SOAS University of London

Tomkinson, Joanne Kathryn (2019) Late Development in the age of neoliberalism: The political economy of state-led development in Ethiopia and Vietnam. PhD thesis. SOAS University of London.
http://eprints.soas.ac.uk/32250

Copyright © and Moral Rights for this thesis are retained by the author and/or other copyright owners.

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge.

This thesis cannot be reproduced or quoted extensively from without first obtaining permission in writing from the copyright holder/s.

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the copyright holders.

When referring to this thesis, full bibliographic details including the author, title, awarding institution and date of the thesis must be given e.g. AUTHOR (year of submission) "Full thesis title", name of the School or Department, PhD Thesis, pagination.

Late development in the age of neoliberalism: The political economy of state-led development in Ethiopia and Vietnam

Joanne Kathryn Tomkinson

Thesis submitted for the degree of PhD

2019

Department of Development Studies
SOAS University of London

Abstract

This thesis considers the challenges of late development in the age of neoliberalism and the impact of global economic and political forces on catch-up efforts in Ethiopia and Vietnam. It identifies two dominant interpretations of this relationship, which map onto the divide between the mainstream and heterodox development literatures. It suggests that for all their differences, both approaches adopt too deterministic a reading of the relationship between national development and global conditions, and in-so-doing misdiagnose obstacles to late development. Instead the thesis advances that the impacts of global conditions on late development prospects are the context-specific outcome of interactions between a nation's development strategy and shifts in global capitalism. This suggests that historically informed political economy analysis is needed to examine prospects for the emergence of forms of developmentalism in the current age. To explore such possibilities, the thesis examines the development trajectories of Ethiopia and Vietnam, two rapidly growing developing economies with state-led and manufacturing-oriented development strategies. These two late developers have sought to power structural transformation by combining state ownership over the commanding heights of the economy with a strong emphasis on public investment, followed by the embrace of foreign capital to facilitate participation in global value chains. This represents an attempt to selectively appropriate elements of the global order to serve the domestic political and economic ends of their respective ruling parties. Their experiences provide a forceful reminder that forms of developmentalism endure under neoliberalism and expose the variegated nature of late development constraints (and opportunities).

Acknowledgements

The production of this thesis was only possible thanks to the support, encouragement and intellectual input provided by my supervisor, Alfredo Saad Filho, without whom it is unlikely I would ever have begun the PhD, and may certainly not have finished it. My work has been deeply enriched by his passion, curiosity and engagement, and his generous approach to supporting the work of others has been a true inspiration. His efforts to build a community of scholars at SOAS means I feel I will always have a place here to belong, develop and grow. My second and third supervisors, Elisa Van Waeyenberge and Tim Pringle, were also a source of great input, advice and encouragement along the way, and their work has also had a deep impact on the development of my own. The research was also made possible via funding from the Economic Social Science Research Council (ESRC).

During fieldwork in Ethiopia and Vietnam I greatly benefited from the support of Essayas, Joyce, Abraham, anh Giang, and Nga. The generosity of the Institute of World Economics and Politics at the Vietnam Academy of Social Sciences in hosting my research was of immeasurable benefit, and I would like to sincerely thank Prof. Dr. Chu Duc Dung for welcoming and supporting me in Hanoi. Christine Ngo also very kindly helped me with my fieldwork in Vietnam, and deserves many thanks for that. In Ethiopia, Joyce Engoke not only provided me with friendship, but also a home, for which I will be always extremely grateful.

In London, my work has also benefited greatly from numerous thoughtful discussions with past and present members of Alfredo's informal research student group, including Sila, Pedro, Bruno, Kira, Jai and Francesco. I have also benefitted from more solidarity and support than I can ever repay from a host of talented and inspirational SOAS women, including (but by no means limited to) Nithya, Zoe, Feyzi, Bilge, Paniz, Ayse, Ezgi, Mehroosh, Kathryn, Serena, Lorena, and Maya. All of my friends in 301 have helped me during many ups and downs throughout the PhD process. One of the great joys throughout has been to find such brilliance, matched with such warmth. The curiosity, commitment and passion of my wonderful SOAS students helped to nurture my own. I also owe huge thanks to Julia, Daniel, Kuukwa and Ib for providing me with a welcoming light at the end of the tunnel.

I also owe a large debt to everyone special to me who endured my many absences and considerable stress. I cannot thank my family and friends enough, particularly my wonderful mum, Andy, Richard, Hannah, Judy, Steve, Bridget, Clare, Cath, Catherine, Jen, Frances, Becky, Moizza, Simon, Nic and Amy for believing that I could do this, and supporting me when I needed it most. I could not have done this without all your love, care and nourishment. A special thank you to Richard, Hannah, Roger and Moizza for their careful and patient proof-reading. I would like to dedicate the thesis to my father, and to Nana, who may not have been here to see me do this, but were with me every step of the way.

Table of contents

Declaration ... 1
Abstract ... 2
Acknowledgements ... 3
Figures ... 8
Tables ... 9
Note on names, language and dates ... 11
Abbreviations ... 12
Political map of Ethiopia ... 15
Political map of Vietnam ... 16
Chapter 1 Introduction ... 17
1.1 Overview ... 17
1.2 Comparative analysis, case selection and methods ... 21
1.3 Contributions and argument ... 26
1.4 Thesis structure ... 28
Chapter 2 Global conditions and national development ... 29
2.1 Mainstream theory: domestic development constraints ... 30
2.1.1 Post-war development consensus ... 30
2.1.2 Neoliberal development agenda ... 33
2.2 Heterodox theory: global constraints to development ... 38
2.2.1 Post-war heterodoxy: from structuralism to dependency theory ... 38
2.2.2 Heterodox theory under neoliberalism: from developmental state to 'policy space' ... 43
2.3 Challenges of the existing approaches ... 48
2.4 Developmentalism in the age of neoliberalism ... 52
2.4.1 Actually existing developmentalism ... 52
2.4.2 International Financial Institutions ... 57
2.4.3 Global trade and investment regime ... 59
2.4.4 Global value chains (GVCs) ... 61
2.4.5 Financialisation ... 64
Conclusion ... 66
Chapter 3 Ethiopia 1991-2001: The emergence of defensive developmentalism ... 68
3.1 Legacies of the Ethiopian revolution ... 69
3.2 From liberation to transitional government ... 72
3.2.1 Revolutionary democracy and transitional development strategies ... 73
3.2.2 Transitional policies and challenges ... 76
3.3 Defensive developmentalism and resisting neoliberal reform ... 79
3.3.1 State ownership of the commanding heights ... 79
3.3.2 Domestic capital ... 86
3.3.3 Foreign capital ... 94
3.4 Grappling with challenges (domestic and global) ... 97
3.4.1 Navigating the IFIs ... 97
3.4.2 The TPLF split and emergence of assertive developmentalism ... 106
Conclusion ... 108
Chapter 4 Ethiopia 2002-2018: Consolidating an assertive developmentalism ... 110
4.1 Recalibrating Ethiopian developmentalism and the 2005 election ... 111
4.1.1 Consolidating new directions and discovering new ambitions (2002-2005) ... 111

4.1.2 The post-2005 election turn toward public investment-driven developmentalism 113
4.2 Heterodox development financing and implementation 115
4.2.1 The state finance-infrastructure-industry nexus 115
4.2.2 Mobilising and managing external finance 127
4.3 Hitting the limits: the turn toward GVCs 135
4.3.1 Preserving the nexus: embracing GVCs 135
4.3.2 New constraints: rising FDI power 144
4.3.3 Distinct advantages: Ethiopia's trade and investment regime 146
4.4 Interpreting the Ethiopian developmental regime 150
Conclusion 154
Chapter 5 Vietnam 1986-2000: The emergence of a contested developmentalism 157
5.1 Legacies of Vietnamese socialism 158
5.2 *Doi moi*: from central planning to market economy 161
5.2.1 Mainstream market-oriented reforms 162
5.2.2 The political economy of heterodox developmentalism 164
5.3. Forging the state finance-industry-infrastructure nexus 167
5.3.1 State banks and financial institutions 169
5.3.2 State industry 172
5.3.3 State infrastructure 179
5.4 Financing the nexus 181
5.4.1 Public investment 181
5.4.2 Foreign direct investment 185
5.4.3 The IFIs and ODA 190
5.5 Weathering external shocks 194
5.5.1 1989-1991 Transition and stabilisation 194
5.5.2 1994-1996 The threat of 'peaceful evolution' 197
5.5.3 1997-2000 The regional crisis and its aftermath 201
5.5.4 Outcomes and new tensions 203
Conclusion 207
Chapter 6 Vietnam 2001-2018: Developmentalism amidst deepened integration 209
6.1 Intensified international integration 210
6.2 Defending the nexus 216
6.2.1 Defending the nexus from pressures through trade integration 217
6.2.2 Resisting reform pressure and leveraging ODA to support the nexus 226
6.2.3 Macroeconomic policy and the enduring role of public investment 232
6.3 Developmental outcomes and emerging challenges 237
6.3.1 Vietnam in the global GVC regime 237
6.3.2 Fragmenting the nexus 247
6.4 Viet-pessimism in the twenty-first century 255
Conclusion 264
Chapter 7 Comparative political economy of developmentalism in Ethiopia and Vietnam 266
7.1 Developmentalism contextualised: political economy, ideational orientations and political systems 267
7.1.1 Shared political economies and approaches to politics and economics 267
7.1.2 Divergent party-state systems 271
7.2 Converging developmental strategies 273
7.2.1 The state finance-industry-infrastructure nexus 274
7.2.2 Public investment and broader macroeconomic policy orientation 285
7.2.3 Foreign investment and integration in global value chains 290

7.3 Divergent treatments in the development literature 293
7.4 Navigating the neoliberal global architecture 295
7.4.1 International financial institutions and ODA architecture 296
7.4.2 GVC integration 300
7.4.3 Global trade and investment regime 303
7.4.4 Financialisation and the global financial architecture 305
Conclusion 307
Conclusion 310
Bibliography 316
Appendix A: Interview schedule and codes 363
Appendix B: Countries benefiting from EBA and AGOA provisions (as of March 2018) 368
Appendix C: Vietnam: Largest GC-91's by pre-tax profit, capital, budget contribution and employees, 1999 369
Appendix D: Leading IDA recipients, 1994-2016 (ODA net totals, via IDA US$ million, 2015) 370

Figures

Figure 1.1 Ethiopia and Vietnam: GDP (annual percentage growth), 1990-2017........24
Figure 3.1 Ethiopia: Net ODA received (current US$ billon), 1981-2001.................100
Figure 4.1 Ethiopia: GDP and per capita GDP growth (annual percentage), 1991-2017 111
Figure 4.2 Ethiopia: Composition of domestic credit (percentage of total), 2007-2008 to 2015-2016 121
Figure 4.3 Ethiopia: Total ODA receipts (US$ billion, current values), 1991-2016..128
Figure 4.4 Ethiopia: FDI inflows (US$ billion), 1990-2017 137
Figure 5.1 Vietnam: FDI and ODA inflows (BoP current, US$ billion), 1986–2000 190
Figure 6.1 Vietnam: Exports of goods and services, 2000-2017 (US$ billion, constant 2010) 215
Figure 6.2 Vietnam: State, non-state and foreign invested sectors by share of total investment, 1995-2016...233
Figure 6.3 Vietnam: FDI inflows (US$ billion), 2000-2016 239
Figure 6.4 Vietnam: GDP growth (annual percentage), 1985–2017 258

Tables

Table 3.1 Ethiopia: Sectoral composition of privatised state enterprises, 1994-1995 to 2001-2002 81
Table 3.2 Ethiopia: Detailed sectoral breakdown of privatisations, 1995-1998 84
Table 3.3 Ethiopia: Sectors reserved exclusively for domestic investors, 1998 88
Table 3.4 Ethiopia: Operational FDI projects by sector, 1992-1993 to 2000-2001 97
Table 3.5 Ethiopia: Ratio of total external debt to export of goods and services (%) 101
Table 4.1 Ethiopia: Investment levels (percentage of GDP), 1992-1993 to 2015-2016 117
Table 4.2 Ethiopia: Banking sector: public and private banks by share of total banking system assets, 2015-2016 116
Table 4.3 Ethiopia: Capital expenditure of major SOEs (million, Birr and percentage of total), 2004-2005 to 2012-2013 122
Table 4.4 Ethiopia: Composition of external public debt (as of end-June 2017) 127
Table 4.5 Ethiopia: Indicators of aid dependence, 1990-2016 129
Table 4.6 Ethiopia: Sectoral distribution of operational FDI projects (percentage of total capital), 2011-2015 137
Table 4.7 Ethiopia, China and Vietnam: Light manufacturing wages (US$/month) .. 138
Table 4.8 Ethiopia: Major investment incentives for industrial park enterprises 139
Table 4.9 Ethiopia: Balance of payments (US$ BoP current million, unless otherwise stated), 2001-2016 142
Table 5.1 Vietnam: Sectoral composition of GC-91's 173
Table 5.2 Vietnam: Investment levels, 1996–2000 182
Table 5.3 Vietnam: Total fiscal revenues, percentage of GDP, 1988–1996 183
Table 5.4 Vietnam: GDP growth rates and infrastructure investments as a percentage of GDP, 1995-2003 185
Table 5.5 Vietnam: Three tier FDI approvals process, 1991 187
Table 5.6 Vietnam: Export share contributed by foreign invested projects, 1991-1999 188
Table 5.7 Vietnam: FDI by sector, percentage, 1995-2000 189
Table 5.8 Vietnam: ODA commitments by sector, 1985–2000 192
Table 5.9 Vietnam: GDP growth and inflation (percentage per annum), 1985-1993 . 194
Table 5.10 Vietnam: Fiscal policy indicators (percentage of GDP), 1988–1995 195
Table 5.11 Vietnam: Foreign trade 1985–1994 (US$ million) 196
Table 5.12 Vietnam: Exports (percentage total exports), 1992-2000 198
Table 5.13 Vietnam: Share of industrial production by ownership, 1995-2000 204
Table 5.14 Vietnam: Divergent policy perspectives on industrialisation in the early 2000s 205
Table 6.1 Vietnam: Selected trade agreements, 2007 onwards 215
Table 6.2 Vietnam: Sectors for state ownership, 2001 217
Table 6.3 Vietnam: Sectoral investment restrictions according to the Law on Investment, 2005 219
Table 6.4 Vietnam: State Economic Groups 221
Table 6.5 Vietnam: Equitised enterprises, 1992-2015 223
Table 6.6 Vietnam: Banking sector: by share of credit, chartered capital and assets (various years) 225
Table 6.7 Vietnam: Investment levels, 2001-2006 233
Table 6.8 Vietnam: State investment by sector (percentage of total state investment), 2005-2016 236

Table 6.9 Trade and export performance, 1990-2016 (selected years)........................237
Table 6.10 Vietnam: Top 10 exports by share of total exports, 2000- 2015 238
Table 6.11 Vietnam: Foreign invested enterprises share of total exports and imports, 2001-2017 242
Table 6.12 Vietnam: State sector key indicators, 2000-2015 248
Table 6.13 Vietnam: State budget revenue (percentage of total budget), 2000 and 2002-2010 248
Table 6.14 Vietnam: Employment by sector (thousands of jobs), 2005-2016 263
Table 7.1 Vietnam: GC-91 Corporations (mid-1990s)...276
Table 7.2 Ethiopia: State corporations formed (or re-established in GTP period).....280
Table 7.3 Development banking in Ethiopia and Vietnam*.......................................283
Table 7.4 Comparison of selected economic indicators, Ethiopia, South Korea, China and Vietnam (selected high growth periods) 287

Note on names, language and dates

Names

It is Ethiopian custom for authors to be referenced by their first names. Where individuals are referred to in the text this custom is followed where their full name and title has already been mentioned. However, in line with Western academic convention, in the in-text citations and bibliography both Ethiopian and Vietnamese authors are referred to by their last name.

Language

Non-English words in either Amharic or Vietnamese are in italics in the text (except where proper nouns). Given the limited usage of such words, Vietnamese diacritics have been omitted. Transliteration from Amharic to English commonly results in competing spellings for the same word or name (Derg versus Dergue, for instance). The thesis adopts a common (and where possible, dominant) spelling for all Amharic and Amharic-derived words.

Dates

Official government data in Ethiopia is often provided according to the fiscal year, which runs from 8 July-7 July.

Abbreviations

ADB	Asian Development Bank
ADLI	Agricultural Development-Led Industrialisation
AfDB	African Development Bank
AFTA	ASEAN Free Trade Area
AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
BIT	Bilateral investment treaty
BoP	Balance of payments
CBE	Commercial Bank of Ethiopia
CIC	Chemical Industrial Corporation (Ethiopia)
CMEA	Council for Mutual Economic Assistance
COMESA	Common Market for Eastern and Southern Africa
CPA	Country programmable aid
CPIA	Country policy and institutional assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party of Vietnam
DAC	Development Assistance Committee
DAF	Development Assistance Fund
DBE	Development Bank of Ethiopia
DRV	Democratic Republic of Vietnam
DVA	Domestic value added
EBA	Everything but Arms
ECLA	UN Economic Commission for Latin America
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EEPCO	Ethiopian Electricity and Power Company
EFTA	Vietnam and the European Free Trade Association FTA
EIA	Ethiopian Investment Authority
EIZ	Eastern Industrial Zone (Ethiopia)
EOI	Export-oriented industrialisation
EPA	Ethiopian Privatisation Agency
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
EPZ	Export Processing Zone
ESAF	Enhanced Structural Adjustment Facility
ESF	Exogenous Shocks Facility
E-V FTA	E.U-Vietnam FTA
EVN	Electricity Corporation of Viet Nam
FDI	Foreign direct investment
FDRE	Federal Democratic Republic of Ethiopia
FTA	Free Trade Agreement
G77	Group of 77
GATT	General Agreement on Tariffs and Trade
GC	General Corporation
GC-90	General Corporation-90
GC-91	General Corporation-91
GDP	Gross domestic product
GERD	Grand Ethiopian Renaissance Dam
GFCF	Gross fixed capital formation
GFC	Global financial crisis
GNP	Gross national product
GSP	General System of Preferences
GTP	Growth and Transformation Plan
GVC	Global value chain

HCMC	Ho Chi Minh City
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HVN	Honda Vietnam
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
IPDC	Industrial Parks Development Corporation
IPE	International political economy
ISI	Import-substitution industrialisation
ISO	International Organization for Standardization
IZ	Industrial zone
JICA	Japan International Cooperation Agency
LDC	Least developed country
LIC	Low-income country
MDG	Millennium Development Goals
MEDAC	Ministry of Economic Development and Cooperation (Ethiopia)
MEISON	All-Ethiopia Socialist Movement
METEC	Metal and Engineering Corporation of Ethiopia
MFN	Most-favoured nation
MIC	Middle-income country
MIDROC	Mohammed International Development Research and Organization Companies
MNC	Multinational Corporation
MOFEC	Ministry of Finance and Economic Cooperation (Ethiopia)
MOFED	Ministry of Finance and Economic Development (Ethiopia)
MPI	Ministry of Planning and Investment (Vietnam)
NBE	National Bank of Ethiopia
NIC	Newly-industrialised country
NIEO	New international economic order
NPL	Non-performing loan
ODA	Overseas development assistance
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PGRF	Poverty Reduction and Growth Facility
PFP	Policy Framework Paper
PIP	Public Investment Programme
PMAC	Provisional Military Administrative Council (also known as the Derg)
PPP	Public private partnership
PRSC	Poverty Reduction Support Credit
PRSC-PRGF	Poverty Reduction Support Credit- Poverty Reduction and Growth Facility
PSH	Prebisch-Singer hypothesis
PTA	Preferential trade agreement
PVH	Phillips-Van Heusen Corporation
PVTex	PV Tex Dinh Vu Joint Stock Company
R&D	Research and development
RCEP	Regional Comprehensive Economic Partnership
RVN	Republic of Vietnam
S&DT	Special and differential treatment
SAC	Structural adjustment credit
SAL	Structural adjustment loan
SBV	State Bank of Vietnam
SCM	Agreement on Subsidies and Countervailing Measures
SCIC	State Capital Investment Corporation
SDPRP	Sustainable Development and Poverty Reduction Programme
SDG	Sustainable Development Goals

SEG	State Economic Group
SME	Small and medium-sized enterprise
SNNPRS	Southern Nations, Nationalities, and Peoples' region
SOCB	State-owned commercial bank
SOE	State-owned enterprise
SPT	Saigon Post and Telecoms
SRV	Socialist Republic of Vietnam
TGE	Transitional Government of Ethiopia
TNC	Transnational corporation
TPLF	Tigray People's Liberation Front
TPP	Trans-Pacific Partnership
TRIMS	Trade-Related Investment Measures
TRIPS	Agreement on Trade-related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
US BTA	US-Vietnam Bilateral Trade Agreement
VASS	Vietnam Academy of Social Sciences
VBSP	Vietnam Bank for Social Policies
VDB	Vietnam Development Bank
VEAM	Vietnam Engine and Agricultural Machinery Corp
VNCC	Vietnam National Chemical Corporation
VND	Vietnam dong
VNPT	Vietnam Posts and Telecommunications
VSC	Vietnam Steel Corporation
VSPC	Vietnam Postal Savings Service Company
WTO	World Trade Organization

Political map of Ethiopia

Source: Prunier and Ficquet (eds.) (2015b).

Political map of Vietnam

Source: Tarp (ed.) (2017).

Chapter 1 Introduction

This thesis is concerned with possibilities for applying national development strategies directed at structural transformation, employment creation and improved living standards in poor countries since the neoliberal transition. It seeks to understand what opportunities remain for – and what openings can be created by – late developers seeking to achieve sustained and rapid growth. The neoliberal turn in development theory, economic policy and patterns of global accumulation since the 1980s profoundly disrupted progress toward catch-up evident in many developing countries in the period after the end of World War II, with the exception of some stellar performers such as China (Reinert et al., 2016). This signals the importance of studies examining the impact of global political and economic forces on national development prospects. The recent revival of academic and policy interest in industrial policy (UNCTAD, 2016) has undoubtedly only been narrowly incorporated into the work of leading financial institutions such as the World Bank (Wade, 2012; Fine and Van Waeyenberge, 2013). Nonetheless, together with the ruptures associated with the global financial crisis (GFC) after 2007, policy and academic debate on alternatives to mainstream economic reforms is now considerably more open than any other time in the last several decades (Chang and Grabel, 2014). In addition, the end of the recent global commodity boom (2003-2011) has not only underscored the dangers of commodity-export-dependent development pathways (UNCTAD and FAO, 2017) but also acted as a forceful reminder of the hierarchical nature of the global economy and reinforced the need for development strategies directed at structural transformation. Such economic and theoretical shifts forcefully demonstrate the value of studies exploring prospects for developmentalism in the current global economic and political order. This thesis makes both theoretical and empirical contributions to this set of motivating concerns through examining the development experiences of Ethiopia and Vietnam.

1.1 Overview

This thesis is concerned with the relationship between national development and global conditions. Two broad approaches to conceptualising this relationship are evident in the development literature to date, which map onto the divide between mainstream and heterodox development theory. Following the end of World War II, with the emergence

of the discipline of development economics, mainstream approaches to development theory have persistently suggested that the embrace of global forces (especially trade, finance, aid and technology) is critical to development success, and that, as a corollary, the chief constraints to development lie in the domestic domain. In other words, development is expected to flow from the adoption of the 'right' kind of policies, anchored around the embrace of foreign trade and capital. Despite shifts in how the 'right' kinds of policies are conceived, mainstream development theory persistently treats international political and economic forces as exogenous, given, and having a broadly positive influence on processes entailed in catching-up. As a result, the relationship between the national economy and global capitalism is marked by a form of 'optimistic determinism' wherein global conditions are considered, axiomatically, enabling of development across countries and contexts.

In contrast, drawing upon its diagnosis of asymmetrical power relations embedded within the global political and economic order and (adversely) impacting poorer peripheral economies, the heterodox literature highlights obstacles to development emanating from global market forces and power structures beyond the control of developing economies themselves. Yet despite critical shifts in the post-war era, and despite making a number of critically important contributions, dominant heterodox approaches also tend to assume that (global) constraints exist independently of the contexts and countries in which they operate, meaning that the global order is taken to be a fixed and binding hindrance to all late developers. In this sense, the heterodoxy emerges as a mirror of the orthodoxy, offering a 'pessimistic determinism' to counter the mainstream's opposite number. In this respect, both literatures take the relationship between national development prospects and global conditions to be pre-determined and subject to only minimal influence by the strategies of specific states at particular historical conjunctures.

A contrasting approach is advanced in the thesis, which conceptualises the relationship between national economies and global capitalism as systemic, dynamic and co-constitutive in nature. It is suggested that the modality of a country's insertion into the global division of labour (and therefore the development challenges stemming from this global order) is not solely shaped by global political and economic forces. Rather, it is also influenced by the domestic balance of forces in a given national context. As a result,

it is suggested that a country's relationship with (and therefore the constraints emanating from) the global economy, is not pre-determined (for good or ill), but is instead the context-specific product of both a given nation's development strategy and the shifting functioning of the global capitalist system in a specific moment of global accumulation. Development constraints, therefore, are likewise the dynamic and relational outcome of the interactions between the national and global domains, shaped by the mediating role of the state and the social forces acting upon it. The contrasting conceptualisation of the relationship between national development and global conditions offered here is therefore one that is inherently contingent and variegated, not pre-determined or universal. To study the dynamic interactions between global and domestic social, political, and economic forces in the context of late development in the neoliberal period, it is suggested that historically-rooted political economy analysis is required.

To this research agenda, the thesis contributes two case studies of actually existing developmentalism from within the ranks of contemporary rapid late developers. Developmentalism is an approach to economic development that privileges the development of manufacturing above other sectors (Reinert, 2010) due to its capacity to generate the economic dynamics (potentially) associated with catching-up. Scholarship on the role of manufacturing in development has two broad argumentative planks. The first are historically-rooted arguments related to the observed relationship between economic development and manufacturing growth (Thirlwall, 2006b; Chang, 2014). Utilising a long-range perspective, of 400 years or more, manufacturing development is found to have been 'invariably the passageway to industrial expansion and catch-up' (Matthews, 2016, p.625).[1] Inductive analysis is also used to derive a number of general 'laws' or propositions regarding industrialisation and growth, connected to the idea that manufacturing has distinctive properties as an engine of economic development (Whitfield, 2012; Tregenna, 2015; Matthews, 2016). Kaldor's (1967) 'growth laws' (generalised from the experiences of transatlantic industrialisation) distilled three so-called 'stylised facts' about the positive correlations between the growth of manufacturing output and three other important economic variables: gross

[1] Recent work suggests the enduring importance of manufacturing as a driver of high and sustained growth in developing countries over the last 20-25 years, rebuffing the discussions around its (supposedly) waning relevance connected with so-called premature deindustrialisation (Haraguchi et al., 2017). Similar arguments are made to make the case for industrial policies as a motor of structural transformation. Chang (2002, p.127), for instance, argues that all now-industrialised economies used 'interventionist industrial, trade and technology policies in order to promote their infant industries'.

domestic product (GDP) growth, labour productivity, and productivity outside the manufacturing sector. According to Thirlwall (2006b), Kaldor's model of the relationship between industrial growth and development involves three further propositions: first, that the overall GDP growth rate will eventually slow down as labour released from diminishing returns activities is exhausted; second that whilst the initial driver of manufacturing growth is likely to be demand from the agricultural sector it must eventually be driven by demand from exports (since the domestic market lacks the size to generate economies of scale and cannot provide foreign exchange to fund imports); and third that fast growth of output and demand can together create a virtuous circle that other sectors will struggle to emulate (without protection or extremely well performing industry).

The second strand of more theoretical work also highlights the role of manufacturing as an engine of long-term economic development due to its 'growth-pulling' role for the economy as a whole (Tregenna, 2015).[2] By offering a gateway into more productive activities (compared with low productivity agriculture and non-tradable services), manufacturing is said to carry the potential for cumulative productivity increases via the adoption of technology and advanced production techniques. These activities display increasing returns to scale by fostering a 'virtuous circle of growing demand, employment and income' (UNCTAD, 2017a, p.41). As workers move from lower to higher productivity sectors, economy-wide productivity increases also contribute to faster job creation and increased wages and living standards. In turn, important forward and backward linkages forged through an expanding manufacturing sector can lead to growth-enhancing spill-over effects, creating synergies and dynamics of cumulative causation (Matthews, 2016). In contrast, primary sectors (such as agriculture, mining and fisheries) are subject to the opposite process, with natural endowments posing a constraint on productivity increases as resources become eventually exhausted (Whitfield, 2012). Due to this capacity to generate increasing returns, even inefficient manufacturing sectors are therefore thought to contribute to higher living standards than may prevail in contexts where manufacturing is much more limited (Reinert, 2004).

[2] Recent studies have indicated industrial employment may be particularly important as a predictor of later prosperity (Felipe et al., 2018).

1.2 Comparative analysis, case selection and methods

This area of enquiry is approached methodologically through comparative case study analysis. Case studies are useful in illuminating the complexity and contextuality of social processes and relationships (Denscombe, 2010). They thus allowing for the examination of causal processes. They also provide opportunities for theoretical development in areas where knowledge is incomplete or underdeveloped (Ghauri, 2004), particularly when comparative work across multiple case studies is undertaken. Due to the analytical terrain discussed above, historically-informed case study analysis will be used to examine two concerns: how the current architecture of global capitalism has affected two cases of actually existing developmentalism (thereby generating insights into causal mechanisms), and how best to understand prospects for heterodox developmental strategies in the neoliberal period (thus informing a broader theoretical problem).

Case selection of Ethiopia and Vietnam has been informed by four concerns. First, there are strong commonalities in their development strategies, with both attracting labels indicative of their heterodoxy. Notably, they are commonly described as using 'state-led' approaches to development (Beresford, 2004; Vaughan, 2011; Beeson and Pham, 2012; Malesky and London, 2014; Rahmato, 2014). Due to their emphasis on manufacturing and highly interventionist approaches, they are often compared with the 'developmental states' of East Asia (Beeson and Pham, 2012; Fantini, 2013; Le, 2017; Clapham, 2018). However, they have both also been similarly differentiated from these experiences on account of the considerably larger economic role of state enterprises and smaller role for domestic capital (Hai and O'Donnell, 2017; Chang and Hauge, 2019). Signalling the extent to which their approaches go against the tide of prevailing development advice, their policy-making is also often noted for its strong 'ownership' in the face of policy pressure from the International Financial Institutions (IFIs) and donors (Abegaz, 1999; Dijkstra et al., 2003; Nørlund et al., 2003; Prizzon and Rogerson, 2013). Together these commonalities signal that forms of contemporary developmentalism which defy the dominant ideological commitment to the reliance on market mechanisms to deliver development may still persist (Fine, 2001).

Second, strong parallels can be seen across their economic histories and present-day ruling regimes. Despite very different colonial histories, with Vietnam undergoing prolonged French colonisation (1887-1954) and Ethiopia only a very brief period of Italian annexation (1936-1941), both nation states emerged from ancient imperial orders with independent state-building traditions and institutions. Each also attained considerable national pride from historically significant victories over important imperial powers during the nineteenth and twentieth centuries (Kolko, 1997; Pankhurst, 2001). Both also underwent deep economic and social transformations during the second half of the twentieth century as a result of the influence of socialist ideas and political forces on their respective ruling regimes (Fforde and De Vylder, 1996; Beresford and Phong, 2000; Zewde, 2001; Chole, 2004). During this period, each country underwent ambitious land reforms and the nationalisation of land, industry and property which redistributed land toward an impoverished peasantry and dismantled the economic base of imperial and colonial elites. In tandem, efforts to build centrally planned command economies (however unevenly operating in practice) included the development of state-owned manufacturing sectors and the suppression (if not elimination) of domestic capitalists.

In Vietnam, such economic and social transformations occurred from the mid-1950s onwards after the formation of the socialist DRV regime in the north of the country following a protracted war of national liberation by Vietnamese communists. In Ethiopia these changes occurred following the Ethiopian Revolution of 1974, when the ancient imperial system was overthrown by a military junta which then implemented an economic programme strongly influenced by the country's Marxist-Leninist student movement. Subsequent transitions to market-led economies were also closely timed, with Vietnam nominally embarking on its "renovation" (*doi moi*) reforms first, in 1986, with market-oriented reforms really taking off from 1989 onwards. Small steps in the transition from command economy in Ethiopia first commenced under the military junta at the end of the 1980s, but more comprehensively following its overthrow in 1991. The subsequent pathway to market economy has, however, earned both regimes a reputation for "pragmatism" and "gradualism" (Van Arkadie and Mallon, 2003; Ohno, 2009b; Masina, 2012; Gray, 2012; Geda et al., 2017; Oqubay, 2018). Across these first two dimensions, therefore, both Ethiopia and Vietnam offer an opportunity for comparative work on developmentalism in the age of neoliberalism.

Third, shared socio-economic features mean their transitions occurred in the context of considerable fragility. Both experienced several decades of protracted conflict prior to constructing market economies, and were the two poorest countries in the world in 1984, with Ethiopia's gross national product (GNP) per capita standing at US$ 110 and Vietnam's US$ 117 (Glewwe et al., 2004, p.358). They thus offer the opportunity to examine the impacts of current global political and economic order from the perspective of poor and vulnerable economies (although, notably, Vietnam's health and education outcomes were considerably ahead of Ethiopia's in the late 1980s).[3] They are also large countries in population terms. In 2017 Ethiopia's population was 105.0 million and Vietnam's 95.5 million, making them the 12th and 15th most populous countries in the world (World Bank, 2018g). As a result, both have a sizable low-wage, low-skill labour force and a (potentially) sizeable domestic market. The agricultural sector is also highly significant in both, and whilst the share of agriculture in Vietnam's GDP declined to 15.3 per cent in 2017, it still accounts for 40.9 per cent of employment. In Ethiopia agriculture is 34.1 per cent of GDP and 68.2 per cent of employment (World Bank, 2018g). Such socio-economic features suggest indicate that similar development pathways may be viable in both countries.

Fourth, the exceptional development outcomes registered by Ethiopia and Vietnam are of particular salience to the thesis. It very uncommon for countries to grow at 6 per cent (or more) for over fifteen years (especially since protracted growth slowdowns tend to occur after even a decade) (Wade, 2018). According to the Commission on Growth and Development (known as the Growth Commission) (CGD, 2008), there were just thirteen cases of high sustained growth averaging seven per cent or more a year in the post-war period (with two additional countries set to join this group in 2008).[4] Yet, as Figure 1.1 demonstrates, both Ethiopia and Vietnam are outliers in relation to these trends, achieving high levels of economic growth of 6 per cent or higher for a sustained period,[5] which (fluctuations notwithstanding), has been combined with strong performance in

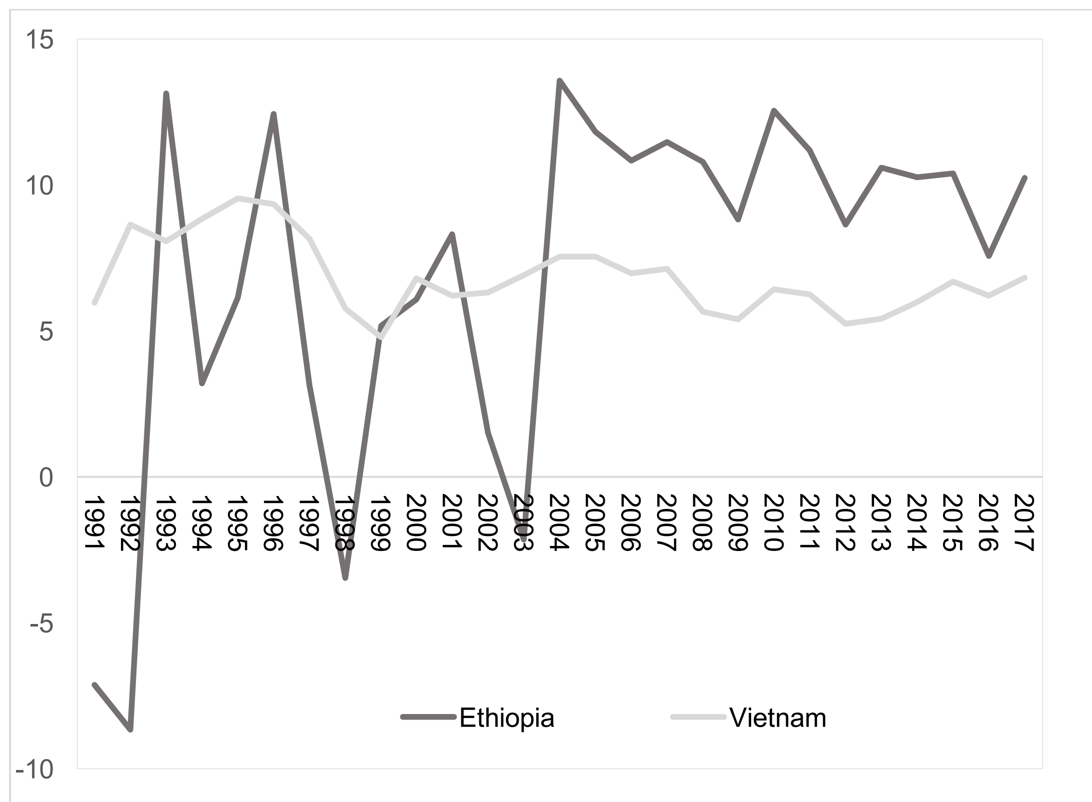
[3] For instance, in 1989 Vietnam had literacy levels at 87.6 per cent of the adult population, compared with Ethiopia's of 27.0 per cent in 1994. The gap, though closing, remains large with 93.5 per cent literacy in Vietnam in 2015, and 49.0 per cent in Ethiopia (UNESCO, 2017). Average life expectancy differed considerably too and was just 47.1 years in Ethiopia in 1990, whereas in and Vietnam it was 70.4 years. This gap has also now dramatically reduced, with life expectancy 64.0 years in Ethiopia in 2014, and 75.6 years in Vietnam (World Bank, 2018g).

[4] Botswana, Brazil, China, Hong Kong, China, Indonesia, Japan, the Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan, and Thailand - with India and Vietnam progressing toward this (CGD, 2008).

[5] During 1990-2017, Vietnam experienced just four years of growth at less than 6 per cent a year, averaging growth of 6.8 per cent during this period. In Ethiopia after 2004 growth has averaged considerably above 6 per cent a year, at 10.6 per cent a year (World Bank, 2018g).

terms of poverty reduction and limited increases in inequality.[6] Notably, whilst remaining low and lower-middle income countries respectively, each has sustained rapid growth trajectories despite the turbulence following the global financial crisis and end of the global commodity boom that have adversely impacted many other developing economies.

Figure 1.1 Ethiopia and Vietnam: GDP (annual percentage growth), 1990-2017



Source: World Bank (2018g).

Commonalities in these four dimensions therefore mark out Ethiopia and Vietnam as important case studies for examining prospects for developmentalism in the age of neoliberalism. To examine these issues, the two case studies explore how, why, and with what effects, the global order has impacted the development trajectories of these two late developing nations since 1986 and 1991 respectively.

[6] Vietnamese poverty reduced at a historically 'unprecedented speed' in the 1990s (Beegle et al., 2012, p.154), as the national poverty headcount fell from 58.1 per cent to 14.5 per cent during 1993-2008 (Vandemoortele and Bird, 2011). During the 2000s, Ethiopia likewise 'progressed from having one of the lowest levels of human development and highest poverty rates in the world to displaying some of the fastest rates of progress across multiple dimensions of wellbeing' (Lenhardt et al., 2015, p.9). Between 1995-1996 and 2015-2016 the national poverty headcount reduced from 45.5 per cent to 23.5 per cent (FDRE, 2017). Vietnam's rapid growth and poverty reduction occurred in the context of low but increased inequality, from 0.33 in 1993 to 0.43 in 2008 on the Gini coefficient (Vandemoortele and Bird, 2011), falling to 0.35 by 2016 (World Bank, 2018a). Ethiopia has kept a low and stable level of income inequality throughout the period of its rapid growth and poverty reduction, with a Gini coefficient of 0.30 in 1995 and 0.30 in 2011 (Cornia and Martorano, 2017).

The methods of data collection used to inform this analysis combine qualitative and quantitative information. Qualitative semi-structured interviews are a particularly important source of original data, conducted during fieldwork between January and April 2016 in Ethiopia, and June and August 2016 in Vietnam. A total of 111 interviews were undertaken: 55 in Ethiopia and 56 in Vietnam (see Appendix A for a full breakdown). Over half the interviews in each country were carried out with government officials due to the focus of the thesis on the impacts of global conditions on development policy formulation and implementation. In Ethiopia this included interviews in key Ministries such as the Ministry of Industry; Ministry of Trade; Ministry of Finance and Economic Cooperation; National Planning Commission; Ministry of Public Enterprises; Ministry of Agriculture; the Ethiopian Investment Commission; National Bank of Ethiopia; Development Bank of Ethiopia; Commercial Bank of Ethiopia; and the Industrial Parks Development Corporation. Many of these interviews were at State (Deputy) Minister level or above. In Vietnam, government officials interviewed were located in the Ministry of Planning and Investment; the Ministry of Industry and Trade; Ministry of Labour Invalids and Social Assistance; the Central Committee Economic Commission of the Communist Party of Vietnam; Ho Chi Minh City (HCMC) Export Processing and Industrial Zones Authority; and with representatives of government think tanks such as the Vietnam Academy of Social Science (VASS) and Central Institute for Economic Management (CIEM). The remainder of the interviewees were representatives from IFIs, UN agencies, and bilateral donor governments; foreign manufacturers; domestic manufacturing firms and their representative associations; and researchers, academics and other experts.

Fieldwork interview data was used for multiple purposes. The interviews informed the interpretations and periodisations offered in the empirical chapters, and provided insights into the policy drivers, shifts and constraints to development encountered in each context. They were critical sources of contextual information on the policy formulation process from the perspective of those devising, seeking to influence and/or affected by, the development strategies of both countries. Interview transcripts were analysed in order to identify themes and track dominant issues and interpretations amongst state officials engaged in development policy formulation, as well as the international agencies and foreign and domestic firms seeking to influence government policy and impacted by official decisions. To ensure anonymity (in line with the data

protection and informed consent procedures followed during fieldwork), interviews are referred to by codes (a mix of letters and numbers, as outlined in Appendix A). A critical approach was taken to fieldwork material, and qualitative interview data triangulated with other sources (below) to determine the extent to which official statements matched reform realities.

The other main data sources consulted included official governmental and party reports, such as development plans, strategies and legal documents; socio-economic data (from official and international sources); newspapers and media discussions; IFI and donor reports (both official analytical reports and archive documents, particularly from the International Monetary Fund (IMF) Archive); official reports translated by the United States Central Intelligence Agency's Foreign Broadcast Information Service (FBIS); transcripts of speeches by key leaders; and US diplomatic cables released through the Wikileaks website. Analysis of data from these sources has been combined with an academic literature review encompassing historical and contemporary work tracing the economic and political transformations in Ethiopia and Vietnam from the central planning period forward. Such historically-rooted political economy analysis has been sensitive to the legacies of the centrally planned economy, both in terms of transformations to the state and domestic social balance of forces. Due to the limitations of economic data availability and its comparability in both cases, quantitative data is used to identify and indicate broad trends rather than trace small shifts.

1.3 Contributions and argument

The thesis makes a number of contributions to the development literature. The first are theoretical since the thesis offers an analytical framework to examine in concrete terms the relationship between national development and global forces, which is understood to be at once context-specific and co-constitutive. The utility of this framework is illustrated by the thesis's empirical chapters, since neither the mainstream nor heterodox development literature as currently constituted adequately account for the forms of developmentalism which have emerged in Ethiopia and Vietnam. This framework may, in turn, be fruitfully be applied in other contexts (including those where developmental efforts have had less traction than in Ethiopia and Vietnam). In addition, the thesis contributes to the literature on neoliberalism and international political economy,

offering two case studies from the global periphery which illustrate clear potential for deviation from the hegemonic economic policy approach of the contemporary period. The contribution is therefore to highlight the enduring space for heterodox development strategies, as well as the variegated nature of developmental constraints under neoliberalism.

Second, the thesis contributes a new and substantive comparative study to an under-examined area of development research. Whilst commonalities between Ethiopia and Vietnam are now increasingly noted in passing (Weeks, Geda, et al., 2004; ACET, 2014; Guadagno, 2016; Weis, 2016), to date substantive comparative studies have been lacking. Similarities in their outcomes have, for instance, garnered attention, including high GDP growth rates (Guadagno, 2016, p.7), as well as their policy orientations, since they are said to share 'a government with a fairly heavy hand in the economy' (ACET, 2014, p.27). As a result, several recent interventions have been predicated on the idea that Vietnam provides a strong model for Ethiopia to emulate. One of the authors of the 2012 World Bank *Light Manufacturing in Africa* report noted here that Vietnam offers Ethiopia important development lessons, since '[the] closest parallel to Ethiopia is to be found in Vietnam, East Asia's star performer … given its similarities with Ethiopia in size, economic history, institutions and less-skilled labor pool' (Chandra, 2013, pp.543, 545). Yet, this advice for Ethiopia to follow in Vietnam's footsteps has not so far been based on substantive comparative work.

Furthermore, the thesis also offers an alternative basis for comparative work on African and Asian development trajectories. Existing work in this area tends to be framed in terms of the poor performance of African countries in contrast to their Asian contemporaries, and is therefore predicated on divergence not similarity (van Donge et al., 2012; Henley, 2015).[7] This tends to reinforce biases toward pathologising and homogenising treatments of African countries' development performance, given the assumption that no rivals to Asia's performance may emerge from a continent with an extremely diverse range of countries and contemporary approaches to development.

[7] Comparative work on Vietnam and Tanzania has received more attention (Van Arkadie and Do Duc Dinh, 2004; Gray, 2012), but similarly tends to be focused on their divergence (both in policies and performance).

Third, and finally, the thesis makes a specific set of contributions to the development literatures on each country. The Ethiopian economy remains understudied in general (Martins, 2009; Priewe, 2016),[8] and whilst there is an important growing body of work around its development strategies (Oqubay, 2015; Schäfer, 2016; Weis, 2016; Tesfaye, 2017), attention tends to chiefly focused around domestic drivers of specific policies rather than the impacts of global forces upon them. In Vietnam, the development literature has been beset by a form of extreme pessimism regarding its prospects and potential (Nghia et al., 2013; Pincus, 2015; Viet Sinh et al., 2016; Masina and Cerimele, 2018), notably out of synch with its actual performance (Abbott et al., 2009; Weeks, 2015; Abbott et al., 2017). One reason for this, it is suggested here, is that the impact of global forces on the country's development trajectory has been overlooked.

1.4 Thesis structure

To explore these questions, Chapter 2 examines the theoretical terrain and traces the divergence between mainstream and heterodox development approaches to the relationship between national development prospects and global market forces from the post-war period to the present. Chapters 3 and 4 provide a political economy account of the shifting impacts of the neoliberal global order on the evolving developmental strategies of Ethiopia following the overthrow of the military Derg regime in 1991. Chapters 5 and 6 in turn provide an account of the transformations in Vietnamese developmentalism after 1986. Chapter 7 then provides a comparative assessment of the evolving nature of Ethiopian and Vietnamese developmentalism, including their domestic and global drivers and constraints. The conclusion brings the thesis contributions together, and reflects on potential directions for further research.

[8] For instance, Martins (2009, p.109) notes Ethiopia has been 'chronically understudied by economists' and Priewe (2016, p.2) that internationally 'Ethiopia's outstanding performance has not yet found the attention it deserves'. One important contribution to filling this gap is a forthcoming work on the Ethiopian economy (Cheru et al., 2019).

Chapter 2 Global conditions and national development

This chapter reviews dominant conceptualisations of the relationship between national development and global conditions in the economic development literature. In so doing it builds on Hunt's (1989) identification of two dominant development paradigms which emerged after World War II, divided by whether they locate the chief constraints to development within the domestic domain or in the global economy (an approach itself which draws heavily on Hirschman (1982)). Yet whilst Hunt (1989) argues that these different paradigms should be understood geographically – representing distinct Western and Latin American development traditions – this chapter argues that this schism represents a broader divide between mainstream and heterodox approaches to development theorising which extends to the present. In updating Hunt's (1989) framework, the chapter also traces how material and ideational transformations in global capitalism, following the demise of the post-war 'golden age' and neoliberal turn in the 1980s, effectively demarcate each approach into two distinct periods: a post-war and neoliberal stage. This periodisation is based on an understanding of neoliberalism as a distinct form of global accumulation, underpinned by specific shifts in the modalities of global accumulation, chiefly financialisation and the global fragmentation of production (Fine and Saad Filho, 2017). However, it also notes that this system of accumulation has a counterpart in the realm of development theory and policy, which forms the dominant approach to development scholarship (see section 2.1.2).

The chapter argues that for all their differences, both the 'optimistic determinism' of the mainstream literature, which suggests global conditions will be universally enabling of development in all contexts, and the 'pessimistic determinism' of the heterodox literature, which tends to see the global political economy as uniformly constraining for development, misdiagnose the nature of development constraints. Both overlook that the modality of a country's insertion into the global division of labour (and therefore the challenges this poses for development pathways) is not simply the product of global forces. Instead, the chapter argues that a country's relationship with (and therefore the constraints and opportunities emanating from) the global economy is not pre-determined (for good or ill) but is rather the context-specific product of both that nation's development strategy and the shifting functioning of the global capitalist system in a specific moment of global accumulation. In light of these concerns, the chapter advances

an alternative analytical framework to consider the impact of global conditions on national development prospects as the dynamic and relational outcome of the interactions between the national and global domains, shaped by the mediating role of the state and the domestic social forces acting upon it.

2.1 Mainstream theory: domestic development constraints

The discipline of development economics first emerged during the 1940s and 1950s (Hunt, 1989). Since then, mainstream development theory, here understood as the scholarship inspired by neoclassical economics widely utilised in Western academic institutions, governments, and powerful global institutions such as the IMF and World Bank,[9] has undergone profound shifts at the level of methods, end goals and policy focus. Nonetheless, mainstream theory retains a persistent stress on the centrality of global forces (especially trade, finance, aid and technology) as critical drivers of development success. As a corollary, such theorising tends to locate the chief constraints to development in the domestic domain. This section traces the evolution of mainstream development theory from the post-war period to present through its conceptualisation of the relationship between national development and global forces.

2.1.1 Post-war development consensus

The post-war mainstream was premised on two distinct commitments: the distinctiveness of developing economies, and the concept of "mutual economic benefit" (Hirschman, 1982). The first meant that specific challenges such as rural unemployment and late industrialisation made developing countries a "special case" in need of distinctive theoretical and methodological approaches (Hirschman, 1982). Since economic development was treated as a process of socio-economic transformation, the preoccupations of neoclassical economics (such as short-run efficiency, individual rationality and gains from trade), were considered ill-suited for studying the complex processes and problems of development (Hunt, 1989; Fine, 2007; Fine, 2011). The second trait saw relations between developed and developing countries as positive-sum in nature (neither inherently conflictual nor hierarchical), with trade, financial transfers

9 The chapter takes Western and mainstream as synonyms.

and technical assistance from advanced economies all considered important motors of development in poorer economies (Hirschman, 1982, p.379).

Indeed, despite important substantive disagreements (such as over the need for balanced or unbalanced growth),[10] Western scholars saw deepened contact between countries at different levels of development as an aid to overcoming development constraints that were conceptualised in chiefly domestic terms. As Hunt (1989) observes, two of the most influential figures of the post-war mainstream, W.W. Rostow (a key proponent of modernisation theory) and Sir W. Arthur Lewis (who popularised the idea of the dualist economic structure of developing economies),[11] saw expanded capital formation as the defining development problem, and located the chief constraints to its expansion in the domestic domain.[12] The defining development problem was seen as low levels of domestic savings, and, following neoclassical economic reasoning, investment. For both Lewis (1954) and Rostow (1956, 1991 [1960]) this was thought to necessitate an increase in the income of those seen to have a greater propensity to save (Hunt, 1989). Lewis (1954, p.160) advocated for redistributing income toward 'a group of men who think in terms of investing capital productively' and Rostow (1956, p.38) 'from those who will spend (hoard or lend) less productively to those who will spend (or lend) more productively'.[13] Similarly, the new growth economics of Harrod-Domar (influential in 1950s development planning, despite its Keynesian roots in advanced economies), tied economic growth to a country's savings propensity and capital-output ratio, which was used to show that both expanded aid and trade could help trigger more rapid growth (Hirschman, 1982).

Broader transformations were also seen as important, including to society and culture, which were thought to be needed to effect modernisation (Rostow, 1956). State intervention, particularly to promote industrialisation, was also afforded a strong role, with the development of the manufacturing sector synonymous in Rostow (1991 [1960]) with the production of the modern society (and therefore both a means and end of

---

[10] Important Western-based economists of this period included Albert O. Hirschman, Arthur Lewis, Hla Myint, Gunnar Myrdal, Ragnar Nurkse, Paul Rosenstein-Rodan and W.W. Rostow (Hunt, 1989; Kattel et al., 2016).

[11] Lewis's 1954 article (see below) was said to have offered 'the most heralded explanation of development' for the Anglo-Saxon mainstream (Kapur et al., 1997, p.116). Meanwhile, Rostow's most famous book, *The Stages of Economic Growth: A Non-Communist Manifesto,* sold 300,000 copies and went through three editions after first publication in 1960 (Fine, 2007).

[12] Hunt (1989) labels this Western take on development 'the paradigm of the expanding capitalist nucleus'.

[13] Rostow (1956, p.41) says foreign capital may help support the take-off process, but does not consider it necessary (since Britain and Japan managed without it).

development). For Lewis (1955, p.384), state intervention was to be only 'piece-meal planning', targeted at issues such as the level of exports, capital formation, industrialisation or food production. However, due to the hardships of the Depression and two world wars, developing countries extensively deployed import-substitution industrialisation (ISI) strategies, focused on satisfying domestic demand for basic consumer goods (before moving onto products of increased sophistication later) through trade protection, credit and fiscal policy support, direct production through state industries, development financing institutions and foreign direct investment (FDI) management strategies (Hirschman, 1968).

Such scholarship thereby casts development as a trans-historic problem of low savings and investment, and development constraints 'predominantly internal to the traditional society, lying in its class structure and the related savings propensities, its culture and institutions' (Hunt, 1989, p.112). Whilst global forces do appear in Lewis's (1954) discussion of how imperialism in Africa has retarded development (through land grabs, forced labour and tax burdens), these forces were contingent rather than integral to his model.[14] Rostow (1991 [1960], p. 6) suggests take-off may be promoted by 'some external intrusion by more advanced societies' but sees domestic transformations as decisive in shaping whether countries take advantage of these shocks or not. This indicates that the global context is considered to be largely exogenous to, rather than constitutive of, the problem of development, and offers only contingent not systemic barriers to late development.[15] Hirschman (1982) notes that post-war development thinking overlooked the coexistence of considerable impoverishment with deep existing links between developed and developing countries (which were contrary to its own expectations that such relations should yield mutual benefit to all). Instead, more systemic questions about the unevenness of the global economy were only asked in Latin America by 'muted tones by a few faraway voices' (Hirschman, 1982, p.380) (see Section 2.2).

At the policy level, such optimism about the positive role of global forces is evident in the 1949 inaugural address of US President Harry S. Truman: a speech widely

[14] Lewis (1954) thought other factors could also have increased supplies of labour at subsistence levels, such as reduced infant mortality levels.
[15] Within the diversity of post-war mainstream scholarship, some did highlight the risk of over-reliance on foreign capital, trade and finance (see Kattel et al., (2016)). However, the most influential Western development scholarship strongly emphasised the need to take advantage of global economic dynamics.

considered to have ushered in the ‘development age’ (Rist, 2014). The speech framed the ‘handicap’ for developing countries as their ‘primitive and stagnant’ economies, and recommended as a remedy that Western economies should make ‘scientific advances and industrial progress available for the improvement and growth of underdeveloped areas’ (Truman, 1950). Such faith in technicist fixes to economic problems was typical of the dawn of the nuclear age and Cold War period. The perceived success of the Marshall Plan also enhanced confidence in overseas development assistance (ODA) as an engine of recovery and development (Leys, 1996). As Hirschman (1982, p.380) notes, Western academia was influenced by a post-war global political climate in which there was an ‘overwhelming desire to achieve rapid progress in solving these [development] problems with the instruments at hand, or thought to be within reach, such as large-scale foreign aid’.

In summary, post-war mainstream development theory and policy saw barriers to development in chiefly domestic terms, and the remedies to overcoming them chiefly internal (although with a good measure of outside assistance) (Hunt, 1989). The post-war mainstream thus overlooked international forces impacting late development prospects, such as power relations, conflict, and the systemically uneven workings of the global economy, as well as the deeply geo-political Cold-War motives underlying Western development aid and finance (Fine and Saad Filho, 2014). Crucially, development was itself taken for granted and assumed to be ‘smoothly linear, if only they [developing countries] adopted the right kind of development programme’ (Hirschman, 1982, p.388). In this the post-war mainstream displayed strong ‘methodological nationalism’, defined as ‘[a] form of explanation, identifying as its central feature the isolation and separation of internal and external factors as determinants of national economic performance, with primacy being given to the former’ (Gore, 1996, p.79).

2.1.2 Neoliberal development agenda

However, the post-war development consensus was progressively undermined by shifts at the ideational and material levels. A growing concern about income distribution and poverty in the 1970s (Colclough, 1991; Kapur et al., 1997) fragmented development economics into ‘a variety of partial objectives’, each of which required narrower and more specific expertise (in health, education and housing, for instance) (Hirschman,

1982, p.387). Material shifts in the global economy, specifically the disintegration of the Bretton Woods system of post-war financial regulation, altered flows of global trade and finance. As Leys (1996, p.19) notes, this shifted the political economy foundations underpinning the prevailing policy paradigm:

> [The] radical transformation in both the structure and the management of the world economy that had begun in the 1960s, and which finally seemed to offer the possibility of creating for the first time in history a truly unified global capitalist economy – and one regulated, if at all, only by institutions reflecting the interests of transnational capital. Neo-liberalism articulated the goals and beliefs of the dominant forces that stood to benefit from this process, and pushed it forward.

Against this backdrop, a new development orthodoxy that Toye (1993) refers to as the neoliberal 'counter-revolution' emerged, departing in three key respects from the post-war development consensus. First, neoliberal development theorists attacked the separateness of development economies, arguing that regardless of context, individuals respond to changes in relative prices exactly as neoclassical theory would predict (Lal, 2002).[16] Second, the approach repudiated post-war development policy's emphasis on industrialisation due to a theoretical revival of David Ricardo's (2004 [1817/1821]) theory of comparative advantage, through which trade between individuals is treated as analogous to that between nations. On this basis it is supposed that exchange equally benefits all parties, regardless of what they trade (Shaikh, 2005). This sectorally neutral understanding of economic development considers raw materials and manufactures to have equal development potential, intensifying the mainstream's optimism about 'mutual gains' from trade between countries at different levels of development (and production structures).

Third, state intervention was staunchly attacked theoretically using the theory of second best and focus on so-called 'rent-seeking' behaviours (Krueger, 1974). Policies such as trade protection were argued to have diverted 'people's energies and resources from

[16] Lal's *The Poverty of Development Economics* went through three editions (1983; 1997; and 2002). It garnered significant media and policy attention for the neoliberal turn in development thinking (Toye, 1993).

economic activity to the political arena' (Bauer, 1984, p.42).[17] Empirical work on rapid East Asian development was offered as a support for these arguments, and authors suggested recent success stories were characterised by minimal state intervention (see Belassa, 1988; Riedel, 1988). Market forces thus emerged as the central engines of development, based on an extreme reading of neoclassical economics in which resource allocation through purely market means (whereby prices are determined solely through freely operating domestic and international markets) was considered necessary and (almost) sufficient to bring about long-term growth (Wade, 1992).[18] Economic development was now assumed to follow from 'getting the prices right', with growth in turn treated as if it was 'a natural or inherent property of capitalist economies' (Wade, 1992, p.271). In policy terms, hostility toward state intervention and the revival of comparative advantage led to an emphasis on export-oriented industrialisation (EOI), predicated on specialisation only in what a country can already most cheaply produce, in contrast to what were considered to be the counter-productive effects of ISI efforts (Kiely, 1998a).

The new mainstream development agenda which emerged, dubbed the Washington Consensus (Williamson, 1990),[19] had three defining policy preoccupations: macroeconomic stability (achieved via reduced fiscal deficits and inflation targeting); global integration (via trade and capital account liberalisation); and the liberalisation of domestic product and factor markets (via deregulation and privatisation) (Gore, 2000). The embrace of global forces (especially trade, finance, aid and technology) became as a result an almost sufficient condition to bring about development since expanded trade and financial flows under globalisation were thought to have created a level playing field from which all countries stand to equally benefit (Ohmae, 1994; Friedman, 2007). This was reflected in shifts within mainstream development theory's institutional apparatus, and the World Bank came to adopt 'a particularly optimistic account of the relationship between national economies and the global economy' (Kiely, 1998a, p.78). Such intensified faith in global integration to drive development is evidenced in the

[17] The theory of the second best was rooted in welfare economics (Toye, 1993), yet despite this theoretical approach providing potential justifications for state intervention (Saad Filho, 2005a), the conclusions drawn by neoliberal development economists were resoundingly against this.
[18] In contrast, Wade (1992) says less extreme versions of neoclassical economics separate the processes of growth and efficient resource allocation, admitting a wider range of variables into the determination of the former.
[19] The term was said to capture shared views within the World Bank, IMF and US Treasury Department in the late 1980s and early 1990s (Williamson, 1990).

Growth Commission report, which exemplifies the neoliberal development consensus in arguing that:

> Growth of 7 percent a year … is possible only because the world economy is now more open and integrated. This allows fast-growing economies to import ideas, technologies, and know-how from the rest of the world. One conduit for this knowledge is foreign direct investment, which several high-growth economies actively courted; another is foreign education, which often creates lasting international networks … Sustainable, high growth is catch-up growth. And the global economy is the essential resource (CGD, 2008, p.2).

The result of intensified confidence that a 'right' set of universal policies can deliver development (Rodrik, 2006) has been an intensification in mainstream methodological nationalism. Following this logic, Anne Krueger, former World Bank Chief Economist, said of the economic hardship experienced by many developing economies in the 1980s that:

> [There] is no evidence that living standards fell in the now-developing countries prior to 1950, a time which many observers associate with a period of laissez-faire. In many African countries, however, living standards have been falling— in some cases precipitously— since. The latter period has been one of active government intervention, and there is no other obvious reason for the difference in performance in the two periods (Krueger, 1990, p.12).

Missing from this squarely domestic framing is the role of rising global turbulence from the mid-1970s onwards, encompassing two oil shocks, the collapse of Bretton Woods system, growing indebtedness of developing countries, rising US (and therefore global) interest rates, and thr resultant debt crisis in the developing world.

And whilst some adjustments to the mainstream policy set have occurred since the late 1980s, including with the institutional turn of the post-Washington Consensus in the 1990s (Stiglitz, 1998; World Bank, 1997b), these have left the mainstream's optimism about the capacity for global forces to bolster development success untouched. The 'good governance' agenda of the post-Washington Consensus may have utilised

neoclassical arguments to provide a basis for the return to (limited) state intervention (Fine, 2001; Fine, 2009), but policies such as fiscal contraction, trade liberalisation, privatisation, and the broader deregulation and liberalisation of the economy remained unchanged (Saad Filho, 2005a). Instead the focus on institutional transformations helped to create expanding to-do lists for developing country policy-makers, intensifying their pathologisation, since 'it is always the advisee who falls short, and never the advisor who is proved wrong' (Rodrik, 2006, p.980).[20]

A further apparent shift occurred during the 2010s with the 'new structural economics' of former World Bank Chief Economist Justin Lin (2012) and embrace of the global value chain (GVC) approach by mainstream institutions (Neilson, 2014; Ravenhill, 2014; Werner et al., 2014). Both appeared to signal revived mainstream interest in industrial policy and manufacturing-centred development strategies. However, Lin's approach was limited theoretically by its enduring commitment to comparative advantage and circumscribed role for state intervention (Fine and Van Waeyenberge, 2013). The mainstream's embrace of the GVC agenda has likewise been associated with an unchanged commitment to investor-friendly policies, and therefore remains premised on core tenets of the post-Washington Consensus (Ravenhill, 2014).[21] In the latter's optimism about the role of manufacturing FDI to deliver industrial development, the embrace of global integration remains a core piece of mainstream development advice. In this present form, through the enduring commitment to individual rationality, the mainstream negates all past connection between development trajectories and the specificities of time, place and context, and structures larger than the individual (except states, conceived of as the aggregate of individual interests). This capacity to shift over time, place and issue, has, however, helped to defend the core ideas of the mainstream development agenda from considerable criticism (Fine and Saad Filho, 2014), central to which is intensified faith in global integration as a motor of economic development.

Thus, despite shifts across specific policy recommendations, mainstream development theory has persistently treated international political and economic forces as exogenous,

[20] This reached an apogee in the literature which can be grouped together under banner 'Afro-pessimism' (Bryceson, 2000) in which the continent's growth tragedy from 1980-2000 is attributed solely to domestic political relations of neo-patrimonialism, political clientelism and economic rent-seeking.
[21] A recent report produced by the World Bank and other mainstream development actors recommends that to attract GVCs countries should embrace trade and investment liberalisation and 'deep trade and investment agreements' (Dollar, 2017, p.13).

given and a broadly positive potential influence on catch-up efforts. The global economy is thereby taken to be a straightforwardly enabling force for late development, and leaving the relationship between national development prospects and global conditions unproblematised. This equates not only to methodological nationalism, but also "optimistic determinism", given the suggestion that global conditions are universally enabling of development in all countries and contexts, with the only significant variable the willingness of developing country policy-makers to embrace them.

2.2 Heterodox theory: global constraints to development

The heterodox development literature first emerged from Latin American scholarship of the late 1940s and early 1950s in parallel with the post-war mainstream (Hunt, 1989). Like mainstream development theory, the heterodoxy has undergone profound transformations thanks to the material and ideational shifts in global accumulation, policy and scholarship since the 1980s. Nonetheless, such scholarship has persistently foregrounded systemic global constraints to late development arising from the modality of developing countries' insertion into the international division of labour. This section traces the shifts within the heterodox development literature from post-war to present, noting intensified pessimism about the development impacts of global asymmetries throughout the 1960s and 1970s with the shift from structuralism to dependency theory. This gave way to an initially less fatalistic reading of the impact of global forces on national development with the emergence of the developmental state literature in the late 1980s. However, as the heterodoxy has grappled with the profound alterations to global capitalism in the neoliberal period, the systemically uneven workings of the global political economy have once again assumed renewed significance.

2.2.1 Post-war heterodoxy: from structuralism to dependency theory

Latin American structuralists shared the post-war mainstream's scepticism about the relevance of neoclassical economics for the study of development but fundamentally diverged in their conceptualisation of development constraints, particularly the impact of global forces on national development prospects. They emphasised the lack of inducements to invest, rather than simply a lack of saving (and thus capital) (Hunt, 1989), but saw foreign exchange shortages – which impacted the capacity to import capital goods – as the most binding development constraint of all (Kay, 1989). This insight was

founded on seminal contributions by Raúl Prebisch (1950) and Hans Singer (1950) which together formed the Prebisch-Singer hypothesis (PSH).[22] The PSH began from an understanding of the structure of developing economies, which tended to export raw materials and import manufactured and capital goods. The hypothesis argued that in the long-run developing economies would be subject to declining terms of trade since the relative price of developing country imports would increase, either producing trade deficits or forcing countries to export more to sustain stable import levels (Saad Filho, 2005b).

Using this emphasis on the trade structure of developing countries, structuralists also shared the post-war mainstream's emphasis on the need for manufacturing development. Singer (1950, p.476) argued manufacturing industries are 'universally desired by underdeveloped countries' because 'they provide the growing points for increased technical knowledge, urban education, the dynamism and resilience that goes with urban civilization, as well as direct Marshallian external economies'. Yet structuralism added a unified global analysis to their conceptualisation of the challenges facing those late developers seeking to undertake manufacturing development. National development prospects were thus framed in terms of the movements of the wider capitalist system, anchored around centre (or core)-periphery metaphors and which pointed to potentially broader 'systemic and possibly insurmountable differences between rich and poor countries' (Saad Filho, 2005b, p.128) not present in the mainstream tradition.[23] This embodies quite a particular definition of structuralism, therefore. Whilst some scholars define structuralism by its emphasis on the importance of economic structures in shaping long-term development prospects (for example see Colclough (1991, p. 2)), this broad definition lumps together the very different areas of post-war development thought discussed here. As Hunt (1989) notes, Latin American scholars (unlike their Western counterparts) identified both the economic structure of developing economies *and* their (adverse) incorporation into the international economic system as the defining development challenges.

[22] Raúl Prebisch's home country of Argentina experienced balance of payments problems during the 1930s and 1940s due to declining export prices for primary products, debt repayment difficulties, war-time disruptions to trade (including shortages of manufactured imports), and foreign exchange shortages. This informed his rejection of neoclassical insights for understanding development challenges (Hunt, 1989; Toye and Toye, 2003; Love, 2010). His 1950 paper has been called has been called 'the founding document of Latin American structuralism' (Saad Filho, 2005b, p.132).

[23] Singer (1950), for instance, argued that global asymmetries were reinventing the colonial era's political subjugation of developing economies via hierarchical economic relations between states (Toye and Toye, 2003).

As a result of this dual analysis, structuralism's policy proposals were likewise two-fold: first, to undertake manufacturing development to shift away from primary production (with a more nuanced advocacy of ISI than is often attributed to it),[24] and second, to pursue changes to global trading rules to both improve conditions for primary exporters and the manufactured exports of developing economies (Hunt, 1989).[25] Institutionally, these ideas gained extensive policy influence through two United Nations (UN) institutions: the UN Economic Commission for Latin America (ECLA or Cepal in Spanish and Portuguese), and the United Nations Conference on Trade and Development (UNCTAD), which was connected to the formation of the Group of 77 (G77) developing states. Prebisch headed ECLA between 1950-1963 and became founding Secretary General of UNCTAD in 1964. With the World Bank representing the post-war mainstream, UNCTAD was the heterodoxy's counterpart, influencing policy-making in developing countries during the 1960s and 1970s and agitating for changes to the global trade system to compensate for its inequities (Toye and Toye, 2003; Saad Filho and Tomkinson, 2017). The latter culminated in calls in the early 1970s for a new international economic order (NIEO) to better reflect the needs of developing economies, characterised by 'a heavy emphasis upon the importance of the international context and class structure and the relative neglect of national policy issues' (Evans, 1991, p.52).

However, despite this influence, confidence in structuralist thought was ultimately shaken by faltering growth rates across the developing world. This eroded faith in the power of ISI to overcome the challenges of late development, whilst the emergence of military dictatorships in Latin America helped to facilitate more radical critiques of the global system's role in distorting internal structures of developing countries (Saad Filho, 2005b). Dependency theory, which emerged in the space vacated by structuralism, focused on the divide between core and peripheral economies, and had two dominant theoretical influences: reformulated structuralism and Marxist theorising about capitalist development and imperialism (Palma, 1978; Seers, 1981).[26] The first shifted

[24] See Saad Filho (2005b).
[25] This included commodity agreements, as well as the General System of Preferences (GSP), which introduced lower, non-reciprocal tariffs for selected products (including new industrial exports) of developing economies (Love, 2010).
[26] As Brewer (1990) notes, Marxist theories of imperialism focus on how the emergence and spread of capitalism is inherently uneven, with some areas developing at the expense of others. In contrast to other approaches to imperialism (which may focus on military, political or cultural domination), Marxist theories are rooted in the relations and structures of production, and how they shape relations of domination and subjugation (with politics and culture subordinate to economic relations) (Palma, 1978).

away from a narrow focus on terms of trade, making broader use of Prebisch's centre-periphery metaphor to capture the 'new and possibly more dangerous forms of dependency' (Seers, 1981, p.14) resulting from ISI policies, which were seen to have in fact intensified dependence on foreign technology and capital. Marxian-inspired work, meanwhile, emphasised global capitalism's exploitative tendencies and mechanisms of surplus transfer between central and peripheral economies (Hunt, 1989).

Key scholarship in this tradition included Samir Amin (1974), Paul Baran (1957), Arghiri Emmanuel (1972), Andre Gunder Frank (1966; 1969; 1979) and Walter Rodney (1972), and often started from the historical processes by which developing economies were incorporated into global capitalism (most often through colonialism). [27] Consideration was then given to how colonial relations shaped national class structures and their international linkages in ways that prevented development. Focus for instance, was placed on the role of a 'comprador bourgeoisie' (Baran, 1957), a local class of mercantile interests closely aligned with the interest of foreign capital, and which therefore had limited interest in sustained manufacturing-based development in the periphery (Hunt, 1989). Through mechanisms such as surplus transfer, unequal exchange and unequal specialisation, so-called *dependentistas* considered the functioning of the whole global capitalist system to rely on the production and reproduction of two categories of countries: the developed and the underdeveloped, where the latter was produced by the mechanisms that led the former to prosper (Brewer, 1990).

Dependency theory thereby strongly rejected modernisation theory's depiction of impoverishment as some sort of original condition to be eliminated by 'development'. Instead Rodney (1972, p.21) notes that underdevelopment is the product of a 'relationship of exploitation which allowed capitalist parasites to grow fat and impoverished the dependencies'. A related approach to understanding capitalism as a global system into which developing countries were adversely incorporated was offered by world systems theorists such as Wallerstein (1976), which was often based on less rigid divisions into binary core and periphery categories (Kiely, 2010). For most scholars in the *dependentista* school, however, the global capitalist system was so

[27] Walter Rodney brought the analysis of racial domination and slavery into his dependency analysis, arguing that neither African societies or cultures were responsible for the continent's lack of development (Sidaway, 2006).

inimical to development in the periphery that, quoting Frank (1966, p.18) ‘economic development can now occur only independently of most of these relations of diffusion’. The need to delink from the global capitalist system was therefore a common corollary to dependency analysis of capitalism’s systemic properties. Schis the opposite conclusion to the post-war mainstream, which proposed the weakening, rather than strengthening, of the ties between developing and developed capitalist economies. And in contrast to structuralism’s emphasis on global institutional reform, *dependentistas* thus went one step further and argued ‘against full participation in the international division of labour by developing countries on the grounds that such exchange relations are unequal and exploitative’ (Evans, 1991, p.52).

However, despite considerable policy and academic influence in developing countries in the 1960s and 1970s (Watts, 2006), dependency theory was weakened theoretically by Marxist scholarship which highlighted shortcomings in its conceptualisation of capitalism as a system of exchange (rather than a system of production) (Brenner, 1977). Empirical work also highlighted the limited significance of trade to developing countries in total European output, undermining the idea that the source of industrial economies’ wealth was surplus extracted from the periphery and instead turning attention to the domestic origins of capitalism (Kay, 1989). Dependency theory also proved unable to account for the trajectories of East Asia’s newly-industrialised countries (NICs) such as Korea and Taiwan in the 1960s and 1970s (Brewer, 1990), which exposed the gulf between its historical, dynamic and interdisciplinary analysis and ahistorical and static conclusions (Bienefeld, 1981). The school’s view of agency was similarly problematic, at once denying developing countries any impact on their own development trajectories due to the heavily structural-functional nature of the analysis (making delinking necessary), but then proposing that countries adopt autonomous (socialist) development paths (Saad Filho, 2005b).

In summary, post-war heterodox scholarship persistently emphasised systemic disadvantages facing late developers due to the political and economic structures of the global economy, in marked contrast to a post-war mainstream focused on ‘mutual benefit’. Late developers were thought to be doubly disadvantaged: both adversely affected by historical modalities of global incorporation, and systematically disadvantaged in the present, due to the functioning of global trade, finance and

institutions. However, both structuralism and dependency theory tended to assume the structures (and the constraints) stemming from the global arena existed beyond the contexts in which they are reproduced, taking the global domain as a steady and consistent constraint and hindrance to late development (just differing in how binding this constraint was taken to be).

2.2.2 Heterodox theory under neoliberalism: from developmental state to 'policy space'

With the disintegration of the dependency tradition occurring in parallel with the neoliberal turn, the centre of gravity in the heterodox literature during the late 1980s and early 1990s shifted away from global-level development constraints and toward refutations of the empirical and theoretical pillars of the neoliberal counter-revolution. The most prominent of the new heterodox approachs, the developmental state literature, retained the commitment to industrialisation which had fallen out of favour in mainstream development theorising (Öniş, 1991) and offered an alternative account of the East Asian newly industrialised country (NIC) trajectories, challenging the idea that their experiences vindicated the new development orthodoxy. Analysis by heterodox scholars such as Alice Amsden (1989), Peter Evans (1995) and Robert Wade (1990), building on earlier work of Chalmers Johnson (1982), stressed the centrality of state intervention and industrial policy instruments to creating patterns of productive development capable of powering catch-up (rather than the wholesale embrace of (global) market forces). Such contributions thereby seemed to strike a more hopeful tone regarding global constraints than was hitherto evident in the heterodoxy, given the implicit suggestion that obstacles to late development could be offset with the right interventions, based on the experience of East Asia's NICs. As Pempel (1999, p.142) notes, one of the developmental state scholarship's most important contributions was its suggestion that 'far more options exist for industrializing countries than is implied by the pessimistic predictions of culturally based modernization theory, dependency theory, or world systems theory'.[28]

[28] The cultural analyses of development under the modernisation framework tended toward pessimism due to the suggestion that intrinsic properties of some cultures made them less able to accommodate profit-oriented activities (Pempel, 1999, pp.142–143).

This new strand of the heterodox development literature[29] was strongly influenced by institutionalist approaches to economics, and sought a middle ground between structuralism's neglect of market mechanisms and neoliberal development scholarship's free market dogmatism, instead striving for a framework capable of accommodating a strategy of state-directed market development (Öniş, 1991). As Ben Fine (2013) notes, the literature included both an economic and a political school, which respectively emphasised the policy interventions and regime characteristics thought necessary to power catch-up. In economic policy terms, the literature focused on instruments such as export subsidies, domestic-content requirements, import-export linkages, patent and copyright infringements, restrictions on capital flows (including direct foreign investment) and directed credit (Rodrik, 2007), advocating strategic approaches to trade, capital flows and FDI rather than the blanket openness advocated in neoliberal development scholarship (Akyüz et al., 1998, p.29). Wade (1990) refers to such state interventions as imparting 'directional thrust' on the trajectory of economic development via a process he refers to as 'governing the market'.

In the political arena, Amsden (1989, pp.8–9) emphasises that the state (intervening to distort relative prices to stimulate economic activity) and the 'modern industrial enterprise' are the central players in catch-up. Connecting the two she elsewhere suggests the need for 'reciprocal control mechanisms' (Amsden, 2001) to ensure the two work together in ways effective for development. This echoes the focus on 'embedded autonomy' found in Evans (1995) which suggests states need to be close enough to powerful domestic business interests to design effective interventions, but autonomous enough to avoid capture and discipline capital. The guiding hand of a meritocratic and highly competent bureaucracy (Evans, 1989) is also highlighted, countering neoliberal depictions of developing states as somehow inherently rent-seeking and predatory. In the background of this literature were motivating concerns such as external security threats (Öniş, 1991) and an associated 'developmental mindset' (Thurbon, 2016) which were said to have shaped the emergence of forms of nationalism focused around the imperative to grow rapidly.

[29] As Radice (2008, p.1153) says '[g]iven the marginalisation of dependency theory and of Marxism more broadly in the past twenty years, the DS [developmental state] became by about 1990 the major ideological rallying point for those who wish to contest the appropriateness of neoliberalism … as a framework for effective governance and economic development in the global South'. However, whilst it sits between the orthodoxy and more radical versions of the heterodoxy, it is notably recognised by neither (Fine, 2013).

Yet, as Pempel (1999, p.146) notes, 'despite an agenda that concentrates on international catch-up, the developmental state is assessed largely in terms of its domestic context'. Cold War dynamics and US support were incorporated either as support for, or existential threats to, the South Korean regime, for instance, but were treated as contingent and discrete geo-political factors. The result was the neglect of systemic forces such as the restructuring of the global economy in the late 1960s which intensified competitive pressures and prompted transnational corporations (TNCs) in industrial economies to strive to cut costs. This worked to the advantage of 'a few, politically reliable and economically relatively advanced cheap labour economies' (Bienefeld, 1981, p.92), a factor missing from developmental state analysis. In this regard, the developmental state literature inadvertently mirrors the neoliberal mainstream's methodological nationalism, as global forces are only incorporated as one factor among many (Fine, 2013). Explaining development success (and implicitly failure) in terms of national policies, the global context is therefore assumed to be a given and equally enabling for all, so long as the right strategies are adopted (even if the strategies themselves markedly differ from the mainstream).

However, by the early 2000s the heterodox literature (including many of the developmental state's key scholars), [30] recovered the former stress on global asymmetries and their adverse development impacts.[31] Work increasingly focused on the deterioration in outcomes which had accompanied the neoliberal turn, with average per capita income growth in developing countries falling from 3.0 per cent in 1960-1980 to 1.5 per cent between 1980-1999 (Chang, 2003). These worsening outcomes were

[30] Gallagher's volume (2005 p.2) brings together Amsden, Chang and Wade to address transformations to the global trade and financial architecture, warning, despite the nuanced chapters, that 'existing and proposed rules for the global economy are restricting policy spaces for development in the nations that need development most'.

[31] Despite this turn toward more global-level concerns, the developmental state literature and associated approaches also display notable resilience. The recent revival of interest in the term is embodied in its application to contexts as diverse as China (Knight, 2014); Israel (Maman and Rosenhek, 2012); and the United States (Block, 2008). In the context of Latin America, much recent scholarship has focused on the emergence of neo-developmentalism in the continent, a supposed hybrid approach combining neoliberal macroeconomic policies (such as contractionary fiscal and monetary policies and inflation targeting, floating exchange rates open capital accounts) with more interventionist growth and equity-oriented policies (Bresser-Pereira, 2016; Fritz et al., 2017). Other variants include the 'petro developmental state' in Nigeria and Angola (Ovadia, 2016); the 'extractive developmental state' in Zambia and Zimbabwe (Saunders and Caramento, 2018); and 'neoliberal developmental state' (Behuria, 2017), 'emergent developmental state' (Mann and Berry, 2016) and 'neo-developmental state' (Goodfellow, 2017) in Rwanda. This proliferation of uses across contexts with little obvious in common, either in their development strategies, levels of development, or economic structures, indicates the developmental state's appeal over more mainstream analytical approaches, but also signals its plasticity and ambiguity.

explained with reference to now narrower 'policy space'[32] (and variants thereof),[33] which was used by many scholars associated with the developmental state school as short-hand for new forms of global-level development constraints (see Chang, 2006; Gallagher, 2005; Wade, 2003). Early uses of the term centred around the formation of the World Trade Organization (WTO) in 1995,[34] specifically the 'extent to which the multilateral trading rules may foreclose policy options that were part of the successful development strategies in the NICs as well as in many developed countries' (UNCTAD, 2002c, x).[35] This framing reflected the use of the developmental state paradigm not only to explain East Asia's success, but also as a generalizable model for emulation (Fine, 2013). Global forces thereby enter the picture as constraints affecting possibilities for emulation.

Together with the expanded use of policy conditionalities by the IFIs, the new trade regime became associated with the argument that even if late development was once achievable, it was now all-but impossible given changes within the global political economy since the 1980s.[36] Here Amsden (2007, v–vi) makes a distinction between two so-called 'American empires': the first in which 'developing countries were allowed to follow their own development paths', and the second, in which Washington 'determined what developing countries could and couldn't do' (to their detriment). Thus, developing economies came to be depicted as helpless in the face of an overpowering global order:

> [For] most LICs [low-income countries] there is very little leeway in practice. They may lack the necessary resources, not have enough leverage when

[32] As well as its appeal as a more specific and concrete take on development constraints emanating from global-level transformations (compared with more all-encompassing theories such as imperialism and fuzzy terms such as globalisation), the term has also been championed by developing country policy-makers themselves. For instance, the G77 asked UNCTAD to assist in operationalising the term 'policy space' in 2005 (Hamwey, 2005).

[33] Wade (2003, p.621) uses 'developmental space', arguing that in making illegal many policies deployed by East Asia's developmental states the Uruguay Round may 'lock in the position of Western countries at the top of the world hierarchy of wealth'.

[34] Interesting shifts in UNCTAD's take on these constraints are reflected in the *TDR*. For instance, the *TDR* 1996 took a much less pessimistic reading of lost opportunities to replicate the East Asian experience, arguing against exaggerated claims regarding either opportunities or limitations, concluding that 'in many areas critical to the East Asian experience, such as investment and savings, research and development, and regional policies, there remains ample room for active policy measures that needs to be fully utilized' (UNCTAD, 1996, x). From 2002 however, the emphasis is much more squarely placed on what has been lost (not what remained), with the WTO's Doha Development Round (Fischer, 2015) perhaps particularly significant in this shift.

[35] The term also appeared in UNCTAD documents from 2002 in the context of international investment agreements, reflecting that this was becoming an organising idea for concern over multiple global-level rule changes on development strategies (UNCTAD, 2002b).

[36] Ironically, given the discussion of the post-war heterodoxy's critique of the global economy, this has led to the reinvention of the post-war period as something of a 'golden age' for development. Ha-Joon Chang (2006, p.629) says 'between the end of the second world war and the second oil shock … developing countries were allowed quite a large policy space … And this is when the developing countries did the best economically'.

> negotiating with MNCs [Multinational Corporations], or lack the knowledge, technical, and negotiating skills to take advantage of the leverage they do have. Also, even the existing policy space is threatened by the powerful aid and trade leverage of HICs [high-income-countries] and the policy leverage mediated through International Financial Institutions (Khan, 2011, p.265).

Echoes of structuralism are evident in the emphasis on manufacturing-oriented strategies as the *solution* to overcoming development constraints, yet the policy space literature shares more in common with dependency theory's pessimism about development prospects, since the remedy such scholars propose (industrial policies) are considered to be now dramatically curtailed by recent shifts in global capitalism. This pessimism is thereby inductively derived from a specific recipe for development success, used to determine whether "room" to develop has been lost or not. This risks reducing the development challenge to emulation, and by noting global-level changes which make this impossible, effectively suggesting development itself is at risk.

Similar pessimism about the hierarchies of the contemporary global capitalist system is evident in other strands of contemporary critical and heterodox scholarship. Within the field of international political economy (IPE), capital mobility and rising TNC power in the post-Bretton Woods period is said to have given rise to a 'competition state' (Cerny, 1990; Cerny, 1997; Soederberg et al., 2005; Cerny, 2010), which, through the requirement to remain attractive in an era of increasingly footloose capital has reoriented national policymaking toward efforts to 'prise open the nation-state to a globalising world' (Cerny, 2010, p.6). Changes to the rules governing the global economy, including trade and investment agreements and IFI loan conditionalities, are also said to have given rise to a 'new constitutionalism': a supranational institutional architecture which effectively acts as a way of 'locking in' neoliberal policies in support of TNCs and investor freedoms (Gill, 1998, p.25). Even where heterogeneity is acknowledged, developing countries are thought to be especially vulnerable to such global shifts, for instance: '[i]n the developing world, there appear to be greater pressures for policy convergence' (Mosley, 2005, p.358). In addition, the fragmentation of global production with the emergence of global value chains is cast as a 'neoliberal device', locking developing countries into a subordinate position in the global division of labour in line with the interests of transnational capital (Fernández, 2015, p.210). Such shifts have also

prompted the revival of Marxist work on imperialism (Leys and Panitch, 2003; Leys and Panitch, 2004; Smith, 2016). Meanwhile, growing focus on the dangers of growth-revivals based on commodity dependence, particularly in Africa, has sparked the recent revival of dependency theorising (Bush, 2013; Sylla, 2014; Taylor, 2016).

Due to its foundational analysis on global economic and political asymmetries, therefore, the heterodoxy has consistently foregrounded global-level forces and constraints to development. Important transformations from post-war to present have shifted attention from trans-historic exchange relations between commodities and modalities of surplus extraction between central or peripheral economies, toward a focus on the rules and modalities of accumulation currently governing global capitalism. Yet despite these important shifts, dominant heterodox approaches tend to assume the structures (and constraints) identified exist independently of the contexts and countries in which they operate, meaning that the global domain is taken as something 'out there', which either cannot be changed (and thus decoupling from the global system altogether is required), or must be reformed at the global level (as the GSP, NIEO and calls to reform the IFIs and World Bank all attest to). As a result, the global order is persistently taken to have a fixed and settled bearing on national development prospects, and the heterodoxy emerges as a mirror image of the orthodoxy, with the latter taking the global political economy to be uniformly enabling – and the former uniformly constraining – for development trajectories. The heterodoxy thereby offers a 'pessimistic determinism' (of varied intensity) to counter the mainstream's opposite number.

2.3 Challenges of the existing approaches

The heterodox literature offers a forceful rebuttal of the faith in 'mutual benefit' embedded within the mainstream development scholarship. Importantly, it also highlights the considerable hierarchies that impact late development prospects. Nonetheless, it also shares the mainstream's tendency to conceive of the relationship between national development prospects and global conditions to be pre-determined and subject to only minimal influence (either a positive or negative depending on the approach) by developing states, and in doing so makes a similar misdiagnosis of the nature of development constraints. This commonality is reflected in their shared use of the metaphor of 'locking in'. For those championing the rules regime of the WTO this is a strong benefit since it offers 'the opportunity for new members to lock in present,

relatively liberal trade regimes' (Michalopoulos, 2002, p.61). This echoes Thomas L. Friedman's (2000) enthusiasm for the 'golden straightjacket' of economic globalisation. For those opposed to these changes, however, 'locking in' takes on an inverse double meaning: the 'locking in' of a certain set of (mainstream) policies (and 'locking out' of alternative approaches); and a resultant process through which developing states are 'locked into' a subordinate position in the global economy and hierarchy of states (as discussed in Section 2.2.2).

Yet this shared analysis is problematic on three grounds. First, it neglects the empirical variegation in how countries respond to this global order, and the considerable heterogeneity in terms of their responses to the WTO, bilateral investment treaties, IFIs and global production networks, which undermines the idea of any sort of determinist locking in. Within the WTO, for instance, the remaining scope for state intervention includes 'permissible' subsidies (such as for exports in least developed countries, or LDCs), balance-of-payment clauses, and non-trade-related policy measures such as targeted infrastructure investments, utilisation of state enterprises to develop infant industries, and government procurement as a mechanism to develop strategic industries (Akyüz et al., 1998; Chang et al., 2016). Countries have also managed to carve out very different developmental approaches under the same rules regime. For instance, Brazil more effectively promotes national firms domestically and overseas than Mexico (Santos, 2012), and Malaysia provides more supportive industrial policies for the automobile sector than Thailand (Natsuda and Thoburn, 2014). Ecuador, Bolivia, Venezuela, India and South Africa have all recently cancelled previously signed bilateral investment treaties due to domestic concern over rising corporate power and lost domestic policy space (Calvert, 2018). Such variation indicates the rules-based regime of global trade and investment does not proceed in a unidirectional manner, even amongst late developers

The IMF's influence also fluctuates, and its power is not evenly distributed across all countries. After the East Asian Financial Crisis (1997-1999) many emerging economies chose to stock-pile foreign currency to reduce future risks of crisis-induced IMF lending (Grabel, 2011). As a result, during 2003-2007, the IMF's loan portfolio declined from US$ 105 billion to less than US$ 10 billion (Chang and Grabel, 2014), and alternative financing sources such as China have weakened the hegemony not only of neoliberal

institutions but also mainstream ideas about development (Grabel, 2011, p. 806).[37] Such factors mean that the number of IMF loans and cumulative conditions varies greatly (Kentikelenis et al., 2016) and cannot be determined outside of a specific context, notwithstanding its increased surveillance and lending power to LICs in particular following the global crisis (Van Waeyenberge et al., 2013). Where GVCs are concerned, the gains and costs remain 'an open empirical question' (UNCTAD, 2014, p.104) since the relationship between GVC participation and structural transformation is mixed, and stronger in Asia than other regions (UNCTAD, 2016) and broader state-TNC relations are 'contested terrain and dynamic in nature' (Davis et al., 2018, p.43).

Second, development outcomes are variegated with considerable divergence amongst developing countries on a range of socio-economic indicators. Ocampo and Parra (2006, p.4) note that between 1980 and 2005 there have been 'strikingly different growth experiences *among* developing countries'. Since 1990, a number of countries have made the transition from low to middle income (Horner and Hulme, 2017). Whilst China's rapid development is often said to have 'worldwide significance' (Lo and Zhang, 2011, p.33), the broader rapid growth of several Asian economies, most notably, India, Thailand and Vietnam has also seen them earn the label 'Asian drivers of global change' (Kaplinsky and Messner, 2008). In Africa, a continent often noted for its poor comparative economic and social performance, a small sub-set of economies – six of the world's fastest growing between 2001 and 2010 – have been labelled 'African Lions', namely: Angola, Chad, Ethiopia, Mozambique, Nigeria and Rwanda (Tarp and Bhorat, 2016). Furthermore, several LDCs have also emerged as 'among the world's most dynamic economies' (UNCTAD, 2018b, p.4), namely Bangladesh, Djibouti, Ethiopia, Myanmar and Nepal.[38]

In structural transformation terms, whilst Van Donge et al. (2012) show Southeast Asia and sub-Saharan Africa have markedly diverged, in sub-Saharan Africa the manufacturing sector grew at 3.5 per cent annually in real terms between 2005 and 2014, faster than the global growth rate (Balchin et al., 2016). Several countries have also done considerably better than the average, increasing real manufacturing value added by more than 7.0 per cent annually between 2005-2015, and as a result, Ethiopia, Rwanda and

[37] Grabel (2011) calls these shifts 'productive incoherence'.
[38] These five LDCs achieved the global Sustainable Development Goal (SDG) 8.1 target of 7.0 per cent GDP growth in 2017 (UNCTAD, 2018b).

Tanzania are cited as bright spots of potential structural transformation on the continent (te Velde et al., 2018, 1,13). Where living standards are concerned, Bangladesh, Brazil, China, Ethiopia and Vietnam have all been singled out as examples of rapid growth combined with robust levels of poverty reduction (World Bank, 2016d). Trends in the Human Development Index (HDI) in 135 countries between 1970–2010, identified some notable (and surprising) 'top HDI movers' (countries that had made the greatest progress in HDI terms), including Oman, China, Nepal, Indonesia, Saudi Arabia, Lao PDR, Tunisia, South Korea, Algeria, Morocco and Ethiopia (UNDP, 2010, p.2010).

Third, development strategies remain heterogeneous. Proactive macroeconomic and industrial policies, both economy-wide and sector specific, are found to have contributed to economic diversification in Australia, China, Chile, Finland, Ireland, Malaysia, the Republic of Korea, Singapore and Vietnam during the 2000s (Cornia and Martorano, 2012, p.33). Ocampo and Parra (2006, p.21) find policy choices (particularly pro-cyclical macroeconomic policies) and economic structures (particularly specialisation in higher technology exports) played important role in mediating the impacts of global-level forces on tendencies toward growth collapses between 1950-2005, noting 'country specific factors still play a role, explaining why a country does not experience rapid growth during periods of growth success in the developing world as a whole, or why it can better manage vulnerabilities during downswings of the global development cycle'. The existence of such differences alone suggests the enduring space for heterodox policy choices, as well as such policies' potential worth.

In conclusion, variegated responses to global forces, as well as divergent development outcomes and economic policies within a single framework of global accumulation, indicates that the development impacts of global conditions derive, at least in part, from how particular states respond to these conditions. These responses are in turn shaped by the way developing economies have been historically articulated with global financial markets, rules regimes and production networks. Such factors have deeply historical roots and are (at least partly) impacted by past and present development strategies, rather than being merely given by (an exogenous) 'global context'. This suggests that beyond a certain point, the extent to which international trade, production and finance will constrain development, even in a low-income context, can only be assessed by reference to the context-specific and historically shaped modality of a country's insertion into the

global economy and the strategies adopted to respond to this. As a result, the interaction between global conditions and the domestic political economy must be a core feature of attempts to understand the nature of development constraints at any conjuncture.

2.4 Developmentalism in the age of neoliberalism

The diversity of outcomes, policies, and strategies for engaging with the global order outlined above signals the necessity of considering the relationship between national development prospects and global economic and political forces in a dynamic rather than determinist way. Analysis of the developmental prospects of any given state, must not, therefore, assume that all countries face the same global disadvantages or advantages (Pempel, 1999). Rather these need to be examined in practice as the context-specific product of national dynamics and the shifting and contingent functioning of the global capitalist system at a given moment in time. This signals the importance of examining the domestic balance of social forces and the material and ideational structures in which local economic and political elites are embedded in specific national contexts in order to understand precisely how national development strategies are impacted (and to what degree) by global economic and political forces – rather than taking this influence for granted. In elaborating an alternative analytical framework for incorporating this relational terrain, this section first considers the salience of examining the domestic political economy, and then how best to relate this to a reformulated understanding of the present global political and economic order of neoliberalism.

2.4.1 Actually existing developmentalism

A vitally important consideration in understanding the trajectory of a particular country's development strategy is the nature of the domestic political economy. As the existence of so-called 'autonomous liberalisation' (Chang et al., 2016, p.117) (whereby countries liberalise to a much greater degree than is strictly necessary according to any external pressure) illustrates, it is domestic not global drivers that may ultimately propel countries to embrace their existing comparative advantage and eschew manufacturing development (and thus embrace a pauperising form of global integration). Work on the transnational capitalist class (Robinson, 2001; Sklair, 2001) (even if the notion itself attributes too much coherence to this social formation) usefully highlights that shifts in global capitalism also reconstitute the material interests of nationally embedded political

and economic elites. Indeed, powerful domestic interests may push for the embrace of neoliberal policy measures for a number of reasons, including bankers advocating central bank independence, deficit rules and inflation targeting to "lock-in" so-called "prudent" macroeconomic policies; wealthy elites pushing to end capital controls to ease the movement of money out of the country; and exporters pushing for deeper trade integration to further their access to foreign markets (Chang, 2006). Socialisation through education and professional association membership between elites in developed and developing economies frames worldviews in which other options come to be seen as undesirable or unviable, which may also contribute to the ideological alignment of domestic elites in developing countries with neoliberal policy norms (Gathii, 2011). Thus even without direct external compulsion or pressure, national social forces, in light of their shifting international articulation, incentives, and linkages, may use their power and influence to facilitate deep forms of integration into the global economy (Robinson, 2005, p.5).

