balance between the state and the market as drivers of the Chinese economy. It mandates banks to consider commercial criteria before extending loans, but also insists that they 'conduct their business of lending in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the State'.<sup>29</sup>

Crucially too, land remains state-owned and controlling who uses it has become a major source of local government finance. At the local level, the relationship between the state, local enterprise and local financial institutions can be very intimate indeed. These relationships also vary significantly from one location to another, suggesting importantly that we should not talk about a single Chinese model of state developmentalism, but rather *varieties of them* ranging from areas where the private sector dominates (like Zhejiang) to more statist and mercantilist parts of the country.<sup>30</sup>

Amidst all of this complexity across a huge country, can we identify a more fundamental philosophy that informs the state-market relationship in contemporary China? Deng Xiaoping referred to the plan and the market as being 'just economic means',<sup>31</sup> which raises the question of means to what end? The answer is regime legitimacy and stability.

The market is allowed to flourish as long as it does what it is meant to do by providing growth and all that growth brings. In the process, other actors, including those who retain close contacts with the state, can follow their own objectives and even utilise the state's strategic concerns to pursue personal commercial profit-based agendas. However, the

market isn't trusted to do all that the leadership wants to it do, at least in ways that are politically palatable. Crucially, the threshold at which the market is deemed to be failing, and at which the state is willing to intervene, seems rather low in China compared to other countries. It certainly does not take a full-blown economic crisis like the one that spread from the West to China in 2008-9 to spark a concerted state effort in response (though the extent of that response showed just how powerful the state remains when it needs to be).<sup>32</sup> For example, China's leaders have been careful to 'protect the interests of farmers' if the market fails to provide them with decent prices for their produce.<sup>33</sup> More generally, too, the state has still concertedly sought to get growth rates – which other countries would consider highly acceptable – even higher.

This strong desire to maintain high growth levels generates two important questions. Is the Chinese economic structure really focused on development, and is it sustainable? My answer to the first question is 'not as much as it might be'. Hu Jintao (the Chinese Communist Party leader from 2002-12) officially recognised the need to worry less about raw growth figures and more about whether growth was used, in his exhortation, to 'put people first' and develop a 'scientific concept of development'. Certainly, more could still be done to provide the guarantees of decent (rather than universal but not extensive) education opportunities, health care and welfare in old age that China's poorest citizens still lack.

In addition, while there have been some Chinese economic breakthroughs, overall the results have been somewhat disappointing, given the amount of money spent on innovation: a disappointment reflected in a determination to do things much better in the future as set out in the new 'Made in China 2025' strategy. Finally on this developmental point, as China's leaders have acknowledged, growth has been achieved at colossal cost to the environment and the health of millions of Chinese citizens.

My answer to the second question about sustainability is 'probably' – and notwithstanding the fact that, since responding to the global financial crisis, continuing Chinese growth has come with a significant increase in debt. At the same time, real estate and property prices have continued to rise, making the cost of accommodation relative to income in many Chinese cities amongst the highest in the world.<sup>34</sup> In other words, at both the macro and household level, there is considerable uncertainty about the future, with economists divided over whether or not the state has the financial wherewithal to cope with this debt and prevent a financial crisis.

As indicated, my guess is that it probably can in the short term (though dealing with current debt is not the same as undertaking a structural shift to prevent it building up again in the future). Stabilising (let alone lowering) real estate and property prices without harming the personal finances of millions of ordinary Chinese citizens might prove even more of a challenge. Debt also impacts on local government finances and, although this is not as high profile as potential financial and/or property crashes, sorting out the way that local governments are funded (at the moment, underfunded) is one of the fundamentals that China simply has to get right if it is to lay the foundations for more sustainable growth patterns in the future.

Perhaps even more central is the extent to which its political leadership is prepared to deal with the potential political consequences of the shift to a (s)lower growth rate and mode it thinks is economically essential in the long term. Ultimately, the key might not lie in the economic realm at all, but rather in finding ways that legitimise one-party rule and the nature of the current regime that do rely less than they did in the past on the attainment of high growth as an indicator of success.

## The 'Beijing Consensus' and prospects for democratic development in China and beyond

*Ziya Öniş*

A controversial issue in the longstanding debate on the developmental state concerns the relationship and the possible compatibility of rapid economic and industrial transformation with a democratic form of governance.

Many scholars contributing to the debate were more concerned about how highly centralised and cohesive states with significant 'embedded autonomy' were able to facilitate rapid industrialisation based on highly selective and strategic industrial policy tools.<sup>35</sup> The central focus was to explain how a limited sub-set of East Asian developmental states were able to outperform other late-industrialising countries in Latin America, the Middle East and elsewhere.

Japan was the prototype case of successful industrial transformation in the early part of the post-war period.<sup>36</sup> Its experience was subsequently duplicated by the phenomenal rise of South Korea and Taiwan. Whilst the Japanese miracle occurred in a democratic environment, the successful state-driven export-oriented growth of South Korea and Taiwan were accomplished in highly authoritarian settings. It was only at a later stage in their development experience that these two countries were able to make a successful transition to democratic forms of governance during the second half of the 1980s.

In the current context, the rise of China and the growing challenge offered by the appeal of the 'Beijing Consensus' together raise deep questions concerning the relationship between successful industrial transformation under what we might term 'strategic capitalism' and the achievement of democracy.<sup>37</sup> Although in its specific form the Chinese brand of capitalism differs from the experience of the original trio of East Asian developmental states, it still sits very much in the tradition of developmental states in respect of the active role of the state in promoting industrial transformation.<sup>38</sup>

Perhaps it would be more appropriate to describe China as a 'post-developmental state' given its greater openness to foreign direct investment right from the very beginning of its opening-up to the global economy in the early 1980s. It's important to emphasise, however, that Chinese openness to transnational investment was always based on an active bargaining process focused on aligning the terms of entry with its broader strategic priorities. This is fundamentally different from a neoliberal, open-door approach to foreign investment.