Importantly, such forces also hold the possibility to understand the space which remains for alternative developmental strategies. Indeed, the (potentially) significant role played by domestic elites in articulating economic strategies, suggests the need to examine the balance of social forces, including material and ideational structures in which local economic and political elites are embedded, in order to understand the relationship between domestic and global economies. As Haggard (1986) argues, a country's relationship to the international economy is shaped by decisions taken within that context (and their outcomes) such as: the balance between the import-substitution oriented and export-oriented aspects of the development strategy which help to shape trade relations; the production structure and patterns of foreign investment; the degree of dependence on foreign borrowing; and broader balance of payments dynamics.[39] All of these factors can play a central role in determining the impact of global capitalism on late development.

Instead of a determinist relationship, therefore, the national and global should be considered co-constitutive in the sense that the global economy is also itself dynamically

[39] It is for this reason that Haggard (1986, p.346) argues that '[d]ependency is too frequently portrayed as a determinant international structure rather than as a set of shifting constraints within which states seek to manoeuvre'. Whilst global conditions may be broadly similar country-by-country, the very existence of divergent outcomes, suggests the necessity of attention to how states respond to these circumstances, and therefore demands attention to domestic policies and political processes.

produced through the strategies adopted in different spaces and times. Indeed, the broader system of global capitalism itself impacts the modality of integration of all economies within the international division of labour (not only by the decisions and interests of super-powers and hegemons), wherein development strategies of even peripheral economies help to constitute the global 'whole'. The fallacy of composition argument (UNCTAD, 1996; UNCTAD, 2002c) cautions that if all countries were to simultaneously adopt the same strategies, doing so will impact the prospect for success of each of them. This means, contra mainstream analysis, that not all countries can simultaneously adopt EOI light manufacturing strategies since doing so would intensify competition in such a way as to undermine the possibility of success. It also means, contra the heterodox strands of the literature which emphasise the importance of emulating the strategies of those that came before, and deriving catch-up prospects from the ability to replicate past strategies, that this takes the global context to be too fixed and settled to provide a useful guide to development prospects. Not only does the global context change over time, but policies which may be feasible in one place may not be in another, due to differences in their political economies (Selwyn, 2011; Fine, 2013). Whilst small and marginal economies undoubtedly exert considerably less influence on the global context than advanced economies, channels of influence nonetheless flow both ways since the global context is transformed by the integration and development strategies (of groups of) developing states.

Together this suggests that the way a country's development strategy is shaped, constrained, and/or enabled by the global economy will be shaped by its development strategy and the social forces that go into producing such a strategy, and therefore cannot be read-off from the global economy in the abstract, nor the architecture of political and economic realities stemming from it. Methodologically, in order to understand the links between the domestic and global economies and how they interact to shape specific economic development strategies and constraints, particular attention to the state is required. As Bienefeld (1982, p.25) argues, to understand how the international and national spheres are linked – and through which mechanisms – it is necessary to study the nation state 'because it has the capacity, albeit a variable and limited one, to define those links'. Indeed, it is this 'bridging' role between domestic social forces and the global capitalist system that makes the state the major countervailing force against the unequalising tendencies of the global economy (Kiely, 1998a). Furthermore, given the

larger distance to the technological frontier between first and later developers, the later the development occurs, the larger the state's role is likely to need to be, particularly in mobilising financial resources for the development of capital-intensive industries characteristic of developed economies (Gerschenkron, 1962). Mainstream approaches offer no guide to understanding these dynamics, as without automatic convergence, 'outcomes [will] depend on circumstances, domestic policies and global constraints' (Saad Filho, 2014, p.579). Thus the mediation between national development and the global capitalist system is thereby fundamentally shaped by historical processes of state formation and class relations within a given context (Kiely, 1994), which in turn can only be understood methodologically from the study of this context.

The implication of this analysis is that instead of the dominant mainstream and heterodox approaches, the relationship between national development and global economic and political conditions, following Kiely (1994), needs to be considered to be both dynamic and contingent, and the product of (undoubtedly) powerful tendencies, as well as context-specific counter-tendencies. Rather than a set of predetermined "rules" of the system, global forces should instead be seen as "laws", which are subject to a multitude of countervailing forces, mediated – amongst others – through the state and which 'influence, but do not completely determine, the industrial (and wider development) strategy of peripheral capitalist countries' (Kiely, 1994, p.147).[40] Notably, these laws should not be understood as immutable abstract tendencies of the capitalist system, but are specific to the particular configuration of global capitalism at a particular historical conjuncture. These tendencies should thus be considered to emanate from a global-level system of accumulation which is a historically specific configuration of capitalism associated with a set of specific constraints to growth. This approach shares an understanding with some strands of the dependency literature, which treated this as a flexible methodological approach rather than dogmatic theoretical framework, and called for what Palma (1978) dubs the examination of 'concrete situations of dependency' (see also Kay, 1989; Kiely, 2010; Leys, 1996).

However, instead of presupposing and then demonstrating dependency, the framework utilised in this thesis instead seeks to explore the relationship between national

[40] As Kiely (1994, p. 153) points out: '[t]he specific effect of these tendencies on a particular country (or group of countries) in the world economy will depend on how that nation, and its institutions (especially the state) and social actors respond to these "laws"'.

development and global conditions through case studies of "actually existing developmentalism".[41] The motivation for doing so is to explore concrete strategies directed at structural transformation under current global conditions (strategies which seek to push against the powerful tendencies of the current global political and economic order), in order to understand just how constraining the global economic and political forces are for efforts directed at contemporary late development. Such case studies, it is suggested, can reveal the extent to which alternative development trajectories are possible by exploring – rather than taking for granted – the links between the global and national domains (and their development implications).

Whilst direct replication of past experiences is not a helpful way to construct the development challenge for the reasons discussed above, the past offers some guide to the sorts of strategies which might prove effective in triggering structural transformation potentially capable of generating catch-up. A useful sketch of the domains of state-led intervention in support of developmental trajectories conducive to stable, sustainable and equitable growth is offered by Chang and Grabel (2004b; 2014). This work suggests that transformative strategies capable of powering the transformations needed for late development are likely to involve policies located in five broad economic domains: trade and industry; privatisation and intellectual property; international private capital flows; domestic financial regulation; macroeconomic policies and institutions.

According to this framework, heterodox trade and industrial policies should broadly seek to eschew free trade. Instead protection and selective industrial promotion (mixing infant industry protection of domestic industries and export promotion) should be deployed, attached to appropriate performance requirements. Privatisation, meanwhile, should be resisted for its own sake in order to utilise state enterprises for development objectives (including in natural monopolies and large industries). Innovation and technological adoption should be promoted over the protection of intellectual property rights. International private capital flows should be carefully managed, through the use of capital controls, ceilings on foreign loans, careful management of portfolio inflows

---

[41] This usage is inspired by the approach to examining cases of 'actually existing development' deployed by Kiely (1998b, p.37), which, as he points out, draws on a lineage coming from the idea of 'actually existing socialism' used by Bahro (1978) and adapted by Sutcliffe (1984) into 'actually existing industrialisation'. In the context of debates about neo-developmentalism in Latin America the term 'really existing developmentalism' has been recently deployed to distinguish between theoretical and empirical uses of the term, although these uses are broader than that here, since it is used to characterise the more general process through which capitalism develops in concrete times and places (Bresser-Pereira, 2016).

and FDI management strategies, all targeted at employment creation, living standard improvements and knowledge transfer. Domestic financial regulation should seek to provide credit at appropriate prices for investments likely to yield stable, sustainable and equitable investment. Financial liberalisation should therefore be secondary to these more important goals. Finally, macroeconomic policies and institutions may entail restricted currency convertibility, adjustable exchange rate pegs, central banks integrated with the wider development strategy, growth-enhancing rather than inflation-targeting oriented monetary policies, and growth-promoting public investment underpinned by expanded tax revenues.

Yet whilst these policies are likely to be important to any contemporary late development effort the global economy also throws up some challenges for their implementation. The heterodox literature highlights two categories of shifts which demand attention in any study of contemporary late development: the neoliberal architecture of global rules and institutions (the IFIs and WTO and broader trade and investment regime); and shifts in patterns of global accumulation (specifically effecting global production and finance). Each of these "laws" is briefly examined to understand the specific mechanisms by which each typically impacts late development trajectories by constraining (although not eliminating) the scope to apply alternative economic policies of the kind discussed above. Such specificity is critical to framing the empirical enquiry which follows, allowing the analysis of global economic and political forces to be incorporated into the case study analysis in a way that eschews the risk of "pessimistic determinism".

2.4.2 International Financial Institutions

The close alignment between the lending practices and policy advice of the IFIs and mainstream development scholarship, due to the financial and intellectual muscle of the World Bank in particular, suggests the need to examine the ways these institutions have persistently helped to champion, cajole and (at times) coerce states to adopt the neoliberal development policies. Indeed, Chang (2006, p.627) credits the IFIs with starting what he refers to as the 'current phase of shrinkage in policy space' through the expansion of structural adjustment loans (SALs) after the debt crisis which engulfed the

developing world in the 1980s.[42] Such policy conditionalities are aligned with classic Washington Consensus policy norms, and include measures to liberalise, stabilise and privatise economies in return for concessional and non-concessional financing (Chang, 2006; Khan, 2007; Akyüz, 2009). In addition, the Bank is also a powerful development policy agenda setter (Van Waeyenberge and Fine (2011), and this combination of intellectual and material influence, has earned the IFIs the label of 'agents of neoliberalism' (Babb and Kentikelenis, 2018).

In terms of the specific constraints to the application of developmental alternatives emanating from IFI conditionalities, trade liberalisation (a common loan conditionality since the mid-1980s) (UNCTAD, 2006) has damaged nascent manufacturing capacity in many poorer developing economies, threatening industrial employment and increasing reliance on primary goods. This makes nurturing future infant industries harder, whilst lost tariff revenues adversely impact the scarce tax base that could be used to increase developmentally beneficial public investment (Chang, 2006; Jomo K.S., 2007). Stabilisation measures (another common IFI policy staple), such as restrictions on government deficits, both curb fiscal space and put a particular (mainstream) conception of macroeconomic stability ahead of demand management, capacity creation, and increased employment and wages, which instead requires greater scope to expand public budgets and some flexibility regarding deficits (Mayer, 2009).

Privatisation, meanwhile, often fails to raise hoped-for revenues, imposing important social, political and distributional costs, as well as neglecting multiple instances where state-owned enterprise (SOEs) have proved compatible with economic success (Chang and Grabel, 2014).[43] Indeed, state enterprises can aid with the social control of natural monopolies (such as railways, water and electricity), where the profit-orientation of private firms is incompatible with equitable service provision (for example providing poor, rural communities with postal services, public transport, basic education and water), and help to power investment in sectors where private investors are unlikely to put forward capital (either in capital-intensive risky high technology sectors such as

[42] Early warnings about the way IFI lending under SALs might threaten industrialisation efforts can be found in Hellenier (1983) and Kaplinsky (1984).
[43] For instance, here they cite Taiwan, Singapore, Austria, France, Norway, and West Germany (Chang and Grabel, 2014).

steel and aircraft, or where private investors are not interested but which are strategically important, such as basic input industries like chemicals or steel) (Chang, 2007).

With the transition to the post-Washington Consensus, additional barriers to structural transformation from the global development financing architecture have emerged. The turn toward the Poverty Reduction Strategy Paper (PRSP) modality of lending support, despite the supposed softening of the structural adjustment agenda, has been much-criticised for simply reinventing the mechanisms by which neoliberal reforms are transferred to developing countries (Soederberg, 2005a; McKinley, 2009). In addition, the turn toward performance-based lending (or 'selectivity'), through which aid allocation decisions are informed by evaluations of the prior implementation of targeted reforms, and consolidated through the Bank's country policy and institutional assessment (CPIA) framework, acts as a 'strong disciplinary role with regard to a recipient country's policy space' (Van Waeyenberge, 2009, p.806). The criteria for determining the quality of a country's development regime are universalistic, with high thresholds for achieving top scores (such as a virtually free trade regime in the trade liberalisation metric) (Wade, 2014). The emergence of the good governance paradigm, meanwhile, has also added multiple aspects of governance to the IFI policy recipe, across a broad spectrum of economic, political and social reform such that 'there is virtually no area on which the Bank and the Fund do not have (often very strong) influence - democracy, judicial reform, corporate governance, health, education' (Chang, 2006, p.627). Such expanded influence has also served to undermine domestic policy-making capacity, eroded independent development thinking, and distorted the incentives of policy-makers toward IFI priorities rather than those that might in some sense be domestically or socially determined (Harrison, 2004; Oya and Pons-Vignon, 2010). Aid dependence can also exacerbate such tendencies, as local ownership decreases as foreign experts and donors take over many crucial functions of governments, impacting both democratic decision-making and incentives for domestic tax collection (Bräutigam, 2000). Any examination of 'actually existing developmentalism' in the neoliberal period therefore needs to be sensitive to this complex array of dynamic forces.

2.4.3 Global trade and investment regime

Whilst the formation of the WTO in 1995 enhanced the security and stability in terms of market access of developing countries (Akyüz et al., 1998), as well as introducing

new special and differential treatment (S&DT) provisions (Kumar, 2005),[44] it also went far beyond the previous General Agreement on Tariffs and Trade (GATT) regime to encompass a wide range of "trade-related-activities" (including services and investment-related laws). This had the effect of extending WTO oversight over a much broader range of domestic legislation (UNCTAD, 2014), as well as mandating tariff cuts for industrial products in developing countries, impacting sectors often hitherto well-protected from international competition (UNCTAD, 2006).

In addition, despite claiming to provide a single set of rules for all countries through the "single undertaking" (compared with GATT's more optional regime), later entrants (often developing economies) ultimately face steeper accession terms due to the power differentials at work in bilateral entry negotiations (Wade, 2005, p.87). Steep legal costs and vulnerability to reprisals also pose major challenges to developing countries through the WTO's dispute resolution mechanism (Wade, 2005). Rules related to foreign investment regulation and subsidies, meanwhile, particularly benefit advanced economies (UNCTAD, 2006). The costs imposed by the WTO also weigh particularly heavily on late developers, which regulates against many tools used by developed economies to close the technological gap (Singh, 1996; UNCTAD, 2006). This includes some important performance requirements on FDI, such as local content requirements, export performance targets and trade balancing measures (such as foreign exchange restrictions or other trade restrictions) (Singh, 1996; Wade, 2005; UNCTAD, 2006). Domestic value addition and backward integration of strategic industries, which are a particular challenge in GVC integration (Kumar, 2005; UNCTAD, 2006) (see section 2.4.4), are substantially complicated by such prohibitions. Strict copyright, trademark, industrial design and patent restrictions further constrain the scope for reverse engineering and imitation (UNCTAD, 2014), increasing the costs of patentable knowledge and copyright, raising barriers to technology acquisition and therefore to innovation, productivity increases and wage increases (Khan, 2007).[45] In reducing policy in these respects the WTO thereby reduces developing countries' 'autonomy to

[44] In contrast with the GATT regime, special treatment now means a longer transition period for comprehensive implementation (not non-reciprocity designed to help to level the playing field between countries) (UNCTAD, 2006). However, this period is widely considered to be too short to be able to fundamentally alter the gap between developed and developing economies (Kumar, 2005; Wade, 2005).

[45] By increasing financial flows to advanced economies from developing economies (Wade, 2005), TRIPS has earned the status of 'the most unequal WTO agreement' (Akyüz, 2008, p.9).

experiment with institutional innovations that diverge from orthodoxy' (Rodrik, 2007, p.225).

Whilst some important flexibilities remain in the WTO system (Akyüz et al., 1998; Amsden, 2005; UNCTAD, 2014), steadily proliferating Preferential Trade Agreements (PTAs) [46] and bilateral investment treaties (BITs) now stray into important developmental policy areas typically left out of the multilateral trade arena (UNCTAD, 2006; Akyüz, 2008; Thrasher and Gallagher, 2008; UNCTAD, 2014).[47] So-called WTO-plus provisions (more stringent than those included in the multilateral arena) and WTO-extra provisions (going beyond what is included in the WTO) (Horn et al., 2010) have brought government procurement, capital flows, trade in services, and environmental and labour issues into the global trade and investment regime (UNCTAD, 2014). In particular PTAs have been said to promote "deep integration", encompassing: liberalisation of behind-the-border trade rules; safeguards over the interests of foreign firms and investors;[48] and harmonisation of domestic legislation and regulations governing international production and trade between signatories (Kim, 2015). They may be more accurately described, therefore, as 'comprehensive economic integration treaties' (UNCTAD, 2014, pp.82, 69) targeted at eliminating all remaining barriers to trade and capital flows, open new areas to corporate profit through privatisation, and push through deregulation and flexibility in labour markets. Even more than the multilateral trade regime, such bilateral and regional agreements thus pose a sizeable challenge for the contemporary developmental strategies.

2.4.4 Global value chains (GVCs)

Intensified competition, combined with widespread trade liberalisation, increased capital mobility, transformations in global information, technology and logistics and changing corporate strategies (which now prioritise flexibility, cost-savings and the maximisation of share-holder value), all contributed to the disintegration of post-war Fordist production structures (UNCTAD, 2016). As a result, since the 1970s, lead firms (often headquartered in advanced economies) in sectors such as apparel, electronics,

[46] Also known as Free Trade Agreements (FTAs).
[47] Between 1990-2015, the number of trade agreements increased from 50 to 279 and the number of BITs from 238 to 2239 (UNCTAD, 2018c).
[48] Such as through investor-state dispute settlement mechanisms which grant foreign investors the power to sue governments that implement legislation directly or indirectly affecting corporate profits or the interests of foreign investors (UNCTAD, 2014).

agro-processing and automotives have increasingly relocated, outsourced, or sub-contracted core aspects of the production process, whilst themselves concentrating on design, branding, R&D and marketing activities (UNCTAD, 2016). The modality of developing economy incorporation into such structures has altered the international division of labour inherited from the colonial period, through which developed economies dominated the production and export of manufactured goods, and developing economies concentrated on commodity production (Kiely, 2014). Global trade has markedly expanded since the 1980s (UNCTAD, 2014; UNCTAD, 2016), whilst developing countries' share of global trade in manufactured goods has risen from 10 per cent in 1980 to nearly 45 per cent by 2014 (UNCTAD, 2016). Some 80 per cent of global trade (measured in terms of gross exports) now occurs through these fragmented production networks (UNCTAD, 2013).

The development implications of these shifts, as Bair (2005) notes, are highlighted in the heterodox literatures organised around the rubric of global commodity chains (GCCs) and global value chains (GVCs),[49] and are four-fold. First, the GVC analysis highlights that participation in vertically integrated production networks may be systemically unequalising – reproducing rather than eliminating global hierarchies – given the adverse terms on which developing countries and firms typically participate (Kaplinsky, 2000). Dividing activities in such chains by their capacity to generate broader economic spillovers, GVC analysis finds that activities at the beginning and end of the process – design and marketing – have higher barriers to entry and greater potential to generate dynamic rents and systemic gains than those related to production, where increasingly fierce competition (due to lower barriers to entry) has seen the unit prices decline since the mid-1980s (Kaplinsky, 2000). Furthermore, whilst there has been *concentration* amongst lead firms in developed economies, there has been increased *competition* amongst lower rung activities (UNCTAD, 2016), and as a result developing country producers are integrated via specialisation in low returns, low barrier to entry (and thus low-value added and low-wage) segments of production (UNCTAD, 2014).

Second, chain governance places developing country firms in a vulnerable bargaining position as important players, known as lead firms, mostly large TNCs, overwhelmingly

[49] Such approaches trace their roots to world systems theory (see for instance Hopkins and Wallerstein, 1986).

based in developed economies (UNCTAD, 2018c), wield the power to determine the distribution of profit and risk between the various actors in the chain (Gereffi, 1999; Gereffi, 2014). This happens via control and coordination of logistics, design and quality standards, and decisions over the integration of components (Kaplinsky, 2000). In practice this power differential also entails strong pressure from lead firms to keep labour costs low (UNCTAD, 2014). Third, 'upgrading' (of both technology and skills) to higher value-added activities in the chain is thought to be needed to capture better returns from GVC participation (Davis et al., 2018). Yet, outside of meso (sectoral) and micro (firm) dynamics, upgrading efforts are often impacted by the broader shifts in the global capitalist system (Bair, 2005), which, as noted above, have limited opportunities for industrial policy-making. Furthermore, the very policy measures often designed to attract lead firms to relocate parts of their production, such as the removal of restrictions on the repatriation of profits and the protection of investor interests, may work against upgrading by accommodating the needs of foreign investors at the expense of measures designed to encourage technology transfer, local sourcing and employment creation (UNCTAD, 2014; 2016). In general, meanwhile, reliance on FDI can have developmentally unfavourable impacts due to power differentials, limited flows of (greenfield) FDI which builds productive capacity development, uncertain and contingent balance of payments implications, and the speculative and volatile flows often labelled as FDI (Akyüz, 2015).

Fourth, such production structures are often accompanied by the expanded import of intermediate goods, with the risk of specialisation only in low-wage assembly tasks and producing enclaves with limited linkages between export industries and the rest of the economy. This risks what UNCTAD (2016, p.78) calls 'stalled industrialisation', wherein the share of manufacturing in both output and employment stagnates at modest levels, due to the failure to develop the dynamic linkages with the rest of the economy. The GVC literature thus provides an important counter to the win-win arguments about global integration evident in the mainstream literature (as discussed in section 2.1.2) by highlighting the processes through which developing country manufacturing can become restricted to low productivity and low-wage activities, thereby reinforcing rather than transforming global hierarchies (Bair, 2005; Neilson, 2014; Ravenhill, 2014; Kiely, 2014; Smith, 2016). It is for these reasons that heterodox approaches do not consider GVCs to be a development strategy in and of themselves, but that participation

will necessitate extensive industrial policies (although of the kind now much more problematic in the ways outlined above) (UNCTAD, 2016).

2.4.5 Financialisation

The disintegration of the Bretton Woods system of global monetary regulation at the end of the 1970s ended both the gold standard and fixed exchange rates, and ushered in extensive capital account liberalisation (Wade, 2006). The latter commenced in the developed world in the 1980s, and was followed by financial deregulation and capital account opening in developing countries in the decades that followed (UNCTAD, 2015). Financial liberalisation was one of the five core components of IFI structural adjustment lending (Crisp and Kelly, 1999),[50] premised on the idea that financial liberalisation and "competitive currencies" would spur foreign investment, and thus development (Williamson, 1990; Rodrik, 2007, p.16). The result was three fundamental and inter-related modifications in patterns of finance globally: greater global liquidity (as the US was now able to pay for imports through Treasury bills and dollars rather than gold or dollars backed by gold, and so without supply-side limits); markedly increased capital mobility; and a shift away from long-term flows between developed and developing countries and upswing in short-term, speculative financial movements (Wade, 2006). Together such shifts also profoundly transformed patterns of global accumulation by giving rise to financialisation,[51] the hallmark of neoliberal capitalism globally, which can be described as 'the extraordinary proliferation and expansion of financial markets and instruments as such, both within and between countries, but also the penetration of financial processes and imperatives into ever more aspects of economic and social reproduction' (Fine and Saad Filho, 2014, p.156) (see also Fine, 2010; Fine, 2012; Fine and Saad Filho, 2017).

The implications of these shifts for strategies directed at structural transformation are three-fold. First, the productive investment which is pivotal to industrialisation efforts has suffered. The manufacturing sector requires long-term financing (to help firms increase productivity and expand), whilst large-scale financing for risky and complex infrastructure projects is vital to creating a wider enabling environment for structural

[50] The other four areas were: trade liberalisation; exchange rates; tax reform; and public enterprises reform and privatisation (Crisp and Kelly, 1999).
[51] Of this relationship Fine suggests 'we can view neoliberalism as a period of capitalism dominated by financialisation' (Fine, 2012, p.53).

transformation (UNCTAD, 2016). Such funds have typically been provided by public financial institutions such as central banks and development banks which provide preferential directed credit for strategic industries and projects, in contrast with commercial banks often biased toward short-term lending (UNCTAD, 2016). Financialisation has, however, decreased investment in real productive activity and instead expanded speculative financial flows (Stockhammer, 2004; Fine, 2012). Financial market control over financial intermediation has also increased (at the expense of banks of all kinds), and corporate strategies are increasingly determined by 'shareholder value maximisation' strategies (van der Zwan, 2014; Storm, 2018). The knock-on effect has been reduced state control over patterns of resource allocation (including over the balance between investment and consumption, sectoral destinations and nature of international specialisation) (Saad Filho and Ayers, 2008, p.162). Furthermore, central bank independence, a key component of the neoliberal financial agenda, places control over interest rates beyond the reach of domestic political institutions (Ayers and Saad Filho, 2015). New developments in the international development architecture are working to consolidate this finance-oriented policy agenda, as ODA is increasingly used to foster deepened financial market penetration of developing economies by de-risking investments and easing the passage of speculative financial flows (Mawdsley, 2018). Meanwhile, revived policy interest in public private partnerships (PPPs) in developing countries is reshaping the way infrastructure provision works in order to deliver profits in service of global finance capital on terms that are considered to be extremely unfavourable for developing countries (Bayliss and Van Waeyenberge, 2018).

Second, financialisation increases macroeconomic instability as enhanced openness to expanded flows of cross-border finance has amplified vulnerability to sudden capital outflows (UNCTAD, 2014; UNCTAD, 2016). Speculative investments also increase fragility by raising the likelihood of financial and currency crises (Chang and Grabel, 2004a), whilst short-term inflows favour the acquisition of financial assets, real estate investments or consumption credit where the risk of boom-and-bust cycles is heightened (UNCTAD, 2014, p.121). Whilst macroeconomic instability undermines development in its own terms, such flows also tend to be pro-cyclical, which, in tandem with the pro-cyclical patterns of ODA, prompt fiscal contraction rather than expansion at times of economic stress (Akyüz, 2008). Third, financialisation deepens power imbalances. In

increasing vulnerability to external shocks it thereby increases the power and leverage of the IMF (especially in LICs, given limited alternative sources of finance in times of economic distress) to promote a fiscal austerity-driven agenda for resolving crises (Rude, 2005).[52] The threat of capital flight, meanwhile, whether real or imagined, has strong disciplinary effects, increasing the power of foreign investors over domestic policy decisions (Chang, 2006). Increased reliance on external commercial lending meanwhile also deepens the power of financial capital over the domestic policy domain, with the imperative of 'creditworthiness' organised around creditor preference for 'good policies' such as fiscal austerity (Soederberg, 2005b, p.943). These three-interrelated shifts demonstrate the ways in which the neoliberal global financial system is both hierarchical (with crises affecting developing economies more severely), and the ways in which its asymmetries are reproduced via the different institutional arrangements for managing and resolving crises (with the IMF as the 'policeman' of crisis resolution via austerity).

In summary, to unpack contemporary prospects for late development these shifts at the level of the rule regimes and accumulation strategies characteristic of the global neoliberal period must be incorporated into any study of actually existing developmentalism.

Conclusion

This chapter has provided a theoretical footing to examine the core concern of the thesis: possibilities for national development strategies directed at structural transformation, employment creation and improved living standards since the neoliberal transition. The chapter examined dominant conceptualisations of the relationship between national development prospects and global political and economic forces within the existing development literature. Building on the work of Hunt (1989) and Hirschman (1982), the chapter found a common (and problematic) conceptualisation of the relationship between national development and global conditions in both the mainstream and heterodox approaches. Both the "optimistic determinism" of the mainstream literature, which suggests global conditions will be universally enabling of development in all countries and contexts, and the "pessimistic determinism" of the heterodox literature,

[52] Indeed, in the wake of the global financial crisis (GFC), the IMF's role in LICs has indeed increased (Van Waeyenberge et al., 2013).

which tends to see the global political economy as uniformly constraining for development, misdiagnose the nature of development constraints. Instead, the chapter argued that the influence of the global economy on national development prospects is not pre-determined (for good or ill), but rather the context-specific product of both a given nation's development strategy and the shifts in the global capitalist system in a specific moment of global accumulation. The chapter then advanced that this relationship should be considered dynamic and relational, not pre-determined or universal.

The alternative analytical framework of actually existing developmentalism outlined provides a way to explore what opportunities remain for – and what openings can be created by – states seeking to deploy developmental strategies today. Methodologically, this alternative is organised around historically informed political economy analysis of the interactions between global and domestic social, political and economic forces, predicated on an understanding that the relationship between national development and global conditions in the age of neoliberalism (or any other) must be understood dynamically and contextually, not deterministically. The state – and the social forces acting upon it – are a particular focus of enquiry given its role as a bridge between the national and global economies. The framework thus implies attention should be paid to the material and ideational climate in which development policy is made.

Case selection, as noted in Chapter 1, has been driven by the selection of country experiences which go against the grain of prevailing development advice in ways indicative of a developmental orientation. Ethiopia and Vietnam both display state-led, manufacturing-oriented and gradualist economic strategies, share similar economic histories, and have track-records of atypical development performance. The subsequent chapters thus offer a historically-rooted political economy analysis of the interactions between domestic and global forces in the context of two rapidly growing late developers.

Chapter 3 Ethiopia 1991-2001: The emergence of defensive developmentalism

This chapter uses the analytical framework elaborated in Chapter 2 to examine the emergence and evolution of Ethiopia's development strategy between 1991 and 2001, as the new ruling coalition, the Ethiopian People's Revolutionary Democratic Front (EPRDF), embarked on the transition from command to market economy. It argues that despite adopting several mainstream reforms, a form of what it dubs defensive developmentalism emerged, consisting of a heterodox approach to state, domestic and foreign capital, which helped to preserve a nexus of finance, industry and infrastructure firms in state control. The chapter explores the forces both driving and enabling the creation of an unorthodox developmental core in a country emerging from over a decade and a half of conflict as one of the very poorest in the world, and in a situation of considerable economic fragility. To do so, it considers the material and ideational forces conditioning the EPRDF's approach to the transition to a market-oriented economy, and how its policy decisions and scope for implementing them was impacted by the neoliberal global order outlined above. It roots Ethiopia's notable deviation from the mainstream development paradigm in its developmentally conducive political economy inherited from the previous military regime, which both enabled and propelled the embrace of a heterodox development strategy, and was ultimately then sustained by this self-same approach. Whilst this heterodox core was not yet deployed as an engine of marked economic transformation, the more ambitious and expansive developmental agenda which emerged within Ethiopia in the mid-2000s would be unthinkable without it. The chapter first examines the legacies of the Ethiopian revolution which overthrew the ancient imperial system in 1974,[53] and then considers early economic challenges and reforms, and reviews how the EPRDF conceptualised the development challenge at this period. The third section discusses the core components of defensive developmentalism, before then moving on to consider the global and domestic challenges impacting this strategy.

[53] The Derg has sometimes been called a 'socialist militarist' regime, but here the term military regime is preferred. It follows Merera Gudina (1994, p.195) in understanding the Derg as a 'military autocracy with a socialist mask'.

3.1 Legacies of the Ethiopian revolution

The ancient Ethiopian imperial order produced state and military structures capable of repelling an attempted Italian invasion at Adwa in 1896, through which Ethiopia secured a rare victory over European colonialism of both international and domestic significance (Pankhurst, 2001, p.193).[54] The social basis of the Ethiopian empire combined elements of feudalism and non (or pre)-feudal forms of production (Rahmato, 1984).[55] By the early 1970s approximately 85 per cent of the population were living in rural areas (Griffin, 1992, p.1), almost 90 per cent of whom were subject to pre-capitalist social relations characterised by some form of rent or tribute (Halliday and Molyneux, 1981). The result was a socio-economic situation characterised by extreme poverty, with the world's lowest levels of life expectancy at birth in the mid-1970s (37.5 years for males and 40.6 for females), some of the world's lowest levels of education (rural illiteracy levels of 91.5 per cent), and extremely low income per head (roughly US$ 115) (Griffin, 1992). It also had the world's third lowest level of calorie consumption in 1974, at 1507 kcal per capita (FAOSTAT Database, 2019). For these reasons, it has been concluded that '[o]n the eve of the Revolution the economy of Ethiopia was perhaps the most backward in the world' (Griffin, 1992, p.1).[56]

The profound hardships of the imperial system fuelled mounting social unrest during the 1970s, which culminated in the 'popular upsurge' that ushered in the Ethiopian revolution through which the country's final emperor, Haile Selassie I (1930-1936; 1941-1974) (Zewde, 2001, pp.217–218), was overthrown. Widespread urban tumult in 1974 drew street protests from across the social spectrum, from taxi drivers and teachers, to the intelligentsia, civil servants and broader bureaucratic class, urban workers and the unemployed, students, traders and Muslim communities (Ottaway, 1976; Markakis, 1981). By September 1974, a mutinous group of non-commissioned (and some junior)

---

[54] Domestically, the legacy was immense national pride and the belief that the country was 'virtually invincible, and could resist any European enemy, however strong' (Pankhurst, 2001, p.193). On the part of European powers, Ethiopia's victory was said to have been 'unthinkable for a modern European army of such size with its disciplined and well-equipped formations' (Vestal, 2005, p.27). The Ethiopian empire itself also participated in the 'Scramble for Africa', as its rulers competed with European powers to acquire new territory in the region (Erlikh, 1986, p.4; Zewde, 2001).

[55] Rural populations were subject to corveé or forced labour under both systems, compelled to cultivate the land of the state or local rulers, and provide services such as animal husbandry, grinding grain, constructing buildings, taking custody of prisoners, providing carrying and transport services for the ruling classes (Zewde, 2001, p.87; Markakis, 2011, pp.99–100).

[56] The burdens of such methods of surplus extraction (which led to over-cultivation and use of inferior quality land), produced great fragility to climatic shocks and vulnerability to famine (Kebbede, 1988). This included the so-called Great Ethiopian Famine or Evil Days (*Kefu Qan*) famine of 1888 to 1892 which followed an explosion of cattle disease, drought and locust invasions (Zewde, 2001, p.76).

army officers (Ottaway, 1976) had gained full control of the Ethiopian state (Zewde, 2001, p.234), and came to be known as the Provisional Military Advisory Council (PMAC) or the Derg (meaning ‘committee’ or ‘council’). By the end of 1974, the Derg had adopted a socialist platform, prompted in part by its alignment with the Marxist-Leninist All-Ethiopia Socialist Movement (MEISON). This alignment provided the Derg with a base in the progressive urban milieu of labour activists, left-wing intelligentsia and students, and helped to marginalise calls for a people’s government stemming from other Leftist groups (Kebbede, 1987). Against this backdrop, the Derg instrumentalised this socialist platform to consolidate its own power which was wielded with extreme brutality.[57]

In March 1975 sweeping land reforms saw all rural land nationalised (PMAC, 1975), ending tenant-landlord relations, granting peasants usufruct rights, and prohibiting the hire of agricultural labourers, except on state farms (Kebbede, 1987). Some 5,000 commercial farms owned by land-holding families or merchants were nationalised (Ottaway, 1976), the sale, lease and mortgage of rural land was outlawed, and a ceiling of 10 hectares (25 acres) for peasant landholdings put in place (Chole, 2004, p.193). All urban land and rented (‘extra’) houses were nationalised in July 1975. Cumulatively, such land and property reforms have been described as a ‘truly revolutionary event that swept away not only the political superstructure of the imperial regime but also destroyed its social foundations’ (Markakis, 2011, p.18). Yet whilst peasant agriculture remained the bedrock of the rural economy (Chole, 2004, p.193), rather than being liberated by the Derg’s reforms, the peasantry were deliberately squeezed.[58]

In the modern sector, nationalisations occurred in major manufacturing, financial and insurance-related firms (foreign and local) (Markakis, 1981; Kebbede, 1987), and by the end of 1976 two-thirds of all manufacturing was under the Ministry of Industry’s control (Halliday and Molyneux, 1981). Nationalisations eliminated the nascent domestic bourgeoisie (Kebede, 2011, p.8) as well as the foreign investors attracted by Haile Selassie I’s industrialisation efforts (Bondestam, 1975). State enterprises thus

[57] The “Red Terror” purges (1976-1978) have been described as ‘one of the most systematic uses of mass murder ever witnessed in Africa’ (de Waal, 1991, p.101).
[58] The Derg adopted a ‘surplus squeeze strategy’ (Abegaz, 1988) in rural areas to fuel industrial and military spending. Thus traditional obligations to landlords were replaced with state pricing and taxation schemes (G˜ıth˜ınji and Mersha, 2007). Grain production quotas were so mercilessly enforced in some areas, for instance, that peasants were forced to sell livestock to buy grain at market rates (Clapham, 1992).

comprised the country's largest firms, including Ethiopian Airlines, Ethiopian Shipping Line, Industrial Public Enterprises, Ethiopian Telecoms Authority, Ethiopian Freight Corporation, Electric Power and Light Authority, and the Marine Transport Authority, and which undertook an increasing share of public investment during the 1980s (World Bank, 1990).

Central planning structures were introduced in 1978 alongside agricultural production quotas (Clapham, 1992), although full central planning was never instituted (Chole, 2004, p.193). Instead the resulting command economy left a small role for private ownership (hotels, small-scale manufacturing, trade, transport and food processing) (Markakis, 1981). Some estimates suggest private trade accounted for around two thirds of total marketed domestic output at the end of the 1980s (World Bank, 1990), although domestic capital was also extremely small-scale. A ceiling of 0.5 million Birr in fixed assets per manufacturing enterprise was put in place, entrepreneurs were prevented from owning more than one enterprise, licensing was subject to considerable scrutiny, and (official) foreign exchange was strictly controlled (World Bank, 1990). In 1990, just 80 people paid the highest rate of income tax, at 89.0 per cent, mostly licenced traders and owners of small construction firms (World Bank, 1990). Overall, the emergence of a powerful independent capitalist class was strongly supressed, and it was thought at the time that '[e]xpanding the scale of one's business … is an invitation to the state to nationalize it' (Kebbede, 1987, p.14). Within the 17-year period of military rule, therefore, the imperial era's feudal structures had been dismantled, foreign capital ousted, the space for domestic capital highly circumscribed, and the role of the state in industry, infrastructure and finance markedly increased.

As a result of conflict, environmental degradation, rapid population growth and adverse external developments, economic growth was in persistent decline from 1988 onward, and it had rarely exceeded population growth since the mid-1950s (IDS, 1994, p.67). Per capita cereal production fell during 1974-1984, alongside a 67 per cent decline in exports (Henze, 2000, p.305). Borrowing and grants were therefore used to cover the current account deficit (IDS, 1994, p.68). Soviet military support fell sharply, from US$ 1 billion in 1989 to US$ 300 million in 1990 (Henze, 2000, p.314). Increased literacy rates were one of the few areas of social progress in the Derg period, with illiteracy rates for people 10 years or older declining from 90 per cent in 1973 to 65 per

cent in 1981, thanks to a major National Literacy Campaign launched in 1979 (which at its height had 35,000 instructors) (Griffin, 1992). Yet life expectancy was just 48 years, one of the shortest in the world (World Bank, 2016f), and with GNP per capita of US$ 110 in 1992, Ethiopia compared very poorly with the sub-Saharan regional average of US$ 530 (Maxwell and Lirenso, 1994, p.65). Whilst severe economic stresses prompted the Derg to make limited moves to introduce a mixed economy in the late 1980s and early 1990s, (Zewde, 2001, p.264) progress was limited.

3.2 From liberation to transitional government

In May 1991, after a sustained civil war, the Derg was ousted by EPRDF forces, a multi-ethnic coalition of political parties,[59] founded in 1989 by the Tigray People's Liberation Front (TPLF), a group based in the impoverished northern region of Tigray (Young, 1997).[60] Rooted in the radical left-wing student movement of the 1960s and 1970s (Young, 1997), the TPLF leadership was well-versed in the Marxist-Leninist revolutionary movements of the era (Gill, 2010, p.65). Its library reportedly included readings on the Albanian revolution and Korean industrial policy (Weis, 2016, p.47), and for a long time after the EPRDF took power, it had to deny it was trying to emulate Enver Hoxha's Albanian socialism based on self-reliance and a refusal to enter either the Soviet or Chinese sphere of influence (Young, 1997, p.155; Lefort, 2015). The TPLF rejected revolution based on mobilising an (almost non-existent) urban proletariat, instead committing 'to Maoist notions of protracted people's war based on the peasants' (Tadesse, 2015b, p.259). Once its forces seized power, relying on strong support from this peasantry, as well as arms and military training by the Eritrean People's Liberation Front (EPLF) (Pankhurst, 2001, p.276; Zewde, 2001, p.261), the EPRDF formed the Transitional Government of Ethiopia (TGE), which established EPRDF (and former TPLF) leader Meles Zenawi as Ethiopia's new president (Morrison, 1992).[61]

---

[59] The EPRDF's constituent parties are the Oromo People's Democratic Organisation (OPDO), the Amhara National Democratic Movement (ANDM), the Southern Ethiopian People's Democratic Front (SEPDF) and the Tigray People's Liberation Front (TPLF), each representing the Oromo, Amhara, Southern Nations, Nationalities, and Peoples' Region (SNNPRS) and Tigray regions respectively. In the other regions the EPRDF is supported by a number of so-called affiliate parties (Aalen, 2006).

[60] Tigray's marginalisation since the mid-nineteenth century and experienced multiple economic hardships such as recurrent droughts. The stress placed by the feudal system contributed to a major peasant rebellion (the so-called Woyane rebellion) in 1943 (Zewde, 2001, p.259).

[61] The TGE consisted of a president, prime minister, Council of Ministers and Council of Representatives (Morrison, 1992, p.127).

In 1991, socio-economic conditions were described as placing the country on 'edge of a precipice' (Chole, 2004, p.193), and politically, the EPRDF had to deal with the challenge of a populous and diverse multi-ethnic nation of over 50 million people from more than 80 ethnic groups, speaking over 70 languages, and where ethnic tensions had been a long-simmering political issue (Morrison, 1992, p.125). The steep development challenge facing the EPRDF was that of fostering rapid and sustained economic growth in circumstances of widespread poverty and deprivation, extreme vulnerability to drought and food insecurity, weak economic infrastructure that had been devastated by conflict, low productivity and productive capacity, severe domestic and external macroeconomic constraints and at the same time as Ethiopia was – significantly – almost entirely lacking a domestic private sector capable of leading the process of economic transformation. It also took power at a time when the neoliberal development consensus was globally hegemonic (intellectually and institutionally), and the collapse of the Soviet Union made the global context inhospitable to the socialist strategies which had hitherto guided TPLF thinking. As a result, in 1991, Meles Zenawi announced that the coalition would embrace free enterprise, breaking with its past Marxist-leanings (Lefort, 2015).

3.2.1 Revolutionary democracy and transitional development strategies

Political rather than economic concerns dominated early TGE efforts (Tadesse and Young, 2003; Chole, 2004). The EPRDF replaced upper and middle-level officials in late 1991, dismantling the Derg's security apparatus and 450,000 strong armed forces and replacing it the EPRDF's own army (Morrison, 1992). On the back of the experience of administering liberated Tigray, and the solidarity and legitimacy it had earned from winning the war (Arriola and Lyons, 2016, p.76), the EPRDF also set about engendering a much broader process of political transformation. Political decentralisation was key among these transformations, and the coalition came to power with a vision for increasing the self-determination of Ethiopia's diverse nations, nationalities and peoples, specifically via a system of ethnically grounded federalism going under the label of 'Revolutionary Democracy'. Historic dominance by a single ethnic group was at the heart of the EPRDF's diagnosis of the country's profound economic, social and political problems, and as a result it divided the country into nine ethno-linguistically constituted regions (and two city administrations), each granted powers of 'self-determination' up to and including secession (Vaughan, 2015). The EPRDF also began to lay the

groundwork for a multi-party democratic system, which Dereje Feyissa (2011, p. 810) argues shows it did not enjoy 'unrestrained political agency' given that this system was embraced only because of its 'strong need to gain recognition/support from Western countries'. Indeed, enduring scepticism about liberal democratic systems within the ruling coalition endures to the present, with one senior official noting during fieldwork interviews in 2016 that since 'development strategies are a long-term business' this meant 'election cycle policies … are not very good for a development strategy' (EG-13, see Appendix A).

Early EPRDF documents (published just prior to the coalition taking power) called its economic project a 'revolutionary democratic economy' and suggested this was part of a broader 'revolutionary democratic economic and political system' (EPRDF, 1991b, p.5). The document *Ethiopia's Economic Policy During the Transitional Period* (TGE, 1991) helps to situate the EPRDF's early understanding of the problem of development and strategies thought to be needed in light of this. This document's significance is such that it has been described as showing the EPRDF had 'a coherent approach to economic policy before taking power' which it 'intended to be used with only minor amendments as the basis of economic policy after the transition' (Wells, 1998, p.391).[62]

Four insights into the EPRDF's early thoughts on development can be discerned from the document. First, the strategy recognised that Ethiopia's development challenges are multiple and complex, stemming from low levels of savings and investment (in absolute and relative decline at the end of the Derg), rising external debts (which aggravate Ethiopia's foreign exchange problem), sustained inflation, declining production which then further worsened the balance of payments constraint, and declining terms of trade for its main export (coffee). Second, these problems are seen as inter-related and mutually reinforcing, with lack of foreign exchange and low reserves preventing the import of fuel, raw materials and spare parts, thereby compromising productive activity and government service provision, in turn weakening government revenue collection. Third, these challenges are seen at risk of provoking 'severe social problems' such as falling living standards, weakened transport infrastructure, rising unemployment (TGE, 1991, p.11). Yet despite these inter-locking challenges, Duri Mohammed, Minister of

[62] The document notes for instance that (subject to modifications in the course of implementation and in the light of in-depth research), the transitional economic policy should 'be the basis for longer term economic development' (TGE, 1991, p.16).

Planning and Economic Development in the TGE administration noted the following year that ‘we are cornered, but still there are some possibilities in terms of policy choices and avenues that one can choose’ (Mohammed, 1992, p.39).

Fourth, whilst some contingent causes of Ethiopia’s economic decline are noted, such as natural disasters, political problems (including conflict and mismanagement), and external shocks (declining terms of trade and Ethiopia’s debt burden), the fundamental challenge is seen to lie in Ethiopia’s economic structure. The document noted that ‘[t]he structure of the economy is such that it is extremely backward and dependent on the external sector … Because of weak linkages between sectors, especially between agriculture and industry, there is no coordinated development’ (TGE, 1991, pp.13–14). This meant it was seen that the overall ‘aim of the new economic policy is to take the first steps for solving the structural deficiencies as a basis for longer-term development’ (TGE, 1991, pp.13–14). In light of such concerns, in 1992 the then-Vice Minister of Planning and Economic Development, Mekonnen Manyazewel, observed that ‘the current economic situation of Ethiopia is really untenable, both in the macroeconomic sense and in the structural sense. We need to move fast’ (Manyazewal, 1992, p.202).

This deeply sectoral understanding of the challenges facing the Ethiopian economy thereby gives rise to an early stress on the need for structural change. In this regard Mekonnen Manyazewel (1992, p.27) explained to an international workshop on food security in 1992 that living standards and food security depended on

> [T]he performance of the agricultural sector (which is the prime mover of economic growth) [and which] has to improve substantially. This depends, to a large extent, on increasing the productivity of peasant agriculture through technological change. This does not mean neglecting industrial development, which is critical to the diversification and long-term structural transformation of the economy. In fact, agricultural development will be hindered if the linkages between agriculture and industry are not strengthened. At present, this linkage is weak due to the low level of physical infrastructure development, especially rural infrastructure, resulting in fragmentation of rural and urban markets. Thus, increased investment in physical infrastructure is an important area of concern if integrated market and national economy are to emerge.

In agriculture, policy priorities stemming from this analysis included increased budget and manpower for the agricultural sector; expanded road-building efforts; measures to help small-holders to obtain fair prices; and state-led initiatives to promote wide-spread fertiliser use, improved seeds and extension services. Industrial policy was chiefly considered to need to target the development of linkages with agriculture through encouraging use of domestically produced raw materials. Proposals here were more vague, but included references to state enterprise reform and privatisation, as well as 'inducements' to foreign but particularly domestic private investors, especially 'cottage industries' due to their labour-intensiveness and low-cost produce (TGE, 1991, p.30). Special emphasis was also placed on trade policies given the need to 'increase foreign exchange earnings which is crucial for the country's economic development' (TGE, 1991, pp.33, 32). The state, the document therefore argued, should promote exports, issue foreign exchange and demand exporters surrender all earnings (except for expansion, determined case-by-case) (TGE, 1991, p.33). The strategy notes that despite present currency overvaluation, this should only be adjusted in line with the economy's performance since devaluation without real economy transformations risks inflation, unemployment and economic decline (TGE, 1991, p.36). Finally, the strategy pledged to end the Derg's squeeze on agriculture, which it argued 'crippled production and growth' (TGE, 1991, p.36). Given this, external financing, therefore, was seen to be necessary to plug the resultant (and sizeable) budget deficits (thought to be likely, even after reductions to military and administrative spending).

3.2.2 Transitional policies and challenges

In February 1992 the EPRDF managed to agree a multi-donor Emergency Recovery and Reconstruction Project (ERRP) worth US$ 600 million (Morrison, 1992). This particular package had no policy conditions attached, and its funds helped the EPRDF offset the disastrous decline in the economy, avoid a balance of payments crisis, but beyond this, further lending was needed to be able to implement the EPRDF's transitional policies (IDS, 1994, p.70). Structural adjustment lending commenced after a Policy Framework Paper (PFP) was agreed in September 1992, following extensive policy dialogue with the IFIs (Chole, 2004). It outlined a three-stage reform process: fiscal and monetary tightening; supply-side reforms and private sector growth; and structural reforms across state enterprises, the financial sector and civil service (Chole, 2004, p.265). Despite the reservations noted above, the TGE agreed a 59 per cent

devaluation of the Birr (in US$ terms) in October 1992 (the first since 1973),[63] and introduced a limited biweekly foreign exchange auction in May 1993 (World Bank, 1995b, p.1). In addition, interest rates were increased; a new monetary and banking proclamation gave the National Bank of Ethiopia (NBE) greater autonomy; prices were deregulated (bar petroleum and pharmaceuticals); minimum producer prices (for coffee and other major export crops) were introduced; transport and road tariffs liberalised; trade policies reformed (including the elimination of export taxes bar that on coffee, and reducing the top import duty rate); and the tax system updated (converting sales tax into excise tax and introducing a tax on rental income) (Chole, 2004). In 1992, a new investment code, labour code and public enterprise law were all adopted, helping to create the legal basis for the market economy, and a 1993 proclamation formalised the legal basis for lease-holding among peasants and in urban areas (United Nations 2004).

Beyond transitional changes, in order to free fiscal resources for infrastructure and social services expenditures, military spending was rapidly scaled back (to 2.3 per cent of GDP in 1993-1994 from an average of 9.7 per cent in the 1980s) (IMF, 1994; IDS, 1994; Chole, 2004, pp.267–268). In 1994, the TGE adopted the EPRDF's flagship economic strategy of the 1990s, called the 'Agricultural Development-Led Industrialisation' (ADLI) (Oqubay, 2018), which built on the transitional economic policy's concern with prioritising agriculture, whilst also establishing linkages between agriculture and industry. In line with the transitional strategy, core features of ADLI investments were rural extension, road infrastructure and education investments (UNDP, 2017). The overarching objective was to build forward linkages (such as industrial inputs) and backward linkages (fertiliser, consumption goods) via improved agricultural productivity (Lavers, 2012, p.109).

International policy discourse at this time often praised Ethiopia's market-oriented approach and so-called 'liberal economic policy' (United Nations, 2004, p.9), and after initial difficulties in agreeing the PFP and devaluation, by 1995 the IFIs praised the TGE's 'bold economic reforms' (World Bank, 1995b, p.1). As a result, some have argued that 'the development strategy of the 1990s was largely dictated by donors' (Mascagni, 2016, p.29).

[63] To ease the impact of devaluation on the cost of living, adjustments were made to civil service salaries and income tax deductions (Chole, 2004, p.267).

However, problematically, such interpretations focus only on what changed at this time, neglecting the (considerable) limits to liberalisation characterising the EPRDF's first decade in power. Instead, the rest of this chapter argues that the EPRDF's overall approach to transition from command to market economy entailed a heterodox policy core, which the regime went to considerable lengths to prevent being liberalised. As the following remark from Meles Zenawi in 2010 indicates, there was considerable defensiveness in how the EPRDF approached this period:

> For the first ten years after we took over, we were bewildered by the changes. The New World Order was very visible and especially in this part of the world. The prospect of an independent line appeared very bleak. So we froze the party. We fought a rearguard war not to privatize too much. We sent delegations across Africa to ask, how to handle the IMF? They said, 'say what they want you to say and do what you can get away with'. We said, 'we are a mass movement and cannot mislead the masses, we cannot do that' (Meles Zenawi speaking in 2010, quoted in De Waal, 2015, pp. 161–162).

As this quote indicates, the EPRDF experienced considerable global pressures, chiefly from its relations with the IFIs (and the IMF in particular), which, given its acute poverty, urgent need for external financing (to repay mounting external debt arrears), and pressing requirements for financing for reconstruction and development expenditures, made it extremely vulnerable to IFI pressures: institutions which elsewhere Meles Zenawi (2010) referred to as the 'key enforcers of the emerging neoliberal paradigm'. Nevertheless, as the subsequent sections argue, the EPRDF mounted considerable resistance to external pressures to adopt a neoliberal development agenda, preserving considerable (latent) capacity for a heterodox development strategy.

3.3 Defensive developmentalism and resisting neoliberal reform

In 1995, national elections led to the formation of the Federal Government of Ethiopia (FDRE)[64] and a new EPRDF government with Meles Zenawi as Prime Minister. New aspects of the EPRDF's economic development strategy emerged, such as expanded agricultural policies focused around a new seed-fertiliser-credit package (Keeley and Scoones, 2000, p.96). A donor-funded agricultural extension programme first instituted under the Derg was revived (Berhanu and Poulton, 2014), accompanied by strong discourse around the need for a "Green Revolution" and measures to guarantee food self-sufficiency (Keeley and Scoones, 2000). In 1998, an export promotion strategy was adopted, focused around cotton, coffee, and fruit and vegetables, as well as some light manufactured goods (UNCTAD, 2002: p. 36) and was accompanied by the formation of a new Export Promotion Agency, with reporting responsibility to the Prime Minister (FDRE, 1998c). One component focused on promoting high-value agricultural exports (such as meat and horticulture products) and labour-intensive manufacturing goods (textile and apparel, as well as leather and leather products), but has been described as 'relatively narrow in scope' (Gebreeyesus, 2013, p.9). However, after the outbreak of conflict with Eritrea in 1998, more ambitious development planning took a back seat. Nevertheless, an important guiding vision regarding the relationship between the state and private sector shaped policy design and implementation through to the end of the 1990s, and preserved a social base and economic structure conducive to the later elaboration of a more assertive form of developmentalism.

3.3.1 State ownership of the commanding heights

Under the Derg, state enterprises dominated the manufacturing sector, and between 1987-1988 accounted for 94.1 per cent of the sector's value added, 93.2 per cent of its employment, and 97.6 per cent of its (net) indirect taxes (Chole, 2004). As a result, the transitional economic policy's industrial policy gave much consideration to the most appropriate role for the state sector in manufacturing. Despite indicating there would be limits to future state ownership in this sector, the transitional policy advances two separate rationales for the state to continue to own industrial enterprises: if enterprises are sizeable and strategic, such as 'large-scale engineering and metallurgical plants,

[64] The election was considered by international observers to be 'administratively fair, yet uncompetitive as a result of the lack of opposition candidates', and the EPRDF won 89 per cent of the 547 seats (World Bank, 1998, p.6).

large-scale fertilizer and pharmaceutical plants and industries which supply strategic raw materials to major chemical industries' (TGE, 1991, p.27); and those it can 'run profitably as a source of revenue' (TGE, 1991, p.28). Other early documents reinforce this commitment to state ownership. The 7 June 1991 edition of the EPRDF's English-language newsletter noted that it was striving to build neither capitalism nor socialism, but rather a 'mixed economy of revolutionary democracy' (EPRDF, 1991b, p.5) defined by the central role of the state in the economy. This was thought to be particularly needed in sectors considered most important for rapid economic development via industrialisation:

> [The EPRDF] holds that industrial development which guarantees the country's political and economic independence can eradicate poverty and backwardness and satisfy the basic needs of the people. What this means is that to affirm the independence of the country, sectors which play a decisive role in the rapid development of the economy must be under the control of the popular government. The industries and monetary establishments, power stations and mines play such a role and therefore must be owned by a popular government (EPRDF, 1991b, p.5).

Whilst the EPRDF's first Structural Adjustment Credit (SAC-I) commenced in July 1993 and contained conditions related to privatisation (including all the sale of all state-owned retail outlets) (World Bank, 1997a), privatisation only started in early 1995 (AfDB, 2000, p.14), almost four years after the new regime had taken over with a purportedly market and private sector-driven strategy. In the first year, just nine enterprises were privatised, the largest of which was a soft-drink bottling plant (White Campbell and Bhatia, 1998), and as a result, Ethiopian privatisation has been said to be one of three cases where 'minimal progress' toward privatisation in sub-Saharan Africa made in the 1990s (Estrin and Pelletier, 2018, p.70).[65]

Consistent data on privatisation for the 1990s is hard to come by, however, due to different time periods and sources of data (Ismail, 2018), complicated by the fact that some large enterprises were broken up into smaller units, such as nine major industrial

[65] It was also a "late starter" in that it began privatisation early to mid-1990s (unlike a smaller group who began in the 1970s and a larger group who began in the 1980s). Of those starting in the 1990s Ethiopia was dubbed one of three so-called "slow movers" (the others being Cameroon and Sierra Leone) (Estrin and Pelletier, 2018).

enterprises under the Ministry of Industry which were separated out into 97 state enterprises in 1992 (Wells, 1998). Total enterprise numbers therefore shifted according divestment, restructuring and enterprise creation, both contracting and mushrooming (Tewodros Meheret, 2015, p.364). Given such constraints, data on the sectoral composition of enterprises – rather than their numbers – offers a better insight into the nature of the EPRDF's approach to state ownership. The sectoral distribution of enterprises privatised in the 1990s demonstrates the importance of maintaining strategic control over the economy to the pattern of state divestment. Between 1994-1995 and 2001-2002, some 223 enterprises were privatised, almost two thirds of which were in retail (Table 3.1). As of the end of 2003, just eight transactions accounted for 70 per cent of total proceeds (World Bank, 2004c), signalling the small-scale of the bulk of divestments.[66]

Table 3.1 Ethiopia: Sectoral composition of privatised state enterprises, 1994-1995 to 2001-2002

	Privatised enterprises		Transferred to		Investors share %	
	Number	**% share**	**Domestic investors**	**Foreign owners**	**Domestic**	**Foreign**
Manufacturing	40	17.0	31	9	77.5	22.5
Agriculture	31	13.0	15	16	48.4	51.6
Hotel and Tourism	18	8.0	17	1	94.4	5.6
Retail trade	133	60.0	133	0	100.0	0.0
Mining	1	0.4	0	1	0.0	100.0
Total	**223**	**100.0**	**196**	**27**	**87.9**	**12.1**

Source: Ethiopian Privatisation Authority (EPA) data, cited in Worku Gebeyehu (2005).

A more disaggregated breakdown for the 1995-1998 period (when most privatisations took place) (Gebeyehu, 2005) is offered in Table 3.2. This shows that the sale of a single gold mine accounted for 26.6 per cent of privatisation proceeds (sold to a single foreign buyer), with no foreign buyers in distribution and other services. Again most enterprises were small retail outlets (which were deemed a low risk starting point given low profit and employee numbers), with larger non-strategic enterprises in light manufacturing, agro-processing, hotels and restaurants deemed only suitable for privatisation later (IMF, 1999a).

[66] Although the data is slightly different to the other sources quoted above, suggesting 214 state enterprises were privatised by the end of 2003 (152 of which were unbundled from just six enterprises), slightly lower than the other estimates for earlier periods (World Bank, 2004c).

The result was that in 2000, the state sector's share in total manufacturing value added was 76.7 per cent, and 58.3 per cent of employment (Hannson, 2004, p.18). In 2002 the US government noted that '[d]espite privatization efforts, the manufacturing sector remains largely state controlled' (USITC, 2002, p.198). Of the 163 enterprises still in state hands in 1999, 69.9 per cent (114 enterprises) were profitable, suggesting the transitional strategy's approach to state control over production and services was carried through, and despite announcing plans to divest over 100 state enterprises in the next two or three years, the EPRDF still planned to keep all the 'largest and most profitable SOEs' (IMF, 1999a, p.63). This included strategic financial and infrastructure firms, such as Ethiopian Airlines, Ethiopian Telecommunications Corporation, the Ethiopian Electrical Light and Power Corporation, the Commercial Bank of Ethiopia and the state insurance company. Bar the possible sale of minority shares in the utilities companies, the EPRDF was clear such entities would not be privatised in the foreseeable future (IMF, 1999a, p.63). This cautious pace of divestment (for which Ethiopia was frequently castigated by its funders, see Section 3.4.1) thus reveals that the EPRDF sought to preserve widespread state ownership across the economy's most strategic sectors (or the 'commanding heights') in the 1990s.

Beyond industry, the transitional economic policy also set out an extensive vision for state ownership across other sectors, such as finance, noting: '[m]ajor financial institutions that provide service to different sectors of the economy such as banks, insurance companies and other major financial institutions will be under state ownership in order to ensure they will play their proper role in the process of economic development' (TGE, 1991, p.34). While a gradual divestment of state enterprises in the trade sector was envisioned, and domestic private capitalists set to take-over wholesale trade, a window was left open for the state here too since '[i]n order to stabilize prices the state may engage itself in the wholesale trade of basic goods of mass consumption. Such operations will be in the public interest and will be based on the principle of profitability' (TGE, 1991, p.31). The EPRDF also planned to retain some tour operators and 'handle the foreign exchange earned from tourism so as to ensure its proper utilization' (TGE, 1991, p.31), whilst considering joint ventures with either foreign or domestic private investors in other services.

In transport, state ownership was planned to continue since ‘the private sector does not possess the means or the capacity to run air, sea and rail transport services’ (TGE, 1991, p.37). In communications ‘[s]ince posts and telecommunications provide essential social and economic services, they will remain under state control’ (TGE, 1991, p.37). Meanwhile, in mining and energy, the state, it was said, would stick to ‘major mining and energy activities that are vital for overall economic growth’ (TGE, 1991, p.40) and grant concessions or undertake joint-ventures where resources or other constraints make this impossible. In electricity ‘[m]ajor electric power generation activities will be under the state’ (TGE, 1991, p.40). Furthermore, despite outlining policies to encourage private construction, particularly by domestic investors, the strategy also notes that rather than being privatised, ‘[s]tate construction enterprises will be reorganized in order to be able to operate in a competitive environment on the basis of profitability’ (TGE, 1991, p.43). Two kinds of lessons, historical and more contemporary, appear to have informed such thinking:

> In retrospect, the EPRDF seems to have paid rather careful attention to some of the ways in which its predecessors lost control of rent centralisation, and attempted to learn from and counter these experiences. Thus since 1991, the Ethiopian government has been slow or unwilling to divest in strategic sectors, and cautious about rents accruing internationally, particularly from finance and infrastructure. Its experience of running a parallel administration in Tigray in the 1980s taught it valuable lessons (which were apparently re-learned during the period after 2005): about the economic roots needed to anchor peasant political compliance; and about the perils of allowing alternative systems of patronage to emerge (Vaughan and Gebremichael, 2011, p.20).

Table 3.2 Ethiopia: Detailed sectoral breakdown of privatisations, 1995-1998

	Number of enterprises sold		Proceeds collected
	Total buyers	**Of which foreign buyers**	**Percent of total**
Industry	**34**	**13**	**81.1**
(excluding mining)	33	12	…
Manufacturing (including agro-processing)	31	12	53.4
Agro-processing and distilation	13	5	9.0
Distillery	1	0	0.1
Edible oil mills	3	0	0.6
Flour mills	3	0	3.0
General food processing	1	0	0.6
Meat processing	5	5	4.7
Beverages	6	4	15.6
Breweries	1	1	4.5
Soft drink makers	5	3	11.1
Chemical and by-products	3	0	4.7
Furniture and woodworks	4	0	3.1
Leather and lather goods	3	3	11.8
Metalworks	1	0	0.2
Printing equipment	1	0	0.1
Construction	2	0	1.0
Mining (Legedembi gold mine)	1	1	26.6
Services and distribution	**137**	**0**	**13.1**
Wholesale and retail trade	123	0	11.8
Ethiopia Retail Trade Shops	73	0	8.5
Textiles	7	0	0.5
Automotives	7	0	1.1
Shoes and other leather goods	17	0	0.7
Food and general retail	28	0	5.0
Building materials	9	0	0.9
Books and stationary	5	0	0.3
Kuraz Printing Shops	34	0	0.8
Ethiopia Household and Office Furniture	16	0	2.5
Hotels and restaurants	14	0	1.3
Agriculture and allied activities	**6**	**4**	**5.9**
Total	**177**	**17**	**100.0**

Source: IMF (1999a, p.58).

Other policies were designed to ensure state dominance in sectors the transitional economic policy deemed 'essential for the development of the economy' (TGE, 1991, p.27). For instance, the EPRDF mandated that the state-owned Ethiopian Shipping Lines was used for all seaborne imports into Ethiopia (regardless of freight cost), seen by some investors as an indirect tax (United Nations, 2004, pp.2, 64). State enterprises were often dominant forces in the sectors they operated in, even where they were not monopolies (monopolies which included electricity generation and telecoms). For instance, whilst some private operators were active in cargo handling and harbour facilities and connected services, these were dominated by the Ethiopian Maritime and Transit Services Corporation during the 1990s and early 2000s (United Nations, 2004, p.22). The government owned three state banks in 2002, and despite the emergence of a number of private entrants into the sector, by 2004-2005 these banks held nearly three quarters of all the country's deposits and loans (MOFED, 2006, p.59). Other estimates put state-owned institutions as accounting for 90 per cent of all capital in the banking and insurance sectors, with the state-owned Commercial Bank of Ethiopia (CBE), the largest commercial bank, alone holding 80 per cent of total bank deposits (World Bank, 2004a, p.92).[67]

Finally, the 1995 constitution affirmed state ownership over all land and natural resources (FDRE, 2005). Continued state ownership over land was justified by reference to its role as an important social safety net for the country's impoverished peasantry, with migration to urban areas considered highly problematic due to a lack of industry and jobs. A former advisor to Meles Zenawi during his time as TGE President, Dawit Yohannes, reportedly noted in 1995 that '[t]he peasant cannot afford the risk of displacement and the only reason that he is not being displaced is that the farm isn't private property' (cited in Wells, 1998, p. 281).[68] Thus, instead of privatisation, the EPRDF opted to offer the peasantry long-term security of tenure, as well as long-term land leases to commercial farmers (Zenawi, 2006b). In addition to the social rationale, there were apparently economic and political logics to this decision. In 2006 Meles (2006b) warned that 'privatisation of land would divert limited capital in the country

[67] Notably, the World Bank observes that '[due] to its huge excess reserves inherited from the central planning era, the CBE operates independently of the NBE in the interbank credit market' (World Bank, 2004a, p.92).

[68] Relatedly, Meles Zenawi said in 1998 that '[t]here is also an element of social security involved. When rains fail, peasants can be desperate enough to sell their property. What do we do with these people once they descend on the towns? We need the peasants on the land to restart the economy' (Meles Zenawi interviewed by Holman and Wrong, 1998).

from productive investment to that of acquiring land' whilst the rise of landlordism and sharecropping would also undermine the EPRDF's social support base by creating a 'rent-seeking political economy [which] would be very difficult to dislodge as the peasants would be beholden to the rent-seeking landowners and could not thus constitute the social basis for a developmental state'. This clearly indicates that the introduction of market institutions such as private property rights were considered to have far broader impacts than simply economic alone. Instead the EPRDF saw them as capable of profoundly impacting Ethiopia's political economy, capable of altering the balance of social forces in fundamental respects by creating new economic elites, creating suffering and discontent amongst the peasantry that might weaken the relationship between the EPRDF and peasantry, and altering patterns of investment in the economy. Fundamental to such concerns, as Lavers (2012) notes, was the aspiration to preserve the peasantry as a supportive (and dependent) social base for the EPRDF and limit the emergence of a potentially powerful class of large-landowners.[69]

3.3.2 Domestic capital

Concerning the role of private capital, in 1991 the EPRDF's English-language newsletter offered the following analysis of how different economic actors would be incorporated into its emerging market economy:

> The state would control the decisive sectors of the economy and a condition would be created whereby local and foreign capital would have a significant share in the economy. The production of the small producers would also be encouraged. The goal of such an economic policy is not socialism but a mixed economy of revolutionary democracy (EPRDF, 1991b, p.5).

The investment laws implemented in the 1990s established the boundaries in which these sectors would operate: areas reserved exclusively for state investment; sectors where only domestic investment (state and private) was allowed; and those open to all investors (including foreign). The least numbers of sectors were available to the latter, and thus on paper at least, domestic capitalists had greater economic opportunities (see

[69] Indeed, in 1995 a USAID Advisor in Ethiopia, Stephen Tucker, noted of opposition to this policy '[land] policy is just a continuation of the 1975 reform. It's urban groups which are complaining about the non-sale of rural land. Peasants don't seem to be concerned about state-ownership' (cited in Wells, 1998, p. 295).

Table 3.3). By 1998 only a few strategic utilities (postal services, except for couriers; electricity generation above installed capacity of 25 megawatts; and electricity transmission through the national grid) and transport (rail and air transportation in excess of 20 passengers or 2700kg capacity) were exclusively reserved for state investment (FDRE, 1998b).

However, as the quote above indicates, the EPRDF’s vision for how different actors would participate in the economy was explicitly hierarchical, with the state afforded ‘decisive’ areas of economic activity. In practice this meant that scope for private investment was rather more circumscribed than the list above suggests. For instance, despite banking and insurance being opened to domestic investors in 1994, the legislation set limits on the share of capital individuals could own (Chole, 2004, p.280). Furthermore, whilst foreign and domestic private investment were formally permitted in telecommunications and defence activities after 1998, such investments were only permitted in partnership with the government (FDRE, 1998b; UNCTAD, 2002a, p.26).

The climate in which the Ethiopian private sector operated was also partially shaped by the lack of political affiliation between domestic capitalists and the EPRDF, with neither urban groups nor the business community (such as it was), forming the coalition’s social base. Meles Zenawi remarked during in an interview with the *Financial Times* in 1998 that this had been a barrier to deeper contact between the two:

> Our policy is discussed at party conferences and meetings. Maybe businessmen are not active members of our party and we need to improve links. Recently we experimented with meeting the private sector and to my pleasant surprise they gave us ideas we hadn't had before. So we agreed that the movement should take the private sector seriously as a critical partner, whatever their political preferences (interviewed by Holman and Wrong, 1998).

Table 3.3 Ethiopia: Sectors reserved exclusively for domestic investors, 1998

Utilities and strategic services	**Domestic services**
Banking and insurance	Hotels other than star designated
Small-scale electricity generation (except hydro-power) and supply (up to 25 megawatts)	Motels, pensions, tearooms, coffee shops, bars, night clubs and restaurants (excluding international and specialised restaurants)
Small-scale air transportation (up to 20 passengers or cargo of 2,700 kg)	Bakery produce and pastries (for the domestic market)
Forwarding and shipping agency services (with exceptions to be determined by the government)	Museums, cinemas and theatres
Radio and television broadcasting	Tour and travel operators
Printing	Barber and beauty shops
Construction companies (excluding grade one contractors)	Smith workshops
Building maintenance	Non-export tailoring
Vehicle repair and maintenance	
Car-hire, taxi-cabs	
Commercial road and water transport	
Customs-clearing services	
Manufacturing, processing and industry	**Trade and retail activities**
Tanning hides and skins up to crust level	Retail trade and product brokerage
Saw milling and non-export forest products	Wholesale trade and distribution (excluding fuel and the domestic sale of
Grain mills and domestic batteries	Import trade
Artisanal mining	Exports of raw coffee, oil seeds, pulses, hides and skins, live sheep, goats and cattle

Sources: FDRE (1998a; 1998b).

This wariness has strong ideological roots, as Weis (2014, p.274) suggests that 'the formerly Marxist EPRDF has traditionally regarded Ethiopia's small capitalist class with thinly veiled contempt, and firmly believes that state-led growth is the only way out of poverty'. The EPRDF also had a particular interpretation of the (problematic) role traditionally played by the private sector in Ethiopia's past economic development. Given the strong conviction that economic development depended on *productive* private investment, in industry specifically, hostility was directed toward those in the private sector considered to be instead 'rent-seeking': an important trope of EPRDF development discourse. In 1992, Mekonnen Manyazewal (1992, p.31), then-Vice Minister of Planning and Economic Development, observed that expanded private sector investment was 'dependent on how fast the private sector regains its confidence and moves into productive investment' noting:

> Past policies have forced the private sector to increasingly move into speculative and rent-seeking activities. The private sector used to amass hugh [sic] profits through arbitrage. Hence, it is important to remove distortions that make such activities attractive, and, thereby, give correct economic signals. Even if domestic investors respond on a significant scale, it is difficult to satisfy their demand for foreign exchange, given the current foreign exchange crisis. This implies that in the short-term, domestic private investment will not be able to generate employment and income on a scale that would make a significant difference .[70]

Echoes of this view endure into the present, with one government official noting during fieldwork interviews in February 2016 that '[d]uring the command economy … [the private sector] was supposed to die. But traders are very creative, and domestic enterprise was limited to trade and the informal sector. The government owned the distribution channel … [but] traders take from the government shops and sell on. That has still an impact on the mentality and attitude. Instead of focusing on production [the domestic private sector is] focused on trade, imports, sales and distribution' (interviewee EG-12, see Appendix A).

[70] The role of merchant capital in propping up the Derg regime is discussed by Wells (1998). Meanwhile, of the late the imperial period, Duri Mohammed (1969, p.77), the Minister of Planning and Economic Development in the TGE wrote of foreign capital in the 1950 to 1968 period that it was 'mainly attracted into trade service and activities where large operations are possible with rather modest capital'.

The result was considerable frustration about the relationship on both sides. The World Bank (1998, p.8) noted the government rebuffed complaints by the domestic private sector at being excluded from economic opportunities in the 1990s as the frustration of 'several elements of the private sector [which] were favoured historically and are now facing genuine competition for the first time'. Practically speaking, prospects for extensive private investment in manufacturing of the kind the EPRDF wanted were particularly challenging given the extremely small-scale of private investments in manufacturing. A survey of industrial enterprises in 2002 revealed that 97.0 per cent of all workers were employed in small and micro enterprises. Of the handicraft and cottage industries which comprised this sector, 87 per cent had start-up capital of less than 250 Birr (Ageba and Amha, 2006). Furthermore, the government was frustrated by a lack of investment in other priority areas, noting the domestic private sector's unwillingness to 'provide certain services, such as the delivery of fertiliser, down to the peasant level' (World Bank, 1998, pp.8–9).

The formation of endowment-owned entities held by the EPRDF's constituent political parties the mid-1990s using resources mobilised during the national liberation struggle (Oqubay, 2015, p.70) also shaped the evolution of Ethiopia's market-oriented political economy at this time. Initial capital accrued during the military campaign against the Derg, investments, and contributions from the TPLF's supporters, was divided into two uses: some was used to compensate families of fighters killed during the war, whilst the TPLF leadership decided the rest would be 'developmentally and productively invested' (informed interviewee cited in Vaughan and Gebremichael, 2011, p.37). At first, between 1991-1994, these firms were converted into share companies with senior party officials made shareholders, [71] but in mid-1995 individual shareholdings were 'irrevocably donated' to newly-created endowment funds, apparently with no compensation for shareholders, indicative that these assets were not expected to provide individuals with commercial assets or vehicles for personal enrichment, but instead 'the allocation and use of profits, dividends, benefits and rents seems rather to be conceived and managed strategically to resource the wider socio-economic and political objectives of "revolutionary democracy"' (Vaughan and Gebremichael, 2011, p.36). Indeed, the

[71] Vaughan and Gebremichael (2011, p. 35) note these included in 1991 and 1992 Guna Trading House, Meskerem Investment, Saba Dimensional Stones and Sur Construction; and in 1993 and 1994 such as Almeda Textile, Beruh Chemical, Experience Ethiopia Travel, Hiwot Mechanised Agriculture, Mega Communications, Mesfin Industrial Engineering, Sheba Tannery, Tesfa Livestock, and TransEthiopia Share Company.

status of endowment in Ethiopian civil law considers such property that of general interest (Oqubay, 2015, p.71).

One possible source of insight into the dynamics governing the formation of these groups lies in an unofficial translation of a reportedly confidential EPRDF document from 1993 (the veracity of which is disputed, but which arguably bears enough similarities to other documents from the period be worth considering).[72] The document warns that '[a]n economy based on foreign markets is one which satisfies the raw material demands of imperialism and thus becomes dependent on it' (Ethiopian Register, 1996, p.23). This reflects the EPRDF's view of the link between global integration and national development elsewhere expressed as implying 'the standard of living will improve when the country is free of foreign domination' (EPRDF, 1991a, p.5). The document adds that there are specific social forces pushing for this kind of economic structure however, since 'those who do not benefit from our goals and consequently stand as our main enemies are imperialism and the comprador class. These forces seek to impose on the country a dependent economy' (Ethiopian Register, 1996, p.23). Thus two forces together emerge as threats to the EPRDF's project: a historical class of 'oppressors' within Ethiopian society (a comprador bourgeoisie), and foreign imperialist forces, indicative of the possible influence of Leninist ideas of imperialism and dependency theorising on the EPRDF's development thinking in the 1990s.

Whilst the document adds that such forces are presently weak due to extensive nationalisation under the Derg, it adds that the present global order means state ownership over all strategically significant areas of the economy will be hard to preserve.[73] One solution proposed was that 'revolutionary democratic associations, organizations, and individuals who can be involved in investment' should step-in since in order to 'to redirect the economy in the direction of revolutionary democracy, a supplementary input is necessary' (Ethiopian Register, 1996, p.26). The 'endowment

[72] Extracts from the document, which was reportedly only initially circulated only among party cadres in Amharic, appeared in the in Ethiopian Register in June 1996. According to Weis (2016, p.178), whilst EPRDF officials deny its authenticity 'the text matches other EPRDF publications at the time, both in style and content, and the analysis aligns so closely with the party's actions that there is no reason to believe it a forgery'. It is important to treat the document with caution, since Vaughan and Gebremichael (2011, p.32) note '[a]n original is not available, and the publisher is a vigorous diaspora critic of the ruling party'. It is, however, included here as an insight into some of the concerns possibly motivating the creation of endowment groups.

[73] Here the document observes that whilst ideally the state would keep ownership in finance, energy, mines and industry 'this situation is not acceptable in current global economic thinking … Yet, without being widely involved, the government could play a decisive role in the economy by controlling the distribution of foreign currency, the import of fuel, the export of coffee, the regulation of transport operations etc.' (Ethiopian Register, 1996, p.24).

fund-owned companies' (also referred to as party-owned businesses) [74] helped to fill this gap, and act as holding companies for multiple enterprises in diverse sectors, with a senior management team comprising senior party leaders (Weis, 2014), though the EPRDF's central committee members are not permitted to own shares in either private or endowment enterprises (Vaughan and Gebremichael, 2011).[75] There were at least six sectors of the economy in which all endowment-owned firms operated at the end of the 1990s: agriculture (4 companies); finance and trade (7 enterprises); industry and mining (8 companies); construction (3 companies); transport (3 companies); services (2 enterprises), although with much data arising from the private press, it was noted its 'reliability cannot be fully ascertained' (Abegaz, 1999, pp.43–44).

The largest of the endowment conglomerates belonged to the TPLF, the Endowment Fund for the Rehabilitation of Tigray (EFFORT) (Vaughan and Gebremichael, 2011; Tesfaye, 2017). Overall, EFFORT played an important role in cement and finance, leading the entry of private firms into these sectors, some presence in textiles and garments, road transport, and edible oils, flour and cereals, a more limited presence in consumer goods (although another endowment has a major brewery), no role in sugar, and, in the early 1990s in fertiliser (Vaughan and Gebremichael, 2011). In 1995-1996 the EFFORT-group had a 35 per cent share of the freight market (Hannson, 2004, pp.26–27), and after it formed a cement company in 2000 it dominated the sector together with the state cement company for many years (World Bank, 2006a). However, this is not unusual globally since cement is noted for its oligopolistic nature (UNCTAD, 2018b, ix). Some endowment investments were also undertaken jointly, and in 1997 the four endowments together made founding investments in Wegagen Bank, taking shareholdings of 15 per cent each, which was later reduced to 5 per cent or below after a limit on shareholdings of single investors was introduced (Vaughan and Gebremichael, 2011).

The lack of clarity about the scale of the holdings by these entities[76] has fuelled rumour and speculation about their domination of the non-state sectors of the Ethiopian

---

[74] Political parties are not permitted to own or invest in businesses according to Ethiopian law (Tesfaye, 2017).

[75] According to Vaughan and Mesfin (2011, p.30) '[a]lthough many doubt the degree of adherence to this rule, interlocutors are adamant that it is strictly adhered to at least within the TPLF, with regular debates regarding the legitimacy of share-holdings by close relatives'.

[76] As Tesfaye (2017, p.134) notes, officially endowments are non-governmental public charity organisations which have not been audited since the mid-1990s, meaning their management structure, revenue, profits and losses are not public.

economy. The World Bank (1998, p.7) noted concerns amongst the Ethiopian domestic private sector and civil society in the 1990s over 'preferential treatment … with respect to government contracts, government-controlled credit facilities, import and export licenses, and customs clearances'. International observers critical of their role suggest 'party-affiliated endowments have taken many of the business opportunities left for private engagement' (Altenburg, 2010, p.29). The underlying motivations guiding such moves, according to this critical perspective, is that such enterprises are 'a way for the EPRDF to keep control over the more market-oriented and privatised economy, not only from the government offices but also as an active owner of business corporations' (Hannson, 2004, p.27). Some therefore refer to these endowment enterprise structures of patronage and clientelism (Chanie, 2007).[77]

However, the World Bank (1998, p.7) also noted that its 'mission was not able independently to confirm' allegations of preferential treatment, whilst the EPRDF stressed their role was 'to mobilise and utilise all available resources in the development process' (Hannson, 2004, p.27). Meles also noted such enterprises had been prohibited from either buying government assets or bidding for government contracts, to limit the emergence of corruption (interviewed by Holman and Wrong (1998)). Party officials meanwhile, assert that profits are not used to support political activities, but are either reinvested or diverted to support loss-making activities elsewhere (Weis, 2014, p.275). Given their size in relation to domestic firms, their competitors at this time were much more likely to have been foreign investors (Abegaz, 1999, p.43), and indicative of their developmental role in terms of their capacity to be internationally competitive, a high proportion of EFFORT companies have International Organization for Standardization (ISO) certificates, compared with low levels of national registration (Vaughan and Gebremichael, 2011, p.34). It has also been noted that whilst navigating bureaucratic hurdles and accessing land might have been easier for endowment firms, their increasing use of private rather than state-owned bank credit suggests they also struggled to get sufficient financing from state institutions (Vaughan and Gebremichael, 2011, p.27). Most notable for the purposes of this thesis, meanwhile, is that the approach taken by the EPRDF for managing the transition from command to market economy helped to shape a political economy where most of large-scale activity by domestic investors was

[77] Others however take the view endowments represent neo-patrimonialism which is described as a 'system of personal rule held together by the distribution of economic rents to clients or cronies' but that this is not necessarily bad for development (Kelsall, 2011, p.1).

either undertaken by the state or endowment groups aligned with the ruling coalition. This represents a considerably different context for economic development than that facing many developing countries.

3.3.3 Foreign capital

The transitional economic strategy noted that foreign investors should only play a role where the state or domestic investors were 'unable to invest' and consequently 'domestic capital should be given priority over foreign capital' (TGE, 1991, p.29). As a result, during the 1990s Ethiopia's foreign investment climate was 'highly restrictive compared to many other developing countries' (UNCTAD, 2002a, p.27). As well as sectoral restrictions (noted in Table 3.3),[78] there were minimum capital requirements of US$ 500,000 for wholly foreign owned investments, and US$ 300,000 for joint ventures (in either cash or imported capital equipment), as well as requirements that joint ventures be composed of a minimum of 27 per cent local investment (UNCTAD, 2002a). The Ethiopian Investment Authority (EIA) (renamed the Ethiopian Investment Commission, EIC, in 2003) was reportedly more focused more on investment regulation than promotion during the 1990s (United Nations, 2004). In this regard Meles noted in 1998 that:

> Foreign direct investment is critical in supplementing local efforts but cannot replace them. I don't believe that without creating a vibrant private sector locally, you can make good use of foreign investment. To the extent that we felt we needed a little protection here and a little protection there for local investors to develop, we have restricted some areas, primarily in the small business sector (interviewed by Holman and Wrong, 1998).

Furthermore, in the sectors most attractive sectors to foreign investors, such as finance, the government was clear throughout the 1990s that these would remain closed. For domestic banks, this was said to be stalled until competitiveness had been improved,

---

[78] The contested 1993 document notes that foreign investment would not be permitted in: telephone, electricity, train transport, small-scale industry and financial services (banking and insurance etc.). Regarding the latter it was said '[i]f the major international financial institutions or banks are allowed access to this economic sector, they will twist the State's arms and those of Revolutionary Democracy' (Ethiopian Register, 1996, p.25). This broadly corresponds to the sectors prohibited to foreign investors by 1998, although by this time the telecommunications sector permitted investment in partnership with the government. It was noted that this was a necessity since '[g]iven the prevailing economic global condition, we have no choice but to give more access to foreign capital' (Ethiopian Register, 1996, p.25).

and the NBE's supervisory and regulatory capacity enhanced (United Nations, 2004, p.23). Instead, priority sectors for FDI during the 1990s and early 2000s were those aligned with the ADLI strategy, including food and beverages, horticulture, livestock, fisheries and forestry activities, cotton, as well as manufacturing (such as leather and textiles and garments), mining and tourism concerns (though not in an unrestricted sense, as Table 3.3 indicates) (United Nations, 2004, p.42). Incentives for foreign investors in priority sectors included exemptions from export taxes, and customs and import duties on capital goods, and up to 15 per cent on spare parts; income tax holidays (of one to five years, depending on sector and region); tax deductible R&D spending; capital remittance tax exemptions; and guarantees of repatriation of capital and profit and against expropriation (World Bank, 2004a). These were considered standard amongst competitor countries although foreign investors considered Ethiopia's labour 'biased toward labour' (United Nations, 2004, p.25) and pushed the government to liberalise this policy area. Sectoral specificity, rather than performance-related specificity, was the over-riding concern of this period as the World Bank noted that there were no guidelines for exports, foreign exchange restrictions for imports, minimum local content levels in manufactured goods, or employment limits on expatriate staff (World Bank, 2004a, p.46).

Instead it appeared that the government was more interested in either encouraging close relations with favoured foreign investors or heavily circumscribing the sectors foreign investment was permitted in, rather than undertaking significant performance monitoring. Caution is needed in interpreting FDI data from the 1990s,[79] although available data indicates that between 1993-1998 operational inflows were not more than 1 per cent of GDP until 1997, when these flows doubled before then being disrupted by the war with Eritrea in 1998 (United Nations, 2004, p. 3). FDI inflows were also the lowest per capita in Africa in 1999, and were considerably more erratic than elsewhere on the continent, with the exception of Zimbabwe (World Bank, 2004a, p.52). However, there was one dominant source of FDI within the small total number of projects. Of operational FDI between 1992-1993 and 2000-2001, investments in agriculture, hotels and tourism accounted for just over a third of investment, whilst manufacturing was just under a third, and very limited investments recorded in other sectors such as real estate,

[79] Due to data limitations, including difficulties in disentangling the origins of investors for projects with multiple investors from different countries (UNCTAD, 2002a).

trade, mining, and construction (Table 3.4). Much of the total was dominated by a single project: from the Mohammed International Development Research and Organization Companies (MIDROC) group owned by the Ethio-Saudi businessman Sheik Mohammad Hussein Al-Amoudi, for the Addis Sheraton luxury hotel project (United Nations, 2004).

Amongst foreign investors, data provided by the Ethiopian Privatization Agency (EPA) in the late 1990s revealed that MIDROC was a major beneficiary of privatisation (Wodajo and Sebet, 2017). Some 80.3 per cent of all enterprises sold up until 2001-2002 were to Ethiopian buyers, and 16.7 per cent to Saudi Arabian buyers, with a very small number (between 1.5 and 0.8 per cent) to Turkish, French and Yemeni investors (Gebeyehu, 2005). The biggest enterprises to be divested (as not all of them were fully privatised) during this period were: the Legadembi Gold Mine (receipts of US$ 172 million), National Tobacco (US$ 15.5 million) and Gumaro and Wushwush Tea Production and Marketing (US$ 27 million) (United Nations, 2004, p.10). Enterprises in the MIDROC group bought both the majority of the gold mine (with the government keeping a 2 per cent share) (IMF, 1999a, p.57), and the tea company (United Nations, 2004). Indeed, MIDROC was Ethiopia's largest foreign investor as of the mid-2000s, comprising over 30 companies, 15,000 employees, with investments valued at US$1 billion, and was active in sectors such as construction, manufacturing (leather, paper, corrugated sheets, bulbs, paints, beverages and soaps), real estate, natural resource extraction and mining (oil, gold and silver, marble), agro-industries (tea plantations and coffee farms), healthcare and medicines, hotels and educational establishments (United Nations, 2004, p.41).

Table 3.4 Ethiopia: Operational FDI projects by sector, 1992-1993 to 2000-2001

	Operational projects		
	Projects (no.)	Investment (birr, million)	Share of investment (%)
Manufacturing	32	774	23.6
Agriculture	4	1243	37.8
Real estate	0	0	0.0
Hotel and tourism	1	1162	35.4
Education	1	6	0.2
Health	0	0	0.0
Construction	5	83	2.5
Trade	0	0	0.0
Mining and quarrying	1	3	0.1
Others	7	13	0.4
Total	**51**	**3285**	**100.0**

Source: EIA data cited in World Bank (2004a).

Notably, together domestic and foreign private sectors accounted for over 60 per cent of gross fixed investment in 1999 (UNCTAD, 2002a, p.23), suggesting they were a key part of the emerging patterns of capital accumulation at this time. However, beyond the MIDROC group, the EPRDF's approach to limiting foreign participation in the economy was distinctive in regional perspective since most businesses were owned by Ethiopians, making the country 'quite unique in Sub-Saharan Africa, where European citizens from the former colonial powers, Indian or Arab minorities often play a dominant role in the private sector' (Altenburg, 2010, p.11). Overall, therefore, foreign investment was not dramatically deregulated during the first phase of Ethiopian developmentalism, indicating that neither foreign exchange constraints, the need for investment, nor conditionality pressures were sufficient to convince the EPRDF to liberalise the investment climate to foreign capital.

3.4 Grappling with challenges (domestic and global)

During the articulation of this defensive form of developmentalism the EPRDF faced considerable pressure from the IFIs over the unorthodox content of its development strategy. It also faced domestic challenges, particularly within the TPLF.

3.4.1 Navigating the IFIs

As Sections 3.2-3.3. made clear, Ethiopia was far from 'just another reforming country' in the 1990s, begging the question of how leaders of one of the poorest countries in the

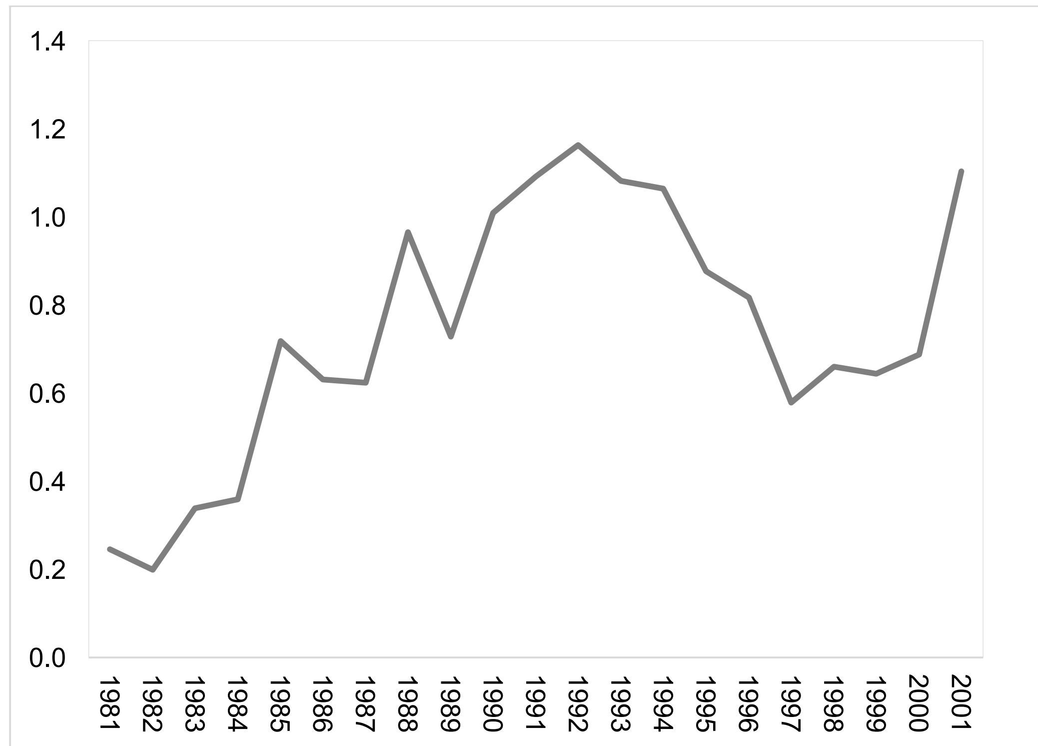
world, facing considerable social and economic challenges, managed to carve out the policy space for an emerging form of developmentalism at a time when the neoliberal agenda was hegemonic across development thought, policy and practice. The main source of pressure to deepen economic liberalisation during the 1990s stemmed from the IFIs, given that the country only became an observer to the WTO in 1997, had not integrated into global production networks, and had a closed financial sector and capital account. Indeed, tensions over the EPRDF's development strategy were evident in the very first loan arrangement conversations with the IMF and World Bank in 1991. According to a USAID official 'sobering for the TGE has been its discovery that international support, particularly from the European Community, the US, and multinational agencies, has been far less generous, swift, sustained, and unconditional than expected' (Morrison, 1992, p.136). The IFIs rejected the EPRDF's efforts to make its own transitional economic policy the basis for policy dialogue on the grounds that it was 'a very general document, containing few specifics and, as yet, no timetable of policy implementation' (IMF, 1992, p.16). The World Bank moved to 'withhold final approval of an aid package until the TGE agreed to a framework for a future structural adjustment programme' (Morrison, 1992, pp.134–35) encompassing devaluation; banking reform; privatisation; investment, labour, contract and bankruptcy laws and policies. This indicates clear efforts to use Ethiopia's economic distress and need for external financing to induce policy reform in line with the neoliberal development agenda. This pressure also helps to explain why the PFP took a year longer than expected to agree (Chole, 1993), and why despite the EPRDF's concerns about devaluation, this was implemented in October 1992.

Tactically, the EPRDF then shifted toward sluggish implementation in 'sensitive' areas such as: external trade, foreign exchange, financial reform, privatisation of enterprises and land, and civil service reform (Abegaz, 1999, p.39). However, this had costs. There was a long delay between the first (December 1993) and second (March 1996) tranches of an African Development Bank (AfDB) loan due to 'delays in implementation': chiefly privatisation (AfDB, 2000, ii). The conclusion of the SAC-1 credit was also delayed by nearly two years (from December 1994 to September 1996) which the Bank later attributed to the TGE's 'strong sense of ownership' and need 'to analyze thoroughly all issues before deciding on a specific course of action' (World Bank, 1997a, p.7). Even more significantly, the EPRDF came under extreme pressure from the IMF

to open Ethiopia’s capital account, break up the CBE and open the banking and insurance sectors to foreign competition in 1997 (Wade, 2001a, p.68). At this time the IMF withheld funds under the Enhanced Structural Adjustment Facility (ESAF) loan that the EPRDF had signed in 1996 in order to remain within the Paris Club debt rescheduling framework (IMF, 1994, p.30). Yet the EPRDF rejected these pressures, concerned that interest rates would increase, shutting farmers out of credit for seeds and fertiliser, and had noted with considerable alarm Kenya’s recent spate of bankruptcies following its own financial liberalisation (Stiglitz, 2002b). Thus in the end, due to the ultimate termination of IMF lending during the Eritrean conflict, only one-third of the total funds agreed were actually drawn in two out of six tranches (IMF, 2005c, p.3).

Such cautiousness and gradualism exemplified the EPRDF’s ‘rearguard war not to privatize too much’ (Meles Zenawi speaking in 2010, quoted in De Waal, 2015, pp. 161–162), which, as noted above, defined the EPRDF’s defensive developmentalism, and became a hallmark of the EPRDF’s approach to managing IFI pressure in the 1990s. Its refusal to embrace a more mainstream development strategy, however, undoubtedly cost it funds, which contributed to a steep decline in inflows after 1993, whilst the conflict with Eritrea also impacted both multilateral and bilateral lending (Borchgrevink, 2008, p.204; Feyissa, 2011, p.795) (Figure 3.1). The World Bank did remain engaged, although this was through project rather than structural adjustment lending (World Bank, 2000a; World Bank, 2003b). Overall, Ethiopia’s poor compliance with donor conditions resulted in a low CPIA score in 2003, particularly for its “structural policies”, which were considered to have been ‘unsatisfactory for an extended period’ leading a Swedish aid official to note this hampered Ethiopia’s attractiveness to funders: ‘[f]rom the point of view of governance and foreign-aid preparedness this [low score] is negative in an aid-competitive situation’ (Hannson, 2004, p.17).

Figure 3.1 Ethiopia: Net ODA received (current US$ billon), 1981-2001



Source: World Bank (2018).

Several reasons are commonly advanced to explain the EPRDF's capacity to resist IFI and donor reform pressures, and the country's strong sense of policy ownership which has meant donors have 'very limited ability to influence Ethiopian policies' (Borchgrevink, 2008, p.195). These include, steadfastness in pursuing its own agenda the face of donor inconsistency and divisions (Borchgrevink, 2008); adroit management of the relations between external funders and the government, such as highly centralised dialogue between external funders and the Ministry of Economic Development and Cooperation (MEDAC) (Abegaz, 1999; Furtado and Smith, 2009); and appeal to its sovereignty and evident humanitarian needs as a source of leverage over funders (Feyissa, 2011). Key policy decisions made in closed Party structures, not the government departments that funders work with, is said to have helped to isolate the decision-making process from international pressure (Furtado and Smith, 2009), with the Prime Minister's Office brokering the implementation of party-agreed decisions within executive branches of government (Abegaz, 1999). Finally, the overall effectiveness of its state institutions has also helped (Feyissa, 2011), not least by enhancing its international credibility, as even the World Bank (2004b, p.10) has noted that the 'view from donors is that Ethiopia has dedicated and competent policy-makers and civil servants with a strong sense of ownership of the government's reform agenda'.

It has also been suggested the EPRDF was less economically fragile than many of its peers, both because of large inflows of food relief and 'more favourable economic conditions than most African countries which suffered from debt and macroeconomic crises' (Whitfield, 2009, p.336) (see also Feyissa (2011)).

Yet, in 1992, Ethiopia's external debt was 95 per cent of GDP or US$ 8.8 billion (Degefe, 2001, pp.380, 386) and its mounting debt arrears reached US$ 5.5 billion by 1999 (Degefe, 2001, p.393). The Heavily Indebted Poor Countries (HIPC) criteria for determining if a country as heavily indebted includes a debt-to-export ratio of more than 150 per cent (Thirlwall, 2006a, p.104). As Table 3.5 makes clear, Ethiopia more than exceeded this threshold for the majority of the 1990s. Furthermore, in terms of the debt service to export ratio, the average recorded in developing countries at the peak of the developing world debt crisis in 1986 was nearly 30 per cent (Thirlwall, 2006a, p.104), and even excluding rouble-denominated debts to Russia, Ethiopia's total debt service to export ratio was 82 per cent in 1991-1992 (IMF, 1996, p.4). Export earnings were heavily dependent on coffee exports, which averaged 58.2 per cent of commodity export earnings between 1995-2001 (United Nations, 2017a). Partly due to this dependence on coffee,[80] export earnings were slightly lower in 2001 than in 1997 (falling from US$ 979 million in 1997 to US$ 976 million in 2001) (World Bank, 2018g), shaped by the fact that between 1999 and 2001 world coffee prices fell to thirty-year lows (Reinert, 2007). Indicative of its economic aid dependence, Ethiopia also displayed what Bräutigam (2000) classifies as 'high aid intensity' (a threshold set at 10 per cent of GNP or higher), since ODA was 21 per cent of GNP in the early 1990s, although falling to 10 per cent by 1997.

Table 3.5 Ethiopia: Ratio of total external debt to export of goods and services (%)

1980	1990	1992	1993	1994	1995	1996	1997	1998
139.5	1,276.3	2,036.9	1,889.3	1,788.1	1,276.6	1,224.5	968.1	983.5

Source: World Bank (2000, p. 234).

Thus on its own terms, Ethiopia's external position was nonetheless decidedly precarious. Indeed, indicative of the pressures placed upon the regime by its external debts, Meles Zenawi described HIPC as a 'whip to enforce unquestioning acceptance of

[80] One important note of qualification regarding Ethiopia's export position, meanwhile, is the large share of total exports Ethiopia accrued through services rather than goods at this time, particularly through Ethiopian Airlines (Reinert, 2007).

the economic orthodoxy' adding that '[t]he choice which we are left with under HIPC is thus to either abandon all independent and rational thinking in economic policy making or wallow in the quagmire of unsustainable debt' (UNECA, 1999). To fully appreciate the EPRDF's capacity to resist pressure to adopt neoliberal developmental policies, attention to three additional factors is also important.

First, the lack of unity on the part of the IFIs and bilateral donors (Borchgrevink, 2008). Interestingly, the EPRDF was strongly supported in the dispute by then newly-appointed Chief Economist to the World Bank, Joseph Stiglitz, who convinced Bank authorities to a three-fold increase in support for Ethiopia at the time the IMF suspended payments, as well as vocally championing the Ethiopian government's position in Washington, and providing advice on its strategies (Stiglitz, 2002a).[81] This particular rupture between the two dominant IFIs is of quite significant historical note, since (as noted in Chapter 2), many of the promises following the transition from the Washington to post-Washington Consensus ended in theoretical disappointment. Yet on the ground in Ethiopia, the disputes between advocates of "shock therapy" and "good governance" considerably helped Ethiopia to weather the shock of its IMF dispute.

Second, whilst the EPRDF's strategic adroitness, encompassing institutional arrangements and governance techniques such as donor centralisation and appeals to sovereignty (noted above) were undoubtedly important constituents of its ODA management, this literature often neglects the feedback mechanisms between the ideational and material content of its political and economic project and strategies for ensuring this was implemented. Whilst criticism the EPRDF received during the war with Eritrea was undoubtedly 'deeply resented' by the EPRDF (Feyissa, 2011, p.801) its refusal to adopt neoliberal reforms goes deeper than its sensitivity to foreign interference and the strong sense of national pride inherited from the traditions of independent statehood. To understand why the EPRDF pushed so strongly against the prevailing tide of global policy trends, also significant are the heterodox intellectual influences, from elements of structuralist and dependency theorising reviewed above, to the Marxist-Leninist ideas that formed the essence of the EPRDF's view both of its social base (the peasantry) and the dangers to its project (imperialist forces, and

[81] Wade (2001b, p.128) argues that his support for Ethiopia, which went as far as 'advising the Ethiopian government on how to resist IMF demands that it open up its financial system', contributed to Larry Summers, the then US Treasury Secretary, to call for Stiglitz to be disciplined.

domestic capitalist class), all of which contributed to scepticism about the alternative conceptualisations of development being offered, helping to ensure the limited traction of mainstream ideas within the Ethiopian policy-making domain.[82] Here a senior advisor to the Prime Minister noted during fieldwork interviews in February 2016:

> In the 1990s, on our side, we didn't think standard economics explained the reality on the ground – we were prepared to talk about this in terms of analytics with the World Bank and IMF but they didn't give a good enough explanation for liberalisation in these areas, so we sensed that these were open questions after all (EG-13, see Appendix A).

From the historically rooted analysis of the dangers of the rent-seeking tendencies of the Ethiopian private sector, to scepticism about exchange rate adjustments, and the ADLI strategy, a strong countervailing force to orthodox development advice has been both a deeply contextual understanding of the challenge of development, and a commitment to seeing development as a profoundly structural process. Furthermore, with positions on key decisions reached through deeply-rooted processes of 'democratic centralism', which were first deployed by the TPLF in the 1980s (Vaughan, 2011; Lefort, 2015), the endurance of ideas once they are established as official positions within Ethiopia made such ideas all-but impossible for the international aid community to uproot, except for 'coaxing the government to get closer to the limits allowed by its own ideological or narrow organizational interests' (Abegaz, 1999, p. 45).

Relatedly, the material content the EPRDF's chosen development path also helped to consolidate a political economy that was materially unconducive to the sort of 'home-grown' neoliberalism discussed in Chapter 2. With the Derg regime having wiped out powerful domestic landholders and the emerging capitalists (largely foreign) of the imperial period, the domestic economic elites who might benefit from deeper international integration through financial liberalisation, deregulation, and greater privatisation were also fragmented, small and marginal. In their absence, the strategy adopted by the EPRDF, informed by the intellectual influences noted above, sought to create a market economy in such a way as to keep rival centres of economic and political

[82] During the internal TPLF *gimgema* (reassessment) of 2000 (see Section3.4.2), the Meles Zenawi faction proposed an economic development strategy involving liberalisation in line with the Lenin's New Economic Policy (Milkias, 2003, p.21).

power to a minimum (see also Weis, 2016). As many strategic sectors of the economy, from finance, to transport, utilities and manufacturing thus remained in state hands, the largest domestic and foreign economic players were closely supportive of the EPRDF's approach. The EPRDF's 'no go areas' of policy reform, particularly rapid privatisation, financial liberalisation and capital account opening, helped to preserve this developmentally conducive political economy. In this context, the EPRDF coalition thereby emerged as the main political force, and the state the main economic force, meaning that the emergence of pro-liberalisation forces was decidedly circumscribed. Such sensitivity to the ideational and material components of the EPRDF's development strategy helps to explain both why and how it adopted its staunchly 'anti-neoliberal' approach (Chang and Hauge, 2019).

Third, and finally, the EPRDF could also 'just say no' to external funds when policy pressures became too much because of the nature of its macroeconomic management. This involved some adroit debt management strategies and hard choices about spending decisions. Grappling with the country's external debt position was reportedly the chief concern of senior EPRDF officials upon taking power: perceived as even more urgent than increasing government revenues (Mascagni, 2016, p.30). This amounted to a willingness (and capacity) to make lower-than-desired budgetary outlays for social expenditure (Degefe, 2001, p.396). This indicates that the balance of social forces in 1990s Ethiopia was such that the EPRDF had the domestic space to cut government spending without the risk of a politically destabilising backlash. The EPRDF also sought to insulate itself from the necessity to undertake unpalatable conditional lending by buttressing its foreign reserves with external inflows. The EPRDF increased the country's international reserves in the mid-1990s, which reached 6.6 months of imports in mid-1995 (IMF, 1999a). This fiscal stance obviated the need for concessional inflows, since the EPRDF was prepared to tolerate expenditure decreases instead of policy lending tied to unpalatable conditions. Together, these factors enabled the EPRDF to refuse further Bank lending after the first SAC expired, which the World Bank (2000a, p.3) attributed to its 'unwillingness to envisage policy-conditioned credits'. This shifted remaining World Bank lending to revived International Development Association (IDA) projects in infrastructure, agriculture and social services, which had been started but often interrupted or stalled during the Derg period (World Bank, 2000a).

Relatedly, Ethiopian officials also successfully built-up independent debt analysis capacity and negotiation skills ahead of the HIPC discussions in 2001 which won it more front-loaded relief than the IFIs had originally proposed (with government officials arguing that this would be needed if the government was to make significant poverty reduction targets by the 2015 Millennium Development Goals (MDGs) deadline) and a delayed decision-point (meaning more debt relief than the date previously proposed) (Martin, 2010, p.283). Finally, the EPRDF also began to look beyond the IFIs and Western donors, laying the foundations for more diversified foreign economic relations. Indeed, during the early 1990s an 'intensive debate about Ethiopia's foreign policy was triggered by concerns that the country's wishes did not always tally with Western powers' designs' (Ziso, 2018, p.113). China was identified as a possible source of development lessons, and Meles Zenawi made a first official visit to China in 1995, followed by a visit from Chinese President Jiang Zemin to Ethiopia in 1996 (Ziso, 2018). Whilst not yet of sizeable economic or political significance, these emerging relations helped to lay the ground-work for the later weakening the country's reliance on Western support.

Thus, whilst the EPRDF did not avoid all IFI pressure in the 1990s, its capacity to markedly deviate from this consensus view of development strategy, even amidst the economic fragility of the 1990s, is highly significant. This can be attributed to divisions between the IFIs and within the broader donor community, to the EPRDF's adroit management, including of the macroeconomy, preserving space to avoid particularly politically sensitive reforms, but also needs to be contextualised by two further factors related to the substance of its defensive developmental agenda. Ideationally, the EPRDF's conceptualisation of the nature of development outlined above contributed to permanent scepticism regarding IFI advice, whilst materially, the outcome of its heterodox approach to economic development meant that there was no sizeable domestic constituency aligned with deeper liberalisation in Ethiopia at this time. Together these factors enabled the EPRDF to navigate the global neoliberal order in such a way as to preserve most strategic sectors of the economy in state hands, and avoid modalities of financial integration which could generate instability and distort the development strategy in the ways noted in Chapter 2.

3.4.2 The TPLF split and emergence of assertive developmentalism

As noted above, the war with Eritrea proved a major interruption to the EPRDF's developmental plans, disrupting the implementation of ADLI, compounding disagreements with its donors (Borchgrevink, 2008), and halting investments by endowment-owned companies (Vaughan and Gebremichael, 2011). The war also reflected, and indeed intensified, deep divisions within the TPLF. In particular, the faction within the TPLF aligned with Meles 'felt that the conflict seriously undermined economic development upon which the future of Ethiopia depended' (Tadesse, 2015b, p.279). Indeed, describing what he noted was the TPLF's descent into a 'rent-seeking party' in the mid-1990s, Meles noted that '[t]he stupidest event, the war with Eritrea, accelerated it. The war was started by idiots in Eritrea, but the response was equally stupid. We were more interested in protecting the interests of some groups than in the strategic national interest' (Meles Zenawi speaking in 2010, quoted in De Waal, 2015, pp. 161–162). The Prime Minister's group occupied the more economically reformist wing of the party, whilst dissidents accused Meles's side of taking the country right-ward and of subservience to the US (Prunier, 2015). Indeed, his opponents within the party reportedly had begun 'to view Meles as an agent of the West, while his group tended to view the militants as traditionalists and die-hard Marxists' (Tadesse, 2015b, p.279). This contributed to probably the most significant domestic transformation within this period: a split within the TPLF's Central Committee. In turn, this helped to prompt formal recognition of a change in the regime's development strategy since the 'EPRDF post-split now finally confirmed that the transition to socialism had been abandoned' (Vaughan, 2011, p.631). Summarising these events Meles Zenawi said in the mid-2000s

> Our economic reform programme, which was initiated in conjunction with the IMF and World Bank, started in the early 90s with a focus on changing the command economy, inherited from the past, and establishing a market economy. This objective was achieved by the mid 90s. While I cannot say that we had an alternative to the neo-liberal reforms that the IMF and World Bank wanted us to introduce, we have never been comfortable with it from the very beginning. Our initial reaction was in effect to conduct a rear-guard battle of delaying and preventing the introduction of reforms that would reduce the state to the proverbial night watchman without presenting an adequately articulated alternative. By the late 90s, our thinking as a ruling party was evolving in the

> direction of elaborating an alternative development paradigm that we have called democratic developmentalism. This was a rather slow and painful process. Painful because the full articulation of the paradigm with all its policy implications was one of the key causes of the most serious split in the history of the ruling party that took place in 2000 – 2001 (Zenawi, 2006b).[83]

As this quote illustrates, domestic political disagreements were a major factor limiting the emergence of more ambitious development plans at this time, despite the considerable efforts of the EPRDF to preserve the basis for a developmental regime.

As the disputes intensified between 2000 and 2001 they were to ultimately play out to the advantage of the Prime Minister, given his tactical out-manoeuvring of his opponents and purges of dissident elements (Tadesse, 2015b; Vaughan, 2015). The resulting split within the TPLF kicked off a process known as "renewal" (Tadesse, 2015b) and the removal of leading "dissident" politicians (Vaughan and Gebremichael, 2011, p.33). This allowed the party faction led by Meles Zenawi to move forward largely free from intra-party opposition (Vaughan, 2015; Weis, 2016). Having strengthened the Prime Minister's power over both party and state organs (Tadesse, 2015b), a major restructuring of state-party relations also occurred. This entailed the fusion of party and state through what Vaughan describes as an '[i]ntensive process of state-building' (2015, p.302) encompassing: the creation of new powerful ministries that took over areas of policy-making traditionally left to party structures; efforts to 'modernize, professionalize and bureaucratize the state … [through a] new emphasis on capacity building, education, and urban development'; and bureaucratic strengthening of decentralisation at the local (*woreda)* [84] level through innovations across budget management systems and communication, as well as within the civil service.

Notably, after this period, both the level of assertiveness and ambition regarding the EPRDF's developmental trajectory ramped up appreciably, and a range of new terms emerge to signal the shift to a new development model. Vaughan (2011) notes that the use of the term "developmental capitalism" (*lematawi habt*) came into use, whilst terms

[83] For the "renewal" (*gimgema*) discussions, Meles reportedly produced a '700 page document on Bonapartism – accusing leadership TPLF of corruption, and anti-democratic behaviour and slowly transforming itself into an aloof, antidemocratic ruling class' (Milkias, 2003, p.20).
[84] This is equivalent to a district, and is third largest out of four administrative-level units under Ethiopia's federal system (Weis, 2016).

such as “democratic developmentalism” (Zenawi, 2006b) and “developmental state” (FDRE, 2016b, p.1) tend to be more commonly deployed in English-language speeches and publications. A full discussion of the contours of this newly-adjusted development paradigm forms the basis of Chapter 4. However, for now it is worth noting that this shift signals the important domestic developmental constraints faced by Ethiopia in this first reform period. Some, for instance, have suggested the pace of privatisation was slow in the 1990s due to opposition from within the TPLF power-brokers in Tigray, without whose support Meles’ hands were tied (Milkias, 2003).[85] If true, this signals that the consensus governing the development strategy had begun to fray, as a pace of reform that was evidently too slow for the IFIs seemed to be too fast for a faction within the TPLF. The quote from Meles Zenawi above also indicates that the defensive measures to preserve as strategic sectors under state control were not matched by a coherent plan for how to use the commanding heights to power economic transformation. This indicates powerful political and ideational factors constrained Ethiopia’s development strategies at this time, alongside the challenges of reconstruction and creating a market economy, as well as the conflict with Eritrea.

Conclusion

The trajectory of the Ethiopian transition from command to market-oriented economy during the 1990s was heterodox both in pace and in content. Whilst the EPRDF may have lacked a coherent vision for how to utilise state assets to power the country’s transformation, and been consumed by a war with Eritrea and internal disputes within the TPLF, it displayed considerable strategic adroitness in carving out sufficient space to resist the strong pressures emanating from the IFIs in order to defend wide-spread state ownership across the economy’s commanding heights. The domestic balance of political and economic forces both drove and enabled leaders of one of the least developed countries in the world to make a break with the powerful prevailing orthodoxy. Internal TPLF disagreements indicate, in their concern about whether economic reforms had already gone too far, that the EPRDF did not face considerable domestic pressure to adopt a faster reform trajectory at this time, including from within the coalition’s most powerful party. It is not that such groups were not present. Indeed,

[85] He cites the lack of privatisation of the state-owned power company as an example of a state enterprise whose divestment was blocked by TPLF party structures. However, its subsequent lack of divestment suggests other reasons may also be at work.

during the 1990s, given the poor relations between the EPRDF and urban entrepreneurs and middle classes, and the EPRDF's alignment with the peasantry, 'most in the private sector ranged alongside the more liberal opposition groupings which supported privatisation of land and SOEs, fuller free-market competition, and (in some cases) a change of the federal arrangement' (Vaughan and Gebremichael, 2011, p.20). However, given their political and economic marginalisation, such groups did not pose a major obstacle to the implementation a more interventionist developmental economic policy regime. Rather division in the TPLF held back the emergence of more ambitious strategies, and it is to the transformations occurring after such divisions were resolved that Chapter 4 now turns.

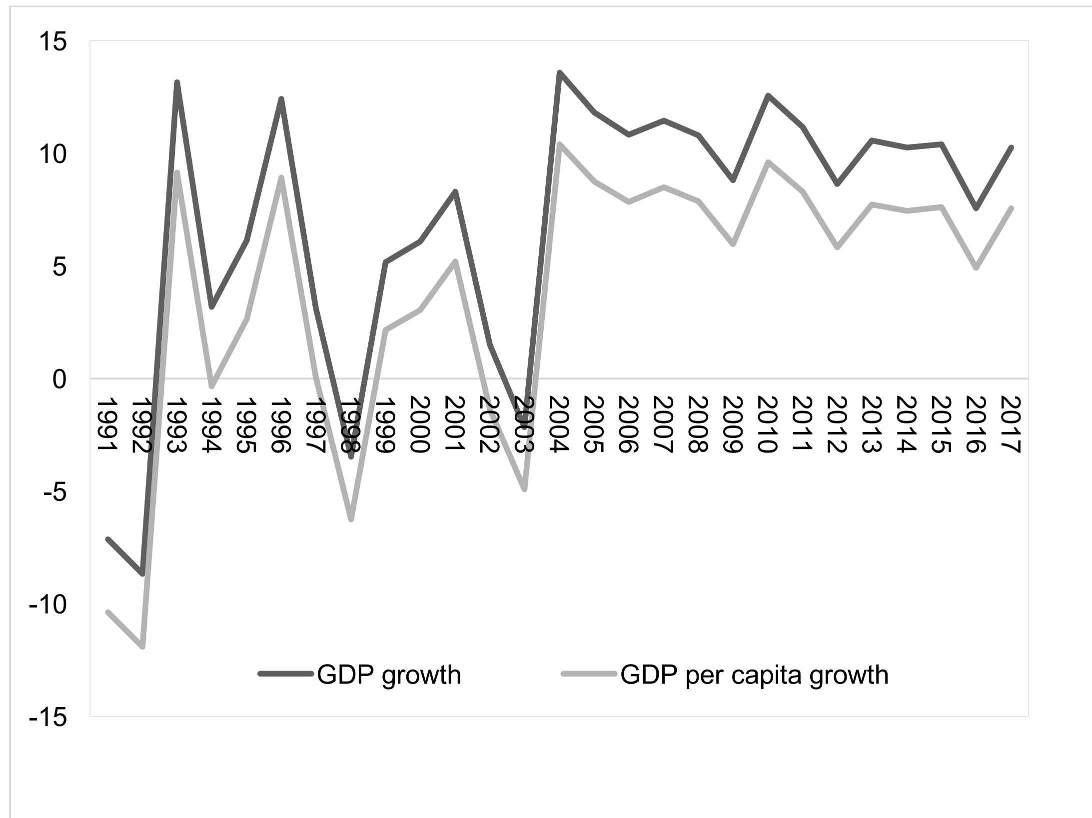
Chapter 4 Ethiopia 2002-2018: Consolidating an assertive developmentalism

This chapter charts the evolution of Ethiopia's more assertive form of developmentalism from 2002-2018 which has comprised a major state-led investment drive for rapid growth and poverty reduction, enshrined in a succession of increasingly ambitious national development plans. Significant transformations in the country's economic performance were in evidence during 2004-2017 (Figure 4.1), as GDP grew at average rates of 10.7 per cent a year, and GDP per capita 7.7 per cent.[86] Between 2004 and 2016 Ethiopian GDP growth rates were higher than the average of 9.6 per cent in China, making it one of the fastest growing economies in the world: and the fifth fastest in the ten years from 2005-2014 (Lenhardt et al., 2015, p.9).[87] The most recent five-year plan outlines a 'national vision of becoming a low middle-income country [MIC] by 2025, through sustaining the rapid, broad based and inclusive economic growth, which accelerates economic transformation and the journey towards the country's Renascence [sic]' (FDRE, 2016b, xi). Yet whilst there was a major break with past growth volatility in this period, the defensive developmentalism outlined in Chapter 3 has proved critical to this later success. This chapter unpacks the drivers – domestic and external – that have propelled this noteworthy trajectory, its evolution since 2002, and discusses the new challenges which have emerged as the EPRDF has adapted and extended its brand of developmentalism to new realities and constraints.

[86] Whilst the government strongly defends its growth figures, and they are now widely used by the IFIs, during the early high growth period the IFIs raised doubts about the veracity of the data (IDA and IMF, 2011, p.1). For a discussion of the concerns about Ethiopia's GDP data see Alemayehu Geda and Addis Yimer (2014) and Dercon et al (2009).

[87] Only Qatar, Macao, Azerbaijan and Iraq have grown at higher rates between 2005-2014.

Figure 4.1 Ethiopia: GDP and per capita GDP growth (annual percentage), 1991-2017



Source: World Bank (2018g).

4.1 Recalibrating Ethiopian developmentalism and the 2005 election

4.1.1 Consolidating new directions and discovering new ambitions (2002- 2005)

In the wake of the TPLF split, between 2002 and 2004 a number of new policy documents were created, covering industrial policy, agricultural and rural development, democracy, institutional and capacity development, and foreign policy (interviewee EG-1). The 2002 Industrial Development Strategy separated industry and agriculture for the first time, and marked a shift toward a more concerted industrial policy approach (Oqubay, 2018). Priority sectors included textile and garments, meat processing and leather, agro-processing and construction sectors, which were reportedly selected for their connections to the agricultural sector, their labour intensiveness, and foreign-currency earning potential (interviewee EG-10). Notably, whilst the document noted the private sector was an important component of the strategy, the thinking underpinning this remained embedded in the distinction between a 'rent-seeking' versus 'developmental' private sector characteristic of the first period, with one senior government official interviewed observing that encouragement of private capital only applied to those who invested to create value, adding 'the others are not our partners'.

The interviewee went on to add that the state's role was therefore to 'dry out' space for rent-seeking (EG-10).

The 2002 Rural Development Strategy and Food Security Strategy also echoed the approach outlined in the 1990s, continuing to frame food insecurity as a matter of improved agricultural productivity (via increased inputs) and not a matter of emergency relief (Lavers, 2016). The Foreign Policy and Security Strategy white paper, said to be written by Meles in 2003, was in turn strongly oriented toward economic development, setting goals elated to mobilising investment, capital and aid and improving the terms of Ethiopia's international economic integration (Tadesse, 2015a). In 2002 a second wave of decentralisation also occurred, devolving budgeting, expenditure and accounting to *woredas* (Vaughan, 2015).[88] Of this period, a senior government official noted that although the idea of the 'developmental state' was not yet clearly articulated, 'the basic ingredients on the role of the state in accelerating growth' were all present, alongside awareness of 'the risk of capture' stemming from an 'activist state' (EG-1).

Ethiopia's first PRSP, the three-year Sustainable Development and Poverty Reduction Programme (SDPRP) (2002-2003 to 2004-2005) not only helped to revive a development planning tradition which originated in the imperial period, but it also importantly differed from standard PRSP packages. The IFIs noted it showed strong ownership and s 'more interventionist approach than generally prevails elsewhere' (IDA and IMF, 2002, p.1). At the end of the SDPRP, in 2004, economic growth rates first jumped to over 13 per cent. Whilst the IMF (2005b) attributed this to Ethiopia's recovery from a devastating drought and food crisis during 2002-2003, government officials believed the revived planning approach instituted through the PRSP was as important. A senior government official noted of the 2003-2004 period that 'when we started implementing these policies and the economy jump-started, this gives you confidence about the policies', adding that success also helped to silence critics (EG-1). Another noted the government had begun to learn that 'a coordinated effort can make a difference,' and the government was keen to keep up the fast growth path (EG-6). This was then followed by the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005-2006 to 2009-2010), which added to SDPRP's poverty and

[88] The degree to which the *woredas* are tasked with delivery of centrally devised development packages has led some to describe this as 'centralised decentralisation' (for a discussion of this, including of some of the contradictory and mixed evidence on this question, see Vaughan, 2015).

rural focus an expanded emphasis on industrial and urban development (Gebreeyesus, 2013, p.9).

4.1.2 The post-2005 election turn toward public investment-driven developmentalism

After these recalibrations, the expanded developmental trajectory was kicked into a new gear by the political turmoil of the 2005 election and its aftermath. Urban riots in 2001 had revealed the EPRDF's fragile support in such areas (Lavers, 2016) and the EPRDF lost all seats in the Addis Ababa Municipal council in 2005, whilst the opposition won 174 seats in the national election of 2005 (to the EPRDF's 327 seats), considerably more than anticipated (Prunier, 2015). Protests followed the election result, which drew a strong security response and resulted in deaths and the arrests of the main opposition leaders (Aalen and Tronvoll, 2008). The opposition was also beset by factionalism and disagreement during late 2005[89] which played to the advantage of the EPRDF which also managed to use the arrests to hasten the opposition's collapse. Arfter this it undertook a series of local meetings to "ask forgiveness" and win back popular support (Vaughan, 2011, p.632).

Whilst the impact of the TPLF split in 2000-2001 was arguably more significant in the longer-term reorientation of the EPRDF's political and economic development strategies (Vaughan, 2015, p.304), the 2005 election was significant in transforming the political significance of Ethiopia's economic development strategies. Not only was the fragility of the EPRDF's powerbase in urban areas now an unavoidable political reality (Oqubay, 2015), but it had also stoked long-standing fears about the social challenges of urban unemployment (Lavers, 2016). Such concerns had two particularly important impacts. Politically, this entailed mass political mobilisation and party-building through recruitment, the reinvigoration of mass associations, new youth leagues, and other efforts to build local party leadership and presence (Vaughan, 2015).[90] Economically, as one expert on the Ethiopian economy interviewed during fieldwork argued, since

[89] The opposition comprised two distinct groups, the Coalition for Unity and Democracy (CUD) and the United Ethiopian Democratic Forces (UEDF), each representing a different interests, both ethnic, political and economic, united only by the desire to remove the EPRDF from power (Prunier, 2015). The Addis Ababa Chamber of Commerce and Ethiopian Economics Association were reportedly an important opposition base at this time (Weis, 2014, pp.274–275).

[90] The study of vanguard capitalism by Weis (2016) provides a particularly astute analysis of how these political shifts impacted the contours of the ERPDF's approach to building a market economy.

2005 the EPRDF has 'invested heavily in urban areas, urban infrastructures and connecting rural areas' (EA-2).

The increased political significance of the EPRDF's economic strategy (Prunier, 2015) is reflected in the two plans authored in the aftermath of the 2005 election: the Growth and Transformation Plan I (GTP I) (2010-2011 to 2014-2015) and GTP II (2015-2016 to 2019-2020). Indicative of the heterodox nature of these strategies, a joint IMF and IDA report strongly criticised the first GTP for over-ambitious growth targets; lack of consultation with funders and donors; loose monetary policy; state dominance of finance and other sectors; and interventionist industrial policy (IDA and IMF, 2011, p.11).[91] This heterodox policy approach has altered the contours of Ethiopian developmentalism altered markedly.

During 2005-2006, Ethiopia's public investment rates increased sharply, reaching 17.6 per cent of GDP in 2015-2016 (Table 4.1), far higher than the emerging and LIC economy average of 6-7 per cent of GDP from the mid-2000s to present (IMF, 2015a, p.6). As a result, Ethiopia now possesses one of the highest public investment rates in the world: the third highest globally in 2011 (World Bank, 2013b, p.14).[92] During GTP I and GTP II, large-scale infrastructure projects and industrial installations targeted at both import substitution and export diversification have become major targets of such spending. For instance, the Ethiopian road network doubled in size between 2010 and 2015; a railway connecting Addis Ababa to Djibouti commenced under GTP I (opening to freight in 2016); telecoms customers increased from 7.7 million in 2009-2010 to 39.8 million by 2014-2015; power generation doubled from 2,000 MW in 2009-2010 to 4,180 MW by 2014-2015 and electricity service coverage increased from 41 per cent in 2009-2010 to 60 per cent in 2014-2015; Ethiopian Airlines increased passenger seat provisions from 15 billion in 2009-2010 to 32 billion in 2014-15; and 174,190 housing units were created during GTP I, creating 845,900 jobs (FDRE, 2016b). The road expansion programme alone cost over US$ 7 billion between 1997-2010 (Shiferaw, 2017).

---

[91] Instead, the report called for a 'comprehensive structural reform agenda that deregulates trade and promotes business activity' (IDA and IMF, 2011, p.11).

[92] Many of these investments are notable for their ambition, such as the Grand Ethiopian Renaissance Dam (GERD) (6000 MW capacity), whose cost is estimated at 15 per cent of GDP and has been financed domestically (Weis, 2016); the light railway in Addis Ababa was the first light railway (or metro) within sub-Saharan Africa (outside of South Africa) (Economist, 2015); and the modern gauge railway line to Djibouti, which aims to cut the time to shift goods from the capital to the port from 2-3 days to 10-12 hours (Railway Gazette, 2016).

In the Ethiopian context such investments are considered a pre-condition for the industrial take-off that has assumed new significance in the EPRDF's development strategies, as former Prime Minister Meles Zenawi (2012) noted: '[t]he infrastructure activity that matters for manufacturing, is electricity, roads, railways, ports – without manufacturing we do not transform our economy'. These investments have not only helped to trigger expanded economic growth but united orthodox (IMF, 2016, p.20) and heterodox (Priewe, 2016, p.1) commentary around the centrality of high rates of public infrastructure investment to Ethiopia's economic transformation.

4.2 Heterodox development financing and implementation

Financing played a major role in implementing these ambitious transformation plans. This entailed a strong reliance on a domestic financing nexus for channelling credit to priority sectors and some new approaches to managing ODA.

4.2.1 The state finance-infrastructure-industry nexus

The heterodox developmental nexus encompassing finance, industry and infrastructure which was preserved in the 1990s has proved critical to the financing and implementation of the public investment that forms the backbone of the EPRDF's assertive developmentalism. Increased public investment has depended on fairly orthodox measures such as increased allocations from the government budget (achieved by restraining consumption spending, as well as increased ODA and domestic and foreign borrowing) (World Bank, 2013b), combined with a number of what a recent World Bank report calls 'heterodox financing arrangements' (Moller, 2016, p.14). These include: financial repression (such as the 2011 central bank directive that requires private commercial banks to hold 27 per cent of the value of any new loans in NBE bills to mobilise credit for productive investment, the so-called '27 per cent' directive); increased non-budget investments through public enterprises (aided by increased domestic and foreign borrowing); bond purchases by state-owned banks to finance public enterprise projects; negative real interest rates (to provide cheap financing for public investment projects); an over-valued exchange rate (to lessen the cost of imported inputs into public investment projects); and low international reserves (Moller, 2016; Priewe, 2016). Thus whilst overall ODA levels have increased markedly during this period (as discussed in section 4.2.2), the share of ODA in total domestic investment

has declined from 50 per cent during 2000-2004 to 29 per cent during 2010-2014 (Shiferaw, 2017). This indicates the growing role of both domestic and non-concessional borrowing in financing these investments, with lending from non-traditional sources such as China also increasing appreciably (Section 4.2.2).

The financial sector is a central anchor of Ethiopia's state finance-infrastructure-industry nexus that has helped to turbocharge Ethiopia's economic transformation. The bank-dominated financial system remains closed to foreign investment, and the two largest banks remain state-owned: CBE and Development Bank of Ethiopia (DBE). This is distinctive in comparison with developing economies where private and foreign banks are typically significant players (World Bank, 2015c). In 2015-2016, the two state banks[93] accounted for 48.9 per cent of total assets, and were considerably larger than the largest private bank (Table 4.2). The banking system is thus highly concentrated at the top and fragmented at the bottom. According to GTP II, the financial system's role is to 'provide the finance necessary for the implementation of manufacturing and other industry projects that will produce exportable products' (FDRE, 2016b, p.107). Industry and other priority sectors such as power, rail, road and housing received 54.7 per cent of domestic credit in 2014-2015, followed by services at 35.4 per cent, and agriculture at 9.9 per cent (FDRE, 2016b, p.117). In contrast to global patterns of increased bank credit allocation to the private sector, in Ethiopia this declined between 2004 and 2011 from around 19 per cent of GDP to 14 per cent (compared with the average African average of 23 per cent of GDP) (World Bank, 2015c).

Table 4.1 Ethiopia banking sector: public and private banks by share of total banking system assets, 2015-2016

Public banks	**48.9**	**Private banks (top three)**	**51.1**
Commercial Bank of Ethiopia (CBE)	31.5	Awash International Bank	7.4
Development Bank of Ethiopia (DBE)	17.4	Dashen Bank	6.5
		Wegagen Bank	5.6

Source: NBE (2016).

[93] Following the merger of the Construction and Business Bank with the CBE in 2015.

Table 4.2 Ethiopia: Investment levels (percentage of GDP), 1992-1993 to 2015-2016

	1992-93 [a]	1993-94 [a]	1994-95 [a]	1995-96 [a]	1996-97 [b]	1997-98 [b]	1998-99 [c]	1999-00 [c]	2000-01 [c]	2001-02 [d]	2002-03 [e]	2003-04 [f]
Gross domestic investment	14.2	15.1	15.7	21.0	19.1	18.2	16.3	15.3	18.0	20.5	22.7	21.4
Public investment	5.0	9.0	7.3	7.4	8.3	7.6	7.9	5.3	8.9	11.5	8.8	9.0
Private investment	9.2	6.1	8.5	13.6	10.8	10.6	8.4	9.9	9.2	9.0	14.0	12.4

	2004-05 [f]	2005-06 [g]	2006-07 [g]	2007-08 [h]	2008-09 [h]	2009-10 [i]	2010-11 [i]	2011-12 [j]	2012-13 [k]	2013-14 [l]	2014-15 [l]	2015-16 [l]
Gross domestic investment	20.5	24.2	25.0	22.5	19.2	24.7	25.5	33.1	35.8	38.0	39.4	38.5
Public investment	9.1	16.7	18.2	15.1	14.1	16.0	18.6	25.0	19.1	17.0	17.6	17.2
Private investment	11.4	7.6	6.7	5.9	5.0	8.7	6.9	8.0	16.7	21.0	21.8	21.3

Note: Data for 2000-2001; 2010-2011 is estimated; 2009-2010 is preliminary
Sources: [a] IMF (1998a); [b] IMF (1999a); [c] IMF (2002a); [d] IMF (2005b); [e] IMF (2006a); [f] IMF (2007a); [g] IMF (2008); [h] IMF (2010a); [i] IMF (2012a); [j] IMF (2014a); [k] IMF (2015b); [l] IMF (2018b).

During GTP II, the CBE was given a mandate to 'provide credit for public investment projects in infrastructure and working capital for [the] industrial sector' (FDRE, 2016b, p.116). In mid-2012, CBE assets were around 70 per cent of the total in the sector (IMF, 2012a), and state enterprises are major recipients of lending, with 72.9 per cent of disbursed loans and bonds in 2013-2014 going to public enterprises (CBE, 2014).[94] The DBE in contrast grants medium and long-term soft loans in line with the government's structural transformation plans, and is the recipient the lion's share of proceeds from the '27 per cent' directive. In 2017 its priority projects were commercial agriculture, agro-processing, manufacturing, mining and extractive industries (DBE, 2017b), and in 2016-2017 some 62.6 per cent of DBE loan disbursements went to the manufacturing sector (up from 53.9 per cent in 2015-2016), and within manufacturing, 96.4 per cent of disbursed loans went to private enterprises in 2016-2017 (up from 92.2 per cent in 2015-2016) (DBE, 2017a). The DBE has provided significant support to government priority sectors such as cement (an import-substitution industry),[95] floriculture (an export-oriented sector),[96] and government affordable housing projects.[97] As a result, Ethiopia has been described as 'one of the few poor countries that have a functioning policy finance institution serving domestic agriculture and industry in a significant way' (GRIPS, 2015, p.48). For the government, the DBE is seen as a particularly important instrument of government policy implementation, since, according to one senior government official interviewed in January 2016:

> The DBE is a tool of the government that can be used as it wishes. Without such a bank the government wouldn't be able to intervene in who gets credit, and without such "commanding heights", the government's policies just become a wish – this is why it's important that banks are kept in government hands (EG-3).

---

[94] In the same year, CBE accounted for 34.1 per cent of total capital in the Ethiopian banking system (NBE, 2015).

[95] The cement sector accounted for 22.6 per cent of the DBE's outstanding loans as of 31 December 2011 (Oqubay, 2015).

[96] The DBE provided US$ 1 million loan at 8.0 per cent interest to a foreign floriculture investor to create the Golden Rose rose farm in 2000, when private banks would not lend the firm, and the owner later noted they 'would not have proceeded with the investment without this loan' (Dinh et al., 2012, p.100).

[97] This is one of the post-2005 priority projects. According to one official the bank 'has enabled the government to build 400,000 condominium houses using money from DBE. If this were a private bank, it would have been a higher rate to borrow, or not possible' (EG-3).

As a result, the EPRDF has retained significant levels of control over patterns of resource allocation in the Ethiopian economy which have been deployed to service its developmental priorities.

Beyond finance, the EPRDF has retained extensive state ownership over strategic infrastructure, industries and services during the 1990s. After 2001, privatisation efforts slowed down (Weis, 2016), with just ten firms privatised between 2003-2005 (World Bank, 2007a). Whilst some large enterprises didn't attract significant interest from potential buyers (World Bank, 2003a, p.26) the political limits of privatisation also appeared to have been reached, with tensions with the IFIs again surfacing over this issue.[98] As a result, in the mid-2000s public enterprises accounted for more than half of the country's industrial output (IMF, 2006c, p.5), dominated medium and large industries (and predominantly the country's capital intensive industries), and accounted for nearly 55 per cent of manufactured exports in 2000-2001 (World Bank, 2004a). In the endowment-owned sector, EFFORT was also reorganised in 2001 into five commercial business units: engineering and construction; manufacturing; service; agro-processing; and mining (Vaughan and Mesfin Gebremichael, 2011, p. 38). One recent estimate suggests that endowment firms employ more than 25,000 people in more than twenty enterprises, with a capital outlay around US$ 1 billion (Oqubay, 2015, p.71).

Furthermore, in 2005 a new Proclamation (no. 471/2005) gave individual Ministries the task of making the public enterprises accountable to them 'operate as development catalysts' (FDRE, 2005). Thereafter, state enterprises became vital vehicles for infrastructure investments. During PASDEP, excess reserves held by the CBE (34.7 per cent of deposits at the end of 2005) emerged as a major policy concern, coming to be seen as a source of domestic "savings" that could be utilised to fund higher MDG-related infrastructure spending (IMF, 2006b, p.17). Public enterprises in turn were seen to be key instruments of such investments, and the state-owned monopolies in electricity and telecoms – Ethiopian Electricity and Power Company (EEPCO) and Ethiopian Telecommunications Corporation (later renamed Ethio Telecom) – undertook investments to expand coverage and connectivity levels, with a significant share financed by government-guaranteed bond sales to CBE (IMF, 2006b). Since that time,

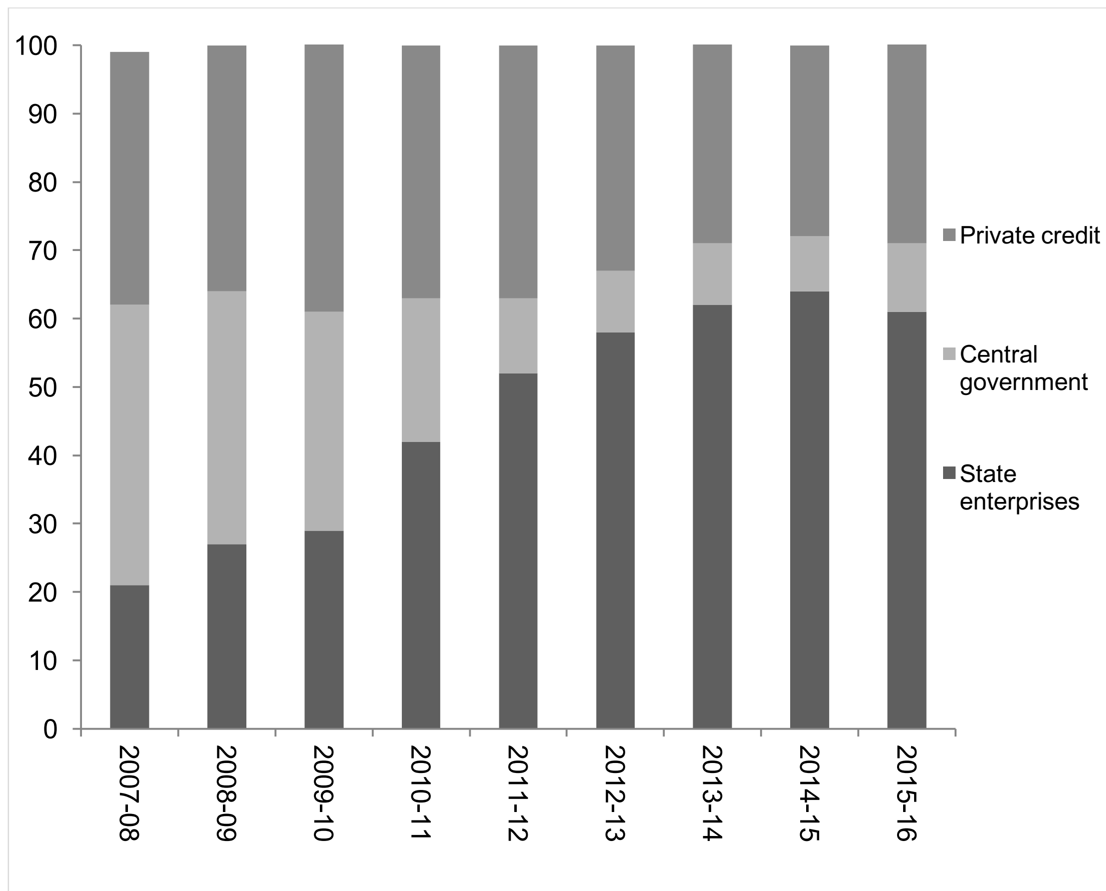
[98] Meles Zenawi objected in 2003 that: '[t]he International Monetary Fund (IMF) has been pressing the government to sell all these state firms, but we have resisted these measures which would result in the collapse of our businesses' (BBC, 2003).

the central state budget has tended to be used for road infrastructure and education investments, whilst state enterprises undertake investments in energy, rail, telecoms, industry and housing (World Bank, 2016a). In GTP I state enterprise financing for off-budget infrastructure and industrial development projects was set to come from borrowing (70 per cent) and enterprises' own sources (30 per cent) (MOFED, 2010, p.41). The use of state enterprises in this way side-steps fiscal discipline-related constraints as SOEs are only constrained by the availability of loans (domestic or external) (World Bank, 2016a, viii).

The result has been a steady increase in the role of off-budget state enterprise activities in total domestic credit (Figure 4.2). The World Bank estimates that capital expenditure from five of the country's major state enterprises sharply increased in 2010-2011 to 7.7 per cent of GDP (Table 4.3), and by 2016-2017, domestic borrowing by all state enterprises (through loans or bond issuance from domestic banks) was 13.5 per cent of GDP (IMF, 2018a). State enterprises have also contracted external debts (IMF, 2015b)[99] and were major beneficiaries of the country's first sovereign bond in 2015. The US$ 1 billion Eurobond mobilised funds to support industrial park development (see Section 4.3), sugar sector, power transmission infrastructure, road network expansion and Addis Ababa's Bole International Airport expansion (IMF, 2015b) – all of which were undertaken through its state enterprises.

[99] Whilst neither the debts of Ethiopian Airlines or Ethio Telecom are publicly guaranteed, the latter's debts are still counted in IMF estimates of overall public and publicly guaranteed debt (IMF, 2018a).

Figure 4.2 Ethiopia: Composition of domestic credit (percentage of total), 2007-2008 to 2015-2016



Note: data is partial since it excludes lending from DBE in private credit
Source: World Bank (2016e).

Table 4.3 Ethiopia: Capital expenditure of major SOEs (million, Birr and percentage of total), 2004-2005 to 2012-2013

	2004-05		**2005-06**		**2006-07**		**2007-08**		**2008-09**		**2009-10**		**2010-11**		**2011-12**		**2012-13**	
	Birr	%	Birr	%	Birr	%	Birr	%	Birr	%	Birr	%	Birr	%	Birr	%	Birr	%
Ethiopian Electric Power Corporation	2,146	51.8	3,223	58.9	5,156	81.8	10,223	84.3	9,742	67.5	11,453	84.5	25,875	65.1	35,353	78.6	37,145	60.0
Ethio Telecom	1,449	35.0	613	11.2	454	7.2	1,603	13.2	3,842	26.6	378	2.8	747	1.9	1,084	2.4	4,079	6.6
Ethiopian Airlines	504	12.2	1,450	26.5	202	3.2	260	2.1	740	5.1	1,533	11.3	11,691	29.4	5,349	11.9	12,616	20.4
Ethiopian Shipping and Logistics Services Enterprise	13	0.3	179	3.3	400	6.3	40	0.3	105	0.7	134	1.0	628	1.6	2,152	4.8	3,379	5.5
Ethiopian Railway Corporation	0	0.0	6	0.1	90	1.4	1	0.0	1	0.0	60	0.4	803	2.0	1,039	2.3	4,644	7.5
Total	**4,142**	**100.0**	**5,472**	**100.0**	**6,302**	**100.0**	**12,127**	**100.0**	**14,430**	**100.0**	**13,557**	**100.0**	**39,742**	**100.0**	**44,977**	**100.0**	**61,863**	**100.0**
Share in GDP	**3.9**		**4.1**		**3.6**		**4.8**		**4.3**		**3.5**		**7.7**		**6**		**7.2**	

Source: World Bank (2016b, p. 12).

In addition to utilising long-standing state entities, new enterprises have also been formed and smaller entities consolidated into larger holding company-type structures.[100] For instance, in 2007, the Ethiopian Railway Corporation was formed after talks with foreign contractors to build a national rail network broke down, with new state enterprises also created in housing (to implement the government's urban house-building programme), and industrial zone construction (in line with the strategic priority for manufacturing expansion) (Weis, 2016). In distribution, in 2014, the government established the first warehouses in a new state-owned wholesale trading enterprise called ALLE in an effort to prevent traders artificially increasing prices, which it believed was a cause of inflation (Weis, 2016). Meanwhile, the Ethiopian Shipping and Logistics Enterprise (ELSE) was formed 2011,[101] the Ethiopian Trading Enterprise was formed in 2015 (from four enterprises in trade and distribution),[102] and in 2017 the Ethiopian Airline Holding Group, which brings together seven separate enterprises spanning a range of air transportation industries, beyond the national airline.[103] Concerning the consolidation of state assets into larger entities, one senior government official noted that this was part of the EPRDF's efforts 'to build the economy's commanding heights' since, by building larger entities, it would be possible to 'mobilise resources in a way to give the country a competitive advantage' (EG-15).

In the manufacturing sector, state enterprises have also been afforded a key role in helping resolve Ethiopia's balance of payments constraint by undertaking import-substitution related activities (such as sugar, fertiliser and heavy industry)[104] (FDRE, 2016b, p.31) as well as export-oriented manufacturing (and constructing the infrastructure to make these initiatives viable). One of the most-speculated about state

[100] It is hard to get a decisive picture of the overall state sector, since no single body is charged with publishing information on, or indeed overseeing, all SOEs, which have been described as a 'black box' by EU officials (Hackenesch, 2018, p.144). Some estimates (the reliability of which is hard to ascertain) have put the cumulative total of what have been called the 'big five' Ethiopian state enterprises - Ethiopian Airlines, CBE, the Ethiopian Insurance Corporation, Ethio Telecom, and Ethiopian Electric Power Corporation – at around US$7.7 billion (Access Capital, 2011, p.59). Rising privatisation proceeds in 2017 helped ease the current account deficit by attracting foreign investment, whilst also providing funds to increase budget support for drought-related spending and public sector salary increases (IMF, 2018a)

[101] Council of Ministers Regulation no. 255/2011. It manages three major enterprises, Ethiopian Shipping Lines S.C, Maritime and Transit Services Enterprise, and Dry Port Enterprise, Comet Transport S.C.

[102] Proclamation no. 916/2015. These included ALLE, as well as older enterprises Ethiopian Grain Trade Enterprise, Ethiopian Fruit and Vegetable Sh.Co, and Procurement Service Enterprise (ETBC, 2018)

[103] Council of Ministers Regulation no. 406/2017. This includes the passenger airline Ethiopian Airlines, Ethiopian Airports Enterprises, Cargo Airline and Logistics Company, Ethiopian Aviation Academy, Ethiopian Inflight Catering Services, Ethiopia MRO Maintenance, Repair, and Overhaul Services, and Ethiopian Hotel and Tourism Services.

[104] Following the success of state-led import-substituting industrialisation in the cement sector during GTP I (Oqubay, 2015).

conglomerates of this period is the Metal and Engineering Corporation of Ethiopia (METEC), established in 2010, to, in the words of one senior government official, 'intervene in mega-projects' where the private sector lacks the 'interest and capacity to invest' (EG-18). METEC has, for instance, acted as a primary engineering contractor on the Grand Ethiopian Renaissance Dam (GERD), and was a broker for technology transfer (training and subcontracting to smaller domestic businesses), and partner in joint ventures with foreign companies (Weis, 2016, p. 299-300). It set up the High Tech Industry in 2011 to make electronic and electro-mechanical products such as communications radios, radar systems, TVs, mobile telephones and security cameras (Belete and Tadesse, 2014), and took over the Dire Dawa Railway Enterprise in 2011, assembling railway carriages and cargo trains with the objective of saving foreign currency, with further plans to export carriages to foreign markets (FDRE, 2016a). In 2014 it established the Tatek Transformer Production Factory to reduce the country's large import bill for the transformers that form the bedrock of its rapid hydroelectric expansion plants (Gebrehiwot, 2015).

Import-substituting state investments also include the Ethiopian Sugar Corporation, formed in 2010 (Regulation No. 192/2010), incorporating four factories and the previous Ethiopian Sugar Development Agency, with the goal to meet growing domestic demand, create employment and generate export earnings (Kamski, 2016). The corporation has received support in the form of capital investments, the provision of land for cultivation, and government-guaranteed loans and export credits as part of efforts to modernise and expand existing facilities and develop sugarcane processing facilities (Kamski, 2016). The Ethiopian Chemical Industry Corporation (CIC) was formed in 2013[105] with a mandate to manufacture and market fertilisers, cement, rubber tree products and other chemical products both domestically and for export.[106] The Ethiopian Agricultural Business Corporation, formed in 2015 (Proclamation no. 368/2015), incorporated five enterprises in input supply, agro-processing and equipment provision. These developments reflect a trend toward the formation of groupings of state enterprises according to their sectoral footprint. According to Weis (2016, p. 297) 'with capital endowments of several billion Birr each, the newly established corporations were

[105] Council of Ministers Regulation no. 280/2012.
[106] Incorporating the Mugher Cement Factory and others such as Adami Tulu Pesticide, Awash Melkasa Aluminium Sulphate, Caustic Soda, the Natural Rubber Tree Development Production Project and the Coal-Based Urea Complex.

on par with the largest of the existing parastatals and well above the reach of the private competition'. One government official noted that state enterprises are needed in infrastructure, industrial parks, water, electricity, sugar and railways because 'here we can't get private investment' (EG-12).

Beyond these major flagship industries, a 2010 study found a notable state presence in oilseed and pulses, garment production (six SOEs out of a total of 25 enterprises), cotton farming (accounting for 35 per cent of production and 40 per cent of land), coffee plantations, cotton yarn dying (done entirely by SOEs), pharmaceuticals, fruit and vegetable processing (such as marmalade and tomato juice and paste) and shoe production (Sutton and Kellow, 2010). State enterprises have also been used to develop domestic linkages, with foreign investors in joint ventures required to ensure that 30 per cent of inputs are made up from domestic content in goods and/or technology (Department of State, 2016). During a World Bank funded rural electrification project, implemented by EEPCO, the latter was instructed by the government 'to use local materials for its projects to support development of local industries', such as procuring electric meters from METEC (World Bank, 2013c, p.13). Due to the delays produced by this requirement, GTP targets on the installation of new connections were missed (and IDA financing sacrificed), [107] indicating SOEs have been used to create dynamic networks and linkages between and local suppliers.

The state sector is also critical to the country's export position, and between 2005-2012, Ethiopian Airlines was the country's biggest export earner, contributing three times the export earnings of the largest commodity, coffee (World Bank, 2014a). Services contributed more than half the country's exports between 2005 and 2015, the majority from transport and travel services (World Bank, 2018b). The state owned electricity company, with costs amongst the lowest in sub-Saharan Africa has set out plans to become a major regional electricity exporter (IMF, 2017). Meanwhile, in the export-oriented domestic textile sector, three out of the four largest vertically-integrated enterprises are either state or endowment-owned (Hauge, 2018).

[107] The delays produced by such conditions ultimately limited the amount of credit the government was able to access under this particular project (World Bank, 2013c).

Whilst the performance and significance of the state sector as a whole is hard to gauge given the paucity of data, the economy's overall performance suggests it is unlikely to be a drag on growth. Instead, such investments in infrastructure from state enterprises have played a critical growth-supporting role, increasing electrification and telecoms coverage. Ethiopia's state enterprises are now key participants in a wide-range of strategic economic sectors, from transport (rail; logistics; road; shipping; air travel), industry (sugar; chemicals; metals engineering; agricultural works; textile and garments; fertiliser; alcohol; pulp and paper), energy (electricity and mining), utilities (telecoms; postal service); trade; tourism and hospitality (hotels; tourism; spa service); construction; and finance (banks and insurance). At the level of individual enterprises, the national airline and cement sector stand out as major success stories (Oqubay, 2015). However, others have struggled significantly. The Ethiopian sugar sector has failed to meet important export targets set in the GTP I (Kamski, 2016). The performance of METEC is also highly controversial, with some reduction in import dependence in sectors it operates in between 2008-09 to 2012-13 in tyres and plastic (from 95 per cent to 85 per cent) and in machinery and equipment (imports fell from 94 per cent to 67 per cent) (FDRE, 2016b, p.21) but in 2018 a number of its contracts for flagship projects were put under review or cancelled, including sugar (Manek, 2018a) and fertiliser (Manek, 2018b).

In addition to the state finance-industry-infrastructure nexus, the post-2003 industrial policy mix also includes export promotion measures in priority manufacturing sectors including export targets; the retention of foreign exchange earnings and duty drawback bonded warehouse and voucher schemes; priority allocation of foreign exchange earnings in times of scarcity, targeted at priority manufacturing sectors; currency devaluation (notably in 2017, a departure from the trend toward overvaluation noted above); investment incentives and one-step service for foreign investors, particularly in priority sectors (discussed in more detail in Section 4.3); trade protection (including tariffs targeted at domestic production in automotives and other heavy manufacturing industries, as well as finished light manufactures such as apparel) and import and export bans to promote production (e.g. of cement) and value-addition (e.g. in leather); and sectorally specific support for institutional and technological learning for instance in (cement, horticulture, leather and textiles) (Oqubay, 2018; Chang and Hauge, 2019). Subsidies, including in the leasing of land and for the salaries of foreign experts, as well

as reduced interest rates for loans from the CBE and DBE for priority sectors, and tax exemptions are some of the most notable supporting measures offered to enterprises in strategic sectors (Hauge, 2018; Chang and Hauge, 2019).

4.2.2 Mobilising and managing external finance

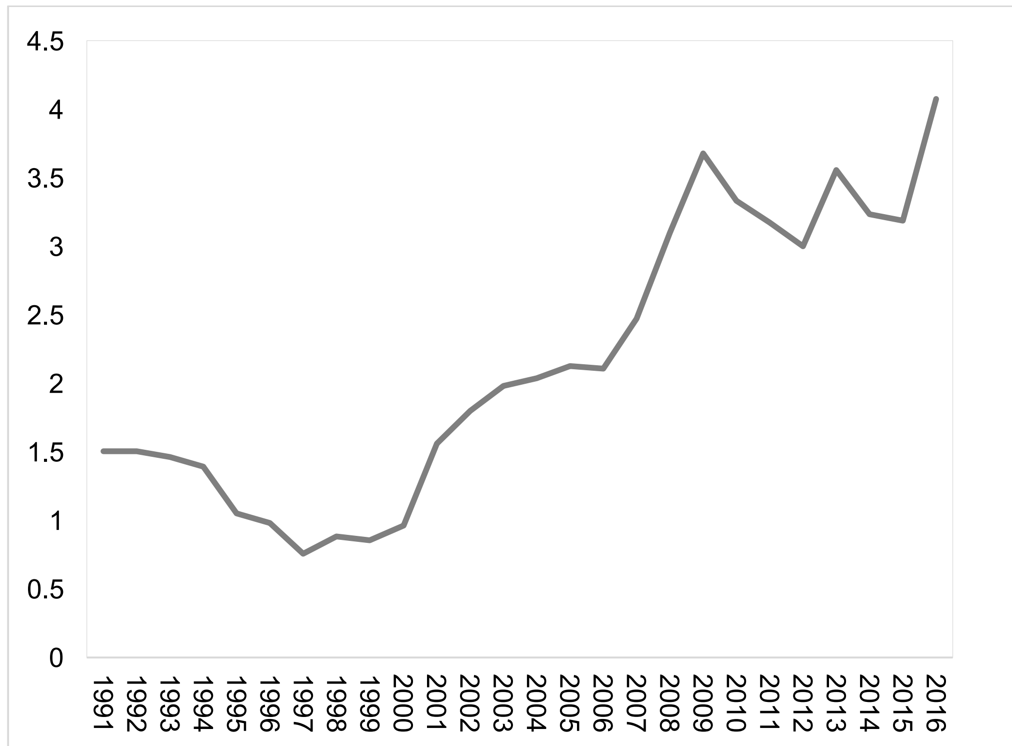
In addition to increased domestic lending from within the domestic financial system, ODA also increased markedly (Figure 4.3) and in 2016 Ethiopia replaced Afghanistan as the world's largest ODA recipient (Development Initiatives, 2018). Ethiopia was also the top IDA borrower in the 2016 (World Bank, 2017a) and 2018 financial years (World Bank, 2018c), and IDA funds how comprise 26.8 per cent of Ethiopia's external public debt (as of mid-2017) (Table 4.4). As a result, increases in some common measures of aid dependence occurred after this time, particularly until around 2011 (Table 4.5), and according to country programmable aid estimates – often considered a better proxy for the 'real aid' over which developing countries can have a significant say – Ethiopia was the 15th most aid dependent country in the world in 2009 (Action Aid, 2011, p.20). These trends precipitated questions about whether previously strong policy ownership would hold out in the context of deepened aid dependence and the growing weight of direct budget support in ODA inflows (Whitfield, 2009, p.338).

Table 4.4 Ethiopia: Composition of external public debt (as of end-June 2017)

	US$ million	Per cent of total	Per cent of GDP
Total[1]	**24,492**	**100.0**	**3.6**
Official creditors[1]	**18,061**	**73.7**	**22.6**
Multilaterals	**9,067**	**37.0**	**11.3**
IDA	6,564	26.8	8.2
IMF	152	0.6	0.2
AfDB	1,684	6.9	2.1
Other multilaterals	667	2.7	0.8
Bilaterals[1]	**8,994**	**36.7**	**11.2**
Paris Club	380	1.6	0.5
Non-Paris Club[1]	8,614	35.2	10.8
Private creditors	**6,431**	**26.3**	**8.0**
(Of which) bond and notes holders	1,000	4.1	1.2

[1] Includes external liabilities of the NBE
Source: IMF (2017).

Figure 4.3 Ethiopia: Total ODA receipts (US$ billion, current values), 1991-2016



Source: OECD Development Assistance Committee (DAC) (2018a).

Yet, validating the insight that aid dependence encompasses a complex of political, historical, cultural and other factors (not only economic inflows) (Bräutigam, 2000), Ethiopia has managed to combine being one of the world's leading recipients of ODA, a top IDA recipient, and one of the world's most successful challengers to neoliberal development orthodoxies. Indeed, its heterodox developmentalism is conceded in a major recent World Bank report which acknowledges that during its period of rapid growth Ethiopia undertook no major orthodox structural reforms, noting that '[r]emarkably, Ethiopia achieved high growth despite generally not following consensus view on how to achieve it' (Moller, 2016, p.16).[108] This striking reality can be attributed to the combination of the EPRDF's assertive engagement with the international aid architecture and deepened divisions between the IFIs and bilaterals about strategies for engaging with the EPRDF, which have been exacerbated by successes of the EPRDF's development strategies and its emergence as a "donor darling" (Hagmann and Reyntjens, 2016, p.5). Notably, ODA inflows have also strongly helped the EPRDF achieve its

[108] The report says of 16 policy areas that characterise fast-growing economies identified by the Growth Commission (the 'current consensus' on the kinds of development policies necessary for rapid and sustained growth), Ethiopia only conforms in three areas (committed, credible, and capable government; high investment rates; and macroeconomic stability). It also says 'Ethiopia implemented a number of what the Growth Report cites as suboptimal policies, such as energy subsidies, open-ended protection of some sectors, price controls and export bans' (Moller, 2016, p.16).

heterodox developmental agenda. In 2015, Ethiopia had 7.5 per cent of all ODA to Africa (committed), but 11.0 per cent of all Africa's ODA for productive activity, and14.4 per cent of Ethiopia's ODA was for productive use, versus an African average of 9.9 per cent (OECD-DAC, 2018b). Within the World Bank's *Country Programme Strategy 2013-2016*, during which time IDA approved US$ 6.7 billion in new commitments, 44 per cent of lending was targeted at social protection initiatives,[109] and the remainder divided between transport infrastructure, energy and mining, agriculture and rural development, and urban development (in order of the size of the commitment) reflecting strong alignment with the GTP strategy (World Bank, 2017a).

Table 4.5 Ethiopia: Indicators of aid dependence, 1990-2016

Net ODA as percentage of GNI										
1990	**2000**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
8.3	8.4	12.2	11.8	11.6	11.0	7.5	8.2	6.5	5.0	5.6
Net ODA as a percentage of gross capital formation										
1990	**2000**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
..	..	..	..	..	34.1	20.2	23.9	17.0	12.3	14.1
Net ODA as a percentage of imports of goods, services and primary income										
1990	**2000**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
74.8	41.1	34.4	42.1	34.6	29.8	22.8	27.1	19.5	16.1	20.00
Net ODA as a percentage of central government expenditure										
1990	**2000**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
51.5	..	95.1	97.0	92.3	103.4	88.4	79.9	..	..	..

.. indicates missing data
Source: OECD DAC (2018).

To understand these trends, attention to four factors is important. The first lies on the side of those providing Ethiopia's financing. Its high rates of poverty reduction and rapid growth, combined with its rising geo-political significance as a key US ally in the "war on terror" (Prizzon and Rogerson, 2013) (see Section 4.4), have, in this period, increased funders' incentives to remain engaged (despite disagreements), and those with large lending programmes have been particularly keen not to see these interrupted. A World Bank review of its Ethiopia programmes between 1998-2006 reveals internal uncertainty about how to deal with Ethiopia given the EPRDF's 'strong belief in its development model' and the Bank's own 'strong incentive to lend and to remain engaged' (World Bank, 2008, xvii).

[109] In contrast with mainstream social protection programmes, Ethiopia's has a productive bias (Lavers, 2016).

Similar concerns are evident in internal IMF documents discussing the 2001 PRGF loan (fully disbursed by 2004). These noted that Ethiopia presented the Fund with a dilemma since it feared that had it imposed harsher terms, that may have 'resulted in either failed, or no, Fund-supported programs' (IMF, 2005c, p.4). In fieldwork interviews, one senior donor agency official noted that this desire to retain cordial relations with the government had weakened some donors' 'willingness to tackle delicate issues', and only a small group still believed that 'we have space [to pressure the government] and we have to use it' (EE-4). Such enhanced leverage is well noted by government officials, with one remarking during interviews that 'funders are pleased with the continuous achievement of the government and have adopted increasingly accommodating policies' (EG-2). Such factors help to explain why, despite threats to cut funding in the wake of the 2005 election crackdowns, the government and some major multilateral and bilateral donors actually worked together to create a new funding modality, the Protection of Basic Services programme, to ensure the continuation of concessional flows (Borchgrevink, 2008; Furtado and Smith, 2009; Prizzon and Rogerson, 2013).

Second the EPRDF has deployed adroit donor management techniques that have helped exploited deepened divisions between the IFIs in order to develop an increasingly close relationship with the World Bank, and an increasingly arms' length one with the IMF. One government official noted that historically the 'World Bank has been equally as difficult [as the IMF], but things are changing there as a result of the results of the last decade' (EG-2). Indeed, past tensions, the same official suggested, had 'taught the Bank a lesson' (EG-2), prompting it to become much more accommodating and flexible. Management of the intellectual space in which development strategies are debated and constructed has been key here, as the role of analytical work has increased, with the official noting there had recently been 'greater involvement in technical assistance and other forms of collaboration between the Bank and government' (EG-2). According to another senior official, since around 2012, the number of workshops, seminars, consultants and other initiatives had markedly increased 'whose idea is to influence policy' through more subtle means than past policy conditionalities (EG-23). This reflects an attempt by the Bank to use its intellectual muscle to try and influence the nature of development policy-making in line with its stature as a 'knowledge bank' (see Chapter 2).

Yet, notably, in the Ethiopian context, analytical work and policy dialogues are by no means straightforward vehicles for policy influence, and the EPRDF has opted to give IFIs and donors the impression they have a voice in the policy process, with one senior government official noting 'importance is placed on making sure partners feel listened to' (EG-1). Officials in the Ministry of Finance[110] have proactively responded to World Bank frustration that its reports were previously being ignored by becoming pro-actively engaged in shaping the Bank's analytical work, both shaping the terms of reference and by giving feedback on draft reports (EG-2). It has also intervened in these research outputs to offer forceful rebuttals of misconceptions or misrepresentations of its approach, with one official noting that by being involved in the commissioning of analytical outputs 'we want to be sure that reports also reflect our views and perspectives' (EG-2). This is particularly true for how the economy is represented since one senior official noted that IMF 'reports are read by members and donors, and we would like them to provide them with confidence [in our approach]' (EG-1).[111] This process of active intervention in analytical work was noted by an IFI official thus '[m]ost reports can only be released if the government is happy with them, so there is a tendency to put things in a favourable way. Presentation is very important' (EI-6). Another IFI official noted that despite ongoing concerns about official growth figures, both IFIs now use government figures, adding '[t]he government is very keen to avoid criticism' (EI-5).

Furthermore, such strategies have provided an opening for accessing additional IDA loans. A Ministry of Finance official noted in March 2016 that a recent issue of the World Bank's *Ethiopia Economic Update* report had involved considerable disagreements over the Bank's claims that state enterprises received the lion's share of domestic financing and were crowding out the private sector which culminated in a joint report examining issues surrounding "access to finance" in Ethiopia in-depth (EG-2). The results reportedly showed most medium and large firms had no problem accessing finance, and micro and very small enterprises were able access funds through micro-finance initiatives. However, access to finance was found to be particularly challenging at the higher-end of the small and lower end of medium-sized enterprises, where a 'missing middle' was identified (see World Bank, 2015).

[110] The Ministry, formerly known as MOFED (Ministry of Finance and Economic Development), is now known as Ministry of Finance and Economic Cooperation (MOFEC).

[111] Here an IFI official noted of the IMF's Article IV reports that 'rating agencies use and rely on the report' which adds to their importance since the government 'want[s] to go to the international capital market at some point' (EI-5).

As a result of this report, which originated in policy disagreements between the government and World Bank, a new Bank-funded project worth US$ 200 million emerged in 2016 to channel resources through DBE and other domestic financial institutions toward such enterprises (see World Bank, 2016f). This deftness in using the ODA architecture to increase ODA inflows displays considerable pragmatism, with one senior official noting that whilst 'neoliberal thinking is the enemy', this 'doesn't make us not work with particular institutions … [our] internal strength is the ability to work with all [partners]' (EG-4). To find these opportunities to work with all potential financial institutions, government officials said it 'decides which sectors investment is wanted in, and then works with donors to fill those gaps', effectively presenting a menu of options (previously agreed by the government) (EG-2).

Third, in common with the first period, the EPRDF has retained the space to forgo resources when the conditions become too onerous, with one senior official noting that 'we don't get as much resource as we would otherwise get [if we complied]' and that 'the cost is there and the government is ready to pay it' (EG-1). This is forcefully illustrated by the near-total breakdown of the EPRDF's relations with the IMF after 2014. Whilst the 2001 Poverty Reduction and Growth Facility (PGRF) programme was fully disbursed, and Ethiopia reached the HIPC completion point in 2004 (IMF, 2005b),[112] the funds from the PGRF loan (along with other ODA inflows), were used to bolster the country's international reserves, which had been depleted during the conflict with Eritrea (rather than being spent through the budget), which meant that alongside the drop in defence expenditure, this period in fact saw a fiscal contraction (Mahone, 2007). This insulated Ethiopia from the need for IMF lending until 2009 when it contracted two Exogenous Shocks Facility (ESF) loans following a serious drop in Ethiopia's international reserves (to one month of imports at the end of 2008) thanks to high international prices for key imports such as oil, fertiliser and food, resulting in the balance of payments situation reaching a 'position of immediate and serious vulnerability' (IMF, 2009, p.5).

Whilst these loans moderated public sector borrowing, and saw adjustment to the exchange rate and tax reforms, the IMF noted at the time that any future arrangements would need to adjust 'the investment climate, trade and exchange liberalization, and

[112] As well as further multilateral debt relief under the Multilateral Debt Relief Initiative in 2006 (IMF, 2009).

financial sector development, anchored around sound fiscal and monetary policies' (IMF, 2010b, p.9).[113] However, no such lending programmes were sought out by the government, and instead the IMF's Resident Representative in Ethiopia between 2012-2014, Jan Mikkelsen, began to issue increasingly strong public warnings about the country's development model, urging it to 'seek help' and 'open up' the economy (Giorgis, 2013). Such statements drew a hostile response from the government, with the Fund's own internal review noting its approach had 'exaggerated the dangers' of Ethiopia's investment strategy, diminishing its credibility and 'triggered severe reactance' from the government, adding that in Ethiopia '[t]he Fund is very far from being an influential actor' (Acquah et al., 2014, pp.23, 24). In response, the IMF no longer has a Resident Representative in the country, since, in the words of one IFI official, the EPRDF 'is not in listening mode' (EI-5). On the government's part, a major emphasis is now placed on avoiding the sort of macroeconomic crisis that would compel it to contract IMF lending (see Section 4.3).

Fourth, and finally, the concessional and non-concessional lending from non-traditional partners has also markedly increased. Between mid-2012 and mid-2017 public and publicly-guaranteed external debt rose from 18.0 per cent of GDP to 30.7 per cent, and total debt, including domestic public debt, reached 57.0 per cent of GDP (IMF, 2017).[114] Non-Paris Club members constituted the single biggest source of external public debt in mid-2017, closely followed by IDA and private creditors, which together accounted for 88.3 per cent of the external debt, totalling US$ 21.6 billion (Table 4.4). China's multi-faceted approach to political and economic cooperation with Ethiopia (Hackenesch, 2013)[115] has involved extensive loan facilities. Since 2006, the EPRDF has undertaken a total of US$ 13.1 billion in loans from Chinese creditors with US$ 10.5 billion of that contracted since 2011 (Atkins et al., 2017). Since 2000, 33.5 per cent of Chinese lending has gone to the transport sector, 24.2 to communications, 19.5 to power, and 15.5 per cent to industry (not including mining) (Atkins et al., 2017), deviating from standard patterns across Africa which are primarily resource-driven (Adem, 2012).

[113] For instance, it was said in the second and final review of the ESF that 'Program performance has been satisfactory with all of the quantitative performance targets met with margins and structural benchmarks implemented' (IMF, 2010, Second Review p. 33).
[114] These figures include the debt of federal, regional and state enterprises that borrow externally (bar Ethiopian Airlines), as well as the NBE (the inclusion of borrowing by Ethio Telecom is a point of controversy between the Fund and government since its exclusion makes an impact on the Debt Sustainability Analysis).
[115] Other 'non-traditional' loans have included a US$ 650 million loan to the Indian Import-Export Bank for one of the GTP I's sugar factories (Shiferaw, 2017).

Strategic projects supported by Chinese loans between 2012 and 2013 alone included power generation and distribution, railway construction, sugar manufacturing and telecoms (Cheru, 2016).[116]

Government officials note that Chinese loans and aid have a number of benefits over those of Western institutions, bolstering its capacity to implement its ambitious development strategy. Here one official noted that 'China is used for projects where World Bank and the African Development Bank are not interested' (EG-2). Furthermore, given that accessing Western private non-concessional financing has been challenging given Ethiopia's LDC status, China is seen as an easy source of financing, particularly since state ownership over both construction companies and banks eases the approval of loans. One official noted here that the government was glad that Chinese construction firms push banks to fund Ethiopian projects on the EPRDF's behalf (EG-17). Furthermore, when the government is interested in getting a project completed quickly, Chinese financing is preferred over IFI funding where feasibility, environmental and other studies are needed. In contrast, if China is financing a project, he noted 'you can do it much faster' (EG-2). However, on the downside, strings attached to Chinese loans and aid were seen as a possible downside, since 'if we borrow from China, the implementer should be a Chinese firm' (EG-17). Nevertheless, China has emerged as Ethiopia's biggest trading partner, and EPRDF officials regularly go to the China Communist Party school in Beijing (Ziso, 2018). It is also a source of 'heterodox policy comfort' (Prizzon and Rogerson, 2013, vi) and policy inspiration (Fourie, 2015), and China's trajectory is used by the EPRDF to deflect criticism of its model. One senior financial institution official claimed that whenever the institution stresses the need to give the private sector more space, it is greeted with the response that: 'China managed to sustain this path, so why can't we?' (EI-1).

The EPRDF's capacity to mobilise foreign savings in service of its investment drive has been a major feature of its more assertive developmental phase. However, this has also brought new problems. Foreign loan repayment obligations have emerged as a major concern, with poor export performance a particular worry. Here, one government

[116] By OECD definitions many of the loans Ethiopia receives from China would not count as ODA since they are designed to support Chinese exports and the level of concession offered it not low enough (Hackenesch, 2013). For instance, in telecoms a 2007 US$ 1.5 billion loan from the Export-Import Bank of China through the Chinese equipment vendor Zhongxing Telecom Corporation (ZTE) was followed by a US$ 1.6 billion loan in 2013 (for Huawei and ZTE) to expand infrastructure (Adam, 2012).

official noted in February 2016 that 'unless we improve [export earnings] it will be a challenge to repay and cover the interest,' especially since the end of the grace period for many loans was looming: 'we are still not repaying much, in two years there will be repayments' (EG-17). Signalling this risk, in 2017, the IMF raised Ethiopia's risk of external debt distress from 'moderate' to 'high' after the public debt-to-GDP ratio increased from 36.3 per cent in 2011-2012 to 54.9 per cent in 2016-2017, and the debt service-to-export ratio doubled between 2013-2014 and June 2017 from 10.3 per cent to 19.6 per cent (World Bank, 2018b).

4.3 Hitting the limits: the turn toward GVCs

A highly significant response by the EPRDF to hitting against the limits of its capacity to undertake additional external financing in service of its developmental approach has been an effort to increase domestic resource mobilisation, with savings increasing from 17.2 per cent of GDP in 2010-2011 to 24.0 per cent of GDP in 2016-2017 (UNDP, 2018) and tax revenues increasing 31.0 per cent per year between 2009-2010 and 2014-2015 (FDRE, 2016b). However, a more binding constraint has been the stress on foreign exchange (needed both to repay mounting foreign debt obligations and meet the heavy import demands of the EPRDF's model). Notably here, there has been a major adjustment to the EPRDF's developmental strategy as it has undertaken a major push toward export diversification and integration of Ethiopia into the GVC modality of light manufacturing. This strategy, as well as the new constraints it has given rise to, are explored in turn.

4.3.1 Preserving the nexus: embracing GVCs

In line with the urgent need to diversify its export earnings, a major adjustment to Ethiopian developmentalism emerged toward the end of the first GTP, which the GTP II outlines as taking the form of efforts 'to make Ethiopia a leading manufacturing hub in Africa' (FDRE, 2016b, p.136). To do so, the strategy identifies that the government needs to 'make an informed, proactive and selective attraction of high quality FDIs' in export-oriented light manufacturing (FDRE, 2016b, p.141). The rationale given for this FDI focus is that:

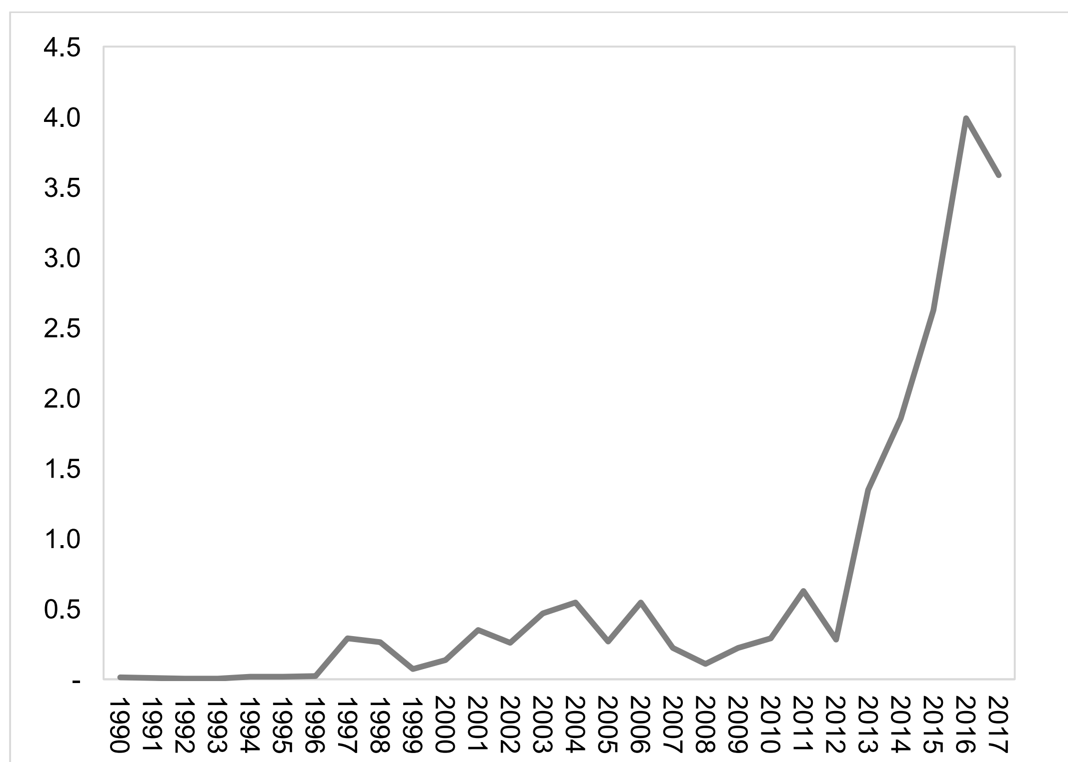
> [T]he base of the manufacturing sector is very narrow which in turn needs massive investment expansion in the sector … As domestic investors have limited capacity to meet all the required investment in the next few years, a significant part of the investment will be covered by foreign direct investment. (FDRE, 2016b, p.141)

This comprehensive turn toward FDI in light manufacturing builds on past success in attracting foreign investors into the cut-flower sector, which, after 2004 emerged as a major export-earner, which increased from US$ 0.32 million in 2003-2004 to US$ 200 million in 2011-2012, creating around 40,000 jobs (Oqubay, 2015). As Schäfer (2016) notes, the floriculture sector taught the EPRDF that decisive state interventions to support foreign capital in key export-oriented economic sectors could power rapid transformations in its foreign exchange-earning potential, a path it is now seeking to replicate in the manufacturing sector.

In line with these plans, the country has very recently emerged as 'one of the new alternatives or frontiers of apparel sourcing' (Staritz et al., 2016, p.1). Accordingly, FDI inflows into Ethiopia more than quadrupled between 2011 and 2016 (Figure 4.4). In July 2016 the new state-owned Hawassa Industrial park was inaugurated (Mihretu, and Llobet, 2017), and as of April 2017 it comprised 35 factories over 1.3 million square metres, and 15 foreign investors including leading US apparel firm Phillips-Van Heusen Corporation (PVH), owner of Calvin Klein and Tommy Hilfiger, and Indian apparel maker Raymond Group, as well as six domestic firms (MOFEC, 2017, p.10). Between 2000-2012 FDI inflows to Ethiopia averaged just US$ 0.3 billion, but after a sharp increase from 2013 (Figure 4.4), by 2016 Ethiopia became the second largest LDC recipient of FDI (up from the fifth position in 2015) (UNCTAD, 2017b), and second largest in Africa in 2017 (after Egypt), despite a small contraction (UNCTAD, 2018d).[117] After Ethiopia lifted a state of emergency in the second half of 2017, imposed due to growing domestic unrest (see Section 4.3.2), new Chinese and Turkish investments in light manufacturing and auto-motives were announced, in addition to PVH, Dubai firm Velocity Apparelz Companies (supplier of Levi's, Zara and Under Armour) and China's Jiangsu Sunshine Group (supplier of Giorgio Armani and Hugo Boss), which had already established factories in Ethiopia (UNCTAD, 2018d).

[117] According to UNCTAD (2018d) FDI inflows into Ethiopia were markedly more resilient than other African economies in 2017.

Figure 4.4 Ethiopia: FDI inflows (US$ billion), 1990-2017



Source: UNCTAD (2018e).

Table 4.6 Ethiopia: Sectoral distribution of operational FDI projects (percentage of total capital), 2011-2015

	2011	2012	2013	2014	2015
Agriculture	3.0	0.9	3.0	1.9	7.9
Manufacturing	88.5	84.2	81.0	54.7	56.2
Mining	0.0	0.0	0.1	0.0	0.0
Electricity	0.0	0.0	0.0	0.0	0.0
Education	0.1	0.2	0.2	1.4	0.0
Health and social work	0.0	1.1	1.2	0.1	0.0
Hotels and restaurants	0.7	0.2	0.6	0.1	0.3
Tour operation, transport and communication	0.0	0.3	0.0	0.3	0.8
Real estate, machinery and equipment rental and consultancy service	4.3	4.1	0.4	35.4	4.5
Construction contracts	3.3	9.0	13.6	5.8	29.9
Others	0.0	0.1	0.1	0.2	0.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: EIC (2016).

As Table 4.6 shows, both manufacturing and construction have dominated foreign investment inflows in Ethiopia since 2011, and both far outstrip investments in other areas (apart from a one-off spike in real estate related investment in 2014), marking Ethiopia out from both African and LDC countries. Indeed, in these contexts, where FDI has been largely commodity-driven, inflows have recently exhibited a marked declining trend (UNCTAD, 2017b; UNCTAD, 2018d). [118] Major (non-light) manufacturing projects included the second largest greenfield FDI project amongst LDCs in 2016, into

[118] Thus even the contraction in 2017 was less marked by those economies more dependent on FDI into commodity sectors (UNCTAD, 2018d).

a joint venture between state-run CIC and leading Moroccan fertiliser manufacturer ultimately set to be worth US$ 3.7 billion (UNCTAD, 2017b). Undoubtedly such developments have been informed by global shifts such as rising costs of materials, energy, and labour in Asia, which have propelled lead firms in apparel and footwear to search for alternative low-cost sourcing destinations (Mihretu, and Llobet, 2017) where Ethiopia has a labour cost advantage (Table 4.7). However, equally significant has been the directional thrust imparted by government interventions through the state finance-industry-infrastructure nexus, and GVCs have in turn been embraced to protect the nexus from threats posed by the intensified pressure on its balance of payments.

Table 4.7 Ethiopia, China and Vietnam: Light manufacturing wages (US$/month)

	Skilled workers	**Unskilled workers**
China	305-399	197-278
Vietnam	154-235	78-131
Ethiopia	77–131	35–53

Source: Global Development Solutions (2011, p. 40).

One step toward this light manufacturing trajectory was made in 2009, with the opening of the country's first industrial park, the Chinese-owned Eastern Industrial Zone (EIZ) as a base for light manufacturing and construction material production, and which entailed high-levels of government support (Giannecchini and Taylor, 2018).[119] However, the formation of the state-owned Industrial Parks Development Corporation (IPDC)[120] in 2014 markedly intensified the significance of this new pillar of Ethiopian developmentalism. To meet what another senior official noted was Ethiopia's need for a 'massive flow of foreign investment', and in light of growing awareness of the multiple and time-consuming barriers to firms entering Ethiopia he added 'we have to cut this down. So it's best to go for Industrial Park development' (EG-10). Indeed, a senior official from one of the world's second largest apparel firms recently commented of the company's decision to invest in Ethiopia, that 'in no time in my history have I ever seen any one more prepared to attract the apparel sector into its economy. There are institutions established, there are rules put in place, and there are airports being built' (Bill McGrath, PVH Chief Supply Chain Officer, quoted in Mihretu, and Llobet, 2017, p. 19). Indicative of the high-level of support this strategy has attracted, of the various

[119] At present, the EIZ includes manufacturers in cement, construction equipment, steel pipes, steel bars and wire, as well as motor vehicles, packaging manufacture, shoes, consumer goods, agricultural machinery and gypsum (Giannecchini and Taylor, 2018).
[120] Proclamation no. 326/2014.

government institutions involved, one senior official noted that these were 'all coordinated at Prime Minister's Office to make sure [the strategy] doesn't fail' (EG-23).

Central to this highly interventionist approach to fostering Ethiopia's insertion into the global GVC regime, the IPDC facilitates land access, infrastructure, utilities, logistics and customs, whilst the Ethiopian Investment Commission provides a one-stop-shop for foreign investors and Public-Private Dialogue Forums allow investors opportunities for dialogue with the Prime Minister and Cabinet (MOFEC, 2017, pp.3–9). This has been matched by a relatively orthodox package of incentives for foreign investors to relocate the parks (Table 4.8) and adjustments to the macroeconomic framework, particularly the 15 per cent devaluation of the Birr in October 2017 (World Bank, 2018b).

Nonetheless, the overall approach remains highly heterodox, in the form of state ownership of land and industrial park infrastructure, with state oversight over investors in the parks. In contrast to the EIZ, which a senior official noted was a 'bit costly' for investors, the government-owned parks, building on the state's ready access to land, were designed to be cheaper, built more rapidly and to high environmental specifications, with the first in this new generation of parks at Hawassa designed to become 'the leading green industrial park in the world' (EG-10).

Table 4.8 Ethiopia: Major investment incentives for industrial park enterprises

Fiscal incentives	**Income tax exemption** (up to 10 years for enterprises with at least 80 per cent export; up to five years expatriate personal income tax exemption)
	Customs duty exemptions (duty free capital goods and accessories import for manufacturing enterprises; duty free spare part imports for 100 per cent export firms; duty free imports for raw materials needed for export; export tax exemption for all products bar semi-processed hides and skins)
	Low-cost access to industrial land (through industrial parks)
Non-fiscal incentives	**One-stop-shop service** (for permits, licenses, registration, work permits, registration at the EIC HQ; and services for customs clearance, duty free permits and banking services within industrial parks)
	Customs facilitation (transport of materials from customs to factory through bonded warehouse and voucher schemes)
	Expatriate visa benefits (better visa terms for industrial park investors, in the form of multiple entry visas for up to five years)
	Subsidised utilities (electricity for manufacturers at US$ 0.03 per kwh)
	Guarantees against expropriation, rights to own immovable property, and guaranteed remittance of funds
	Right to open and operate foreign currency accounts

Source: EIC (2017).

The strategy is also heavily dependent on the state-led economic interventions propelled by the broader state finance-infrastructure-industry nexus. In the words of one government official, '[i]f we simply wait for FDI, it won't happen ... So we have to

come up with different programmes, policies and incentives to make this worthwhile for them' (EG-13). Reflective of the extent of the nexus' involvement in propelling this strategy, the Ministry of Finance recently summarised state support for foreign investors in manufacturing as including: suppliers' credit and DBE loans; the state-funded rapid expansion of higher education and road upgrading and construction; railway developments such as the Addis-Ababa to Djibouti line (capable of carrying 7.5 million tonnes of cargo and 750,000 passengers per year by 2020); air connectivity through Ethiopian Airlines, the largest airline on the African continent (with a new cargo terminal consisting of 1.2 million tonne capacity); and a multimodal door-to-door cargo service (encompassing land transport, sea and dry port services) provided by Ethiopian Shipping and Logistics Service Enterprise, the largest 'fully equipped African logistics enterprise' (MOFEC, 2017, pp.3–9). Meanwhile, through EEPCO, manufacturers receive some of the lowest electricity prices in sub-Saharan Africa (World Bank, 2018d), whilst funds from Ethiopia's US$1 billion ten-year sovereign Eurobond have aided the construction of these industrial parks (IMF, 2015b).[121] With the country's prohibitive trade logistics costs previously a major barrier to entrance into light manufacturing (Dinh et al., 2012, p.116), the country's emergence as a frontier of light manufacturing is almost unthinkable without these state-directed investments.

The emergence of this new pillar of Ethiopian developmentalism, which is predicated on the reliance on foreign capital to facilitate Ethiopia's insertion into the low-wage, low value-added segments of the global value chain regime, is striking for at least two reasons. First, the increased reliance on FDI to power Ethiopia's growth and economic development is particularly notable given the EPRDF's historic wariness about over-reliance on foreign capital and the hitherto decidedly circumscribed role of FDI in the Ethiopian economy (see Chapter 3). Second, is the apparent embrace of what has become a quintessentially 'neoliberal' development strategy, predicated on accepting rather than challenging its comparative advantage and orienting its economic strategy toward creating a business climate conducive to the attraction of foreign investors. Indeed, the World Bank has been advising Ethiopia to embrace this modality of international integration since at least 2012 (Dinh et al., 2012), seeming to signal a

[121] Noting this use of the Eurobond, one senior official laughed whilst noting that in other countries such external resources are used for recurrent spending such as salaries (EG-10).

convergence between the IFIs and EPRDF over the future of Ethiopia's development strategy.

However, the EPRDF has to date resisted providing the fully liberalised investment climate long advocated by the IFIs. Not only is Ethiopia still completely closed to foreign investment in retail, finance and telecoms, but it also has a highly restrictive investment climate in professional and transport services (World Bank, 2018b). Furthermore, rather than a break with its past developmentalism, the EPRDF's GVC strategy is better understood as a tactic to preserve the heterodox nexus (which, as noted above, was also used to make the strategy viable in the first place) in light of an increasing pressing balance of payments constraint. To date, the transformative agenda has imposed heavy foreign exchange requirements (due to heavy import demands and growing foreign debt obligations). In tandem with poor export performance, the EPRDF has been faced with an increasingly looming threatening balance of payments constraint, which, as Schäfer (2016) is of deeply political concern, given the relationship between its import-intensive development model as a political survival strategy of the ruling coalition.

Whilst some 54 per cent of the resources needed to implement GTP I were in foreign currency form, during GTP I the export sector failed to meet targets to increase merchandise export earnings from US$ 2.0 billion to US$ 6.5 billion between 2009-2010 and 2014-2015. In 2014-2015 this stood at just US$ 3.0 billion (FDRE, 2016b, pp.15, 104). Contributing factors included delays in projects planned to produce commodities for export such as textile and sugar, and the global downturn in commodity prices (UNDP, 2017). Key sectors such as textiles and garments only reached 5.7 per cent of the planned target (FDRE, 2016b, pp.15, 104). As Table 4.9 indicates, the country's current account deficit worsened appreciably, particularly from 2014 onwards, and after 2015 imports were more than three times exports, with reserves dropping to 1.8 months of imports in 2016. Indicative of the pressure this constraint placed on the EPRDF's development strategy, in 2017 imports of both capital and intermediate goods were curtailed in order to ease the country's balance of payments position (World Bank, 2018b).

Table 4.9 Ethiopia: Balance of payments (US$ BoP current million, unless otherwise stated), 2001-2016

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports of goods and services	976	1064	1258	1684	1929	2198	2650	3495	3430	4644	5815	5994	6116	6386	6007	5906
Imports of goods and services	2147	2034	2604	3727	4895	5276	6905	9598	9043	9911	11651	14130	14216	18159	19812	19909
Net primary income	-32	-23	-24	-29	-5	18	40	2	-37	-64	-77	-97	-131	-176	-285	-410
Net secondary income	830	856	1233	1404	1402	1274	3387	4295	3459	4905	5130	5248	5232	6223	6580	6144
Current account balance	**-373**	**-137**	**-136**	**-668**	**-1568**	**-1786**	**-828**	**-1806**	**-2191**	**-425**	**-783**	**-2985**	**-2999**	**-5727**	**-7511**	**-8269**
Total reserves (includes gold, current US$)	490	966	956	1497	1043	867	1290	871	1781	2241	2837	2302	2364	3525	3835	3031

Source: World Bank (2018g).

Notably, as discussed above, the last time the EPRDF had encountered balance of payments problems in 2009 it contracted IMF support. Without export diversification, the risk of balance of payments-induced IMF lending has consequently increased. Indeed, according to one senior government official, the need to bolster Ethiopia's export-earning capacity is considered an 'existential matter' since: '[i]f we bring about an increase we will survive, but if we fail … we will be dictated to by the IMF' (EG-1). The necessity to move quickly, and to stave off either a marked alteration to its import-intensive model or contract the sort of conditionality-laden lending that would contribute to the dismantling of the EPRDF's developmental nexus, has thus conditioned the EPRDF's forceful efforts to attract FDI into light manufacturing. As one senior official noted '[i]f we rest on domestic investors, then we could be waiting a very long time' (EG-15). Whilst state-owned enterprises are seen to be able to contribute to resolving these problems (see Section 4.2.1), another official noted that 'by the nature of things, in Ethiopia we can only do SMEs [small and medium-sized enterprises]. The government can do large-scale factories, but they will be few and far between' (EG-13). Given the latter constraint, as well as the state sector's poor performance in key sectors such as sugar,[122] extensive utilisation of the state finance-infrastructure-industry nexus to attract FDI into light manufacturing thus forms part of efforts to sustain a decidedly heterodox developmentalism and avoid the disintegration of this model that emergency lending from the IMF would precipitate. Furthermore, the rapid increase of manufacturing expansion also provides a much-needed motor for large-scale job creation in the context of rapid urbanisation and growing social unrest. According to one government official '[a]s country we need foreign exchange and jobs to sustain ourselves' (EG-21).