As everyone knows, China's state-driven industrial transformation over the course of the past few decades has been quite remarkable and has undoubtedly given a predominantly benign face to the 'Beijing Consensus'. The reality is that the rise of China has dramatically expanded the developmental space for many countries of the Global South and contributed to the broadening of global governance, effectively challenging the dominance of the North and Northern-dominated institutions such as the IMF, the World Bank and WTO.<sup>39</sup> Projects such as the 'One Belt One Road' initiative<sup>40</sup> and new institutions in which China plays an overriding role such as The Shanghai-Co-operation Organization,<sup>41</sup> The New Developmental Bank and The Asian Investment and Infrastructure Bank all create important opportunities for development for many other 'developing countries' on a truly global basis.

An especially attractive feature of the emerging 'Beijing Consensus' is China's flexible understanding of 'conditionality', with references to a 'no strings attached policy' being frequently used to describe the Chinese approach.

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There is, however, also a dark side associated with the emerging 'Beijing Consensus'. The Chinese success illustrates the fact that successful capitalist transformation can be accomplished in a highly authoritarian environment. The Chinese model is thus particularly attractive not only to established autocratic regimes such as those in central Asia, but also to illiberal, majoritarian ones with growing authoritarian tendencies in the European periphery,<sup>42</sup> such as the cases of Hungary and Turkey, where the political leadership looks explicitly to the Chinese example as an alternative to Western style of development.<sup>43</sup> In that context, the future development of China is therefore hugely important as a potential hegemonic or co-hegemonic power capable of projecting its role model capabilities, norms, and values.

Referring back to the original developmental state debate, the central question that now arises is whether China too will follow the hitherto typical East Asian pattern associated with the previous experiences of Japan, South Korea and Taiwan, namely, rapid industrial transformation that leads, over time, to political liberalisation and eventually the consolidation of a liberal democratic regime.

The South Korean experience is particularly striking in this context. In a similar fashion to present-day China, the early years of the 'Korean model', was associated with a highly centralised and authoritarian regime.<sup>44</sup> Yet South Korea has gradually managed to break away from its authoritarian past. In economic terms, it has also been one of the few countries which have been able to overcome the middle-income trap. In terms of regime type, it has managed to consolidate liberal democracy successfully. Indeed, the way that the country has been able to deal with its recent corruption scandal constitutes a clear testimony to the strength of democratic institutions in the contemporary South Korean setting.<sup>45</sup>

So will China follow the classic path of the original trio of developmental states, or will it deviate fundamentally from this original pattern? It's obviously a huge question with dramatic implications for the future course of (liberal) democracy on a global scale.

It is certainly possible – although probably not in the short run – that Chinese-style 'strategic capitalism' will experience pressures for political liberalisation due to social and economic difficulties associated with falling growth rates and rising levels of income inequality that eventually lead to a major political crisis that undermines the dominance of the Chinese Communist Party.<sup>46</sup>

However, an alternative scenario, which seems more likely at present, is that the party and the regime will prove to be highly resilient.<sup>47</sup> If the regime is able to accomplish reforms to maintain the momentum of economic reform (from which of course large segments of society will benefit in absolute terms), it will probably be able to sustain its legitimacy and prevent pressures for significant political opening leading to a loss of control at the centre. Indeed, this second scenario suggests that the model of authoritarian 'strategic capitalism' in China has an in-built capacity to reproduce itself successfully over time.

As I have said, this very much matters. Which option is likely to prevail over time is not only of major scholarly interest in terms of the ongoing debates on developmental and indeed 'post-developmental' states; it's of major practical importance not only for China and its people but also – through the appeal of the 'Beijing Consensus' in both its benign and malign forms – because elites all over the emerging world increasingly look at rising China as a key reference point for the pursuit of their own future development.

## India and Brazil in the 21<sup>st</sup> century

### *Valbona Muzaka*

Focusing on India and Brazil in the context of renewed discussion of the developmental state may raise some eyebrows. For, unlike the successful catch-up of Japan and other East Asian ‘tigers’ with which that concept and its more recent reiterations have been associated, neither the Indian nor the Brazilian state has ever managed fully to secure its developmentalist credentials, especially when the outcomes of their strategies are compared with those of the Asian ‘miracle’.

Using the successful East Asian state form as the yardstick for the application of the developmental state concept everywhere would, however, only betray the extent to which our collective grasp of political economy has been limited and ahistoricised: as the painstaking work undertaken by Eric Reinert and colleagues at the *Other Canon* suggests, the central role that states in their various forms (city-republican, mercantilist, imperial and so on) have played in orchestrating technological, economic and social development for the last 500 years, if not before, is well-known.<sup>48</sup>

During this period, the developmental state has always been one that designs and orchestrates socio-economic-political strategies aimed at catching up with whatever it deems an advanced economy at a given point in time. The developmental state is, like all states, spatially Janus-faced – looking both inwards and outwards and anchored simultaneously in the national and the global terrain.<sup>49</sup> What is more, it must not only pursue catch-up in the shadow of advanced economies, but also in competition with other states vying for the same in an unequal world market whose dynamics, to make things worse, are always changing, thus requiring novel and ever more complex strategies to succeed.