In light of these concerns, Ethiopia's experience with GVCs can be understood as an attempt to leverage its low-wage status and integrate into the international division of labour through embracing one facet of an orthodox development strategy, but one embedded in a much more heterodox development approach that comprises high levels of public investment and a nexus of state owned enterprises across the economy's commanding heights. Thus the EPRDF has not embraced GVCs because it has converged with the mainstream consensus that this form of integration would be capable

[122] Reasons for this include the remoteness of some project sites, costs and complexities of the investments, poor planning and lack of expertise, all of which have seen sugar become less of a priority in GTP II (Kamski, 2016).

of driving Ethiopia's catch-up (the state industries discussed in Section 4.2.1 are to play a sizeable role here). Rather, the chief role of GVC integration is to relieve pressure from growing economic and political challenges.[123] It is in this regard that the Ethiopian GVC experience should be primarily evaluated, and the opportunities and contradictions it affords appraised, since the firm-level prism of upgrading dominant within the GVC literature often neglects both attention to state agency in the emergence of GVC regimes, as well as the broader rationales which see GVC-oriented strategies emerge in different contexts. In Ethiopia's case, these goals are to diversify exports and create jobs in order to relieve the economic and social pressure that might otherwise prompt the dismantling of its brand of developmentalism. Thus the focus on the 'upgrading' challenge and power differentials between lead firms and local actors dominant within the GVC literature misses the wider objectives and agency of host nation states. Nonetheless, as Ethiopia becomes increasingly integrated internationally through these chains it will undoubtedly encounter multiple new challenges and trade-offs of increased complexity.

4.3.2 New constraints: rising FDI power

One such pressure is the increased power of foreign investors. Noting the challenges of building linkages with the domestic economy, one senior official observed that Ethiopia is presently particularly weakly positioned to bargain with foreign investors, including through the application of performance requirements on FDI, noting that 'we have to be careful not to deploy them prematurely. We are just starting to attract [foreign investors] and if we tell them "you have to source 50 per cent locally" we could scare them off' (EG-1). Officials therefore felt they must adopt a 'light approach to ensuring local content and technological upgrading, and technology transfer' (EG-13). The specific modality of GVC integration may prove an additional challenge here. Government officials expressed concern that since the 1990s foreign investments had failed to deliver development benefits and instead had: increased demand for foreign exchange not boosted its supply; brought small amounts of foreign currency and old machinery; sold to the domestic market and not exported; failed to repay loans from state banks; and not delivered on technology transfer promises (EG-12). Historically, apparel sector investments were considered to have been largely from those 'who found they cannot

[123] Although with some modifications, since the government passed a PPP law (Proclamation no. 1076/2018) in 2018 (despite previous wariness), indicating the foreign debt constraint had edged it to adopt a deeply neoliberal financing modality (FDRE, 2018b).

compete in Turkey any longer. Bankrupt firms who were not able to be a success at home' (EG-10). The response was the push to attract 'quality investors', with industrial parks explicitly created for 'those who have a track record, are globally networked and capable' (EG-10). However, such investors bring their own challenges, since, in the words Roy Ashurst, a senior representative of one such form, PVH (Hub Leader for Africa and the Middle East):

> [W]e don't want to buy locally produced. We want to encourage our global supply chain people to come here. There are too many risks when you start talking about second-tier suppliers in the supply chain, and you know the world of compliance will restrict us from doing this. This is a major, major thing. You have just to be so careful about who is supplying things that go into your product (quoted in Mihretu, and Llobet, 2017, p.43).

This indicates that whilst the challenge of building linkages and learning amongst domestic firms – even if that is not what the GVC regime has been chiefly adopted to foster – may be particularly challenging given the kind of GVC regime in which Ethiopia is becoming embedded.

Furthermore, rising political tensions within the country since late 2015, which have included protests in the Oromo and Amhara regions (Fiseha, 2018) and which culminated in the announcement of a new State of Emergency in October 2016, stand to further complicate efforts to establish Ethiopia's reputation as a desirable investment location. Indeed, political stability is often cited by foreign investors as a critical element of the country's attractiveness (Mihretu, and Llobet, 2017).[124] Yet this reputation is threatened by protests against the government which have also spilled over into attacks on foreign (horticulture) firms (Al Jazeera, 2016). Signalling the impact of recent unrest on government concerns about Ethiopia's desirability as a destination for foreign investment, a recent government report notes that this unrest 'could spell the end of Ethiopia's impressive upward economic trajectory by hitting FDI flow into the country' (MOFEC, 2017, p.25). The document therefore highlights the state's efforts 'in controlling the unrest and restore peace and security', as well as offers of compensation

[124] PVH had a shortlist of six potential African countries which it assessed according to eight criteria: local cotton availability; power cost and quality; wage costs; port connectivity; general infrastructures; government pro-activeness; political stability; and law and order (Mihretu, and Llobet, 2017, p.20).

and privileges (income-tax and duty-free privileges for one year) for affected companies (MOFEC, 2017, pp.24, 26–7). It also detailed longer-term efforts such as ‘deepening the democratization process’ (MOFEC, 2017, p.27) to resolve the underlying tensions. Against this backdrop, in April 2018 a new Prime Minister, Abiy Ahmed, was inaugurated whose first actions included what has been described as a ‘nationwide reconciliation tour’ designed to smooth relations with historically marginalised ethnic constituencies (Soliman, 2018).

In addition to the concerns above, further complexities are likely to arise from the EPRDF’s increased reliance on foreign capital, specifically growing concern with ‘investor confidence’, a motif already appearing in official reports (MOFEC, 2017, p.29). In addition, there was evidence in interviews carried out during fieldwork that foreign investors were pressing the government access protected domestic markets such as apparel, and seeking to not be restricted chiefly to export (EF-5). One IFI official noted here that the only pressure they could conceive that would force Ethiopia to quicken the pace of its to-date stalled WTO accession would be if major international exporters were to make this a condition of investing in the country (EI-6). All such issues signal new vulnerabilities to which increased dependence on FDI may give rise.

4.3.3 Distinct advantages: Ethiopia’s trade and investment regime

Ethiopia’s growing integration into global production networks has increased the significance of its trade and investment regime due to the dependence of EOI strategies on favourable terms of market access. Here, however, Ethiopia enjoys some distinct advantages in terms of its modality of international integration since it has not yet joined the WTO (WTO, 2018b),[125] and since its accession commenced in January 2003 it is already considerably longer than the average of 10.3 years (Chemutai and Escaith, 2017). Services are the main stumbling block, and as of August 2018, Ethiopia had yet to submit an initial services offer (WTO, 2018a). One government official interviewed noted that the Ethiopian trade delegation had been told if they didn’t bring a services offer to the next Working Party meeting ‘there will be no negotiations’ (EG-30). Yet

[125] As of August 2018, the 22 observer countries seeking membership were: Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Comoros, Equatorial Guinea, Ethiopia, Iran, Iraq, Lebanese Republic, Libya, Sao Tomé and Principe, Serbia, Somalia, South Sudan, Sudan, Syrian Arab Republic, Timor-Leste and Uzbekistan. The Holy See is an observer that is not seeking accession (WTO, 2018b). A further small group are neither members nor observers, these include Eritrea, North Korea, Palestine and Turkmenistan, as well as Kiribati, Marshall Islands, Federated States of Micronesia, Monaco, Nauru, Palau, San Marino and Tuvalu.

services liberalisation is a particularly sensitive policy area due to its impacts on two strategic sectors important to the EPRDF's model: finance and telecoms. Defending these sectors from liberalisation remains a key policy priority, since one government official noted despite 'big pressure to open up telecoms to foreign and domestic investors – [we] will not agree in the near future' (EG-18). Finance is tied together with concerns about the NBE's monitoring capacity (EG-18) and eagerness to control resource allocation, with one official noting '[i]f we are denied the resources to implement [our plans], then we are a paper tiger' (EG-15). Resistance to telecoms liberalisation also lies partly in the sector's profitability, since its annual US$ 430 million in revenues has provides funds for railway expansion (Manson, 2013).[126] In addition to being an important 'cash cow,' one IFI official noted the EPRDF 'would also like to control communications and the flow of information' (EI-5). Furthermore, state ownership has helped contribute to expanded provision in rural areas (UNIDO, 2016), where provision is typically more expensive and less profitable than urban services.

Pressure on these sectors during accession negotiations has so far been considerable, and one official observed that current members can 'ask us for anything under the sky', especially since 'countries that are coming later pay a higher price' (EG-29). In this sense Ethiopia faces notable future challenges, since by being one of the few remaining observers, it stands to have some of the harshest terms applied to its membership. Indeed, one official noted that 'countries including the US tell us "we don't feel you are an LDC. We will be the same with you as Vietnam"' (EG-30) (where 'Vietnam' was used a synonym for harsh treatment; see Chapter 6).[127] As a result, one senior government official noted that however much Ethiopia has to lose from its membership, ultimately '[w]e can't be outside the WTO. So we will join, [but] not for benefits … One would've preferred to have policy space rather than playing by the rules of developed countries' (EG-13).

Two notable advantages allow Ethiopia to stall its WTO accession yet pursue an ambitious export-oriented industrialisation strategy. First, it benefits from non-

[126] Telecoms services have also been used to establish '*woreda* net' services linking local and central authorities (Yakob and Mirtus, 2015).

[127] Notably, Vietnam is treated as a non-market economy in the WTO, although there was no suggestion in the interview that this is what was meant by this comment, the fact of it even being accorded this status can be read as an indicator of the harsh treatment its accession received.

reciprocal tariff and quota free access to the US and EU markets for a range of products (including apparel and leather goods) due to the African Growth and Opportunities Act (AGOA) and Everything but Arms (EBA) agreements. It also has duty-free, quota-free access to Japan, Canada, China, Turkey, Australia and New Zealand (covering all Ethiopian export goods), preferential access to India, as well as across Africa due to its Common Market for Eastern and Southern Africa (COMESA) membership (EIC, 2018, p.5). Only 16 countries have access to EBA and the extended form of AGOA access that includes wearing apparel provisions, and the closest in terms of population size, Tanzania, has a population half the size of Ethiopia's (see Appendix B, which also has a note on AGOA and EBA terms). Notably, the renewal of AGOA in 2015 was a major cause of PVH's decision to expand its operations into Africa (Mihretu, and Llobet, 2017), whilst a foreign investor in the Ethiopian leather and footwear sector noted in interviews that Ethiopia's AGOA access makes it more attractive in terms of market access than China (EF-3).

Ethiopia has recently emerged as 'the first substantial AGOA footwear supplier to the United States' (USTR, 2018, p.14), with footwear exports to the US increasing more than 45-fold between 2011 and 2017 from US$ 630,000 to close to US$ 30 million. The EBA's non-tariff barriers and rules of origin stipulations,[128] as well as the proliferation of other preferential EU agreements have made it more challenging for Ethiopia to take advantage of (Development Solutions, 2017, p.1). Yet together AGOA and EBA provide Ethiopia with competitive terms of (non-reciprocal) market access to two of the world's most significant markets for light manufactured goods. Whilst other countries may have obtained similar access to the US and EU markets through bilateral or regional trade deals, this is likely to have entailed agreeing to terms even more restrictive than the WTO. Ethiopia thus has a distinctive – if not permanent – window of opportunity to pursue an export-oriented strategy without agreeing to the WTO's accession terms.

Second, concerning future trade negotiations, whenever the government did decide to join the WTO, one official noted that since Ethiopia was an 'important ally' of the US, Ethiopia had 'leverage' but needed to use it judiciously (EG-30). A recent US government evaluation of AGOA noted that 'Ethiopia plays a key role in stabilizing the

[128] In contrast, AGOA allows least-developed beneficiaries to make use of yarn and fabric from any country (including China and India) (Mihretu, and Llobet, 2017).

Horn of Africa Region, confronting the al-Shabaab terrorist organization in Somalia and helping to mitigate conflict in South Sudan' (USTR, 2018, p.36). Signalling the country's significance to Washington, in July 2015 US President Barack Obama visited the country, and used this visit to reaffirm Ethiopia's status as an ally and 'outstanding partner' in the conflict (BBC, 2015). Notably here Arkebe Oqubay (2015, p.103) observes the EPRDF has deliberately cultivated such relations, meaning the country's policy autonomy is partly an outcome of 'the government's foresight in crafting and using the country's geopolitical significance'.

Nonetheless, the EPRDF also appears to realise that multilateral trade integration will one day be necessary. This is reflected in evidence collected during fieldwork that the EPRDF is preparing the state sector for eventual accession. One official noted that '[w]e have to use the space now – between now and joining the WTO – so when we start liberalising, we have built manufacturing capability that can compete without some protection' (EG-1). In line with this, GTP II states that the 'the success of these public enterprises will be measured not just in terms of their success in the domestic market, but rather in terms of their competitiveness at continental and/or regional levels' (FDRE, 2016b, pp.147–148). This was reflected in the comments of a government official involved in preparing the state sector for increased competition who noted that '[d]eveloping the commanding heights [means] not necessarily big only in terms of domestic market but helping to extend the country outwards,' (EG-15) with enterprises in electricity, waterworks, and transport (such as the railway) sectors representing areas the government was hoping to build internationally competitive firms (EG-15). Indicative of regional (and global) ambitions, the IPDC aims to become an 'innovative and leading eco-industrial parks developer and operator in Africa by 2025' (UNDP, 2017, xi) and the EEPCO is an emerging electricity exporter, currently supplying Sudan and Djibouti, with plans to expand to Kenya and Tanzania (World Bank, 2018b).[129] In addition, the EPRDF has also started reviewing all existing trade and investment agreements[130] and delaying the adoption of new ones, with one official of investment agreements: '[b]efore we were recipients only, and now we are preparing negotiating documents' (EG-24).

[129] The World Bank is among those funding the transmission lines to Kenya (Abebe, 2018).
[130] As of early-2016 official estimates indicated the country had 17 bilateral trade agreements in force, mostly with other developing countries (EG-24).

Thus, despite growing vulnerabilities to pressure from foreign investors as a result of its GVC integration, Ethiopia also enjoys rather distinct advantages, as efforts to preserve state control over strategic services have also (rather incidentally) preserved considerable policy space for industrial development in the context of a rare example of a current LDC pursuing a proactive industrialisation drive. As such, Ethiopia retains fairly distinctive scope to use industrial policy instruments such as export subsidies, local content and technology transfer requirements.

4.4 Interpreting the Ethiopian developmental regime

Ethiopia's strong departure from the mainstream development consensus is recognised across both heterodox scholarship (Priewe, 2016, p.1) and by the World Bank (Moller, 2016) and the IMF (2016, p.20). As a result, Ethiopia now often attracts the label of a developmental state in official documents (FDRE, 2016b); the scholarly literature (Fantini, 2013; Lefort, 2015; Jalata, 2015; Clapham, 2018); and from the IFIs (IMF, 2013; World Bank, 2013a). As noted in Chapter 3, senior TPLF officials were aware of the Korean experience as far back as the 1980s (Weis, 2016), although the term only came to be used by the EPRDF to describe is strategy after the TPLF split in 2000-2001 (Vaughan, 2015), thereafter appearing in academic writing by Meles Zenawi (Zenawi, 2006a; 2011). Yet the term's use in the Ethiopian context is often rather opaque and there is considerable ambiguity over the basis on which the comparison is being made: Ethiopia's success; the sizeable role of the state in the economy; its commitment to industrialisation; political characteristics; specific policy choices; or its self-declared use of the term. Without such specificity, the label risks obscuring as much as it clarifies since it tends to hide or minimise (important) differences between Ethiopia and the historic East Asian experience.

One recent nuanced discussion in Chang and Hauge (2019) argues that the EPRDF derives intellectual inspiration from East Asia's developmental states, and shares with them strong state intervention and high-level commitment to industrialisation. Yet three missing ingredients are also noted: bureaucratic independence; political and societal harmony; and state-business alliances. Similarly Clapham (2018, p.1151) argues that despite the lack of signature state-business alliances, Ethiopia nonetheless 'provides the

most significant attempt to implement the idea of a 'developmental state' in sub-Saharan Africa'.

However, these arguments need to be qualified at two levels. First, intellectual influence is complicated by strong continuities between the post-2001 period and the transitional economic strategy of 1991, which emphasised the need for industrialisation and strong state intervention long before the developmental state was appropriated. Whilst new elements of Ethiopian development discourse have subsequently been added, including references to 'market failures' in order to justify the 'developmental state' approach,[131] according to one senior official, these ideas were embraced because they 'confirmed what we thought anyway' (EG-13), adding:

> [It was] reassuring for us to hear from them and see the analysis behind this work and the analytic basis for their views. But the ruling party is cohesive and emerged from the politics of the left, particularly of the 1960s and 1970s – which was well known for arguments and debates … With that intensity of debate, when we finally reach a conclusion that is the line that we stick to (EG-13).

Of his masters' degree dissertation,[132] published under the title 'African Development: Dead Ends and New Beginnings' in 2006, Meles Zenawi said it was 'my attempt to academically vindicate our already existing policies. In a sense it was an articulation of the policy of the EPRDF in academic terms. It was primarily intended for our own local consumption to see if our policies could stand up to the rigour of some academic scrutiny' (quoted in Gill, 2010, p.80). Since the developmental state forms one of the main academic critiques of the mainstream development agenda, and, in the words of one senior official, the government considers that 'neoliberal thinking is the enemy' (EG-4), this mantle also helps to consolidate the EPRDF's critique of the mainstream and defence of its long-standing approach. Finally, context-specificity is, as noted in Chapter 3, an essential ingredient of the EPRDF's approach to development. Here one official noted that whilst East Asia was a touchstone due to its rapid growth, their circumstances

[131] For instance, there were dialogues with heterodox economists, such as such as Mushtaq Khan, Dani Rodrik, Howard Stein, and Joseph Stiglitz under the auspices of the Columbia University Initiative for Policy Dialogue Africa Task Force during 2006 to 2009, attended by Meles Zenawi and his senior economic advisors (Vaughan, 2011).
[132] In economics at the Erasmus University, Rotterdam, which he began in the 1990s,but which remained unfinished due to the war with Eritrea (de Waal, 2013).

and approaches were very different to Ethiopia, adding 'we trying to redefine the developmental state in the case of Ethiopia' (EG-12).

Together, these factors suggest the EPRDF's appropriation of the developmental state mantle might be better understood as rhetorical adaptation rather than direct inspiration or emulation. Not only has the emphasis on context proved an important bulwark against the imposition of one-size-fits-all policy prescriptions, it also suggests Ethiopia's trajectory should not straightforwardly be viewed as inspired by or emulating others. Instead, ideas such as the developmental state have been instrumentalised as much to justify the EPRDF's policies as to guide their formulation, given its evolving, pragmatic, but ultimately home-grown, developmental trajectory.

The second qualification concerns how best to treat the undoubted differences such as sizeable state ownership, limited state-business alliances and significant ethnic tensions noted above. One problem here it that there is a strong risk of treating these differences as contingent rather than necessary, and in so-doing treating them as secondary to some supposedly higher-level similarity with the East Asian experience. Yet all three of the features highlighted by Chang and Hauge (2019) are fundamental to the EPRDF's model, both as drivers and enablers of its approach. Indeed, a core feature of the EPRDF's development strategy has been precisely its creation of balance of social forces considered necessary to implementing its developmental vision, comprising expansive state ownership and a limited role for the (rent-seeking) private sector. This is as essential to its economic strategy as its economic policies. In the words of one senior government official:

> [T]he task is creating a political economy where development is the dominant sentiment and attitude. The elite could sell out the long-term in favour of short-term – they have land, power, everything. [But when you are] trying to build a developmental state, it is about trying to build an attitude, vision, objective. If we succeed, the external environment can be managed. If we fail internally, then we will be eaten up by rent-seeking behaviours and that will be the end of it … [the] big fear is a rent-seeking political economy where neoliberalism would dominate – [we] couldn't have policy space to administer industrial policy for transformation then and for technological upgrading (EG-1).

This understanding draws on the particular fusion of the economic and political, which Weis (2016, p.17) has dubbed 'vanguard capitalism', through which the processes of party, state and market building are all mutually reinforcing, as the EPRDF's vanguardist political logic conditions the way markets have been established and operate in Ethiopia. The lack of bureaucratic independence also stems from this logic, since strong overlaps between the ruling coalition and state administration is rooted in a perceived need for a 'political vanguard' dedicated to transforming the economy on behalf of a poor peasantry (Fantini, 2013). According to the former Prime Minister '[the] key task in this regard is to transform our political economy from one of pervasive rent-seeking to one that is conducive to value-creation … This in turn is predicated on building the constituency of a developmental state and developing the institutions and policy instruments to curtail rent-seeking and promote value creation' (Zenawi, 2006b).[133] As sections 4.1-4.3 indicated, state dominance of the commanding heights, the division of the domestic private sector into a developmental and rent-seeking group, and selective appropriation of manufacturing FDI, are as much strategies for creating a developmentally conducive political economy as strategies for powering economic transformation per se. Simply noting Ethiopia's greater reliance on state enterprises thus risks missing part of fundamental fabric of the EPRDF's variety of developmentalism.

Furthermore, the fragile nature of popular support for the EPRDF's development project, due to the ethnic diversity and tensions discussed in Section 4.3.2 is a further fundamental difference with the East Asian experience, where external threats to the nation state were used secure consensus around its developmental projects. However, again this difference is fundamental to Ethiopian developmentalism since it is precisely these tensions and the threat they posed to the political hegemony of the EPRDF following the 2005 election that prompted the turn toward mass political mobilisation (Fantini, 2013; Vaughan, 2015; Weis, 2016) and a development strategy predicated on 'development at speed' (Schäfer, 2016, p.21). As Clapham (2018, p.1154) notes, the drivers of the expanded developmental project lie in these domestic tensions since 'the regime was widely perceived as controlled by people from the Tigray region from which its initial leadership derived, and this imposed a need to seek 'performance legitimacy' through a project of economic transformation'. This was one of central contributory factors to the emergence of Ethiopia's public-investment driven growth path. This

[133] Historically the peasantry formed the EPRDF's focal social base (see Chapter 3).

difference with the East Asian experience, and all the specific vulnerabilities this entails (Sections 4.2.2 and 4.3.1), is such an important driver of its development trajectory that once again it needs to be at the centre, rather than periphery, of analysis.

A final question raised by this discussion is Ethiopia's relationship with neoliberalism, especially given the way the developmental state and neoliberal market-driven agenda are often presented as opposing development models. Despite its strong opposition to the latter and complex relation to the former, during the period of assertive developmentalism Ethiopia has emerged as one of the fastest growing countries in the world using a deeply unorthodox developmentalism – yet one which has both *propelled* and *enabled* Ethiopia to emerge as a low-cost labour pool for the extension of global production to new low-wage destinations in the face of rising costs in Asia. Thus at the same time as offering one of the world's most successful challenges to neoliberal orthodoxies, and defying neoliberalism at the national level, Ethiopia has become constitutive of its reproduction and stabilisation globally. Nonetheless it is Ethiopia's heterodox state finance-infrastructure-industry nexus and strong state intervention that have created the infrastructure to power Ethiopia's emerging integration into these production structures. Indeed, preserving this nexus from IMF-induced dismantling also forms a key reason why the GVC strategy has been embraced. This therefore represents a hybrid form of development strategy in which the mainstream-conforming embrace of comparative advantage and FDI has been harnessed to enable the survival of a broader approach to late development which departs in almost all other respects from the neoliberal development consensus. This deeply contradictory relationship with neoliberalism also suggests that developmentalism in the current conjuncture may require a very different political economy than in the post-war period, where it is precisely the absence of powerful domestic political and economic elites aligned with deeper international integration that may be the most vital contributor to Ethiopia's developmental approach and success to date.

Conclusion

This chapter has charted the evolution of the more assertive form of Ethiopian developmentalism which has emerged since 2002, and how it related to the foundations laid during the defensive moves to build a market economy in the 1990s. It thereby

suggested the division of Ethiopian developmentalism into two periods should be sensitive to these strong threads of continuity. This is strongly evidenced though the growing role of the state finance-industry-infrastructure nexus and decidedly unorthodox high rates of public investment (powered by several heterodox instruments) as a motor of Ethiopia's economic transformation. Its experience also exposes the contradictions in the global neoliberal order, since despite forcefully rejecting the neoliberal development agenda, Ethiopia has emerged as a leading global recipient of World Bank concessional lending, thereby leveraging the international financial architecture in support of a deeply heterodox developmental approach.

However, the very successes of this approach have contributed to an increasingly challenging set of global and domestic constraints. Fostering linkages between GVCs and the domestic economy will undoubtedly be complicated by the growing dependence of the EPRDF on foreign capital, which it is relying on to resolve the deepening foreign exchange-related constraints. However, Ethiopia's distinct advantages in the global trade regime, which mean it can (for now) delay joining the WTO and remain competitive in highly aggressive light manufacturing sectors nonetheless provides a rare form of policy space in the context of a country pursuing a manufacturing-driven strategy in the neoliberal period. Furthermore, Ethiopia's integration into the global GVC regime should be chiefly evaluated with reference to its foreign exchange and employment generating capacities, and thus its capacity to alleviate political and economic pressures, rather than through the upgrading prism which forms the main preoccupation of the GVC literature.[134]

Finally, through its entanglements with the IFIs and increasing integration within GVCs, Ethiopia's form of developmentalism has not only been forged and shaped by the constraints of the neoliberal period, but evolved to take on a highly contradictory relationship with neoliberalism itself. The state has sought to instrumentalise key features of the neoliberal global economic order such as IFI financing and the transnationalisation of production to help sustain its contemporary heterodox developmentalism, rather than internalising either a neoliberal form of capitalism or adopting a comprehensively neoliberal development strategy. This embodies a curious

[134] In the Ethiopian context, meanwhile, some have argued the challenges of GVCs are not all that different to those faced by Korea and Taiwan in the 1950s and 1960s (Hauge, 2018).

convergence of interests between a decidedly anti-neoliberal government and the interests of global capital[135] – a state of affairs which the developmental state paradigm and its methodological nationalism noted in Chapter 2 offers limited insight into.

[135] Indeed, the international business media now enthusiastically describes Ethiopia as the 'last development frontier' (Aglionby, 2017).

Chapter 5 Vietnam 1986-2000: The emergence of a contested developmentalism

This chapter traces the emergence of a distinctive form of Vietnamese developmentalism during the period 1986-2000. This was a time of rapid socio-economic development of the sort that marked Vietnam out from other transitional economies. Not only did the Vietnamese economy escape fiscal contraction and recession, it rapidly entered a high growth path, with average GDP growth rates of 6.7 per cent a year between 1986-2000, and 8.8 per cent in the period of its most rapid growth, leading up to the East Asian financial crisis, from 1992-1997 (World Bank, 2018g). These growth rates were some of the highest in the world during the 1990s, and were also translated into steep improvements in living standards, with the national poverty levels reducing from 58 per cent of the population in 1992-1993 to 37 per cent in 1997-1998. Such rapid reductions have been 'rarely seen in any developing country' (Glewwe and Dang, 2011, p.583). Vietnam has also been dubbed a 'star performer' in terms of its human development progress during the 1990s (Thang et al., 2015, p.1). As a result of these all-round development achievements, decidedly atypical during the neoliberal period, Vietnam has earned the status of a 'role model for development' (Thoburn, 2013).

During this period of transition from centrally planned to market economy, mainstream scholarship has made several attempts to appropriate Vietnam's development trajectory as a vindication of mainstream economic reforms. However, as this chapter argues, instead the Vietnamese approach was deeply heterodox in a number of respects. Due to a specific set of political and economic objectives and the inheritances of the socialist period, the ruling party sought to preserve, consolidate, and defend from external pressures (such as the conditionalities of the IFIs and turmoil of the regional crisis) a particular constellation of state-owned finance-industry-infrastructure firms (or a nexus thereof). This was in turn supported by high rates of public investment, ODA inflows and foreign capital, and a heterodox approach to trade and macroeconomic policy. This chapter traces the drivers and enablers of this form of developmentalism, as well as the pressures impacting its elaboration and the emerging concerns which propelled a shift in Vietnam's development trajectory after 2000.

5.1 Legacies of Vietnamese socialism

As French colonial rule was consolidated across Indochina in the late nineteenth century, the Vietnamese imperial order was ultimately defeated by the European power's superior military forces. However, following the successful national liberation struggle launched by what is now known as the Communist Party of Vietnam (CPV)[136] during the First Indochina War (1946-1954), Vietnam was divided at the 17th parallel in 1954, ending colonial rule, and ushering in a period of socialist construction in North Vietnam.[137] In the late 1950s, socialist construction took the form of attempts to create a Soviet-inspired centrally planned economy, reflected in an emphasis on heavy industry and 'squeezing' the agricultural surplus (Beresford and Phong, 2000), although the process involved 'largely improvised responses' to distinct problems rather than simply copying blueprints taken from elsewhere (Elliott, 1980, p.209). Land reforms commenced in the mid-1950s and encompassed land seizures and redistributive measures that overturned highly unequal patterns of land ownership and weakened the power of traditional landed classes, whilst placing land in the hands of smallholder cultivators (Kerkvliet and Selden, 1998). Collectivisation followed after 1959, and by 1968 some 90 per cent of peasants belonged to cooperatives in which land and the means of production were collectively owned (Beresford, 1988). Producer cooperatives supplied food and other materials to state industry (Fforde and De Vylder, 1996, p.57), as well as forming an important basis for productivity improvement, irrigation installation, improvements to gender equality and social service provision (Beresford, 1988). Meanwhile, by the late 1960s most industry had either been nationalised or collectivised and industrial production transferred to state enterprises (Beresford, 1988). As a result, by the late 1960s, the material basis for social differentiation through ownership of the means of production had been eliminated and, according to Beresford (1988, p.59) 'the social classes of the old regime had ceased to exist'. This included the Vietnamese elite which emerged during the colonial period, comprising landowners, professionals (such as doctors, bankers, engineers), and intellectuals who had benefitted from French rule (Beresford, 1988).

[136] The party was formed in 1930 by Ho Chi Minh as the Vietnam Communist Party (*Dang Cong San Viet-Nam*) and has since undergone a succession of name changes, including the Indochinese Communist Party (*Dang Cong Sang Dong Duong*) in December 1930, the Vietnam Workers Party in 1951 (*Dang Lao Dong*), and in 1976 the Communist Party of Vietnam (Turley, 1980). For simplicity, it will be referred to as either the Party or the CPV.

[137] The north was known as the Democratic Republic of Vietnam (DRV), whilst the territory south of the 17th parallel was known as the Republic of Vietnam (RVN).

To foster heavy industry, the CPV adopted an ISI strategy which relied heavily on commodity-aid financed capital imports from the Soviet Union, including capital inputs (to feed textile and steel industries) and raw materials (Fforde and De Vylder, 1996; Beresford and Phong, 2000). State enterprises were allocated capital and resources, given production targets, and required to provide all produce for sale by state trading monopolies (Fforde and De Vylder, 1996, p.57). Investment to support the ISI drive came from both domestic savings and Council for Mutual Economic Assistance (CMEA) assistance (Gates, 1995). However, the intensified conflict with the US after 1964 and threat of intensified bombardment, saw the strategy adapted to meet the needs of a war economy. The results were two-fold: intensified import dependence, particularly for food (Fforde and Paine, 1987) and extensive provincial decentralisation, as less capital-intensive forms of manufacturing were moved to remote rural areas and caves to avoid aerial bombardments (Kolko, 1997, p.1). Decentralisation also compensated for poor communication between central and provincial areas by increasing the autonomy of local party cadres (Beresford, 1988, p.20),[138] the result of which was a 'province-centred economy' (Kolko, 1997, p.25), in which the central Politburo explicitly delegated difficult economic decisions to provincial cadres.

In 1975, in a highly significant victory for guerrilla forces from an impoverished country against the reigning global economic and military superpower, the CPV defeated the American military after an intense and protracted conflict. Formal reunification followed in 1976, joining together two markedly different political and economic systems into the new Socialist Republic of Vietnam (SRV), accompanied by an attempt to extend central planning across the whole country. However, in the context of chronic shortages, thanks to shrinking Soviet aid and limited budgetary resources (Beresford and Phong, 2000, pp.150–151), state enterprises, state officials and agricultural cooperatives increasingly operated 'off plan' (often with the tacit approval of provincial and central agencies), in order to resolve such scarcities. Such fence-breaking (or *pha rao*) proliferated from the late 1970s onwards, diverting resources away from the mechanisms of central resource allocation (Fforde and De Vylder, 1996, pp.59–60). Agricultural cooperative members also began to use land for own-account activities, where resultant profits generated cash incomes, rather than collective produce (Fforde

[138] This represented a return to tactics used during the First Indochina War (1946-1954) which liberated Vietnam from colonial rule, with localised war organising allowing state operations to persist despite limited contact with the centre (Marr, 2013).

and Paine, 1987). At the end of the 1970s state enterprises began to set up their own retail outlets and establish direct relationships with artisans and cooperatives, bypassing state intermediaries (Fforde and De Vylder, 1996). Leaders of Ho Chi Minh city allowed local Chinese merchants to regain some economic powers previously withdrawn following reunification, such as the formation of mixed trading companies, which appeared to have the backing of some influential party figures (Kolko, 1997, p.25).[139] State agencies and political units engaged in both legal and illegal commodity trade (Porter, 1993, p.131), with CMEA trade dominating the formal trading system, and trade with China and Thailand dominating parallel informal trade (Van Arkadie and Mallon, 2003). As a result, off-plan activity became so endemic that an official 1986 report to Vietnam's National Assembly noted that less than 40 per cent of manufactured consumer goods were traded via the official state trading network (Gillespie, 2003, p.213).

Whilst it is not clear whether the central state was unable or unwilling to crackdown on growing defiance of central orders (Fforde and De Vylder, 1996), de facto decentralisation did have a number of economic benefits. First, private and direct trade between individuals, state enterprises, local authorities and central ministries helped to overcome scarcities and shortages, and thus meet workers' welfare needs and production targets (Beresford and Phong, 2000). Second, the existence of parallel markets gave those individuals, enterprises and provincial authorities with access to state resources opportunities to generate very high profits (Beresford and Phong, 2000) since the 'surest route to profit was exploiting the price system and inflation' (Porter, 1993, p.131). These contradictions are summarised by Fforde and De Vylder (1996, p.65):

> A state unit was meant to be producing its stipulated output according to the target, not finding ways of generating higher incomes by developing sidelines or growing food … But since the supplies through the state distribution system were often inadequate, *fulfilment of the plan often relied on such activities* [italics in the original].

[139] Including Nguyen Van Linh (a key Politburo member) and Vo Van Kiet (chairman of the influential State Planning Commission). The latter's assistant, Nguyen Xuan Oanh, was critical in masterminding such economic experiments in the south, having been a former acting Prime Minister in Saigon in 1965, following an education in Harvard and roles within the IMF (Kolko, 1997, pp.25–26).

Reflecting the political and economic costs which might accrue from cracking down on this activity, central Party initiatives were often divided between extending the scope of localised fence-breaking and attempts to abolish them. This contributed to a number of so-called 'policy zig zags' during the 1980s (Beresford and Phong, 2000, ix). Central reforms often merely sanctioned deviations from the centrally planned economy which were occurring informally anyway. De facto liberalisation thanks to fence-breaking during 1979-1980 thereby prompted the introduction of the three-plan system in 1981 (which allowed state enterprises the autonomy to sell and produce outside of the plan under certain conditions) (Fforde and De Vylder, 1996, p.59). However, some within the CPV were concerned that liberalisation would help to revive the southern bourgeoisie, and that private speculation and smuggling should be cracked down upon. As a result, between 1982 and 1985 a 'recentralising reaction' (Fforde, 2007, p.35) emerged as, via administrative fiat rather than violence, the CPV sought to regain control over distribution and circulation via increasing Hanoi's oversight and veto over trading activities, curb state enterprises engaged in unplanned activities, and strengthen cooperativisation, with the Third Plenum of December 1982 attacking the 'anarchy in markets' (Fforde, 2007). At the 1983 Central Committee discussion about the alternatives provided by socialist and capitalist paths was extensive (Porter, 1993, pp.141–142).

5.2 *Doi moi*: from central planning to market economy

Against this backdrop of considerable political and economic fragmentation, Vietnam also faced considerable socio-economic turbulence and macroeconomic instability during the early 1980s.[140] The invasion of Cambodia in 1978 (and occupation until 1989) prompted a worldwide economic boycott (Kolko, 1997, p.23). Chinese imports declined from the end of the 1970s, whilst internal problems in the Soviet Union predated the formal disintegration of the CMEA bloc in 1991 (Beresford and Phong, 2000). Scarcities again became of mounting political and economic concern, and by 1986 the state was supplying just 20 per cent of the fertiliser to agricultural cooperatives that it had just six years previously (Porter, 1993, p.134). At the end of 1986, export earnings

[140] The data on economic growth in Vietnam in the 1980s contains considerable ambiguities. However, low but positive growth appears to have taken place in 1985-1989, although declines in agricultural value added and industrial output were seen in 1987 and 1989 respectively (Van Arkadie and Mallon, 2003, p. 176-77). Nonetheless, by the late 1980s, growth averaged approximately five percent per year during 1986-1989, high by the standards of other transition countries, and considerably easing the process of transition (Weeks, Thang, et al., 2004).

were less than half imports (US$ 500 million compared with US$ 1.2 billion) (Mallon and Irvin, 2001) and thus by the mid-1980s the country faced an unsustainable balance of payments position (Weeks, 1998). From 1976-1980 economic growth averaged 0.4 per cent per annum, which meant a decline in real per capita income, given 2.3 per cent annual population growth (Van Arkadie and Mallon, 2003, p.176). Although some recovery was seen in the early 1980s, fiscal and trade deficits increased, and in the mid-1980s inflation climbed rapidly – to more than 700 per cent at the end of 1986 (Mallon and Irvin, 2001). Subsidies to state enterprises and high levels of military spending put considerable strain on government budgets in the context of low levels of revenue generated and large and persistent fiscal deficits, increasing dependence on foreign aid (Van Arkadie and Mallon, 2003). There were also severe food shortages in the 1980s, resulting in widespread queues for food and food insecurity so severe that the country faced regular episodes of famine (Mallon and Irvin, 2001).

Against this backdrop, the CPV launched the *doi moi* (or renovation) programme at its Sixth National Congress in 1986, marking the formally sanctioned transition away from centrally planned resource allocation and toward a market-oriented economy. This shift was the complex outcome of a set of different mounting pressures, since the '[i]nteraction between these fence-breaking activities, the changing external environment and the political pressures building up in favour of changes to the planning system, led to a process of gradual policy reform and, ultimately, to the Party's acceptance of a market-led growth strategy' (Beresford and Phong, 2000, p.3). However, despite attempts to present Vietnam's subsequent trajectory as a vindication of mainstream market-oriented reforms (Dollar, 2002), the rest of the chapter examines how in fact Vietnam's heterodox transition created a distinctive form of developmentalism, diverging markedly from the neoliberal development agenda.

5.2.1 Mainstream market-oriented reforms

In 1987 official prices for non-essential consumer goods were brought close to market levels, the Dong (VND) was devalued, and the country opened to foreign investment (Van Arkadie and Mallon, 2003). The 1987 Land Law defined the land use rights of users but stipulated that land would remain state owned (Tri, 1990). In 1988, households became the base of agricultural production, but the sale, exchange and renting of land was restricted (Masina, 2006). State enterprises were given greater autonomy over

business operations in 1987, including over sub-contracting, investment and production (Kolko, 1997, p.54), and output targets were largely replaced with profit targets and subsidies restricted to lending by state-owed commercial banks (Van Arkadie and Mallon, 2003). In 1988, foreign exchange controls were liberalised (Van Arkadie and Mallon, 2003) and import tariffs were introduced, replacing direct contributions from state trading enterprises (IMF, 1998d).

However, in 1989 reforms deepened with Party leaders reportedly seeing the choice before them as 'renew or die' (Riedel and Turley, 1999, p.22). Most remaining price controls were abolished,[141] the foreign exchange rate was unified, import and export quotas were removed on most commodities and interest rates became positive in real terms (Riedel and Turley, 1999; Van Arkadie and Mallon, 2003). Price reforms in particular have been called a 'remarkably forceful attack upon the very foundations of the old, central-planning system' (De Vylder, 1995, p.35). In 1990, the legal basis for the establishment of sole proprietorships, joint-stock and limited liability companies was also established, and new taxes created (special sales tax, profit and turnover taxes) (Van Arkadie and Mallon, 2003). By the early 1990s, therefore, the Vietnamese 'transition' is considered to have been 'substantially over' (Masina, 2006, p.62).

These changes were prompted by both the domestic socio-economic stresses outlined above, and considerable external pressure. During *perestroika*, the Soviet Union reportedly threatened to cut off its US$ 1.4. billion in aid and subsidised trade if Vietnam did not embark on economic reform (Le, 1995),[142] whilst trade with CMEA countries rapidly collapsed with the bloc's demise, with exports shrinking from 1.1 billion to 80 million roubles between 1990 and 1991 (De Vylder, 1995). Given Vietnam's dependence on commodity aid and trade with CMEA this represented a strongly adverse exogenous shock (Van Arkadie and Mallon, 2003). As a result, greater cooperation with the West came to be seen as essential to improved economic performance (Forsberg and Kokko, 2007, p.4).

[141] Fixed prices only remained on electricity, coal and cement (used in major state construction projects) until 1991, after which only electricity prices remained regulated (Vu Tuan Anh, 1995).
[142] Events in Eastern Europe and the Soviet Union also prompted the repression of those calling for political pluralism in Vietnam (Tønnesson, 2001).

Vietnam's subsequent emergence as a rare transitional success story – both avoiding economic collapse and quickly entering a rapid growth path – has prompted strong competition over the interpretation of its development strategies. The 'complicated and unsmooth' and 'stop-and-go' (Thanh and Anh, 2007) trajectory of Vietnamese reform itself compounds the divergence between orthodox and heterodox interpretations. However, this chapter argues that for all the change (and, at times, inconsistency) in Vietnam's reform path, the CPV preserved a deeply heterodox state finance-industry-infrastructure nexus, as an anchor of both political stability and engine of growth and industrialisation throughout its market-oriented transition. This developmental policy core helped to serve these two defining political and economic objectives of the transitional period, and was sustained by finance from outside the nexus, in the form of public investment, FDI and ODA. In this sense, the CPV used foreign savings, in the form of both FDI and growing ODA receipts during the late 1980s and 1990s, to reinforce a form of heterodox developmentalism designed to manage the emerging political economy of a market economy in such a way as to allow the CPV to retain power and power economic transformation. This nexus also aided the CPV to weather external shocks during the transition from central planning, and later, the challenges of regional financial crisis at the end of the decade. As this chapter argues, despite attempts to claim Vietnam's experiences in the 1990s as a vindication for mainstream reform, the CPV created a form of state-led developmentalism with a deeply heterodox core.

5.2.2 The political economy of heterodox developmentalism

In the period after 1986, the CPV had two overriding objectives: the maintenance of political stability and rapid economic growth (Pincus and Thang, 2004). Concerning the former, the 1992 constitution reaffirmed the CPV's monopoly over political power (Pincus and Thang, 2004). In terms of the economic strategy, three priorities guided the allocation of resources under Vietnam's five- and ten-year socio-economic development plans: economic growth, industrialisation and "modernisation" (Forsberg and Kokko, 2008). It was thought that fostering improved economic performance would consolidate political stability by containing pressures for political liberalisation (Gates, 1995). Furthermore, the CPV's understanding of economic development was inescapably tied up with structural transformation since the Political Report of the 5th Central Committee to the 6th Party Congress in 1986 noted that Vietnam needed to 'accumulate capital for speeding up industrialization and strengthening our national defense' (CPV, 2015,

p.611). In 1996, meanwhile, the Political Report of the 7th Central Committee to the 8th Party Congress declared that, having emerged from socio-economic crisis, Vietnam was now ready 'for a shift onto a new period, that of pressing ahead with the industrialization and modernization of the country' (CPV, 2015, p.882) and outlined a goal to make Vietnam an industrialised country by 2020.

In the latter regard, Vietnam's (state-owned) manufacturing sector was more complex, diversified and developed in the 1980s than its status as a low-income country might suggest. Whilst smaller than those in Eastern Europe or China, it still accounted for 40 per cent of national output in 1985, whilst a skilled industrial workforce had also begun to emerge (Beresford, 1995b, p.56). In contrast, the non-state manufacturing sector was extremely limited, and in 1990 comprised many small household enterprises, characterised by low productivity and capital shortages (Ronnas, 1998). As Beresford (1995a) notes, the centrality of the state manufacturing sector was the strongest continuity with the centrally planned economy. State ownership over the 'commanding heights' of the economy has been closely tied with efforts to consolidate Party hegemony by minimising the emergence of a sizeable independent private sector, as well as allowing the Party to steer the course of economic development. Documents from the 7th National Congress in 1991 reveal the hierarchy between different sectors of the economy implicit within the CPV's vision of a market economy:

> We should strengthen the socialist economy … enabling the State-run economy to exercise its leading role and, together with the collective economy, hold a decisive place in the national economy and control the other economic sectors. The development of household economy should be encouraged … We should make use of private capitalist economy (small capitalists) in some branches while transforming them step by step through various forms of State capitalism (CPV, 1991, pp. 10–11).

Despite the ostensible commitment to a market-oriented economy, private capitalists were evidently the very lowest priority in the hierarchy of sectors to be developed during this period, and were to be deliberately kept small and gradually brought into a system of emerging state capitalism (via means left unspecified). Against this backdrop, the state-run economy was to retain a leading economic role, followed by the collective and

household economies. Party Secretary General, Du Muoi, noted in the CPV Central Committee Political Report of 1994 that '[u]sing the major state enterprises as the bases, we will form business corporations with a significant ability to compete in the domestic as well as the international market' (Muoi, 1994, p.66). The centrality of the state sector was again reaffirmed in 2001, with the Political Report of the 8th Party Central Committee to the 9th Party Congress. The report noted that '[t]he socialist-oriented market economy involves many ownership forms and economic sectors, in which the State economic sector assumes the leading role,' adding that the socialist system the CPV sought to construct involved '[p]ublic ownership of the key means of production' with 'highly socialized modern productive forces' (CPV, 2015, p.1013).

In light of these political economy considerations, and the socio-economic challenges facing Vietnam in 1986, the Fifth Five Year Plan (1986-1990) had three main objectives. First, to develop food staples to meet local food needs and to achieve consumption levels sufficient to sustain the workforce (this included irrigation efforts, the use of new breeds and varieties, the development of mechanisation and expanded fertiliser use). Food shortages were such that officials reportedly stated at the time that: '[t]he stomach is our principal concern' (Kolko, 1997, p.24), and the 1986 Political Report made clear: '[t]he urgent requirement for grain, foodstuffs, production materials, consumer goods, and export commodities determine the *foremost position of agriculture*' (CPV, 2015, p. 634, italics in the original). The second objective was to meet domestic demand of 'essential industrial products' (CPV, 2015, p.634) such as consumer goods, building materials, fertiliser, pesticides and veterinary medicines via import-substitution industrialisation. The third was to increase and diversify export earnings to cover major imports such materials, machinery, spare parts and other necessary goods, with export promotion in agriculture and light industry concerned with 'procuring foreign currency for the State' (CPV, 1991, p.8).

In this, the Fifth Five Year Plan predicted greater need for CMEA support. However, by 1991, documents produced for the 7th National Congress indicated that whilst efforts to develop the supporting infrastructure for industrialisation in 'energy industry, communications and transport' (CPV, 1991, p.9) had been successful, the CMEA collapse made a new pattern of export development necessary. It was said that Vietnam needed to 'fundamentally renew' trade patterns and diversify exports in order to meet

import needs in 'essential commodities' such as petrol, nitrogenous fertiliser, steel and cotton (CPV, 1991, p.91). Here, state-owned enterprises, particularly in the textile sector, were allocated the task of providing foreign currency to meet imports in the equipment and modern technology considered necessary for further industrial development. Thus the foreign exchange constraint emerged at this time as a major constraint to the CPV's ambitious industrialisation plans.

5.3. Forging the state finance-industry-infrastructure nexus

A major component of the CPV's approach to economic transformation in the early 1990s related to efforts to preserve state ownership over large and strategic enterprises.[143] State enterprise numbers had exploded, mainly provincial enterprises, between 1985 and 1989 from 3,000 to 12,000 (Pincus, 2012, p.6). However, the sector was rationalised with Decree 338-HDBT in 1991, which required all state enterprises to re-register or be liquidated, making re-establishment conditional on commercial viability (for non-strategic state enterprises) and instituting minimum legal capital requirements (Nguyen, 2009). By mid-1994 some 6,264 state enterprises remained. Those that had been either liquidated or merged tended to be small and locally managed state enterprises with less than 100 employees and capital under VND 500 million (approximately US$ 45,000) (Van Arkadie and Mallon, 2003, p.126).[144] In contrast, privatisation was largely side-stepped, since it was deemed too politically sensitive, and a modality of partial divestment was created, known as 'equitisation' (*co phan hoa*) (Nguyen, 2009). A pilot divestment initiative was issued in 1992, but by the end of 1997, only 17 enterprises had been equitised (IMF, 1998b, p.4). Enterprise managers could initially veto divestment, many of whom stiffly opposed the process (Kolko, 1997, p.61). These veto rights were removed in 1996 (Van Arkadie and Mallon, 2003), and in the late 1990s provincial People's Committees[145] were allowed to retain equitisation funds for local development projects, a shift designed to try and speed up the process (Sjöholm, 2006). Thus between the end of 1997 and March 1999, 130 state enterprises were

[143] It is possible that Lenin's New Economic Policy (NEP) was an inspiration here. Soviet specialists taught Party cadres about the NEP in 1979, causing the CPV to consider the possibility of accommodating elements of capitalism and market relations within the transition to socialism (Pham, 2012). In the 1980s, NEP reportedly became particularly important in two respects: 'One was to develop the commodity-monetary relationship and the other was to use state capitalism for economic development' (Giang, 2014).
[144] Although between 1989-1993 around 800,000 workers were dismissed from the public sector (Kolko, 1997, p.55).
[145] Provincial People's Committees are the executive arm of the state at local level, with budgetary and administrative responsibilities which include implementing the state budget and approving socioeconomic development plans (Van Arkadie and Mallon, 2003).

equitized (IMF, 1999b). Joint ventures between state enterprises and foreign investors were another major component of the CPV's state sector policy in the late 1980s and 1990s (see Section 5.4.2)

The state sector's significance to the economy endured throughout the 1990s, and some respects increased. The state sector's share in GDP was 32.5 per cent in 1990 and increased to 39.2 per cent in 1993, growing faster than the non-state sector at 11.6 per cent per annum 1993 compared with 6.2 per cent in the non-state sector (World Bank, 1995c). Excluding the share of GDP originating from state management (public administration, defence and social security), the share of the state sector in GDP remained steady throughout the rest of the decade at just over a third of total output, at 36.5 per cent of GDP in 1994 and 36.2 per cent in 2000 (IMF, 2002c). Meanwhile, between 1993 and 1998 the percentage of formal employment in the public sector increased from 39.5 to 40.5 per cent (World Bank, 1999a). By 1998 the state sector accounted for 62.0 per cent of non-oil exports and 45.0 per cent of industrial production (IMF, 2006d), and in 2000 state enterprises contributed 55.8 per cent of the country's tax revenues (UNCTAD, 2007). State enterprises tended to be capital-intensive, compared to other sectors, and thus their share of total employment was considerably lower than their share of GDP (Jenkins, 2004b). Furthermore, given very low levels of productivity in manufacturing in the early 1990s (due to old machinery, much dating from before 1975, using already-old Chinese and Soviet technologies), productivity growth in the state sector between 1990 and 1995 saw a reduction in the number of jobs by 650,000, a significant factor in the slow rate of overall employment growth during this period (Jenkins, 2004b).

Notably, large and strategic state entities were marked to be kept in state hands. Decree 44/1998/ND-CP (29 June 1998), which outlined the equitisation process, observed ongoing state control of the following sectors:

> [The] state will continue to hold dominant shares in "strategic" enterprises, comprising: public service enterprises with capital in excess of VND 10 billion (about [US]$0.7 million); enterprises in large-scale mineral and petroleum exploitation; and production of fertilizers, petrochemicals, tobacco, alcohol, and pharmaceutical products; aircraft repair; large-scale electricity production,

> transmission, and distribution; post and telecommunication services; rail, sea and air transport; printing and publication; and investment banks and banks for the poor (IMF, 1999b, p.47).

This statement indicates the CPV's conceptualisation of the 'commanding heights' of the economy at this time centred around the preservation of a nexus of state finance-industry-infrastructure firms. According to one government official 'state-owned enterprises play a very critical position in the ideology of the Party and government which try to use them as dynamic forces' (VG-4). The contributions of this nexus to the overall development strategy are discussed below.

5.3.1 State banks and financial institutions

At the heart of the CPV's growth strategy lay the state-owned financial system. By retaining state dominance within the finance and banking sectors, the government sought to 'direct the economy to its objectives' (Tran, 2003, p.148). After *doi moi*, directed credit was particularly channelled toward infrastructure, public services, basic and strategic industries, including through many state enterprises (Weeks, Thang, et al., 2004). The centrality of the domestic financial system to the CPV's development strategy is highlighted by the following comments made by Cao Sy Kiem the Governor of the Central Bank (the State Bank of Vietnam, SBV) in the party's theoretical and political journal in 1995:

> [I]n order to preserve the economic results achieved through several years of renovation, maintain a high economic growth rate, and keep the country from falling behind other countries in the region, one of the problems to which the government and bank [SBV] are giving attention is the problem of capital, particularly medium- and long-term investment capital for economic development. Even though the favourable international conditions have opened up great opportunities for mobilizing capital from abroad, domestic sources of capital are regarded as decisive for steady and independent economic growth … the amount of capital mobilized must increase in later years in order to satisfy the general investment needs of the country. This is the responsibility of the sectors, echelons, and enterprises. In this, the finance and banking sectors are the most important sectors (Kiem, 1995, p.42).

In 1991, state-owned commercial banks (SOCBs) accounted for 93.3 per cent of total bank assets (World Bank, 1995a), a situation left largely unchanged toward the end of the decade, as, in 1998, four SOCBs accounted for 82 per cent of total bank assets and 80 per cent of loans and deposits (IMF, 1999b). Whilst long-term sectorally disaggregated data is scarce, as of 2000, 37.1 per cent of total credit went to industry and construction, 26.7 per cent to agriculture, fisheries and forestry, 24.5 per cent to trade, transport and communication, and 11.7 per cent to other services (IMF, 2002c). These powerful policy levers were subject to what the IMF described as 'official intervention' (IMF, 1999b, p.27), although rather than directing "orders" to SOCBs, the government offered '"advice" to provide loans. However, it took until the end of 2003 for the first SOCB to decline a "suggestion" to lend to a specific state enterprise (Kovsted et al., 2005).

Although between 1996 and 1998 an average of 44.4 per cent of credit from SOCBs went to state enterprises (IMF, 2002c), the state sector was a privileged recipient of financial support in other ways. Interest rate liberalisation commenced in 1996, first involving deposits in domestic currency, then those in foreign currency in 1999, and for loans in foreign and domestic currencies in 2001 and 2002 respectively (Weeks, Thang, et al., 2004).[146] State enterprises were permitted to roll over loans for half the length of the original maturity, or between 3-6 months (IMF, 1999b). Lending to state enterprises in foreign currencies also meant they benefitted from typically lower interest rates than were prevalent on domestic currency loans (World Bank, 1995a). The Development Assistance Fund (DAF) was formed in 2000 and provided a large-scale source of non-SOCB lending to state enterprises. Indeed, although the share of state enterprise borrowing from the banking system steadily declined during the decade from 90.0 per cent in 1991 to 44.9 per cent in 2000 (Van Arkadie and Mallon, 2003, p.100), once DAF lending is included, 50 per cent of credit went to state enterprises in 2000 (IMF, 2006d). By 2000, lending to state enterprises through both the DAF and SOCBs represented 22 per cent of GDP, rising to 24 per cent in 2001 (IMF, 2006d).

[146] In contrast to the centrally planned financial system, real interest rates were largely positive after 1989, except during 1990-1991. However, after 1991, the interest rates for industry and transport were largely lower than for either agriculture and commerce and tourism, with those for fixed capital largely lower than for those for working capital (World Bank, 1995a).

Notably, the DAF was created in response to IMF pressure to reduce SOCB lending to state enterprises in the early 2000s, and which prompted the CPV to separate commercial and policy-based lending (Weeks, Thang, et al., 2004). The broad mandate of the DAF was to fund development investment credits (World Bank, 2002a) and manage 'the State credit system of subsidised loans for investment, post-investment interest rate support and investment credit guarantees' (World Bank, 2002b, p.107), and later, short-term export promotion credits (Weeks, Thang, et al., 2004). The resources channelled into DAF were of considerable economic significance, and included funds from Social Insurance Fund, the Vietnam Postal Savings Service Company (VSPC),[147] ODA on-lending, government bonds and foreign loans, which in 2001 together totalled VND25 trillion (US$ 1.6 billion) (World Bank, 2002b). By 2001, with a 24 per cent share of domestic credit, the equivalent of 3.3. per cent of GDP, it was also the country's largest financial intermediary for channelling resources toward investment activities (Weeks, Thang, et al., 2004). The creation of the DAF therefore helped the CPV circumvent IFI policy pressure to preserve the capacity to direct resources in line with the broader developmental project.[148]

However, during the late 1990s, there were also signs of emerging fragmentation within the state banking sector. When regulations surrounding lending were liberalised in 1996, SOCBs could issue letters of credit to state enterprises for international trade transactions. Yet a number of enterprises used these new funds not for trade financing, but for real estate and other speculative activities, and up to 40 per cent of guaranteed letters of credit became bad loans by early 1997 (Kokko, 1998, p.321). In addition, toward the end of the decade, SOCBs and non-financial state enterprises began establishing joint ventures, joint stock banks and non-bank financial institutions which the World Bank (2002a, p.12) warned risked the 'emergence of financial conglomerates'. Furthermore, as well as borrowing from the banking system, state enterprises began to borrow from each other, other domestic sources and externally, contributing to a system that has been descried as a 'complex maze of cross-subsidization and indebtedness' (Kokko, 1998, pp.320–321). State capacity to direct credit in the economy was thus beginning to display signs of fragmentation in the late 1990s.

[147] VPSC was formed in 1999 to 'mobilize savings for government development investments' from hitherto underserved communities through the existing postal system (World Bank, 2002a).

[148] Bateman (2010, p.198) likewise describes Vietnam's microfinance approach 'heterodox local financial model' of low-cost, subsidised micro-finance lending for social development and productivity improvements which eschews the mainstream thrust of consumption based lending and survivalist microenterprises.

5.3.2 State industry

To understand the potential 'directional thrust' imparted by the state dominated financial system, it is important to understand the sectors in which Vietnam's state enterprises were concentrated. In the mid-1990s, the World Bank (1995c, i) called the CPV's approach one of 'state enterprise led industrialization' consisting of 'a strategy based on the development of large, vertically and horizontally integrated, capital-intensive state enterprises, protected from foreign as well as domestic private competition and concentrated in selected "strategic" sectors'. An important indication of the industries of particular significance to the Party emerged in 1994 when the state sector began to be reorganised into large General Corporations (*tong cong ty)* (GCs). The two-tier structure comprised: GC-91s (the most strategic), comprising at least seven constituent enterprise members, capital of at least VND 1,000 billion and whose formation required the approval of the Prime Minister; and (smaller) GC-90s, of at least five member entities, legal capital of VND 100 billion, requiring approval from either Ministers or heads of provincial or municipal People's Committees (Van Arkadie and Mallon, 2003). Together these structures came to encompass a quarter of all SOEs (1,392 enterprises), two thirds of state capital, and just over half of employees (Van Tho, 2009), indicating they tended to group together larger enterprises.

The GC-91s encompassed 18 strategic umbrella corporations overseeing an average of 31.8 member enterprises (excluding joint ventures), covering the following areas: utilities (electricity and telecoms); mining and natural resources (rubber, coal, petroleum, gems and gold); heavy industry (cement, steel, chemicals, ship building); light manufacturing (textiles and garments); food and agro-processing (coffee, tobacco, paper and food); and transport (shipping, air transport) (Marukawa, 2001; Van Arkadie and Mallon, 2003) (Table 5.1) These structures were said to have drawn inspiration from South Korean *chaebols*, Taiwan's state enterprises[149] and the state business groups established in China in the early 1990s (Cheshier, 2010; Pincus, 2015). They also had precedents closer to home, as they revived the enterprise unions of the centrally planned period (Marukawa, 2001). By capital, pre-tax profit, budget contribution and employee numbers, the largest industrial conglomerates were the cement corporation (VNCC), the

[149] On the appeal of the East Asian development experience in Vietnam Greenfield (1997, p.126) notes that the 'East Asian model replaces the rhetoric of the market with a strong state and a common 'Asian culture' which belies the need for democracy. This idea has gained currency in the modern imaginings of Vietnam's elites as they remake themselves into an authoritarian regime presiding over a strategy of capitalist industrialization'.

textile and garment corporation (Vinatex), the tobacco enterprise (Vinataba), and the rubber enterprise (Geruco) (Appendix C).

Table 5.1 Vietnam: Sectoral composition of GC-91's

Natural resource extraction	Utilities
Oil and gas (Petrovietnam) Coal (Vinacoal) Viet Nam National Gem and Gold Corporation (Vigeo)	Electricity (EVN) Telecommunications and post (VNPT) Airlines (Vietnam Airlines) Shipping (Vinalines)
Manufacturing	**Agriculture and agro-processing**
Cement (VNCC) Steel (VCS) Textiles and garments (Vinatex) Chemicals (Vinachem) Paper (Vinapimex) Shipbuilding (Vinashin)	Tobacco (Vinataba) Rubber (Geruco) Coffee (Vinacaf) Food and food processing (Vinafood I and Vinafood II)

Source: Adapted from Van Arkadie and Mallon (2003, p.134).

Beyond forming large 'national champions', GCs were afforded multiple roles. They appeared to be designed to foster consolidation, including technology and managerial capacity, the achievement of economies of scale in priority sectors, a reduction in fragmentation (Pincus, 2015, p.40), and thus ultimately, 'creating internationally competitive conglomerates' (Gainsborough, 2003a, p.150). Yet companies in the conglomerate structures were not always in related fields (Gainsborough, 2003a). For instance, Vinacoal had a travel agent, Vinatex a financial company, Geruco an investment and construction company, Vinalines 15 service companies including in trade, labour cooperation and trade centres, and Petrovietnam, a tourist company and an insurance company (Marukawa, 2001). Other state entities engaged in outsourcing to the domestic private sector. For instance, the Ho Chi Minh City's Peoples Committee outsourced textile production within its factories to the Minh Phung Production Company (one of the largest private textile conglomerates), allowing it to shift into trade and finance (Greenfield, 1994).

Whilst trends toward diversification appeared to echo the Korean *chaebol* structures (in contrast to surface tendencies toward sectoral specialisation), unlike Korea, where competition was highly suppressed (Chang, 1996), competition between state enterprises was commonplace. More than half of 212 state enterprises interviewed in one study experienced competition from within the same corporation (Marukawa,

2001).[150] Whilst some GCs, such as Vinatex, were vertically integrated with spinning, weaving, apparel and textile machinery enterprises under the same corporate structure, this did not necessarily lead to exclusive internal sourcing, either, as internal trade within Vinatex was reportedly low (Marukawa, 2001). In contrast, other state enterprises reported to being forced to export and import solely through the GC member trading enterprises (Marukawa, 2001). These trends suggest considerable diversity in terms of industrial strategies adopted by different Vietnamese state conglomerates, as well as policy disorganisation about their roles and function.

One factor conditioning the CPV's approach to state industry were the social and political logics governing the Vietnamese state sector. In 1993, there remained strong legacies of the welfare functions of traditional socialist conglomerates, and a World Bank (1993a, p.92) report noted 'core businesses are frequently encumbered with ancillary businesses of marginal relevance to their main activities and weighted down with extramural social tasks'. Mining companies operated hospitals and schools, power companies also ran guest houses, and the social obligation to maintain employment made it difficult to lay off surplus labourers during downturns in production (World Bank, 1993a). The fact that state enterprises were tasked with both productive and welfare-related functions, such as providing cheap fertiliser to farmers and cheap electricity to consumers, has been cited as one factor propelling diversification within the sector (Cheshier and Pincus, 2010, pp.194–195). Meanwhile, profitable conglomerate members were given responsibilities beyond sectoral and state budget contribution targets, such as cross-subsidising less efficient enterprises and providing social services on the government's behalf (Van Arkadie and Mallon, 2003). The GC structures appeared to cement these trends, as in addition to operational and investment oversight, cross-subsidisation between member enterprises was a key responsibility (IMF, 2003b) with some GCs instructing their profitable members to undertake investments to create employment in underdeveloped regions (Marukawa, 2001).

In terms of their role in fostering industrialisation, during the 1990s, state enterprises were part of the CPV's heavy stress on ISI. Priority import-substitution sectors included motor vehicles, motorcycles, bicycles, cement, steel, fertiliser and sugar (IMF, 1999b).

[150] Fierce competition was reported within the textile (Vinatex), coffee (Vinacafe) and paper (Vinapimpex) corporations in the 1990s, yet in chemicals (CNCC and Vinachem), this tended to be was avoided, either by dividing business activity according to area, or by specific product (Marukawa, 2001).

Vietnam's trade policy, which was said to have been characterised by a 'high degree of trade restrictiveness throughout much of the 1990s' (IMF, 2002c, p.38) involved tariffs and licencing arrangements, with higher effective rates of protection in manufacturing than agriculture (Weeks, Thang, et al., 2004). In late 1992, the CPV instituted a range of prohibitions on consumer goods imports, prompted by concerns over the shifting composition of Vietnam's imports following the demise of CMEA and the shift from limited numbers of low-quality consumer goods to a much broader range of cheap imports (De Vylder, 1995). Tariffs of 120 per cent were applied to some luxury goods in 1989, and by 1994 the maximum tariff level was 200 per cent, with some 3000 items regulated by import tariffs, dropping to 60 per cent for most items by 1996 (IMF, 1998d). Until 1998 only authorised trading companies with licences were permitted to engage in foreign trade, a system which was heavily tilted toward state enterprises, since by late 1998 6,000 state enterprises were licensed to undertake foreign trade, compared with 2,400 private firms (Weeks, Thang, et al., 2004). By 1997 there were also qualitative import controls on cement, petroleum products, fertiliser, sugar, steel, glass and paper (IMF, 1998d). Furthermore, ministries such as the Ministry of Commerce approved allocations of textile export quotas, at the same time as owning state enterprises (World Bank, 1994). Quotas and other controls were also applied to major exports and imports such as rice, minerals, petroleum products, fertilisers, motor vehicles, equipment and machinery, and second-hand goods (Mallon, 2004, p.8).[151]

Concessional credit was another major source of support for these import-substitution industries. State enterprises played an important role in the priority sugar sector, which was very small until 1994. It expanded dramatically with the 'One Million Ton Sugar Programme' which launched in 1995 and which aimed to reduce Vietnam's dependence on imported sugar by 2000, and through which US$1 billion was invested in the sector between 1995-2000 (CIE, 2003). Concessional credit was a major source of invested capital for sugar expansion (IMF, 1999b), and of the 44 mills undertaking sugar processing, 41 were either wholly state-owned or joint ventures with province level state-owned enterprises (CIE, 2003).[152] Despite criticism about the inefficiency of the sector following these investments, plan targets were largely met, and toward the end of

[151] In the case of rice, for example, this policy was designed to help control rice exports, since it was 'presumed that by denying private traders access to the export market, it is easier to control the total amount of rice leaving the country' (IFPRI, 1996, p.233). As the 1990s progressed the number of SOEs given licences to export according to government export quotas was steadily decreased.

[152] The other three mills were wholly foreign owned (CIE, 2003).

the plan Vietnam was almost self-sufficient in sugar production, thanks to a mix of investments, subsidies and tariff protection (CIE, 2003).

Cement and steel were also dominated by the state sector,[153] and state-owned steel and cement firms borrowed from state banks to support expanded production (IMF, 1999b). The state-dominated fertiliser sector also enjoyed sizeable state credits, with joint ventures formed for more advanced fertiliser production, supported by import bans and import quotas only allocated to state firms (IMF, 1999b). Motorcycles and automobiles were the other major ISI industries of the period, supported by import licensing for motorcycles and cars of less than 15 seats, which was introduced in 1998 (IMF, 1999b). Whilst foreign investors had a central role in the development of the import-substituting motorcycle sector (Fujita, 2013a), in the automobile sector several joint ventures (with state enterprises) were also formed (Sturgeon, 1998).

Yet at the same time as the CPV focused efforts on developing 'protected and capital-intensive industries dominated by state-owned enterprises' (Dinh, 2000, p.361), export promotion was also a key priority, and the trade regime was balanced to encourage exports (Weeks, Thang, et al., 2004). Tax exemptions, export credits and a duty drawback scheme (where duty on imported inputs could be reclaimed if used to produce exports) were deployed (Thanh, 2005), alongside preferential profit tax arrangements for exporters. Light industry was usually taxed at 35 per cent (versus 25 per cent for heavy industry and 45 per cent for services), but for those exporting between 50-80 per cent of their production, this was 25 per cent (Weeks, Thang, et al., 2004). Export-processing zones located close to international transport facilities such as ports were established in order to facilitate access to land and logistics to promote exports (Hill, 2000).

State enterprises also played a critical role investing in key export-oriented sectors such as textile and garments, where they accounted for 34.8 per cent of garment output in 1995, which reduced slightly to 31.7 per cent in 2001, with state textile production falling from 56.8 per cent of the total in the mid-1990s to 48.5 per cent in 2001 (Nadvi et al., 2004). Most garment and textile export quotas to the EU, Norway, Canada and

[153] As late as 2008, VNCC enterprises produced 44 per cent of all the country's cement, with joint ventures accounting for a further 21 per cent of volume (World Bank, 2010), some of the largest of which were formed as joint ventures with VNCC.

Turkey (which regulated exports through the Multi-Fiber Agreement) between 1990-1997 for instance were allocated to state sector producers (IMF, 1998d). State enterprises invested in new technology using state-subsidised credit in order to improve fabric quality in the late 1990s, which was part of broader effort to increase the local content of exported garments and to prepare for attempts to break into the US export market, with state-owned conglomerate Vinatex investing US$ 230 million between 1996-2000, with another US$ 830 million planned for 2001-2005 out of a total of US $2.3 billion planned for the sector as a whole (Nadvi et al., 2004). Estimates of Vinatex's share of Vietnam's textile and garment exports ranged from 30 to 40 per cent in the early 2000s (Nadvi et al., 2004),[154] and some 77 per cent of the fabric export of nine Vinatex enterprises in 2000 was indirectly undertaken through the export of their garments (Nadvi and Thoburn, 2003). Outside of the state sector, in contrast, garment export was largely undertaken with imported fabric (Nadvi and Thoburn, 2003). Furthermore, Vietnam is described as having done 'remarkably well' in a highly competitive global market during the 1990s, having 'gained market share from better established competitors in the demanding European, Japanese, and, more recently, US markets' (Nadvi and Thoburn, 2003, p.115).

This indicates the CPV undertook a balanced approach to manufacturing development in the 1990s, nurturing both import-substituting and export-oriented industries capacity, including from within the state sector. During the early 1990s, the state sector increased its share of industrial production from 67.6 per cent in 1990 to 71.3 per cent in 1993, largely due to expansion in heavy industries such as oil, steel, cement, fertiliser and tyres (World Bank, 1995c).[155] Between 1995-1998 state industry grew at 10.2 per cent per year (versus 9.2 per cent for the domestic private sector), although the foreign invested sector grew considerably faster at 22.7 per cent a year (World Bank, 1999a). Growth in these sectors was driven chiefly by capital-intensive import-substituting industries such as sugar, steel, cement, and paper (SIDA, 2003), which had a heavy state presence. Notably, Vietnam achieved this industrial expansion at the same time as achieving high levels of both import and export growth, giving it levels of trade openness by the early 2000s that were twice the average of PRGF-eligible countries (IMF, 2002c), at a time

[154] This directly contravenes claims that Vietnam's 'large state-owned sector is evidently so inefficient and unable to capitalize on export market opportunities' (Hill, 2000, p.294).

[155] Of private contributions to industrial production at this time the lion's share was private household rather than private enterprises, which contributed 10.8 per cent of total private industrial production, compared with 80.6 per cent for private households in 1993 (World Bank, 1995c).

when it was also declared that 'Vietnam's trade system … remains one of the most highly restrictive and interventionist [in the world]' (IMF, 1999b, p.67).

This suggests that Vietnamese developmentalism after *doi moi* cannot be reduced to blanket trade liberalisation and openness, the activities of private investors (domestic and foreign) and privatisation agenda. Nonetheless, the World Bank recently argued that the county's manufacturing success is the product of it having 'embraced trade liberalization with gusto … [and] complemented external liberalization with domestic reforms through deregulation and lowering the cost of doing business' going on to add that 'trade policy has arguably been the most important industrial policy for Vietnam' (Eckardt et al., 2018).[156] In contrast, Vietnam's industrial policy combined elements of import-substitution and export promotion (Thoburn, 2013) during its most dramatic take-off (as outlined in Chapter 2). Thus during this first developmental phase Vietnam showed it to be possible to combine 'a strong component of fostering domestic substitutes for imports, pursued simultaneously with export promotion' (Weeks, Thang, et al., 2004, p.117). Far from embracing trade liberalisation with "gusto", Vietnam followed what has been described as a "heterodox" process of international integration (Chaponnière and Cling, 2009, p.106). Notably, however, the balancing act between ISI and EOI strategies also contributed to policy divides within the CPV during the mid-1990s, particularly over devaluation, with one group aligned with the export sector adopting a different position to those advocating for the prioritisation of protection for domestic industry (Riedel and Turley, 1999).

In addition, given the extensive continuities within the state sector, the 1990s cannot be described as a period of "big bang" market reform, despite accounts to this effect (Riedel and Turley, 1999, p.48). Where the mainstream literature does acknowledge Vietnam's limited adherence to the orthodox policy package (or the persistence of so-called 'bad policies') (Hill, 2000; Dollar, 2002), these are only offered as part of a 'puzzle' related to Vietnam's success in the 1990s. Ultimately it follows that only mainstream measures can explain its success (despite its 'bad policies). However,

[156] Indeed, the World Bank's *Light Manufacturing in Africa* report, which attempts to appropriate Vietnam's success as a vindication for a mainstream vision of foreign investment led industrialisation for Ethiopia, provides limited mention of the role of state-owned enterprises, instead arguing that Vietnam's light manufacturing success is attributable to it having 'leveraged the achievements of private sector manufacturers to promote national prosperity' (Dinh et al., 2012, p.33).

Vietnam's industrial development strategy after *doi moi* was decidedly heterodox: reliant on directed credit through the state-dominated financial system, channelled, in many instances, to state-owned enterprises in key (ISI and EOI) industries, with considerable trade protection and other forms of intervention absolutely central to patterns of manufacturing development during the 1990s. Attempts by mainstream analysts to separate Vietnam's success from these components of its strategy fundamentally misreads the way the Vietnamese market economy operated during the 1990s.

5.3.3 State infrastructure

The final pillar of the developmental nexus was state ownership over critical economic infrastructure, particularly transport, utilities, and communications. Of the major strategic corporations created in the mid-1990s, five were in infrastructure: Electricity Corporation of Viet Nam (EVN), Vinalines, Viet Nam Airline Corporation, Viet Nam Post and Telecommunication Corporation (VNPT), and Viet Nam Ship Building Corporation, which together accounted for 60.2 per cent of the legal capital in all 18 of the strategic GC-91s (Marukawa, 2001; Van Arkadie and Mallon, 2003). The EVN had a monopoly in electricity generation, transmission and distribution, and was tasked with implementing ambitious nationwide electrification targets (ADB, 2015a).[157] Between 1995-2004, access to electricity increased from around 50 to 93 per cent of the population, with tariff levels set at below-cost rates and the central government supporting the gap between revenue generation and investment needs through preferential access to credit and special tax treatment (ADB, 2015a).

In telecoms, VNPT dominated the sector for much of this period and was committed to universal (rural and urban) service provision, with later (state-owned) entrants, concentrating on profitable urban areas (Lee, 2011). After VNPT's formal monopoly was ended in 1993 (Ngo, 2017b), state telecoms operator, Saigon Post and Telecoms (SPT) (a joint venture between VNPT and other state enterprises) was formed in 1995 (Lee, 2011), the same year as army-owned Viettel was given a licence to provide mobile and internet services (Cheshier, 2010), although it only formally entered the market in 2000 (Ngo, 2017b). Yet by the mid-2000s, despite liberalisation in the context of Vietnam's bilateral trade agreement with the US (see section 6.1), state-owned VNPT

[157] EVN alone represented 49.4 per cent of capital of GCs (Van Arkadie and Mallon, 2003).

retained a 90-94 per cent market share, with the rest accounted for by other state enterprises (Vinaphone, Mobiphone, SPT, Viettel, and others) (World Bank, 2006c). Senior policy-makers have explained that full state control over telecoms was needed 'in order to sustain the nation's security and stability, which was primary to economic development' (quoted in Ngo, 2017b, p.462). Support for the sector, particularly VNPT, took the form of subsidies, land allocations, preferential credit and tax exemptions, more generous than in less strategic industries since only oil and gas, mining, electricity and defence were considered by officials to be of equal significance (Ngo, 2017b).

In transport, the overarching policy goal was to 'retain in state ownership the country's basic transport infrastructure and those transport enterprises which it considers of strategic importance' (e.g. ports, airports and sea transport) (World Bank, 2000c, p.196), resulting in a slow pace of transport state enterprise divestment during the 1990s. In addition to the GC-91s above, a further 300 transport enterprises were supervised by the Ministry of Transport (MoT) during the 1990s, including the Railway Corporation, construction maintenance and repair enterprises, engineering and design, and freight transport and forwarding, only 40 of which were equitised as of the end of 1999 (World Bank, 2000c).[158] Government priority transport investments between 1996-2010, were concentrated in roads (39.2 per cent of total investment), urban transport (25.4 per cent), and ports (15.2 per cent) (World Bank, 1999b). As of the mid-2000s, state enterprises were the only operators in road construction, the national railway, and ports (of 80 ports at the time, the major ports were operated by Vinalines, and the smaller ports Vinamarine) (World Bank, 2006c). The state also dominated inland waterways (including large barges), sea and air transport, and supporting services such as insurance and freight forwarding (World Bank, 1999b, xiii). Between 1995-1998, the state sector transported 80 per cent of all long distance transport, whereas the private sector was concentrated in short distance road and inland waterway transport that tended to be low barrier to entry and less capital intensive such as road and passenger vehicles and small inland waterway vessels (World Bank, 2000c).

[158] The World Bank notes this was a very different approach to transportation than in neighbouring Thailand, Malaysia and Indonesia, none of which relied on outright state ownership or operation in maritime or air transport and thus international trade (World Bank, 2000c). Another 300 were also owned by Provincial Peoples' Committees, such as small bus and taxi companies and cooperatives (World Bank, 1999b).

Between 1996-2000 three strategic growth corridors were prioritised for investment in road and port modernisation to support deepened international trade (World Bank, 2000c).[159] The port infrastructure posed considerable competitive challenges in the 1990s, since Vietnam's three major ports had the highest costs in Southeast Asia, with a twenty-foot container from Tokyo costing up to US$ 1,000 more than to Manila or Bangkok (World Bank, 2000c). Non-revenue earning state enterprises (such as road, inland waterways and railway track) received direct funding from the state, whilst those generating their own revenues were required to fund current expenditure from their own earnings (World Bank, 2000c). Maximum prices were set by the State Price Committee and practices of setting the unit prices for inputs for those bidding for public sector projects in transport helped to keep costs low (World Bank, 1999b).

5.4 Financing the nexus

5.4.1 Public investment

A key plank of Vietnamese developmentalism during the 1990s was a high share of investment to GDP – which averaged 33.2 per cent of GDP during 1996-2000, and the state sector's share of this investment increased from 49.1 to 59.1 per cent (Table 5.2). Such estimates were also likely to underestimate the significance of state investment, since private domestic investment includes those by equitised state enterprises, where the government held a minority share (which may be as much as 49 per cent) and as the FDI category includes joint ventures (may of which were with state enterprises in the 1990s, see Section 5.4.2) (IMF, 2007b). Public investment data comprises three aspects: the government budget; 'state credits' comprising investment bonds and public lending via public financial institutions; and investment by state enterprises in which the state still retains a majority share (IMF, 2007b).[160]

[159] In the north the Hanoi-Haiphong corridor in the center Da Nang and in the south the Ho Chi Minh City-Vung Tau (World Bank, 2000c).

[160] One of the challenges of state budget data in Vietnam (and why it can be ambiguous) relates to how state enterprise on-lending is treated. The GSO calls these off-budget activities, and IMF data is inconsistent in whether this is included or not (Abbott and Tarp, 2012). The data provided in Table 5.2 can therefore be read as offering higher levels than official data might suggest (see Tarp, 2018) on account of including a fuller range of flows in the definition of public investment. It should therefore be treated as a high-end estimate.

Table 5.2 Vietnam: Investment levels, 1996–2000

	1996	1997	1998	1999	2000
Per cent total investment					
Total investment	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Public investment	49.1	49.4	55.5	58.7	59.1
Private domestic investment	24.9	22.6	23.7	24.0	22.9
FDI	26.0	28.0	20.8	17.3	18.0
Per cent of GDP					
Total investment	**32.1**	**34.6**	**32.4**	**32.8**	**34.2**
Public investment	15.8	17.1	18.0	19.2	20.2
Private domestic investment	8.0	7.8	7.7	7.9	7.8
FDI	8.3	9.7	6.7	5.7	6.2

Source: IMF (2007, p. 48).

Indicative of the significance accorded to public investment by the CPV, the Central Committee Political Report produced in January 1994 noted that the '[rate of] growth of the entire economy', which it sought to keep at 8 per cent per annum or above, depended on '[c]oncentrated investment earmarked from the state budget' (Muoi, 1994, p.64) and set target levels of over 20 per cent of GDP. To achieve this, the report notes 'great efforts and appropriate policies [are needed] to encourage the entire society to practice thrift in production and consumption and to concentrate investing in production, especially material production' (Muoi, 1994, p.64). Priority sectors for state capital investment are described as 'socioeconomic infrastructure and a number of key, spearhead industrial establishments, and processing industries for agricultural, forestry, and marine products, for the manufacture of export goods, and to cater to export services' (Muoi, 1994, p.64). The report's priorities and its pledge to increase the scope of public investment provoked strong criticism from the World Bank for its excess ambition. The Bank also cautioned the CPV to remove support for the manufacturing sector, which it considered better left to the private sector, and instead restrict its support to a 'small number of public utilities, such as power and water' (World Bank, 1994, p.44).

Table 5.3 Vietnam: Total fiscal revenues, percentage of GDP, 1988–1996

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Total domestic revenue		**13.1**	**16.0**	**16.1**	**14.4**	**18.3**	**21.6**	**24.0**	**23.2**	**22.9**
Tax revenue		**3.4**	**4.5**	**4.4**	**11.6**	**13.2**	**17.4**	**19.0**	**19.0**	**19.5**
	State enterprises	0.0	0.0	0.0	7.6	8.2	9.3	9.1	8.5	8.8
	Non-agricultural private sector	1.4	1.8	1.7	1.4	1.8	2.5	2.7	2.9	3.1
	Agricultural tax	1.0	1.3	0.8	1.0	1.2	1.0	0.7	0.7	0.7
	Taxes on international trade	1.0	1.5	1.9	1.6	2.0	4.3	5.9	6.0	5.8
	Joint-ventures and others	0.0	0.0	0.0	0.0	0.0	0.3	0.7	1.0	1.1
Non-tax revenue		**9.7**	**11.5**	**11.7**	**2.8**	**5.1**	**4.2**	**5.0**	**4.2**	**3.4**
	State enterprises	8.4	9.2	9.5	1.3	2.5	2.5	2.9	1.3	1.0
	Other non-tax revenue	1.3	2.3	2.2	1.5	2.5	1.8	2.1	2.9	2.5
Memorandum items										
	Net transfer from state enterprises	-0.1	4.4	6.9	7.9	9.9	11.2	11.6	9.3	9.2
	Tax and non-tax revenue from state enterprises	8.4	9.2	9.5	8.9	10.8	11.8	12.1	9.8	9.7
	Budgetary transfers from state enterprises	8.5	4.8	2.6	1.0	0.9	0.6	0.5	0.5	0.5

Source: IMF (1998d).

Underpinning such investment levels, total domestic revenue increased steeply during the early 1990s, going from 14.4 per cent of GDP in 1991 to 24.0 per cent in 1994, before dropping slightly to 22.9 per cent in 1996 (Table 5.3). Domestic savings increased steeply from just 3.5 per cent of GDP in 1989 to 27.1 per cent in 2000 (Weeks, Thang, et al., 2004). Between 1998-2002, a current fiscal surplus of between 4 and 6 per cent of GDP provided an important source of resources for public investment (Weeks, Thang, et al., 2004, p.68). Trade taxes and rising oil revenues also supported this expansion (IMF, 1997). However, state enterprises were also a central lynchpin of the Vietnamese revenue system (Table 5.3) as the centrally planned revenue system based on negotiated transfers from state enterprises was replaced by one based on taxes (Weeks, Thang, et al., 2004). State enterprises contributed the majority of profit tax, two-thirds of turnover and excise taxes, and a sizeable share of trade and land taxes (IMF, 1998d). Indeed, Vietnam's success in avoiding a collapse in revenue collection during the transition to market-oriented economy is highly atypical:

> This revenue performance is perhaps the most impressive evidence of the effective management by the government of the transition from central planning to market regulation, even more impressive than the rapid growth of the economy or export performance. It contrasts positively with the experience of transition countries in Eastern Europe and Central Asia, where state revenues tended to collapse in the early stage of regime change (Weeks, Thang, et al., 2004, p.68).

Investment patterns are complicated to trace since Vietnam's budget was a secret during the 1990s (Pincus and Thang, 2004; Weeks, Thang, et al., 2004). A senior Ministry of Planning and Investment (MPI) official said of Vietnam's public investment priorities that 'in our tradition of development planning, all efforts and resources had to be mobilized for achieving high economic growth through investment for production and manufacturing, what was left would go to social infrastructure within which poverty reduction was a part' (quoted in Le Thanh Forsberg and Kokko, 2008, p. 29). Available data suggests infrastructure and production were the central pillars of the CPV's public investment strategy, in line with the developmental nexus outlined above. For instance, Vietnam's investments in infrastructure, were persistently around 9 per cent of GDP during the late 1990s (Table 5.4), higher than the rate of GDP growth, and considerably

higher than other East Asian and Southeast Asian economies (whose infrastructure investments tend themselves to be high by global standards) (World Bank, 2006c).[161] Between 1997-2002 around 44 per cent of 'state investment' (encompassing investments made from the state budget, state credit and by state enterprises) went to infrastructure, which incorporates transportation, telecommunications, water, gas and electricity (World Bank, 2006c). Between 1996-2000, 27 per cent of public investment went to transport and communication, a further 31 per cent went into industry, and 18 per cent to agriculture (SIDA, 2003).

Table 5.4 Vietnam: GDP growth rates and infrastructure investments as a percentage of GDP, 1995-2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP growth	9.5	9.3	8.2	5.8	4.8	6.8	6.9	7.1	7.3
Infrastructure investment	8.6	9.3	10.1	9.8	9.4	8.4	9.1	9.9	10.0

Source: World Bank (2006c).

Such investments resulted in a doubling of the road network (from 96,100 km in 1990 to 205,782 km in 2002); full urban electrification, and rural coverage rates that increased from 51 to 88 per cent of households between 1996-2004; water access rate increases from 26 per cent in 1993 to 57 per cent in 2004 (World Bank, 2006c). In so doing, Vietnam reached the water and electricity access levels of richer countries in the region by 2002 (World Bank, 2006c). Furthermore, infrastructure and industrial development have been mutually reinforcing, with improvements to the road and port infrastructure around the Hanoi-Hai Phong transport corridor connecting Hanoi better to global markets by land and sea transport, and contributing to industrial and export growth (GRIPS, 2003a, p.31).[162]

5.4.2 Foreign direct investment

In 1988 the Foreign Investment Law opened the economy to foreign capital, before measures to establish domestic market-oriented institutions (such as price liberalisation, trade reform, privatisation and stabilisation) were undertaken, which Gates (1995, p.386) attributes to four factors. First, senior officials considered China's opening to FDI

[161] In 1998 Vietnam's infrastructure spending was 9.8 per cent of GDP, the Philippines was 5.6, Thailand 5.3, Indonesia 3.1, Cambodia 2.9, China 2.6 and Lao PDR 1.7 per cent (World Bank, 2006c).

[162] Out of 70 FDI managers interviewed in one study, 90 per cent said new investments into the major industrial zones within the Hanoi-Hai Phong transport corridor would not have been enacted without the improvements to road and port infrastructure, for instance, reducing the cost and time of accessing imported inputs (GRIPS, 2003a).

successful and transferable to Vietnam. Second, to growing awareness that Vietnam's need for investment far outstripped domestic capabilities. Third, frustration with both Soviet investment and regarding the small-size of Vietnamese manufacturing, as well as the growing gap between Vietnam and its regional neighbours. Fourth, the view that foreign capital could bolster the CPV's hegemony by reducing 'immediate pressures to liberalize its domestic political system' (Gates, 1995, p.386). As a result, Vietnam adopted much of the Chinese law on foreign investment into its own legislation (Le, 1995), and whereas other aspects of market-oriented reform were more politically contested (such as privatisation, private property rights, land ownership), the attraction of FDI was seen as 'relatively easy in the context of Vietnam's political economy' (Gates, 1995, p.396). A further important factor shaping enthusiasm for FDI was Vietnam's inability to access large inflows of concessional foreign financing during the late 1980s and early 1990s due to the Cambodian conflict and lack of normalised relations with the US (which were restored in the mid-1990s). Foreign capital thus provided a scarce source of foreign exchange and investable funds at a time of great economic fragility.

The CPV sought to channel this foreign capital toward its development priorities. Whilst all sectors were opened to foreign investment in 1988 (unlike to domestic investors), there was particular scrutiny for projects in infrastructure (transport, ports, railway, airline, telecoms), international trade, and finance and banking (Table 5.5). In practice, these policies were said to favour 'projects (on a positive list) that are export-oriented and import substituting' whilst those outside these priority areas were 'required to balance their foreign exchange outlays and earnings, effectively preventing them from selling their products domestically if raw materials are imported' (IMF, 1999 p. 21). Due to this discretionary approvals system, in mid-1994 the government considered formally closing some sectors to foreign investment in order to save investors wasted efforts (Le, 1995). Furthermore, whilst in regional perspective Vietnam's incentives for foreign investors in the 1990s were generous (IMF, 1999b), this generosity was bounded. Foreign investors had to pay higher prices for land, utilities and transportation than domestic investors throughout the 1990s, and had a higher minimum wage than local enterprises (Belser, 2000).[163]

[163] However, no minimum wage at all was reportedly used in Vietnam's Export Processing Zones (Le, 1995).

Table 5.5 Vietnam: Three tier FDI approvals process, 1991

	Group A	Group B	Group C
Approval mechanism	Chairman of the Council of Ministers after initial review by National Council for Project Evaluation (chaired by chairman of State Planning Commission, and comprised of government ministers	Chairman of the Council of Ministers after review by SCCI and Chairman of National Council for Project Evaluation	SCCI (after advice from various agencies)
Project type	Over US$ 20 million in sectors: exploitation or processing of precious or rare mineral resources; telecommunications, broadcasting, television, and publishing; marine, aviation, and railway transport; construction of sea ports, airports, railways, and national highways; pharmaceutical products, poisons, and explosive production; real estate ; finance and banking; defence and security projects; export and import business; international tourism	Any projects below US$ 20 million in sectors specified in Group A (those over US$ 20 million)	All other projects
	Over US$ 40 million in heavy industry'	Over US$ 30 million in heavy industry	
	Over US$ 30 million in other areas Projects requiring large land areas and significantly affecting the environment	Over US$20 million for all other projects	

Source: Tang Than Trai Le (1995).

Importantly, FDI was also used to strengthen state enterprises. Some two-thirds of the FDI commitments between 1991-1998 went to establish joint ventures (JVs) with state enterprises, and just 2 per cent to JVs with private enterprises (IMF, 1999b).[164] In some sectors, JVs with state firms were mandatory until 1996, including transportation, airport terminals, forestry plantations, tourism, port construction and explosives, and only in priority industrial investments could enterprises be fully foreign-owned (Athukorala and Tien, 2012). Strong incentives toward the formation of JVs with state firms resulted from the fact that state enterprises would usually contribute land rather than capital (Le, 1995), and only state enterprises could use land-use rights as collateral to secure credit from the domestic banking system (Van Arkadie and Mallon, 2003). For foreign investors, these ventures also eased the burden of administrative approval and bureaucratic procedures (Le, 1995). This structure of foreign investment inflows lasted until 1998-1999 when more sectors were opened to fully-foreign owned investments as part of a broader shift toward more export-oriented forms of FDI less reliant on local partners than more domestically-oriented investments (Schaumburg-Müller, 2003, p.54).

The result of this foreign investment climate was a specific pattern of sectoral FDI distribution. Whilst Vietnam's export growth rates are often attributed to its rising

[164] The data on disbursed FDI showed a slightly different pattern, with around a half of such projects comprising joint ventures with state enterprises (IMF, 1999b).

foreign investment inflows (Hollweg, Smith, et al., 2017, p.3),[165] in the 1990s, most FDI in Vietnam entered its priority ISI sectors, with FDI into processing and export-oriented industries sharply rising only after 2000 (Anh et al., 2006, p.8). Foreign invested enterprises accounted for just 8.5 per cent of exports in 1995 (Table 5.6), compared with 31.3 per cent in China in the same year (Jun et al., 1997, p.23).[166] Despite having higher ratios of FDI to GNP than China in the mid-1990s (Jun et al., 1997), Vietnam's inflows tended to be more capital than labour intensive, and between 1995-2000, the share held by heavy industries was higher than that of light manufacturing (Table 5.7).[167] As a result, at the end of the 1990s, the IMF (1999b, p.10) complained that Vietnam had followed China's lead, having failed to 'develop a solid export base in low-cost, labor-intensive industries'. The capital intensive industries attracting the greater share of investment included automobile assembly (Toyota, Mercedes and Honda), motorbikes (Honda, Yamaha and Suzuki), electronics such as TVs, radio, personal computers and office equipment (Fujitsu, Samsung, LG, Daewoo, HP and Canon), and household electronics (Siemens), whilst export-oriented manufacturing FDI was present in shrimp, textile and garments and footwear (Schaumburg-Müller, 2003).

Table 5.6 Vietnam: Export share contributed by foreign invested projects, 1991-1999

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Share in exports	2.5	4.5	8.6	8.7	8.5	10.7	19.6	21.2	24.2
Share in imports				11.4	19.5	19.5	27.6	25.8	19.9

Source Pham Hoang Mai (2001).

The share of ISI-oriented FDI was partially the result of its trade policy, given Vietnam's attractive protected domestic market, but also its infrastructure bottlenecks. In the mid-1990s Japanese investors estimated another five years of investments in infrastructure would be needed for large-scale export-oriented electronics and automobile industries to be viable (Gates, 1995). Industrial zone and Export Processing Zone (EPZ) infrastructure formed part of attempts to build such an export platform, and as of mid-1997 Vietnam had 38 special zones of both kinds across 6,200 hectares (Jun et al., 1997).

[165] This assessment notes that '[Vietnam's]consistent policy of openness and export-led growth has paid off. Economic reforms undertaken since the 1990s and culminating in its 2007 accession to the World Trade Organization (WTO) enabled the country to follow the path of other East Asian economies and to leverage trade and FDI for economic growth and poverty reduction' (Hollweg, Smith, et al., 2017, p.3).

[166] The share of foreign investment in total exports steadily increased between 1994-1996, from 4.0 per cent in 1994, to 8.1 per cent in 1995 and 10.8 per cent in 1996 (Jun et al., 1997).

[167] Here 'light' tended to correspond to export-oriented light manufacturing sectors (such as textiles and garments and footwear) and 'heavy' with import-substitution oriented heavy industrial sectors (such as cars and motorcycles, electronics and household electrical items) (Schaumburg-Müller, 2003).

However, given the use of these sites by firms producing for the domestic market, by 1996 only 55.6 per cent of turnover in such zones was from export activities (Jun et al., 1997). The 1997 revisions to the investment code indicated that heavier industries such as metallurgy, basic chemicals, production machinery, petrochemicals, fertiliser, electrical components, automobiles and motorbike components would be accorded the strongest privileges, signalling this remained a key priority (Fujita, 2000). Local content requirements were introduced in the same year as part of efforts to develop local supply chains connected to these foreign investment inflows (Fujita, 2000).

Table 5.7 Vietnam: FDI by sector, percentage, 1995-2000

	1995	1996	1997	1998	1999	2000
Industry	**34.2**	**45.8**	**46.1**	**41.0**	**40.9**	**46.5**
Heavy industries	13.4	19.2	24.4	21.8	20.8	22.7
Export processing zones	1.4	5.4	3.1	1.9	2.4	0.7
Light industries	11.4	16.6	12.6	10.0	8.9	16.6
Food	8.0	4.6	6.0	7.3	8.7	6.4
Oil and gas	**24.2**	**15.1**	**9.1**	**16.7**	**16.9**	**10.5**
Construction	**5.7**	**10.5**	**14.1**	**8.8**	**7.4**	**11.3**
Transport and communications	**6.6**	**3.3**	**3.5**	**3.6**	**5.2**	**1.4**
Real estate	**18.5**	**16.9**	**17.0**	**20.9**	**16.7**	**15.3**
Hotels and tourism	11.2	11.6	7.9	10.4	6.3	8.4
Office, property and apartment	7.4	5.3	9.1	10.6	10.4	6.9
Agriculture, forestry and fisheries	**5.6**	**4.6**	**8.1**	**5.5**	**9.4**	**10.6**
Services	**5.1**	**3.8**	**2.1**	**3.4**	**3.5**	**4.5**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: IMF (2002c).