The purpose of reconstructing the concept of the developmental state in these terms is not somehow to restore the developmentalist credentials of the Indian and Brazilian states, but rather to locate their developmental strategies in the historical ‘catch-up treadmill’ and, in so far as it makes clear that the developmental state is perpetually pursuing a moving target on uneven global terrain, to pose the question of what possibilities and obstacles the current juncture presents them. In particular, I point to one critical challenge that no other developmental state in the last 500 years has had to face, which is catching up in the face of de-industrialisation.

What have the Indian and Brazilian states done towards dealing with this challenge so far? The answer is very little, certainly when de-industrialisation initially reached their shores. Although by 1980 their respective strategies had succeeded in creating a significant industrial base (around 44% and 24% of total GDP in Brazil and India, respectively<sup>50</sup>), the application of technology and the resulting degree of competitiveness varied greatly within and between them, with high-tech sectors constituted largely of ‘pockets of excellence’ (in atomic research, space technology and defence in India and aeronautics, agricultural research and petrochemicals in Brazil). The reality was that industrialisation had not yet succeeded in creating a cohesive domestic productive structure. Their industrial bases were hardly ‘mature’ or ‘ripe’ for de-industrialisation of the kind that was visited on them. This was substantial: the share of employment engaged in manufacturing in Brazil peaked in the 1980s at 15% of total employment,<sup>51</sup> whereas in India it peaked later in 2002 but at the even lower rate of 13%.<sup>52</sup>

Not only did the state in both countries do little to stem de-industrialisation; it also contributed to it by its own embrace of a new developmental/catch-up dynamic, one based on 'competitive insertion' into global markets whose dynamics were being reformulated along neoliberal lines from the 1980s onwards. As Brazil and India opened up their economies – more cautiously, but still decisively, in India's case – and deepened their integration with advanced economies with greater economic and technological sophistication, their most advanced industrial sectors were the first casualties.

Consequently, India and Brazil can be said to have 'imported' de-industrialisation from advanced economies,<sup>53</sup> something that was not entirely forced on them. Many factors undoubtedly contributed to the adoption of this new catch-up strategy, but the important role played by the re-orientation of the Indian and the Brazilian states should not be underestimated. It was key fragments within each state that decided to respond to the changes in the world economy during the late 1980s by trying to become competitive knowledge powers along the lines around which the United States – the advanced economy then casting the longest shadow on developmental states everywhere – had redefined itself. This orientation survived changes in governments of different political character in both countries from the late 1980s onwards: India's aim of becoming one of the top five global knowledge powerhouses is now officially a state project,<sup>54</sup> as is Brazil's goal of becoming *the* technological and environmental power of the 21<sup>st</sup> century.<sup>55</sup>

The adoption of a raft of institutional reforms in pursuit of these goals in areas such as FDI, banking and capital flow rules, the macro-economy and intellectual property resulted in the further weakening of the domestic productive structure, whose 'pockets of excellence' could not generate the necessary capabilities to operate close to the technological frontier, a key prerequisite for becoming a knowledge/learning economy today. In practice, the gap has been filled by services and commodities in the case of Brazil and services and informal manufacturing in the case of India. Although these sectors are not condemned to be technologically unsophisticated delivering low value-added, they may remain so unless unorthodox institutional reforms are undertaken.

I use 'unorthodox' intentionally here. Precisely because development implies pursuing a moving target on uneven global terrain, it cannot be achieved merely by following the lead of advanced economies. It requires experimenting with unorthodox, imaginative and innovative strategies and, just as importantly given the serious problems affecting the so-called developed economies today, conceiving of novel visions of development altogether. While there remain obvious limits to the room for manoeuvre of all states, the continental size of these two economies – India's more so than Brazil's – offers them options not available to smaller developing countries.

What can India and Brazil do over the next decades? If industrialisation as a catch-up strategy is closed in the immediate future, this has less to do with technological change than the financialisation of the world economy into which they are now (differently) integrated; certainly, it has little to do with their industrial bases exhausting their potential. Finding a way to 'reign finance in' would help, as would establishing 'smart' production-based sectors that are research-intensive and aimed at overhauling production and consumption patterns in ways that favour quality, durability, low energy, recyclability, waste management and so on.<sup>56</sup>

The ongoing enclosure of knowledge in private hands, largely as a result of institutional reforms undertaken in imitation of similar developments in the US and other advanced economies, requires immediate attention. If services or commodities are to be the

future engine of growth for these two countries and are to become knowledge-intensive, unorthodox policies are needed to replenish the knowledge commons and reverse the 'tragedy of the anti-commons' whereby accumulated intangible assets bloat the market evaluation of large firms and attract financial speculation, but severely limit real investment opportunities and the diffusion of knowledge into society.<sup>57</sup>

The key step that needs to be taken is the abandonment of the perception that the developed countries hold the key to the only real and credible mode of development. In concrete terms, this would mean a shift from attempting to become competitive knowledge economies in the US mould towards advancing knowledge social economy visions that are autochthonous to India and Brazil themselves. Their continental scale and the long list of social needs for large parts of their population – e.g. decent housing, education and healthcare, food security, good work opportunities and working conditions, adequate social protection – make such visions possible.

But knowledge social economies that make meeting these needs simultaneously the means and the end of development necessitates at the very least a range of institutional innovations: that counter the tendency of market players' technological efforts to focus short-term returns regardless of social or environmental; that direct finance towards job-creation in 'smart' productive processes and services; that stimulate much wider access to knowledge and considerable investment in upgrading the competencies of low-skilled workers; that enhance trust and respect for the independence of non-economic forms; and that promote collective solutions and distributional policies that share economic dividends widely.

It's a big proviso, admittedly, but, *if* they are willing to experiment in pursuit of such social visions, the Indian and Brazilian states can still take advantage of existing windows of opportunity to reach the 'developed' status that has eluded them – and others – so far.

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## Towards 'developmental regimes' in Africa?

*David Booth*

A vital question in Africa right now is which of the countries that are growing economically and are reasonably conflict-free are going to break through into transformative development.<sup>58</sup> In particular, which kinds of political regimes, if any, are capable of managing this transition? Are available 'developmental state' concepts useful in answering that question?

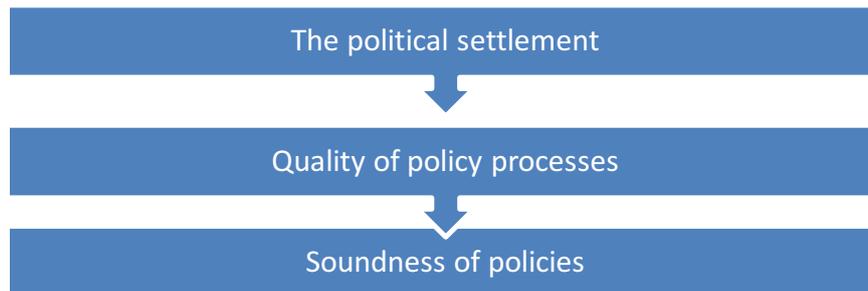
I would argue that the extant concepts are more confusing than helpful. They bear too many of the birth-marks of a very specific debate from the 1980s about the then 'newly industrialising countries' of East Asia. A much richer body of comparative evidence is now available on both Asia and Sub-Saharan Africa. We should, in fact, be tackling the whole question afresh, trying to identify those features of country regimes that appear to be regularly associated with exceptional development performance.

Let me emphasise this: the discussion should be about regimes, not states. State formation – the construction of centralised bureaucratic organisations that effectively control definite territories and their inhabitants – is a cumulative and relatively long-term historical process, as Fukuyama reminds us.<sup>59</sup> The amount of state capacity a country enjoys is undoubtedly an important factor influencing what development results it can achieve. However, for practical purposes the question that matters is how much is being done to improve the inherited state institutions of the country by those currently exercising state power within it – in other words, by the political regime. In short, the most relevant issue for Africa is which kinds of regimes can achieve worthwhile economic and social progress even whilst state capacity continues to be limited.

Of course, the famous East Asia literature was interested in the state in the particular context of a debate between neoliberal economists, on the one hand, and supporters of active industrial policies, on the other. A central question was whether or not states should intervene in markets. Three decades on, that debate is largely settled. The big public policy question of today is not whether African governments *should* be pursuing deliberate industrial policies, but rather which ones have the institutional capacity to do so.<sup>60</sup>

We need a concept of developmental regime that helps in answering this kind of question. The concept should be widely applicable and parsimonious, by which I mean it should capture the two or three features that, on present evidence, seem particularly crucial.

As a first step, I have suggested that we need to pay attention to the features of regimes at three levels: (i) the soundness of their policies; (ii) the quality of the prevailing policy processes; and (iii) the underlying political settlement.<sup>61</sup> I also maintain that the variations observed at these three levels are linked in a loose causal hierarchy. In other words, sound policies tend to be the product of particular types of policy process, and this is most easily achieved when the political settlement is of a certain type.



The evidence on the importance of sound policies is overwhelming. The brilliant Africa/Southeast Asia comparisons by David Henley and the wonderful synthesis of East and Southeast Asian experience by Joe Studwell are particularly compelling.<sup>62</sup> There are subtle disagreements among these sources – for example, around whether policies to achieve broad-based agricultural transformation necessarily precede employment-intensive manufacturing growth or are better pursued simultaneously. But certain points are as well established as any in development policy:

Successful economic transformation in countries other than city-states builds on broad-based improvements in rural productivity – a proposition uncontested as well as regularly updated since its first formulation in 1961.<sup>63</sup>

Countries break through into transformative development by acquiring technological capabilities that generate ‘increasing returns’,<sup>64</sup> which means building a manufacturing base – beginning with the main resource to hand, which is a trainable labour force.

If a regime is not even trying to do these things, I suggest that it doesn’t qualify as developmental.

There is, of course, a view that developing countries face limited ‘policy space’, meaning that they are not in practice free to pursue these objectives. But such constraints are often exaggerated.<sup>65</sup> Most policy weaknesses in most countries have domestic causes. The trouble is that sound policies are the product of particular kinds of policy process.

The research led by Henley concluded that the poverty-reducing rural development that distinguished Southeast Asian from African policies from the 1960s onwards was about political priorities. For a variety of reasons, leaders and their technocrats were interested in improving the economic and social lot of the masses as quickly as possible, and they were pragmatic about how they did this. Urgency, outreach and expediency were the watchwords. Generalising further, the main significant commonality across success stories of national development in Asia, including China, is the focus on urgent action to address perceived major challenges and a willingness to employ a great deal of trial and error in the search for solutions.<sup>66</sup>

Surveys of success and failure in public policy-making increasingly highlight the value of problem-driven iterative learning processes. Good policies are seen to be the result not so much of intellectual conversion as of searching for solutions to urgent problems. This suggests that a developmental regime, as well as being one that pursues sound policies, also practises some form of problem-driven iterative adaptation (PDIA) in its approach to policy making.<sup>67</sup>

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This invites the question as to what kinds of regimes can practise PDIA – and that leads on to the issue of the ‘political settlement’. The political settlement approach, now in the mainstream, argues that progress is not just about acquiring the right institutions. It is about the way power configurations influence the way institutions function (and thus how policies are made).<sup>68</sup>

Some types of political settlement enable better outcomes by relieving elites of the pressure to govern only with a view to the short term. All settlements in developing countries are clientelist in one way or another. However, the degree to which policy is *driven* by the need to use rents in a discretionary way to buy the loyalty of elite factions and pay off political debts varies considerably.<sup>69</sup> This affects the state’s ability to provide the public goods and solve the collective action problems that are the key to economic transformation. It also affects its ability to pursue goals through a problem-driven discovery process.