From the CPV's side, foreign capital helped to bolster the developmental nexus in several key respects. Joint ventures gave the state a veto over decisions taken by foreign investors,[168] and provided enterprises grappling with outdated technology and falling state subsidies with an outside injection of technology and capital (Truong and Gates, 1996). In this way, FDI helped to stimulate an improvement in state enterprise performance during the 1990s (Mallon, 2004), and many JVs were incorporated into GC-91 structures, including in chemicals, shipping, airline, telecoms, coal, oil and gas, cement and steel (Van Arkadie and Mallon, 2003). Yet a number of challenges with FDI's developmental contribution included a negative contribution to the trade balance, limited domestic linkages, subcontracting or technology transfer (especially cutting-edge technology) (Schaumburg-Müller, 2003, p.62). Nonetheless, the selective approach and sectoral bias of the CPV's FDI regime in the first development period

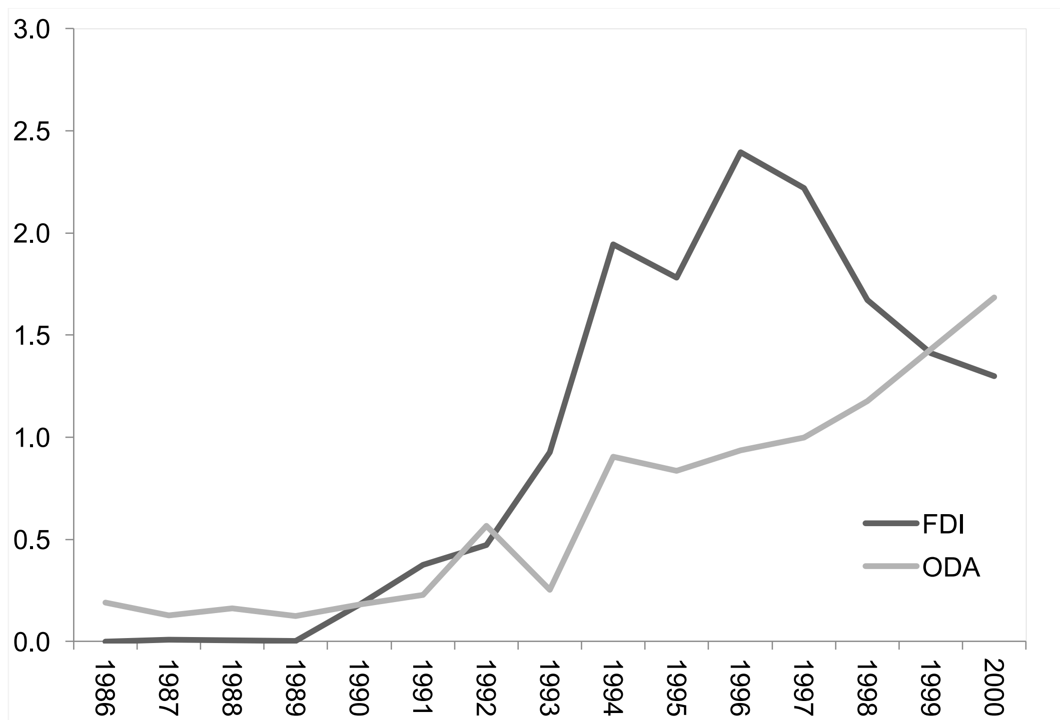
[168] According to Phong Tran '[the] joint venture company's board of management was to make most important business decisions on a unanimous basis. This decision-making mechanism gives minority shareholders, normally Vietnamese state-owned enterprises, a veto right' (2003, p.144).

acted as a ‘stimulus to its “late” industries, and a means to increase the pace of economic growth and structural change’ (Gates, 1995, p.387). The means of doing so helped to bolster state industries through joint ventures, whilst infrastructure was considerably more state dominated.

5.4.3 The IFIs and ODA

Concessional financing also provided a critical source of support for the developmental nexus during the 1990s. Western ODA was limited during the 1980s to funds from Sweden and UNDP and it took until 1993 for the IMF and World Bank to be authorised by the US administration to resume lending to Vietnam (World Bank, 1993b, i). In 1994 structural adjustment lending comprising a SAC and ESAF was agreed, but these flows were relatively marginal compared with private foreign flows for much of the 1990s (Figure 5.1). For instance, World Bank and IMF credits only amounted to 3.0 per cent of GDP, out of a total of 15.8 per cent for ODA and FDI combined in 1995 (Weeks, 2001, p.33). This is often assumed to have enhanced the CPV’s policy ownership since ‘[s]trong commercial foreign exchange inflows have helped Viet Nam minimize dependence on ODA’ (Mallon, 2004, p.3).

Figure 5.1 Vietnam: FDI and ODA inflows (BoP current, US$ billion), 1986–2000



Source: World Bank (2017c).

Concessional financing was a major support for infrastructure. The CPV's approach has been described as one of 'active intervention' in ODA utilisation guided by four objectives: supporting public investment; improving socio-economic infrastructure in order to mobilise foreign and domestic private investment; supporting macro-stabilisation; and poverty alleviation (Mai, 1996, p.84). During the 1990s ODA for economic infrastructure and services increased from 11.1 per cent of ODA in 1985 to 65.3 per cent in 2000, whilst productive ODA declined from 16.0 to 5.7 percent (Table 5.8). Between 1998-2000, large-scale infrastructure projects received an average of US$ 706 million per annum in ODA (UNDP, 2002), which included major national road-building projects, 90 per cent of which was funded by Japan, the World Bank and Asian Development Bank (ADB) (UNDP, 2002).

This reorientation reflects two broad trends. First, the MPI (which both coordinates ODA at the national level and supervises the allocation of funds toward national priority projects) produced an "investment menu" to guide ODA according to the CPV's priorities, and this "menu" was biased toward large-scale, capital-intensive loans (Forsberg and Kokko, 2007, p.7). Nearly three decades of conflict left Vietnam with severe infrastructure challenges, and ODA emerged in the 1990s as an important source of foreign reconstruction-oriented capital. During the first donors' meeting at the end of 1993, the government put forward 121 projects for which it sought external financing, with by far the largest outlays asked for economic infrastructure projects, which comprised US$ 7.55 billion out of the US$ 9.4 billion requested, 70 per cent of which were for transport and energy projects such as port and airport construction and upgrading (Mai, 1996).[169]

[169] In contrast, agricultural projects (including irrigation and forestry), amounted to US$ 2 billion (Mai, 1996).

Table 5.8 Vietnam: ODA commitments by sector, 1985–2000

	1985		1988		1991		1994		1997		2000	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Social infrastructure and services	**7.9**	**20.4**	**27.2**	**73.3**	**78.5**	**36.8**	**194.0**	**17.0**	**267.2**	**21.3**	**248.7**	**19.7**
Education	2.0	5.1	..	..	1.0	0.5	47.0	4.1	86.2	6.9	85.9	6.8
Health and population	..	..	..	..	..	..	..	..	56.0	4.5	40.1	3.2
Water supply and sanitation	..	..	25.1	67.6	64.6	30.3	35.6	3.1	8.6	0.7	62.4	4.9
Economic infrastructure and services	**4.3**	**11.1**	**..**	**..**	**35.4**	**16.6**	**567.6**	**49.6**	**572.5**	**45.6**	**825.8**	**65.3**
Energy	2.0	5.1	..	..	18.1	8.5	324.4	28.4	467.2	37.2	7.3	0.6
Transport and communications	2.3	6.0	..	..	16.6	7.8	238.2	20.8	97.9	7.8	808.8	63.9
Production sectors	**16.0**	**41.5**	**2.1**	**5.6**	**92.6**	**43.4**	**56.8**	**5.0**	**99.3**	**7.9**	**71.5**	**5.7**
Agriculture, forestry and fishing	..	..	..	..	88.5	41.5	37.9	3.3	62.8	5.0	53.4	4.2
Industry, mining and construction	16.0	41.5	20.9	56.3	3.3	1.6	16.6	1.4	33.7	2.7	10.5	0.8
Trade and tourism	..	..	..	..	0.7	0.3	2.3	0.2	2.8	0.2	7.6	0.6
Multi-sector	**0.2**	**0.6**	**4.2**	**11.3**	**1.8**	**0.8**	**21.0**	**1.8**	**123.9**	**9.9**	**32.7**	**2.6**
Programme assistance	**7.9**	**20.5**	**2.3**	**6.1**	**1.1**	**0.5**	**60.3**	**5.3**	**28.3**	**2.2**	**6.0**	**0.5**
Food aid	1.0	2.5	2.3	6.1	1.1	0.5	2.4	0.2	3.5	0.3	6.0	0.5
Action relating to debt	**0.7**	**1.8**	**0.8**	**2.1**	**0.8**	**0.4**	**234.2**	**20.5**	**131.1**	**10.4**	**29.0**	**2.3**
Humanitarian aid	**1.6**	**4.0**	**0.6**	**1.6**	**3.2**	**1.5**	**3.1**	**0.3**	**5.9**	**0.5**	**9.0**	**0.7**
Total	**38.6**	**100.0**	**37.1**	**100.0**	**213.4**	**100.0**	**1144.3**	**100.0**	**1256.6**	**100.0**	**1265.0**	**100.0**

.. indicates no data available

Source: Wang and Balasubramanyam (2011).

Second, there was a notable convergence between the priorities of the CPV and its funders. Japanese ODA to Vietnam resumed at the end of 1992, in the same year as the first projects by Japanese capital (Hatakeyama, 2008), and by 1995, Japan emerged as Vietnam's top donor (a position it retained through the rest of the decade) (GRIPS, 2002). Japanese aid projects were closely aligned with Vietnam's emergence as a leading destination for Japanese industrial investment and trade (Forsberg, 2008, p.200), and its ODA flows sought to support the large-scale infrastructure viewed as critical to sustainable growth and broader Japanese interests in Vietnam (Hatakeyama, 2008). Indeed, Japan's approach is said to be aimed at facilitating Vietnam's 'active and meaningful participation in East Asia's dynamic production network' (GRIPS, 2002, p.11), which Japanese advisors to the Vietnamese government considered pivotal to overcoming the challenge of late industrialisation. As a result, Japanese ODA was biased toward transport and power projects due to perceptions that these were critical to creating an 'enabling environment for industry and business activities' (GRIPS, 2002, p.16). In 2001, half of ODA provided by the Japan Bank of International Cooperation and Japan International Cooperation Agency (JICA) went to transport, and a quarter to energy projects (UNDP, 2002). Investments connecting the capital city of Hanoi to the nearest port in Hai Phong, cut travel from over five hours to less than two, helping to encourage Japanese investment in the area (IDCJ, 2002).

Beyond supporting the Vietnamese state finance-industry-infrastructure nexus directly, ODA helped finance the growing fiscal deficit and provided an important source of financing for the DAF, with 67.5 per cent of year-end credit in 2000 coming from ODA and on-lending, and the rest from domestic sources (Weeks, Thang, et al., 2004). In the mid-1990s, as this fiscal deficit expanded and foreign debt repayments mounted, the CPV deliberately sought to 'increase FDI and foreign loans and grants as a means to counter the negative effects of higher budgetary deficits' (Gates, 1995, p.387). For instance in 1999, Japanese ODA alone was equivalent to 74.1 per cent of the country's total budget deficit (IDCJ, 2002). Overall, therefore, ODA has played an important role in the CPV's developmental project: supporting state infrastructure investments; providing foreign financing for the state-owned financial system; and financing a public-investment induced increase in the fiscal deficit.

5.5 Weathering external shocks

Despite the CPV's considerable success in creating a deeply heterodox variety of developmentalism in the 1990s, the path to doing so was littered with considerable challenges. This section explores how the CPV handled three shocks which threatened the formation and continuation of the state finance-industry-infrastructure nexus and conflicting interpretations of mainstream and heterodox perspectives regarding these episodes.

5.5.1 1989-1991 Transition and stabilisation

The collapse of the Soviet Union, Vietnam's main trading partner and source of commodity aid, presented the first major challenge to elaborating a heterodox development strategy. Having avoided the widespread collapses in output and protracted recessions common to other transitional economies,[170] Vietnam has been embraced as a vindication for mainstream adjustment strategies, described as 'pure IMF orthodoxy, albeit without the IMF behind it' (Riedel, 1997, p.196).[171] This interpretation focuses on Vietnam's strategies for resolving the high inflation (Table 5.9) which was a major challenge in this period. Mainstream interpretations have assumed inflation to have been rooted in public sector deficits and monetary expansion, and thereby attributing Vietnam's success in reducing it to 'fiscal adjustment and monetary restraint' (Dollar, 2002, p.10). Such cuts to state subsidies and state investment programmes, wage restraint in state enterprises and demobilisation of soldiers (Riedel and Turley, 1999), encapsulated in reduced current and capital expenditures between 1990 and 1991, are used by such scholars to explain Vietnam's success (Table 5.10).

Table 5.9 Vietnam: GDP growth and inflation (percentage per annum), 1985-1993

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Real GDP growth	5.7	3.4	3.3	5.1	8.0	5.1	6.0	8.6	8.1
Inflation	132.0	487.0	317.0	311.0	76.0	68.0	68.0	18.0	5.0

Source: General Statistics Office data cited in Masina (2006, p.62).

[170] Weeks (1998) notes that Vietnam's transition was less costly (in terms of inflation, output loss and deteriorating living standards) than most other transition economies, including Eastern Europe and Russia.

[171] Although there were some links between the IMF and government officials at this time, if not predicated around lending (see Masina, 2006, p. 63).

However, this interpretation overlooks the fact that cuts to current and capital expenditures were extremely brief, and that inflation had also decreased significantly before 1991 when the cuts occurred (Tables 5.9 and Table 5.10). In contrast, Weeks (2001) highlights the stabilising role played by Vietnam's remarkable export performance at the end of the 1980s, which helped to address the unsustainable balance of payments situation between 1985-1988 (when imports were approximately double exports). After 1989, the gap closed considerably, and between 1990-1992, the trade deficit was just 3 per cent of exports, thanks to rapid rice, marine and petroleum export growth (Weeks, 2001) (Table 5.11). This marked reduction in the trade deficit allowed Vietnam to sustain existing import levels, despite receiving no significant external financing at this time (World Bank, 1993b). Vietnam's imports were skewed heavily toward intermediate (52 per cent) and capital goods (38 per cent), with minimal consumer goods or food imports (respectively 3 per cent and 7 per cent of imports) in 1993 (World Bank, 1995c). These transformations are consistent with a much more unorthodox adjustment strategy (Brudenius and Weeks, 2001) than the fiscal contraction focused analysis above suggests. Export growth was itself powered by diversification (of products and markets), easing Vietnam's transition from historic dependence on CMEA trade. Oil exports provided an important source of convertible currency, and the first oil exported in 1987 (Le, 2005, p.51) was to Japan (Tri, 1990, p.221).[172] Meanwhile, since state enterprises could retain dollar earnings but had to surrender rouble-denominated earnings in the late 1980s, this added to the incentives to reorient trade (Van Arkadie and Mallon, 2003).

Table 5.10 Vietnam: Fiscal policy indicators (percentage of GDP), 1988–1995

	1988	1989	1990	1991	1992	1993	1994	1995
Revenue	11.3	13.8	14.7	13.5	19.0	22.5	24.3	23.9
Current expenditures	14.0	15.4	14.7	11.4	14.0	18.8	17.6	17.3
Government saving	-2.7	-1.6	0.0	-2.1	5.0	3.5	6.7	6.6
Capital expenditure	4.4	5.8	5.1	2.8	5.8	7.0	6.6	5.7
Primary balance	-7.1	-7.2	-5.1	-1.7	-0.8	-3.5	0.1	1.1
Interest payments	0.1	0.3	0.7	0.8	0.9	1.3	1.7	1.3
Overall deficit	-7.2	-7.5	-5.8	-1.5	-1.7	-4.8	-1.6	-0.5
Domestic borrowing	4.8	6.0	2.8	0.5	-0.7	1.8	1.5	1.2
External borrowing	2.4	1.5	3.0	1.0	2.4	2.7	0.1	-0.7

Source: Riedel and Turley (1999, p.24).

[172] Japan's refineries had the capability to process the quality of crude oil found in Vietnam (Tri, 1990, p.221).

The combination of export growth and increases in foreign capital inflows helped to appreciate the value of the Dong, in turn helping to make inflation easier to manage at the same time as opening the way for more expansionary monetary and fiscal policies (Weeks, 2001).

Table 5.11 Vietnam: Foreign trade 1985–1994 (US$ million)

	Total export	Per cent convertible	Total import	Trade balance
1985	497	68	-903	-406
1986	494	62	-1121	-627
1987	610	71	-1184	-575
1988	733	63	-1412	-679
1989	1320	74	-1670	-350
1990	1731	73	-1772	-41
1991	2042	98	-2105	-64
1992	2475	100	-2535	-61
1993	2850	100	-3505	-655
1994	3600	100	-4500	-900

Source: World Bank (1993b; 1995c).

Ironically some of Vietnam's export success, such as the development of oil exports, partially resulted from its CMEA dependence. The earliest oil exploration joint ventures in Vietnam were signed with the Soviet Union during the 1980s (along with other agreements in export crops such as rubber, coffee, tea, coconut and fruit trees) as Vietnam was compelled to step up exports to repay debts to the Soviet Union and obtain further imports (Porter, 1993, p.211).

In rice, however, export success was predicated on extensive prior state investments in agriculture. Between 1986-1989 Vietnam went from net rice importer to exporter on account of rice paddy production increases of 26 per cent between 1987-1989 (Le et al., 2015, p.103). By 1998, Vietnam was the world's second largest rice exporter (Le et al., 2015, p.103), and its share of the world rice market having increased from 1 per cent in 1986 to 17 per cent in 1997 (in terms of volume) (Niimi et al., 2004, p.178). Interventions such as the shift from single to multiple cropping; intensified fertiliser use; and drainage and irrigation investments helped to fuel such productivity increases (World Bank, 1993b, p.136).[173] Agriculture received 10.3 per cent of state investment in 1960, increasing to highs of 23.8 per cent in 1985 (Tri, 1990, pp.22, 76, 135, 192).

[173] Between 1987-1992 there was an increase of 24 per cent in the winter-spring crop, and 59 per cent in the summer-autumn crop, and as a monsoon country, without irrigation it is only possible to produce a single wet-season paddy crop per year (World Bank, 1993b).

As a result, after reunification the percentage of Vietnam's southern rice bowl under irrigation increased from 44.9 per cent in 1976 to 72.6 per cent in 1980 (Pingali and Vo-Tong Xuan, 1992, p.711). Thus whilst liberalisation, the shift to family farming, exchange rate adjustments and price liberalisation may all have helped make rice production and allocation responsive to market signals during the *doi moi* period (De Vylder, 1995; Dixon, 2003), extensive state interventions in agriculture comprised an important, if overlooked, pillar of Vietnamese developmentalism.

The result has made rapid export growth a central plank of the CPV's brand of developmentalism. The 1986-1990 Five Year Plan highlighted the importance of expanding export growth in the context of a worsening balance of payments situation which pre-dated CMEA's collapse, with the Western embargo limiting Vietnam's access to alternative sources of foreign exchange earnings. Between 1990-2000, exports grew at an average of 19.6 per cent, meaning exports grew from 6.6 per cent of GDP in 1986 to 53.9 per cent in 2000 (World Bank, 2018g), and accounted for two-thirds of final demand during 1995-2000 (Weeks, Thang, et al., 2004). During the 1990s, the export basket had also shifted. In the early 1990s the three most important exports were crude oil, rice and marine exports, and after 1996 light manufacturing exports such as footwear and garments (where state enterprises played an important role) assumed new significance, accounting for around a quarter of the country's exports (Table 5.12). Yet whilst mainstream and heterodox analysis is united by the view that Vietnam's 'export promotion has been spectacularly successful' (Weeks, Thang, et al., 2004, p.22), export promotion represented not the embrace of a mainstream EOI and comparative advantage conforming strategy, but rather was designed to reinforce pre-existing strategies and institutions, and as such to sustain a heavily import-dependent ISI oriented development strategy. This approach to stabilisation in the context of a strong exogenous shock afforded the CPV the macroeconomic space to preserve and nurture its state finance-industry-infrastructure nexus throughout the transition to market economy.

5.5.2 1994-1996 The threat of 'peaceful evolution'

On account of the mainstream's neglect of the significance of these heterodox characteristics and embrace of Vietnam's trajectory as a vindication of orthodox reforms (Dollar, 2002, p.2), early enthusiasm about its trajectory began to turn into disillusionment with the pace of change in the mid-1990s, organised around the concepts

of “reform immobilism” or “slow-down” (Womack, 1997; see also Abrami, 2003; Riedel and Turley, 1999). As a result, by the late 1990s it was noted that ‘[p]essimism about Viet Nam’s reform process is now rampant among foreign observers’ (Riedel and Turley, 1999, p.9). Yet, the “slow-down” perspective reflects normative assumptions about the inherent desirability of deeper market-oriented reforms, and misreads the nature of the CPV’s developmental regime. Instead, “immobilism” instead reflected the CPV’s attempts to consolidate its finance-industry-infrastructure nexus in the face of growing intra-Party anxieties about changes hitherto introduced. Strong signals of these mounting concerns were present in the CPV’s Mid-Term National Congress in January 1994 which identified ‘four dangers’: being left behind economically; deviation from the socialist path;[174] corruption and bureaucratism; and ‘peaceful evolution’ (Riedel and Turley, 1999).

Table 5.12 Vietnam: Exports (percentage total exports), 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Crude oil	30.5	28.3	21.4	19.7	18.3	15.6	13.2	18.1	24.2
Rice	12.1	12.2	10.5	9.5	11.7	9.5	10.9	8.9	4.6
Coal	1.9	2.3	1.9	1.7	1.6	1.2	1.1	0.8	0.7
Rubber	2.2	2.5	3.3	3.1	2.2	2.1	1.4	1.3	1.1
Coffee	3.5	3.7	8.1	10.9	4.6	5.4	6.3	5.1	3.5
Marine	12.2	14.3	13.6	8.3	8.9	8.6	9.2	8.4	10.2
Garments	7.7	8.0	11.7	8.3	15.7	16.4	15.5	15.1	13.1
Footwear	0.2	2.3	3.0	3.8	7.2	10.7	11.0	12.0	10.1
Electronics	…	…	…	…	…	4.8	5.3	5.1	5.4
Other	29.7	26.5	26.6	34.7	29.9	25.8	26.2	25.2	27.0

Sources: IMF (1998d; 2002c).

Concern over ‘peaceful evolution’ notably reflected a number of specific anxieties regarding Vietnam’s deepened international integration and foreign interference. An article in *Tap chi Cong San* (*The Communist Review*), the Party’s theoretical and political journal in December 1995,[175] identified two problematic aspects of Vietnam’s growing international integration: rising consumption expectations and new forms of imperialism stemming from the globalisation of production (Tap Chi Cong San, 1996). The end of the US commercial embargo in early 1994 (Hill, 2000, p.289) saw new consumer goods and services such as soft drinks, cigarettes, foreign beer, restaurants,

[174] For instance, by the January 1995 Eighth Party Congress, disagreements over the meaning of Vietnam’s ‘socialist direction’ resulted in open confrontation within the Party between those with contending views over further extending the scope for private ownership (Riedel and Turley, 1999).
[175] Often associated with so-called ‘conservative’ positions (Corfield, 2008).

nightclubs and casinos enter Vietnam. The journal considered this 'an insidious plot to gradually raise people's needs' (Tap Chi Cong San, 1996, p.67), since:

> Following the collapse of the socialist regimes in Eastern Europe and the former Soviet Union, imperialism quickly effected a strategic reorientation, taking advantage of the internationalization and globalization process to "convert" the whole world to capitalism … production tends to be increasingly internationalized and imperialism gradually shifts to various forms of transnational conglomerates (Tap Chi Cong San, 1996, pp.65–66).

This indicates considerable wariness about the role of foreign capital as a vector for Vietnam's subordination and the enduring influence of Leninist ideas about imperialism in the mid-1990s. The army emerged as one major source of opposition to deeper market reforms (Kolko, 1997, p.139) at this time. Discussion on the Army's radio show with editor Vu Dinh Vinh during August 1996 revealed the endurance of dependency theory's insights, with the formation of a comprador bourgeoisie aligned with the interests of foreign capital a particular concern, since it was noted that 'imperialists … hoped that the key to political reform in Vietnam would be private enterprise' (Vinh, 1996, p.83) where '[t]he core of their scheme … is to create local forces inside socialist states and let these forces push for change in the regime of their countries' (Vinh, 1996, p.82). A number of 'hostile forces' were highlighted which closely map to the global vectors for the spread of neoliberalism identified in Chapter 2:

> To accelerate our economic development in the direction they [imperialists] want in order to make socialism in our country collapse quickly amid prosperity, they have attempted to use: investment plans under ODA … the loans and term payments provided by the International Monetary Fund, the World Bank and the Asia Development Bank; joint ventures by various monopolistic capitalist companies; and criteria for most favored nation status and other trade and business conditions (Vinh, 1996, p.83).

Indeed, in addition to rising FDI and ODA inflows, Vietnam signed a number of trade agreements in the 1990s in order to secure more favourable terms of market access. In 1992 it signed a trade agreement on textiles and clothing with the EU, in 1995 Vietnam

both joined the Association of Southeast Asian Nations (ASEAN) (committing to the group's FTA terms by 2006)[176] and applied for WTO membership (Thanh, 2005), and in 1996 entered into negotiations toward a bilateral trade agreement with the US (the US-Vietnam BTA). The embrace of these agreements was encouraged by export-oriented interests within the party-state system (which had also earlier advocated for currency devaluation) (Riedel and Turley, 1999). According to one government official interviewed during fieldwork in June 2016:

> [We] had no choice. At the end of the 1980s when the Soviet Union collapsed, we had no friends. Vietnam was isolated. So we decided to join ASEAN to survive in the international system. And when we joined we had to accept the rules: and one of the rules was to integrate and create a common market. That's why we had to liberalise (VG-6).

Notably, despite the trade-offs that Vietnam's limited alternatives entailed, deeper global integration was far from uncontested domestically. Strong demands from the US government in terms of market access and tariff reductions, saw the US-Vietnam BTA negotiations stall (Womack, 1997), whilst discussions over revisions to the Foreign Investment Law in 1996 included proposals to establish party cells in all foreign invested enterprises, as well as double the commercial and residential rents of foreign owned enterprises and employees (Truong and Gates, 1996).

Policy conditionalities applied by the IMF were another major global challenge in the 1990s, but again were heavily contested by the CPV. Only two-thirds of the 1994 ESAF was disbursed (Tønnesson, 2001), and in 1996 the IMF refused to resume lending without a quickened pace of reform (Thayer, 2000b). According to the Fund (1998c, p.3), the disagreement centred on 'extent and pace of structural reforms, especially with regard to the financial system, state enterprises and trade liberalization'. This indicates that the CPV's refusal to dismantle the state finance-industry-infrastructure nexus formed the crux of this dispute. Instead, the 1996-2000 Five Year Plan reaffirmed the commitment to accelerating industrialisation and raised ambitions for growth, effectively shouting 'more, faster!' at the economy (Womack, 1997). Initial drafts of the

[176] The ASEAN FTA (AFTA) involved tariffs of between 0-5 per cent for members, except for a small number of special exclusions (IMF, 1999b).

Political Report produced for the 1996 Congress included a target to increase the state sector's contribution to GDP from 40 per cent to 60 per cent in the next five years, later reduced to reaffirming the state's 'leading role' in the economy (Womack, 1997). But it was nonetheless evident that the thrust of CPV policy at the time of reform "immobilism" entailed strengthening not weakening the nexus:

> Vietnam's renewed emphasis on industrialization and modernization has shown movement towards the ideal of greater self-reliance: growing efforts to mobilize domestic capital, to create large-scale state conglomerates that can compete with foreign companies, and to increase the role and "value added" of local partners in foreign-invested enterprises and foreign-funded infrastructure projects (Truong and Gates, 1996, p.164).

Thus against a backdrop considerable global level pressures, the CPV chose to strengthen rather than dismantle the heterodox core of its developmental policies. This signals that the CPV did not suddenly abandon some former commitment mainstream development reform, as the reform "immobilism" and slow-down narratives suggest. Rather these events signal that this heterodox core formed the basis of the CPV's developmental strategy in the 1990s, which had been placed under increased stress by the mainstream reforms the CPV had adopted, and which the CPV thereafter sought to manage.

5.5.3 1997-2000 The regional crisis and its aftermath

Toward the end of the decade, between 1997-1998, Vietnam was hit by what have been describes as 'four typhoons': declining growth, rising peasant unrest,[177] a devastating typhoon and the aftermath of the regional financial crisis (Thayer, 2000b). The latter represented a sizeable external shock, and export growth slumped in 1998, increasing by just 2 per cent (IMF, 1998d). FDI inflows and GDP growth both subsequently slowed, and both foreign and state enterprises began to lay-off workers (Sidel, 1999). Declining FDI inflows in turn increased Vietnam's dependence on ODA (Schaumburg-Müller, 2003, p.56), and the IFIs tried to leverage the challenges posed by the crisis to push Vietnam into adopting a faster pace of reform. They argued that the crisis demonstrated

[177] The largest of these protests, in Thai Binh province in 1997, had multiple causes, including resentment over compulsory labour, fees and tax burdens, rising unemployment, corruption, and land seizures (Abuza, 2001), and which reportedly prompted the CPV to increase investments in agriculture and rural areas (Sidel, 1999).

the need for intensified market-oriented reforms (IMF, 1999b; World Bank, 1999a), and the Bank joined the IMF in making further funding conditional on adopting deeper structural reform (Thayer, 2000b). Against this backdrop, the IFIs and donors together pledged US$ 2.2 billion in 1998, and made a further US$ 500 million contingent on measures which directly attacked the nexus: trade liberalisation; state enterprise restructuring; and state-owned commercial bank restructuring.

However, the CPV took the money but 'undertook no steps in 1999 to carry out this commitment' (Thayer, 2000b, p.313). Vietnam's vulnerabilities in the wake of the crisis were notably limited by its heterodox macroeconomic policies, specifically the limited convertibility of the Dong and closure to short-term capital inflows, which insulated Vietnam from outflows through the capital account of the balance of payments, helping the country weather the crisis much better than its neighbours (Masina, 2006; UNCTAD, 2007, p.7). Relative economic strength also afforded Vietnam the space to determine which policy pressures to listen to, giving the IFIs 'very limited levers with which to influence Vietnamese policy' (Dixon and Kilgour, 2002, p.606).

Despite the additional stress placed on the Vietnamese economy, the CPV notably remained 'reluctant to undertake a decisive reform programme' (Thanh and Ha, 2004, p.67). Nonetheless, there were disagreements within the Party regarding the next steps, with some arguing that the crisis illustrated the dangers of globalisation and the need for greater self-reliance, and others that further opening was essential for modernising the economy (Mallon, 2004, p.12). Indicative that deeper trade integration through the US-Vietnam BTA remained an area of considerable internal disagreement, one American trade negotiator commented in September 1998 that '[t]hey haven't reached any internal consensus, and there are people pushing and pulling in different directions. So we have to wonder, does Vietnam want to wait and be cautious, or does it want to embrace reform?' (Sidel, 1999, p.97). Consensus was, however, found over the need to reduce dependence on foreign savings and bolster domestic investment, contributing to the loosening of restrictions on the operation of the domestic private capital accumulation and the easing of regulations about establishing domestic private enterprises (Mallon, 2004, p.12) (discussed in Section 5.5.4).

Other responses to the crisis are also telling. Several measures were taken to bolster the state sector in the light of regional tumult, including tightened trade controls (including quotas and licensing) in strategic sectors,[178] and expanded lending to state enterprises through the banking system with 22 per cent credit growth in 1998 versus 11 per cent for other sectors, primarily on account of expanded directed long and medium term credit through SOCBs to priority state industries (IMF, 1999b). These measures also helped to address the increasing strain on Vietnam's balance of payments, which, due to the heavy import demands of its development strategy, caused the trade deficit to increase to 15 per cent of GDP in 1996, which in the context of declining FDI inflows in the previous year, prompted considerable policy concern that a serious balance of payments crisis may be around the corner (Kokko, 1998). Currency controls (restrictions over access to foreign currency and letters of credit, and measures to oblige the deposit of foreign exchange in certain commercial banks) were also used to restrict trade, and the SBV controlled import license allocations, and priority for foreign exchange allocations was given to strategic state enterprises and export-oriented firms (Kokko, 1998). The military, already a sizeable economic actor, also expanded its presence in the economy in the wake of the crisis, reviving plans for special economic defence zones (Sidel, 1999). Finally, a mid-1999 a stimulus package encompassing expansionary monetary and fiscal policies was implemented to renew Vietnam's growth momentum, encompassing new infrastructure investments, financial support for state enterprises faced with mounting inventories, additional resources for social programmes in poverty reduction, wage and salary increases to increase domestic consumption and demand, and support for enterprises to expand exports (Thanh and Ha, 2004, p.68).

5.5.4 Outcomes and new tensions

Outcomes from the first developmental period should be chiefly evaluated with reference to the political and economic objectives outlined in section 5.2, which centred around securing party hegemony and rapid economic development. The CPV's success in limiting the emergence of a powerful set of economic and political interests outside of the state sector is reflected in the very small-scale of the domestic private sector during the 1990s. The non-state sector's share of industrial production was overwhelmingly concentrated in the household economy, rather than in larger entities

[178] Consumer goods (cars, motorcycles, bicycles, beverages, sugar and confectionaries) and commodities (cement, steel, paper and glass) (Kokko, 1998, p.322).

such as SMEs and large-scale corporate entities (captured by the term 'private enterprise'), which accounted for just 2.2 per cent of industrial production in 1999, unchanged from the middle of the decade (Table 5.13). Instead, state enterprises, foreign invested entities and household businesses provided most economic output growth (Mallon, 2004, p.5). The domestic private sector's share of investment remained unchanged, both in terms of its share of total investment and as a share of GDP during the latter part of the 1990s (Section 5.4.1).

Table 5.13 Vietnam: Share of industrial production by ownership, 1995-2000

	1995	1996	1997	1998	1999	2000
State	**50.3**	**49.3**	**48.0**	**45.9**	**43.4**	**42.0**
Central	32.8	32.5	31.4	30.2	28.7	27.4
Local	17.5	16.7	16.6	15.7	14.7	14.6
Non-state	**24.6**	**24.0**	**23.1**	**22.1**	**21.9**	**22.4**
Cooperatives	0.6	0.6	0.6	0.6	0.6	…
Private	2.2	2.4	2.4	2.2	2.2	…
Household	17.6	16.1	14.7	13.8	13.0	…
Mixed*	4.2	5.0	5.5	5.5	6.1	…
Foreign invested sector	**25.1**	**26.7**	**28.9**	**32.0**	**34.7**	**35.5**
(excluding oil and gas)	14.6	16.2	18.4	20.8	22.5	24.3

* Category includes joint ventures with ownership from more than sector
Source: IMF (2002c).

The CPV's preference instead was for foreign capital, which has been attributed to concerns that rapid domestic private sector growth could create political and economic interests difficult for the CPV to contain (Mallon, 2004, p.10).[179] Thus the operating space for private enterprises was only slowly opened up throughout the post-*doi moi* period, initially including hiring restrictions (Porter, 1993, p.149) and costly and time-consuming processes for obtaining trade licences (Mallon, 2004). In light of these challenges, many owners of private firms had family members in the state sector, aiding them in dealing with administrative and regulatory challenges (Mallon, 2004, p.10). However, in line with the concern to limit foreign vulnerabilities discussed in Section 5.5.3, the new Enterprise Law in 2000 increased in the number of SMEs registered by 60 per cent August 2001.[180] Resistance from within the state sector revolving around fears of increased competition was eventually overcome, according to Mallon (2004), by the familial connections between the state and private sector.

[179] A similar point is made by Phong Tran (2003, p.144) who argues that: 'The encouragement of foreign investment reflects both Vietnam's political preference and strategy. The domestic private sector was ideologically disfavored and had been constrained for several years. The Vietnamese government looked to foreign capital as a proper means to revitalize the ailing economy. In addition, by jointly participating in foreign investment projects through state-owned enterprises, the Vietnamese government hoped to supervise this economic activity'.
[180] Combining new enterprises and those upgrading their status from household to private enterprises (IMF, 2002c).

The bias toward foreign capital, however, contributed to the emergence of new pressures. In particular, the Japanese government and CPV began to profoundly differ over Vietnam's economic policy in the late 1990s, divided between state-led approach (evident amongst Vietnamese officials) and a FDI-led view (evident amongst Japanese investors and government officials) (Table 5.14). Japanese technical advisors to the Vietnamese government recorded the divergence as being about the contribution of foreign capital to Vietnam's development trajectory as follows: 'Vietnamese producers and policy makers think that FDI firms are not making enough effort in localization and technology transfer. FDI firms in turn think that the Vietnamese side is making unreasonable demands without knowing industrial facts or global trends' (GRIPS, 2003b). In 2000, CPV General Secretary Le Kha Phieu made the following highly critical comments about the problems associated with foreign capital as follows: 'When imperialism speeds up trade and services liberalization and the globalization of investment, the rich countries become richer, and the gap between rich and poor countries widens' (quoted in Alexander, 2000).

Table 5.14 Vietnam: Divergent policy perspectives on industrialisation in the early 2000s

	State-led view	FDI-led view
Driving force of industrialisation	State should guide market; growth is too slow and biased without it.	Offer low cost and open business climate to attract critical mass of FDI. Help local firms link with FDI production.
Localisation policy	Foreign firms are reluctant to use domestic parts. Use reward and penalty to speed up local supply	Encourage natural and demand-led localisation (don't force it).
Upstream investment	Crucial for sound growth. State must invest upstream if private firms don't do so.	Don't invest upstream unless inputs are internationally competitive.
Import-substitution industries	State must support them with protection if necessary; job loss and industrial damage should be avoided.	Set tariff reduction schedule and let market decide their fate; but temporarily help firms with realistic plans.
Export-oriented industries	They produce little domestic value-added and contribute little to development.	Very important for Vietnam's industrialisation; encourage them with open FDI climate.
Trade liberalisation	Inevitable, but national interests must also be protected.	Speed and sequencing must be chosen carefully to induce each industry's effort.

Source: GRIPS (2003b).

However, in line with the zig-zag nature of Vietnam's reform process, two trends also emerged to undermine the coherence of the developmental nexus at this time. During 1998 decentralisation of the foreign investment climate saw all provincial Peoples Committees granted the power to issue (some) investment licenses (below an investment threshold), and amend existing licences for foreign-invested projects (Vu-Thanh et al., 2007). The effect was to weaken central oversight powers over the foreign investment climate (Van Arkadie and Mallon, 2003), a seemingly contradictory move given the concerns raised above. Yet the contributing factors appeared to lie in the nature of fiscal

decentralisation in Vietnam. Since the 1980s, an informal system had pertained whereby provinces collect revenues on behalf of the central government, but then returned all revenues above a (biannually) determined target. This was codified into law with the 1996 Budget Law, increasing the incentives amongst provinces to exceed the target and access additional resources for infrastructure and social welfare spending (Malesky, 2008).

Furthermore, since the early 1990s provinces that received large foreign capital inflows had been lobbying the central government to loosen the centralised FDI approvals process in order to allow them to expand their budget surpluses (Vu-Thanh, 2016), and the 1996 law increased the incentives of provinces to beat their centrally-agreed revenue targets (Malesky, 2008). The eight provinces that were capable of generating these surpluses accounted for about 70 per cent of national revenues during the 1990s, and therefore had considerable economic importance (Malesky, 2008). Similarly, in 1999 the rules governing public investment projects were loosened, giving provincial governments the right to decide all but the most important projects (Vu-Thanh, 2016). Deepening these trends, in the revisions to the Foreign Investment Law in 2000, the government streamlined foreign investment regulations to include automatic registration for export-oriented FDI projects, as well as permitting joint ventures to convert to fully-owned foreign enterprises and allowing foreign invested firms to use assets attached to land use rights as security for borrowing for the first time (Athukorala and Tien, 2012).

Two dominant views about dececentralisation were evident during this period. For some it was a sign of the weakness and cause of the 'implementability of policies' (Fforde, 1998, p.30), due to tensions between different levels of the state bureaucracy (central versus local) and between central agencies (for example between Ministries), which were intensified by the overlapping of roles between Party and state agencies and political disagreements between state and party officials (Fforde, 1998, pp.30–31). However, this approach ignores the role of decentralisation as a pressure valve, containing forces that otherwise may have threatened the party state system, and thereby securing political stability. Here it has been noted that:

> The differences in interpretation partly reflect the gap that often exists between the definition of objectives and policies at the national level and the pragmatic

> accommodation of the decentralised decisions of individual actors in the economy, even when these are in apparent conflict with stated policies. … this pragmatic willingness to accept change resulting from decentralised initiatives is indicative of the strength of the state (Van Arkadie and Mallon, 2003, p.253).

In light of these developments, by 2000 it appeared that decentralisation was beginning to weaken the CPV's ability to effectively oversee foreign capital and infrastructure projects (risking weakening the effectiveness of the nexus), at the same time as it was helping to maintain political stability (and thus achieve a core aim). These dynamics were inseparable from Party structures, since whilst the CPV officially presides over a one party state where political competition is not permitted, the Party forms a site of competition between different groups for influence over the course of economic policy reform. For this reason, Vietnamese political system has been described as 'functionally "pluralist"' (Kolko, 1997, p.125). During the 1990s the traditional divisions between so-called Party 'hardliners and softliners', separated in terms of their support for a socialist or market economy (Guo, 2004, p.398) was joined by new struggles between divergent groups over 'wealth and power translated into both material gains and autonomy for their regions' (Kolko, 1997, p.125).

Conclusion

This chapter has shown that during the decade and a half following *doi moi*, the CPV managed the transition from central planning to market economy in such a way as to sustain a decidedly heterodox developmental core consisting of a state finance-industry-infrastructure nexus bolstered by both domestic and foreign resources. In contrast to the mainstream interpretations of Vietnam's trajectory during the 1990s, which focused on the changes during the transitional period, the policies used to support this nexus represented a decisive effort to adapt state assets from the centrally planned economy to the new realities of international integration in the age of neoliberalism. However, as the decade progressed, Vietnam also faced growing pressure on the foundations of the nexus from these self-same sources. Growing dependence on foreign capital was matched by pressure from within the party-state system to decentralise the climate regulating these investments. Economic strength helped to insulate Vietnam from policy pressures stemming from the IFIs, and Vietnam's heterodox macroeconomic stance

helped it weather the regional crisis in comparatively good shape. Yet at the end of the 1990s, Vietnam was grappling with the dilemmas surrounding deepened trade integration in the context of growing reliance on export expansion in the overall balance of its development strategy. Yet in the absence of a bilateral trade agreement with the US, Vietnam lacked most-favoured nation (MFN) status in the US market. Signalling the internal divisions about whether such a deal should be adopted or not, the text of a trade deal was reached in mid-1999, despite strong concerns within the party-state system about protected sectors such as telecoms and the aggressive timetable for implementing non-tariff and tariff reductions (Thayer, 2000b). Notably, however, the CPV then pulled out of signing this agreement at the last minute. The decision to forge ahead with the agreement, despite these concerns, was to be a watershed moment in the evolution of Vietnamese developmentalism and ushered in a new phase of developmentalism, as discussed in Chapter 6.

Chapter 6 Vietnam 2001-2018: Developmentalism amidst deepened integration

As noted in Chapter 5, at the turn of the twentieth century much of the (mainstream) academic debate on Vietnamese development was preoccupied with ideas of policy "inertia" and suggestions that 'Vietnam is unable to move decisively forward due to immobilism in its political system' (Thayer, 2000a, p.324). Yet a major adjustment to Vietnam's development strategy occurred in July 2000, when the US-Vietnam BTA was signed, after which Vietnam rapidly emerged as a major global light manufacturing hub in textile and garments, footwear, and latterly electronics. To secure a competitive edge in these sectors, Vietnam transformed itself from one of the most protectionist countries in the world, to one of the most enthusiastic adopters of deep international integration through preferential trade agreements. On the face of it, this strategy, which necessitated trade and investment liberalisation and wide-ranging transformations to Vietnam's business climate and legal institutions, appeared to represent a major threat to Vietnam's hitherto highly protected state finance-industry-infrastructure nexus. However, the CPV's enduring commitment to the centrality of the state sector to achieving its political and economic goals meant instead that the challenge of preserving the developmental nexus became a defining policy imperative of the second period of Vietnamese developmentalism. This chapter argues that whilst these defensive measures successfully preserved the developmental nexus, deepened international integration, together with tendencies toward decentralisation and fragmentation noted in the previous chapter, ultimately distorted the nexus in ways that have compromised its ability to power the broader transformation of the economy. To elucidate the impacts of the global economic and political order on Vietnam's evolving developmentalism, the chapter first examines the drivers behind Vietnam's deepened international integration, then explores strategies deployed by the CPV to preserve the nexus, before considering the developmental outcomes and emerging constraints. Finally it analyses the emergence of a notable form of 'Viet-pessimism' in assessments of the country's performance.

6.1 Intensified international integration

The US-Vietnam BTA was signed more than three years after negotiations commenced, and was a deeply contested domestic decision given the perceived threat the agreement posed to the CPV's political and economic project. Running to over one hundred pages[181] and described as 'the most complex trade agreement in US history' (Thayer, 2000b, p.317), it encompassed services liberalisation (banking, insurance, telecoms and accounting), the strengthening of intellectual property rights, as well as investment, trade and goods provisions, thereby opening hitherto heavily protected areas of the Vietnamese economy. As signalled in the last chapter, major domestic opposition resulted after the first Vietnamese draft agreement was circulated in 1999 (Thayer, 2000b; Manyin, 2001),[182] and the concerns underpinning the subsequent delays in signing it were summarised by an analyst for the US Congressional Research Service in 2001 as follows:

> [C]onservatives fear that economic reform will undermine the "socialist foundations" of the country's economic and political systems, and thereby erode the CPV's legitimacy and monopoly on power. They also fear that Vietnam's sovereignty will be eroded by increasing Vietnam's economic dependence on the West and by increasing Vietnam's vulnerability to regional economic downturns such as the 1997-99 Asian financial crisis … [C]onservatives [also] worry that shifting to a more market-oriented economy will force the Politburo to curtail subsidies to the country's state-owned enterprises, the backbone of the socialist economic system (Manyin, 2001, p.18).

Opponents also feared that increased competition would intensify unemployment and thus fuel social unrest (Manyin, 2001; Abuza, 2002), whilst the army's recent investments in telecoms also made this sector a major sticking point in negotiations (Thayer, 2000b; Manyin, 2001). As a result of this backlash, the CPV sought to reopen negotiations on the text agreed in 1999, but American negotiators rejected this request outright (Thayer, 2000b). Thus the final agreement, which was eventually signed in mid-2000 (and came into effect at the end of 2001), conceded much more than the Party

[181] More than ten times longer than the agreement the US signed with China, and the service and investment provisions considerably more detailed (Manyin, 2001).

[182] Intensified by US criticism over the Party's human rights record and the lack of democracy (Thayer, 2000b; Manyin, 2001).

wanted (Abuza, 2002), including the requirement for an annual review of its normal trading nation status, and a lack of special exceptions on account of its status as a poorer, developing nation (Thayer, 2000b).

A centrally important reason driving the CPV to eventually sign the contested deal was the necessity of securing favourable access to the US market given increased emphasis on expanding export-oriented manufacturing in this period. This was bolstered by concern about employment levels, since foreign invested enterprises (such as Nike and Daewoo) had laid off workers in the wake of the regional crisis (Sidel, 1999),[183] and overall employment growth in the 1990s was disappointing in comparison with the rapid nature of growth and poverty reduction (Jenkins, 2004a).[184] Thus by the late 1990s employment had emerged as a major area of policy concern (Mallon, 2004), and concern about the BTA's impact on this included arguments both for and against the agreement. According to Thayer (2015b, p.8), at the 10th Plenum of the CPV in mid-2000, the decision was reached that 'in order to achieve the objective of industrializing and modernizing Vietnam by 2020 Vietnam had no choice but to step up the rate of economic growth, encourage more foreign investment, and continue regional and global integration'. China's decision in 1999 to agree its own trade deal with the US was also an important factor. The CPV reportedly did not want to sign a deal before China for fear of annoying its powerful neighbour and the CPV also looked to China's actions to guide its own policies (Thayer, 2000b).

The signing of the BTA was therefore part of a broader readjustment of Vietnam's development strategy. The five year Socio-Economic Development Plan (2001-2005) noted that the '[state] economic sector is to promote its leading role in the economy, as an important material force and the instrument for State orientation and macro-regulation of the economy' (CPV, 2015, p.1018). However, it also noted that during the next five-year period the Party must also:

> [C]reate conditions for the foreign-invested economic sector to develop smoothly, targeted at exports, and to link socio-economic infrastructure development with attracting modern technologies and multiplying job

[183] Nike for instance, laid off 2,700 workers in 1998 (Sidel, 1999).
[184] Which has been explained by reference to the increases in labour productivity from very low levels (Jenkins, 2004a).

opportunities … [and thus] improve the economic and legal environment to vigorously attract foreign investment capital (CPV, 2015, p.1020).

This quote demonstrates that the Party saw the investment-for-exports engine as a key driver of economic growth in the early 2000s (with investment including state, provinces, and foreign capital together), signalling both state and (export-oriented) foreign capital were envisioned as twin-engines of Vietnam's future development.

Extensive transformations to Vietnam's trade regime then followed. The US-Vietnam BTA involved tariff reductions on 250 items (Manyin, 2001), Vietnam's AFTA tariff reductions (agreed as part of its ASEAN membership) also commenced in 2001 (UNCTAD, 2007), and the CPV also removed most quantitative trade restrictions (Abbott et al., 2009) in this period. The BTA also involved extensive changes to the country's enterprise, competition and investment laws (Abbott et al., 2009). In return, the tariffs for Vietnamese exports to the US were cut from a non-MFN average of 40 per cent, to less than 3 per cent (Manyin, 2001). In the year after ratifying the agreement, exports to the US more than doubled, as part of a broader shift away from tea and coffee exports (from 36 per cent in 1996 to 3 per cent in 2007), and towards apparel and textile exports (from almost non-existent in the mid-1990s to just over half of exports in 2007) (UNCTAD, 2007). As Abbott et al. (2009) note, trade agreements in Vietnam have usually been followed by a dramatic upturn in exports to the partner of the agreement, with little evidence that this caused the reduction of exports to other destinations. For instance, total exports grew from US$ 4.5 billion in 2002 to US$ 7.0 billion 2004, and those to the US specifically from US$ 1 billion in 2002 to US$ 6.5 billion in 2005 (Abbott et al., 2009).

According to Fujita (2017b), the perceived success of this agreement in increasing exports, FDI (explored in detail in section 6.3.1), jobs and economic growth, helped to convince the CPV of the benefits of deepened integration (Fujita, 2017a, p.5). Notably, Vietnam's WTO negotiations gathered speed after the BTA was implemented and further accelerated between 2004-2005 (Vu-Thanh, 2017), culminating in Vietnam's WTO accession on 11 January 2007, after a twelve year process (Pham, 2013). The WTO-related tariff reductions were more pronounced in industry than agriculture

(Vivek and Viet Tuan Dinh, 2006),[185] and the US and other WTO members also insisted on wide-ranging changes to Vietnam's legal framework ahead of accession in 2005 (Abbott et al., 2009).[186] This entailed over 500 alterations or new laws and regulations relating to competition and non-discrimination, and a commitment to eliminate subsidies for state enterprises (Vu-Thanh, 2017). According to one government official interviewed during fieldwork in June 2016, since Vietnam joined late 'the terms to join were severe' (VG-6). This included liberalising elements of the foreign investment climate and strategic services such as telecoms, finance and infrastructure, where there had been limited FDI to date (UNCTAD, 2007) and where state enterprises were dominant. Tax incentives for export-oriented investment (used to attract FDI), preferential provision of land and credit to strategic state enterprises (such as offered to Vinatex to develop upstream activities) were all eliminated (Fujita, 2017a).

The results were several-fold. Inflows of FDI inflows increased markedly in the run-up to Vietnam's accession, and economic growth was 7.1 per cent in 2007 (World Bank, 2018g). Even before Vietnam formally joined, FDI commitments were considerably boosted, and increased 47 per cent year-on-year in the first 10 months of 2006 (Vivek and Viet Tuan Dinh, 2006). However, rising wages in China also increased Vietnam's attractiveness to investors the mid-2000s (Oh and Mah, 2017), suggesting that the WTO was not the only driver of these inflows. The accession also drastically changed prospects to support for state enterprises, across tariffs, local content requirements and subsidies (Abonyi, 2013, p.110), with subsidies to the textile and footwear industries dismantled, for instance (IMF, 2007b). The WTO accession increased competition and thus threatened the state sector in two senses: first, reduced tariff barriers increased competition from imported goods, and second, foreign investors were now more readily able to enter Vietnam thanks to the level playing field it had committed to create between all economic actors. The end of export quotas in major export markets around this time also reduced the CPV's capacity to privilege state enterprises by the allocation of export quotas.[187] The CPV was also immediately subject to a US anti-dumping investigation in the state textile and garment sector (Goto et al., 2011).

---

[185] This included large reductions in textile and garment tariffs, from 36.4 per cent in 2006 to 13.6 per cent in 2007 (IMF, 2007b).

[186] New Laws on Investment and Enterprises were instituted in 2005, which placed both domestic and foreign investors on an equal footing, and for the first time permitted mergers and acquisitions and other non-greenfield FDI projects (UNCTAD, 2007).

[187] Export quotas were introduced by the EU in 1992 and ended in 2005, and introduced by the US in 2003 and ended in 2007 with the country's WTO accession (Fujita, 2017a).

After the WTO, Vietnam joined a number of other PTAs (Table 6.1) which have entailed further liberalisation of its trade and investment regime. At the start of 2018 a number of obligations from several recently agreed trade agreements took force at once, including the ASEAN Trade in Goods Agreement (ATIGA), ASEAN-China FTA, Vietnam-Japan Economic Partnership Agreement, Vietnam-Korea FTA and the Vietnam-Eurasian Economic Union FTA (World Bank, 2018f). The ATIGA agreement reduced to zero all tariffs on automobile, motorbike, vehicle components and home electronic appliances, and the Vietnam-Eurasian Economic Union FTA reduced 5,535 tariffs to zero (World Bank, 2018f). According to the World Bank (2018f, p.17), together '[these] trade agreements dramatically reduced tariffs, anchored difficult domestic reforms, and opened much of the economy to foreign investment'. The European Union-Vietnam FTA committed Vietnam to a wide range of domestic regulatory changes, and has been described by the European Commission as 'the most ambitious and comprehensive FTA that the EU has ever concluded with a developing country' (EC, 2015, p.1), with Vietnam getting just 3 years more than the EU to implement the agreed elimination of 99 per cent of custom duties (the EU having 7 years and Vietnam 10 years), including in textiles, garments, footwear, electronics and farm produce. The commitments on state enterprises have also been described as 'the most ambitious that Vietnam has ever agreed to' (EC, 2015, p.3). A number of other trade agreements are also under negotiation.[188] Thus as of mid-2018, Vietnam had also signed up to 65 investment treaties and a further 24 treaties with investment provisions (UNCTAD, 2018a). Evidently, therefore, Vietnam has 'embraced' the neoliberal trade regime of mega-regional FTAs (Hollweg, Sturgeon, et al., 2017, p.7), and indeed often emerged as a lower income testing ground for deepened commitments.

[188] Including an impending Regional Comprehensive Economic Partnership (RCEP) between ASEAN and six states with which it has FTAs, namely China, Japan, India, Korea, Australia and New Zealand which is in the process of being negotiated (Lim, 2017).

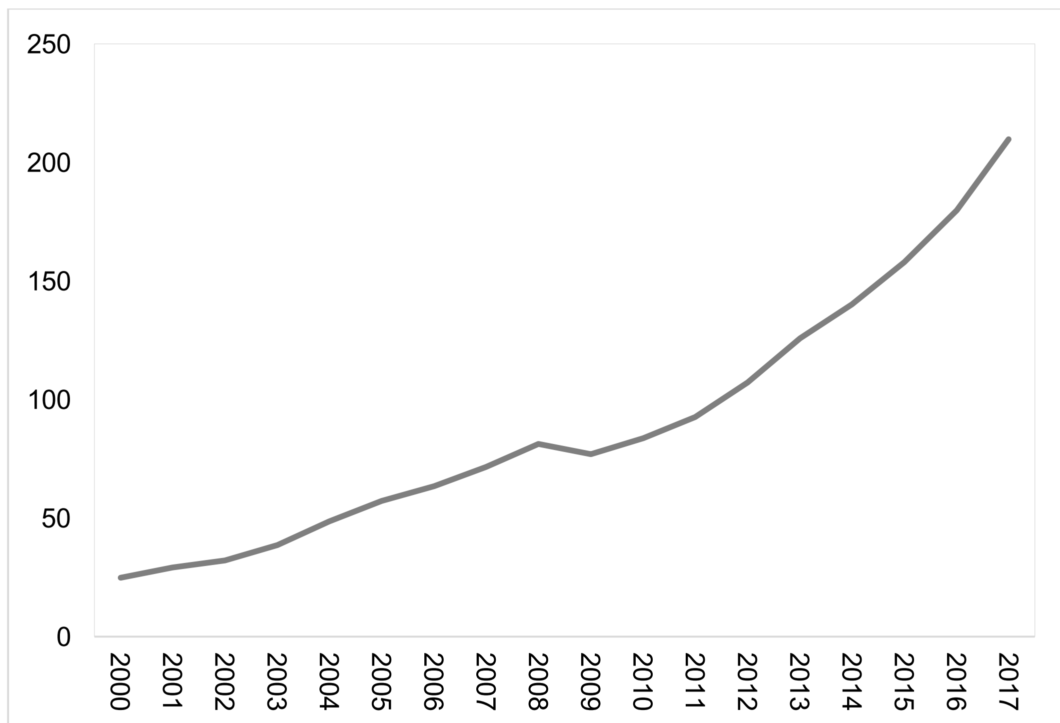
Table 6.1 Vietnam: Selected trade agreements, 2007 onwards

	Implementation begins	Agreed tariff cuts	Timing
WTO	2007	35.5	12 years
ASEAN-China	2007	90.0	10 years
ASEAN-South Korea	2007	87.0	11 years
ASEAN-Japan	2008	88.6	16 years
Vietnam-Japan Economic Partnership Agreement	2009	92.0	16 years
ASEAN-ATIGA	2010	97.0	7 years
ASEAN-Australia and New Zealand	2010	90.0	10 years
ASEAN-India	2010	78.0	11 years
Vietnam-Chile	2014	87.8	15 years
Vietnam-South Korea	2015	89.9	15 years
Vietnam-Eurasian Economic Union	2018	87.8	10 years
European Union-Vietnam FTA (E-V FTA)	2018	99.0	10 years
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Signed 2018	90.0	Unknown
Under negotiation			
RCEP (ASEAN+6)			
Vietnam-Israel			
Vietnam-EFTA			

Sources: Herr et al. (2016), SRV (2015), VCCI (2018) and World Bank (2018f).

Deepened trade integration has been followed by a steep and persistent increase in exports (Figure 6.1), particularly after 2011, which increased almost ten-fold between 2000 and 2017 from US$ 24.8 billion to US$ 209.8 billion.

Figure 6.1 Vietnam: Exports of goods and services, 2000-2017 (US$ billion, constant 2010)



Source: World Bank (2018g).

6.2 Defending the nexus

Yet regardless of these transformations, Vietnam has not simply embraced the market-determined development strategies that these patterns of global integration might imply. Instead, the CPV's commitment to the state sector has involved a number of efforts to defend the state finance-industry-infrastructure nexus after 2001, and according to one of Vietnam's senior negotiators for the US-BTA and WTO, Vietnamese trade delegates 'always received orders from the country's leadership to minimize the commitments that can potentially negatively affect SOEs, even at the cost of having to compromise in other areas' (quoted in Vu-Thanh, 2017, pp. 99–100). Indeed, during this second period, the state sector has remained central to the CPV's conceptualisation of socialism:

> The remaining element of the earlier definition of socialism is the government's determination to maintain state enterprise domination of the economy's commanding heights. The rationale for this determination is very clear: the Communist Party wishes to retain its ability to influence the long-term structural changes [in the economy] … it is similar to the ''nation-building'' project of East Asian capitalist states. The state is viewed as representing the long-term interests of the whole nation, rather than short-term or particular interests, and goals are expressed in abstract terms such as ''industrialisation'' and ''modernisation.'' This objective implies that the government will continue to provide support for state enterprises (SEs) as a central plank of the ''socialist market economy'' (Beresford, 2008, p.226).

Demonstrating this commitment, the five-year state enterprise reform plan adopted in March 2001 outlined plans to equitise around 1,800 enterprises but also indicated sectors remaining either solely state monopolies or where state enterprises would continue to dominate (Table 6.2). The 2013 revised constitution likewise stressed that 'the state economy plays the dominant role' (CPV, 2013). To assist the state finance-industry-infrastructure weather increasingly complex challenges emerging in this period, the CPV adopted a multi-faceted approach.

Table 6.2 Vietnam: Sectors for state ownership, 2001

Industry, trade and services	Infrastructure
State monopolies	**State monopolies**
Explosive materials	National power transmission grid
Toxic chemicals	International and national communications infrastructure
Radioactive materials	Flight control
Cigarettes	Maritime control
Printing of money and value papers	Radio frequency management and distribution
Military hardware and weaponry for national defense	
Enterprises entrusted with special national defense tasks	
Enterprises operating in strategic locations, combining	
Full or controlling state ownership	**Full or controlling state ownership**
Food and wholesale trading	Power generation
Petrol and oil wholesale trading	Construction industries
Mining of important minerals	Air transport
Production of (some) mechanical and electronic products	Railways
Information technology products	Ocean shipping
Ferrous and non-ferrous metal production	Monetary trading
Basic chemicals	Insurance
Fertilisers	Lottery
Plant production products	Basic communications
Cement	Technical inspection of large transport vehicles
Important consumer goods and foodstuffs production	Management of watershed irrigation system
Pharmaceutical chemicals and medicines	Water drainage in large cities
Publication of academic books	Road management and maintenance
Political papers and books	Bus and coach stations
Current event and documentary films	Important waterways
Planting and protection of watershed forests	Management and maintenance of the national railways
Production of supplies of other products and services as	and airports

Source: IMF (2002c).[189]

6.2.1 Defending the nexus from pressures through trade integration

In the run-up to Vietnam's WTO accession, the CPV made sizeable investments in strategic sectors, including in textile and garments to develop upstream activities and locally-produced textiles. Decision 55/2001/QG-TTg in April 2001 ('Decision 55'), laid out plans to expand exports, upgrade production, and create 4 million jobs by 2010 (Thang, 2005). Vinatex was granted a central implementing role, and was allocated preferential access to capital and other support to develop its spinning, weaving and dyeing capacities (Fujita, 2017b). Decision 55 included approximately US$ 2.2 billion in support for the sector between 2001-2005, with major investments scheduled for cotton cultivation, supporting infrastructure for the sector, as well as preferential credit for priority textile and garment projects (Martin, 2007). In other sectors, exemptions and special provisions were sought during trade negotiations. The CPV managed to secure a longer phase-in period for FDI liberalisation under the US-Vietnam BTA in areas of telecoms such as cable communications where the army had heavily invested (Manyin,

[189] As outlined in Government Resolution 05-NQ-TW on the Continuation of the Restructuring, Reforming, Developing and Improving the Efficiency of State-Owned Enterprises (issued September 24, 2001) (IMF, 2002c).

2001).[190] Lagging implementation was another strategy, as overall implementation of the US-Vietnam BTA was slow and by 2006 telecoms liberalisation fell behind schedule (Toulmin and Smith, 2006). In WTO implementation, the CPV has also been said to have adopted an approach which involved 'changing many "appearances" of the economic system but retaining the basic elements of a centrally controlled system that ensured political dominance over all major areas of the economy' (Pham, 2013, pp.1, 3).

This is evident in the foreign investment climate, which has remained selectively liberal. The 2005 Law on Investment legislation, introduced ahead of the WTO accession, retained a number of prohibitions or conditions (namely, screening) (Table 6.3). Thus, of its investment climate during the WTO accession period it was said: 'Viet Nam still does not have a liberal FDI entry regime when compared with other developing countries' (UNCTAD, 2007, p.32). Restrictions remained in areas where the state finance-industry-infrastructure nexus was prevalent, such as: telecoms; banking and finance; import, export and distribution; river and sea ports; education; media; air terminals and seaports; goods and passenger transport; and real estate (UNCTAD, 2007). In contrast, in manufacturing, where the CPV was keen to attract FDI, there were no entry restrictions. Whilst most services were to be liberalised within 3-5 years after accession (such as business services, financial services, and construction and engineering), Vietnam managed to negotiate only partial liberalisation in telecoms, distribution (via an economic needs test on foreign retail outlets after the first outlet is opened), and transport (especially container handling, road services, freight and areas of air transport) (UNCTAD, 2007). Meanwhile the certification and screening process for FDI was said to involve 'judging whether a proposed investment is in Viet Nam's interest, even if it falls within the parameters of sector, size and permitted level of foreign ownership. In this respect, Viet Nam's certification regime remains influenced by a planned economy approach rather than reflecting common practice in market economies' (UNCTAD, 2007, p.36).

[190] For a discussion of the evolving role of the army in productive economic activities see Thayer (2015a).

Table 6.3 Vietnam: Sectoral investment restrictions according to the Law on Investment, 2005

Prohibited for all investors	Conditional for all investors	Conditional for foreign investors only
Projects detrimental to national defence, security and public interest	Sectors impacting national defence, security and social order	Production, publishing and distribution of cultural products
Projects detrimental to historical and cultural traditions and ethics	Banking and finance	Radio and television broadcasting
Projects for treatment of important toxic wast	Sectors impacting public health	Mining and processing of minerals
Other projects banned by law	Culture, information, press and publishing	Telecommunications and internet services
Projects detrimental to people's health or that destroy natural resources or the environment	Entertainment services	Public postal networks, postal and delivery services
	Real estate	Construction and operation of ports and airports
	Mining and exploitation of natural resource	Transport of goods and passengers
	Education and training	Fishing
	Other sectors in accordance with law	Production of tobacco
		Real estate
		Import, export and distribution
		Education and training
		Hospitals and clinics
		Other sectors as per international treaties

Source: UNCTAD (2007).

The final and most decisive approach taken by the CPV to limiting the impacts of deepened trade integration on the developmental nexus were measures to restructure and bolster state enterprises (Vu-Thanh, 2017). Chief amongst these was the 2005 restructuring of state enterprises into State Economic Groups (SEGs), designed to both drive domestic innovation and secure international competitiveness (ABD, 2015), and which had been discussed at least as far back as 1999 (IMF, 1999b). Tran Ngoc Phuong, then Standing Vice Chairman, Ho Chi Minh City's Enterprise Reform and Management Board, summarised the CPV's goals for the state sector during 2001-2005, explicitly in light of the country's looming WTO accession, noting the Party sought to '[r]eform and enhance efficiency of State General Corporations, and develop a number of strong economic Groups', the objective of which was ultimately:

> [To] pool resources to manipulate core sectors of the economy, become the dominant force in ensuring macro-economic balance and stability, provide key products for the national economy and exports, make major contributions to the state budget, serve as the engine for economic growth, and proactively embark upon international economic integration (Phuong, 2003, p.3).

According to one official interviewed during fieldwork these efforts were designed to 'create globally competitive companies' within the state sector (VG-3). The SEGs embodied a new kind of structure, comprising 100 per cent state-owned holding companies (Beresford, 2008) that were to be profit-oriented, invest in their subsidiaries, and collect a share of profits in the form of dividends (Fujita, 2017b). The ultimate goal was to create 'holding companies with the general corporation [or SEG] pouring capital into its subsidiaries which are either sole-proprietor limited liability or joint-stock

companies of which the State holds [the] controlling stake' (Phuong, 2003, p.3). These holding companies were also designed to be able to incorporate private and foreign capital participation in constituent enterprises. As Tu-Anh Vu-Thanh (2017, p.94) notes, the Central Executive Committee Special Resolution 08-NQ-TW (5 February 2007) on major undertakings after WTO membership stated that plans to transform state enterprises would need to involve 'reorganization, innovation, and enhancement of efficiency and competitiveness of large enterprises in important sectors in order to effectively perform the role as the main force in international economic integration, and of commercial banks and state financial institutions in order to maintain the leading role of the domestic financial and monetary markets.' The CPV's SEG strategy was reportedly influenced by Singapore's state sector policies (World Bank, 2005b).

In practice, by 2011 a total of 13 SEGs had been formed across finance (insurance), industry (textile and garments, shipbuilding, rubber, petroleum, oil and gas, chemicals, natural resource extraction) and infrastructure (electricity, two in telecoms, construction and housing) (Table 6.4).[191] Some major state enterprises remained in either GC-91 or GC-90s structures such as in coffee, air transport, tobacco, railway, steel and paper and food (Smith et al., 2014). Both looming WTO accession and concern about the performance of the state sector in the early 2000s informed the restructuring, with state enterprise industrial production, job creation and budget contributions all seen to be in decline (Abonyi, 2013; Fujita, 2017a; Vu-Thanh, 2017). According to Tu-Anh Vu-Thanh (2017, p.95), a former senior advisor to Prime Minister Phan Van Khai noted that: '[the] establishment of large state economic groups was a reaction to the WTO. The state decided to take advantage of the situation to transform big state corporations into 'the iron fists of the state', especially given the fact that the domestic private sector is still quite weak, and therefore cannot compete with powerful multinational corporations'.

[191] By 2014 three had been converted back into GCs due to poor performance, as Table 6.4 indicates (Fujita, 2017b).

Table 6.4 Vietnam: State Economic Groups

Name (and previous name or acronym)	Founded	Sector	SEG status eventually terminated
Vietnam Insurance Group (formerly Bao Viet General Corporation)	2005	Insurance	
Vietnam National Textile and Garment Group (formerly Vinatex)	2005	Textile and garments	
Vietnam National Coal-Minerals Industries Group (formerly Vinacomin)	2005	Natural resource extraction	
Vietnam Post and Telecommunications Group (formerly VNPT)	2006	Telecoms	
Vietnam Shipbuilding Industry Group (formerly Vinashin)	2006	Shipbuilding	Yes
Vietnam Electricity Group (EVN)	2006	Electricity	
Vietnam Oil and Gas Group (PVN)	2006	Oil and gas	
Vietnam Rubber Group (VRG)	2006	Rubber	
Viettel Telecommunications Group (Viettel)	2009	Telecoms	
Vietnam Chemical Group (Vinachem)	2009	Chemicals	
Vietnam Industry Construction Group (VNIC)	2010	Construction	Yes
Housing and Urban Development Group (HUD)	2010	Housing	Yes
Vietnam National Petroleum Group	2011	Petroleum	

Adapted from Tu-Anh Vu-Thanh (2017).

One of the most important shifts occurring with the formation of SEGs was sanctioned diversification away from core business activities, which has seen them described as 'nationalised' versions of Korea's *chaebols* or Japan's *zaibatsu* or *keiretsu* structures.[192] Yet, importantly, Vietnam's economic groups both operate in considerably more sectors and with considerably more subsidiaries than those in Korea, or those in Thailand, China or Indonesia (OECD, 2013, p.14).[193] As Tu-Anh Vu-Thanh (2017) argues, in a post-WTO environment in which the direct provision of cheap credit to SOEs now much more challenging, diversification into finance enabled SEGs to continue to easily access funds.[194] This prompted the emergence of what have been called 'unaccountable funding channels' (Hayton, 2010, p.17). For example, after support for the textile and garment sector under 'Decision 55' was removed in 2006, the new Vietnam National Textile and Garment Group announced plans in mid-2007 to form a joint-stock commercial bank, the Industrial Development Bank, to provide financial services to the textile and garment sector, with a proposed US$ 63 million initial capital from several partners, including Vietnam Steel Corporation, Hanoi Beer-Alcohol and Beverage Corporation and the Vietnam International Bank (Martin, 2007).

---

[192] For instance, it has been said that because of intensified international competition within Vietnam and the CPV's desire to create internationally competitive companies, through the SEG reforms it 'wanted to replicate … Japan's Keiretsus and Korea's Chaebols' (ADB, 2014, p.10). They have also been called 'communist versions of the *chaebol*' (Jeffries, 2011, p.180).

[193] In Thailand, China, Indonesia and Korea comparable groups operate in much fewer industries 3.5, 2.3, 2.1 and 1.7 two-digit industries, respectively, whilst in Vietnam this is 6.4 two-digit industries. In terms of subsidiaries, their numbers are twice as high as those in China, and 'much higher in comparison with Korean *chaebol* in their most prosperous period' (OECD, 2013, p.14).

[194] On the specifics of the financial arrangements which have followed these efforts: '[T]he move to highly diversified business groups, which include banking and finance, has created new forms of directed credit and cross-subsidies among the SOEs. Through a complex nexus of pyramidal and cross ownership structures, these subsidies, which are in principle prohibited by the WTO, have been transformed into internal transactions, and are therefore very difficult to detect and/or sanction' (Vu-Thanh, 2017, p.87).

In the context of reduced subsidies, equitisation proceeds also appear to have been targeted as a source of additional funds to help SEGs to mobilise their own capital. For instance, Vinatex noted it would seek to mobilise capital from foreign and local investors in the wake of the country's WTO accession (Martins, 2009). At around this time the so-called insider equitisations that had hitherto dominated in Vietnam shifted toward increased foreign participation. By the end of 2005, 46 per cent of the capital in equitised enterprises was held by the state, 38 per cent by employees, and 15 per cent by so-called 'outside shareholders' (World Bank, 2005b), but by the end of 2006, the state's share had stayed the same, that of employees had fallen to 30 per cent and that of outsiders increased to 24 per cent (World Bank, 2006b). This coincided both with the increased attractiveness of putting enterprises on the domestic stock exchange as the WTO accession loomed, and the government began to encourage the sale of equitised shares to so-called 'external strategic investors' who could inject long-term capital for investment, as well as managerial capacity (Fujita, 2017b). Indicative of similar trends, Gainsborough (2003b) noted of the early 2000s (in the context of small state enterprises), a hardened budget constraint for non-strategic enterprises at this time made the prospects of equitisation more appealing to enterprise managers, since it allowed them to access other sources of investment and capital.

By the end of 2016, around 4,500 had been equitised (Truong and Weisblatt, 2017), although the country's large state enterprises remained mostly outside of this divestment drive effort (Fujita, 2017a). By 2015 652 enterprises were wholly-owned by the state (Hiep, 2017), and as of the end of 2016, 2,835 enterprises in which the state owned more than 50 per cent of charter capital (GSO, 2017). After 2011, the pace of divestment slowed down (Table 6.5), however, for reasons related to poor stock exchange performance in the wake of the global financial crisis and political and administrative challenges related to the remaining larger scale state enterprises (Hiep, 2017). Furthermore, whilst state enterprises were transformed into joint-stock companies following equitisation, the state typically held a large share of the remaining ownership (Truong and Weisblatt, 2017, p.1) and the larger the enterprises, the larger the share typically under state control (Fujita, 2017a).

Table 6.5 Vietnam: Equitised enterprises, 1992-2015

Date	Number of SOEs equitised
1992 to mid-1996	5
Mid-1996 to mid-1998	25
Mid-1998-2011	3,946
2011-2015	508
Total	**4,484**

Source: Adapted from Hiep (2017).

The WTO accession also required the CPV to reconstruct the financial arm of the nexus. The DAF which had come into effect in 2000 had allowed the CPV to continue to direct credit on preferential terms to priority projects including 'state credit' to state enterprises (IMF, 2006d). The WTO accession forced Vietnam to end grants to exporters and subsidised credit to priority sectors such as textiles and garments provided through DAF (World Bank, 2006b).[195] In response, the CPV replaced the DAF with a new, WTO-compatible institution, the Vietnam Development Bank (VDB) in 2006 (World Bank, 2006b), but which also retained an explicitly policy-oriented mandate. This includes the requirement to '[mobilise] and receive funds from domestic and foreign institutions to implement investment credit and export credit policies of the Government' (VDB, 2014, p.32). This includes facilitating strategic infrastructure development, such as social and economic infrastructure, agriculture, industries, education, health, environmental protection and renewable energy, as well as supporting strategic, important industries with their export-related activities (SRV, 2013, p.2). In addition, it is tasked with guaranteeing loans from commercial banks,[196] and providing loans for companies struggling to pay salaries and social insurance for unemployed workers in times of economic difficulties, as well as infrastructure-related resettlements, factory-building, and flood-prevention (VDB, 2014, p.32).

As of 2018, the VDB's charter capital is US$ 227 million (Campanaro and Dang, 2018). Between 2006-2016 it mobilised a total of US$ 22.5 billion, with a significant role for 'providing financing to infrastructure projects under the execution and management of SOEs and local provinces' (ESCAP, 2017, p.22). This included lending around US$ 9 billion for electricity production and distribution alone between 2006-2016, as well as US$ 600 million for the Hanoi-Hai Phong Expressway (ESCAP, 2017). In 2009, most

[195] Although in reality these are sometimes equivalent, given state dominance in certain sectors, meaning sectoral industrial policy often targets state enterprises indirectly (Vu-Thanh, 2017).

[196] In accordance with the Prime Minister's Decision 14/QD0TTG (21 January 2009).

VDB financing went into preferential loans for state enterprises, which accounted for between 75-80 per cent of its assets, and the total of loans from VDB to Vietnam's state enterprises indirectly guaranteed by the government was estimated to amount to between US$ 6.5-7.5 billion (OECD, 2013). In 2011, preferential loans to state enterprises were reported to make up between 75-80 per cent of outstanding VDB loans (Binh and Quang, 2015).

As well as changing the landscape of policy lending, deeper trade integration also altered the environment for commercial banking. Whilst the CPV had been reticent to open the financial sector to foreign competition, trade agreements were also more decisive in opening the sector up than the persistent pressure applied by the IFIs in this area since the 1990s (Weeks, Thang, et al., 2004). Following the US-Vietnam BTA, the CPV committed to allow majority US ownership banks by 2005, grant national treatment in the case of state-owned bank privatisation, and phase in national treatment of deposit-taking activities after eight years (Weeks, Thang, et al., 2004). After WTO accession, the CPV was finally compelled to open the financial sector to foreign banks wishing to establish 100 per cent foreign-owned subsidiaries, and to permit foreign investment in domestic banks (Ogimoto, 2013). Yet foreign banks far from dominate despite these changes. Domestically-owned banks have remained highly significant within Vietnamese financial system (Ogimoto, 2013). The first wholly foreign-owned bank in Vietnam was opened in 2009, yet by the end of 2011, the share of foreign banks in commercial banking assets was 10 per cent, compared with much more considerable ownership by the state (World Bank, 2014b). Five state-owned commercial banks at this time accounted for nearly 40 per cent of assets and 48 per cent of deposits, yet with the state, state enterprises and state-owned commercial banks major shareholders in the country's 34 joint-stock banks at this time, the scale of state ownership of total assets was expected to have been considerably higher (World Bank, 2014b). Furthermore, these figures don't include the two state-owned policy banks, VDB and the smaller Vietnam Bank for Social Policies (VBSP). The result has been that state-owned and joint-stock banks (in which state entities are strong shareholders) are a dominant force (Table 6.6).

Table 6.6 Vietnam: Banking sector: by share of credit, chartered capital and assets (various years)

Category of bank	Credit share (2012)	Chartered capital share (2013)	Asset share (2013)
State-owned commercial banks	51.8	31.0	44.0
Joint-stock commercial banks	34.8	44.0	42.0
Joint venture bank, foreign banks, and foreign bank branches	8.5	20.0	11.0
Other	4.9	5.0	3.0

Sources: ADB (2015b) and Tran et al. (2015).

Despite equitisation efforts within the state-owned commercial banking sector after 2011, the state retains a majority share in four commercial banks; the Vietnam Bank for Agriculture and Rural Development (Agribank), [197] Vietinbank, BIDV, and Vietcombank (USTA, 2018). One of the chief functions of Vietinbank is to lend to state enterprises at commercial rates (Tran et al., 2015). In 2016, 24.9 per cent of Vietinbank's outstanding loans were to state enterprises (Vietinbank, 2017), reflecting a reduced but still sizeable role in lending to state enterprises, and as of 2015, its cumulative lending to state enterprises amounted to US$ 6.8 billion (ESCAP, 2017). Vietcombank, meanwhile, contributed not only credit but also equity to state enterprises, such as 5 per cent of charter capital to the Vietnam Infrastructure Development and Finance Investment Joint Stock Company for a major highways project (ESCAP, 2017). Finally, in addition to commercial and policy banks, Vietnam's state enterprises can also access financing through the State Capital Investment Corporation (SCIC), the country's sovereign wealth fund (OECD, 2013), which was formed in 2005 with a mandate to direct funds toward socio-economic projects in line with industrial policies, boost economic diversification and build strong national champions (Nguyen et al., 2012).

Cumulatively, such defensive measures forcefully show that despite the arguments advanced that Vietnam's WTO accession embodied a consensus around economic liberalisation (Manyin and Cooper, 2006, p.3), the CPV instead sought to counteract deepened trade and investment integration with sizeable efforts to bolster and adjust the developmental nexus to avoid the most damaging possible effects.

[197] Formerly known as VBARD.

6.2.2 Resisting reform pressure and leveraging ODA to support the nexus

In addition to pressures from deepened trade integration, the CPV also faced increased pressure from the IMF to dismantle the state finance-industry-infrastructure nexus in the early 2000s. In 2001, Vietnam agreed its first structural adjustment credit since 1994, after volunteering[198] to produce an I-PRSP, which led to a Poverty Reduction Support Credit- Poverty Reduction and Growth Facility (PRSC-PRGF) programme from the World Bank and IMF (IMF, 2002b; World Bank, 2012). This allowed Vietnam to access additional concessional financing[199] in the context of stagnating FDI inflows and eagerness to access increased foreign capital to fuel its rapid growth path (Nørlund et al., 2003). The full PRSP, finalised in 2002, was distinctive when compared to standard packages in several respects. First, titled the Comprehensive Poverty Reduction and Growth Strategy (CPRGS),[200] it emphasised growth as an engine for poverty reduction and advanced a transformational, growth-oriented agenda (Conway, 2004; Ohno and Ohno, 2005). Second, indicative of strong ownership, it was said to have been 'produced on the government's own schedule, written by Vietnamese in the Vietnamese language, and only later translated into English for donor input' (Ohno and Ohno, 2005, pp.44–45).[201] Reflecting this, the IMF (2003a, p.44) noted that the PRSC-PRGF package had 'several atypical features, including initially retaining a relatively large share of the public sector in the economy and a plan to restructure, rather than immediately privatize, large SOEs'.[202]

Third, its priorities also reflected those of the wider five and ten year strategy documents (World Bank, 2012). The Public Investment Plan (PIP) in the CPRGS allocated between 44.0 and 41.4 per cent of resources between 2001-2005 to industry and construction (depending on the level of resources mobilised, the share going to industry fell only if extra resources were allocated, indicating it was the overwhelming priority). Just 2.0 to 2.9 per cent of planned public investment, in contrast, was allocated to health and social affairs, and 3.7 to 4.3 per cent to education and training (IEO, 2004, p.26). Overall the PIP was dominated by '[large] infrastructure projects, prestige projects in productive

---

[198] This was voluntary because Vietnam was not part of the HIPC process (Nørlund et al., 2003).

[199] This included IDA soft loans as well as specific multilateral funding connected to the MDGs (Nørlund et al., 2003).

[200] This name was said to reflect the 'Vietnamese "obsession" with growth' (Masina, 2006, p.99), and the Vietnamese version of the strategy places "growth" before "poverty reduction" (World Bank, 2012).

[201] The process of preparing the document was led by MPI with approval from the Prime Minister (World Bank, 2012).

[202] Other features of the process were highly atypical, such as the decision by the BWIs to approve the first PRGF-PRSC tranches before the full PRSP was agreed (Conway, 2004, p.16).

and social sectors, and investment in state-owned enterprises' (Pincus and Thang, 2004, p.44). This suggests Vietnam's access to concessional financing through the PRSP process was used to bolster state industry and infrastructure, since key PIP projects related directly to; electricity, fertiliser, cement, oil refining, roads and steel, in either infrastructure or capital-intensive industries (Pincus and Thang, 2004). It has therefore been suggested that the CPRGS was used to reinforce existing programmes and policies, rather than being imposed from the outside according to standard templates (Painter, 2005).[203]

Yet this apparent rapprochement been the IMF and CPV was extremely short-lived. The second tranche of lending under the PRGF was suspended in 2002, and lending was formally discontinued in 2004, after just two-fifths had been disbursed (Painter, 2005; World Bank, 2012, p.22). Disagreements during the second review of the PRGF in June 2002 saw the IMF warn of the need for 'firmer implementation of the structural reform agenda, as well as continued discipline in macroeconomic management' (IMF, 2003a, p.1). By September 2002 deadlock had emerged over new conditions related to reporting of the State Bank of Vietnam,[204] yet the breakdown in lending relations represented more fundamental differences. According to one former World Bank official, Martin Rama (2008, p.35), there was 'growing disagreement on the speed of policy reforms, especially in relation to the privatization of SOEs and SOCBs'. A comparison of privatisation-related conditions in IMF and World Bank concessional lending to twenty developing countries in the mid-2000s found Vietnam to have the highest overall number of conditions related to privatisation, with 9 out of 17 conditions in the second review of the PRGF in 2002 related to state enterprise or state-owned bank reform (Kovach and Lansman, 2006).[205] This suggests Vietnam's state sector was particularly targeted by the IFIs in this period.[206] For state officials historically concerned about the country's relations with the IFIs, this intensified suspicion that the institutions were 'at the service of industrial countries in general, and the United States in particular' (Rama, 2008, p.43).

[203] This marked it out from many PRSPs developed in Africa at this time which were more strongly focused on social policies and poverty targeting (Ohno and Ohno, 2005).
[204] IMF (2003a, p.23) safeguards were considered to violate state secrecy laws.
[205] The other countries were Armenia, Bangladesh, Benin, Bolivia, Burkina Faso, Ethiopia, Georgia, Ghana, Honduras, Madagascar, Mali, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda, Vietnam and Zambia (Kovach and Lansman, 2006).
[206] Indeed, at the same time, the ADB attempted to provide a loan to Vietnam for state enterprise restructuring and 'pushed for expanding the scope and accelerating the pace of equitization-as-privatization—much along the lines of the other IFIs—but this was unacceptable to the government' (Abonyi, 2013, pp.102–103).

The IMF's uncompromising stance (Rama, 2008) prompted the CPV to break relations and forgo concessional financing in order to preserve the nexus. An IMF internal review noted its lack of influence in the country in the mid-2000s could be attributed to Vietnam's absence of macroeconomic problems and a strong rate of growth (IEO, 2004), which archive documents discuss in the following terms:

> For the past couple of years, there was no immediate need for Fund resources. Vietnam's foreign reserves steadily increased between 2001 and 2004 and continuous donor support (apart from the Fund) was acquired throughout this period. Consequently, the staff judged that the incentive to accelerate politically sensitive reforms was low and deplored other donors' (including the World Bank) decision to continue with their assistance programs even when the PRGF-supported program was suspended (IMF, 2005a, p.49).

Notably, the IMF and World Bank adopted almost opposite strategies in Vietnam in the early 2000s, breaking with past harmony. The Bank fully disbursed the two Poverty Reduction Support Credit (PRSC) tranches in 2002 (World Bank, 2012) and decided that Vietnam had made enough headway in other areas, despite the lack of progress in state enterprise and state-owned commercial banking reform, for the Bank to offer continued support under its PRSC programme in mid-2003 (IMF, 2005a, pp.55–56). Between 2002-2003 IDA lending to Vietnam increased from US$ 346.1 million to US$ 669.0 million (OECD-DAC, 2018a) and Vietnam became the second biggest IDA recipient after India (Nørlund et al., 2003).

This was the start of growing accommodation by the Bank toward the CPV, with the former calculating that this would bring it more policy influence. As part of efforts to build trust, from 2003 the Bank began to finally (and retrospectively) accept government statistics on growth, stopped publishing its own (usually lower) estimates, and toned down its dire warnings. In the words of one former Bank official 'bleak scenarios might have worried Vietnamese authorities for some time, but exaggeration is not a solid foundation for credibility' (Rama, 2008, p.43). At this time, the Bank shifted toward a more analytical and technical mode of engagement, deploying a 'vast array of technical advisers employed to develop reports, designs, legislation and policy recommendation [sic]', and organising training for both party cadres and domestic private businesses

(Engel, 2010, p.93). Of great significance, the Bank also made a break with policy in other countries and ‘accepted the government’s gradualist approach in relation to SOE and SOCB reform’ (Rama, 2008, pp.43–44). According to one foreign embassy official ‘the World Bank makes a lot of recommendations for government policy but there is no enforcement [to make] the Vietnamese government follow its recommendations’ (VE-3).

Vietnam’s growing popularity with bilateral and multilateral funders could, according to one IMF official in the mid-2000s, be traced to its strong performance: ‘Vietnam’s success in reforming its economy and reducing poverty has made it a favourite target for bilateral and multilateral assistance. Everybody would like to be associated with this success story’ (Solheim, 2005, p.8). Indicative of the World Bank’s own desire to use Vietnam’s success as evidence of its own effectiveness, during discussions as part of the IDA15 Replenishment process in 2007, the Bank cited data on Vietnam’s marked poverty reduction (from 59 per cent to 20 per cent between 1993 and 2004) and noted: ‘[as] one of the best-performing developing economies in the world, Vietnam has the potential to be one of the great success stories in development. Support from IDA since 1993, which has totaled [sic] US$6 billion, has contributed to the country’s remarkable poverty-fighting effort’ (World Bank, 2007b, p.50). The CPV has adapted to this growing leverage to bolster its own agenda:

> Vietnam is dependent on capital inflows to feed growth, but is not a mendicant before the IFIs. Thus it pays the Government occasionally to be ‘difficult’ and to present a belligerent face. Donors as a result tread more carefully for fear of creating a political backlash from ‘conservative forces’. Rather than impose more radical demands, official pronouncements from most donors seek acceleration of existing directions, and renewed efforts to achieve under-shot targets (Painter, 2005, pp.277–278).

In addition, Vietnam’s aid dependence compared favourably to other LICs in 2001, with ODA amounting to 4.6 per cent of GDP, 9.4 per cent of imports, 14.8 per cent of investment and 17.9 per cent of government expenditure (Ohno and Ohno, 2005).

However, this period was also marked by the growing alignment between ODA and FDI. Foreign investors in the export-oriented sectors were generating pressure on the Vietnamese government to increase investments in infrastructure, and worked in concert with multilateral and bilateral donors. For instance, Nike's outsourced activities in Vietnam employed 200,000 workers and produced 94 million pairs of shoes in 2010, at a time when the firm began 'lobbying the government to invest in infrastructure in order to strengthen its supply chain' (Cowen, 2014, p.60). At the firm's suggestion, the World Bank put together a large logistics financing plan in Vietnam and worked with USAID and shipping giants Maersk and American President Lines to facilitate government study missions on PPPs in ports and logistics infrastructure around Ho Chi Minh City. Between 2007-2013, Vietnam's cargo-carrying capacity increased more than four-fold (Cowen, 2014, p.61). Notably, however, the PPP modality of infrastructure investment has reportedly struggled to take off in Vietnam, despite World Bank eagerness, due to the reluctance of the CPV to adopt an open tendering process (VG-10).

The links between ODA and FDI were particularly marked in Vietnam's relations with Japan. Vietnam's centrality to Japan's ODA strategy is demonstrated by the fact that after 2001 the Japanese aid budget was cut 10 per cent due to domestic economic problems, but levels of ODA to Vietnam increased year-on-year during the early 2000s (Luong, 2009). Japan had at first refused to join the multi-donor CPRGF programme due to the more limited emphasis on infrastructure[207] but joined in 2003 after a new chapter exclusively focused on economic infrastructure was added (Nørlund et al., 2003). As a result, Japan's support under the PRSC-3 in 2004 was US$ 837 million, more than either the World Bank (US$ 750 million) and EU (US$ 625 million) (Hatakeyama, 2008). However, policy disagreements with the CPV over Vietnam's development strategy were also increasing at this time (see Chapter 5). Vietnam was criticised for its 'state-led' approach involving a 'forced localization policy' in which the state sought to use 'reward and penalty to speed up local supply'. The approach advocated by the Japanese side was in contrast 'FDI-led' and aimed to 'encourage natural and demand-led localization (don't force it)' (GRIPS, 2003b) (see Table 5.14).

[207] This fitted with the overall Japanese approach to Vietnam which was focused on roads, ports, bridges, investment and SME promotion, and industrial plan support (Natsuda, 2009, p.115).

This dispute intensified in the early 2000s, as the CPV tightened local content policies in the motorcycle sector (Ngo, 2017a). A quantitative limit on imported motorcycle components was abruptly introduced in 2002, which caused two Japanese investors, Honda (which had formed a joint venture, known as Honda Vietnam, or HVN) and Yamaha Vietnam, to briefly suspend production (Fujita, 2013b). These measures 'not only offended one of the oldest segments of the foreign investor community but also one of the country's main sources of Overseas Development Aid' (Abrami, 2003, p.93). Such was the impact of this incident on Japan-Vietnam relations that the former threatened to withdraw support for Vietnam's efforts to join the WTO (Abrami, 2003). However, in tandem, there was also growing interest amongst Japanese investors in relocating to Vietnam thanks to an emergent 'China-plus-one' strategy (Siew-Yean, 2003), motivated by increased wages and other costs, as well as rising political tensions between Japan and China (Watanabe, 2005; Wehrfritz, 2005). Vietnam's large market and relatively skilled but low-cost labour, made it a high priority alternative investment destination but 'the creation of a favored business environment in Vietnam was deemed both necessary and beneficial for Japanese MNCs in the region' (Natsuda, 2009, p.113).

As a result Japan demanded major transformations to Vietnam's business environment, designed to better serve the interests of Japanese investors, which the CPV initially considered 'an unacceptable form of intervention by Japan' (Hatakeyama, 2008, p.354). However, given the strength of the joint forces of Japanese capital and aid, a Vietnam-Japan Joint Initiative was put together in 2003 which 'reflected the interests of the Japanese business sector involved in negotiating the agreement' (Hatakeyama, 2008, p.360). The extensive and expansive 44 item list (with 125 sub-items) of improvements to the Vietnamese investment climate included: tax incentives for FDI; the inclusion of materials produced in export-processing zones to be included in local content targets set by the government; simplification of regulations for firms in EPZs and industrial zones (IZs) to sell domestically; a dramatic reduction in export requirements; a roadmap for the total elimination of local content requirements; reduced personal income tax for high-earners; foreign investor involvement in industrial policy-making; the liberalisation of retail and distribution sectors; and the liberalisation of rules relating to the need for import-export balance (MOFA, 2003).

The impacts of this pressure were marked. By the end of 2003, Vietnam had dismantled its local content rules,[208] and by November 2007, the Japanese Embassy in Vietnam reported that some 93 per cent of the items in the Joint Initiative had been completed (Natsuda, 2009). Japanese FDI more than doubled between 2003-2005, from US$ 300 million to US$ 810 million (Hatakeyama, 2008). Whilst preparation for Vietnam's eventual WTO accession also contributed to Vietnam's changing investment climate (Fujita, 2013b), the joint power of Japanese aid and capital was such that since foreign investors, international agencies and manufacturing associations have been described as especially 'adept in organizing efforts to put pressure on the Vietnamese state. Their prowess limits the policy space from which Vietnam operates, complicating efforts to help domestic firms exploit the learning opportunities brought in by the TNCs' (Lim, 2017, p.2). Indeed, as Ngo (2017a) notes, Vietnam's policies toward technology transfer were derailed by coordinated pressure from the Japanese embassy, JICA and the Japanese manufacturing association during the early 2000s which pushed for tighter intellectual property rules, cementing Japanese TNC dominance over core technologies.

6.2.3 Macroeconomic policy and the enduring role of public investment

Aside from Vietnam's growing difficulties managing the alignment between FDI and ODA, state investment in the economy remained an important bedrock of Vietnamese developmentalism in the second period (Figure 6.2), with the state's share of total investment reaching highs of 59.8 per cent in 2001, dropping to around 40 per cent after 2009. According to (high-end) estimates of public investment as a share of GDP in the early-mid 2000s, this averaged just over 20 per cent of GDP (Table 6.7).[209] Just under a third of the overall state budget was accounted for by capital investment, rising from 28.4 per cent in 2006-2010 to 29.1 per cent between 2011-2015 (World Bank, 2017b). Continuing the high rates of public investment in infrastructure seen in the first period of developmentalism between 1995-2007 public investment in infrastructure (encompassing electricity and gas, water supply, transport and communications) amounted to an annual average of 10.0 per cent of GDP, higher than the 9.5 per cent in Taiwan during 1970-1990, 8.7 per cent in South Korea between 1960-1990, and 8.0 per cent in China between 2003-2004 (Thanh and Dapice, 2009). Infrastructure (electricity,

[208] The local content ratio of HVN's motorcycles did increase at this time from 52 per cent in 2001 to 83 per cent in 2004, primarily by incorporating Vietnamese, as well as Taiwanese and Korean suppliers into its final products (Fujita, 2013b).