In sum, the three issues on which I have focused here – the political settlement, the quality of the prevailing policy processes and the soundness of the policies, all linked in a loose causal hierarchy – are central to the building of a developmental regime that works for Africa in the early 21<sup>st</sup> century. As examples from places like Ethiopia and Rwanda are showing,<sup>70</sup> this is only a *first step* in identifying the ingredients of effective economic transformation, but at least it provides a solid starting-point.

## Understanding the Mauritius 'miracle'

*Courtney Lindsay*

Mauritius' growth trajectory from a monocrop economy at its independence in 1968 to an upper-middle income and highly diversified economy today is frequently considered a miracle,<sup>71</sup> and has been described as 'one of the most remarkable – and improbable – economic success stories of the post-war period'.<sup>72</sup> Its achievements are all the more impressive coming after the Meade Report<sup>73</sup> of 1961 predicted a gloomy and dismal future for the country, and have been frequently attributed at least in part to its democratic developmental state.<sup>74</sup>

The admiration and scholarly attention of political economists and development specialists toward Mauritius, and the inclination to see mechanisms of its growth process as containing lessons for other developing economies<sup>75</sup> is entirely understandable: the country experienced average annual real GDP growth of 5.3 per cent between 1961 and 2013 while lacking exploitable resources.<sup>76</sup> It continues to out-perform many other economies, including some highly resource-endowed ones. Indeed, despite a number of economic setbacks following the 2008 global financial crisis, Mauritius has continued to grow at a rate of at least 3.2 per cent yearly since 2009. This represents a slowdown for the country, but is higher than the growth rate of the majority of other Small Island Developing States (SIDS) even during periods of global economic growth.

I consider here whether Mauritius is *actually* a developmental state, what distinguishes it from the East Asian Tigers and whether other SIDS can develop developmental states themselves.

Mauritius is considered a developmental state by a number of scholars.<sup>77</sup> This is because the state operates using core elements of the state-led macro-economic national development planning regime famously defined by Johnson<sup>78</sup> and later articulated lucidly by Öniş.<sup>79</sup> Mauritius has: (i) a close, cooperative relationship between the bureaucracy and a strong private sector represented by the umbrella organisation, the Joint Economic Commission (JEC), which has privileged access to the state; (ii) an autonomous, qualified and continuously trained bureaucracy, insulated from interest groups, which directs, supports and oversees – in a proactive and deliberate fashion – the country's export-oriented industrial policies and continuing economic transformation; and (iii) maintains the use of subsidies and incentives to attract and channel capital, investment and other support for infant industries into marked industrial areas.

Yet even developmental states are not identical. Mauritius has deployed a developmental strategy that marks it out from the prototypical East Asian developmental state. Three features distinguish its performance.

First, from the outset, Mauritius has been a social democratic state with no recourse to authoritarian policies. Although for a very brief period the state curbed labour union activities in the interest of developing its Export Processing Zones (EPZ), it has always allowed for an active civil society. Second, while growth, productivity and competitiveness have been state priorities, social welfare was simultaneously a core feature of its developmental state regime; the latter did not take a back seat to the former to allow development to occur, and that is arguably a key reason why development actually did occur. Third, Mauritius has never used harsh market-distorting industrial policies.<sup>80</sup> In each wave of industrial transformation, from sugar to textiles and manufacturing,

then to financial services, and now to the so-called 'ocean economy'<sup>81</sup> and Information Communication and Technology (ICT), it has used subsidies and incentives to induce private capital to enter into new industries, but has avoided measures such as capital controls to restrict repatriation, local content requirements or export performance.<sup>82</sup> Subsidies have also tended to be industry-wide, granted in effect to all businesses operating in a particular sector, not just to specific companies. Winners have therefore not been picked, but rather pick themselves.

Moreover, whilst it has been questioned whether the developmental states of East Asia are still developmental in character,<sup>83</sup> recent studies have indicated that Mauritius continues to provide directional thrust by using various state incentives to target investors, as well as still offering numerous subsidies to infant and exporting firms that fit the criteria of the current national export-oriented growth strategy.<sup>84</sup>

For example, in its latest industrial drive to boost manufacturing and increase manufactured exports to Africa, the government plans to invest US\$16 million in private equity in over 40 firms attempting to export to the continent, with a 25% subsidy on shipment containers of manufactured and agricultural products and a 50% subsidy on the cost of Credit Guarantee Insurance.<sup>85</sup> There is also state-supported linking of finance institutions with the private sector, with the government acting as guarantor for loans for small businesses and collaborating with the central bank to allow for special interest rates for larger firms. In other words, although the state does not control the financial system, something that Öniş suggested was a core characteristic of the developmental state in fostering government-business cooperation for strategic industrial policy,<sup>86</sup> it does actively extend itself into financial areas in order to drive industrial development.