[209] For a discussion of what is included in high and low end public investment data, see Chapter 5, footnote 160.

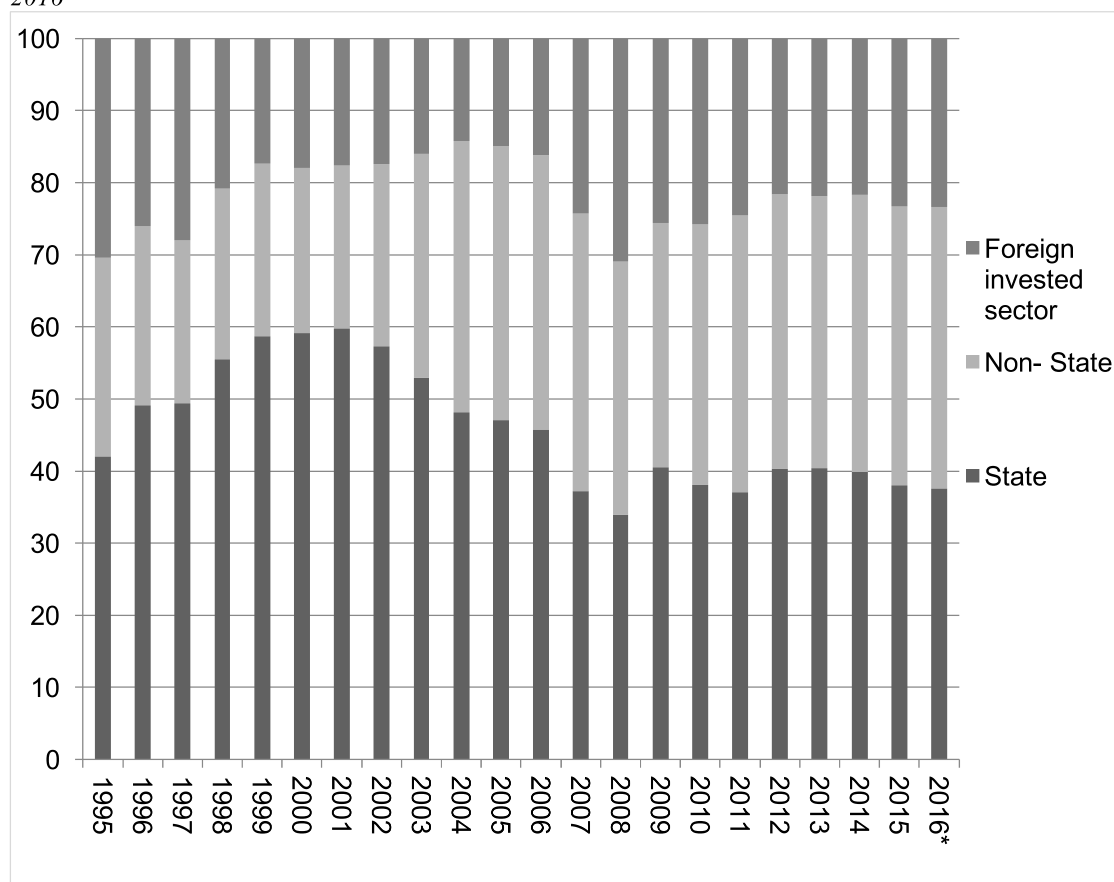
gas, water, roads and communications) was 42.8 per cent of state investment in 2015, and manufacturing investment dipped to 7.0 per cent (Table 6.9).

Table 6.7 Vietnam: Investment levels, 2001-2006

	2001	2002	2003	2004	2005	2006
	In per cent of total investment					
Total investment	100.0	100.0	100.0	100.0	100.0	100.0
Public	59.8	56.3	54.0	53.6	52.2	50.1
Private domestic	22.6	26.2	29.7	30.9	32.1	33.6
FDI	17.6	17.5	16.3	15.5	15.7	16.3
	In per cent of GDP					
Total investment	35.4	37.2	37.8	38.4	40.0	40.0
Public	21.2	20.9	20.4	20.6	20.9	20.0
Private domestic	8.0	9.7	11.2	11.9	12.8	13.4
FDI	6.2	6.5	6.2	6.0	6.3	6.5

Source: IMF (2007b).

Figure 6.2 Vietnam: State, non-state and foreign invested sectors by share of total investment, 1995-2016



* Data is preliminary
Source: GSO (2018).

The Vietnamese bond market was formed in 2000, and provides resources to support state investment. Government and government-backed bonds dominate and were equivalent to 20.1 per cent of GDP in 2015, compared with 3.4 per cent for corporate bonds and 0.7 per cent for municipal bonds (Nguyen, 2017). Government bonds are

issued by the Treasury, and government-backed bonds by the VDB, VBSP and state enterprises such as the Vietnam Expressway Corporation. Government bonds provide funds for capital expenditure and help to finance the fiscal deficit, with over 98 per cent of public debt channelled into public infrastructure (Nguyen, 2017). However, Vietnam's decentralised capital spending is now amongst the highest in the developing world. Between 2003-2008 most government bond proceeds were channelled to centrally-led transport and irrigation investments, however, during 2009-2014 most went to locally-determined projects such as small hydro-electric works, social programs, water systems and rural roads (World Bank, 2017b). Until 2016, 78 per cent of bond investors were in the commercial banking system (World Bank, 2018g). Furthermore, the country's second sovereign bond, worth US$ 1 billion and issued in January 2010, was channelled into state-owned oil refinery projects (US$ 700 million), the state-owned shipbuilding corporation, Vinashin and other projects (US$ 300 million) (IMF, 2010c).

Vietnam also faced the external shock of the global financial crisis in 2008, which proved a major macroeconomic test (Rama and Viet Tuan Dinh, 2009), especially given that the crisis occurred just after Vietnam was hit by the end of an asset price bubble resulting from extraordinary inflows of FDI in response to its WTO accession (IMF, 2010c). Echoing its heterodox approach to navigating the regional crisis, the CPV deployed unorthodox macroeconomic policy tools which supported Vietnam to weather the crisis better than many of its neighbours (Abbott and Tarp, 2012), and in 2009 was amongst the fastest growing in the world (Rama and Viet Tuan Dinh, 2009). For one thing, Vietnam retains capital account management capacities due to the restricted convertibility of the Dong and small portfolio inflows, which limited the outflow of capital when the external account balance weakened (Weeks, 2015). A sizeable fiscal stimulus package, worth 5 per cent of GDP, was put together in 2008 and 2009 and encompassed: support for SMEs (through corporate income tax reductions and deferrals and interest rate subsidies); a stimulus to private consumption (value-added and personal income tax reductions and deferrals); accelerated public investment (frontloading multi-year projects in rural irrigation, infrastructure and student and teacher housing, and new off-budget projects in transport, education and health);[210] and strengthening the social

[210] Off-budget spending is typically how state enterprises are supported.

safety net (financial transfers for low-income earners, students, food support payment and aid for loss-making enterprises) (IMF, 2010c).

An interest rate subsidy worth 4 per cent was applied to a large number of sectors (Dinh et al., 2013). It was largely implemented through the state-owned commercial banking system, which disbursed around two-thirds of the total subsidised loans (IMF, 2010c). The 2009 stimulus package also included a campaign to encourage Vietnamese citizens to use locally produced products, aiding many state enterprises, and introduced a programme in 2010-2011 to curb inflation involving expenditure to stabilise prices at retail state enterprises, increasing the state's share in domestic retail sales (CIEM, 2013). Credit guarantees to SMEs were also provided through the VDB (IMF, 2010c). Between 2008-2009 public investment increased from 9.2 per cent of GDP to 13.6 per cent (IMF, 2012b). Capital expenditure in particular increased in 2009, and the budget deficit increased to 9 per cent of GDP (up from 2.9 per cent in 2006) (Abbott and Tarp, 2012). This 'sound, countercyclical fiscal policy' (Weeks, 2015, p.35) helped to ensure growth, poverty reduction and employment were sustained, despite falling exports and FDI, which were prioritised over rising inflation, budget deficits and currency depreciation (Abbott and Tarp, 2012). As noted by Abbott and Tarp, Vietnam's 'success in coping with these crises contradicts its characterisation as an example of export led growth and highlights the role of the state, particularly in maintaining and influencing investment' (2012, p.21).

Table 6.8 Vietnam: State investment by sector (percentage of total state investment), 2005-2016

	2005	2009	2010	2011	2012	2013	2014	2015	2016*	Average 2005-2016
Agriculture, forestry and fishing	7.1	6.0	5.9	5.7	5.4	6.7	6.3	6.4	6.1	6.2
Mining and quarrying	8.4	6.7	6.5	6.1	6.1	6.1	5.3	4.3	4.5	6.0
Manufacturing	9.2	9.0	9.5	9.8	12.1	10.6	7.1	7.0	7.5	9.1
Electricity, gas, stream and air conditioning supply	14.4	16.1	15.0	14.4	13.5	12.8	13.2	14.0	14.4	14.2
Water supply, sewerage, waste management and remediation activities	3.9	3.9	3.9	3.7	3.2	3.5	4.2	4.1	4.6	3.9
Construction	4.2	4.5	5.1	5.3	5.8	8.2	6.3	6.3	6.0	5.7
Wholesale and retail trade; Repair of motor vehicles and motorcycles	1.0	2.1	2.4	2.4	3.2	2.6	1.4	2.1	2.4	2.2
Transporation and storage	21.0	17.8	18.1	17.5	15.4	16.0	20.5	22.1	21.3	18.9
Accommodation and food service activities	0.4	1.3	1.2	1.3	1.6	1.5	0.7	0.8	0.8	1.1
Information and communication	5.6	5.6	5.6	5.3	5.4	4.1	3.1	2.6	2.4	4.4
Fiancial, banking and insurance activities	0.4	1.4	1.5	1.7	1.9	1.6	1.8	1.9	1.8	1.6
Real estate activities	1.0	2.0	2.2	2.5	2.8	3.1	1.6	2.3	2.0	2.2
Professional, scientific and technical activities	1.3	1.9	1.9	2.1	2.0	1.7	3.5	3.0	2.8	2.2
Administrative and support service activities	1.6	1.6	1.7	1.6	1.4	1.2	0.5	0.5	0.5	1.2
Activities of Communist Party, socio-politocal organizations; public administration and defence; compulsory security	6.8	8.5	8.0	8.6	7.5	7.2	9.7	8.8	8.5	8.2
Education and trainning	5.4	3.6	3.9	4.1	5.3	5.6	7.2	6.7	6.5	5.4
Human health and social work activities	3.4	2.8	2.7	2.9	2.8	3.4	4.0	4.0	4.3	3.4
Arts, entertainment and recreation	2.1	2.5	2.4	2.6	2.1	1.8	2.4	2.0	2.2	2.2
Other activities	2.6	2.8	2.5	2.3	2.4	2.5	1.1	1.3	1.3	2.1

Source: GSO (2018).

6.3 Developmental outcomes and emerging challenges

This section appraises the performance of the CPV's developmentalism in the period of deep international integration by reference to its GVC integration, and implications for its catch-up efforts. It also considers how the moves taken to defend the state finance-industry-infrastructure nexus in the 2000s have preserved, but also distorted, it as a tool for powering late development.

6.3.1 Vietnam in the global GVC regime

Thanks to the transformations across its trade and investment regime outlined above, since 2001 Vietnam has emerged as a so-called 'manufacturing powerhouse' (Nakamura, 2016) in low-skilled, labour intensive forms of manufacturing. In doing so, it has become one of the world's most open economies, with trade increasing from 103.2 per cent of GDP in 2000 to 178.8 per cent in 2016, and exports from 50.0 per cent to 93.6 per cent (Table 6.9). By 2016, Vietnam accounted for 5.5. per cent of world exports, an increase from 0.9 per cent in 2000, achieved via an average annual export growth rate of 15.4 per cent (WTO, 2017, p.121). Vietnam is now the world's third biggest shoe and handbag exporter, and the fourth biggest exporter of clothes (Herr et al., 2016, pp.27, 28), and was the 12th biggest electronics exporter at the start of 2015 (VCCI, 2017). It also entered the top ten textile producers for the first time in 2016 (WTO, 2017). The resulting transformation of Vietnam's export structure is shown in Table 6.10. Some 60.1 per cent of exports came from three labour-intensive manufactured products in 2015 (the top three exports), a major shift from 2000 (when these three were 32.9 per cent of exports), accompanied by a steep increase in the share coming from machinery and electronics exports, and sharp decline in the share from fuel and oil.

Table 6.9 Trade and export performance, 1990-2016 (selected years)

	1990	**1995**	**2000**	**2005**	**2010**	**2015**	**2016**
Trade (% GDP)	81.3	74.7	103.2	130.7	152.2	178.8	184.7
Exports as a share of GDP (%)	36.0	32.8	50.0	63.7	72.0	89.8	93.6
Exports (2010 constant US$, billions)	4.0	9.7	24.8	57.0	83.5	157.8	179.7
Export growth rate (%, annual)	12.9	20.0	21.1	17.8	8.5	12.6	13.9

Source: World Bank (2018g).

Table 6.10 Vietnam: Top 10 exports by share of total exports, 2000- 2015

	2000		2015	
	Product	**Export share (%)**	**Product**	**Export share (%)**
1	Fuel and oil	26.4	Machinery and electronics	35.4
2	Textiles and clothing	14.5	Textiles and clothing	16.8
3	Vegetable	13.6	Footwear	7.9
4	Animals and animal products	10.9	Vegetable	7.5
5	Footwear	10.4	Miscellaneous	6.7
6	Machinery and electronics	8.0	Metals	3.5
7	Plastic and rubber	2.0	Animals and animal products	3.2
8	Wood	1.8	Plastic and rubber	3.2
9	Stone and glass	1.5	Fuel and oil	3.1
10	Hides and skins	1.4	Food products	2.9

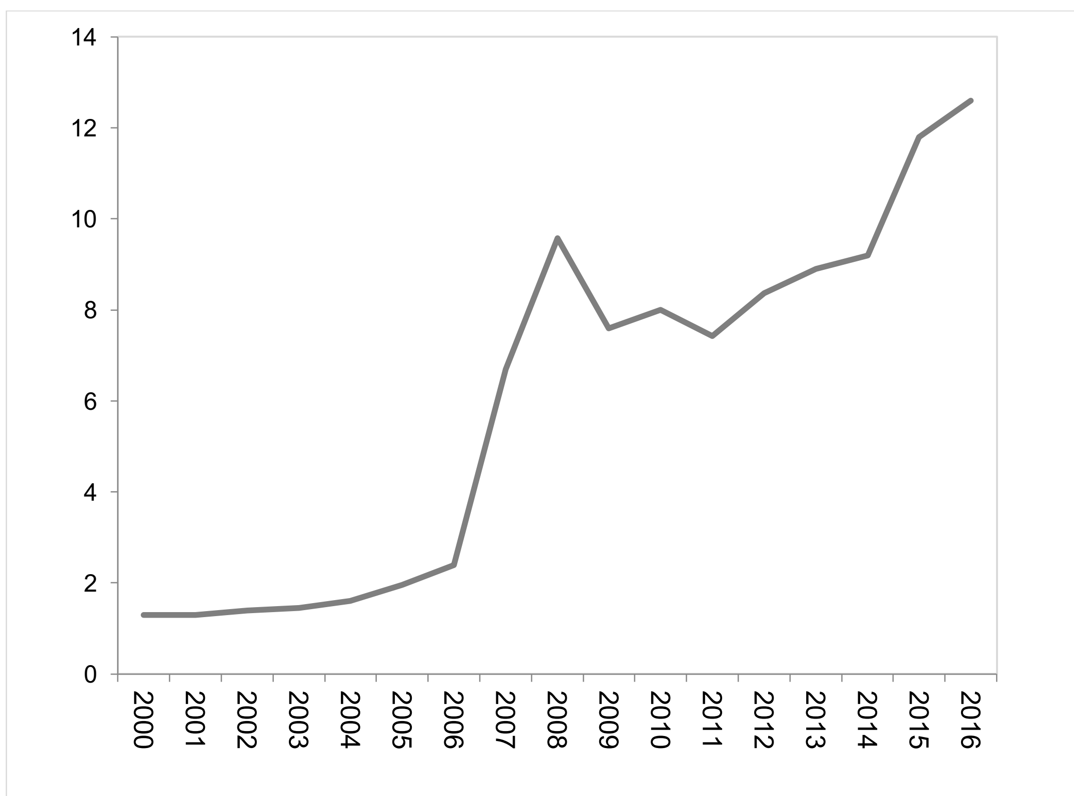
Source: World Bank (2017b).

Whilst these developments represented a major turning point in terms of the depth and intensity of Vietnam's regional and global integration (Fujita, 2017a), the CPV's reliance on exports to resolve pressing economic (and political problems) was a strong thread of continuity with the immediate post-*doi moi* period. The main shift was the greater role of foreign investment-driven export growth, with FDI increasing from 3.9 per cent in 2000 to 6.1 per cent of GDP in 2016, with inflows increasing from US$ 1.3 billion to US$ 12.6 billion (see Figure 6.3). Tax incentives and preferential access to land remained more generous for foreign investors in priority sectors than those granted to domestic firms (Berger and Bruhn, 2017, p.91), and light manufacturing was chief amongst these priorities. As discussed in Section 6.2.1 Vietnam's FDI policy was far from an open door, however, and this conditioned a strong bias toward manufacturing inflows, which comprised 58.8 per cent of the US$ 293.7 billion cumulative FDI between 1986-2016, followed by real estate at 17.8 per cent (GSO, 2018). In contrast, electricity accounted for 4.4 per cent, telecoms 1.6 per cent, transport 1.5 per cent, and financial, banking and insurance, just 0.5 per cent of FDI in this period (GSO, 2018). Indicating that these flows were deepening Vietnam's integration into the regional production structure, five East Asian countries – Korea, Japan, Singapore, Taiwan and China (including Hong Kong) – account for more than half of Vietnam's total registered FDI (Oh and Mah, 2017).

Trade integration was a major driver of this emerging FDI-driven export growth. The US BTA provided Vietnam with quota free garment access to the US market, increasing Vietnam's interest for Asian textile and garment manufacturers (UNCTAD, 2007), and between 2000-2015 exports to the US increased from 5.1 per cent of the total to 20.0

per cent (World Bank, 2017d).[211] Vietnam's WTO accession was another major driver, prompting a US$ 1.0 billion investment from Intel for a microchip assembly plant in the Saigon Hi-Tech Park in 2006 (the company's largest assembly and test factory), whilst Foxconn also commenced operations in Vietnam in 2007, with plans to invest up to US$ 5.0 billion during the next five years (UNCTAD, 2007). Thanks to these agreements, together with the China-plus-one strategies of foreign investors (Goto et al., 2011, p.364) (Section 6.2.2), Vietnam became an increasingly desirable location for manufacturing-oriented FDI during the early to mid-2000s. Rising foreign capital inflows have also helped to finance persistent trade deficits during this period (Abbott and Tarp, 2012).

Figure 6.3 Vietnam: FDI inflows (US$ billion), 2000-2016



Source: World Bank (2018g).

Importantly, some signs of structural transformation in the Vietnamese economy have also emerged. This has included a more than six-fold increase in the number of jobs in the foreign-invested sector between 2000-2015, with 2.3 million jobs and 4.4 per cent of total employment (GSO, 2018). Manufacturing employment grew at 6.7 per cent a year between 2000-2007, and 5.2 per cent a year between 2007-2011, higher than the

[211] European countries are also another important market for Vietnam's exports (with the EU accounting for around another fifth of exports), as well as Japan, China, Korea and Hong Kong (World Bank, 2017d).

average for all jobs, and higher than that for agriculture, the largest employer, where employment contracted by -0.3 per cent between 2000-2007 and increased by 0.4 per cent between 2007-2011 (Abbott et al., 2017). Manufacturing grew at an average of 8.8 per cent a year between 2001-2017, although this average is distorted by an exceptional contraction in 2010 of -21.8 per cent. For most years after 2001 manufacturing grew at between 10-14 per cent a year (World Bank, 2018g).[212] In terms of exports, these are now as diversified as China's (Mathai et al., 2016, p.47), reducing considerably Vietnam's dependence on volatile natural resources and agricultural products. The expansion of Vietnam's FDI-driven exports within the overall development strategy has therefore yielded multiple economic benefits in line with the emphasis placed on industrialisation.

However, there are several important limitations. First, Vietnam's increased dependence on FDI has intensified its vulnerability to pressure from foreign governments, such as Japan, through its aid relationships (see Section 6.2.2). Whereas in 2001, foreign invested enterprises accounted for 24.4 per cent of gross exports, this increased to a striking 72.5 per cent in 2017 (Table 6.11). Here Vietnam is caught between two kinds of pressures – the country's own rising minimum wages which increased 12.3 per cent a year on average between 2006-2015 (Chi, 2017, p.11) – and the increased attractiveness of potentially lower cost rivals such as Cambodia, Myanmar and Ethiopia. According to an official trade representative from one of Vietnam's biggest sources of FDI interviewed during fieldwork, if rising wages continue, in their view 'there is no more incentive to be in Vietnam. So we ask the Vietnamese government to lower down the lowest cost [wages]' (VE-2). Relatedly, one Korean apparel sourcing company manager in Vietnam interviewed in mid-2016 expected that the country had around 10 years of competitiveness in apparel sourcing left, with their own firm looking seriously at Cambodia and Myanmar to relocate production (VF-2).[213]

In addition, Vietnam is highly dependent on a handful of large investors. Samsung Electronics alone employs 100,000 people, contributed almost US$ 30 billion to

[212] Some literature on structural transformation in Vietnam includes works suggesting Vietnam may be already experiencing deindustrialisation (Masina and Cerimele, 2018). However, the changes in Vietnam's method for calculating sectoral GDP breakdowns in 2010 throws into question this analysis. Instead, others have made compelling cases for Vietnam's rapid economic performance being driven by structural transformation into higher productivity manufacturing sector activities (Tarp, 2017; Rodrik et al., 2017; Abbott et al., 2017).

[213] A time frame also supported by the trade official (VE-2).

Vietnam's exports as of 2016 (Mathai et al., 2016, p.58), and 98 per cent of all Vietnam's mobile handset and component exports (Sturgeon and Zylberberg, 2017, p.138). In mid-2017, Samsung reportedly made half of its top-end S8 and S8 Plus smartphones in Vietnam, and Intel 80 per cent of its personal computer central processing units (PWC and VCCI, 2017). The domestic media reported in 2017 that Samsung accounted for 22.7 per cent of the country's exports in 2016 (Viet Nam News, 2017), sparking considerable concern about Vietnam's dependence on a single TNC. Indeed, in 2016 the Samsung Galaxy Note 7 smartphone experienced battery faults which ended production of the phone, impacting Vietnam's export growth in the first quarter of 2017 (Nguyen Dieu Tu Uyen, 2017).

Second, Vietnam has largely emerged as a manufacturing assembly rather than production hub. Some three quarters of the jobs in manufacturing are in low-value added assembly roles (Cunningham and Pimhidzai, 2018) and Vietnam's dependence on Chinese imports has also increased. Imports from China constituted just 9.0 per cent of the total in 2000, rising sharply to become the country's biggest import partner accounting for 29.8 per cent of the total in 2015 (World Bank, 2017d). The increase in Vietnam's dollar imports from China has been the largest of any country globally (Mathai et al., 2016, p.52), which were concentrated in capital goods (44.0) and intermediate goods (38.6 per cent) in 2015 (World Bank, 2017d). Indicative of the import dependence of Vietnam's exports, electronic integrated circuits have been the country's top import since 2013,[214] followed, in 2014, by electrical apparatus for line telephony or telegraphy; petroleum oils (other than crude); flat-rolled iron or non-alloy steel; ethylene polymers; and knitted or crocheted fabrics (United Nations, 2015, p.2). At the start of 2011, the Vietnamese textile and garment industry had a domestic content ratio of 46 per cent (Tran, 2012), and its share of domestic value-added (DVA) is the lowest of all major apparel exporters (including China, India, Indonesia, Thailand and Turkey, and only higher than Cambodia) (Frederick, 2017, p.104). Only 1 per cent of Vietnam's export firms are doing original brand manufacturing (Chi, 2017, p.7).

[214] Disaggregated using HS 2012 codes.

Table 6.11 Vietnam: Foreign invested enterprises share of total exports and imports, 2001-2017

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Exports	24.4	27.5	31.4	33.3	34.5	37.0	39.7	38.6	42.3	47.2	49.4	55.9	66.8	67.4	70.6	71.5	72.5
Imports	30.8	33.5	34.9	34.7	36.9	36.7	34.7	34.5	37.3	43.6	45.8	52.7	56.4	56.9	58.6	58.5	59.9

* Preliminary
Source: Vietnam Customs and GSO (various years).

Taking garments and footwear together, 50 to 60 per cent of exports are comprised of imported inputs (World Bank and MPI, 2016, p.29). The Vietnamese electronics sector also has one of the lowest levels of DVA in exports worldwide (Mathai et al., 2016, p.58). Within machinery and equipment exports, the DVA share of gross exports fell from 50.2 per cent in 1995 to 28.9 per cent in 2011 (OECD, 2016), which was also low in regional perspective. Performance in motorcycles was considerably better, with local content ratios of between 75 and 90 per cent across the sector in 2012 (Ngo, 2017a, p.3). Yet despite becoming the fourth biggest motorcycle producer in the world in 2014 (Lim, 2017), all transportation manufactures (including motor vehicles, ships, aircraft and railway locomotives) only accounted for 1.9 per cent of Vietnam's total exports in 2015 (World Bank, 2017d).

Indicating that these considerations are a major policy concern in Vietnam, an official government report on FDI performance during 2005-2014 expressed frustration over the limited involvement of domestic enterprises in GVCs and the low net export value of foreign invested enterprises (due to heavy dependence on imported spare parts, accessories and raw materials); as well as tax fraud, limited state budget contributions, environmental pollution and transfer pricing (GSO, 2016, p.38). Limited domestic linkages in Vietnam's textile and garment sector have multiple causes, as Tran (2012) notes, including: the preponderance of cut, make and pack contracts, and subcontracting practices where those high up the value chain specify the fabrics and accessories to be used in production, leaving few (if any) sourcing decisions open to contractors;[215] the capital-intensive nature of textiles and accessories investments, including waste treatment facilities and equipment for weaving and dyeing; and high quality standards in the main export destinations.

Similarly in electronics, the sourcing practices of lead firms have strongly contributed to limited domestic sourcing. Samsung chains are particularly challenging due to the corporation's vast existing network of suppliers, many located *inside* the same business group (or *chaebol*). This means the company steps outside this network only when current suppliers cannot meet its needs: a very different sourcing practice to Dell or

[215] According to another embroidery factory owner interviewed by Tran: 'The (corporate) buyers decide where to get raw materials. For example, upscale products require upscale raw materials which are imported from outside such as high quality Italian linen, and high quality French thread, which has consistent coloring over time' (Tran, 2012, p.130).

Apple (KABC, 2012, p.16).[216] An interview with a government official working in this area suggested that these methods made it especially hard for Vietnamese firms to build sourcing relationships with the company (VG-15), whilst another suggested a major barrier was the high standards of foreign firms which relegated many Vietnamese firms to low technology areas like packaging (VG-14). When in 2014 Samsung met 200 local firms to see if they could supply component parts for its mobile handsets and tablets, no companies were reportedly able to meet its quality requirements (Sturgeon and Zylberberg, 2017, p.141). One official interviewed during fieldwork noted that whilst government pressure on Samsung had caused them to find a local supplier for a home appliance factory, the contract required the firm to invest in new machinery to meet Samsung's requirements, but with no guarantee of a contract beyond 3-6 months (VG-15).

A further notable problem has been the lack of a clear strategy for resolving these challenges. The General Statistics Office of Vietnam (GSO, 2016, p.40) has admitted that 'FDI attraction has not been considered in relation with domestic enterprise development strategy' and that the government has not developed 'clear regulations on examination of FDI projects'. Indeed, according to one government official interviewed during fieldwork, Vietnamese policy-makers have been talking about the 'supporting industry' problem for the last 15 years (VA-2), but a decisive and coherent strategy has yet to emerge to deal with it. According to one Ministry of Industry and Trade official 'the goal [of investment policy] … was to get as much as possible. At the time we thought FDI was enough' (VG-15). Another official interviewed echoed these comments, saying of industrial and economic zones that the strategy was to 'induce investment. We have not paid enough attention to the kind of developments that are suitable to each economic zone' (VG-14). Instead, three fragmented approaches to try and resolve these problems have emerged.

First, since 2009 there have been some small-scale efforts to develop support packages, including matching foreign investors with local suppliers in the Ministry of Industry and Trade, with the first investment incentives for those in components manufacturing introduced in 2011. However, according to an official working in this field, as of mid-2016 only one enterprise had applied for these incentives (VG-15), which didn't receive

[216] The Samsung Group reportedly comprises 1,000 business entities globally (KABC, 2012, p.8).

much policy attention from senior government officials since it was considered an 'SME issue'. Whilst attempts were being made in 2016 to rewrite the country's support policies for SMEs (VG-17), the viability of making SMEs the catalyst for often capital-intensive input industries remained unclear. Indeed, according to one official in the Ministry of Planning and Investment, 'foreign enterprises have their own strategies for developing links. The government now has some programmes with Vietnamese SMEs but how to link the Vietnamese SMEs to foreign enterprises is very difficult now for Vietnam because you know there is a big difference in terms of the technology' (VG-14). Compounding these issues, according to an official working in a government think-tank 'there is a lack of interest from the business community [in entering value chains]. They are less interested in this than in the stock market and real estate, where there are short returns' (VG-3). In this vein, another government official added that 'all rich people relate to land [i.e. real estate] not manufacturing. If you want to be rich, and want quick money, you don't want to do long-term investment' (VG-29).[217]

Second, the CPV has attempted to utilise state enterprises to fill supply chain gaps, with mixed results. The 2001 textile and garment sector support package specified no explicit privileges to state enterprises, and only limited state support for the industry (Fujita, 2017a), stressing the need for Vinatex to mobilise its own resources. Since 2009 it undertook investments in cotton plantations in central provinces and a joint investment between Vinatex and Petrovietnam to produce polyester (Tran, 2012). However, the US$ 53.8 million in losses incurred during the first few years of this effort caused Vinatex to pull out of the PV Tex Dinh Vu Joint Stock Company (PVTex) project, due to the challenge of competing with imported inputs in the context of tariff reductions (Fujita, 2017a). However, one of the largest textile factories in Vietnam, Phong Phu Textile, is also a Vinatex member, and has a vertically integrated production chain encompassing cotton production, processing, weaving, dyeing and sewing (Tran, 2012). The SEG structure has helped mobilise resources for these investments, using proceeds from garment export enterprises to fund so far uncompetitive activities in the production of yarns, textiles and dyeing, which has 'enabled Vinatex to finance investments in projects that are not commercially viable and/or are executed inefficiently' (Fujita,

[217] Notably here, according to one estimate of Vietnam's largest companies, in 2018 Vingroup, which started as a real estate firm (and has since expanded to form a large conglomerate with plans to invest in manufacturing such as electronics), became the first privately-owned firm to enter Vietnam's top ten largest firms (by capital). Prior to this, all Vietnam's largest firms had been state conglomerates or foreign firms (Viet Nam News, 2018).

2017a, pp.16, 19).[218] Indeed, some 91 per cent of the Vinatex group's investments in fixed capital are reportedly channelled into its spinning, weaving, dyeing and raw materials-related activities (Fujita, 2017a). According to a state think tank official, these dividends were intended to renew industrial policy-making, mobilising resources to foster home-grown supporting industries, and to curtail the country's dependence on foreign capital (VG-10). Upstream, Vinatex has also sought to open its own clothing outlets encouraging shoppers to 'buy Vietnamese' (Tran, 2012).

In automotives, the state-owned Vietnam Engine and Agricultural Machinery Corp (VEAM),[219] formed a joint venture with Japanese firm Honda (and a Thai firm) in 1996.[220] One VEAM subsidiary, the Machinery Spare Parts Joint Stock Company 1 (Futu1), has been able to move into complex component production, meeting stringent Honda requirements, including parts not only for motorcycles but also automobiles and agricultural equipment (Lim, 2017). Together these efforts to develop forward and backward linkages represents a clear attempt (if not a straightforwardly successful one) to leverage the assets, capital and investments of the state sector to help Vietnam break out of an integration-induced low-value trap

Third, to develop input industries, the CPV has also sought to attract more FDI into these sectors, further deepening and consolidating (rather than transforming) Vietnam's FDI-dependence. One of the major policy attractions of the EV-FTA and (now abandoned) Trans-pacific Partnership (TPP) were rule of origin stipulations in textiles (VG-3). Whilst Vietnam's heavy dependence on Chinese inputs contributed to fears that Vietnam might struggle to benefit from such provisions (VG-13), overall there was considerable optimism evident within interviews that these new agreements would plug GVC gaps by attracting FDI into input industries. Before being derailed by the US withdrawing its support in mid-2016, the TPP alone was enough for one foreign embassy official working on trade relations between their home country and Vietnam

---

[218] According to some estimates, Vinatex factories accounted for 33 per cent of the sector's exports in 2011, despite accounting for just over 5 per cent of the labour in the industry (Tran, 2012).

[219] Formed in 1990 with 12 factories and 7,000 workers, VEAM played a central role as a joint venture partner with Toyota, Susuki, Ford and Honda in the 1990s, and the later reportedly transforming itself into a 'behemoth that manufactures agricultural machines, automobiles, motorbikes and other spare parts' (Nguyen, 2016, p.2). Although the government announced plans to divest part of its stake in 2017 and all of it by 2020 in 2017 (VIR, 2017). Futu 1 was VEAM subsidiary in which it held a 50 per cent capital contribution in 2016 (Nguyen, 2016).

[220] The three partners in Honda Vietnam, which received its operating license in 1996, are: Honda Motor Co. Ltd. (Japan, 42 per cent), Asian Honda Motors (Thailand, 28 per cent) and the state-owned Vietnam Engine and Agricultural Machinery Corp. (VEAM) (Vietnam, 30 per cent). (Lim, 2017).

to note 'TPP is yarn forward, so many textile companies are investing in Vietnam to have the advantage of zero tariffs. This is already happening' (VE-2). Many came from China, which lacked zero tariffs to TPP members, giving Vietnam a new competitive edge against its neighbour. Thus the CPV sought to leverage trade agreements to resolve domestic challenges through the attraction of FDI: a pattern repeated throughout the second period. This specific policy toward the 'supporting industries problem' is fundamentally predicated on quick wins and a path of least resistance, and together these initiatives lack tightly coordinated policy interventions. However, this also involved trade-offs since one government official noted that it was known that trade agreements would increase the pressure on domestic firms, saying 'we let international competitors come to our market and take the opportunities' (VG-13). Of the potential downsides of such agreements, one official noted that for all the workshops on the topic '[w]e still don't have some long-term strategy to help the enterprises to deal with the commitments in the new FTAs … The agreements have a lot of new things and we are still in the beginning phase' (VG-13).

6.3.2 Fragmenting the nexus

In addition to incorporating Vietnam into GVCs, the transformations of this period deeply impacted the state finance-industry-infrastructure nexus. The protective measures noted in Section 6.2.1 helped to preserve a sizeable – if declining – role for the state in the economy (Table 6.12), with the state sector's contribution declining from 38.5 per cent of GDP in 2000 to 34.7 per cent in 2009.[221] The state's contribution to total employment declined from 11.7 per cent in 2010 to 9.8 per cent in 2016, but was still more than twice that of foreign investors. The state sector's contribution to the state budget declined from 21.7 per cent in 2000 to 15.9 per cent in 2007, but strongly rose again to 21.4 per cent in 2014, indicating its enduring contribution as a generator of revenue for the public sector (GSO, 2018).[222]

[221] From 2010 a change in the methodology for decomposing Vietnam's GDP by ownership makes subsequent comparisons impossible due to the addition of a new category called 'products taxes and subsidies on production' (GSO, 2018). After this was added it simultaneously reduced the state, non-state and foreign invested sectors contributions. The level for the state sector then dropped sharply to 29.3 per cent of GDP but its subsequent stabilisation at similar levels, which accounted for 28.8 per cent of GDP in 2016, indicates that the drop in the state sector's share of GDP in 2010 reflected statistical changes rather than sizeable changes in the real economy.
[222] One important note of caution regarding assessing the state sector's true role concerns official classifications, with enterprises in which the state holds a minority share classed as private, underestimating the extent of state capital disbursed across the economy (IMF, 2007b), particularly as notably equitisation has advanced in this period. In addition, the contribution reflects more than tax revenue, since until 2015 this data included dividends, profits, and proceeds of the sale of shares in state entities (GSO, 2018).

Table 6.12 Vietnam: State sector key indicators, 2000-2015

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average 2000-2015
Share of GDP *	38.5	38.4	38.4	39.1	39.1	37.6	36.7	35.4	35.1	34.7	29.3	29.0	29.4	29.0	28.7	28.7	33.9
Contribution to state budget**	21.7	22.3	20.2	18.9	16.9	17.1	16.6	15.9	16.4	19.0	20.1	17.5	19.4	22.8	21.4	..	19.6
Share of employment	11.7	11.7	11.8	12.1	12.1	11.6	11.2	11.0	10.9	10.6	10.4	10.4	10.4	10.2	10.4	9.8	10.9
Number of jobs (thousands)	4,358.2	4,474.4	4,633.5	4,919.1	5,031.0	4,967.4	4,916.0	4,988.4	5,059.3	5,040.6	5,107.4	5,250.6	5,353.7	5,330.4	5,473.5	5,185.9	5,005.6
Growth rate (employment)	..	2.7	3.6	6.2	2.3	-1.3	-1.0	1.5	1.4	-0.4	1.3	2.8	2.0	-0.4	2.7	-5.3	0.5

* Change in methodology for calculating GDP composition in 2010 (see footnote 218) means data is not comparable before and after this date.
** Change in method after 2015
Sources: Sector share of GDP: GSO (2005; 2018) and IMF (2003c); SOE contribution to state budget: GSO (various years); Employment data: GSO (2018).

Table 6.13 Vietnam: State budget revenue (percentage of total budget), 2000 and 2002-2010

	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Domestic revenue (Exc. oil revenue)	**50.9**	**51.3**	**51.7**	**54.8**	**52.5**	**52.0**	**55.2**	**55.1**	**61.0**	**63.3**
Revenue from state owned enterprises	21.7	20.2	18.9	16.9	17.1	16.6	15.9	16.4	19.0	20.1
Revenue from foreign invested enterprises	5.2	5.9	6.5	7.9	8.4	9.2	9.9	10.5	11.5	11.3
Revenue from non-state sector	6.4	6.3	6.8	6.9	7.4	7.9	9.9	10.4	10.8	12.5
Agricultural land use tax	2.0	0.6	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Tax on high income earners	2.0	1.9	1.9	1.8	1.9	1.9	2.3	3.1	3.2	4.7
License tax	1.0	1.1	1.2	1.4	1.2	1.2	1.8	1.8	2.2	2.3
Revenue from lottery	2.2	2.4	2.4	2.4	2.3	2.2	0.0	0.0	0.0	0.0
Gasoline fee	2.4	2.4	2.1	1.9	1.7	1.4	1.4	1.1	2.0	1.9
Fees	3.0	2.4	2.2	2.2	1.8	1.8	1.3	1.6	1.7	1.4
Revenue from land and houses	3.1	4.4	6.9	9.1	7.8	7.3	10.7	9.2	9.4	8.5
Other revenue	1.9	3.6	2.6	4.2	2.8	2.4	1.8	1.0	1.1	0.7
Oil revenue	**25.9**	**21.4**	**24.1**	**25.4**	**29.2**	**29.8**	**24.4**	**21.3**	**13.7**	**12.4**
Custom duty revenue	**20.9**	**25.5**	**22.2**	**18.3**	**16.7**	**15.3**	**19.1**	**21.8**	**23.9**	**23.3**
Export and import duties, special consumption tax; Surtax on import	15.0	17.8	14.1	11.3	10.4	9.4	12.2	14.4	17.4	13.2
VAT on imports	5.9	7.7	8.1	6.9	6.3	5.9	7.0	7.4	6.5	10.1
Grants	**2.2**	**1.8**	**1.9**	**1.5**	**1.7**	**2.8**	**1.3**	**1.7**	**1.5**	**1.0**

Source: GSO (2018).

However, whilst securing the continued economic significance of the state sector, defensive moves also distorted the nexus in ways which have compromised its ability to be used for developmental ends. In particular, the weakening of the budget constraint resulting from permitting the purchase of financial institutions accelerated diversification away from core business activities, and prompted speculative shifts into non-core activities across real estate, securities, credit, banking and financial investment, and diminished specialisation (CIEM, 2013). In 2006, SEGs and GCs invested around VND 6,000 billion in non-core businesses, which more than doubled to VND 14,000 billion in 2007, and reached VND 22,000 billion in 2012, the largest component of which was in the banking sector, with real estate increasingly important from 2009 onwards, followed by insurance and financial companies (Vu-Thanh, 2017).

These trends produced noted scandals, such in Vinashin, which defaulted on US$ 600 million in internationally syndicated loans at the end of 2010 (Pincus, 2015), prompting senior leaders to be arrested, and contributing to the county's credit rating being downgraded (Bland, 2012). After receiving such inflows, Vinashin formed over 150 new subsidiaries, including a brewery, hotel, motorbike manufacturing company and power plant using the proceeds, which added up to a cumulative total of 445 subsidiaries and 20 joint ventures at the peak (Hayton, 2010, p.17; Bland, 2012; Pincus, 2015). The end of the country's property boom in 2008, and the cancelation of key contracts in the wake of the global financial crisis in 2009, also played important roles in the severe problems suffered by the firm (Pincus, 2015). With 12 major state enterprise projects found to have contributed to the 'substantial loss to state capital' (Hiep, 2017), non-performing loans contracted by state enterprises have become a major cause of criticism of Vietnam's model (Pincus, 2015; Viet Sinh et al., 2016).

Whilst diversification was clearly an explicit intention of the SEG project given its efforts to replicate the *chaebol* model, there are signals that these developments were, at least partially, unintended. Former Prime Minister Phan Van Khai reportedly said in 2014 that 'almost everybody realized that we must have strong economic groups capable of competing and creating wealth efficiently. The only unfortunate thing is that we did it wrong, as evidenced in many absurd investments and failures in improving quality and efficiency' (quoted in Vu-Thanh, 2017, p. 97). As a result, a variety of measures were introduced to curb speculative activity within the state sector. In 2008 the Prime

Minister ordered all general corporations and conglomerates to ensure at least 70 per cent of capital was now invested in core businesses (Pincus and Vu-Thanh, 2008). In July 2012 a Prime Minister's Decision 929/QD-TTg for restructuring state enterprises focused on divestment of capital from non-core businesses (MOF, 2015). Reflecting the limited success of these measures, these efforts were ramped up in 2013 when new regulations were issued to force SEGs out of non-core businesses.[223] These rules stipulated that Vinatex, for instance, was to divest 100 per cent of its capital from 37 subsidiaries, including 8 in finance and banking and 11 in real estate and infrastructure development by 2015 (Fujita, 2017a). However, Vinatex has retained a real estate portfolio given its highly profitable land holdings, which includes offices and apartments in Hanoi and Ho Chi Minh City (Fujita, 2017a).

Divestment by state enterprises from non-core activities in areas such as real estate, securities, finance banking, insurance and investment funds, amounted to VND 11,036 billion between 2011-2015 (MOF, 2015). More recently, the CPV appears to have had some success in curbing speculative activities within the state sector through the banking system. The SBV has sought to curb lending to construction and property development, by both increasing the risk weighting of the property sector to 200 per cent, and directly influencing the lending activities of state-owned commercial banks, meaning that the overall credit growth to the sector declined from 14.6 per cent in 2013 to 4.4. per cent in 2016 (Benchavitvilai and Minh Trinh, 2017).

Yet despite accelerating in the run-up to the WTO accession, diversification was far from new, suggesting other logics than deepened integration may be at work.[224] Beresford (2008) notes that in the context of reduced state support during the transition to market economy, enterprises struggling to make core businesses successful began to diversify in order to survive, with industrial enterprises participating in the hotel and real estate boom of the early 1990s (making use of rent free access to high value urban land thanks to their state enterprise status) or moving into trade-related activities (on the back of low interest finance also acquired thanks to their state enterprise status).[225] The

[223] The restructuring was promulgated in 2013 in Prime Minister's Decision 320/QD-TTg (8 February 2013) (Fujita, 2017a).
[224] For a comparison with the colonial period's state conglomerates see Sasges and Cheshier (2012).
[225] Vinatex, meanwhile, first established a finance company in 1998 (Fujita, 2017a).

economic and social logic of this diversification is highlighted by Beresford (2008, pp.231–232):

> Such activities not only injected finance into languishing enterprises, they enabled the retention of employees well above what was required for actual production activities. Many enterprises in fact used their market-oriented businesses to provide a social safety net rather than as a way to invest in the activities for which the government had designated them to lead economic development. Indeed, one of the factors hampering SEs [state enterprises] in their drive to become competitive was the social welfare function carried over from the central planning system. In short enterprise autonomy enabled SE directors to pursue market-orientated activities in a situation in which their core activities were often unprofitable. While many managed to remain afloat by pursuing non-core activities and relying on credit and protection, directors had few incentives to make large investments in the more uncertain task of technological upgrading and becoming internationally competitive.

In line with this long-standing trend, some of Vietnam's largest firms (many state owned) responded to increased competitive pressure during 2006-2007 by diversifying into unrelated areas, particularly real estate, tourism and finance, with some (including a large agricultural products company), going as far as to leave its core business altogether, whereas others began using profitable activities to preserve jobs (Cheshier and Penrose, 2007). Whilst this approach could have represented a viable means of generating finance to cover productive investments in core business areas (Cheshier and Penrose, 2007, p.37), in Vietnam the demands for profitable surplus pull in multiple directions. This reflects the centrality of state enterprises to the Vietnamese economy, as generators of employment, central contributors to the state budget, and anchors of welfare responsibilities not undertaken by the state (as noted above). Profitable investments thus allow the sector to adjust to shocks of various kinds and thereby fulfil multiple economic and social (and therefore political) roles. This suggests a central tension at the heart of state sector policy in Vietnam through which occupying and sustaining ownership of the commanding heights becomes more important than how these strategic assets are used, eroding the developmental capabilities of the nexus, given the tensions between

present profitability and the longer-term and risky investments required of major shifts in the productive structure.

Ultimately, therefore, the Vietnamese strategy for the state-owned sector has been chiefly defensive in nature, with efforts to preserve state assets so that they can achieve multiple social and economic obligations. This reflects the state sector's role as an anchor of political stability. In this context, autonomy with respect to investment and production decisions has meant the state sector has become a central site for the emergence of speculative activity (see Cheshier and Penrose, 2007; Cheshier and Pincus, 2010; Cheshier, 2010; Sasges and Cheshier, 2012). Devolved autonomy makes it very challenging for the central state to govern and direct productive long term activity through state enterprises. This means that the state sector in Vietnam has important limitations as an industrial policy tool, especially given that multiple imperatives governing state sector performance mean that disciplining the sector becomes challenging.

However, this analysis suggests the post-WTO diversification spree reflected long-standing survival strategies, rather than wholly new trends attributable solely to state policies. In addition, the proliferation of speculative investments also tracked to broader shifts in the Vietnamese economy, including the real estate bubble which accompanied Vietnam's WTO accession. Particularly, the 2006-2007 boom in banking, capital markets and real estate which occurred ahead of the country's WTO accession (Thanh and Duong, 2009) which saw increasing numbers of FDI-led projects in urban areas limit access to urban land, pushing up costs (UNCTAD, 2007). Urban labour shortages, fuelled by rising wages since 2006 and the growth of better paid manufacturing and service jobs in major cities, had also seen garment firms struggle to accommodate to cut-throat competition in the US supply chain (Goto et al., 2011). A 2007 study found that several large state enterprises (or former state enterprises) in the textile and garment sector recently moved into real estate to help them manage these pressures (Goto et al., 2011).

Outside of the state sector, further fragmentation of the nexus has occurred thanks to the decentralised and uncoordinated policy context (Ohno and Ohno, 2005, p.55). One official working for a government think tank noted during fieldwork interviews that

‘[C]onsensus-based decisions here mean that it is hard for a strong leader to emerge and radical decisions taken. Everything has to be negotiated’ (VG-10). In the field of industrial policy making, one official within the Ministry of Industry and Trade noted that even within the Ministry itself there was a marked lack of coordination between different policy agendas: ‘in Vietnam the problem is that the trade sector is led by one group [within the Ministry], and Industry by another’, adding that ‘the WTO normally has a bad effect. We should not have joined so early’ (VG-15). These ambiguities exist both within the central government, as well as between the centre and provinces (Viet Sinh et al., 2016, xxix).

The dynamics between the central administrative agencies and provinces have proved to be one major challenge in this period. Vietnam’s total number of provinces reached 63 in 2008 (57 provinces and five city municipalities) (Malesky, 2009b, p.39; Malesky, 2009a, p.139), a comparatively large number for its population size, with China having 28 provinces, and India 35 (Malesky, 2009a, p.134). The trends toward fiscal, investment and infrastructure decentralisation noted at the end of Chapter 5 have intensified in this period, and produced considerable heterogeneity in terms of economic policies between Vietnam’s provinces (VCCI, 2016, p.2). Malesky (2008) has argued that in their efforts to attract FDI, provinces have sought to wrest control over key economic policy decisions from the centre, including through fence-breaking and the violation of formal state policies. Provincial fence-breaking with regard to investment incentives reportedly began in 2001, and became prolific by 2005, with one government study noting 32 out of 48 provinces surveyed between 2001 to 2005 had violated central investment regulations by providing extra incentives to investors, mostly in terms of more generous land use terms and tax breaks (Vu-Thanh et al., 2007). The result was a climate of internal competition for FDI inflows due to the increased pressure on provinces to generate their own resources thanks to reduced state subsidies, credit lines and increased fiscal decentralisation in the early 2000s (Vu-Thanh et al., 2007).

Relatedly, decentralisation has also impacted the public investment pillar of the nexus, which, in Vietnam, is often criticised for being uncoordinated and wasteful (Viet Sinh et al., 2016). The increased export-orientation of Vietnam’s development strategy placed great stress on transportation and logistics (Blancas Mendivil et al., 2013), resulting in a proliferation of industrial infrastructure in the form of industrial parks and

economic zones. One international expert on the Vietnamese economy noted that, the use of such facilities was higher in Vietnam than elsewhere due to the difficulty of accessing land through other means (due to restrictions stemming from state ownership over land) (VA-3). As of mid-2016, there were more than 300 industrial zones (each at several hundred hectares) and 16 economic zones (of 100,000 hectares, and mostly concentrated in coastal areas) (VG-14). However, according to one official, economic zones are a particular policy problem because 'performance is very poor': attracting few businesses, with poor roads, and proliferating in an uncontrolled fashion due to the lobbying of coastal provinces to expand their numbers (VG-6). Despite efforts by the Prime Minister in 2015 to rationalise these facilities and prioritise just eight of these economic zones in terms of state investments (Viet Nam News, 2015), the same official added that lobbying by impacted provinces contributed to the failure of this attempt to rationalise the infrastructure (VG-6).

The country's port infrastructure has been impacted by similar dynamics as each coastal province has sought to develop its own port, whilst after Vietnam's WTO accession, infrastructure lobbying efforts by provinces have become a preferred strategy for obtaining transfers from central state budgets as preferential transfers for industrial projects have become harder to secure (Thanh and Dapice, 2009). Similar resistance to port project rationalisation has been evident here, since provincial authorities have been loathe to lose access to ports due to their role as employers and generators of tax revenue (Pincus, 2015). The guiding logic which has emerged, therefore, is one of quantity, since Vietnam lacks an 'overarching national strategy on ports and multimodal transport, [instead] local governments continue to exert significant influence on the issuance of new port development licenses, elevating the risk of approving wasteful investment projects and fostering demand-supply mismatches' (Blancas Mendivil et al., 2013, p.26). Multiple ports in close proximity, developed by different central and provincial authorities, have thus emerged (Pincus, 2015), and few deep-water ports have been sufficiently connected with the on-land facilities and infrastructure needed to make the carrying of large volumes viable (Blancas Mendivil et al., 2013, p.26). The result has been over-capacity in an area where competitiveness depends on economics of scale, and two main key shipping hubs around Ho Chi Minh City and Haiphong (and the ports of Cai Mep-Thi Vai and Cai Lan), accounted for 97 per cent of Vietnam's container-handling volumes in 2011 (Blancas Mendivil et al., 2013). Like economic zone

infrastructure, port infrastructure has formed efforts to equalise levels of development between provinces and redistribute resources (Thanh and Dapice, 2009), but with the cost of fragmenting provision.

Cumulatively such decentralisation and fragmentation between central state institutions and state enterprises and provinces has compromised the potential for joined-up industrial policy-making, contributing to the lack of coordinated and coherent strategies to deal with the pressing developmental issues noted above. Where state enterprises are concerned, Fforde (2007, p.226) suggests that the CPV's early failures to curb fence-breaking were due, in part, to the state's reliance on their success. As the above discussion indicates, the turn toward profitability-enhancing activities is another survival strategy with benefits for the central state. A similar logic appears to also play out at the provincial level, where fence-breaking was often not disciplined where it succeeded in FDI attraction that contributed to employment and growth (Schmitz et al., 2015). Thus it has been argued that 'central leaders were hamstrung to prevent fence-breaking due to institutional constraints and their need for the budget revenue produced by local actors' (Malesky, 2008, p.98).

However, despite the fragmentation, it is not clear that overall outcomes are as bad as sometimes suggested. For instance, Vietnam comes out well on the infrastructure component of the World Bank's Logistics Performance Index, coming 47 out of 160 countries in 2018, with a score similar to Croatia and Kuwait, and higher than India, Brazil, Indonesia, Mexico, Russia, Argentina and the Philippines (World Bank, 2018e). According to one Asian government official working on trade relations with Vietnam, low cost labour destinations such as Myanmar and Cambodia lacked Vietnam's electricity and water infrastructure, adding 'Vietnam is not the best option [given rising wages], but there is no other option' (VE-2). This indicates that Vietnam's poor performance in light of such fragmentation may be overstated, some of the reasons for which are explored in Section 6.4.

6.4 Viet-pessimism in the twenty-first century

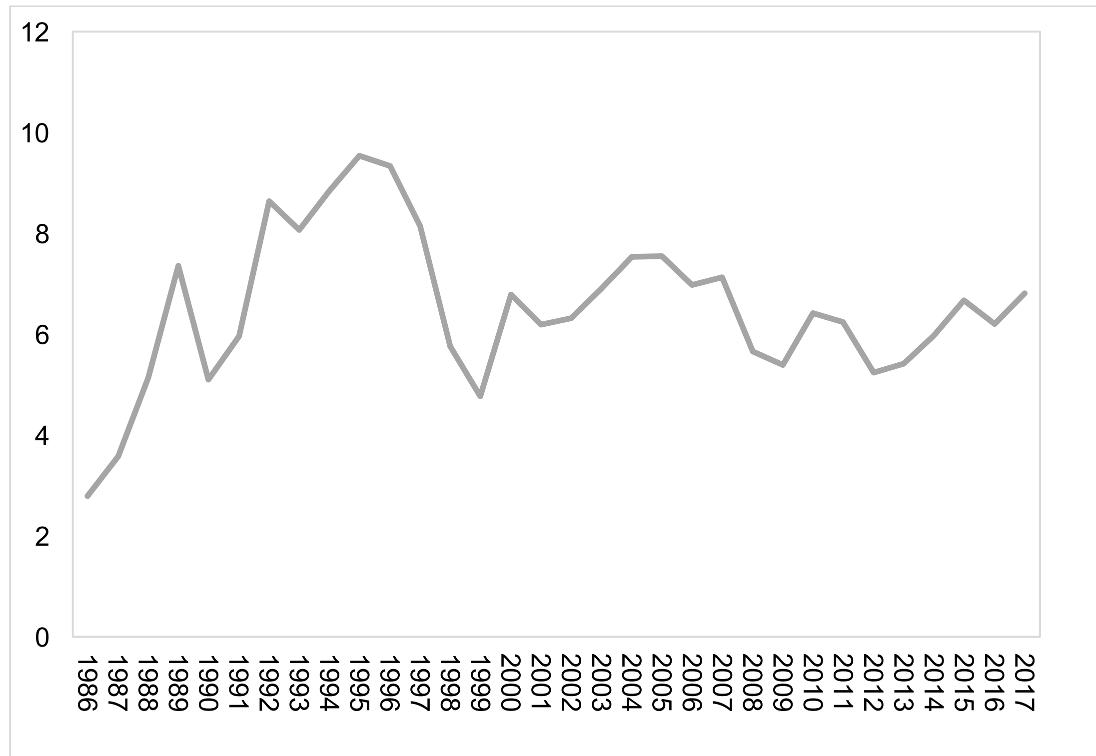
This section explores the contours of what it calls 'Viet-pessimism' prevalent in current mainstream and heterodox assessments of the country's development trajectory. At the

start of the twenty-first century, academic and policy debate about Vietnam's economy was beset by 'doom and gloom predictions' (Mallon and Irvin, 2001, p.153). For instance, Thayer (2000a, pp.313, 325) wrote at this time that '[t]he future appears bleak, economic stagnation at best, economic crisis at worse'. Whilst subsequently Vietnam has drawn comparisons with the East Asian developmental states on account of its state-led approach and strong development outcomes (Painter, 2005; Fritz and Menocal, 2007; Cling et al., 2013; Evans and Heller, 2018), including nuanced assessments which suggest it may lack their social embeddedness and high levels of state capacity of this approach (Beeson and Pham, 2012), a more dominant trend in current assessments of Vietnam's developmental trajectory is a revival of the pessimism noted in the early 2000s. Both Abbott et al. (2009, p.342) and Weeks (2015) note that this professional gloom is a peculiarity of the academic and policy literature on Vietnam, since despite having experienced neither the stagnation nor collapse predicted in the early 2000s, pessimism has nonetheless persisted. Specifically it has consolidated around two opposing poles.

The first centres on negative assessments of Vietnam's supposedly poor economic performance or predictions of imminent collapse. These tend to be based on rates of economic growth, including claims that growth is now the lowest since *doi moi* (Nghia et al., 2013), eye-catching questions such as 'why doesn't Vietnam grow faster?' based on an assessment that growth of 5-6 per cent is 'disappointing compared to the higher rates recorded in the recent past' (Pincus, 2015, p.48), or the assertion that Vietnam's growth rates will fall sharply without major adjustments (Viet Sinh et al., 2016, p.87). There is also an emphasis on 'bad debt, falling asset prices and corporate collapse' (Pincus, 2015, p.27), reflecting the preoccupation with Vietnam's non-performing loans (NPLs). These approaches attribute Vietnam's present (or future) economic problems to the CPV's poor policies related to property rights and competition (Nghia et al., 2013; Viet Sinh et al., 2016) or its fragmented and commercialised state (Pincus, 2015, p.27). Relatedly, any achievements are said to have been 'driven mainly by one-time liberalization effects and external forces associated with global integration rather than internal strengths' (Ohno, 2009a, p.25). Success is thereby attributed to the market-oriented elements of the CPV's strategy, and either (actual or projected) failures to Vietnam having not taken these reforms further.

However, these assessments are hard to take seriously given socio-economic achievements seen in few parts of the developing world in the last three decades (Abbott et al., 2009, p.342; Weeks, 2015; Tarp, 2017, p.280). Despite entering a period of slower growth after 2000, Vietnam has kept high average growth rates and experienced declining volatility (Figure 6.4) – with GDP growing at a still robust average of 6.4 per cent a year between 2000-2017 (compared with an average of 7.4 per cent between 1990-1999) (World Bank, 2018g). As noted in Section 6.2.3, Vietnam was only moderately impacted in the wake of the global financial crisis which consumed many of its key export markets. Thus as Abbott et al. (2009, p.342) note 'policy dialogue by both foreigners and Vietnamese has often evaluated the ongoing reform process in much harsher terms than the economic performance would seem to warrant'. Furthermore, the standards to which Vietnam is held, particularly criticism that Vietnam has failed to live up to China's growth record, is, as Weeks (2015, p.31) rightly notes, equivalent to asking: 'why did Viet Nam not grow faster than the fastest-growing country in the world?'. It is also ironic that China is used as a benchmark, when mainstream criticism of China, like that of Vietnam, also tends to focus on the state sector and rates of NPLs (Lo and Zhang, 2011). Finally, these narratives assume international integration has had wholly positive effects on Vietnam's development potential, and ignore the external vulnerabilities and pressures emanating from the global neoliberal economic order and architecture, and ignore their effects not only on the country's performance, but also its policy efficacy.

Figure 6.4 Vietnam: GDP growth (annual percentage), 1985–2017



Source: World Bank (2018g).

The second stand of Viet-pessimism is rooted in more heterodox analysis and specifically concerns the kind of structural transformation emerging in Vietnam, highlighting its adverse forms of incorporation into the global division of labour and FDI dependence (Herr et al., 2016; Gore, 2017, p.47; Masina and Cerimele, 2018). These works identify the chief challenges facing Vietnam as arising from the mainstream reforms it has adopted (rather than its failure to do so). However, there is also a focus on domestic policy weaknesses in this literature, although a more heterodox emphasis on industrial policy short-comings. Thus Masina and Cerimele's (2018, p.9) observation that 'the country never chose to (or could) implement sufficiently selective and stringent industrial policies to emulate the most successful Asian champions'. Gore (2017, p.47) emphasises 'the ineffectiveness of the development state'. Thus there is a form of convergence between mainstream and heterodox approaches around the CPV's policy-making failures (if not over what the content of these policies should be). The extreme end of this confluence includes assertions that the CPV lacks all policy intentionality and has no coherent developmental rationale nor even a rationale for rule (Gainsborough, 2018). Some here go as far as to argue the Party has an 'inability to "do policy"' and an 'inability to manage the deployment of the relative autonomy of the

state to the coherent creation and allocation of resources to development' (Fforde, 2017, pp.57, 52).

However, there are five broad problems with these perspectives. First they fail to consider Vietnam's development trajectory with reference to the political and economic goals of the Vietnamese party-state itself, and instead use idealised or disembodied policy models derived from either orthodox economics or historic heterodox experiences to assess the CPV's performance. As noted in Chapter 5, the CPV had two broad political and economic goals at the time of *doi moi*, the preservation of party hegemony and achievements of high rates of economic growth. With reference to these goals, the Vietnamese party-state system appears considerably more capable and effective than any of the depictions above suggest, since the CPV has managed economic change without a political transition comparable to that in the former Soviet Union, and currently faces no sizeable organised domestic political opposition or discernible movement toward a politically pluralist multi-party democratic system. Vietnam's development trajectory has thus helped to ensure the resilience of 'a "soft authoritarian" one-party regime' (Thayer, 2010, p.441) ruled by a Leninist party, with a formal commitment to socialism (if no longer a substantive one), and politburo (Pincus, 2015), a Central Committee, and Leninist mass organisations. One way in which this has been achieved is through the preservation of what has been referred to as a pattern of 'state-related accumulation' (Cheshier, 2010), anchored around the state finance-industry-infrastructure nexus, which has limited the emergence of rival political and economic interests and has aided efforts to power economic transformation. Mainstream analysis suggests this has had the cost of '[c]rowding out a genuinely private commercial class independent of the state or its functionaries' (Viet Sinh et al., 2016, p.57). But from the perspective of the CPV itself, this outcome looks far more like a successfully achieved objective than a 'cost'.

Second, following the pragmatic adaptability noted in Chapter 5 which can arguably be seen as a sign of strength (Van Arkadie and Mallon, 2003, p.253), the CPV has in this second period, shown itself capable of adapting to both domestic and global forces in ways that have preserved its political hegemony and managed the growing complexity of its political economy without internal collapse. Having largely preserved the state finance-industry-infrastructure nexus in the context of deep global integration, this

indicates that neoliberalism, far from straightforwardly threatening either the party-state, or its developmental project (as more heterodox approaches suggest), has instead been leveraged by the CPV regime to bolster its developmentalism. Indeed, neither the IFIs, WTO, nor preferential trade regime have proved capable of forcing the CPV to 'lock in' neoliberal reforms, whilst the country's integration into GVCs has been embraced as part of efforts to offset domestic stresses related to slowing growth and limited employment creation. Instead, the CPV has responded creatively to the contemporary global capitalist system in such a way as to take the elements that support its political and economic project, and minimise the impacts of those that do not (Woodside, 1997; Painter, 2005; Beeson and Pham, 2012). In terms of the achievement of its own objectives, therefore, the CPV's engagement with the global neoliberal order looks far from weak and incoherent.

Third, in terms of Vietnam's economic performance, mainstream analysis casts the state sector an inefficient drag on the economy. Yet it is hard to read that from the performance of the economy in its own terms (unless the benchmark being levelled at it is the achievement of growth rates as high or higher than China). As Abbott et al., (2017, p.66) note, labour productivity in state-owned firms is also higher than in domestic private firms (thus suggesting the deployment of more capital-intensive production techniques), and thus it appears 'that investments by state-owned enterprises go counter to Vietnam's comparative advantage as a labour-abundant, low-wage country'. Furthermore, the size, technological capabilities and capital-intensiveness of large-scale state-owned manufacturing firms in Vietnam remains (potentially) an important asset for the development of upstream manufacturing activities in Vietnam's GVCs (Gore, 2017, p.50).

Fourth, heterodox critiques of Vietnam's economic performance relate to the patterns of its manufacturing development. Yet Vietnam is a 'clear-cut development success enabled greatly by structural transformation' (Rodrik et al., 2017, p.16). Manufacturing was responsible for just over a third of the new jobs created between 2005-2016 (Table 6.14), and between 2005-2016 the percentage of people working in the agricultural sector decreased from 55.1 per cent to 44.0 per cent and those working in manufacturing increased from 11.8 to 16.6 per cent (GSO, 2018). Between 2000-2007 manufacturing grew at 11.2 per cent a year, dropping to 7.0 per cent a year between 2007-2012, but in

both periods was considerably higher than the rate of overall growth (7.5 per cent and 5.9 per cent respectively) (Abbott et al., 2017). Given the multiple challenges of achieving structural transformation in the context of the neoliberal global order, it is again worth considering whether weakness, disorder, and inconsistency are the best ways to understand the country's present and future development trajectory.

Fifth, whilst there are some undoubted policy-making challenges in contemporary Vietnam, stemming from the tendencies toward decentralisation and fragmentation noted above, the treatment of these issues in mainstream and heterodox Viet-pessimism neglects to consider how these problems are not the sole result of domestic social and political forces, but result in part from Vietnam's deepened international integration. Indeed, whilst the CPV has managed its global integration in such a way as to achieve core political and economic goals, its WTO accession and embrace of export-oriented light manufacturing through GVCs has also weakened industrial policy-making capacity. Trade agreements have removed the tools via which the CPV attempted to ensure developmental spill-overs from FDI and support state enterprises. This has meant it has all-but abandoned the former and sought to protect the nexus in ways that have limited its utility as a tool for industrial policy-making. Increased dependence on foreign capital has also exposed the CPV to greater policy pressure from foreign investors (and their relations with its donors), making efforts to ensure technology transfer and build linkages with the Vietnamese economy extremely challenging.

Furthermore, the long-standing multiplicity of social and economic roles afforded the state sector rest heavily on their continued profitability (to contribute to the state budget; provide dividends to SEGs; cross-subsidies to loss-making endeavours; and create employment). In the context of deeper international integration, particularly Vietnam's WTO accession, which produced booming land, real estate and financial markets, these transformations have increased incentives for state entities to invest in speculative activities, sometimes at the expense of their core responsibilities. Thus in the context of deepened international integration in the age of neoliberalism the challenges of both harnessing FDI and state enterprises toward developmental ends have both become increasingly complex and actively contributed to the weakening of the Vietnamese party-state's industrial policy-making capacities, representing a challenge of two-fold complexity. Vietnam's policy challenges and global integration are thus inseparable and

interrelated, and the former should not be attributed to the Vietnamese party state system alone. Rather it is the interactions between the two, in the context of increased need for highly effective and coordinated industrial policies that means Vietnam's brand of developmentalism faces increased challenges.

This in turn raises the question of the relationship between the Vietnamese development strategy and neoliberalism. Three common positions are discernible here. The first that in Vietnam neoliberalism is 'present but not powerful' (Gainsborough, 2010); the second that Vietnam's strategy 'combines elements of the developmental state model with elements of the [neoliberal] competition model' (Evans and Hai, 2005, p.236); third that since the mid-2000s it has embarked on 'an apparently hyper-liberal turn' (Masina and Cerimele, 2018, pp.29–30). The discussion above suggests that the second perspective which emphasises hybridity has the most to offer. Its specific form of developmentalism, however, is not best captured through the developmental state prism, and has instead both provided the global neoliberal economic order with a dynamic alternative to China in the low-wage labour end of the international division of labour, at the same time as a heterodox set of policies toward the state sector, public investment and macroeconomic management have been retained that differ from both the neoliberal development consensus and classic developmental state experiences. In both cases this is rooted in its retention of a distinctly unorthodox developmentalism with state ownership over finance, industry and infrastructure at its core, and limited alliances between the state and domestic capital. Indeed, according to one government official 'policies favour state-owned enterprises and FDI … the private sector has not received support' (VG-4).

Table 6.14 Vietnam: Employment by sector (thousands of jobs), 2005-2016

	2005	2010	2011	2012	2013	2014	2015	2016	New jobs 2005-16
Agriculture, forestry and fishing	23,563	24,279	24,363	24,357	24,399	24,409	23,259	22,315	-1,248
Mining and quarrying	257	276	279	286	268	253	238	236	-20
Manufacturing	5,031	6,646	6,973	7,102	7,267	7,415	8,083	8,867	3,835
Construction	1,980	3,108	3,221	3,272	3,309	3,313	3,432	3,800	1,820
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,593	5,550	5,828	6,314	6,563	6,652	6,710	6,736	2,143
Transportation and storage	1,290	1,417	1,414	1,498	1,532	1,535	1,592	1,614	324
Accommodation and food service activities	825	1,711	1,995	2,137	2,217	2,301	2,441	2,482	1,658
Information and communication	151	257	269	284	298	318	338	343	191
Financial, banking and insurance activities	186	255	301	313	335	352	365	376	190
Activities of CPV, socio-political organisations; public administration and defence; compulsory security	1,680	1,570	1,542	1,583	1,631	1,697	1,707	1,702	22
Education and training	1,258	1,673	1,732	1,767	1,813	1,860	1,896	1,902	644
Human health and social work activities	350	437	481	482	491	493	540	569	219
Arts, entertainment and recreation	82	232	250	256	272	286	295	305	223
Other service activities	782	687	735	732	750	764	800	848	66
Total	**42,775**	**49,049**	**50,352**	**51,422**	**52,208**	**52,745**	**52,840**	**53,303**	**10,528**

Note: 2016 data is preliminary
Source: GSO (2018).

Conclusion

This chapter has outlined how the Vietnamese state finance-industry-infrastructure nexus was impacted, preserved and distorted through the process of the country's deepened international integration after the implementation of the US BTA in 2002. As the importance of export-oriented light manufacturing has increased in significance within the overall balance of the country's development strategy, FDI has become disarticulated from its former role supporting state entities engaged in import-substituting industries. Instead, a two-track strategy has emerged. One the one hand, Vietnam's economic policies have become increasingly oriented to finding new drivers of FDI and export growth, and on the other, toward preserving state control over the commanding heights of the economy. This increasingly complex balancing act has seen Vietnam transform from one of the world's most protectionist countries to one of the most open, and emerge as a lower-income vanguard of deep trade and investment integration. Yet at the same time, the CPV has not abandoned either its ideological or material commitment to the state sector, producing a hybrid form of developmentalism consisting of orthodox and heterodox elements, which has allowed the CPV to achieve the twin political and economic objectives which accompanied its transition to market economy.

This approach has three-fold implications for the country's development trajectory and policy space. First it has made the CPV extremely dependent on the interests and inclinations of foreign capital in a sector of the economy pivotal for its capacity for structural transformation, at the same time as its own wages are rising and new low-wage destinations for light manufacturing are becoming increasingly attractive. This in turn has increased its vulnerability to pressure through its aid relationships. Second, increased emphasis on light manufacturing exports has intensified the country's reliance on securing favourable terms of market access through preferential bilateral and regional trade agreements, which has eroded both the scope to use industrial policy tools and protect state enterprises. Third, due to the narrowed space to nurture and protect state enterprises through trade protection, restrictions on foreign competition, and preferential access to banking sector credit, the CPV's use of alternative mechanisms to support the commanding heights of the economy, has, in the context of shifts in the economy resulting from deepened integration, compromised its utility as a tool for powering the broader structural transformation of the economy. Thus in this second period, the CPV

has been far more successful in ‘occupying’ rather than ‘commanding’ the strategic heights of the economy toward productive ends.

Chapter 7 Comparative political economy of developmentalism in Ethiopia and Vietnam

Building on the individual country cases examined in Chapters 3-6, this chapter provides a comparative analysis of the actually existing forms of developmentalism which have emerged in Ethiopia and Vietnam since their transitions to market economy. To date, comparisons between the two (see Chapter 1), tend to rest on a mainstream interpretation of Vietnam's development trajectory, and fail to consider whether its experience represents either a viable or desirable model for Ethiopia to follow (and if so, on what basis). For instance, the IMF (2006b, p.25) argues that Vietnam attracts considerably more FDI than Ethiopia because the latter's 'business environment remains difficult', suggesting a package of reforms to streamline business registration and credit provision that offer an implicit narrative of the Vietnamese transition predicated on its conformity with neoliberal development norms. The World Bank's 2012 *Light Manufacturing* report likewise attributes Vietnam's manufacturing success to its FDI-incentives and policies 'consistent with the traditional agenda for investment' (Dinh et al., 2012, p.8). Vietnam is also mobilised in ahistorical condemnations of Ethiopia's development performance. Indeed, the IMF (2014b, p.10) compares Ethiopia with four 'Asian Tigers' – Vietnam, China, Korea and Taiwan – in order to ask: '[beyond] differences in initial conditions, this raises the question of why Ethiopia so far has not been able to replicate the performance of the successful Asian countries'. Through such highly selective interpretations of its development trajectory, Vietnam has become an instrument of IFI pressure for greater liberalisation in Ethiopia, much as China is put to the same ends in Vietnam (see Chapter 6).

In contrast, this chapter draws on a heterodox interpretation of Vietnam's development experience. Weeks et al. (2004, p.40) noted in the early 2000s that the EPRDF's ADLI strategy 'fits well into the framework of Vietnamese success … Characterised by indicative planning, it seeks, like the Vietnamese strategy, to apply systematic market interventions to foster an integrated development process'. For Weis (2016, pp.26–27), the political basis for the development of the market economy in Ethiopia shares with both China and Vietnam 'a socialist legacy [that] has been reinterpreted in the context of economic reform, resulting in a highly interventionist form of capitalism that builds on authoritarian domination of the political arena'. Neither study, however, considers

these similarities in substantive terms. This chapter thus contributes to an underdeveloped area of comparative analysis across three dimensions. First, the chapter explores the commonalities and differences in their respective forms of developmentalism, arguing there are striking similarities between the varieties of developmentalism in each. Second, extant interpretations of their trajectories within the development literature are considered. The section argues that differential interpretations of these trajectories in the mainstream literature suggest Ethiopia tests the limits of orthodox appropriation of heterodox trajectories, and that heterodox attempts to subsume Ethiopia and Vietnam within the framework of the developmental state obscure as much as they reveal. Third, the strategies for engaging with challenges stemming from the global neoliberal order are considered and it is argued that common strategic adroitness in navigating, resisting and instrumentalising facets of neoliberalism has helped secure domestic political hegemony and preserve heterodox policies, specifically in the state sector. However, the differential nature of the constraints each has experienced from the global order also highlights the variegated nature of these challenges.

7.1 Developmentalism contextualised: political economy, ideational orientations and political systems

To frame these three areas of enquiry, this section first provides a contextualising discussion of the similarities and differences across the political economies, orientating ideologies and political systems of Ethiopia and Vietnam. It is suggested that shared inheritances from the centrally planned period and the orienting ideologies of their ruling regimes have conditioned the similar varieties of developmentalism emerging in Ethiopia and Vietnam since the transition to market economy.

7.1.1 Shared political economies and approaches to politics and economics

In terms of their political economies, due to experiences of radical land reform programmes, nationalisation and the efforts to construct centrally planned economies prior to the transition to market economy, the domestic private sector was extremely small-scale and fragmented in both Ethiopia and Vietnam in the late 1980s and early 1990s (Mallon, 2002; Chole, 2004). The political aspects of their transitions differed considerably, however. Ethiopia underwent regime change following the overthrow of

the Derg in 1991, and thus the transition to market economy was concurrent with a major political shift, both in terms of the ruling regime, and with the shift to a fundamentally different political system of ethnic federalism (see Chapter 3). In contrast, the CPV's decision to shift away from the centrally planned socialist economy of reunified Vietnam was prompted not by domestic political transformation, but by both deepened economic stress and shifting external conditions, including the collapse of the Soviet Union (see Chapter 5). In addition, whilst the EPRDF instituted the country's first system of multi-party democracy, the CPV has entirely avoided undertaking a political transformation alongside its economic transition.

However, the significance of these differences were less marked than they might have been because of the shared Marxist-Leninist heritage of the TPLF (the EPRDF's most influential party) and the CPV (Beresford, 1988; Young, 1997). Notably, the political elite in neither country underwent a wholesale ideological conversion away from the former commitment to socialism at the point of transition, and instead both the EPRDF and CPV were pressed to adopt a market-oriented approach by a mixture of domestic economic challenges and the profound transformations in the international order after the end of the Cold War. One important result of this shared inheritance has been a tendency within both the EPRDF and CPV to see the ruling party (or coalition) as a vanguard political force which should dominate state power, with the peasantry considered to be a key constituency (Abuza, 2001; Tadesse and Young, 2003). Another has been the deployment of mass associations as a tool for building a popular base through which to secure regime hegemony (Weis, 2016; Bui, 2016). However, notably in Ethiopia, whilst the TPLF had utilised mass associations in areas it administered prior to overthrowing the Derg, Ethiopia's mass associations were markedly reinvigorated in the second developmental period, and became a crucial means of mobilising support for the EPRDF's development project after the contested 2005 election revealed the fragility of the coalition's domestic support base (Vaughan, 2011; Vaughan, 2015). In contrast, Vietnam's vast apparatus of mass associations emerged alongside socialism itself in the mid-1950s (Vasavakul, 2003), so has a much earlier lineage indicating the CPV's much more long-standing embeddedness within Vietnamese society.

In both, however, these strategies are connected with a shared emphasis on securing the political hegemony of dominant ruling regimes. The EPRDF, for instance, controls all

government structures, both local and federal, directly through its constituent parties and indirectly through affiliated parties (Kefale, 2014; Mezgebe, 2015). In the 2015 national elections, the EPRDF coalition and allied parties won a controversial 100 per cent of parliamentary seats (Arriola and Lyons, 2016). Vietnam, meanwhile, remains formally a one-party-state political system, and whilst the constitution affords the National Assembly supreme state power, in practice both politics and state are dominated by the CPV (Vu-Thanh, 2016).

In each, economic strategies are fundamentally connected to the broader political objective of achieving party (coalition) hegemony, and each regime has had a strong and enduring commitment to retaining state control over the economy's commanding heights, including shared influence from the mixed economy of Lenin's New Economic Policy (NEP) (Milkias, 2003; Pham, 2012) (see Chapters 4 and 5). In line with this, the EPRDF's (1991, p. 5) transitional economic strategy of 1991 noted 'sectors which play a decisive role in the rapid development of the economy must be under the control of the popular government'. In this regard, the EPRDF has sought to retain control over the political sphere, partly through its control over the economic sphere (Vaughan and Gebremichael, 2011, p.20). In Vietnam, the Political Report to the Sixth Party Congress in 1986 noted that 'the socialist economy with the State sector as the core must play a decisive role in the national economy i.e. it must account for a large proportion both in production and circulation, prove its superiority and, through economic integration, exercise its control over the other sectors' (CPV, 2015, pp.641, 643). This preoccupation with the state sector has been accompanied by concern about domestic and foreign capital in both countries, including the potentially destabilising effects of the emergence of strong political links between the two and concern over foreign imperialist interference (see Chapters 3 and 5). Such common touchstones suggest common influence of Leninist ideas of imperialism and the dependency theory development discourses of the 1960s and 1970s.

In terms of their economic strategies, both have placed a high premium on ambitious economic growth targets and poverty reduction efforts, which have emerged as a core anchor of the EPRDF and CPV's (performance-based) legitimacy (Hiep, 2012; Pham, 2012; Berhanu and Poulton, 2014; Clapham, 2018). Once again, ambitious growth targets were present much earlier in Vietnam. Documents prepared for the Eight Party

Congress in 1996, for instance, noted that GDP growth at an average of 8.2 per cent a year had exceeded the target of 5.5-6.5 per cent, and set a new goal to turn Vietnam 'basically into an industrialized country by 2020' (CPV, 2015, pp.875, 890). Ethiopia's accelerated growth toward the end of the SDPRP plan (2002-2003 to 2004-2005), reached 11.9 per cent in 2003-2004, exceeding the target of around 7 per cent a year (MOFED, 2006), which thereafter also helped to increase the EPRDF's economic growth ambitions (see Chapter 4). As a result, the PASDEP plan adopted in 2005 set a target to make Ethiopia an MIC within 20-30 years (MOFED, 2006), which by the second GTP in 2015 had become a target to be reached by 2025 (FDRE, 2016b). In both places short bursts of rapid growth thus had the effect of intensifying ambitions regarding longer-term socio-economic transformation. In Ethiopia this was given further urgency after the disputed 2005 election, which has increased the political significance of its economic development strategy (see Chapter 4).

Unusually in the neoliberal period, both regimes also conceptualise economic development as indisputably linked with manufacturing development. Whilst CPV policy under socialism emphasised industry at the expense of agriculture, the 1986-1990 Five Year Plan sought to boost three areas: food production, exports and consumer goods (Anh et al., 2014), taking a more balanced approach to industry and agriculture. The EPRDF's 1994 ADLI strategy also stressed the importance of agriculture and industry (particularly the development of linkages between them) (Gebreeyesus, 2013), but with the priority reversed, stressing the primacy of the agricultural sector to rural livelihoods (Zenawi, 2006b). With the formation of the first stand-alone industrial strategy in 2002, and especially after the first GTP in 2010, manufacturing, has, however garnered increased investment and policy attention in Ethiopia (Oqubay, 2018). Key references for both regimes here have been the experiences of East Asian developmental states (Mallon, 2004; Weis, 2016) and China (Quinn-Judge, 2006; Le, 2017; Clapham, 2018).

Together these parallels across their political goals (regime hegemony) and economic aims (rapid development with a manufacturing orientation) have had important implications for the forms of actually existing developmentalism adopted by both the CPV and EPRDF (as explored in Section 7.2).

7.1.2 Divergent party-state systems

Despite such parallels, the party-state systems of Ethiopia and Vietnam are also substantively different. Ethiopia's political system, forged under the umbrella of "revolutionary democracy", comprises an ethnic federation of nine different ethno-linguistically defined regional states (each with the right to secession), and a multi-party democracy, with national elections every five years (Oqubay, 2018). This system broke with the highly centralised and unitary state structures of the (late) imperial period by expanding regional autonomy in an effort to accommodate Ethiopia's considerable ethnic diversity (Mezgebe, 2015). In contrast, Vietnam has a formally unitary state system (World Bank, 2015b) and the CPV also faces no multi-party elections which might challenge its hegemony. However, these systems operate very differently in practice due to the high degree of centralisation in Ethiopia and high degree of both formally sanctioned decentralisation and unsanctioned provincial fence-breaking in Vietnam. In Ethiopia the degree of policy-making latitude of the nine regions is decidedly bounded through central government control over the flows of federal funds to regions (Vaughan and Tronvoll, 2003), whilst many key policy decisions are taken centrally within the EPRDF via deliberative processes of democratic centralism (in order to avoid party factionalism), which are then implemented with little regional variation (Bach, 2011; Kefale, 2014). In Vietnam, fiscal decentralisation, as well as devolved powers over investment incentives, has contributed to a climate of considerable fragmentation and diversity between provinces, with the effect of weakening central oversight and making central decisions subject to provincial lobbying (Mallon, 2002; Vu-Thanh, 2016). Such very differently operating state structures have contributed to the existence of rather different policy challenges will prevail in each (see Chapters 4 and 6).

Despite the one-party nature of Vietnam's state, the party itself appears subject to considerably greater internal division. The Politburo is amongst the most powerful institutions within this system (Pham, 2012), and is elected during the five-yearly National Party Congresses. Delegates to the Party congress are typically elected by cadres from party organisations, the state sector and the army, who then elect a Party Central Committee, which in turn elects the Politburo and the Secretary General (Vasavakul, 1997; Pham, 2012). This gives party cadres, provincial officials, state sector managers and others considerable influence. During the 1980s, and for much of the

1990s, intra-party disagreements were reportedly divided between so-called party 'hardliners and softliners', separated in terms of their support for a socialist or market economy (Guo, 2004, p.398). In the present, considerable intra-party divisions are said to be less about ideology and more about struggles over the control of resources (Gainsborough, 2007; Fforde, 2016). The party is therefore considered to be a meeting point for the most significant competing interest groups within the Vietnamese political economy and, in this sense, a bearer of political pluralism (Kolko, 1997, p.125). The resultant consensus-based strategies for resolving these differences are a noted feature of Vietnam's policy approach, and which are often said to result in cautious, piecemeal and contradictory policies (Van Arkadie and Mallon, 2003; Painter, 2003) (see Chapters 5 and 6).

In contrast, whilst there were major internal disagreements within the EPRDF's dominant party, the TPLF, during the early 2000s (over Eritrea, the direction of economic change, and whether international integration and liberalisation had already gone too far), these resulted in the transformative split of 2000-2001 (Tadesse, 2015b, p.279). This split in turn opened the way for both the formal commitment to socialism to be dropped (Vaughan, 2011, p.631) and a more ambitious development strategy to emerge, since domestic divisions which had held back the trajectory of change in the mid-1990s were swept aside. In this regard, divisions within Ethiopia's dominant coalition have not tended to manifest themselves in contradictory policy-making moves to appease distinct party factions, but instead policy decisions have usually been enacted decisively and fully once adopted (see Chapter 4).

Yet whilst the EPRDF has faced (at least until the appointment of Prime Minister Abiy Ahmed in April 2018) a less fractious intra-party context, outside the party, it faces considerably more challenges to its political hegemony than the CPV. The disputed 2005 election, which revealed the EPRDF's vulnerability to contestation in urban areas (Lavers, 2012), and the ethnically-based political protests and violence since 2015 (Fiseha, 2018), have together posed domestic existential political challenges to the enduring hegemony of the EPRDF. Since 2015, ethnic divisions have become an increasingly significant fault-line within Ethiopian politics. It is for this reason that it has been rightly argued that one of the most significant differences between the experience of Ethiopia and the classic East Asian developmental states has been political

fragmentation along ethnic lines (Chang and Hauge, 2019). Notably, such political contestation has prompted considerable adjustments in the EPRDF's economic development agenda, such as toward the highly ambitious growth-oriented agenda in the mid-2000s. In Vietnam, major peasant protests in Vietnam in 1997 did prompt widespread arrests of corrupt officials abusing land-use rights allocation privileges (Abuza, 2001) and central policy efforts to compensate for peasant frustrations by increasing investments in rural areas (Sidel, 1999). However, overall, Vietnam's considerably more ethnically homogenous society (Weeks, Geda, et al., 2004) has resulted in a much less contested political space.

This particular mix of similarities in developmental and ideological orientation and differences in party-state systems has contributed to the emergence of markedly similar development strategies yet which have rather distinct challenges.

7.2 Converging developmental strategies

This section traces the emergence of what it argues are common forms of actually existing developmentalism in Ethiopia and Vietnam, shaped by the similarities across political economies, the orienting ideologies of their ruling regimes, and party state systems discussed above. Specifically, their shared commitment to industrialisation, in tandem with emphasis on securing regime hegemony and achieving rapid rates of growth, has contributed to a shared form of developmentalism comprised of three strategic policy pillars. The first involves the defence and expansion of state ownership across what are considered to be each economy's 'commanding heights', encompassing a nexus of state finance, heavy industry and infrastructure (such as transport and utilities) perceived to be strategically important for rapid long-term sustainable development and for the continuing hegemony of the ruling party. The second entails an emphasis on high rates of public investment, heavily concentrated in expanding infrastructure (both social and economic), and underpinned by heterodox macroeconomic policies. The final element has been a strong push to attract and concentrate foreign investment into light manufacturing activities and embrace global integration through GVCs as a key motor for both structural transformation and export growth. Each pillar is considered in turn, in conjunction with the heterodox policies supporting them, with a focus on: trade and industrial policies; privatisation; international private capital flows; domestic financial

regulation; and macroeconomic policies and institutions (the core arenas of heterodox development policy discussed in Chapter 2).

7.2.1 The state finance-industry-infrastructure nexus

Due to a shared understanding of what constitute the most strategic areas of the economy, state ownership in Ethiopia and Vietnam has been concentrated within in a nexus of finance, industry and infrastructure firms (referred to as the state finance-industry-infrastructure nexus). This nexus forms a powerful mechanism for directing economic activity toward priority productive and transformative economic activities. As a result, it provides an important counterweight to patterns of economic development in line existing comparative advantage in either country and in each country has been central to how investment and credit activities have been channelled in developmental ways.

RETAINING THE NEXUS

The common political and economic considerations discussed above resulted in two important similarities in how the EPRDF and CPV approached state sector reform in the 1990s. First both countries adopted an approach to state sector reform typified by gradualism (Tekeste, 2003; UNDP, 2006). After 1994, when privatisation did occur in Ethiopia, it was overwhelmingly concentrated in small retail shops, hotels and medium-scale establishments, leaving a substantial chunk of state entities in the industrial sector (IMF, 2005c). In Vietnam, even the term privatisation was too politically sensitive (see Chapter 5). This saw the CPV instead create a pilot equitisation programme in 1992 (involving the partial sale of shares in state enterprises and formation of joint stock companies), but the slow pace of even this meant that by 1997 only 14 SMEs had been equitised (far short of a target of 150) (Van Arkadie and Mallon, 2003, pp.122–127).

Second, both saw the 'commanding heights' in similar ways. In Ethiopia, the EPRDF's vision for where state ownership should prevail in the 1990s was summarised as follows:

> [L]and would continue to be state-owned. Also, some degree of state ownership will prevail in commercial agriculture; big engineering and metal works industries; major enterprises producing pharmaceuticals and fertilizers; "strategic" raw materials for the chemical industry; some wholesale trade

> enterprises; major financial institutions; air, rail and sea transport; telephone and postal services; some road establishments; mining and energy; and some construction enterprises (Chole, 2004, p.264).

Such sectoral priorities strongly parallel the vision advanced by Vietnam's Deputy Prime Minister Nguyen Tan Dung in early 2002, with the areas where state ownership was to be concentrated summarised as follows:

> State corporations are to be retained and strengthened in petroleum exploitation, processing, and wholesaling; the supply and distribution of electricity; the exploitation, processing and supply of coal and other important minerals; metallurgy; heavy manufacturing; cement production; post, telecommunications and electronics; airlines; maritime; railway; chemicals and chemical fertilisers; key consumer good and food industries; pharmaceuticals; construction; wholesale grain trading; banking; and insurance (Van Arkadie and Mallon, 2003, p.142).

However, these similarities aside, their experiences of utilising the state nexus for transformative ends was rather different during their first reform periods. Ethiopia's approach was altogether more defensive in the 1990s, and focused on preserving state ownership. The effectiveness of these strategies meant that by 2004, despite accounting for just 15.2 per cent of manufacturing enterprises, the state sector still contributed 72.2 per cent of manufacturing value-added, 62.0 per cent of the gross value of production, employed 64.2 per cent of the manufacturing workforce, and paid 62.1 per cent of the sector's wages and salaries (World Bank, 2004c, pp.5, 24). As a result, foreign observers noted at the time that 'the manufacturing sector remains largely state controlled' (USITC, 2002, p.198). Extensive state ownership in infrastructure in the mid-2000s, meanwhile, encompassed telecoms, power, transportation (including the national airline and shipping lines), land and financial institutions, which either 'remain[ed] under state monopoly or extended control' (World Bank, 2005a, p.8). However, these enterprises were not yet decisively deployed in a concerted manner toward transformative ends (see Chapter 3).

In Vietnam, in contrast, minimal equitisation was accompanied by efforts to rationalise the state sector (Van Arkadie and Mallon, 2003). This was followed by substantial restructuring, as, from 1994 onwards, the most strategic entities were grouped into GC-90 and GC-91 structures. The latter sought to create large capital-intensive state corporations in key sectors which are provided in Table 7.1 as a useful way to compare with those recently created in Ethiopia, which are shown in Table 7.2. In manufacturing, state enterprises were active in both import-substituting and export-oriented activities, with the former in particular benefiting from the CPV's decision to heavily encourage FDI into joint ventures, often attracted by the protected nature of the Vietnamese economy at this time (IMF, 1999b). Those in infrastructure, such as power, water, construction, and materials construction were also boosted by inflows of ODA toward the end of the 1990s (Van Arkadie and Mallon, 2003), with Japanese ODA in particular heavily biased toward economic infrastructure investments (Hatakeyama, 2008). Such factors meant that despite reduced state subsidies following the transition to market economy, the state sector's overall share of official GDP actually increased after *doi moi* (Van Arkadie and Mallon, 2003).

Table 7.1 Vietnam: GC-91 Corporations (mid-1990s)

Decision 91 State Corporations	Member enterprises (including joint ventures)	Legal capital (billion dong)
Electricity Corporation of Vietnam	34	19332
Coal Corporation of Vietnam	51	824
Vietnam Petroleum Corporation (Petrovietnam)	21	761
Cement Corporation of Vietnam	18	2235
Vietnam National Shipping Lines (Vinalines)	36	2145
Vietnam Airline Corporation	26	1043
Vietnam Post and Telecommunications Corporation	94	4740
Vietnam Rubber Corporation	34	2700
Vietnam Steel Corporation	21	1336
Vietnam Coffee Corporation	68	276
Vietnam Tobacco Corporation	12	550
Vietnam Paper Corporation	18	1028
Vietnam Textile and Garment Corporation	55	1186
Northern Food Corporation (Vinafood 1)	32	194
Southern Food Corporation (Vinafood 2)	64	…
Vietnam National Gem and Gold Corporation	12	12
Vietnam Shipbuilding Corporation (Vinashin)	24	204

Source: Van Arkadie and Mallon (2003).

One reason why Vietnam's state sector more rapidly played a more transformative economic role can be located in the different levels of development of the Vietnamese and Ethiopian state sectors at the point of transition. As Beresford (1995b, p.56) notes,

whilst Vietnam's state-owned industrial sector was smaller than that in Eastern Europe or China, it nonetheless accounted for 40 per cent of national output in 1985 due to the development of both a 'wide range of industries and development of an industrially skilled workforce'. In contrast, between 1981-1992, the Ethiopian industrial sector accounted for an average of 12 per cent of GDP, and manufacturing just 7 per cent (Tekeste, 2003). As well as a more underdeveloped manufacturing sector, Ethiopia also lost around one-third of its industrial sector after the secession of Eritrea in 1993 (Wells, 1998, p.109), including enterprises in processed food, beverages, textiles, leather goods, chemical products, construction materials, and metal products (IMF, 1995). In addition, Ethiopia's overall development strategy under ADLI at this time placed much greater emphasis on agriculture and rural development than industrial transformation and urban development, where state enterprises might be expected to play a more significant role (see Chapter 3). Yet with an agricultural sector much more vulnerable to shocks, including the recurrent droughts which resulted in persistent food insecurity during the 1990s (Devereux, 2000), Ethiopia experienced none of the agricultural export buoyancy of Vietnam's transition. As a result, the 1990s were a period of considerably greater socio-economic fragility in Ethiopia. Together with the Eritrean conflict toward the end of the decade, and lack of consensus around the appropriate direction for economic transformation revealed by the 2000-2001 split within the TPLF, the EPRDF's overarching approach to the state sector during the first developmental phase centred much more around preserving the commanding heights in state hands than putting them to transformative ends (and it is for this reason that this thesis labels this a period of defensive developmentalism).

In the 2000s, particularly after the first GTP, state enterprises became an increasingly significant motor of the EPRDF's developmental project (see Chapter 4), with many echoes of Vietnam's approach to the state sector in the 1990s. State industries, for instance, play an important role in the import-substituting element of Ethiopian manufacturing strategy, across heavy manufacturing such as arms, buses, solar panels and light aircraft (Weis, 2016), sugar (Kamski, 2016), and cement (Oqubay, 2015). The state also owns some of the country's largest vertically integrated textile firms, an important priority export-oriented manufacturing sector (Hauge, 2018). As a result, Ethiopia's manufacturing is said to be over-reliant on state and foreign enterprises, given the very limited development of the domestic private manufacturing sector (Chang and

Hauge, 2019, p.18). Since the first GTP, a trend toward the formation of sectorally concentrated large conglomerate structures has also emerged, including in key industrial and infrastructure sectors such as shipping, road construction, the airline industry, chemicals, agri-business, distribution and construction (Table 7.2). Notably, there are strong echoes of Vietnam's GC-91 structures outlined in Table 7.1, including the national airline, shipping firm, mining and minerals industry, chemicals, agri-business, and metals and engineering sectors. In neither country are these enterprises the sum-total of the state sector, with Vietnam's large state sugar and railway enterprise not turned into a GC-91, and many of Ethiopia's notable state enterprises such as Ethio Telecom, the state electricity firm and railway not yet experiencing such agglomeration.