The case of Mauritius in effect shows that the developmental state *is* possible within a neoliberal international trade context, *is* conducive to democracy, and *does not* have to be built or maintained on the basis of a repressive regime. Rwanda, considered by some to be the latest emerging developmental state,<sup>87</sup> and by the media as an authoritarian, repressive police state,<sup>88</sup> has led some scholars to argue that the 'prioritization of growth and political control go hand in hand'.<sup>89</sup> But this does not have to be so, as Mauritius illustrates perfectly.

Granted, the country has unique institutions not found in many other countries. These can be said to include: recurring coalition governments which benefits political agreement and policy continuity and sustainability; historical institutions which continue to determine each group's relationship to each other and thereby facilitate class compromise; and a longstanding dedication to social welfare which means that all groups have a mainly positive relationship with the state. All these factors work to create an impressive level of social and political stability that is remarkable in such an ethnically and religiously diverse context. They help Mauritius develop and maintain an enabling political settlement that both grants consensual autonomy to the bureaucracy and generates political and ideological support for the government.<sup>90</sup> No matter which political parties hold office, the boat continues to be rowed in the same direction.

Moreover, the uniqueness of Mauritius also does not mean that a developmental state approach cannot be followed by other – especially small – developing countries that are relatively ethnically homogenous and can forge decent political settlements. This is especially so because they tend to share the one underlying problem that most developmental states initially faced and which actually caused them to move onto the

developmental path: namely, a sense of urgency. Just as impending upheaval from the threat of invasion faced South Korea, just as the doom and gloom of the Meade Report and potential ethnic conflicts distressed the Mauritius state, and just as the need to prevent another genocide spurred Rwanda to action, so many other small states face existential threats today that similarly necessitate urgent action.<sup>91</sup> These threats *can* be used as fuel with which to reformat the political settlement, gain adequate buy-in for economic transformation from the populace and change the mind-set of various groups in order to unite them behind policies geared toward their common interests. What is needed is no more but also no less than a new social contract.

As and when this is in place, governments can then seek to set in place, in whole or in part, the features of what has termed a 'developmental regime'.<sup>92</sup> The most important of these are: (i) the political protection of a strong bureaucracy to coordinate the interest of the different groups, generate confidence in the state and maintain policy continuity; (ii) the pursuit of a deliberate industrial policy using whatever means are available in respect of incentives and subsidies; and (iii) the promotion of such policies with expediency, rather than necessarily always adopting the 'best practice' called for within the increasingly questionable ideologies of international finance institutions. After all, Mauritius has shown the SIDS what can be done.

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## The new challenges of Asia's latecomer industrialisation

*Henry Wai-chung Yeung*

When South Korea, Taiwan, and Singapore were 'catching up' through state-led industrialisation in the 1960s and the 1970s, their only benchmark was the first movers in the existing advanced industrialised economies. However, in the context of today's intensified global competition, a developmental state's relentless pursuit of sectoral industrial policy to achieve catch-up can easily face the danger of missing a rapidly moving target.<sup>93</sup> Catching up with either the 'wrong' or an obsolescent first mover may turn out to be only a temporary gratification, with 'falling behind' the 'real' movers actually becoming the reality.

What's more, because of drastic and rapid market shifts in response to changing technological regimes, new product innovations and altered consumer preferences, industrial transformation through such state-induced second-mover advantages does not necessarily generate sustained growth, even after such transformation has taken place. There is no guarantee that the state's planning agencies and policy implementation bureaux possess the requisite competence to help domestic firms anticipate and respond effectively to rapid shifts and unknowable changes in the global economy.

This dynamic scenario thereby poses a genuinely serious challenge to the practice of conventional industrial policy in the global economy today, especially in the global electronics and marine industries and by comparison with the situation over four decades ago when the three East Asian economies were starting out.

This doesn't of course mean that industrial policy no longer matters in economic development in East Asia (or, for that matter, in the US or the UK). But what it does mean is that its relevance and effectiveness depends very much on the policy details and political contexts. To be clear, empirical evidence in my work – especially my recent book on the subject<sup>94</sup> – has shown that 'picking the winners' by the state as a form of sector-specific intervention isn't much use any longer. Why? Because successful industrial transformation is increasingly dependent on the *strategic coupling* of domestic firms with global production networks (GPNs).<sup>95</sup>

The point here is that, in a world economy dominated by cross-border production networks<sup>96</sup>, this national-global articulation has become *the* necessary mechanism for development to be kick-started and sustained over time in most economies. Although, as a consequence, it is now much harder for almost any national economy to develop fully vertically integrated industries that are internationally competitive, there nevertheless remains significant room for a *new* kind of industrial policy designed to support domestic firms in tapping into the developmental opportunities inherent in most global industries.

There are, however, sectoral specificities to these network-level opportunities. There is no doubt, for example, that in technological and organisational terms strategic coupling in automobiles can be much more challenging than in apparel or agro-food. Interestingly, there is also substantial intra-sectoral differentiation. In the information and communications technology (ICT) industry, articulating into global production networks in consumer electronics is relatively more actionable in functional policy terms than, say, in advanced semiconductors or high-end electronics equipment (e.g. medical devices or computing servers). In other words, developing industrial policy oriented towards promoting a specialised niche in a particular sector or an intra-sectoral segment still makes good sense for economic development.<sup>97</sup>

In my view, this recognition of new developmental challenges and policy considerations within Asia's latecomer industrialisation has at least three significant implications for rethinking industrial policy: its intended recipients, policy foci and what I call the politics of choice.