The formation of these groups appears to have represented an effort to foster national champions capable of international competition ahead of Ethiopia's (eventual) deeper international integration (see Chapter 4). Beyond these corporate structures, state enterprises remain key players in other strategically important sectors, such as printing and telecoms (Ethiopia retains one of the few remaining telecoms monopolies in Africa), and have been formed in other areas to support the EPRDF's transformative vision for the economy such as the railway and industrial park construction. Concessional and non-concessional inflows have helped to bolster the country's state finance-industry-infrastructure nexus, with many of the transformative infrastructure plans undertaken through state entities, helping to turn Ethiopia into an emerging light manufacturing hub in Africa.

In Vietnam, where equitisation intensified during the late 1990s and 2000s, the state sector's share of GDP reduced to around a third (see Chapter 6); not dissimilar to that in the 1990s. The state nonetheless retains a majority share in over 3,000 enterprises, approximately 40 per cent of total investment in the economy, and a 'virtual monopoly (or oligopoly) in critical sectors such as fertilizer, mining, utilities, banking, construction, and agriculture' (Viet Sinh et al., 2016, p.20). To bolster these investments in the light of impending deeper trade integration, conglomeration took on a new phase in the mid-2000s as diversified holding company structures called SEGs were formed, whose rapid expansion into speculative activities proved a major policy challenge in the post-WTO period. Some prominent failures to deliver on ambitious core activity plans have included the major debt default of the state shipbuilding conglomerate (Fujita, 2017b;

Vu-Thanh, 2017). However, in other areas such as textiles, profitable diversification appears to have provided dividends to the textile holding company, Vinatex, to support as-yet-unprofitable upstream investments in the textile spinning, weaving and dyeing sub-sectors, in line with the government's textile and garment sub-sector plans (Fujita, 2017a).

Overall, Ethiopia's emphasis on the centrality of state enterprises to its economic transformation marks it out from many sub-Saharan African economies (Oqubay, 2018, p.9). In this regard, it shares much in common with Vietnam, including the sectoral concentration of state enterprises and efforts to form larger, strategically grouped entities. However, Ethiopia currently has fewer of these major corporations than Vietnam in the 1990s, which also appear to contain fewer enterprises. Notably, the constituent enterprises all appear to be related to the core business activities, thereby lacking the diversification into profitable side-lines that was a long-standing feature of the Vietnamese state sector (see Chapter 5), and which exploded considerably when Vietnam's SEGs were formed in the mid-2000s (see Chapter 6). This signals a further major difference regarding their state sectors, which is that Vietnam's acts as an anchor of regime stability, through employment, state budget contributions and investments in poorer areas, and performs many (and often competing) social, economic and political roles. These concerns, which aren't currently evident in Ethiopia, have made it very challenging for the CPV to force state conglomerates to divest from profitable non-core activities.

Table 7.2 Ethiopia: State corporations formed (or re-established in GTP period)

State corporations formed in GTP period	Date	Member enterprises	Legal capital (billion birr)
Ethiopia Sugar Corporation (ESC)	2010	Metahara Sugar Factory, Wonji/Sheoa Sugar Factory, Finchaa Sugar Factory, Tendaho Sugar Factory and Ethiopian Sugar Development Agency	42.0
Metals and Engineering Corporation (MeTEC)	2010	Nazareth Canvas Sewing and Garment Factory and Ministry of National Defense enterprises	10.0
Ethiopian Shipping and Logistics Services Enterprise (ESL)	2011	Ethiopian Shipping Lines Share Company, Martime and Transit Service Enterprise and Dry Port Service Enterprise	3.8
Chemical Industry Corporation (CIC)	2012	Mugher Cement Enterprise, Natural Rubber Tree Development, Production Project and Coal-Based Urea Complex, Awash Melkassa Aluminium Sulphate, Sulphuric Acid Share Company, Adami Tulu Pesticides Processing Share Company and Caustic	21.7
Ethiopian Mineral, Petroleum Bio-fuels Corporation	2015	Ethiopian Petroleum and Natural Gas Development Enterprise and Ethiopian Mineral Development Share Company	15.3
Ethiopian Trading Businesses Corporation	2015	Ethiopian Commercial Enterprise, Procurement Service Enterprise, Ethiopian Grain Trade Enterprise, and Ethiopian Vegetables and Fruits Share Company	3.8
Ethiopian Construction Design and Supervision Works Corporation (ECDSWCo)	2015	Water Works Design and Supervision Enterprise, Construction Design Enterprise Share Company and Transport Construction Design Share Company	1.3
Ethiopian Agricultural Businesses Corporation (EABC)	2015	Ethiopian Seed Enterprises, Agricultural Equipment and Technical Services Share Company, Agricultural Inputs Supply Enterprise, Natural Gum Processing and Marketing Enterprise and Agricultural Mechanization Service Enterprise	2.4
Ethiopian Construction Works Corporation (ECWC)	2015	Ethiopian Road Construction Corporation and Ethiopian Water Works Construction Enterprise	20.3
Ethiopian Airlines Holding Group	2017	Ethiopian Airlines Enterprise and Ethiopian Airports Enterprise	100.0

Other important state enterprises	Date	Constituent enterprises	Legal capital (billion birr)
Ethio Telecom (ETC)	2010	Ethiopian Telecommunications Corporation	40.0
Ethiopian Railway Corporation (ERC)	2012	None	39.8
Ethiopian Electric Power	2013	Ethiopian Electric Power Corporation (elements of)	139.1
Ethiopian Electric Utility	2013	Ethiopian Electric Power Corporation (elements of)	64.7
Ethiopian Industrial Parks Development Corporation (IPDC)	2014	Ethiopian Industrial Development Zones Corporation	10.0

Note: The group included above the new state corporations includes some entirely new entities (ERC), some formed from splitting (not agglomerating) existing enterprises (such as the electricity enterprises), and other, older enterprises, re-established in this period (the date and legal capital are therefore the most recent re-establishment)

Sources: *Federal Negarit Gazeta* of the FDRE (various issues) and Ministry of Public Enterprises website (FDRE, 2018a).

Adding to the fragmentation of Vietnam's state sector, during the 1990s studies showed competition between GC members, as well as across GCs in the same business areas. This trend so-far also seems absent in Ethiopia, and whilst further research is needed here, it is telling that Ethiopia's state-owned telecoms monopoly is held by one firm (Ethio Telecom), yet in Vietnam three major state owned enterprises (Viettel Group, Mobifone and VNPT) form the bedrock of the telecoms sector. State enterprises are typically fully state-owned in Ethiopia, meaning the sector lacks the complex relations between holding groups and joint stock companies present in Vietnam, through which dividends from companies partially owned by the state form a mechanism for within-SEG cross-subsidisation. Such complexity in terms of the ownership structures of state enterprises is further exacerbated by the autonomy of Vietnam's state enterprise managers, whose lobbying from within the party-state system and unsanctioned deviation from central directives, has been one of the forces long-making coherent industrial policy-making a challenge (see Chapter 5). However, Vietnam's state sector has undoubtedly faced considerably greater external shocks than Ethiopia's, particularly through its WTO accession, which has exacerbated pre-existing tendencies toward fragmentation (see Chapter 6). This suggests that there are a number of pressures impacting the performance of Vietnam's state sector within its overall developmental approach that originate outside the party-state system.

FINANCING TRANSFORMATION

Both states have also retained a heavy presence in the financial sector, including commercial and explicitly policy-oriented banks. Ethiopia's state-owned banks, CBE and DBE, accounted for 48.9 per cent of total bank assets in 2015-2016 (see Table 4.2), and the former has a mandate to finance major infrastructure projects, including priority state enterprise projects (Shiferaw, 2017) (see Chapter 4). In Vietnam, state-owned commercial banks are also dominant players, accounting for 51.8 per cent of sector credit in 2012 (Table 6.6), where lending to state enterprises has also been a major feature of patterns of resource allocation (see Chapter 5 and 6). Indicative of the greater complexity of Vietnam's financial sector is the proliferation of joint stock banks, however, which accounted for just over a third of credit in 2012, shares in which have been purchased by state enterprises in the post-WTO period (as noted above). This has created much more opaque structures of ownership and control. Vietnam's WTO

accession in 2007 also compelled the CPV to liberalise the financial sector to foreign entrants (see Chapter 6), which the EPRDF has so far managed to avoid (see Chapter 4).

There are important similarities in the orientations of the DBE and VDB (Table 7.3). While the DBE places more stress on agriculture and agro-processing, both banks similarly prioritise the chemical industry, pharmaceuticals, textiles and garments, motor vehicles, machinery, and extractives and metals for directed credit. Whilst the VDB is larger, with lending worth 7.5 per cent of GDP to DBE's 1.7 per cent, the latter was higher than comparable institutions in Hungary, South Africa, India and Turkey in 2012 (Guadagno, 2016), suggesting atypical ambition. Sovereign bond issues have also been used in both countries to support strategic projects. In Ethiopia for (state-owned) sugar and industrial park projects (Chapter 4) and in Vietnam for (state-enterprise) oil refinery, cargo ship building and power projects (Chapter 6).

*Table 7.3 Development banking in Ethiopia and Vietnam**

Institution	Policy mandate	Support mechanisms	Priority sectors	Sources of funding	Lending as a percentage of GDP (2012)	Total lending as a percentage of GFCF (2012)
Development Bank of Ethiopia (DBE)	Provision of development finance and technical support for priority projects in line with the national development agenda	Loans Export credit guarantees Technical support	Agriculture Extractives Agro-processing Textiles and leather Paper/packaging Chemicals and rubber Non-metallic materials Metals Motor vehicles Electrical machinery Pharmaceuticals	Government funds Government saving bonds Borrowings from development finance institutions	1.7	4.6
Vietnam Development Bank (VDB)	Mobilise national and international funds to implement state policies related to investment and export financing	Loans Export credits Settlement services Loan guarantees	Engineering Automobiles and motorbikes Pharmacy Energy Chemicals Electronics and ICTs Steel and coal Textiles and garments Machinery and equipment	Government-guaranteed bonds State budget ODA	7.5	30.9

*: Neither bank provides a comprehensive sectoral breakdown of actual lending. Data also doesn't capture the long-term impacts of the NBE's 27 per cent rule, passed into law in 2011.

Source: Adapted from Guadagno (2016).

POLITICAL ECONOMY IMPLICATIONS

These changes have shaped the social forces of Ethiopian and Vietnamese developmentalism in different ways. In addition to Ethiopia's sizeable state sector, a set of controversial endowment-owned enterprises have emerged out of the ruling coalition's constituent parties (see Chapter 4). Together such enterprises have been said to severely constrain the space for domestic capital in Ethiopia (Prunier and Ficquet, 2015a, p.13). However, the sectoral concentration of endowment entities in the cement, finance, cereals, edible oil and flour, textiles and garments and road transport sectors (Vaughan and Gebremichael, 2011) suggests they play a complementary role to state investments in strategic (often capital-intensive) sectors, as suggested by government insiders (Oqubay, 2015). In contrast, in the domestic private sector, half of the largest firms in a 2010 study emerged from import and export trade (Sutton and Kellow, 2010), which indicates that government frustration for the private sector's 'rent-seeking' tendencies (see Chapter 4) may reflect the limitations of domestic capital as a route through which to finance transformative productive projects. In addition, given the small-scale of domestic capital in Ethiopia, there appears to be a very limited basis on which any sort of alliance between the state and domestic private sector could emerge as the foundation for structural transformation (Chang and Hauge, 2019). Thus the EPRDF has not proactively sought to foster a powerful domestic capitalist class as partners in its developmental project, but instead relied on state and endowment entities (and increasingly foreign investors) to power investment in areas considered of particular strategic import. This balancing act has notably enabled the EPRDF to achieve key political and economic goals of party hegemony and rapid growth with an emphasis on industrialisation, as outlined in Section 7.1.

In Vietnam, instead of party-affiliated entities, it is the power of so-called 'state business interests' arising from within the state sector (Riedel and Turley, 1999; Fforde, 2007; London, 2009) that is often said to crowd-out domestic capital. Thus Riedel and Turley (1999, p.50) say the Vietnamese economy is shaped by 'members and relatives, state agencies, ministries, people's committees at district and province levels, and the army, [who] own, control, or manage a very large slice of the economy, including most of the firms that operate in protected sectors'. As noted in Chapter 6, whilst often cast as a cause of inefficiency, this is unlikely to be seen as a cost from the CPV's side. And as in Ethiopia, there has been no concerted effort to build a sizeable class of domestic

capitalists to partner in its developmental project, and thus the domestic private sector accounted for just 8.2 per cent of GDP in 2016 (compared with 30.4 per cent for the household sector, 28.8 per cent for the state sector, and 18.6 per cent for the foreign-invested sector) (GSO, 2018). In 2015, the average pre-tax profit of domestic private enterprises stood at VND 4.6 trillion, over 30 times less than in both the state sector (157.0 trillion) and foreign-invested sector (170.7 trillion) (GSO, 2017). Thus, like Ethiopia, there is also a significant mismatch between the size of the domestic private sector and its capacity to be an effective development partner of the state in implementing capital-intensive infrastructure and industry heavy five-year plans.

In summary, the state sector policies of the CPV and EPRDF are decidedly heterodox in the ways suggested by Chang and Grabel (2004a; 2014), notably gradualist in terms of privatisation and utilising the sector as a potentially powerful tool of transformation in risky, capital-intensive areas of the economy. As a result both the EPRDF and CPV have resisted pressure to privatise such entities, pressure rooted in mainstream faith in the sector's supposed inefficiencies. Instead, Ethiopia and Vietnam's experiences illustrate that large state sectors can be compatible with rapid growth, and whilst correlation does not represent causation, the two case studies echo that of Taiwan, which had a particularly large state sector, as well as South Korea and Singapore where the state sector was also not insignificant and co-existed with fast growth (Chang and Grabel, 2004a).

7.2.2 Public investment and broader macroeconomic policy orientation

The second important pillar of the development strategies adapted by the EPRDF and CPV has been high rates of public investment, which adds both economic momentum and helps to secure growth stability. In recent years, both have had very high overall levels of investment to GDP, at highs of 37.0 per cent of GDP in Ethiopia and 33.1 per cent of GDP in Vietnam, comparable with China and Korea in their high growth periods respectively (Table 7.4). In Ethiopia, public investment increased from 9.0 per cent of GDP in 2003-2004 (IMF, 2007a), rising to highs of 25.0 per cent in 2011-2012 (IMF, 2014a), before dropping to (lower, but still very high levels of) 17.2 per cent in 2015-2016 (IMF, 2018a). This shift cannot be understood apart from the ethnic divisions within Ethiopia discussed in Section 7.1, as, in contrast to Vietnam, rising domestic discontent during and after the 2005 election propelled the EPRDF to adopt a much

more expansive programme of investment in industry and urban areas, alongside its long-standing commitment to rural development. Its subsequent growth path has been importantly driven by such investments, and the associated policies which have come to support it, from heterodox financial repression in the form of negative real interest rates, compression of current expenditure, and an overvalued currency (to cheapen the cost of imported capital goods) (see Chapter 4). In addition, ODA inflows have helped to counter-balance Ethiopia's historically low savings rate (Shiferaw, 2017), although recent increases in gross domestic savings have seen those in Ethiopia equal those in Korea between 1968-1979 (Table 7.4).

Overall, in Ethiopia, public investment has been channelled toward social (particularly in health and education) and economic infrastructure (e.g. hydro-electric power, transmission lines, airports, telecoms, roads, and railways) (Shiferaw, 2017). Whilst the central budget is used for roads and education, state enterprises finance other infrastructure investments directly, such as energy, rail, telecoms, industry and housing (World Bank, 2016a). Some 57 per cent of the first GTP's capital expenditure, for instance, was assigned to state enterprises in power generation, railway construction, and sugar, textile, fertiliser, leather and cement projects (World Bank, 2015a). By expanding electricity provision, rail and road connections, and industrial park infrastructures, public investment has played a catalytic role in diminishing the challenging trade logistics and poor electrification which hitherto constrained Ethiopia's capacity to emerge as a major export-oriented manufacturing hub (see Chapter 4). This, in turn, has helped Ethiopia emerge as a leading African destination for FDI, which reached 5.5 per cent of GDP in 2016 (World Bank, 2018g).

Table 7.4 Comparison of selected economic indicators, Ethiopia, South Korea, China and Vietnam (selected high growth periods)

		GDP per capita (average % growth per year)	Inflation rate (average % per year)	Exports (%GDP)	Investment (GFCF % GDP)	FDI (% GDP)	Gross domestic savings (%GDP)	Total reserves (months import)
Ethiopia I	2004-2010	8.6	15.1	12.9	22.9	2.0	3.2	2.5
Ethiopia II	2011-2017	7.1	14.8	11.4	37.0	3.0	20.1	2.2
Korea I	1968-1979*	7.0	14.6	22.6	26.8	0.2	21.1	na
Korea II	1982-1996**	7.3	5.2	30.9	33.1	0.3	34.3	1.8
China I	1982-1988	9.9	na	11.5	30.0	0.6	35.7	7.7
China II	1991-2010	9.6	4.8	26.0	37.0	3.9	44.1	11.1
Vietnam I	2000-2010***	6.0	6.9	66.8	33.1	5.7	28.3	2.7
Vietnam II	2011-2017****	4.9	7.1	87.8	24.3	5.6	27.1	2.2

* Break in 1972-75 ** Break in 1992 *** Break in 2009 **** Break in 2012-14

Source: Adapted from Geiger and Goh (2012).[226]

[226] Growth periods in the original source were selected on the basis of consecutive GDP per capita growth of over five percent per year (with exceptions noted above). Ethiopia II and Vietnam II have been added to bring the table up to date (despite the fact that GDP per capita growth in Vietnam just falls short of the 5.0 per cent threshold in the second period). Inflation data for Ethiopia II and Vietnam II is only available between 2011-2016.

In Vietnam the picture (and data) is more mixed, but public investment has nonetheless been a central plank of the CPV's development strategy. If lower-end data offered by Tarp (2018) is used,[227] public investment was around 15 per cent of GDP in 1996, rising to over 20 per cent in the early 2000s, before falling steadily and levelling out just over 10 per cent of GDP after 2011. As in Ethiopia, this supports the view that in the post-*doi moi* period policy was strongly oriented toward investment-based growth, particularly through public investment and credit expansion (Thanh and Duong, 2009, p.116). Unlike Ethiopia, Vietnam's strong tax base was one of the most striking features of the early transition to market economy (Weeks, Thang, et al., 2004), and with state enterprises major contributors to the state budget, their capacity to provide resources to this public investment drive played into their overall economic significance. Vietnam also had higher levels of domestic savings earlier in its transitional process than Ethiopia (Table 7.4), meaning its access to domestic resources for this investment drive was considerably greater.

One major difference in the way public investment articulates with the overall growth path relates to Vietnam's considerably greater regional and global integration, and thus greater vulnerability to external shocks. During the regional crisis in 1997-1998 and the 2008-2009 collapse in global trade, public investment has played an important counter-cyclical role (see Chapters 5 and 6). The stability of public expenditure (capital and current) helped to compensate for shifts in levels of FDI and exports during these crises, and therefore contributed to broader growth stability, by helping to sustain consistent revenue flows (Weeks, 2015, p.35). Furthermore, the CPV has stimulated investment in state-owned enterprises after each crisis to help restore growth, such as in 1998 when credit to state enterprises was increased at reduced interest rates (Abbott and Tarp, 2012, p.11). In the wake of the global crisis, inflation, currency depreciation and bigger government deficits were all tolerated in order to sustain growth and avoid large changes in employment levels (Abbott and Tarp, 2012). Public investment is thus an equally important pillar of high-growth developmentalism in Vietnam, but plays a slightly different role than in Ethiopia, where it is the main growth driver (Moller, 2016; Priewe, 2016). Instead it plays a more stabilising role, helping to offset some of the dangers of the extreme trade openness and high rates of FDI to GDP, indicated in Table 7.4. This

[227] For higher end data see Chapter 5, Table 5.2 and Chapter 6, Table 6.7, and for a discussion of these issues see footnote 160.

demonstrates the heterodox macroeconomic underpinnings of Vietnam's more conventional policy pillars.

Again unlike Ethiopia, Vietnam's public investment and infrastructure regime have been significantly impacted by its WTO accession (Chapter 6). For one thing, public investments in infrastructure have become an increasingly important industrial policy tool (as direct subsidies to state enterprises have become more challenging in a post-WTO environment) (Perkins and Vu-Thanh, 2010). In tandem, investment and infrastructure decisions have been progressively devolved to provincial governments (Malesky, 2008; Vu-Thanh, 2016). The internal competition for FDI amongst Vietnam's provinces has prompted local authorities to each seek to build their own export-oriented infrastructure, from airports, seaports, industrial parks and export-processing zones (Mishra, 2011, p.59), fragmenting public infrastructure provision. In contrast, Ethiopia's approach has been much more tightly focused around connecting centrally-determined locations for state-funded industrial parks to a burgeoning logistical infrastructure encompassing road and rail connections to neighbouring ports, and a much more focused provision of industrial park projects (see Chapter 4).

In terms of the broader macroeconomic picture, in Ethiopia the exchange rate is closely aligned with government policy and in the early 1990s was considered to be deeply connected with the structure of the economy (see Chapter 3). As a result, it was over-valued for much of the post-2005 high growth path (Priewe, 2016), cheapening the costs of capital imports essential to its growth model. However in 2017, a 15 per cent devaluation occurred as part of the EPRDF's efforts to re-orient the strategy toward higher export growth (IMF, 2018a). The government describes its exchange rate regime as a managed float with no predetermined path (NBE, 2009), whereas the IMF describe it as a crawl-like arrangement (IMF, 2015b). The NBE's expansionary monetary policies (including NBE lending to the government) and growth (not inflation-targeting) orientation, has caused frequent disagreements with the IFIs (see Chapter 4). Meanwhile, the EPRDF's control over public and state enterprise investments has allowed the EPRDF to delay import-intensive projects in order to manage the challenging balance of payments situation (see Chapter 4), indicating a close link between macroeconomic management and the state finance-industry-infrastructure nexus (alongside the devaluation noted above). Indeed, macroeconomic stability forms a key economic goal

alongside rapid growth and poverty reduction (see Chapter 4). Furthermore, the country's closed capital account has helped insulate Ethiopia from shocks from the global economy (see also Section 7.4.4).

The exchange rate regime in Vietnam is said to look 'from the outside a bit like a fixed exchange rate regime over normal periods, until crises set in' (Abbott and Tarp, 2012, p.16). The exchange rate has been allowed to appreciate, except in the wake of both the regional and global crisis, when it has devalued (Abbott and Tarp, 2012). As with the NBE, the SBV is not an independent central bank, but institutionally embedded within the country's party-state system, and the promotion of socio-economic development is one of its core mandates. According to Weeks (2015, p.36), unlike elsewhere in Southeast Asia, this enables the CPV to coordinate monetary and fiscal policies. Its use of capital controls, meanwhile, also remains heterodox, despite the financial liberalisation which has accompanied deeper trade integration. Capital controls helped Vietnam weather the East Asian financial crisis better than many of its neighbours (Masina, 2006), demonstrating the compatibility of utilising such controls to buffer the effects of external volatility with rising FDI inflows (McKinley, 2003). In the wake of the global crisis, constraints on Dong convertibility (preventing the outflow of capital) and relatively small portfolio inflows, also facilitated capital account management and 'imparted to the external account an automatic countercyclical mechanism' (Weeks, 2015, p.39).

Across their fiscal and monetary policy regimes, therefore, Ethiopia and Vietnam have deeply heterodox approaches: from their shared emphasis on public investment as a tool for directing the pace and pattern of economic development, to their lack of central bank independence, subordination of monetary and fiscal policies to overall growth-related objectives, capital controls and exchange rate regimes. This suggests both the value of – and enduring g space for – alternatives to mainstream macroeconomic policies.

7.2.3 Foreign investment and integration in global value chains

The final shared policy pillar of Ethiopian and Vietnamese developmentalism has been the last to emerge in each place, and has formed part of efforts to manage pressures (global and domestic) facing their pre-existing strategies. Whilst Vietnam experienced

a surge in FDI in the 1990s, most went into import-substituting heavy industry in partnership with state enterprises, and thus was used to bolster the developmental nexus through the challenge of transition (see Chapter 5). Particularly during the 2000s, after Vietnam finally signed the US-Vietnam BTA, GVC integration became a major component of its development strategy. This was part of the CPV's efforts to revive both FDI and exports after the downturn experienced after the regional crisis, as well as to help create jobs at a time when employment levels were becoming a major policy concern. In Ethiopia, the GVC strategy likewise emerged after the former approach hit its limits, in its case growing balance of payments pressures stemming from its import-intensive development model, rising foreign debt payment burdens, and poor export performance to date (see Chapter 4). The entrance of each country into the low-wage, low value added elements of the GVC regime has, despite occurring at different times and in response to difference pressures, been embraced in order to sustain a broader heterodox strategy through some very orthodox policies and industrialisation efforts.

On the one hand, this embrace is somewhat surprising given shared suspicions about foreign capital as a vector of imperialism during the 1990s, as well as a potential source of threats to state enterprises. However, both have balanced these concerns with the needs identified above by adopting a highly selective approach to FDI attraction, heavily constraining the entry of FDI into (state-dominated) strategic services and infrastructure, and instead seeking to concentrate FDI in manufacturing (particularly in export-oriented manufacturing) (see Chapters 3-6). Whilst Vietnam's developmentalism relied much earlier than Ethiopia on rising foreign investment inflows (being unable, until the mid-1990s, to access large-scale concessional financing and with its large protected market proving a draw to regional investors), its investment climate was highly restrictive, and helped to funnel FDI into manufacturing and construction in the 1990s (see Chapter 5). These inflows, together with rapid export growth, were a key component of the early stabilisation and transition (Weeks, 2001). After the US-Vietnam BTA was signed a much more concerted push to attract FDI in light manufacturing emerged, which was followed in 2007 by Vietnam's WTO accession. Increased interest from investors themselves, however, resulted from several factors: more favourable terms of market access; serious investments in infrastructure which markedly improved its road, port and industrial park infrastructure in the 1990s (with heavy support from Japan, and the World Bank); and the eagerness of investors themselves to use Vietnam as a 'China-

plus-one' manufacturing base (see Chapter 6). Together such shifts helped turn a low-wage advantage into the basis for the emergence of a major export-oriented manufacturing hub.

In contrast, Ethiopia struggled to attract much FDI into manufacturing during the 1990s and early 2000s, despite high-level economic diplomacy from the country's former Prime Minister. The formation of the EIZ in 2009 represented tentative increased interest in Ethiopia from Asian manufacturing firms. However, toward the end of the first GTP – as signalled by the formation of the IDPC in 2014 – a much more dedicated state-led push toward fostering Ethiopia's insertion into the GVC regime emerged (see Chapter 4). As in Vietnam, the turn toward export-oriented FDI was a response to domestic economic challenges. The need to both create employment (in the context of a young and urbanising population) and rapidly increase the country's export earnings (to resolve the increasingly pressing balance of payments constraint) has therefore seen Ethiopia emerge as the so-called 'last development frontier' (Aglionby, 2017) and new rival to Vietnam in low-cost labour abundant potential manufacturing hubs. Like Vietnam, infrastructure mega-projects, across transport (road, ports and railways), industrial parks and electricity generation investments, have been critical – arguably even more so given the country's land-locked status – to efforts to plug itself into a low-wage and low-cost position in the global division of labour. Such infrastructure projects, as in Vietnam, have often been undertaken by state enterprises using combinations of public investment, ODA, and foreign and domestic borrowing (see Chapter 4).

Overall, although Ethiopia and Vietnam are at very different stages of integration into GVCs, they have embraced a relatively orthodox approach to utilising FDI to develop light manufacturing, but as part of efforts to preserve a broader heterodox approach. Neither has banked on these networks alone to be capable of powering structural transformation of the economy, and thus there is countervailing industrial activity occurring in country through the state finance-industry-infrastructure nexus. In this sense there has recently emerged a markedly similar form of actually existing developmentalism in Ethiopia and Vietnam organised around three key policy pillars: the state finance-industry-infrastructure nexus; a strong role for public investment; and the embrace of FDI in export-oriented light manufacturing.

7.3 Divergent treatments in the development literature

Although Ethiopia and Vietnam's strategies markedly diverge from the neoliberal development template in the ways outlined above, the two countries have been subject to very different treatments by the mainstream development literature. In Vietnam, during its first period of transition to a market-oriented economy its experience was embraced as a vindication of mainstream reform (see Chapter 5), despite the clear tension involved in also admitting that Vietnam retained many 'bad policies' (Dollar, 2002), and Vietnam ending the 1990s as one of the most protectionist countries in the world (Riedel and Turley, 1999; Hill, 2000). More recently, the emergence of a mainstream-informed 'Viet-pessimism' (see Chapter 6) has concretised around either its (supposed) poor comparative performance (either with reference to China, or its own past), or predictions of doom regarding the future, given the so-called 'incomplete nature' of its reforms and commercialised and fragmented politics (Thanh and Dapice, 2009; Nghia et al., 2013; Viet Sinh et al., 2016). So whilst Vietnam's successes are attributed to its more-or-less conformity with the mainstream development template, all its problems (real and projected) are attributed to its deviation from it. In neither period has the mainstream given Vietnam credit for its unorthodox reforms.

In contrast, mainstream scholarship has been unable to offer an analysis of Ethiopia's experience that conforms with the consensus development template. The difference between treatments of the two countries is illustrated by two recent World Bank reports. Whilst the flagship World Bank and MPI report, *Vietnam 2035,* compares Vietnam's development path with that in the Growth Commission report (CGD, 2008) and suggests 'Vietnam has deployed these ingredients to good effect' (Viet Sinh et al., 2016, p.3), a World Bank report on Ethiopia's economic model published in the same year said that Ethiopia's experience 'bears little resemblance to the conceived wisdom derived from the Growth Commission' (Moller, 2016, p.21). Vietnam's zig-zig reform process has aided such interpretations, despite weighty evidence of the enduring nature of its heterodox approach, and the fact that condemnations of its economic performance really offer no credible grounds for fatalistic critiques (see Chapter 6). In Ethiopia, both the 'absence of concurrent major structural reforms' during its high growth period (Moller, 2016, p.113) and EPRDF's strong advocacy for its own approach to development, which is rooted in a staunch critique of neoliberal development advice (see Chapter 4), has

helped move the mainstream development literature toward an increasingly grudging admission of the heterodox nature of its approach to development (although one which is predicated on Ethiopia's uniqueness, rather than a source of lessons for elsewhere, or the literature in general). A recent study building on the analysis in this report also notes that Ethiopia's heterodox (for which read, bad) policies 'only moderately held back growth' (Moller and Wacker, 2017, p.198). It instead argues that the country's more mainstream measures supported growth, offering a counter-factual argument that Ethiopia may have grown even faster had it only adopted even more mainstream reforms. Like Vietnam, therefore, the mainstream development community's commitment to deeper market-oriented structural reform has remained unmoved by the encounter with Ethiopia's heterodox developmentalism. Service sector liberalisation in particular, directly targeting the state finance-industry-infrastructure nexus, is the top priority structural reform proposed for Ethiopia to reap the taken-for-granted benefits of deepened reform (Moller, 2016, p.129). This forcefully exposes the limits of the mainstream accommodation of Ethiopia's unorthodox strategy, since even where there is an apparent acknowledgement that its past performance may have been partly the result of heterodox strategies (as Moller (2016) appears to admit), these cannot be a guide to the future in Ethiopia or elsewhere.

In contrast, more heterodox interpretations of both countries' development models have tended to centre around efforts to fit their experiences into the developmental state paradigm (Pham, 2012; Routley, 2012; Fantini, 2013; Clapham, 2018; Hauge, 2018) (see Chapters 4 and 6). Yet in both cases, the criteria for the application of this label is often fuzzy, with a lack of clarity about when either country became a developmental state, and when they might cease to be so. This in turn begs the question of which factors, and in which combinations, justify the application of this label: success in some measure of development (regardless of the cause); the use of industrial policies; intervention in the economy; a developmental ideology; or political regime features, such as 'embedded autonomy' and a meritocratic bureaucracy. In Ethiopia and Vietnam, the application of this label is further complicated by their considerable (and specific) divergence from the East Asian experiences (see Chapters 4 and 6). Whilst both countries share a stronger commitment to manufacturing development and higher levels of state intervention to achieve this than many other contemporary late developers, both Ethiopia and Vietnam also diverge from the developmental state experiences in the substance of their strategies,

the political and economic relations used to implement these strategies, and the global context in which the trajectory has been carved out. This adds up to an altogether different set of policies (particularly toward the state sector and GVCs), political regime features (particularly the predominance of state-state enterprise relations, over the state-business relations of the East Asian cases), and constraints and pressures (both domestic, and from the global neoliberal order).

This suggests the developmental state literature both gives a limited guide to understanding the substance of these trajectories in their own terms, as well as inadequate analytical tools for understanding their potential for success, particularly given the preoccupation of the literature with the embedded autonomy of elite bureaucracies from a business class; a story that forms no major part of either country's development strategy. Instead what we see in both countries is a distinctive form of twenty-first century developmentalism organised around the three pillars – state control over the commanding heights, high rates of public investment (heavily channelled into infrastructure) and foreign investment to facilitate integration into GVCs – as examined in Section 7.2. In each this has emerged due to similarities in their political economies, but with very different domestic pressures and social forces impacting the shifts in, and effectiveness of, these trajectories. Furthermore, the pressures each has faced from the global neoliberal order in implementing their strategies have markedly differed, both from the post-war NICs and from each other, as explored in the next section.

7.4 Navigating the neoliberal global architecture

Indeed, despite strong deviation from neoliberal policy norms nationally, neither country exists outside of neoliberalism globally, and the development trajectories of Ethiopia and Vietnam are fundamentally interwoven with global economic and political forces. In engaging with this global order to implement the heterodox policies outlined in Section 7.2, the EPRDF and CPV have displayed considerable strategic adroitness. This section considers the similarities and differences in the approaches by which each has engaged with the four global constraints to heterodox development strategies outlined in Chapter 2: IFI conditionalities; FDI and GVC integration; the global trade and investment regime; and financialisation. The objective of this section is to consider, in light of the generalised pessimism in the heterodox literature (see Chapter 2), how two poor and peripheral late developers have engaged with powerful global-level

political and economic forces to carve out the policy space for heterodox developmentalism in the age of neoliberalism.

7.4.1 International financial institutions and ODA architecture

In the context of widespread poverty, devastation following prolonged conflict and external shocks, both Ethiopia and Vietnam undertook structural adjustment lending from the IMF and World Bank in the 1990s. However, both countries also resisted considerable policy-related pressure for deepened liberalisation, and subsequently emerged as amongst the world's largest recipients of IDA funds. Vietnam's access to ODA was constrained until the mid-1990s by the US embargo (see Chapter 5). Notably, by the time Vietnam contracted ESAF and SAC loans in 1994, most decisive measures toward a market economy were complete, the country had adjusted to CMEA's collapse (Weeks, 2001), and the economy was growing strongly at 8.8 per cent (World Bank, 2018g). Increased foreign capital inflows after foreign investment was liberalised in 1988 also helped to compensate for the absence of large-scale ODA, and FDI was of much greater significance during most of the 1990s (see Chapter 5). In contrast, Ethiopia's early ODA inflows gave ODA greater economic significance, and the country was a very unattractive place for foreign investors in the 1990s (Abegaz, 1999). There was also no agricultural turn-around comparable to that in Vietnam capable of providing rapid export growth. The SAF loan from the IMF in 1992 was followed by a SAC loan from the World Bank in 1993 (Chole, 2004), and during the 1990s, ODA was equivalent to 90 per cent of budgetary expenditure and 24 per cent of GNP (Abegaz, 1999) (see Chapter 3). Due to the conflict with Eritrea and disputed 2005 election, Ethiopia's funders have also placed considerably more political pressure on the EPRDF than has been seen in Vietnam (see Chapters 3 and 4).

Yet despite such structural differences in their relations with the international aid architecture, both countries have been singled out for unusually strong policy ownership with regard to the IFIs and bilateral donors (Whitfield, 2009; Thoburn, 2013). Three broad similarities are identifiable in how they have navigated this terrain. The first relates to ODA management strategies, specifically to tactics for managing the government-donor relationship. A strongly held domestic political conviction that loans and grants erode domestic sovereignty is evident in both countries. In 2005, Meles

Zenawi critiqued the 'rent-seeking' relationship between African states and donors, which he lambasted as 'donors buying policies in return for aid' (Embassy Addis Ababa, 2006). Former Vietnamese Minister of Planning and Investment, Tran Xuan Gia similarly once described the IMF's policy conditions as 'painful and humiliating' (World Bank, 2012, p.19). As a result of this stance, foreign governments describe relations with the EPRDF and CPV as occurring on an equal footing (Solheim, 2005, p.5; Oqubay, 2015, p.287). National policy dialogue is also limited in a number of respects. Central Ministries (the Ministry of Finance and Economic Cooperation in Ethiopia, and the Ministry of Planning and Investment in Vietnam) coordinate ODA relations, keeping strong oversight, whilst national policy deliberation in both countries also tends to be conducted in closed intra-party forums, limiting the capacity for foreign actors to influence key decisions, debates and documents (Forsberg and Kokko, 2007; Furtado and Smith, 2009). The IMF and IDA complained in 2011 that several months elapsed between the final GTP I strategy being agreed and shared with the country's donors (IDA and IMF, 2011), whilst Vietnam's PRSP was produced in Vietnamese first, and only later translated into English (Ohno and Ohno, 2005).

Relatedly, the EPRDF and CPV have been proactive and strategic in their engagement with funders. Each forged an increasingly accommodating relationship with the World Bank during the 2000s, and are now amongst the biggest recipients of IDA funds in the world (see Chapters 4 and 6 and Appendix D). Ethiopia's strategic significance as a key ally on the global war on terror, which the EPRDF has deliberately cultivated to its own advantage (Oqubay, 2015), has certainly helped it to resist reform pressures whilst also ensuring increases in ODA inflows. Both Ethiopia and Vietnam also share a reputation as effective loan recipients and development success stories, increasing funders' incentives to remain engaged despite policy disagreements (Forsberg, 2008; Prizzon and Rogerson, 2013). This signals the complex motives which underpin the international financial architecture, which both regimes have successfully leveraged to support a heterodox development model, especially since in both countries ODA has proved an important source of infrastructure and productive investment financing (despite the latter falling out of fashion in the neoliberal period) (see Chapters 4 and 6).

Finally here both regimes have also cultivated large inflows from strategic Asian partners. Between 2009-2012, Ethiopia was the second largest recipient of Chinese

infrastructure financing to the continent (after Ghana), receiving US$ 4.7 billion from China for infrastructure alone (Gutman et al., 2015). Japan has been one of Vietnam's biggest funders in the post-*doi moi* period, with an ODA portfolio heavily skewed toward large infrastructure projects. Between 1995-2013, power projects funded by Japanese ODA in Vietnam alone totalled approximately US$ 11 billion (Pham, 2017). Whilst both regimes have found these funds come with distinct pressures, such as the need to use Chinese contractors with Chinese loans (see Chapter 4) and strong policy pressures from the alignment between the Japanese government and the country's investors (Chapter 6), each has effectively leveraged these relations to secure additional funds in support of their heterodox development plans.

The second relates to the common reasons both have objected to the reform pressures emanating from the IFIs. A similar objection to externally-imposed one-size-fits-all policies is paired with a robust preference for context-specific, nationally-determined, development plans and policies (see Chapter 3 and Chapter 5). Pre-existing and nationally-determined priorities have led both governments to provide lists of projects that need financing to funders. Indeed, a major source of criticism from the IMF and World Bank of Ethiopia's first GTP was that the government was only interested in 'discuss[ing] financing with the donor community' (IDA and IMF, 2011, p.11) – rather than the substance of the strategy. During annual consultative meetings between donors and the government in Vietnam the CPV likewise 'submits a list of projects to be funded through development assistance' (Nørlund et al., 2003, pp.41–42). As a result it has been described by a senior IMF official as having a 'very clear blueprint for what assistance is needed, where it was needed and how it tied to their five-year plan' (Solheim, 2005, p.8). This has resulted in some similar strategies for engaging in standardising processes such as the PRSP, which both countries managed to largely subordinate to pre-existing development plans and strategies. Vietnam's CPRGS and Ethiopia's PASDEP plans put forward unorthodox approaches to poverty reduction rooted in broad efforts to grow and transform the economy (see Chapter 4 and Chapter 6). The PRSP was thus a gift to these two assertive regimes, demonstrating the capacity of both the EPRDF and CPV to repurpose a funding modality much-criticised for imposing neoliberal reforms on developing countries (see Chapter 2) to support more heterodox-oriented strategies.

Furthermore, the content of both of their strategies is a fundamental driver of their opposition to mainstream development reforms and thus IFI pressures. Indeed, it is the shared red lines about policy no-go areas that have caused both the EPRDF and CPV to forego scheduled lending rather than undertake politically and economically sensitive reforms. The pace of privatisation has been a particularly important factor in disputes over their reform trajectories with the IFIs (Abegaz, 1999; Rama, 2008), as well as more specific concerns such as capital controls and central bank monitoring (see Chapter 3 and 5). It is this common emphasis on preserving the state sector that has caused the two regimes to test the boundaries of what is possible in terms of engaging neoliberal institutions in the support of a decidedly unorthodox strategy. Without this strong commitment to preserving the commanding heights of the economy in state hands it is hard to imagine either regime would have gone to such lengths to resist the imposition of neoliberal reforms. In addition, this approach to managing the political economy of the transitional period has limited the emergence of rival centres of economic and political power that might have formed powerful domestic constituencies pushing for the adoption of neoliberal reforms. Ultimately, therefore, none of the specific strategies by which the EPRDF and CPV have engaged with the IFIs can be appreciated outside of the form of developmentalism both have sought to create. This broader political economy context has ultimately acted as both a motivation for, and enabler of, resistance to the specific policy pressures emanating from the IFIs.

Third, and finally, both the EPRDF and CPV have placed a high premium on macroeconomic stability, which both connect with regime hegemony. Due to the red lines above, Vietnam has opted to contract no lending with the IMF since the 2001-2002 PRGF loan, and in Ethiopia since the 2009-2010 ESF, which, in both cases is due to what Fund reports admit is a lack of interest (and, crucially, need) for its funding (see Chapters 4 and 6). This is notable since it also suggests the EPRDF and CPV have both been able to withstand the cancelation of scheduled projects politically, including the potential political cost of cutting imports and scheduled investment projects, as well as economically. Concerning the latter, it indicates each has had sufficient fiscal space and macroeconomic stability to sacrifice scheduled loan tranches and avoid crisis-induced IMF lending. As discussed in Section 7.2.2, the domestic premium placed on macroeconomic stability is a hallmark of their particular variety of developmentalism. However, the fiscal space that underpins this capacity to turn down planned-for funding

is both historically constituted and context-specific. Vietnam's FDI inflows, rapid export growth, strong tax revenues and broader economic buoyancy in the 1990s helped to off-set macroeconomic risks which might originate from turning down ODA. Meanwhile, its unorthodox macroeconomic policies helped it weather the regional crisis better than many of its neighbours, insulating it from crisis-induced lending (see Chapter 5). In Ethiopia, whilst ODA has been much more significant economically, aid volatility in the 1990s meant the EPRDF got used to doing without investible funds, and the EPRDF often channelled ODA inflows into foreign reserves before expanding investment (see Chapters 3). Meanwhile in the 2000s, a major effort to expand export earnings by embracing GVC integration has been motivated by the desire to secure alternative sources of foreign currency in order (in part) to avoid the need for future IMF loans (see Chapter 4).

Thus in both countries macroeconomic stability is considered of fundamental significance to regime stability. Fforde (2017, p.45) for instance notes that only when 'macroeconomic instability actually or potentially threatens the regime, the Politburo gains authority to act'. Senior Ethiopian officials likewise consider it a matter of existential importance to avoid a balance of payments crisis in order to keep the IMF – and its associated policy conditions – at bay (see Chapter 4). This further signals the limited political or economic aid dependence in both Ethiopia and Vietnam, indicating the limits of purely statistical approaches to conceptualising this phenomenon (see Chapter 3). Cumulatively, therefore, these three factors show the space for developmentalism which can be created by regimes assertively engaging with the IFIs. Nevertheless, the comparative experience also yields a complex picture of institutional arrangements, political economy specificities, and macroeconomic management, which have enabled this distinctive degree of policy ownership to emerge in both countries.

7.4.2 GVC integration

As noted in section 7.1.3, both the EPRDF and CPV regimes have embraced their integration into GVCs through the attraction of sizeable FDI into the light manufacturing sectors. As well as a pillar of their developmentalism, the challenges posed by this modality of international integration are such that, whilst boosting exports and creating jobs, such strategies can lead to very shallow forms of structural

transformation, highly dependent on imported inputs and with limited linkages to the domestic economy, thereby placing great emphasis on the dynamics of upgrading as a route to building domestic manufacturing capacity (see Chapter 2). At very different stages of this process, and having rather different experiences to date, Ethiopia and Vietnam reveal rather different facets of the development challenge arising from the contemporary global production structure.

Vietnam's long-standing experience here suggests several important lessons for Ethiopia. The first is that dependence on FDI can be particularly problematic in amplifying pressure from the global aid architecture, especially when foreign capital and governments join forces to influence development policy via ODA channels, as happened with Vietnam concerning a range of investment-related policies, including localisation targets in the early 2000s (see Chapter 6). This suggests Ethiopia should therefore be wary that such new pressures may emerge given the high levels of both ODA and FDI entering the country. The second is that Vietnam has had to pay a rather high price to make its export-oriented manufacturing strategy a success through the embrace of bilateral and multilateral trade integration. Until Vietnam joined the WTO, foreign investors were subject to special corporate taxation policies, dual pricing (affecting airport and seaport charges, customs and utilities), local content and export requirements and limitations and foreign exchange balancing requirements, all of which were dismantled in the 2005 Law on Investment which was required as part of the accession process (UNCTAD, 2007, p.41). This indicates that at least until the mid-2000s, Vietnam has been more assertive in managing its foreign investors than Ethiopia is at present.

However, as these instruments were dismantled in the run-up to Vietnam's WTO accession, in concert with parallel pressure from the country's largest donor, Japan, and the rise of provincial lobbying which pushed Vietnam toward a decentralised investment licence approvals system, the challenge of ensuring spill-overs from FDI in Vietnam has markedly increased. Whilst FDI has helped to create manufacturing jobs and diversify the country's exports (two important indicators of structural transformation), building linkages and upgrading have been considerably more challenging, and Vietnam remains heavily reliant on imported inputs (see Chapter 6). Low levels of value addition in many of Vietnam's key exports attest to the impacts of this challenge, signalling the

outcome of efforts to balance a development strategy around two poles – state and foreign capital – has been to circumscribe the space for higher-value added manufacturing activities, despite achieving the original goals of providing fresh export, employment and foreign investment dynamism to the Vietnamese economy. Both the competitive pressures of the sectors and sourcing practices of lead firms, as well as policy disorganisation, internal competition for FDI (which result in poor oversight and monitoring), and constraints on Vietnam's scope to compel investors to buy locally, has meant FDI attraction has increasingly become a policy end in and of itself. This indicates deepened integration into the global trade and production regimes together pose complex industrial policy challenges that are in turn likely to require coordinated industrial policy action. In Vietnam such coordination has been made particularly challenging due to the long-standing trends toward policy fragmentation (see Chapter 5) which were considerably intensified by the pressures of deepened international integration (see Chapter 6).

In Ethiopia, similarly, the turn toward GVCs has represented an attempt to resolve domestic political and economic problems. In its case, these are chiefly concentrated around the need to rapidly generate exports and employment in the context of concerns over the economic fragility generated by its highly import-dependent rapid growth trajectory and the political challenge of unemployment in urban areas (as discussed in Chapter 4). As in Vietnam, the cost of achieving these goals may well be limits to the domestic value addition generated in the export-oriented manufacturing sector. Given Ethiopia's status as an unproven and emerging destination for FDI in light manufacturing, and the ERPDF's need for these investments to yield strong results quickly, officials have (to date) felt constrained in their capacity to deploy industrial policy tools such as local content requirements (which remain available to them due to the country having not yet joined the WTO) to impose performance requirements on its foreign investors (see Chapter 4). Furthermore, the quality investors Ethiopia has targeted to enter the country's industrial parks appear to have few intentions to source from domestic producers, signalling considerable challenges ahead in this regard. In addition, the rising ethnic tensions in Ethiopia since 2015 pose a major risk to the country's desirability for such investment inflows, which are partly predicated on its reputation for political stability. With protests having targeted the country's foreign investors in the past, this represents a critical area of vulnerability in regards to the

EPRDF's developmental project (see Chapter 4). All of this suggests that the EPRDF's leverage over its foreign investors may be more limited in practice than it appears in theory, and may pose considerable challenges in terms of building backward linkages within the economy.

Notably, however, whilst each regime has turned to GVCs to help resolve domestic political and economic problems connected with export and employment growth (see Chapters 4 and 6) neither has banked on GVCs to be capable alone of propelling economic catch-up. The state finance-industry-infrastructure nexus in each context thus forms an important alternative motor through which each regime hopes to power structural transformation, and the GVC regime has indeed been embraced in part to sustain this heterodox element of their respective development strategies. This broader approach is needed to understand the ways in which the global restructuring of production impacts both Ethiopia or Vietnam's development strategies, and their late development prospects.

7.4.3 Global trade and investment regime

The third global channel for the transmission of neoliberalism emanates from trade and investment agreements. Here the two countries experiences have once again further diverged. Vietnam's export-oriented manufacturing strategy grew in significance after it signed the most comprehensive BTA agreed by any country with the US up to that point (Manyin, 2001, p.17). This proved to be deeply domestically controversial, due to the ways in which expanded foreign competition was expected to impact the state sector (see Chapter 6). In an increasingly competitive global trading environment, the price to preserve Vietnam's desirability as a destination for FDI in light manufacturing (including in new areas such as computers and electronics), has been Vietnam's entry into increasing numbers of preferential and free trade agreements to enhance its terms of market access (see Chapter 6). What is notable here, beyond the elimination of subsidies to state enterprises, tariff reductions, termination of local content requirements and other classic industrial policy tools, is how these agreements have contributed to the distortion of the first pillar of the Vietnamese developmental strategy: its state enterprises. On the one hand, the ways in which the CPV has responded to the country's WTO accession by restructuring the state sector to protect it from increased competition

and WTO rules which reduce the tools to provide sustained direct state support indicates the capacity for the Vietnamese party-state to continue to defy mainstream hopes that the WTO would prove a 'lock-in' mechanism for market-oriented reforms. Instead, a premium has been placed on protecting the state sector during trade agreement negotiations (Fujita, 2017b; Vu-Thanh, 2017), indicating considerable policy adaptability on the part of the CPV to global-level constraints.

However, the approach taken to sustaining its export-oriented FDI sector has been fragmentation of its state enterprise sector, and rising speculative investment. Whilst the tendency for the state sector to adjust to challenging economic circumstances by pursuing profitable investment opportunities outside core activities pre-dated Vietnam's accession to the WTO (Beresford, 2008), the political strategies pursued in the run-up to this accession have helped to compound such tendencies in ways which have diverted investments from productive activities (Vu-Thanh, 2017) (see Chapter 6). However, whilst the fragmentation of Vietnam's industrial policy-making capacity is a frequent target for criticism (Pincus, 2015; Viet Sinh et al., 2016; Masina and Cerimele, 2018), the contribution of deepened international integration to domestic policy disorganisation is often overlooked. Yet Vietnam's deepened integration into the global trade and investment regime has exacerbated an existing tendency in the Vietnamese state system that further complicates its capacity to provide the coordinated industrial policy interventions required in the challenging context of global neoliberalism. One further price for the continued viability of Vietnam's FDI-led light manufacturing strategy has therefore been the erosion of the state's capacity to control, rather than merely occupy, the commanding heights of the economy.

In contrast, in Ethiopia reticence to join the WTO has been very strong, and no bilateral trade deals marking progress toward WTO accession have been signed to date (see Chapter 4). The state sector, as in Vietnam in the 1990s, remains a significant cause of this reluctance to decisively enter the global trade and investment regime, particularly in terms of telecoms and finance liberalisation (Chapter 4). However, in stark and important contrast to Vietnam, Ethiopia has the relatively rare distinction of being able to pursue an export-led manufacturing strategy outside the multilateral trading system. The historical dividend of UNCTAD's GSP project has given Ethiopia non-reciprocal quota and duty free access to the strategic US and EU markets on account of it being an

African country that is also an LDC. It is ultimately the interaction between Ethiopia's domestic political economy, which has conditioned the EPRDF's reluctance to embrace trade agreements, and such distinctive global circumstances, that together have allowed the EPRDF to try and resolve the constraints of its public-investment led approach through export-oriented light manufacturing, without having to agree either bilateral, multilateral or regional trade deals of any significance. This affords Ethiopia an (ultimately time-limited) opportunity unavailable to Vietnam to simultaneously undertake the coupling of GVC-led light manufacturing, the preservation of its state finance-industry-infrastructure nexus oriented toward import-substituting industrialisation, and strategic infrastructure mega-projects, without conceding the policy space required by signing reciprocal trade agreements. Ethiopia thus enjoys a very different structural position within the global trade system to Vietnam at the time it was attempting to accelerate its GVC integration, which faced steep tariffs from its non-MFN status in the US market until the end of 2001 (see Chapter 6). This quite sizeable difference, with important implications for the policy space of each, strongly indicates the historical and context-specific nature of global constraints to national development trajectories.

Alongside this, and mirroring Vietnam's state enterprise restructuring efforts (see Section 7.2.1), the EPRDF has been attempting to prepare the state sector for eventual WTO accession via the formation of large state entities to oversee enterprises in similar sectors. However, with little of the fragmentation, conflicting social, political, and economic mandates, and independent power bases of state enterprise managers notable in Vietnam on display in Ethiopia, there is no reason to assume the same challenges which have faced Vietnam in deploying this approach will face Ethiopia.

7.4.4 Financialisation and the global financial architecture

The fourth and final channel, financialisation, has been of either muted or negligible impact in both places, largely because of the strong commitment in each to retaining strong state dominance of the banking system. Both the EPRDF and CPV consider the financial system a vital tool for the determination of the pattern of resource allocation in the economy, directing credit (including on preferential terms) to favoured sectors, biased toward infrastructure and industry, and often through state enterprises (see

Section 7.2.1). Ethiopia's refusal to join the WTO has partly stemmed from its unwillingness to open the financial sector to foreign banks, which helps to channel credit to the productive sector. Capital controls, as discussed in Section 7.1.1, remain in place and were the basis of the major rupture in relations with the IMF at the end of the 1990s (Wade, 2001a). The strong intolerance for rent-seeking – namely economic activities not directed at productive ends (see Chapters 3 and 4) – conditions a policy climate in which it would be hard for a strong policy case for greater financial liberalisation to presently take hold. Together, these factors mean the power of short-term foreign capital to act as a disciplining mechanism over the Ethiopian policy environment is limited. Instead, Ethiopia retains the (not distinctively neoliberal) challenge of trying to manage FDI in the ways discussed above.

In Vietnam, the state's presence in the banking and broader financial system is also substantial (see Section 7.2.1.), and financial liberalisation has been gradual. The financial system has been adapted to both IFI pressures with the formation of DAF in 1999, and in response to WTO pressures with the formation of VDB in 2006, in ways which indicate persistent efforts to retain policy influence over financial flows in the economy (see Chapters 5 and 6). However, with the run-up country's WTO accession leading to a boom in speculative (rather than productive) lending, particularly in finance and real estate sectors, including from within the state sector (Cheshier and Pincus, 2010), speculative lending has proliferated from within the finance-industry-infrastructure nexus, which has been an (at least partially unintended) side-effect of allowing SEGs to move into the purchase of financial institutions in the run-up to the WTO (Vu-Thanh, 2017). Nonetheless, the recent efforts by the SBV to constrain real estate lending and to force state enterprises to sell non-core businesses (Chapter 6), indicate the persistence of a policy-logic at odds with the diversion of funds from the real to financial sector. With the state still retaining a controlling share in many of the country's largest commercial banks (see Chapter 6), who are many of the main players in the speculative lending boom, the CPV therefore (at least in theory) retains the influence to re-subordinate lending priorities and investment decisions toward productive sector activities. Finally, with the CPV having retained the capacity to enact capital controls during major economic stress (Section 7.1.3), Vietnam's exposure to the disciplinary mechanism of large-scale capital flight is also very limited. In these respects, therefore, both Ethiopia and Vietnam have retained a form of state control over

the inter-sectoral and inter-temporal allocation of resources that belies the imperatives of financialisation.

In summary, across all four elements of the global order considered to be potential vectors for neoliberalism, three conclusions can be drawn. The first is that the EPRDF and CPV have found considerable scope to both resist IFI policy pressures and leverage such funds to support transformative heterodox development strategies. In this their experiences expose the divisions between the IMF and World Bank which regimes with countervailing policy visions can exploit to support unorthodox approaches to development. However, the highly restrictive nature of these enabling dynamics, particularly within their political economies, suggests that studies examining the extent to which IFIs are able to influence the policy regimes of developing countries should place primacy on the examination of the role played by domestic social forces in facilitating vulnerability to IFI conditionality pressure. Yet, as Vietnam's case illustrates, the IMF has been considerably easier to manage than the systems of rules stemming from the global trade and investment regime and policy vulnerabilities emanating from dependence on FDI. This suggests the complexity of sustaining developmentalism in the era of neoliberalism markedly increases the more deeply a country integrates into global trade and production structures. Nevertheless, with Ethiopia enjoying a very different structural position with regard to the global trade regime, the chapter also illustrates the importantly variegated nature of global constraints to development in the neoliberal period. This empirical finding reinforces the necessity to understand the relationship between national development and global capitalism to be dynamic in nature, rather than fixed or pre-determined, as discussed theoretically in Chapter 2.

Conclusion

This chapter considered how a comparative analysis of the post-transition development trajectories of Ethiopia and Vietnam, two of the most striking development success stories of the neoliberal period, can enhance our understanding of the relationship between national development and the global economic and political order. The chapter has argued that some important commonalities in their political economies at the time of the transition toward market-oriented economy, as well as common political and ideological orientations within their dominant regimes, has helped to shape similar

varieties of actually existing developmentalism. This means that despite very different starting points and sequencing, both countries have ultimately adopted an approach to developmentalism in the age of neoliberalism organised around three shared pillars: state ownership across the commanding heights of the economy; high rates of public investment, large shares of which are channelled into infrastructure and industrial development (particularly through the state sector); and integration into global light manufacturing industries through GVCs. This hybrid approach has seen each embrace a comparative advantage-conforming pillar (the GVC) to sustain a developmental strategy underpinned by widespread state ownership of the economy and heterodox macroeconomic fundamentals.

A number of distinct domestic political challenges also impact this common strategy differently, however. Vietnam's highly decentralised political system and the political weight of both provinces and state enterprises within the overall balance of social forces has contributed decisively to policy fragmentation, impacting the efficacy of policies directed toward foreign capital, infrastructure provision and the state sector. Meanwhile, the growing significance of ethnic fault lines within Ethiopian politics, which both prompted the EPRDF's accelerated development ambitions in the mid-2000s, and prompted major political changes in 2018, impact both the country's desirability to foreign investors, and make the domestic consensus underpinning the country's development strategy much more fragile than that in Vietnam. Despite their similar approaches to late development in the age of neoliberalism, their respective prospects for success are likely to be importantly shaped by these distinct domestic concerns.

Such attention to the shared policy pillars and differential domestic constraints of these cases of actually existing developmentalism is important for two reasons. First, existing mainstream and heterodox interpretations of their trajectories tend to miss much of significant about their experiences. Mainstream interpretations either downplay the extent to which they are heterodox (in Vietnam's case) or the extent to which their unorthodox characteristics are important (in Ethiopia's case). In contrast, through efforts to assimilate their experiences into the developmental state paradigm, the heterodoxy obscures as much as it reveals about the specificities of both the EPRDF and CPV's models, as well as the constraints facing them. Second, attention to the hybridity of their approaches offers a lens through which to explore the impacts of the neoliberal global

order on their developmental strategies. The chapter has therefore demonstrated that despite considerable challenges emanating from global political and economic forces, these two late developing, poor and peripheral economies have shown considerable creativity in engaging with these strictures. Nonetheless, growing entanglement with the global neoliberal order, particularly through participation in GVCs and the global trade and investment regime, has undeniably compromised the broader development space of Vietnam, indicating that deepened international integration under the neoliberal order gives rise to increasingly challenging trade-offs. The implications of such analysis for the thesis's overarching concerns are further explored in the Conclusion, alongside avenues for further research.

Conclusion

This thesis has focused on the impact of the global political and economic order of neoliberalism on prospects for late development. First, the thesis offered a critique of the dominant mainstream and heterodox approaches to understanding the relationship between global conditions and national development prospects, developed through the literature review and theoretical discussion in Chapter 2. This chapter also advanced an alternative analytical framework organised around the idea of actually existing developmentalism. This was used to bridge the divide between the domestic and global political economy and trace the concrete impacts of global forces on contemporary late developers. Second, the political economy of two important examples of actually existing developmentalism was explored in Chapters 3-6. These chapters assessed the impacts of global forces on contemporary catch-up efforts in two of the most successful developing countries of the last two decades, Ethiopia and Vietnam. The chapters did so by offering a periodised account of the evolving forms of developmentalism evident in Ethiopia and Vietnam since the transition to market-oriented economy in 1986 and 1991 respectively. Third, Chapter 7 provided a comparative analysis of the political economy of late development in the age of neoliberalism in Ethiopia and Vietnam, examining shared features of their strategies, interpretations of their trajectories in the development literature, and approaches to navigating the current global order. This conclusion draws together the main findings and contributions of the thesis, and briefly outlines some directions for further research.

The overall contributions of the thesis have been three-fold. First, there are notable commonalities in the actually existing developmentalisms in Ethiopia and Vietnam. Both the EPRDF and CPV have embraced a tripartite form of developmentalism comprising a state finance-industry-infrastructure nexus; high levels of public investment and unorthodox macroeconomic and fiscal policies; and the embrace of foreign capital to foster participation in global value chains. These forms of developmentalism leverage state capital (through state enterprises), public investment (channelled into infrastructure development) and foreign capital (into global value chains) as engines of economic transformation, representing the coupling of heterodox industrial and macroeconomic strategies with orthodox approaches to foreign private capital flows. In this regard, both Ethiopia and Vietnam defy the neoliberal policy

agenda nationally whilst also instrumentalising key aspects of the global neoliberal order to bolster a heterodox developmental nexus. This specific mix of heterodox and orthodox elements also marks their experiences out from the East Asian developmental states in important and fundamental ways, suggesting the limited utility of this heuristic device to understand the trajectories of the two countries and applicability elsewhere. Their approach is also distinct from other developmental variants such as neo-developmentalism in Latin America.

These similarities matter because both countries forcefully illustrate that developmentalism remains possible in the age of neoliberalism, and that markedly heterodox strategies have been in evidence in two of the most successful developing economies of the period (in Vietnam since the early 1990s, and Ethiopia since the mid-2000s). In addition, the inseparability of these two strategies from the global economic political order of neoliberalism indicates they are better understood as *alternatives to* neoliberalism domestically, and *alternatives within* neoliberalism globally. In this sense Ethiopia and Vietnam have carved out forms of developmentalism founded on a firm commitment to the structural transformation of the economy, which have emerged through creative engagement with the present global order, different aspects of which have been internalised, instrumentalised and resisted, and in different combinations and sequences. This very hybridity provides a strong critique of mainstream faith in the necessities of embracing global integration as a route to development and a forceful rejoinder to heterodox fatalism about prospects for developmentalism in the twenty-first century. It also points to the ways in which both countries help to constitute neoliberal accumulation globally by providing a low-wage labour force that aids its stabilisation and extension in the face of rising wages in China and other parts of Asia. This demonstrates that whilst alternatives are possible under neoliberalism, such strategies do not exist outside of it, and, indeed, are fundamentally interwoven with the contemporary global order.

The second contribution of the thesis has been to highlight the social forces and strategies which have both driven and enabled the EPRDF and CPV to adopt forms of developmentalism in the contemporary conjuncture of global capitalism. Despite different timings, and in the context of very different country-specific challenges, the specific articulation of elements in each country's development strategy has been shaped

by both common economic and political goals and similar social forces. Efforts to ensure political stability (including by limiting the emergence of alternative centres of economic and political power), has seen the EPRDF and CPV place a high premium on preserving state ownership across the commanding heights of the economy. This has acted as a core goal throughout the transition to market-oriented economy, and an enabling factor for heterodox developmentalism itself, by limiting the emergence of powerful domestic political and economic groups strongly aligned with neoliberal development policies. The strategic adroitness both regimes have evidenced in resisting the outside imposition of the neoliberal development agenda should be contextualised with reference to the absence of such a domestic constituency. This analysis suggests the primacy of the domestic political economy in determining the degree of policy space to deploy heterodox development strategies in a given context. This in turn reinforces the importance of historically-embedded political economy analysis to conceptualising possibilities for, and prospects and challenges of, contemporary alternative development pathways and trajectories.

In addition, through their engagements with the current global order, the experiences of Ethiopia and Vietnam highlight the variegated nature of global constraints to development under neoliberalism, thus demonstrating the limited utility of deriving these from the analysis of global structures in isolation. Here, the specific strategies utilised by each regime to deal with global forces to create the policy space to implement heterodox varieties of developmentalism also suggests several lessons. Both have exploited divisions between the World Bank and IMF in order to emerge as amongst the largest recipients of concessional development financing in the world, whilst also deviating considerably from the policy principles that typically guide this lending. This indicates clearly that the conditionality pressures emanating from the IFIs can be subject to strong counter-tendencies from the national domain, suggesting that space exists for countries to exploit the global concessional financial architecture in service of alternative development strategies. In Ethiopia and Vietnam this has occurred in cases where the assertive management of funder relations is paired with a clear policy vision, an emphasis on macroeconomic stability, and where a strong development track record is in evidence.

In contrast, their experiences of the global trade regime have markedly diverged. Notably, Vietnam has found it necessary to join the WTO and embrace an ever-increasing array of preferential trade agreements to secure the terms of market access that make its GVC strategy viable. Ethiopia, in contrast, has the rare distinction of enjoying quota and duty-free non-reciprocal market access to leading export markets outside of the WTO. Thus, whilst the global trade and investment regime has very strong impacts on Vietnam's development strategies, for the immediate future it looks likely to have an extremely limited one in Ethiopia. The involvement of both countries in GVCs, meanwhile, certainly vindicates work highlighting the vulnerabilities of developing participants from their adverse location in these chains. However, the research presented here has also shown that the extent to which value chain engagement constrains development will be determined in part by the broader industrialisation strategy. This signals the need to appraise GVC participation in light of the political and economic objectives driving this engagement. Finally, the centrality of the financial sector to the developmental nexus of both regimes has acted as a strong counter-tendency against pressure toward financial liberalisation, and thus financialisation has had either a muted or negligible effect on their developmental trajectories. Nevertheless, despite such variegation, Vietnam's experiences also indicate that growing entanglement with the global neoliberal order, particularly through participation in GVCs and trade agreements together, does give rise to increasingly challenging trade-offs between market access and industrial policy tools.

Related to the conceptualisation of variegated development constraints has been the stress placed on the importance of considering how domestic political and economic forces shape the prospects for effective industrial policies in light of the challenges above. Here attention to Vietnam's fragmented and decentralised policy making apparatus and Ethiopia's specific vulnerabilities arising from domestic unrest indicates the important and dynamic interactions between domestic and global forces in the constitution of development constraints in a particular time and place. Cumulatively, therefore, these experiences suggest that policy advice formulated around emulation, or which derives policy possibilities by extrapolating from historical experiences, will be of limited utility. Instead, context-specific political and economy forces both drive and enable development pathways and possibilities and their modalities of articulation with global political and economic forces.

The third contribution of the thesis has been to the academic literatures on each country, and particularly the interpretations of each country's developmental trajectories offered therein. The Ethiopia case study contributes to the emerging literature on the country's developmentalism both by examining the hitherto understudied impacts of the global order on the substance of the EPRDF's trajectory, and also highlights the important continuities between what the thesis calls the defensive and assertive phases of this strategy. Whilst much of the present literature rightly focuses on the important shifts occurring after the 2000-2001 TPLF split and 2005 election, Chapters 3 and 4 show the roots of Ethiopian developmentalism in its present form lie in (and owe a substantial debt to) the guiding ideas and decisions taken in the 1990s. The Vietnam case study, meanwhile, has highlighted how the recent pessimism which has infected both the mainstream and heterodox development literatures over the challenge of domestic policy fragmentation adopts too methodologically nationalist an interpretation of these constraints. Instead, Chapters 5 and 6 highlighted the need to appraise the policy challenges facing Vietnam in light of the impacts of the neoliberal global order on the functioning of its developmental nexus, as deeper integration and efforts to shield state enterprises from the impacts stemming from these forces has distorted its developmental functioning in ways that are inseparable from the global economic and political order.

The results presented here also suggest several fruitful avenues for future research across the strategies discussed above. Comparative research on the state sectors in Ethiopia and Vietnam could be used to explore the similarities and differences between the emerging state conglomerate structures in Ethiopia and the long-standing variants in Vietnam (including in terms of investment, competition and degree of within-group coordination). As Ethiopia's integration into the GVC regime deepens in the next few years, possibilities for sustained comparative work on the experiences of each country within this modality of international integration will also be very fruitful, including explorations of how differences across infrastructure provision, state oversight and investor profiles and decisions impact efforts to build linkages with the domestic economy. Such analysis will also offer opportunities to examine the relations between the state, labour and foreign capital. The dynamics of decentralisation also merit closer analysis since whilst Vietnam is a formally unitary political system and Ethiopia a federation, the results presented in this thesis indicate that contrary to these formal state properties, the Vietnamese system is considerably more decentralised than Ethiopia's

centralised mechanisms for allocating investment decisions and undertaking foreign investment approvals. This itself points to important differences between their respective party-state systems which also merit closer analysis, given the powers of provincial officials and state enterprise managers to influence policy decisions in Vietnam, whilst lower-level institutions and officials appear to have considerably less influence over key decisions in Ethiopia. Importantly, these differences (as well as the variegated nature of global constraints impacting them, discussed above) help to shape the prospects for effective industrial policy-making and evolution of development constraints in each country. Such factors therefore form potentially very significant areas of future research to appraise the differential potential for success amongst two late developers now utilising a shared form of contemporary developmentalism.

Bibliography

Aalen, L., 2006. Ethnic Federalism and Self-Determination for Nationalities in a Semi-Authoritarian State: The Case of Ethiopia. *International Journal on Minority and Group Rights*, 13, 243–261.

Aalen, L. and Tronvoll, K., 2008. The 2008 Ethiopian Local Elections: The Return of Electoral Authoritarianism. *African Affairs*, 108 (430), 111–120.

Abbott, P., Bentzen, J., and Tarp, F., 2009. Trade and Development: Lessons from Vietnam's Past Trade Agreements. *World Development*, 37 (2), 341–353.

Abbott, P. and Tarp, F., 2012. Globalization Crises, Trade and Development in Vietnam. *Journal of International Commerce, Economics and Policy*, 03 (01).

Abbott, P., Tarp, F., and Wu, C., 2017. Structural Transformation, Biased Technological Change and Employment in Vietnam. *The European Journal of Development Research*, 29 (1), 54–72.

ABD, 2015. *State-Owned Enterprise Reform in Viet Nam: Lessons Learnt and Future Directions*. Hanoi: Asian Development Bank, Background paper prepared for the Viet Nam Public Finance Partnership Group High Level Meeting 1 July 2015.

Abebe, A., 2018. *Africa/AFRICA- P126579- AFCC2/RI-The Eastern Electricity Highway Project under the First Phase of the Eastern Africa Power Integration Program - Procurement Plan*. Washington D.C.: World Bank Group.

Abegaz, B., 1988. The Economics of Surplus Squeeze under Peripheral Socialism: An Ethiopian Illustration. *Studies in Comparative International Development*, 23 (3), 51–77.

Abegaz, B., 1999. *Aid and Reform in Ethiopia*. Washington D.C.: World Bank Group.

Abonyi, G., 2013. Policy Reform in Viet Nam and the Asian Development Bank's State-Owned Enterprise Reform and Corporate Governance Program Loan. *In*: G. Abonyi, J. Aspin, R. Bolt, and Asian Development Bank, eds. *Managing Reforms for Development: Political Economy of Reforms and Policy-based Lending Case Studies*. Mandaluyong City, Metro Manila, Philippines: Asian Development Bank, vii–61.

Abrami, R.M., 2003. Vietnam in 2002: On the Road to Recovery. *Asian Survey*, 43 (1), 91–100.

Abuza, Z., 2001. *Renovating Politics in Contemporary Vietnam*. Boulder: L. Rienner Publishers.

Abuza, Z., 2002. The Lessons of Le Kha Phieu: Changing Rules in Vietnamese Politics. *Contemporary Southeast Asia*, 24 (1), 121–145.

Access Capital, 2011. *Ethiopia: Macroeconomic Handbook 2011/12*. Addis Ababa, Ethiopia: Access Capital Research.

ACET, 2014. *2014 African Transformation Report. Growth with Depth*. Accra, Ghana: African Center for Economic Transformation (ACET).

Acquah, P., Ahearne, A., and Collier, P., 2014. *2014 Triennial Surveillance Review - External Study - Structural Policies in Fund Surveillance*. Washington D.C.: International Monetary Fund.

Action Aid, 2011. *Ending Aid Dependency*. London: Action Aid UK.

Adam, L., 2012. *Understanding What is Happening in ICT in Ethiopia*. Cape Town, South Africa: Research ICT Africa (RIA), Evidence for ICT Policy Action Policy Paper No. 3, 2012.

ADB, 2014. *Socialist Republic of Viet Nam: Strengthening Support for State-Owned Enterprise Reform and Corporate Governance Facilitation Program*. Asian Development Bank (ADB), No. 39538–034.

ADB, 2015a. *Assessment of Power Sector Reforms in Viet Nam: Country Report*. Manila, Philippines: Asian Development Bank (ADB).

ADB, 2015b. *Financial Soundness Indicators for Financial Sector Stability in Viet Nam*. Manila, Philippines: Asian Development Bank (ADB).

Adem, S., 2012. China in Ethiopia: Diplomacy and Economics of Sino-optimism. *African Studies Review*, 55 (1), 143–160.

AfDB, 2000. *Ethiopia Structural Adjustment Programme: Project Performance Evaluation Report (PPER)*. Cote D'Ivoire: African Development Bank.

Ageba, G. and Amha, W., 2006. Micro and Small Enterprises (MSE) Development in Ethiopia: Strategy, Regulatory Changes and Remaining Constraints. *Ethiopian Journal of Economics*, X (2), 1–32.

Aglionby, J., 2017. Ethiopia Bids to Become the Last Development Frontier. *Financial Times*, 3 Jul.

AGOA, 2018. *AGOA Country Eligibility*. Western Cape, South Africa: AGOA.info, tralac (Trade Law Centre).

Akyüz, Y., 2008. *Global Rules and Markets: Constraints over Policy Autonomy in Developing Countries*. Geneva: International Labour Organization, Policy Integration and Statistics Department Working Paper No. 87.

Akyüz, Y., 2009. *Multilateral Disciplines and the Question of Policy Space*. Penang, Malaysia: Third World Network (TWN), TWN Trade and Development Series No. 38.

Akyüz, Y., 2015. Foreign Direct Investment, Investment Agreements, and Economic Development: Myths and Realities. *Ekonomi-tek*, 4 (1), 1–47.

Akyüz, Y., Chang, H., and Kozul-Wright, R., 1998. New Perspectives on East Asian Development. *Journal of Development Studies*, 34 (6), 4–36.

Alexander, P., 2000. Vietnam Party Leader Lambasts Imperialism. *Associated Press*, 2 Feb.

Altenburg, T., 2010. *Industrial Policy in Ethiopia*. Bonn, Germany: Deutsches Institut für Entwicklungspolitik (DIE), DIE Discussion Paper No. 2/2010.

Amin, S., 1974. *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment*. New York: Monthly Review Press.

Amsden, A.H., 1989. *Asia's Next Giant: South Korea and Late Industrialization*. Oxford: Oxford University Press.

Amsden, A.H., 2001. *The Rise of 'the Rest': Challenges to the West from Late-industrializing Economies*. Oxford ; New York: Oxford University Press.

Amsden, A.H., 2005. Promoting Industry Under WTO law. *In*: K. Gallagher, ed. *Putting Development First: the Importance of Policy Space in the WTO and IFIs*. London: Zed Books, 216–232.

Amsden, A.H., 2007. *Escape from Empire: the Developing World's Journey Through Heaven and Hell*. Cambridge, Mass: MIT Press.

Anh, N.T.T., Duc, L.M., and Chieu, T.D., 2014. *The Evolution of Vietnamese Industry*. Helsinki, Finland: UNU WIDER, WIDER Working Paper No. 2014/076.

Anh, N.T.T., Hong, V.X.N., Thang, T.T., and Hai, N.M., 2006. *The Impacts of Foreign Investment on the Economic Growth in Vietnam*. Hanoi: CIEM and SIDA.

Arriola, L.R. and Lyons, T., 2016. Ethiopia: The 100% Election. *Journal of Democracy*, 1 (27), 76–88.

Athukorala, P.and Tien, T.Q., 2012. Foreign Direct Investment in Industrial Transition: the Experience of Vietnam. *Journal of the Asia Pacific Economy*, 17 (3), 446–463.

Atkins, L., Bräutigam, D., Chen, Y., and Hwang, J., 2017. *Chinese Loans to African Governments, by Sector. Version 1.3 May 2017. China-Africa Economic Bulletin #1: Challenges of and opportunities from the commodity price slump.* Washington D.C.: China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, CARI Economic Bulletin #1.

Ayers, A.J. and Saad Filho, A., 2015. Democracy Against Neoliberalism: Paradoxes, Limitations, Transcendence. *Critical Sociology*, 41 (4–5), 597–618.

Babb, S.L. and Kentikelenis, A.E., 2018. International Financial Institutions as Agents of Neoliberalism. *In*: D. Cahill, M. Cooper, M. Konings, and D. Primrose, eds. *The SAGE Handbook of Neoliberalism*. London: SAGE Publications Ltd, 16–39.

Bach, J.-N., 2011. Abyotawi Democracy: Neither Revolutionary Nor Democratic, A Critical Review of EPRDF's Conception of Revolutionary Democracy in post-1991 Ethiopia. *Journal of Eastern African Studies*, 5 (4), 641–663.

Bahro, R., 1978. *The Alternative in Eastern Europe*. London: New Left Books.

Bair, J., 2005. Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition & Change*, 9 (2), 153–180.

Balchin, N., Gelb, S., Kennan, J., Martin, H., te Velde, D.W., and Williams, C., 2016. *Developing Export-based Manufacturing in sub-Saharan Africa*. London: Overseas Development Institute (ODI).

Baran, P.A., 1957. *The Political Economy of Growth*. New York: Marzani & Munsell.

Bateman, M., 2010. *Why Doesn't Microfinance Work? The Destructive Rise of Local Neoliberalism*. London: Zed Books.

Bauer, P.T., 1984. Remembrance of Studies Past: Retracing First Steps. *In*: G. Meier and D. Seers, eds. *Pioneers in Development*. Oxford: Oxford University Press.

Bayliss, K. and Van Waeyenberge, E., 2018. Unpacking the Public Private Partnership Revival. *The Journal of Development Studies*, 54 (4), 577–593.

BBC, 2003. Ethiopia Hits Out at IMF [online]. Available from: http://news.bbc.co.uk/1/hi/business/3198767.stm [Accessed 3 Jan 2017].

BBC, 2015. Obama Praises Ethiopia over Fight Against al-Shabab. *BBC*, 27 Jul.

Beegle, K.G., Hentschel, J.S., and Rama, M., 2012. *World Development Report 2013: Jobs*. Washington D.C.: World Bank Group.

Beeson, M. and Pham, H.H., 2012. Developmentalism with Vietnamese Characteristics: The Persistence of State-led Development in East Asia. *Journal of Contemporary Asia*, 42 (4), 539–559.

Behuria, P., 2017. Learning from Role Models in Rwanda: Incoherent Emulation in the Construction of a Neoliberal Developmental State. *New Political Economy*, 1–19.

Belassa, B., 1988. The Lessons of East Asian Development: An Overview. *Economic Development and Cultural Change*, 36 (3), S273–S290.

Belete, W. and Tadesse, S., 2014. *The Economic Contribution of Copyright Industries in Ethiopia*. Geneva: World Intellectual Property Organization (WIPO).

Belser, P., 2000. *Vietnam: On the Road to Labor-intensive Growth?* Washington D.C.: World Bank Group.

Benchavitvilai, C. and Minh Trinh, 2017. *Vietnam Banks Sector*. Singapore: Credit Suisse Group AG, Equity Research. Financials.

Beresford, M., 1988. *Vietnam: Politics, Economics, and Society*. London ; New York: Pinter.

Beresford, M., 1995a. The North Vietnamese State-Owned Industrial Sector: Continuity and Change. *Journal of Communist Studies and Transition Politics*, 11 (1), 56–76.

Beresford, M., 1995b. Foreword. *In*: I. Nørlund, C. Gates, and C.Đ. Vũ, eds. *Vietnam in a Changing World*. Richmond, Surrey: Curzon Press.

Beresford, M., 2004. Lessons from the Asian Crisis for the Sustainability of Vietnamese Economic Development. *In*: M. Beresford and A.N. Tran, eds. *Reaching for the Dream: Challenges of Sustainable Development in Vietnam*. Copenhagen S, Denmark : Singapore: NIAS Press ; Institute of Southeast Asian Studies, 51–94.

Beresford, M., 2008. Doi Moi in Review: The Challenges of Building Market Socialism in Vietnam. *Journal of Contemporary Asia*, 38 (2), 221–243.

Beresford, M. and Phong, D., 2000. *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy*. Cheltenham, UK ; Northampton, MA, USA: Edward Elgar.

Berger, A. and Bruhn, D., 2017. Vietnam's Preferential Trade Agreements: Implications for GVC Participation and Upgrading. *In*: C. Hollweg, T. Smith, and D. Taglioni, eds. *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*. The World Bank.

Berhanu, K. and Poulton, C., 2014. The Political Economy of Agricultural Extension Policy in Ethiopia: Economic Growth and Political Control. *Development Policy Review*, 32 (S2), S197–S213.

Bienefeld, M., 1981. Dependency and the Newly Industrialising Countries (NICs): Towards a Reappraisal. *In*: D. Seers, ed. *Dependency Theory: A Critical Reassessment*. London: Pinter, 79–96.

Bienefeld, M., 1982. The International Context for National Development Strategies: Constraints and Opportunities in a Changing World. *In*: M. Bienefeld and M. Godfrey,

eds. *The Struggle for Development: National Strategies in an International Context*. Chichester: John Wiley & Sons Limited, 25–64.

Binh, L.D. and Quang, D.H., 2015. *Are There Preferential Treatments of SOEs: Evidences from Practice*. Hanoi, Vietnam: CIEM and World Bank Group.

Blancas Mendivil, L.C., Isbell, J., Isbell, M., Tan, H.J., and Tao, W., 2013. *Efficient Logistics : A Key to Vietnam's Competitiveness*. Washington D.C.: World Bank Group.

Bland, B., 2012. Former Vinashin Chairman Jailed. *Financial Times*, 30 Mar.

Block, F., 2008. Swimming Against the Current: The Rise of a Hidden Developmental State in the United States. *Politics & Society*, 36 (2), 169–206.

Bondestam, L., 1975. Notes on Multinational Corporations in Ethiopia. *African Review*, 5 (4), 535–549.

Borchgrevink, A., 2008. Limits to Donor Influence: Ethiopia, Aid and Conditionality. *Forum for Development Studies*, 35 (2), 195–220.

Bräutigam, D., 2000. *Aid Dependence and Governance*. Washington D.C.: American University, Expert Group on Development Issues No. 1.

Brenner, R., 1977. The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism. *New Left Review*, 104 (July-August 1977).

Bresser-Pereira, L.C., 2016. Reflecting on New Developmentalism and Classical Developmentalism. *Review of Keynesian Economics*, 4 (3), 331–352.

Brewer, A., 1990. *Marxist Theories of Imperialism: A Critical Survey*. London ; New York: Routledge.

Brudenius, C. and Weeks, J., 2001. Globalization and Third World Socialism. *In*: J. Weeks and C. Brudenius, eds. *Globalization and Third World Socialism: Cuba and Vietnam*. Houndmills, Basingstoke, Hampshire: Palgrave, 3–17.

Bryceson, D.F., 2000. Of Criminals and Clients: African Culture and Afro-Pessimism in a Globalized World. *Canadian Journal of African Studies*, 34 (2), 417.

Bui, T.H., 2016. Constitutionalizing Single Party Leadership in Vietnam: Dilemmas of Reform. *Asian Journal of Comparative Law*, 11 (02), 219–234.

Bush, R.C., 2013. Making the Twenty First Century its Own: Janus faced African (under) Development. *Afrika Focus*, 26 (1), 51–65.

Calvert, J., 2018. Constructing Investor Rights? Why Some States (Fail to) Terminate Bilateral Investment Treaties. *Review of International Political Economy*, 25 (1), 75–97.

Campanaro, A. and Dang, C.D., 2018. *Mobilizing Finance for Local Infrastructure Development in Vietnam: A City Infrastructure Financing Facility*. Washington D.C.: World Bank Group.

CBE, 2014. *Commercial Bank of Ethiopia Annual Performance Report 2013/2014*. Addis Ababa, Ethiopia: Commercial Bank of Ethiopia (CBE).

Cerny, P.G., 1990. *The Changing Architecture of Politics: Structure, Agency, and the Future of the State*. London: Sage.

Cerny, P.G., 1997. Paradoxes of the Competition State: The Dynamics of Political Globalization. *Government and Opposition*, 32 (02), 251–274.

Cerny, P.G., 2010. The Competition State Today: From *Raison d'État* to *Raison du Monde*. *Policy Studies*, 31 (1), 5–21.

CGD, 2008. *The Growth Report: Strategies for Sustained Growth and Inclusive Development*. Washington D.C.: World Bank Group.

Chandra, V., 2013. How Ethiopia Can Foster a Light Manufacturing Sector. *In*: J.E. Stiglitz, J.Y. Lin, and E. Patel, eds. *The Industrial Policy Revolution II: Africa in the 21st Century*. London: Palgrave Macmillan, 541–568.

Chang, H.-J., 1996. *The Political Economy of Industrial Policy*. Basingstoke: Macmillan.

Chang, H.-J., 2002. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press.

Chang, H.-J., ed., 2003. *Rethinking Development Economics*. London: Anthem Press.

Chang, H.-J., 2006. Policy Space in Historical Perspective with Special Reference to Trade and Industrial Policies. *Economic and Political Weekly*, 41 (7), 627–633.

Chang, H.-J., 2007. *State-owned Enterprise Reform*. New York: United Nations DESA, National Development Strategies.

Chang, H.-J., 2014. *Economics: The User's Guide: a Pelican Introduction*. London: Pelican Books.

Chang, H.-J. and Grabel, I., 2004a. Reclaiming Development from the Washington Consensus. *Journal of Post Keynesian Economics*, 27 (2), 273–291.

Chang, H.-J. and Grabel, I., 2004b. *Reclaiming Development: An Alternative Economic Policy Manual*. 1st ed. London: Zed Books.

Chang, H.-J. and Grabel, I., 2014. *Reclaiming Development: An Alternative Economic Policy Manual*. 2nd ed. London: Zed Books.

Chang, H.-J. and Hauge, J., 2019. The Concept of a 'Developmental State' in Ethiopia. *In*: F. Cheru, Arkebe Oqubay, and C. Cramer, eds. *The Oxford Handbook of the Ethiopian Economy*. New York, NY: Oxford University Press.

Chang, H.-J., Hauge, J., and Irfan, M., 2016. *Transformative Industrial Policy for Africa*. Addis Ababa: Ethiopia: Economic Commission for Africa.

Chanie, P., 2007. Clientelism and Ethiopia's Post-1991 Decentralisation. *The Journal of Modern African Studies*, 45 (03), 355–384.

Chaponnière, J.-R. and Cling, J.-P., 2009. Vietnam's Export-led Growth Model and Competition with China. *Économie Internationale*, 118 (2009), 101–130.

Chemutai, V. and Escaith, H., 2017. *An Empirical Assessment of the Economic Effects of WTO Accession and its Commitments*. Geneva: World Trade Organization, Staff Working Paper No. ERSD-2017-05.

Cheru, F., 2016. Emerging Southern Powers and New Forms of South–South Cooperation: Ethiopia's Strategic Engagement with China and India. *Third World Quarterly*, 37 (4), 592–610.

Cheru, F., Arkebe Oqubay, and Cramer, C., eds., 2019. *The Oxford Handbook of the Ethiopian Economy*. New York: Oxford University Press.

Cheshier, S., 2010. The New Class in Vietnam. PhD. Queen Mary University of London, London.

Cheshier, S. and Penrose, J., 2007. *Top 200: Industrial Strategies of Viet Nam's Largest Firms*. Hanoi, Vietnam: UNDP.

Cheshier, S. and Pincus, J., 2010. Minsky au Vietnam: State Corporations, Financial Instability and Industrialisation. *In*: J. Toporowski and D. Tavasci, eds. *Minsky, Crisis and Development*. Basingstoke, Hampshire: Palgrave Macmillan, 188–206.

Chi, 2017. *The Missing Link in the Chain? Trade Regimes and Labour Standards in the Garments, Footwear and Electronics Supply Chains in Vietnam*. Hanoi, Vietnam: Fredrich Ebert Stiftung, Country Study.

Chole, E., 1993. Privatization and Deregulation in Ethiopian Industry. *Journal of Ethiopian Studies*, 26 (1), 33–58.

Chole, E., 2004. *Underdevelopment in Ethiopia*. Addis Ababa, Ethiopia: Organisation for Social Science Research in Eastern and Southern Africa.

CIE, 2003. *Vietnam Sugar Program. Where Next?* Canberra, Australia: Centre for International Economics (CIE).

CIEM, 2013. *Comprehensive Evaluation of Vietnam's Socio-economic Performance Five Years After the Accession to the World Trade Organization*. Hanoi, Vietnam: CIEM.

Clapham, C., 1992. The Socialist Experience in Ethiopia and its Demise. *Journal of Communist Studies*, 8 (2), 105–125.

Clapham, C., 2018. The Ethiopian Developmental State. *Third World Quarterly*, 39 (6), 1151–1165.

Cling, J.-P., Razafindrakoto, M., and Roubaud, F., 2013. Is the World Bank Compatible with the "Socialist-oriented Market Economy"?: Political Economy Approach Applied to the Case of Vietnam. *Revue de la Régulation*, (13).

Colclough, C., 1991. Structuralism versus Neo-liberalism: An Introduction. *In*: C. Colclough and J. Manor, eds. *States or Markets? Neo-liberalism and the Development Policy Debate*. Oxford ; New York: Clarendon Press ; Oxford University Press, 1–25.

Conway, T., 2004. *Politics and the PRSP Approach: Vietnam Case Study*. London: Overseas Development Institute (ODI), Working Paper No. 241.

Corfield, J.J., 2008. *The History of Vietnam*. Westport, Conn: Greenwood Press.

Cornia, G.A. and Martorano, B., 2012. *Development Policies and Income Inequality in Selected Developing Regions, 1980–2010*. Geneva: United Nations Conference on Trade and Development, UNCTAD Discussion Papers No. 210.

Cornia, G.A. and Martorano, B., 2017. Inequality and Growth in an Agricultural-led Development Model: The Case of Ethiopia Over 1995-2011. *In*: A. Odusola, G.A. Cornia, H. Bhorat, and P.Conceição, eds. *Income Inequality Trends in sub-Saharan Africa: Divergence, Determinants, and Consequences*. New York: UNDP, 294–315.

Cowen, D., 2014. *The Deadly Life of Logistics: Mapping Violence in Global Trade*. Minneapolis: University of Minnesota Press.

CPV, 1991. *To Understand the 7th National Congress of the Communist Party of Vietnam*. Hanoi, Vietnam: Foreign Languages Publishing House.

CPV, 2015. *85 Years of the Communist Party of Viet Nam (1930-2015). A Selection of Documents from Eleven Party Congresses*. Hanoi, Vietnam: The Gioi Publishers.

Crisp, B.F. and Kelly, M.J., 1999. The Socioeconomic Impacts of Structural Adjustment. *International Studies Quarterly*, 43 (3), 533–552.

Cunningham, W. and Pimhidzai, O., 2018. *Vietnam's Future Jobs: Leveraging Mega-trends for Greater Prosperity: Overview*. Washington D.C.: World Bank Group.

Davis, D., Kaplinsky, R., and Morris, M., 2018. Rents, Power and Governance in Global Value Chains. *Journal of World-Systems Research*, 24 (1), 43–71.

DBE, 2017a. *Development Bank of Ethiopia Credit Policy. CP/001/2017. December 2017.* Addis Ababa, Ethiopia: Development Bank of Ethiopia.

DBE, 2017b. *Development Bank of Ethiopia. Annual Report For the Year Ended June, 30, 2017*. Addis Ababa, Ethiopia: Development Bank of Ethiopia (DBE).

De Vylder, S., 1995. State and Market in Vietnam: Some Issues for an Economy in Transition. *In*: I. Nørlund, C.L. Gates, and Cao Dam Vu, eds. *Vietnam in a Changing World*. Richmond: Curzon Press, 31–70.

Degefe, B., 2001. Ethiopia's External Debt: The Impact and the Way Forward. *Canadian Journal of Development Studies (Revue Canadienne d'études du Développement)*, 22 (2), 377–416.

Denscombe, M., 2010. *The Good Research Guide: For Small-Scale Social Research Projects*. Maidenhead: Open University Press.

Department of State, 2016. Bureau of Economic and Business Affairs Investment Climate Statements for 2016: Ethiopia.

Dercon, S., Hill, R.V., and Zeitin, A., 2009. *Rethinking Agricultural-led Growth in Ethiopia. Synthesis Paper Prepared as Part of a Study on Agriculture and Growth in Ethiopia (Conducted for DFID)*. Oxford: University of Oxford.

Development Initiatives, 2018. *Final ODA Data for 2016: An Initial Analysis of Key Points*. Bristol, UK: Development Initiatives.

Development Solutions, 2017. *Report of the Stakeholder Outreach Workshop on the Mid-Term Evaluation of the EU's Generalised Scheme of Preferences (GSP) in Addis Ababa, Ethiopia*. Brussels, Belgium: DEVELOPMENT Solutions (DS) Europe Limited, Report of a Stakeholder Outreach Workshop, 7 March 2017.

Devereux, S., 2000. *Food Insecurity in Ethiopia: A Discussion paper for DFID*. Sussex, United Kingdom: Institute for Development Studies.

Dijkstra, A.G., White, H., and Van Donge, J.K., 2003. Aid in a Rapidly Growing 'Off-track' Economy: Vietnam in the 1990s. *In*: A.G. Dijkstra and H. White, eds. *Programme Aid and Development: Beyond Conditionality*. London: Routledge, 348–401.

Dinh, H.., Palmade, V., Chandra, V., and Cossar, F., 2012. *Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs*. Washington D.C.: World Bank Group.

Dinh, Q.X., 2000. The Political Economy of Vietnam's Transformation Process. *Contemporary Southeast Asia*, 22 (2), 360–388.

Dinh, T.-M., Malesky, E., To, T.-T., and Nguyen, D.-T., 2013. Effect of Interest Rate Subsidies on Firm Performance and Investment Behavior during Economic Recession: Evidence from Vietnam: Effect of Interest Rate Subsidies on Firms. *Asian Economic Journal*, 27 (2), 185–207.

Dixon, C., 2003. Developmental Lessons of the Vietnamese Transitional Economy. *Progress in Development Studies*, 3 (4), 287–306.

Dixon, C. and Kilgour, A., 2002. State, Capital, and Resistance to Globalisation in the Vietnamese Transitional Economy. *Environment and Planning A*, 34 (4), 599–618.

Dollar, D., 2002. *Reform, Growth, and Poverty in Vietnam*. Washington D.C.: World Bank Group, Policy Research Working Paper No. 2837.

Dollar, D., 2017. Executive Summary. *In*: *Measuring and Analyzing the Impact of GVCs on Economic Development*. Washington D.C.: World Bank Group, 1–14.

van Donge, J.K., Henley, D., and Lewis, P., 2012. Tracking Development in South-East Asia and sub-Saharan Africa: The Primacy of Policy. *Development Policy Review*, 30, s5–s24.

EC, 2015. EU and Vietnam Reach Agreement on a Free Trade Deal.

EC, 2018. *Report on the Generalised Scheme of Preferences Covering the Period 2016-2017*. Brussels, Belgium: European Commission (EC), No. COM(2018) 36 final.

Eckardt, S., Mishra, D., and Viet Tuan Dinh, 2018. *Vietnam's Manufacturing Miracle: Lessons for Developing Countries*. Washington D.C.: Brookings Institution.

Economist, 2015. Sub-Saharan Africa Gets its First Metro. *Economist*, 22 Sep.

EIC, 2016. *Summary of Licensed All Investment Projects By Sector and Status Since September 01, 1992 - March 17, 2016*. Addis Ababa, Ethiopia: Ethiopian Investment Commission (EIC), Unpublished excel sheet.

EIC, 2017. *Industrial Parks in Ethiopia: Incentives Package*. Addis Ababa, Ethiopia: Ethiopian Investment Commission (EIC), No. EIC 02/2017.

EIC, 2018. *An Investment Guide to Ethiopia*. Addis Ababa, Ethiopia: Ethiopian Investment Commission (EIC).

Elliott, D.W.P., 1980. Institutionalizing the Revolution: Vietnam's Search for a Model of Development. *In*: W.S. Turley, ed. *Vietnamese Communism in Comparative Perspective*. Boulder, Colo: Westview Press, 199–224.