First, the question of the *recipients* of state-led initiatives becomes much more complicated in this national-global articulation. When the East Asian economies entered into the new international division of labor, there was no question who should be the beneficiaries of state-led industrialisation. It was domestic firms and national champions, such as Taiwan Semiconductor Manufacturing Company (TSMC) and South Korea's Samsung and Hyundai. But, as today's national firms are less domestic in their outlook and activity because of their strategic coupling with global production networks, it is questionable whether they should be the only beneficiaries of a renewed form of industrial policy. This greater domestic coupling with global production networks also entails a more extensive presence of foreign firms in the national economy.

In these conditions, instead of highly selective sectoral industry policy targetted at promoting specific firms through investment coordination, policy loans and credit rationing, or trade and investment protectionism, a more catalyst-oriented industrial policy promoting industry-level growth dynamics, such as a cooperative industrial ecosystem and inter-firm and inter-industry linkages, is likely to be more effective. This kind of industrial policy can better support local firms to leverage in new sources of technologies and market access in GPNs; it can also facilitate the location or further upgrading of value-adding activity by existing or new foreign firms in the national economy.

Second, this call for a more calibrated approach to industrial policy brings us to the possibilities of *focusing* on niche policies that 'nudge' strategic coupling with global production networks. For, as industrial production becomes ever more fragmented and globalised, state planners and their advisors in newcomer economies will find it even harder to identify exactly the products and technologies that should be developed in their domestic industries. These days the obstacles to economic development are less about large capital outlays and scale of investment, but more about developing specialised niches within different global industries.

In most global industries that are characterised by vertical specialisation and modularisation (e.g. transport equipment, ICT, agro-food and so on), a niche approach to industrial policy is likely to yield stronger coupling of domestic firms with global production networks than a 'big spurt' approach to state-led industrialisation. This 'nudging' approach may not produce grandiose industrial complexes of a size and scale that match South Korea's *chaebol* shipyards and automobile plants or Taiwan's Hsinchu Science-Based Industrial Park, but it does offer a realistic pathway to achieving capitalist development in the Global South. For example, one effective niche approach has sought to develop favourable policies, such as start-up supports and financial and social incentives for returnees, to engage more systematically with transnational communities of 'technopreneurs' and managerial actors. Tapping into their knowledge and network repertoires allows economic planners and policy makers to develop a more thorough understanding of the GPN-relevance of their existing national capabilities and positions in value-chain segments.<sup>98</sup>

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Third, the *politics* of industrial and sectoral choice is much more confounded by the growing uncertainties inherent in today's capitalist global economy.<sup>99</sup> When the three East Asian economies began their industrial transformation in the 1960s and 1970s, highly selective sectoral industrial policy promoting labour-intensive industries and heavy and chemical industries was relatively straightforward to do. As these industries became more mature, value creation and capture tended to be much greater in new innovation-based industries in both manufacturing and service sectors. In these dynamic new industries (such as nanotechnology, biomedical, green-tech and digital media), 'catching up' is no longer a matter of capital investment led by state-controlled financial institutions and elite industrial development agencies. The sheer complexity and wide-ranging sets of actors with specialised knowledge, expertise, interests and priorities in these industries make them distinctly unruly when it comes to bureaucratic targetting, even via well-coordinated industrial policy.<sup>100</sup>

In sum, in our challenging world of extraordinary uncertainties, industrial policy is but one political approach to industrial transformation and economic development. Looking forward, I believe the adaptive post-developmental state should focus on creating broad-based capabilities in new technologies, product and process innovations, and market development, rather than on choosing specific winning firms, industries or sectors.

## Conclusion: Where does the developmental state stand now?

*Matthew L. Bishop and Anthony Payne*

It has surely proved worthwhile revisiting the concept of the developmental state. Our various contributors performed splendidly in providing a succession of incisive yet pithy takes on the current standing and relevance of this once much-used frame of analysis. What follows in the last section of this paper is an attempt by us as editors to draw at least some broad conclusions. It is not written on behalf of the various contributors, but it is unquestionably inspired by the insights and thoughts they published on the SPERI blog over the last couple of months of last year.

Where to start? Let's get into the discussion by considering the question of how well the idea of the developmental state has travelled over time and space. Kunal Sen is clear that other developing countries (with the exception of China, of which more shortly) have not been able to deliver the 'almost uninterrupted rapid economic growth for well over four decades' achieved by the original developmental states of East Asia, principally of course Japan, Korea, Hong Kong and Taiwan. By comparison, the three Asian countries on which he focused – Indonesia, Malaysia and Thailand – experienced boom from the 1960s to the 1990s, but then went bust in the Asian financial crisis of 1996 and never properly recovered. They are now not expected to reach high-income status for some time to come and therefore have not replicated the successes of the original members of the club.

China is unquestionably a different story. It has delivered extraordinarily rapid sustained growth over a long period and it seems to fit into the classic developmental state story in respect of the active role of its state in promoting industrial transformation. And yet... China still doesn't quite fit the model, at least as it has mostly been described. Ziya Öniş talks of China as an example of 'strategic capitalism', but also wonders if it wouldn't be more appropriate to describe China as a 'post-developmental state', given its openness to foreign direct investment right from the beginning of its re-entry into the global economy in the early 1980s. He is quick, though, to add that 'Chinese openness to transnational investment was always based on an active bargaining process focused on aligning the terms of entry with its broader strategic priorities'.

In this connection Shaun Breslin makes a brilliant point – not just that China's development model has always been a hybrid, and constantly evolving, mix of the state and the market, but also that 'where you think you are' in categorising this mix 'can depend on where you came from'. His elaboration of this last observation is worth quoting at length: 'If you start mentally in the "liberal west" and then go to China, the Chinese economy is much more state-guided and coordinated (and indeed state-owned) than your starting point. However, if you start from China's (fairly recent) past ... then the startling thing about the country is not the pervasiveness of the state, but the extent of the role played today by market and private actors in directing economic activity when compared to the past'. What's more, he adds, 'it's not a case of one perception being wrong and the other right'.

So, despite its growth record, China doesn't stand up convincingly as proof that the original developmental state argument travelled smoothly to China across both time and space. Nor, do India and Brazil constitute better cases of policy emulation, as Valbona Muzaka reminds us. As she writes, 'neither the Indian nor the Brazilian state has ever managed fully to secure its developmentalist credentials, especially when the outcomes of their strategies are compared with those of the Asian "miracle"'. In turn, David Booth

hints that some countries in Africa (he cites as examples Ethiopia and Rwanda) have at least taken some of the first steps in identifying the ingredients of effective economic transformation, but he is clear that, in explaining this, 'the extant concepts' about the developmental state are 'more confusing than helpful'. They bear 'too many of the birth-marks of a very specific debate from the 1980s'.

So that's several fallen riders already, so much so that we are left from our series of blogs with just one case that made it to the post – the 'small island developing state' of Mauritius! Yet, even in recognising this achievement and characterising this small Indian Ocean island country as a developmental state success-story, Courtney Lindsay insists that Mauritius has 'deployed a developmental strategy that marks it out from the prototypical East Asian developmental state'. It has been social democratic rather than authoritarian; it focused as much on social welfare as on competitiveness and productivity; and it never used 'harsh market-distorting industrial policies', preferring subsidies and incentives.

Something surely is by now beginning to emerge from this discussion. It's that the experience of the classic developmental state of East Asia was indeed distinctive in character, style and timing. It was, we can now see, a phenomenon of its time. It hasn't been emulated in precise form and nobody actually expects that to alter. But – and this is really the key point of this concluding section – the pursuit of developmental transformation by states in what is still essentially a state-based international system continues to take place in every continent of the world and to embrace every type of state regardless of the old, redundant 'developed/developing countries' dichotomy. Development is a universal problematic which states simply can't ignore.

In these blogs, Muzaka hit this nail right on the head. 'Using the successful East Asian state form as the yardstick for the application of the developmental state concept everywhere would', she says, 'betray the extent to which our collective grasp of political economy has been limited and ahistoricised'. Over at least the past 500 years, she went on, 'the developmental state has always been one that designs and orchestrates socio-economic-political strategies aimed at catching up with whatever it deems an advanced economy at a given point in time'. In saying this, she cleverly reminds us both of the existence of a first wave of developmental states before those in East Asia (namely, Britain, the United States, Germany) and the ongoing efforts of all other countries in the world today to find their particular place in 'the historical "catch-up treadmill"'. This, by the way, is a great phrase which deserves to catch on!

In short, the East Asian experience was but an episode – admittedly a striking and distinctive one – in a long and varied story of state developmentalism that still continues. In retrospect, we can see that the model worked in its time for two fundamental reasons: first, these countries got their domestic politics right, forging internal political settlements that ensured a rough balance of power between elite groups in their societies; and, second, they were lucky in respect of the external geopolitical environment within which they operated, the Cold War generating from the US both huge amounts of aid and a considerable tolerance of statism.

The problem is that this particular combination of factors can't just be re-created as desired in contemporary conditions. But it can be learned from. It suggests strongly that there is always an internal and an external dimension to the pursuit of state developmentalism and that there is therefore no reason in theory why other different, but equally felicitous, mixes of appropriate internal and external mechanisms should not be sought and achieved by other states seeking development in different times.

Our contributors support this contention in both regards. On the internal side of the development equation, Kunal Sen, for example, highlights the core necessity to forge domestic political settlements that allow 'ruling elites to have the enforcement capacities to discipline politically-connected firms and follow effective industrial policies'. David Booth notes in similar fashion that the political settlement approach – which, as he says, has joined the mainstream thanks to its placing at the centre of the 2017 *World Development Report* – is really 'about the way that power configurations influence the way institutions function'. In his view, the best type of settlement relieves elites of at least some of the pressures of clientelism and prevents them from having to govern only with a view to the short term.

On the external side of the equation, it is apparent that the global political economy is characterised today by ever more intensified competition. Henry Wai-chung Yeung suggests in fact that 'successful industrial transformation is increasingly dependent on the strategic coupling of domestic firms with global production networks (GPNs)'. In such a changed external context from that of the 1960s and 1970s, he argues that industrial policy has to be completely rethought: in respect of its intended recipients, its policy foci and its connection with the wider range of unruly actors at work within contemporary innovation-based capitalism. Nevertheless, he remains a firm advocate of industrial policy, albeit favouring a more calibrated approach focused on niche policies that can 'nudge' the strategic coupling with GPNs that is the new means to development. Valbona Muzaka also calls for the pursuit of 'unorthodox policies' that do not just copy what are supposed to be the advanced economies, but instead chart novel and genuinely autochthonous routes to development.

In sum, there is plenty here to hold on to here both analytically and politically. It is the case that we do perhaps need to stop obsessing about the East Asian developmental state as classically defined by Johnson and Amsden in the early 1980s. But at the same time it is vital that we continue to think about and analyse *other* ongoing types and forms of developmental state that exist around us. Across the world states with different histories, ideologies and resources are constantly and necessarily looking inwards and outwards in search of that felicitous mix of factors that works for them and brings out meaningful development.

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