Embassy Addis Ababa, 2006. *Ethiopia: Prime Minister and Bilateral Donors Mostly Agree on Governance Agenda*. Addis Ababa, Ethiopia: U.S. Embassy to Addis Ababa, WikiLeaks Cable No. 06ADDISABABA1400_a.

Emmanuel, A., 1972. *Unequal Exchange: A Study of the Imperialism of Trade*. New York, London: New Left Books.

Engel, S., 2010. *The World Bank and the post-Washington Consensus in Vietnam and Indonesia: Inheritance of Loss*. London ; New York: Routledge.

EPRDF, 1991a. Our Revolutionary Democracy. *EPRDF News Bulletin*, 1 (7).

EPRDF, 1991b. EPRDF Economic Program Benefits the Urban Population. *EPRDF News Bulletin*, 1 (6).

Erlikh, Ḥagai, 1986. *Ethiopia and the Challenge of Independence*. Boulder, Colorado: L. Rienner Publishers.

ESCAP, 2017. *Infrastructure Financing Strategies for Sustainable Development in Viet Nam*. Bangkok, Thailand: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), National Study / Paper.

Estrin, S. and Pelletier, A., 2018. Privatization in Developing Countries: What Are the Lessons of Recent Experience? *The World Bank Research Observer*, 33 (1), 65–102.

ETBC, 2018. Company Profile [online]. *Ethiopian Trading Businesses Corporation (ETBC)*. Available from: http://www.etbc-ethiopia.com/index.php/about/company-profile [Accessed 5 Jan 2018].

Ethiopian Register, 1996. *Feature: TPLF/EPRDF Strategies for Establishing its Hegemony and Perpetuating its Rule*. Los Angeles, CA: Ethiopian Register.

Evans, D., 1991. Visible and Invisible Trade Policy Reform. *In*: C. Colclough and J. Manor, eds. *States or Markets? Neo-liberalism and the Development Policy Debate*. Oxford ; New York: Clarendon Press ; Oxford University Press.

Evans, M. and Hai, B.D., 2005. Embedding Neoliberalism Through Statecraft: the Case of Market Reform in Vietnam. *In*: S. Soederberg, G. Menz, and P.G. Cerny, eds. *Internalizing Globalization*. London: Palgrave Macmillan UK, 219–237.

Evans, P.and Heller, P., 2018. *The State and Development*. Helsinki, Finland: UNU WIDER, WIDER Working Paper No. 2018/112.

Evans, P.B., 1989. Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State. *Sociological Forum*, 4 (4), 561–587.

Evans, P.B., 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, N.J: Princeton University Press.

Fantini, E., 2013. Developmental State, Economic Transformation and Social Diversification in Ethiopia. *ISPI Analysis*, 163 (March), 1–7.

FDRE, 1998a. *Proclamation No. 132/1998. Ethiopian Export Promotion Agency Establishment*. Addis Ababa, Ethiopia: Federal Negarit Gazeta, No. 9.

FDRE, 1998b. *Proclamation No. 116/1998. Investment (Amendment)*. Addis Ababa, Ethiopia: Federal Negarit Gazeta.

FDRE, 1998c. *Council of Ministers Regulations No. 35/1998. Investment Areas Reserved for Domestic Investors*. Addis Ababa, Ethiopia: Federal Negarit Gazeta.

FDRE, 2005. *Proclamation No. 471/2005. Proclamation of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia*. Addis Ababa, Ethiopia: Federal Negarit Gazeta, 17th November 2005 No. 1.

FDRE, 2016a. *Growth and Transformation Plan II (GTP II) (2015/16-2019/20), Volume I: Main Text*. Addis Ababa, Ethiopia: National Planning Commission, Federal Democratic Republic of Ethiopia.

FDRE, 2016b. *Fortnightly Newsletter of the Embassy of the Federal Democratic Republic of Ethiopia to the Commonwealth of Australia*. Canberra, Australia: The

Embassy of the Federal Democratic Republic of Ethiopia to the Commonwealth of Australia, No. 28.

FDRE, 2017. *Ethiopia's Progress Towards Eradicating Poverty: An Interim Report on 2015/16 Poverty Analysis Study*. Addis Ababa, Ethiopia: National Planning Commission, Federal Democratic Republic of Ethiopia.

FDRE, 2018a. *Proclamation No. 1076/2018. Public Private Partnership Proclamation*. Addis Ababa, Ethiopia: Federal Negarit Gazeta, No. 28.

FDRE, 2018b. Ministry of Public Enterprises (Federal Democratic Republic of Ethiopia) [online]. Available from: http://www.mope.gov.et/web/guest/home [Accessed 1 Jun 2018].

Felipe, J., Mehta, A., and Rhee, C., 2018. Manufacturing Matters…But it's the Jobs that Count. *Cambridge Journal of Economics*.

Fernández, V.R., 2015. Global Value Chains in Global Political Networks: Tool for Development or Neoliberal Device? *Review of Radical Political Economics*, 47 (2), 209–230.

Feyissa, D., 2011. Aid Negotiation: The Uneasy "Partnership" Between EPRDF and the Donors. *Journal of Eastern African Studies*, 5 (4), 788–817.

Fforde, A., 1998. Strategic Issues in Vietnamese Development Policy: State Owned Enterprises (SOE)s, Agricultural Cooperatives and Public Administration Reform (PAR).

Fforde, A., 2007. *Vietnamese State Industry and the Political Economy of Commercial Renaissance: Dragon's Tooth or Curate's Egg?* Oxford: Chandos Publishing.

Fforde, A., 2016. Vietnam: Economic Strategy and Economic Reality. *Journal of Current Southeast Asian Affairs*, 35 (2), 3–30.

Fforde, A., 2017. The Emerging Core Characteristics of Vietnam's Political Economy. *Asian-Pacific Economic Literature*, 31 (2), 45–60.

Fforde, A. and De Vylder, S., 1996. *From Plan to Market: The Economic Transition in Vietnam*. Boulder, Colorado: Westview Press.

Fforde, A. and Paine, S.H., 1987. *The Limits of National Liberation*. London: Crook Helm.

Fine, B., 2001. Neither the Washington Nor the post-Washington Consensus: An Introduction. *In*: B. Fine, C. Lapavitsas, and J. Pincus, eds. *Development Policy in the 21st century: Beyond the post-Washington Consensus*. London ; New York: Routledge, 1–27.

Fine, B., 2007. The New Development Economics. *In*: Jomo K.S. and B. Fine, eds. *The New Development Economics: After the Washington Consensus*. New Delhi: Tulika Books, 1–20.

Fine, B., 2009. Development as Zombieconomics in the Age of Neoliberalism. *Third World Quarterly*, 30 (5), 885–904.

Fine, B., 2010. Neoliberalism as Financialisation. *In*: A. Saad Filho and G.L. Yalman, eds. *Economic Transitions to Neoliberalism in Middle-income Countries: Policy Dilemmas, Economic Crises, Forms of Resistance*. London ; New York: Routledge, 11–23.

Fine, B., 2011. *Locating the Developmental State and Industrial and Social Policy After the Crisis*. Geneva, Switzerland: UNCTAD, The Least Developed Countries Report 2011: The Potential Role of South-South Cooperation for Inclusive and Sustainable Development Background Paper.

Fine, B., 2012. Neoliberalism in Retrospect? It's Financialisation, Stupid. *In*: C. Kyung-Sup, B. Fine, and L. Weiss, eds. *Developmental Politics in Transition: The Neoliberal Era and Beyond*. New York: Palgrave Macmillan, 51–69.

Fine, B., 2013. Beyond the Developmental State: An Introduction. *In*: B. Fine, J. Saraswati, and D. Tavasci, eds. *Beyond the Developmental State: Industrial Policy into the 21st Century*. London: Pluto Press, 1–32.

Fine, B. and Saad Filho, A., 2014. Politics of Neoliberal Development: Washington Consensus and post-Washington Consensus. *In*: H. Weber, ed. *The Politics of Development: A Survey*. Abingdon, Oxon ; New York, NY: Routledge, 154–166.

Fine, B. and Saad Filho, A., 2017. Thirteen Things You Need to Know About Neoliberalism. *Critical Sociology*, 43 (4–5), 685–706.

Fine, B. and Van Waeyenberge, E., 2013. A Paradigm Shift that Never Was: Justin Lin's New Structural Economics. *Competition & Change*, 17 (4), 355–371.

Fischer, A.M., 2015. The End of Peripheries? On the Enduring Relevance of Structuralism for Understanding Contemporary Global Development: Debate: The Enduring Relevance of Structuralism. *Development and Change*, 46 (4), 700–732.

Fiseha, A., 2018. Federalism and Development: The Ethiopian Dilemma. *International Journal on Minority and Group Rights*, 25 (3), 333–368.

Food and Agriculture Organization of the United Nations. (2019). *FAOSTAT Database. Rome*, Italy: FAO. Retrieved 22 April, 2019, from http://www.fao.org/faostat/en/#data

Forsberg, L.T., 2008. Vietnam: The Making of Recipient Ownership and Responses to Swedish and Japanese Aid. *In*: A.M. Jerve, Y. Shimomura, and A.S. Hansen, eds. *Aid Relationships in Asia*. London: Palgrave Macmillan UK, 191–208.

Forsberg, L.T. and Kokko, A., 2007. *The Role of Donors in Vietnamese Development Planning*. Stockholm, Sweden: European Institute of Japanese Studies (EIJS), Stockholm School of Economics, Working Paper No. 238.

Forsberg, L.T. and Kokko, A., 2008. *Country Economic Report 2008: From Growth to Poverty Reduction: The Framework for Development Cooperation in Vietnam*. Stockholm: SIDA.

Fourie, E., 2015. China's Example for Meles' Ethiopia: When Development 'Models' Land. *The Journal of Modern African Studies*, 53 (03), 289–316.

Frank, A.G., 1966. The Development of Underdevelopment. *Monthly Review*, 18 (4), 17.

Frank, A.G., 1969. *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil*. New York: Monthly Review Press.

Frank, A.G., 1979. *Dependent Accumulation and Underdevelopment*. New York: Monthly Review Press.

Frederick, S., 2017. Vietnam's Textile and Apparel Industry and Trade Networks. *In*: C. Hollweg, T. Smith, and D. Taglioni, eds. *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*. Washington, D.C: The World Bank.

Friedman, T.L., 2000. *The Lexus and the Olive Tree*. London: Harper Collins.

Friedman, T.L., 2007. *The World is Flat: A Brief History of the Twenty-first Century*. New York: Picador.

Fritz, B., de Paula, L.F., and Prates, D.M., 2017. *Developmentalism at the Periphery: Can Productive Change and Income Redistribution be Compatible with Global Financial Asymmetries?* Berlin, Germany: desiguALdades.net International Research Network on Interdependent Inequalities in Latin America, desiguALdades.net Working Paper Series No. 101.

Fritz, V. and Menocal, A.R., 2007. Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda. *Development Policy Review*, 25 (5), 531–552.

Fujita, M., 2000. Foreign Direct Investment, Trade, and Vietnam's Interdependence in the APEC Region. *In*: S. Okuda, ed. *Trade Liberalization and Facilitation in APEC - a Re-evaluation of APEC Activities*. Makuhari City, Japan: APEC Study Center, Institute of Developing Economies.

Fujita, M., 2013a. *Does China's Economic Rise Help or Hinder the Development of its Neighbours?* Brighton, UK: Institute of Development Studies (IDS).

Fujita, M., 2013b. *Exploiting Linkages for Building Technological Capabilities: Vietnam's Motorcycle Component Suppliers under Japanese and Chinese Influence*. Tokyo: Springer.

Fujita, M., 2017a. Vietnam's Post-WTO Industrial Development: Strategies and Realities. *In*: B.T. Khoo, K. Tsunekawa, and M. Kawano, eds. *Southeast Asia Beyond Crises and Traps*. Cham: Springer International Publishing.

Fujita, M., 2017b. *Vietnamese State-owned Enterprises Under International Economic Integration*. Tokyo, Japan: Research Institute of Economy, Trade and Industry, RIETI Discussion Paper Series No. 17-E-121.

Furtado, X. and Smith, W.J., 2009. Ethiopia: Retaining Sovereignty in Aid Relations. *In*: *The Politics of Aid: African Strategies for Dealing with Donors*. Oxford ; New York: Oxford University Press, 131–155.

G˜ıth˜ınji, M. wa and Mersha, G., 2007. Untying the Gordian Knot: The Question of Land Reform in Ethiopia. *In*: A.H. Akram-Lodhi, S.M. Borras, and C. Kay, eds. *Land, Poverty and Livelihoods in an Era of Globalization: Perspectives from Developing and Transition Countries*. London ; New York: Routledge, Taylor & Francis Group, 310–343.

Gainsborough, M., 2003a. *Changing Political Economy of Vietnam: The Case of Ho Chi Minh City*. London ; New York: Routledge Curzon.

Gainsborough, M., 2003b. Slow, Quick, Quick: Assessing Equitization and Enterprise Performance Prospects in Vietnam. *Journal of Communist Studies and Transition Politics*, 19 (1), 49–63.

Gainsborough, M., 2007. From Patronage to 'Outcomes': Vietnam's Communist Party Congresses Reconsidered. *Journal of Vietnamese Studies*, 2 (1), 3–26.

Gainsborough, M., 2010. Present but not Powerful: Neoliberalism, the State, and Development in Vietnam. *Globalizations*, 7 (4), 475–488.

Gainsborough, M., 2018. Malesky vs Fforde: How Best to Analyze Vietnamese Politics? *Journal of Vietnamese Studies*, 13, 1–26.

Gallagher, K., ed., 2005. *Putting Development First: The Importance of Policy Space in the WTO and IFIs*. London: Zed Books.

Gates, C.L., 1995. Foreign Direct Investment, Institutional Change, and Vietnam's Gradualist Approach to Reform. *Southeast Asian Affairs*, 382–400.

Gathii, J.T., 2011. The Neoliberal Turn in Regional Trade Agreements. *Washington Law Review*, (3), 421–474.

Gebeyehu, W., 2005. Has Privatization Promoted Efficiency in Ethiopia? A Comparative Analysis of Privatized Industries vis-a-vis State Owned and other Private Establishments. *Ethiopian Journal of Economics, Volume IX, No. 2,* IX (2).

Gebreeyesus, M., 2013. *Industrial Policy and Development in Ethiopia: Evolution and Present Experimentation*. Helsinki, Finland: UNU-WIDER, WIDER Working Paper No. 125.

Gebrehiwot, D., 2015. METEC - Centrepiece for Ethiopia's Industrial Sector. *Ethiopian Herald*, 19 Nov.

Geda, A., Addison, T., and Alemu, G., 2017. *The Current State of Ethiopian Financial Sector and Its Regulation: What is New after a Decade and Half Strategy of Gradualism in Reform, 2001-2017* Addis Ababa, Ethiopia: Addis Ababa University, Department of Economics, Unpublished Working Paper.

Geda, A. and Yimer, A., 2014. Growth, Poverty and Inequality, 2000–2013: A Macroeconomic Appraisal. *In*: Dessalegn Rahmato, Meheret Ayenew, Asnake Kefale, and B. Habermann, eds. *Reflections on Development in Ethiopia: New Trends, Sustainability and Challenges*. Addis Ababa, Ethiopia: Forum for Social Studies; Friedrich Ebert Stiftung, 31–66.

Geiger, M. and Goh, C., 2012. *Ethiopia Economic Update, November 2012 : Overcoming Inflation, Raising Competitiveness*. Washington D.C.: World Bank Group.

Gereffi, G., 1999. International Trade and Industrial Upgrading in the Apparel Commodity Chain. *Journal of International Economics*, 48 (1), 37–70.

Gereffi, G., 2014. Global Value Chains in a post-Washington Consensus World. *Review of International Political Economy*, 21 (1), 9–37.

Gerschenkron, A., 1962. *Economic Backwardness in Historical Perspective: A Book of Essays*. Cambridge, Mass: Belknap Press.

Ghauri, P., 2004. Designing and Conducting Case Studies in International Business Research. *In*: R. Marschan-Piekkari and C. Welch, eds. *Handbook of Qualitative Research Methods for International Business*. Cheltenham, UK ; Northhampton, MA: Edward Elgar, 109–124.

Giang, H., 2014. Vietnam's Creative Application of Lenin's New Economic Policy. *VOV5.vn Radio the Voice of Vietnam - VOV World*, 23 Apr.

Giannecchini, P.and Taylor, I., 2018. The Eastern Industrial Zone in Ethiopia: Catalyst for Development? *Geoforum*, 88 (January), 28–35.

Gill, P., 2010. *Famine and Foreigners: Ethiopia Since Live Aid*. Oxford: Oxford University Press.

Gill, S., 1998. New Constitutionalism, Democratisation and Global Political Economy. *Pacifica Review: Peace, Security & Global Change*, 10 (1), 23–38.

Gillespie, J., 2003. Importing Law Reform: Vietnamese Company Law as a Case Study. *In*: *International Corporate Law - Volume 2 2002*. Oxford: UK and Portland, Oregon: Hart Publishing, 185–228.

Giorgis, T.G., 2013. Get Help, Open Up - IMF Tells Govt. *AllAfrica*, 9 Jun.

Glewwe, P.and Dang, H.-A.H., 2011. Was Vietnam's Economic Growth in the 1990s Pro-Poor? An Analysis of Panel Data from Vietnam. *Economic Development and Cultural Change*, 59 (3), 583–608.

Glewwe, P., Koch, S., and Nguyen, B.L., 2004. Child Nutrition, Economic Growth, and the Provision of Health Care Services in Vietnam. *In*: P.Glewwe, N. Agarwal, and D. Dollar, eds. *Economic Growth, Poverty, and Household Welfare in Vietnam*. Washington D.C.: World Bank Group, 251–290.

Global Development Solutions, 2011. *The Value Chain and Feasibility Analysis Domestic Resource Cost Analysis. Background paper (Light Manufacturing in Africa Study).* Washington D.C.: World Bank Group.

Goodfellow, T., 2017. Taxing Property in a Neo-developmental State: The Politics of Urban Land Value Capture in Rwanda and Ethiopia. *African Affairs*, 116 (465), 549–572.

Gore, C., 1996. Methodological Nationalism and the Misunderstanding of East Asian Industrialisation. *The European Journal of Development Research*, 8 (1), 77–122.

Gore, C., 2000. The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries. *World Development*, 28 (5), 789–804.

Gore, C., 2017. Late Industrialisation, Urbanisation and the Middle-income Trap: An Analytical Approach and the Case of Vietnam. *Cambridge Journal of Regions, Economy and Society*, 10 (1), 35–57.

Goto, K., Natsuda, K., and Thoburn, J., 2011. Meeting the Challenge of China: The Vietnamese Garment Industry in the Post MFA Era. *Global Networks*, 11 (3), 355–379.

Grabel, I., 2011. Not Your Grandfather's IMF: Global Crisis, 'Productive Incoherence' and Developmental Policy Space. *Cambridge Journal of Economics*, 35 (5), 805–830.

Gray, H.S., 2012. Tanzania and Vietnam: A Comparative Political Economy Of Economic Transition. PhD. SOAS, University of London, London.

Greenfield, G., 1994. The Development of Capitalism in Vietnam. *Socialist Register 1994: Between Globalism and Nationalism*, 30 (1994), 201–234.

Greenfield, G., 1997. Fragmented Visions of Asia's Next Tiger: Vietnam in the Pacific Century. *In*: M.T. Berger and D.A. Borer, eds. *The Rise of East Asia*. London : New York: Routledge, 124–147.

Griffin, K., ed., 1992. *The Economy of Ethiopia*. London: Palgrave Macmillan UK.

GRIPS, 2002. *Japan's Development Cooperation in Vietnam: Supporting Broad-based Growth with Poverty Reduction*. Tokyo, Japan: GRIPS Development Forum.

GRIPS, 2003a. *Linking Economic Growth and Poverty Reduction —Large-Scale Infrastructure in the Context of Vietnam's CPRGS*. Tokyo, Japan: GRIPS Development Forum.

GRIPS, 2003b. *Vietnam's Industrialization Strategy in the Age of Globalization. Localization Policy.* Tokyo, Japan: GRIPS Development Forum Project.

GRIPS, 2015. *Ethiopia: Information Kit for Japanese Businesses*. Tokyo, Japan: GRIPS Development Forum.

GSO, 2005. *Statistical Yearbook of Vietnam 2005*. Hanoi, Vietnam: General Statistics Office of Vietnam (GSO).

GSO, 2016. *Effectiveness of Business of FDI Enterprises in the Period 2005 - 2014*. Hanoi, Vietnam: Statistical Publishing House.

GSO, 2017. *Statistical Handbook of Vietnam 2016*. Hanoi, Vietnam: Statistical Publishing House.

GSO, 2018. *Statistics*. Hanoi, Vietnam: General Statistics Office of Vietnam (GSO).

Guadagno, F., 2016. *The Role of Industrial Development Banking in Spurring Structural Change*. Vienna: UNIDO, Working Paper No. 8/2016.

Gudina, M., 1994. The Ethiopian Revolution 1974-1987: A Transformation from an Aristocratic to a Totalitarian Autocracy by Andargachew Tiruneh. Review. *Journal of Ethiopian Studies*, 27 (1), 195–197.

Guo, S., 2004. Economic Transition in China and Vietnam: A Comparative Perspective. *Asian Profile*, 32 (5).

Gutman, J., Sy, A., and Chattopadhyay, S., 2015. *Financing African Infrastructure: Can the World Deliver?* Washington D.C.: Brookings Institution.

Hackenesch, C., 2013. Aid Donor Meets Strategic Partner? The European Union's and China's Relations with Ethiopia. *Journal of Current Chinese Affairs*, 42 (1), 7–36.

Hackenesch, C., 2018. Ethiopia. *In*: *The EU and China in African Authoritarian Regimes*. Cham: Springer International Publishing, 99–147.

Haggard, S., 1986. The Newly Industrializing Countries in the International System. *World Politics*, 38 (02), 343–370.

Hagmann, T. and Reyntjens, F., 2016. Introduction: Aid and Authoritarianism in sub-Saharan Africa After 1990. *In*: T. Hagmann and F. Reyntjens, eds. *Aid and Authoritarianism in Africa: Development without Democracy*. London: Zed Books, 1–20.

Hai, N.M. and O'Donnell, M., 2017. Reforming State-Owned Enterprises in Vietnam: The Contrasting Cases of Vinashin and Viettel. *Asian Perspective*, 41 (2), 215–237.

Halliday, F. and Molyneux, M., 1981. *The Ethiopian Revolution*. London: New Left Books.

Hamwey, R.M., 2005. *Expanding National Policy Space for Development: Why the Multilateral Trading System Must Change*. Geneva, Switzerland: South Centre, Working Paper No. 25.

Hannson, G., 2004. *Ethiopia: Economic Performance and the Role of the Private Sector*. Stockholm, Sweden: SIDA, Country Economic Report No. 2004:4.

Haraguchi, N., Cheng, C.F.C., and Smeets, E., 2017. The Importance of Manufacturing in Economic Development: Has This Changed? *World Development*, 93 (May), 293–315.

Harrison, G., 2004. *The World Bank and Africa: The Construction of Governance States*. London: Routledge.

Hatakeyama, K., 2008. Japan's Aid to Vietnam: Becoming an Intellectual Leader? *Japanese Studies*, 28 (3), 345–364.

Hauge, J.L., 2018. African Industrial Policy in an Era of Expanding Global Value Chains: The Case of Ethiopia's Textile and Leather Industries. PhD. University of Cambridge, Cambridge, England.

Hayton, B., 2010. *Vietnam: Rising Dragon*. New Haven: Yale University Press.

Helleiner, G.K., 1983. Panel Discussion. *In*: J. Williamson, ed. *IMF conditionality*. Washington, D.C. : Cambridge: Institute for International Economics ; Distributed by MIT Press, 581–588.

Henley, D., 2015. *Asia-Africa Development Divergence: A Question of Intent*. London: Zed Books.

Henze, P.B., 2000. *Layers of Time: A History of Ethiopia*. London: Hurst & Co.

Herr, H., Schweisshelm, E., and Truong-Minh Vu, 2016. *The Integration of Vietnam in the Global Economy and its Effects for Vietnamese Economic Development*. Geneva: International Labour Office; Global Labour University, Global Labour University Working Paper No. 44.

Hiep, L.H., 2012. Performance-based Legitimacy: The Case of the Communist Party of Vietnam and Doi Moi. *Contemporary Southeast Asia*, 34 (2), 145.

Hiep, L.H., 2017. Vietnam's New Wave of SOE Equitization: Drivers and Implications. *ISEAS Yusof Ishak Institute Perspective*, 57 (2017), 1–8.

Hill, H., 2000. Export Success Against the Odds: A Vietnamese Case Study. *World Development*, 28 (2), 283–300.

Hirschman, A.O., 1968. The Political Economy of Import-Substituting Industrialization in Latin America. *The Quarterly Journal of Economics*, 82 (1), 1.

Hirschman, A.O., 1982. The Rise and Decline of Development Economics. *In*: C.F. Diaz-Alejandro, M. Gersovitz, G. Ranis, and M.R. Rosenweig, eds. *The Theory and Experience of Economic Development: Essays in Honor of Sir W. Arthur Lewis*. London ; Boston: Allen & Unwin, 272–290.

Hollweg, C., Smith, T., and Taglioni, D., eds., 2017. *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*. The World Bank.

Hollweg, C., Sturgeon, T., and Taglioni, D., 2017. Overview. *In*: C. Hollweg, T. Smith, and D. Taglioni, eds. *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*. The World Bank.

Holman, M. and Wrong, M., 1998. Survey - Ethiopia 98: Interview: Prime Minister Meles Zenawi: Marxist Comes to Market. *Financial Times*, 2 Mar, p.3.

Hopkins, T.K. and Wallerstein, I., 1986. Commodity Chains in the World Economy prior to 1800. *Review (Fernand Braudel Center)*, 10 (1), 157–170.

Horn, H., Mavroidis, P.C., and Sapir, A., 2010. Beyond the WTO? An Anatomy of EU and US Preferential Trade Agreements. *The World Economy*, 33 (11), 1565–1588.

Horner, R. and Hulme, D., 2017. *Converging Divergence? Unpacking the New Geography of 21st Century Global Development*. Manchester: The University of Manchester, Global Development Institute Working Paper No. 2017–010.

Hunt, D., 1989. *Economic Theories of Development: An Analysis of Competing Paradigms*. Hemel, Hempstead, Hertfordshire: Harvester Wheatsheaf.

IDA and IMF, 2002. *Ethiopia. Joint Staff Assessment of the Poverty Reduction Strategy Paper*. Washington D.C.: World Bank Group and IMF.

IDA and IMF, 2011. *Joint Staff Advisory Note on Growth and Transformation Plan (GTP) (2010/11−2014/15)*. Washington D.C.: International Monetary Fund, IMF Country Report No. 11/303.

IDCJ, 2002. *Evaluation Study of Japanese ODA for Vietnam. Summary*. Tokyo, Japan: International Development Center of Japan.

IDS, 1994. Transitional Period Economic Reform Programe in Ethiopia: 1991-93. *IDS Bulletin*, 25 (3), 67–72.

IEO, 2004. *Vietnam: Evaluation of the Poverty Reduction Strategy Paper (PRSP) Process and Arrangements Under the Poverty Reduction and Growth Facility (PRGF)*. Washington D.C.: International Monetary Fund (Independent Evaluation Office).

IFPRI, 1996. *Rice Market Monitoring and Policy Options Study*. Washington D.C.: International Food Policy Research Institute.

IMF, 1992. *Minutes of Executive Board Meeting 92/6, January 1992*. Washington D.C.: International Monetary Fund.

IMF, 1994. *Minutes of Executive Board Meeting, 94/98, 9 November, 1994*. Washington, D.C: International Monetary Fund.

IMF, 1995. *Eritrea-Recent Economic Developments*. Washington D.C.: International Monetary Fund, IMF Staff Country Report No. 95/4.

IMF, 1996. *Ethiopia: Selected Issues*. Washington, D.C: International Monetary Fund.

IMF, 1997. *Vietnam-Staff Report for the 1997 Article IV Consultation*. Washington D.C.: International Monetary Fund.

IMF, 1998a. *Ethiopia: Statistical Appendix*. Washington D.C.: International Monetary Fund, No. 98/6.

IMF, 1998b. *Vietnam: Selected Issues and Statistical Annex*. Washington D.C.: International Monetary Fund, IMF Country Report No. 98/30.

IMF, 1998c. *Staff Report for the 1997 Article IV Consultation. Supplementary Information*. Washington D.C.: International Monetary Fund.

IMF, 1998d. *The Acting Chairman's Summing Up at the Conclusion of the 1997 Article IV Consultation with Vietnam. Executive Board Meeting 98/11 - February 2, 1998*. Washington D.C.: International Monetary Fund.

IMF, 1999a. *Ethiopia: Recent Economic Developments*. Washington, D.C: International Monetary Fund, No. 99/173.

IMF, 1999b. *Vietnam: Selected Issues*. Washington, D.C: International Monetary Fund.

IMF, 2002a. *Ethiopia: 2002 Article IV Consultation and Third Review Under the Poverty Reduction and Growth Facility Arrangement*. Washington, D.C: International Monetary Fund, No. 02/220.

IMF, 2002b. *Vietnam: Selected Issues and Statistical Appendix*. Washington D.C.: International Monetary Fund.

IMF, 2002c. *Staff Report for the 2001 Article IV Consultation and First Review Under the Poverty Reduction and Growth Facility and Request for Waiver and Modification of Performance Criteria*. Washington, D.C: International Monetary Fund, IMF Country Report No. 02/4.

IMF, 2003a. *Vietnam: Selected Issues*. Washington D.C.: International Monetary Fund, IMF Country Report No. 03/381.

IMF, 2003b. *Vietnam 2003: Article IV Consultation – Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Vietnam*. Washington D.C.: International Monetary Fund.

IMF, 2003c. *Vietnam: Statistical Appendix*. Washington, D.C: International Monetary Fund, IMF Country Report No. 03/382.

IMF, 2005a. *The Federal Democratic Republic of Ethiopia: Ex Post Assessment of Long-Term Fund Engagement. IMF Country Report No. 05/26. January 2005.* Washington D.C.: International Monetary Fund.

IMF, 2005b. *The Federal Democratic Republic of Ethiopia: 2004 Article IV Consultation*. Washington D.C.: International Monetary Fund, IMF Country Report No. 05/25.

IMF, 2005c. *Minutes of Executive Board Meeting 04/109-1. Vietnam-2004 Article IV Consultation; Ex Post Assessment of Longer-Term Program Engagement*. Washington D.C.: International Monetary Fund, No. SM/04/375 and Correction 1; SM/04/376; SM/04/379 and Supplement 1.

IMF, 2006a. *The Federal Democratic Republic of Ethiopia : 2005 Article IV Consultation*. Washington D.C.: International Monetary Fund, Country Report No. 06/159.

IMF, 2006b. *The Federal Republic of Ethiopia: Joint Staff Advisory Note of the Poverty Reduction Strategy Paper - 2003/2004 Annual Progress Report*. Washington D.C.: International Monetary Fund, Country Report No. 06/28.

IMF, 2006c. *The Federal Democratic Republic of Ethiopia: Selected Issues and Statistical Appendix*. Washington D.C.: International Monetary Fund.

IMF, 2006d. *Vietnam: Selected Issues*. Washington, D.C: International Monetary Fund, IMF Country Report No. 06/422.

IMF, 2007a. *The Federal Democratic Republic of Ethiopia : 2007 Article IV Consultation*. Washington D.C.: International Monetary Fund, Country Report No. 07/247.

IMF, 2007b. *Vietnam: Selected Issues*. Washington, D.C: International Monetary Fund, IMF Country Report No. 07/385.

IMF, 2008. *The Federal Democratic Republic of Ethiopia: 2008 Article IV Consultation*. Washington D.C.: International Monetary Fund, No. 08/264.

IMF, 2009. *The Federal Democratic Republic of Ethiopia: Request for Disbursement Under the Rapid-Access Component of the Exogenous Shocks Facility—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for The Federal Democratic Republic of Ethiopia*. Washington D.C.: International Monetary Fund.

IMF, 2010a. *Ethiopia: 2010 Article IV Consultation*. Washington D.C.: International Monetary Fund, No. 10/175.

IMF, 2010b. *The Federal Democratic Republic of Ethiopia: Second Review of the Arrangement under the Exogenous Shocks Facility—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for the Federal Democratic Republic of Ethiopia*. Washington D.C.: International Monetary Fund, Country Report No. 10/339.

IMF, 2010c. *Vietnam 2010 Article IV Consultation*. Washington, D.C: International Monetary Fund, IMF Country Report No. 10/281.

IMF, 2012a. *The Federal Democratic Republic of Ethiopia: 2012 Article IV Consultation*. Washington D.C.: International Monetary Fund, IMF Country Report No. 12/287.

IMF, 2012b. *Vietnam 2012 Article IV Consultation*. Washington, D.C: International Monetary Fund, IMF Country Report No. 12/165.

IMF, 2013. *The Federal Democratic Republic of Ethiopia: Selected Issues*. Washington D.C.: International Monetary Fund, No. 13/309.

IMF, 2014a. *The Federal Democratic Republic of Ethiopia : 2014 Article IV Consultation*. Washington D.C.: International Monetary Fund, Country Report No. 14/303.

IMF, 2014b. *The Federal Democratic Republic of Ethiopia: Selected Issues Paper*. Washington D.C.: International Monetary Fund, IMF Country Report No. 14/304.

IMF, 2015a. *Making Public Investment More Efficient*. Washington D.C.: International Monetary Fund.

IMF, 2015b. *The Federal Democratic Republic of Ethiopia: 2015 Article IV Consultation*. Washington D.C.: International Monetary Fund, Country Report No. 15/300.

IMF, 2016. *The Federal Democratic Republic of Ethiopia: 2016 Article IV Consultation*. Washington D.C.: International Monetary Fund, IMF Country Report No. 16/322.

IMF, 2017. *The Federal Democratic Republic of Ethiopia. Staff Report for the 2017 Article IV Consultation - Debt Sustainability Analysis*. Washington D.C.: International Monetary Fund.

IMF, 2018a. *The Federal Democratic Republic of Ethiopia: Staff Report for the Article IV Consultation*. Washington D.C.: International Monetary Fund, IMF Country Report No. 18/18.

IMF, 2018b. *Staff Report for the 2017 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for the Federal Democratic Republic of Ethiopia*. Washington D.C.: International Monetary Fund, IMF Country Report No. 18/18.

Ismail, Z., 2018. *Privatisation of State Owned Enterprises in Ethiopia since 1991*. Birmingham, UK: University of Birmingham, K4D Helpdesk Report.

Jalata, G.G., 2015. *An African Developmental State: Ethiopia's Emergent Experience*. Pretoria, South Africa: Regional Conference on Building Democratic Developmental States for Economic Transformation in Southern Africa.

Jeffries, I., 2011. *Contemporary Vietnam: A Guide to Economic and Political Developments*. Abingdon, Oxon ; New York, NY: Routledge.

Jenkins, R., 2004a. Why has Employment not Grown more Quickly in Vietnam? *Journal of the Asia Pacific Economy*, 9 (2), 191–208.

Jenkins, R., 2004b. Vietnam in the Global Economy: Trade, Employment and Poverty. *Journal of International Development*, 16 (1), 13–28.

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

Jomo K.S., 2007. *Policy Space? Overcoming Constraints to Pursuing National Development Strategies*. Washington D.C.: Woodrow Wilson International Centre for Scholars, Woodrow Wilson International Centre for Scholars, Asia Program Special Report No. 136.

Jun, K.W., Duc Minh Pham, Kwakwa, V., Peters Jr., K., and Thang-Long Ton, 1997. *Foreign Capital Flows in Vietnam: Trend, Impact, and Policy Implications*. Hanoi, Vietnam: World Bank Group, Background Paper for the World Bank's Economic Report "Vietnam: Deepening Reform for Growth."

KABC, 2012. *Global Value Chain Analysis on Samsung Electronics*. Seoul: Canadian Embassy in the Republic of Korea.

Kaldor, N., 1967. *Strategic Factors in Economic Development*. Ithaca: New York State: Cornell University Press.

Kamski, B., 2016. The Kuraz Sugar Development Project (KSDP) in Ethiopia: Between 'Sweet Visions' and Mounting Challenges. *Journal of Eastern African Studies*, 10 (3), 568–580.

Kaplinsky, R., ed., 1984. *Third World industrialisation in the 1980s: open economies in a closing world*. London ; Totowa, NJ: F. Cass.

Kaplinsky, R., 2000. Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis? *Journal of Development Studies*, 37 (2), 117–146.

Kaplinsky, R. and Messner, D., 2008. Introduction: The Impact of Asian Drivers on the Developing World. *World Development*, 36 (2), 197–209.

Kapur, D., Lewis, J.P., and Webb, R.C., 1997. *The World Bank: Its First Half Century*. Washington, D.C: Brookings Institution.

Kattel, R., Reinert, E.S., and Kregel, J.A., 2016. Classical Development Economists of the Mid-twentieth Century. *In*: E.S. Reinert, J. Ghosh, and R. Kattel, eds. *Handbook of Alternative Theories of Economic Development*. Cheltenham, UK ; Northampton, MA, USA: Edward Elgar Publishing, 336–351.

Kay, C., 1989. *Latin American Theories of Development and Underdevelopment*. London ; New York: Routledge.

Kebbede, G., 1987. State Capitalism and Development: The Case of Ethiopia. *The Journal of Developing Areas*, 22 (1), 1–24.

Kebbede, G., 1988. Cycles of Famine in a Country of Plenty: The Case of Ethiopia. *GeoJournal*, 17 (1), 125–132.

Kebede, M., 2011. *Ideology and Elite Conflicts: Autopsy of the Ethiopian Revolution*. Lanham, Md: Lexington Books.

Keeley, J. and Scoones, I., 2000. Knowledge, Power and Politics: The Environmental Policy-Making Process in Ethiopia. *The Journal of Modern African Studies*, 38 (1), 89–120.

Kefale, A., 2014. Ethnic Decentralization and the Challenges of Inclusive Governance in Multiethnic Cities: The Case of Dire Dawa, Ethiopia. *Regional & Federal Studies*, 24 (5), 589–605.

Kelsall, T., 2011. *Developmental Patrimonialism? Rethinking Business and Politics in Africa*. London: Overseas Development Institute (ODI), Africa Power and Politics Policy Brief No. 02.

Kentikelenis, A.E., Stubbs, T.H., and King, L.P., 2016. IMF Conditionality and Development Policy Space, 1985–2014. *Review of International Political Economy*, 23 (4), 543–582.

Kerkvliet, B.J. and Selden, M., 1998. Agrarian Transformations in China and Vietnam. *The China Journal*, 40 (Special Issue: Transforming Asian Socialism. China and Vietnam Compared), 37–58.

Khan, S.R., 2007. WTO, IMF and the Closing of Development Policy Space for Low-income Countries: A Call for Neo-developmentalism. *Third World Quarterly*, 28 (6), 1073–1090.

Khan, S.R., 2011. Towards New Developmentalism: Context, Program, and Constraints. *In*: S.R. Khan and J. Christiansen, eds. *Towards New Developmentalism: Market as Means Rather than Master*. London ; New York, NY: Routledge, 252–278.

Kiely, R., 1994. Development Theory and Industrialisation: Beyond the Impasse. *Journal of Contemporary Asia*, 24 (2), 133–160.

Kiely, R., 1998a. *Industrialization and Development: A Comparative Analysis*. London: UCL Press.

Kiely, R., 1998b. The Crisis of Global Development. *In*: R. Kiely and P .Marfleet, eds. *Globalisation and the Third World*. London ; New York: Routledge, 25–46.

Kiely, R., 2010. Dependency and World Systems Perspectives on Development. *In*: R.A. Denemark, ed. *The International Studies Encyclopedia*. Chichester, West Sussex, U.K. ; Malden, MA: Wiley-Blackwell, 823–41.

Kiely, R., 2014. Imperialism or Globalisation? … Or Imperialism and Globalisation: Theorising the International after Rosenberg's 'Post-mortem'. *Journal of International Relations and Development*, 17 (2), 274–300.

Kiem, C.S., 1995. *Mobilizing Domestic Capital to Support Economic and Social Development*. FBIS Daily Reports, Southeast Asia (translation), No. FBIS-EAS-95-140.

Kim, S.Y., 2015. Deep Integration and Regional Trade Agreements. *In*: L.. Martin, ed. *The Oxford Handbook of the Political Economy of International Trade*. Oxford: Oxford University Press, 360–379.

Knight, J.B., 2014. China as a Developmental State. *The World Economy*, 37 (10), 1335–1347.

Kokko, A., 1998. Vietnam: Ready for Doi Moi II? *ASEAN Economic Bulletin*, 15 (3), 319–327.

Kolko, G., 1997. *Vietnam: Anatomy of a Peace*. London ; New York: Routledge.

Kovach, H. and Lansman., Y., 2006. *World Bank and IMF Conditionality: A Development Injustice*. Brussels, Belgium: Eurodad.

Kovsted, J., Rand, J., Tarp, F., and Nguyễn, Đ.T., 2005. *From Monobank to commercial banking: financial sector reforms in Vietnam*. Copenhagen S., Denmark : Singapore: NIAS Press ; Institute of Southeast Asian Studies.

Krueger, A.O., 1974. The Political Economy of the Rent-Seeking Society. *The American Economic Reivew*, 64 (3), 291–303.

Krueger, A.O., 1990. Government Failures in Development. *Journal of Economic Perspectives*, 4 (3), 9–23.

Kumar, N., 2005. Performance Requirements as Tools of Development Policy: Lessons from Developed and Developing Countries. *In*: K. Gallagher, ed. *Putting Development First: The Importance of Policy Space in the WTO and IFIs*. London: Zed Books, 179–194.

Lal, D., 2002. *The Poverty of 'Development Economics'*. 3rd ed. Westminster: Institute of Economic Affairs.

Lavers, T., 2012. 'Land Grab' as Development Strategy? The Political Economy of Agricultural Investment in Ethiopia. *Journal of Peasant Studies*, 39 (1), 105–132.

Lavers, T., 2016. *Social Protection in an Aspiring 'Developmental State': The Political Drivers of Ethiopia's PSNP.* Manchester: Effective States and Inclusive Development Research Centre, The University of Manchester, ESID Working Paper No. 73.

Le, H.Q., 2017. Perceptions of the Developmental State Mindset in Vietnam: The Influence of International Actors. PhD. University of Wollongong, Wollongong, New South Wales, Australia.

Le, M.H., 2005. A Profile of Vietnam's Land and People. *In*: W.T. Alpert, ed. *The Vietnamese Economy and Its Transformation to an Open Market System*. Armonk, N.Y: M.E. Sharpe, 44–60.

Le, M.S., Singh, T., and Duc-Tho Nguyen, 2015. *Trade Liberalisation and Poverty: Vietnam Now and Beyond*. New York: Routledge.

Le, T.T.T., 1995. *The Legal Aspects of Foreign Investment in Vietnam*. Paris: Notre Dame Law School, No. 792.

Lee, R.C., 2011. Telecommunications in Viet Nam. *In*: C. Findlay, ed. *The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies*. Singapore: APEC, 415–432.

Lefort, R., 2015. The Ethiopian Economy: The Developmental State vs. The Free Market. *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst & Co., 357–394.

Lenhardt, A., Rogerson, A., Guadagno, F., Berliner, T., Gebreeyesus, M., and Bayru, A., 2015. *One Foot on the Ground, One Foot in the Air: Ethiopia's Delivery on an Ambitious Development Agenda*. London: Overseas Development Institute (ODI).

Lewis, W.A., 1954. Economic Development with Unlimited Supplies of Labour. *The Manchester School*, 22 (2), 139–191.

Lewis, W.A., 1955. *The Theory of Economic Growth*. London: Allen & Unwin.

Leys, C., 1996. *The Rise and Fall of Development Theory*. Oxford: James Currey.

Leys, C. and Panitch, L., eds., 2003. *Socialist Register 2004: The New Imperial Challenge*. London: Merlin Press.

Leys, C. and Panitch, L., eds., 2004. *Socialist Register 2005: The Empire Reloaded*. London: Merlin Press.

Lim, G., 2017. Public policy with Vietnamese characteristics: the case of the motorcycle industry. *Journal of Asian Public Policy*, 1–19.

Lin, J.Y., 2012. *New Structural Economics: A Framework for Rethinking Development and Policy*. Washington D.C.: World Bank Group.

Lo, D. and Zhang, Y., 2011. Making Sense of China's Economic Transformation. *Review of Radical Political Economics*, 43 (1), 33–55.

London, J., 2009. Viet Nam and the Making of Market-Leninism. *The Pacific Review*, 22 (3), 375–399.

Love, J.L., 2010. The Latin American Contribution to Center-Periphery Perspectives: History and Prospect. *In*: P.Hanns Reill and B.A. Szelényi, eds. *Cores, Peripheries, and Globalization*. Central European University Press, 15–42.

Luong, D.T.H., 2009. Vietnam–Japan Relations in the Context of Building an East Asian Community. *Asia-Pacific Review*, 16 (1), 100–130.

Mahone, A., 2007. Ethiopia. *In*: A. Berg, S. Aiyar, M. Hussain, S. Roache, T. Mirzoev, and A. Mahone, eds. *The Macroeconomics of Scaling Up Aid: Lessons from Recent Experience*. Washington D.C.: International Monetary Fund.

Mai, P.H., 1996. The Role of Government in the Utilization of Official Development Assistance in Vietnam. *Contemporary Southeast Asia*, 18 (1), 81–99.

Mai, P.H., 2001. The Export Performance of Foreign-invested Enterprises in Vietnam. *ASEAN Economic Bulletin*, 18 (3), 263–275.

Malesky, E., 2009a. Gerrymandering—Vietnamese Style: Escaping the Partial Reform Equilibrium in a Nondemocratic Regime. *The Journal of Politics*, 71 (1), 132–159.

Malesky, E., 2009b. *The Vietnam Provincial Competitiveness Index: Measuring Economic Governance for Private Sector Development. 2009 Final Report: Ha Noi, Vietnam.* Ha Noi: Vietnam Chamber of Commerce and Industry (VCCI) and United States Agency for International Development's Vietnam Competitiveness Initiative (VNCI), Vietnam Competitiveness Initiative Policy Paper #14.

Malesky, E. and London, J., 2014. The Political Economy of Development in China and Vietnam. *Annual Review of Political Science*, 17 (1), 395–419.

Malesky, E.J., 2008. Straight Ahead on Red: How Foreign Direct Investment Empowers Subnational Leaders. *The Journal of Politics*, 70 (1), 97–119.

Mallon, R., 2002. *Approaches to Support the Development of an Enabling Environment for Small Enterprises. Country Report: Viet Nam*. Hanoi, Vietnam: GTZ.

Mallon, R., 2004. *Managing Investment Climate Reforms: Vietnamese Case Study*. Washington D.C.: World Bank Group, Background paper for World Development Report 2005.

Mallon, R. and Irvin, G., 2001. Systemic Change and Economic Reform in Vietnam. *In*: J. Weeks and C. Brudenius, eds. *Globalization and Third World Socialism: Cuba and Vietnam*. Houndmills, Basingstoke, Hampshire: Palgrave, 153–167.

Maman, D. and Rosenhek, Z., 2012. The Institutional Dynamics of a Developmental State: Change and Continuity in State–Economy Relations in Israel. *Studies in Comparative International Development*, 47 (3), 342–363.

Manek, N., 2018a. Ethiopia Courts Foreigners for Sugar Plant as Army Sidelined. *Bloomberg*, 18 Apr.

Manek, N., 2018b. Ethiopia Weighs Fertilizer Plant Tender as Army Deal Reviewed. *Bloomberg*, 30 Apr.

Mann, L. and Berry, M., 2016. Understanding the Political Motivations That Shape Rwanda's Emergent Developmental State. *New Political Economy*, 21 (1), 119–144.

Manson, K., 2013. Ethiopia's Leader Aims to Maintain Tight Rein on Key Businesses. *Financial Times*, 27 May.

Manyazewal, M., 1992. The New Economic Policy of Ethiopia: Implications for Famine Prevention. *In*: P. Webb, Tesfaye Zegeye, and R. Pandya-Lorch, eds. *Famine and Drought Mitigation in Ethiopia in the 1990s.* Washington D.C.: IFPRI, 19–36.

Manyin, M.E., 2001. *The Vietnam-U.S. Bilateral Trade Agreement*. Washington, D.C: Congressional Research Service, The Library of Congress.

Manyin, M.E. and Cooper, W.H., 2006. *Vietnam PNTR Status and WTO Accession: Issues and Implications for the United States*. Washington, D.C: Congressional Research Service, The Library of Congress, CRS Report for Congress.

Markakis, J., 1981. The Military State and Ethiopia's Path to 'Socialism'. *Review of African Political Economy*, 8 (21), 7–25.

Markakis, J., 2011. *Ethiopia: The Last Two Frontiers*. Woodbridge, Suffolk ; Rochester, N.Y: James Currey.

Marr, D.G., 2013. *Vietnam: State, War, Revolution, 1945-1946*. Berkeley: University of California Press.

Martin, M., 2010. Ethiopian Debt Policy: The Long Road from the Paris Club to the MDGs. *In*: B. Herman, J.A. Ocampo, and S. Spiegel, eds. *Overcoming Developing Country Debt Crises*. Oxford ; New York: Oxford University Press, 227–297.

Martin, M.F., 2007. *U.S. Clothing Imports from Vietnam: Trade Policies and Performance*. Washington D.C.: Congressional Research Service, The Library of Congress, Congressional Research Service Report.

Martins, P.M.G., 2009. The Impact of Foreign Aid on Government Spending, Revenue and Domestic Borrowing in Ethiopia. *In*: T. McKinley, ed. *Economic Alternatives for*

Growth, Employment, and Poverty Reduction: Progressive Policy Recommendations for Developing Countries. New York: Palgrave Macmillan, 100–136.

Marukawa, 2001. *General Corporations and State-Owned Enterprise Reform in Viet Nam*. Ministry of Planning and Investment, Japan International Cooperation Agency, Study on Economic Development Policy in The Transition toward a Market-Oriented Economy in The Socialist Republic of Viet Nam (Phase 3): Final Report No. Vol.5, State-Owned Enterprise Reform and Private Sector Promotion.

Mascagni, G., 2016. *A Fiscal History of Ethiopia: Taxation and Aid Dependence 1960-2010*. Brighton: Institute of Development Studies, No. 49.

Masina, P.P., 2006. *Vietnam's Development Strategies*. Oxford, United Kingdom: Routledge.

Masina, P.P., 2012. Vietnam Between Developmental State and Neoliberalism: The Case of the Industrial Sector. *In*: C. Kyung-Sup, B. Fine, and L. Weiss, eds. *Developmental Politics in Transition: The Neoliberal Era and Beyond*. New York: Palgrave Macmillan, 188–210.

Masina, P.P.and Cerimele, M., 2018. Patterns of Industrialisation and the State of Industrial Labour in Post-WTO-Accession Vietnam. *European Journal of East Asian Studies*.

Mathai, K., Gottlieb, G., Hong, G.H., Jung, S.E., Schmittmann, J., and Yu, J., 2016. *China's Changing Trade and the Implications for the CLMV Economies*. Washington, D.C: International Monetary Fund.

Matthews, J.A., 2016. Late Industrialization. *In*: E.S. Reinert, J. Ghosh, and R. Kattel, eds. *Handbook of Alternative Theories of Economic Development*. Cheltenham, UK ; Northampton, MA, USA: Edward Elgar Publishing, 613–636.

Mawdsley, E., 2018. Development Geography II: Financialization. *Progress in Human Geography*, 42 (2), 264–274.

Maxwell, S. and Lirenso, A., 1994. Linking Relief and Development. *IDS Bulletin*, 25 (4), 65–76.

Mayer, J., 2009. Policy Space: What, for What, and Where? *Development Policy Review*, 27 (4), 373–396.

McKinley, T., 2003. *Discussion Paper. The Macroeconomics of Poverty Reduction: Initial Findings of the UNDP Asia-Pacific Regional Programme*. World Bank Group.

McKinley, T., ed., 2009. *Economic Alternatives for Growth, Employment, and Poverty Reduction: Progressive Policy Recommendations for Developing Countries*. New York: Palgrave Macmillan.

Mezgebe, D., 2015. Decentralized Governance under Centralized Party Rule in Ethiopia: The Tigray Experience. *Regional & Federal Studies*, 25 (5), 473–490.

Michalopoulos, C., 2002. WTO Accession. *In*: B.M. Hoekman, A. Mattoo, and P.English, eds. *Development, Trade and the WTO: A Handbook*. Washington D.C.: World Bank Group, 61–70.

Mihretu, M.E. and Llobet, G., 2017. *A Case Study of PVH's Commitment to Ethiopia's Hawassa Industrial Park*. Washington D.C.: World Bank Group.

Milkias, P., 2003. Ethiopia, the TPLF, and the Roots of the 2001 Political Tremor. *Northeast African Studies*, 10 (2), 13–66.

Mishra, D., 2011. *Vietnam Development Report 2012: Market Economy for a Middle-Income Vietnam.* Washington, D.C: The World Bank, Joint Donor Report to the Vietnam Consultative Group Meeting, December 06, 2011.

MOF, 2015. *Annual Report 2015.* Hanoi, Vietnam: Ministry of Finance of Vietnam (MOF).

MOFA, 2003. *Vietnam-Japan Joint Initiative to Improve Business Environment with a view to strengthen Vietnam's Competitiveness*. Hanoi, Vietnam: Ministry of Foreign Affairs (MOFA), Japan.

MOFEC, 2017. *A Note on Developments of Foreign Direct Investment in Ethiopia*. Addis Ababa, Ethiopia: Ministry of Finance and Economic Cooperation (MOFEC), Fiscal Report No. 001/2017.

MOFED, 2006. *Ethiopia: Building on Progress A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10) Volume I: Main Text*. Addis Ababa: Ethiopia: Ministry of Finance and Economic Development (MOFED), Federal Democratic Republic of Ethiopia.

MOFED, 2010. *Growth and Transformation Plan 2010/11-2014/15. Volume 1: Main Text*. Addis Ababa: Ethiopia: Ministry of Finance and Economic Development (MOFED), Federal Democratic Republic of Ethiopia.

Mohammed, D., 1969. Private Foreign Investment in Ethiopia (1950-1968). *Journal of Ethiopian Studies*, 7 (2), 53–78.

Mohammed, D., 1992. Discussion (Comments by Conference Chairman). *In*: P.Webb, Tesfaye Zegeye, and R. Pandya-Lorch, eds. *Famine and Drought Mitigation in Ethiopia in the 1990s.* Washington D.C.: IFPRI.

Moller, L.C., 2016. *Ethiopia's Great Run: The Growth Acceleration and How to Pace It*. Washington, D.C: The World Bank.

Moller, L.C. and Wacker, K.M., 2017. Explaining Ethiopia's Growth Acceleration—The Role of Infrastructure and Macroeconomic Policy. *World Development*, 96 (August), 198–215.

Morrison, J.S., 1992. Ethiopia Charts a New Course. *Journal of Democracy*, 3 (3).

Mosley, L., 2005. Globalisation and the State: Still Room to Move? *New Political Economy*, 10 (3), 355–362.

Muoi, D., 1994. *CPV Central Committee Political Report*. FBIS Daily Reports, Southeast Asia (translation), Political report of the Seventh Communist Party of Vietnam Central Committee delivered by General Secretary Do Muoi at the opening of the Midterm National Party Conference at Ba Dinh Conference Hall in Hanoi No. FBIS-EAS-94-031.

Nadvi, K. and Thoburn, J., 2003. *Vietnam in the Global Garment and Textile Value Chain: Impacts on Firms and Workers*.

Nadvi, K., Thoburn, J., Thang, B.T., Ha, N.T.T., Hoa, N.T., and Le, D.H., 2004. Challenges to Vietnamese Firms in the World Garment and Textile Value Chain, and the Implications for Alleviating Poverty. *Journal of the Asia Pacific Economy*, 9 (2), 249–267.

Nakamura, D., 2016. Buoyed by U.S. firms, Vietnam Emerges as an Asian Manufacturing Powerhouse. *Washington Post*, 21 May.

Natsuda, K., 2009. States, Multinational Corporations, and Institutional Arrangements: Economic Interdependence Between Japan and Southeast Asia. *Japanese Economy*, 36 (3), 96–127.

Natsuda, K. and Thoburn, J., 2014. How much Policy Space Still Exists under the WTO? A Comparative Study of the Automotive Industry in Thailand and Malaysia. *Review of International Political Economy*, 21 (6), 1346–1377.

NBE, 2009. *NBE's Monetary Policy Framework*. Addis Ababa, Ethiopia: National Bank of Ethiopia (NBE).

NBE, 2015. *Annual Report 2014/2015*. Addis Ababa: National Bank of Ethiopia (NBE).

NBE, 2016. *Annual Report 2015/2016*. Addis Ababa: National Bank of Ethiopia (NBE).

Neilson, J., 2014. Value Chains, Neoliberalism and Development Practice: The Indonesian Experience. *Review of International Political Economy*, 21 (1), 38–69.

Nem Singh, J. and Ovadia, J.S., 2018. The Theory and Practice of Building Developmental States in the Global South. *Third World Quarterly*, 39 (6), 1033–1055.

Nghia, P.D., Thanh, N.X., Du, H.T., Tuan, D.T.A., Wilkinson, Vu-Thanh, T.-A., Perkins, D., and Dapice, D., 2013. *Unplugging Institutional Bottlenecks to Restore Growth*. Hanoi, Vietnam: Harvard Kennedy School Ash Institute for Democratic Governance and Innovation and Fulbright Economics Teaching Program, A Policy Discussion Paper Prepared for the Vietnam Executive Leadership Program (VELP).

Ngo, C.N., 2017a. Political Economy of Industrial Development in Vietnam's Telecommunications Industry: A Rent Management Analysis. *Review of Political Economy*, 29 (3), 454–477.

Ngo, C.N., 2017b. Local Value Chain Development in Vietnam: Motorcycles, Technical Learning and Rents Management. *Journal of Contemporary Asia*, 47 (1), 1–26.

Nguyen Dieu Tu Uyen, 2017. Vietnam's Economy Takes Knock as Samsung Production Drops. *Bloomberg*, 29 Mar.

Nguyen, D.-T. (Tom), Nguyen, T.-P., and Nguyen, J.D.K., 2012. Vietnam's SCIC: A Gradualist Approach to Sovereign Wealth Funds. *Journal of the Asia Pacific Economy*, 17 (2), 268–283.

Nguyen, H.D., 2017. *Vietnam Government Bond Secondary Market*.

Nguyen, K.T., 2016. *Vietnam Engine and Agricultural Machinery Corporation (VEAM): IPO Report*. Ho Chi Minh City: Saigon Securities Inc.

Nguyen, L., 2009. *Guerilla Capitalism: The State in the Market in Vietnam*. Oxford: Chandos.

Niimi, Y., Vasudeva-Dutta, P., and Winters, L.A., 2004. Storm in a Rice Bowl: Rice Reform and Poverty in Vietnam in the 1990s. *Journal of the Asia Pacific Economy*, 9 (2), 170–190.

Nørlund, I., Tran Ngoc Ca, and Nguyen Dinh Tuyen, 2003. *Dealing with the Donors: The Politics of Vietnam's Comprehensive Poverty Reduction and Growth Strategy*. Helsinki, Finland: Institute of Development Studies, University of Helsinki, Policy Papers No. 4/2003.

Ocampo, J.A. and Parra, M.A., 2006. *The Dual Divergence: Growth Successes and Collapses in the Developing World since 1980*. New York: UN DESA, DESA Working Paper No. 24.

OECD, 2013. *Structural Policy Country Notes: Viet Nam*. Paris: OECD, Structural Policy Challenges For Southeast Asian Countries.

OECD, 2016. *Trade in Value Added (TiVA) Database, December 2016 update*. Paris, France: OECD.

OECD-DAC, 2018a. *Aid (ODA) Disbursements to Countries and Regions [DAC2a]*. Paris, France: OECD Development Assistance Committee.

OECD-DAC, 2018b. *Development Aid at a Glance. Statistics by Region. 2. Africa. 2018 edition*. Paris, France: OECD Organisation for Economic Co-operation and Development.

OECD-DAC, 2018c. *Development Aid at a Glance. Statistics by Region. 4. Asia. 2018 edition*. Paris, France: OECD Organisation for Economic Co-operation and Development.

Ogimoto, Y., 2013. Development and Prospects for the Vietnamese Banking Sector: Before and After Accession to the WTO. *In*: S. Sakata, ed. *Vietnam's Economic Entities in Transition*. London: Palgrave Macmillan UK, 167–203.

Oh, J.H. and Mah, J.S., 2017. The Patterns of Korea's Foreign Direct Investment in Vietnam. *Open Journal of Business and Management*, 05 (02), 253–271.

Ohmae, K., 1994. *The Borderless World: Power and Strategy in the Interlinked Economy*. London: Harper Collins.

Ohno, I. and Ohno, K., 2005. Fostering True Ownership in Vietnam: From Donor Management to Policy Autonomy and Content. *In*: I. Ohno, ed. *True Ownership and Policy Autonomy: Managing Donors and Owning Policies*. Tokyo, Japan: National Graduate Institute for Policy Studies, GRIPS Development Forum, 37–66.

Ohno, K., 2009a. *Ethiopia: Political Regime and Development Policies*. Tokyo, Japan: GRIPS Development Forum.

Ohno, K., 2009b. Avoiding the Middle-Income Trap: Renovating Industrial Policy Formulation in Vietnam. *Asean Economic Bulletin*, 26 (1), 25–43.

Öniş, Z., 1991. Review Article: The Logic of the Developmental State. *Comparative Politics*, 24 (1), 109–126.

Oqubay, A., 2015. *Made in Africa: Industrial Policy in Ethiopia*. Oxford, United Kingdom: Oxford University Press.

Oqubay, A., 2018. *Industrial Policy and Late Industrialization in Ethiopia*. Abidjan, Côte d'Ivoire: African Development Bank, Working Paper No. 303.

Ottaway, M., 1976. Social Classes and Corporate Interests in the Ethiopian Revolution. *The Journal of Modern African Studies*, 14 (3), 469–486.

Ovadia, J.S., 2016. *The Petro-developmental State in Africa: Making Oil work in Angola, Nigeria and the Gulf of Guinea*. London: C Hurst & Co Publishers Ltd.

Ovadia, J.S. and Wolf, C., 2018. Studying the Developmental State: Theory and Method in Research on Industrial policy and State-led Development in Africa. *Third World Quarterly*, 39 (6), 1056–1076.

Oya, C. and Pons-Vignon, N., 2010. Aid, Development and the State in Africa. *In*: V. Padayachee, ed. *The Political Economy of Africa*. London ; New York: Routledge, 172–198.

Painter, M., 2003. The Politics of Economic Restructuring in Vietnam: The Case of State-owned Enterprise"Reform". *Contemporary Southeast Asia*, 25 (1), 20–43.

Painter, M., 2005. The Politics of State Sector Reforms in Vietnam: Contested Agendas and Uncertain Trajectories. *Journal of Development Studies*, 41 (2), 261–283.

Palma, G., 1978. Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment? *World Development*, 6, 881–924.

Pankhurst, R., 2001. *The Ethiopians: A History*. Oxford ; Malden, Mass: Blackwell Publishers.

Pempel, T.., 1999. The Developmental Regime in a Changing World Economy. *In*: M. Woo-Cumings, ed. *The Developmental State*. Ithaca, N.Y: Cornell University Press, 137–181.

Perkins, D.H. and Vu-Thanh, T.-A., 2010. *Vietnam's Industrial Policy: Designing Policies for Sustainable Development*. Hanoi, Vietnam: United Nations Development Program, Policy Dialogue Paper No. 1.

Pham, G.S., 2013. A Political Economy Approach to the Impact of the WTO's Accession Process on Vietnam's Economic Reform: A Case of Compliance? PhD. London School of Economics (LSE), London.

Pham, H.H., 2012. 'The Developmental State,' The Evolving International Economic Order, and Vietnam. PhD. University of Birmingham, Birmingham, UK.

Pham, S., 2017. The Role of Japanese Aid in Vietnam's Economic Development. *Kaleidoscope Journal*, 7 (2), 18–23.

Phuong, T.N., 2003. *Reform of State Owned Enterprises in the Context of Vietnam's WTO Accession*. Ho Chi Minh City, Vietnam: World Bank Group.

Pincus, J., 2012. *Prosperity in Depth: Vietnam. Vietnam's Reforms: The Road to Market Leninism*. London: Legatum Institute.

Pincus, J., 2015. Why Doesn't Vietnam Grow Faster? State Fragmentation and the Limits of Vent for Surplus Growth. *Journal of Southeast Asian Economies*, 32 (1), 26–51.

Pincus, J. and Thang, N., 2004. *Country Study: Vietnam*. London: SOAS, University of London.

Pincus, J. and Vu-Thanh, T.-A., 2008. Vietnam: A Tiger in Turmoil. *Far Eastern Economic Review*, 5 (2), 28–36.

Pingali, P.L. and Vo-Tong Xuan, 1992. Vietnam: Decollectivization and Rice Productivity Growth. *Economic Development and Cultural Change*, 40 (4), 697–718.

PMAC, 1975. *Proclamation No. 35/75. A Proclamation to Provide for the Public Ownership of Rural Lands*. Addis Ababa, Ethiopia: Negarit Gazeta.

Porter, G., 1993. *Vietnam: The Politics of Bureaucratic Socialism*. Ithaca, N.Y: Cornell University Press.

Prebisch, R., 1950. *The Economic Development of Latin America and its Principal Problems*. New York: Economic Commission for Latin America. United Nations Department of Economic Affairs.

Priewe, J., 2016. *Ethiopia's High Growth and Its Challenges – Causes and Prospects*. Berlin, Germany: Institute for International Political Economy Berlin, IPE Working Paper No. No. 70/2016.

Prizzon, A. and Rogerson, A., 2013. *The Age of Choice: Ethiopia in the New Aid Landscape*. London: Overseas Development Institute (ODI).

Prunier, G., 2015. The Meles Zenawi Era: From Revolutionary Marxist to State Developmentalism. *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst & Co., 415–438.

Prunier, G. and Ficquet, É., eds., 2015a. *Understanding Contemporary Ethiopia*. London: Hurst & Company.

Prunier, G. and Ficquet, É., 2015b. Introduction. *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst, 1–14.

PWC and VCCI, 2017. *Spotlight on Viet Nam: The Leading Emerging Market*. Hanoi, Vietnam: PWC Vietnam.

Quinn-Judge, S., 2006. Vietnam's Bumpy Road to Reform. *Current History*, 105 (692), 284–289.

Radice, H., 2008. The Developmental State under Global Neoliberalism. *Third World Quarterly*, 29 (6), 1153–1174.

Rahmato, D., 1984. *Agrarian Reform in Ethiopia*. Uppsala; Stockholm, Sweden: Scandinavian Institute of African Studies.

Rahmato, D., 2014. The Perils of Development from Above: Land Deals in Ethiopia. *African Identities*, 12 (1), 26–44.

Railway Gazette, 2016. *Ethiopia – Djibouti Railway Inaugurated*.

Rama, M., 2008. *Making Difficult Choices: Vietnam in Transition*. Washington, D.C: The World Bank On behalf of the Commission on Growth and Development, Working Paper No. 40.

Rama, M. and Viet Tuan Dinh, 2009. *Taking Stock: An Update on Vietnam's Recent Economic Developments*. Washington D.C.: World Bank Group.

Ravenhill, J., 2014. Global Value Chains and Development. *Review of International Political Economy*, 21 (1), 264–274.

Reinert, E.S., 2004. *How Rich Nations got Rich: Essays in the History of Economic Policy*. University of Oslo: Centre for Development and Environment, Working Paper No. 2004/01.

Reinert, E.S., 2010. *Developmentalism*. Norway and Tallinn, Estonia: The Other Canon Foundation and Tallinn University of Technology, Working Papers in Technology Governance and Economic Dynamics No. 34.

Reinert, E.S., Ghosh, J., and Kattel, R., eds., 2016. *Handbook of Alternative Theories of Economic Development*. Cheltenham, UK ; Northampton, MA, USA: Edward Elgar Publishing.

Reinert, K.A., 2007. Ethiopia in the World Economy: Trade, Private Capital Flows, and Migration. *Africa Today*, 53 (3), 65–89.

Ricardo, D., 2004. *On the Principles of Political Economy and Taxation, Collated Text of all Three Editions*. Indianapolis, IN: Liberty Fund Press.

Riedel, J., 1988. Economic Development in East Asia: Doing What Comes Naturally? *In*: H. Hughes, ed. *Achieving Industrialization in East Asia*. Cambridge [England] ; New York: Cambridge University Press, 1–38.

Riedel, J., 1997. Transition to a Market Economy in Viet Nam. *In*: W.T. Woo, S. Parker, and J. Sachs, eds. *Economies in Transition: Comparing Asia and Eastern Europe*. Cambridge, Mass: MIT Press, 189–213.

Riedel, J. and Turley, W.S., 1999. *The Politics and Economics of Transition to an Open Market Economy in Viet Nam*. OECD, OECD Development Centre Working Paper (Formerly Technical Paper) No. 152.

Rist, G., 2014. *The History of Development: From Western Origins to Global Faith*. London ; New York: Zed Books.

Robinson, W.I., 2001. Social Theory and Globalization: The Rise of a Transnational State. *Theory and Society*, 30 (2), 157–200.

Robinson, W.I., 2005. Gramsci and Globalisation: From Nation-State to Transnational Hegemony. *Critical Review of International Social and Political Philosophy*, 8 (4), 559–574.

Rodney, W., 1972. *How Europe Underdeveloped Africa*. London: Bogle-L'Ouverture Publications.

Rodrik, D., 2006. Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's *Economic Growth in the 1990s: Learning from a Decade of Reform*. *Journal of Economic Literature*, 44 (4), 973–987.

Rodrik, D., 2007. *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*. Princeton, N.J. ; Oxford: Princeton University Press.

Rodrik, D., McMillan, M., and Sepulveda, C., 2017. *Structural Change, Fundamentals, and Growth: A Framework and Case Studies*. Washington, DC: World Bank Group.

Ronnas, P., 1998. *The Transformation of the Private Manufacturing Sector in Vietnam in the 1990s*. Stockholm, Sweden: Stockholm School of Economics, No. 241.

Rostow, W.W., 1956. The Take-Off Into Self-Sustained Growth. *The Economic Journal*, 66 (261), 25–48.

Rostow, W.W., 1991. *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press.

Routley, L., 2012. *Developmental States: A Review of the Literature*. Manchester: ESID, Working Paper No. 3.

Rude, C., 2005. The Role of Financial Discipline in Imperial Strategy. *In*: L. Panitch and C. Leys, eds. *Socialist Register*. London: Merlin Press, 82–107.

Saad Filho, A., 2005a. From Washington to Post-Washington Consensus: Neoliberal Agendas for Economic Development. *In*: A. Saad Filho and D. Johnston, eds. *Neoliberalism: A Critical Reader*. London ; Ann Arbor, MI: Pluto Press, 113–119.

Saad Filho, A., 2005b. The Rise and Decline of Latin American Structuralism and Dependency Theory. *In*: Jomo K. S and E.S. Reinert, eds. *The Origins of Development Economics: How Schools of Economic Thought have Addressed Development*. New Delhi : London ; New York : New York: Tulika Books ; Zed ; Distributed in the USA exclusively by Palgrave, 128–145.

Saad Filho, A., 2014. The 'Rise of the South': Global Convergence at Last? *New Political Economy*, 19 (4), 578–600.

Saad Filho, A. and Ayers, A.J., 2008. Production, Class, and Power in the Neoliberal Transition: A Critique of Coxian Eclecticism. *In*: A.J. Ayers, ed. *Gramsci, Political Economy, and International Relations Theory*. Basingstoke: Palgrave Macmillan, 147–174.

Saad Filho, A. and Tomkinson, J., 2017. Walking the Tightrope: UNCTAD, Development and Finance-Driven Globalization: Assessment: UNCTAD Trade and Development Report 2015. *Development and Change*, 48 (5), 1168–1181.

Santos, A., 2012. Carving Out Policy Autonomy for Developing Countries in the World Trade Organization: The Experience of Brazil and Mexico. *Virginia Journal of International Law*, 52 (3), 551–632.

Sasges, G. and Cheshier, S., 2012. Competing Legacies: Rupture and Continuity in Vietnamese Political Economy. *South East Asia Research*, 20 (1), 5–33.

Saunders, R. and Caramento, A., 2018. An Extractive Developmental State in Southern Africa? The Cases of Zambia and Zimbabwe. *Third World Quarterly*, 39 (6), 1166–1190.

Schäfer, F.T., 2016. Revisiting the Agrarian Question: Coffee, Flowers and Ethiopia's New Capitalists. PhD. SOAS, University of London, London.

Schaumburg-Müller, H., 2003. Rise and Fall of Foreign Direct Investment in Vietnam and its Impact on Local Manufacturing Upgrading. *The European Journal of Development Research*, 15 (2), 44–66.

Schmitz, H., Tuan, D.A., Hang, P.T.T., and McCulloch, N., 2015. Drivers of Economic Reform in Vietnam's Provinces. *Development Policy Review*, 33 (2), 175–193.

Seers, D., 1981. Introduction. *In*: D. Seers, ed. *Dependency Theory: A Critical Reassessment*. London: Pinter, 13–17.

Selwyn, B., 2011. Trotsky, Gerschenkron and the Political Economy of Late Capitalist Development. *Economy and Society*, 40 (3), 421–450.

Shaikh, A., 2005. The Economic Mythology of Neoliberalism. *In*: A. Saad-Filho and D. Johnston, eds. *Neoliberalism: A Critical Reader*. London ; Ann Arbor, MI: Pluto Press, 41–49.

Shiferaw, A., 2017. *Productive Capacity and Economic Growth in Ethiopia*. New York: UN DESA, CDP Background Paper No. 34.

SIDA, 2003. *Country Analysis: Vietnam*. Hanoi, Vietnam: Embassy of Sweden, Vietnam.

Sidaway, J., 2006. Walter Rodney. *In*: D. Simon, ed. *Fifty Key Thinkers on Development*. London ; New York: Routledge, 205–210.

Sidel, M., 1999. Vietnam in 1998: Reform Confronts the Regional Crisis. *Asian Survey*, 39 (1), 89–98.

Siew-Yean, T., 2003. Economic Overview of Southeast Asia in 2002. *Southeast Asian Affairs*, 24–38.

Singer, H.W., 1950. The Distribution of Gains between Investing and Borrowing Countries. *The American Economic Review*, 40 (2), 473–485.

Singh, A., 1996. *The Post-Uruguay Round World Trading System, Industrialisation, Trade and Development: Implications for Asia-Pacific Developing Countries*. Munich, Germany: Munich Personal RePEc Archive (MPRA), MPRA Paper.

Sjöholm, F., 2006. *State Owned Enterprises and Equitization in Vietnam*. Stockholm, Sweden: European Institute of Japanese Studies, Working Paper No. 228.

Sklair, L., 2001. *The Transnational Capitalist Class*. Oxford, UK ; Malden, Mass: Blackwell.

Smith, G., Binh, L.-D., Colvin, J., and Rab, H., 2014. *Transparency of State Owned Enterprises in Vietnam Current Status and Ideas for Reform*. Washington D.C.: World Bank Group.

Smith, J.C., 2016. *Imperialism in the Twenty-First Century: Globalization, Super-exploitation, and Capitalism's Final Crisis*. New York: Monthly Review Press.

Soederberg, S., 2005a. Recasting Neoliberal Dominance in the Global South? A Critique of the Monterrey Consensus. *Alternatives: Global, Local, Political*, 30 (3), 325–364.

Soederberg, S., 2005b. The Transnational Debt Architecture and Emerging Markets: the politics of paradoxes and punishment. *Third World Quarterly*, 26 (6), 927–949.

Soederberg, S., Menz, G., and Cerny, P.G., eds., 2005. *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*. Basingstoke ; New York: Palgrave Macmillan.

Solheim, J.A., 2005. *Group Travel by Executive Directors - Report on Visit to Vietnam. Memorandum from the Chairman of the Committee on Executive Board Administrative Matters is circulated for the information of the Executive Board.* Washington D.C.: International Monetary Fund

Soliman, A., 2018. Ethiopia's Prime Minister Shows Knack for Balancing Reform and Continuity. *Chatham House Expert Comment*, 27 Apr.

SRV, 2013. *Decision on Approving Vietnam Development Bank's Strategy on Development to 2020 and Vision to 2030*. Hanoi, Vietnam: Socialist Republic of Vietnam, Prime Minister Decision No. 369/QD-TTg, Hanoi, 28 February 2013.

SRV, 2015. *ASEAN Trade in Goods Agreement (ATIGA)*. Hanoi, Vietnam: Socialist
Tarp, F. ., ed., 2017. *Growth, Structural Transformation, and Rural Change in Viet Nam: A Rising Dragon on the Move*. Oxford: Oxford University Press.

Staritz, C., Plank, L., and Morris, M., 2016. *Global Value Chains, Industrial Policy, and Sustainable Development – Ethiopia's Apparel Export Sector*. Geneva: International Centre for Trade and Sustainable Development (ICTSD), Country Case Study.

Stiglitz, J.E., 1998. *More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus*. Helsinki, Finland: UNU-WIDER.

Stiglitz, J.E., 2002a. The IMF Ravages Developing Countries, Ethiopia is the Proof. *Le Monde Diplomatique*, 26 Apr.

Stiglitz, J.E., 2002b. *Globalization and its Discontents*. London: Penguin Books.

Stockhammer, E., 2004. Financialisation and the Slowdown of Accumulation. *Cambridge Journal of Economics*, 28 (5), 719–741.

Storm, S., 2018. Financialization and Economic Development: A Debate on the Social Efficiency of Modern Finance: Debate: Financialization and Economic Development. *Development and Change*, 49 (2), 302–329.

Sturgeon, T., 1998. *The Automotive Industry in Vietnam: Prospects for Development in a Globalizing Economy*. Hanoi, Vietnam: Ministry of Planning and Investment (MPI), Report Prepared for Development Strategy Institute, Ministry of Planning and Investment.

Sturgeon, T. and Zylberberg, E., 2017. Vietnam's Evolving Role in ICT Global Value Chains. *In*: C. Hollweg, T. Smith, and D. Taglioni, eds. *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*. The World Bank.

Sutcliffe, B., 1984. Industry and Underdevelopment Re-examined. *In*: R. Kaplinsky, ed. *Third World Industrialisation in the 1980s: Open Economies in a Closing World*. London ; Totowa, NJ: Frank Cass.

Sutton, J. and Kellow, N., 2010. *An Enterprise Map of Ethiopia*. London: International Growth Centre.

Sylla, N.., 2014. From a Marginalised to an Emerging Africa? A Critical Analysis. *Review of African Political Economy*, 41 (Supp 1), S7–S25.

Tadesse, M., 2015a. The Tigray People's Liberation Front (TPLF). *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst & Co., 257–282.

Tadesse, M., 2015b. Making Sense of Ethiopia's Regional Influence. *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst & Company, 333–356.

Tadesse, M. and Young, J., 2003. TPLF: Reform or Decline? *Review of African Political Economy*, 30 (97), 389–403.

Tap Chi Cong San, 1996. *Imposing Values - A Shopworn Trick of Some Western Powers*. FBIS Daily Reports, Southeast Asia (translation), No. FBIS-EAS-96-085.

Tarp, F. 2017. Lessons Learnt and Policy Implications. *In*: F. Tarp, ed. *Growth, Structural Transformation, and Rural Change in Viet Nam: A Rising Dragon on the Move*. Oxford: Oxford University Press, 279–294.

Tarp, F., ed., 2017. *Growth, Structural Transformation, and Rural Change in Viet Nam: A Rising Dragon on the Move*. Oxford: Oxford University Press.

Tarp, F., 2018. *Viet Nam: The Dragon That Rose from the Ashes*. Helsinki, Finland: UNU WIDER, No. 2018/126.

Tarp, F. and Bhorat, H., 2016. The Pursuit of Long-run Economic Growth in Africa: An Overview of Key Challenges. *In*: H. Bhorat and F. Tarp, eds. *Africa's Lions: Growth Traps and Opportunities for Six Leading African Economies*. Washington, D.C: Brookings Institution Press, 1–36.

Taylor, I., 2016. Dependency Redux: Why Africa is Not Rising. *Review of African Political Economy*, 43 (147), 8–25.

Tekeste, A., 2003. Trade Policy and Performance of Public Manufacturing Firms in Ethiopia. PhD. London South Bank University, London.

Tesfaye, A., 2017. *State and Economic Development in Africa: The Case of Ethiopia*. Cham: Palgrave Macmillan.

Tewodros Meheret, 2015. The Concept and Characteristics of Public Enterprises in Ethiopia: An Overview. *Mizan Law Review*, 8 (2), 333.

TGE, 1991. *Ethiopia's Economic Policy During the Transitional Period. An Official Translation*. Addis Ababa, Ethiopia: The Transitional Government of Ethiopia (TGE), Addis Ababa.

Thang, N., Phong, N.T., Marshall, R., and Phuong, P.T.L., 2015. *Promoting Inclusive Growth for Human Development in Viet Nam*. Hanoi, Vietnam: UNDP and VASS, Policy Brief: Viet Nam National Human Development Report 2015: Growth that Works for All.

Thang, P.V., 2005. *Triangular Manufacturing and Upgrading Strategy of Vietnam's Clothing Industry in the Post-Multi Fibre Arrangement*. Tokyo, Japan: GRIPS Development Forum, Conference on the Development of Vietnam.

Thanh, N.X. and Dapice, D., 2009. *Vietnam's Infrastructure Constraints*. Cambridge, M.A.: Harvard Kennedy School Ash Institute for Democratic Governance and Innovation, UNDP – Harvard Policy Dialogue Papers No. 3.

Thanh, V.T., 2005. Vietnam's Trade Liberalisation and International Economic Integration: Evolution, Problems, and Challenges. *ASEAN Economic Bulletin*, 22 (1), 75–91.

Thanh, V.T. and Anh, N.T., 2007. *Institutional Changes for Private Sector Development in Vietnam: Experience and Lessons*. EABER Working Paper No. 22.

Thanh, V.T. and Duong, N.A., 2009. Vietnam After Two Years of WTO Accession: What Lessons Can Be Learnt? *Asean Economic Bulletin*, 26 (1), 115–135.

Thanh, V.T. and Ha, P.H., 2004. Vietnam's Recent Economic Reforms and Developments: Achievements, Paradoxes, and Challenges. *In*: P. Taylor, ed. *Social Inequality in Vietnam and the Challenges to Reform*. Singapore: Institute of Southeast Asian Studies, 63–89.

Thayer, C.A., 2000a. Vietnam: The Politics of Immobilism Revisited. *Southeast Asian Affairs*, 311–326.

Thayer, C.A., 2000b. *Reform Immobilism: The Prospects for Doi Moi*. Conference on Vietnam in 2001: Prospects for Economic and Social Progress. The Kennedy Auditorium, Washington, D.C. November 16-17, 2000. http://www.vpa-inc.org/conference/pdf/thayer1.pdf

Thayer, C.A., 2010. Political Legitimacy in Vietnam: Challenge and Response. *Politics & Policy*, 38 (3), 423–444.

Thayer, C.A., 2015a. *Vietnamese Diplomacy, 1975-2015: From Member of the Socialist Camp to Proactive International Integration*. Binh Duong province, Vietnam: Thu Dau Mot University, Presentation to International Conference on Vietnam: 40 Years of Reunification, Development and Integration (1975-2015).

Thayer, C.A., 2015b. *Security Sector Responses to Climate Change and the Political Economy of the Military: The Case of Vietnam*. Phnom Penh, Cambodia: Cambodian Institute for Cooperation and Peace, Regional Conference on The Impact and Implications of Climate Change: Strategies and Security for ASEAN Member States.

The Current Global Environment and its Impact in Africa (Speech given at Columbia University), 2010.

Thirlwall, A.P., 2006a. *Growth and Development, with Special Reference to Developing Economies*. 8th ed. New York: Palgrave Macmillan.

Thirlwall, A.P., 2006b. Debt Crisis. *In*: D. Clark, ed. *The Elgar Companion to Development Studies*. Cheltenham, Glos, UK: Edward Elgar Pub. Ltd., 102–104.

Thoburn, J., 2013. Vietnam as a Role Model for Development. *In*: A.K. Fosu, ed. *Achieving Development Success: Strategies and Lessons from the Developing World*. Oxford: UK: Oxford University Press, 99–118.

Thrasher, R.D. and Gallagher, K., 2008. *21st Century Trade Agreements: Implications for Long-run Development Policy*. Frederick S. Pardee Center for the Study of the Longer-Range Future, Boston University, The Pardee Papers No. 2.

Thurbon, E., 2016. *Developmental Mindset: The Revival of Financial Activism in South Korea*. Ithaca: Cornell University Press.

Tønnesson, C., 2001. Vietnam in the Asian Crisis. *In*: J. Weeks and C. Brudenius, eds. *Globalization and Third World Socialism: Cuba and Vietnam*. Houndmills, Basingstoke, Hampshire: Palgrave, 168–196.

Toulmin, L. and Smith, P., 2006. *Telecommunications Sector: Current Status and Future Paths*. Washington D.C.: World Bank Group.

Toye, J., 1993. *Dilemmas of Development: Reflections on the Counter-revolution in Development Economics*. 2. ed. Oxford: Blackwell.

Toye, J. and Toye, R., 2003. The Origins and Interpretation of the Prebisch-Singer Thesis. *History of Political Economy*, 35 (3), 437–467.

Tran, A.N., 2012. Vietnamese Textile and Garment Industry in the Global Supply Chain. *Institutions and Economies*, 4 (3), 123–150.

Tran, B.T., Ong, B., and Weldon, S., 2015. *Vietnam Banking Industry Report*. Duxon Asset Management.

Tran, P., 2003. Vietnam's Economic Liberalization and Outreach: Legal Reform. *Law and Business Review of the Americas*, 9 (1), 139–164.

Tregenna, F., 2015. *Deindustrialization, Structural Change and Sustainable Economic Growth*. Vienna: United Nations Industrial Development Organization, Research, statistics and industrial policy branch working paper No. 2/2015.

Tri, V.N., 1990. *Vietnam's Economic Policy since 1975*. Singapore: Institute of Southeast Asian Studies.

Truman, H.S., 1950. The Fourth Point in President Truman's Inaugural Address, January 20, 1949. *Annals of the American Academy of Political and Social Science*, 268 (1), 183.

Truong, D.H.. and Gates, C.L., 1996. Vietnam in ASEAN — Economic Reform, Openness and Transformation: An Overview. *ASEAN Economic Bulletin*, 13 (2), 159–168.

Truong, N. and Weisblatt, B., 2017. *Vietnam Macro, SOE Reform: SOE Reform Contributes to Bright Outlook for Economy*. Ho Chi Minh City, Vietnam: Viet Capital Securities.

Turley, W.S., 1980. Political Participation and the Vietnamese Communist Party. *In*: W.S. Turley, ed. *Vienamese Communism in Comparative Perspective*. Boulder, Colo: Westview Press, 171–198.

UNCTAD, 1996. *Trade and Development Report, 1996*. Geneva: UNCTAD.

UNCTAD, 2002a. *Trade and Development Report, 2002*. Geneva: UNCTAD.

UNCTAD, 2002b. *The Development Dimension of Foreign Direct Investment: Policies to Enhance the Role of FDI, in the National and International Context – Policy Issues to Consider*. Geneva: UNCTAD Secretariat, UNCTAD Trade and Development Board Commission on Investment, Technology and Related Financial Issues No. TD/B/COM.2/EM.12/2.

UNCTAD, 2002c. *Investment and Innovation Policy Review: Ethiopia*. New York and Geneva: United Nations.

UNCTAD, 2006. *Trade and Development Report, 2006. Global Partnership and National Policies for Development*. Geneva: UNCTAD.

UNCTAD, 2007. *Investment Policy Review: Viet Nam*. New York and Geneva: UNCTAD.

UNCTAD, 2013. *World Investment Report, 2013: Global Value Chains: Investment and Trade for Development*. Geneva: UNCTAD.

UNCTAD, 2014. *Trade and Development Report, 2014. Global Governance and Policy Space for Development*. Geneva: UNCTAD.

UNCTAD, 2015. *Trade and Development Report, 2015. Making the International Financial Architecture Work for Development*. Geneva: UNCTAD.

UNCTAD, 2016. *Trade and Development Report, 2016. Structural Transformation for Inclusive and Sustained growth*. Geneva: UNCTAD.

UNCTAD, 2017a. *Trade and Development Report, 2017. Beyond Austerity: Towards a Global New Deal*. Geneva: UNCTAD.

UNCTAD, 2017b. *World Investment Report, 2017*. Geneva: UNCTAD.

UNCTAD, 2018a. *Selected Sustainable Development Trends in the Least Developed Countries 2018*. Geneva: UNCTAD.

UNCTAD, 2018b. *Trade and Development Report, 2018. Power, Platforms and the Free Trade Delusion*. Geneva: UNCTAD.

UNCTAD, 2018c. *World Investment Report, 2018*. Geneva: UNCTAD.

UNCTAD, 2018d. *World Investment Report: Annex Tables. Annex Table 1. FDI inflows, by Region and Economy, 1990-2017*. Geneva: UNCTAD.

UNCTAD, 2018e. *Investment Policy Hub*. Geneva, Switzerland: UNCTAD.

UNCTAD and FAO, 2017. *Commodities and Development Report 2017: Commodity Markets, Economic Growth and Development*. New York ; Geneva: United Nations.

UNDP, 2002. *Overview of Official Development Assistance in Viet Nam*. Hanoi, Vietnam: UNDP.

UNDP, 2006. *The State as Investor: Equitisation, Privatisation and the Transformation of SOEs in Viet Nam*. Hanoi, Vietnam: UNDP.

UNDP, 2010. *Human Development Report 2010. The Real Wealth of Nations: Pathways to Human Development*. New York, Oxford: Oxford University Press for the United Nations Development Programme (UNDP).

UNDP, 2017. *Understanding African Experiences in Formulating and Implementing Plans for Emergence: Growing Manufacturing Industry in Ethiopia*. Addis Ababa, Ethiopia: UNDP.

UNDP, 2018. *Ethiopia's Progress Towards Eradicating Poverty*. Addis Ababa, Ethiopia: UNDP Ethiopia.

UNECA, 1999. *ECA Ministerial Conference Kicks off with Strong Words on Africa's Debt Overhang*. Addis Ababa, Ethiopia: UNECA, ECA Press Release No. 75.

UNESCO, 2017. *UNESCO Institute for Statistics*.

UNIDO, 2016. *Guide to Doing Business and Investing in Ethiopia*. Vienna: UNIDO.

United Nations, 2004. *An Investment Guide to Ethiopia: Opportunities and Conditions*. New York and Geneva: United Nations.

United Nations, 2015. *Viet Nam, UN Comtrade Database*. UN Comtrade, United Nations Statistics Division.

United Nations, 2017a. *UN Comtrade Database*. United Nations.

United Nations, 2017b. *World Population Prospects 2017 Revision: Key Findings and Advance Tables*. New York: Department of Economic and Social Affairs, Population Division, United Nations, Working Paper No. ESA/P/WP/248.

USITC, 2002. *U.S Trade and Investment with Sub-Saharan Africa. Third Annual Report*. Washington D.C.: United States International Trade Commission (USITC), Annual Report No. USITC Publication 3552. Investigation No. 332-415.

USTA, 2018. Vietnam - Banking Systems [online]. *export.gov*. Available from: https://www.export.gov/article?id=Vietnam-Banking-Systems.

USTR, 2018. *2018 Biennial Report on the Implementation of the African Growth and Opportunity Act*. Washington D.C.: Office of the United States Trade Representative (USTR).

Van Arkadie, B. and Do Duc Dinh, 2004. *Economic Reform in Tanzania and Vietnam: A Comparative Commentary*. Ann Arbor, Michigan: William Davidson Institute, University of Michigan Business School, Working Paper No. 706.

Van Arkadie, B. and Mallon, R., 2003. *Viet Nam: A Transition Tiger?* Canberra: Asia Pacific Press, at the Australian National University.

Van Tho, T., 2009. Vietnamese Gradualism in the Reform of State-Owned Enterprises: The First Phase of Doi Moi. *In*: S. Ichimura, T. Sato, and W. James, eds. *Transition from Socialist to Market Economies*. London: Palgrave Macmillan UK, 101–122.

Van Waeyenberge, E., 2009. Selectivity at Work: Country Policy and Institutional Assessments at the World Bank. *The European Journal of Development Research*, 21 (5), 792–810.

Van Waeyenberge, E., Bargawi, H., and McKinley, T., 2013. The IMF, Crises and Low-Income Countries: Evidence of Change? *Review of Political Economy*, 25 (1), 69–90.

Van Waeyenberge, E. and Fine, B., 2011. A Knowledge Bank? *In*: K. Bayliss, B. Fine, and E. Van Waeyenberge, eds. *The Political Economy of Development: The World Bank, Neoliberalism and Development Research*. London: Pluto Press, 26–48.

Vandemoortele, M. and Bird, K., 2011. *Viet Nam's Progress on Economic Growth and Poverty Reduction: Impressive Improvements*. London: Overseas Development Institute (ODI).

Vasavakul, T., 1997. Vietnam: The Third Wave of State Building. *Southeast Asian Affairs*, 337–363.

Vasavakul, T., 2003. From Fence-Breaking to Networking: Interests, Popular Organizations and Policy Influences in Post-Socialist Vietnam. *In*: B.J. Kerkvliet, R.H.K. Heng, and D.W.H. Koh, eds. *Getting Organized in Vietnam: Moving in and Around the Socialist State*. Singapore: Institute of Southeast Asian Studies, 25–61.

Vaughan, S., 2011. Revolutionary Democratic State-building: Party, State and People in the EPRDF's Ethiopia. *Journal of Eastern African Studies*, 5 (4), 619–640.

Vaughan, S., 2015. Federalism, Revolutionary Democracy and the Developmental State 1991-2012. *In*: G. Prunier and É. Ficquet, eds. *Understanding Contemporary Ethiopia*. London: Hurst & Co., 283–312.

Vaughan, S. and Gebremichael, M., 2011. *Rethinking Business and Politics in Ethiopia: The Role of EFFORT, the Endowment Fund for the Rehabilitation of Tigray*. London: Overseas Development Institute (ODI), Research Report No. 02.

Vaughan, S. and Tronvoll, K., 2003. *Structrues and Relations of Power in Ethiopia*. Stockholm: SIDA.

VCCI, 2016. *The Viet Nam Provincial Competitiveness Index (PCI) 2016*. Hanoi: USAID and VCCI.

VCCI, 2017. Collaborating to Enhance Localization, Fortify Supporting Industry, Grasp ITA [online]. *Vietnam Chamber of Commerce and Industry*. Available from: http://vccinews.com/news_detail.asp?news_id=34831&parent_id=o&cate_id=22 [Accessed 31 Aug 2017].

VCCI, 2018. FTA [online]. *Vietnam Chamber of Commerce and Industry (VCCI) WTO Center*. Available from: http://wtocenter.vn/fta [Accessed 8 Jan 2018].

VDB, 2014. *Vietnam Development Bank. Annual Report 2014*. Hanoi, Vietnam: Vietnam Development Bank (VDB).

VEAM Corp, 2016. *Warmly Welcome the Delegation of Centre for Sustainable Agricultural Mechanization 'CSAM' and Vietnam Institute of Agricultural Engineering and Post-Harvest Technology 'VIAEP'. Vietnam Engine and Agricultural Machinery Corporation*.

te Velde, D.W., Balchin, N., Banga, K., and Hoque, S., 2018. *Manufacturing in Africa: Factors for Success. Paper prepared for the Second African Transformation Forum, Accra, Ghana (ATF2018)*. London: Overseas Development Institute (ODI).

Vestal, T.M., 2005. Reflections on the Battle of Adwa and its Significance for Today. *In*: P.Milkias and Getachew Metaferia, eds. *The Battle of Adwa: Reflections on Ethiopia's Historic Victory Against European Colonialism*. New York: Algora Pub, 21–36.

Viet Nam News, 2015. Government Budget Selects 8 Economic Zones. *Viet Nam News, published by the Vietnam News Agency*, 11 Nov.

Viet Nam News, 2017. Samsung Contributes 22.7% to Vietnam's Exports. *Vietn Nam News*, 11 Jan.

Viet Nam News, 2018. Vingroup Listed in VN's Top 10 Largest Businesses. *Viet Nam News, published by the Vietnam News Agency*, 6 Dec.

Viet Sinh, C., Demombynes, G., Kwakwa, V., Mahajan, S., Shetty, S., Đam, V.Đ., Vinh, B.Q., and Van Trotsenburg, A., 2016. *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy (Vol. 2): Main Report*. Washington, D.C: World Bank Group.

Vietinbank, 2017. *Annual Report 2016*. Hanoi, Vietnam: Vietinbank.

Vinh, V.D., 1996. *Vietnam: Army Radio Program Views Peaceful Evolution*. FBIS Daily Reports, Southeast Asia (translation), No. FBIS-EAS-96-163.

VIR, 2017. 406 SOEs Under Divestment: Exciting Opportunities for Investors. *Vietnam Investment Review*, 26 Aug.

Vivek, S. and Viet Tuan Dinh, 2006. *Taking Stock: An Update on Vietnam's Economic Developments by the World Bank in Vietnam*. Washington D.C.: World Bank Group.

Vu Tuan Anh, 1995. Economic Policy Reforms: An Introductory Overview. *In*: I. Nørlund, C.L. Gates, and Cao Dam Vu, eds. *Vietnam in a Changing World*. Richmond: Curzon Press.

Vu-Thanh, T.-A., 2016. Vietnam: Decentralisation amidst Fragmentation. *Journal of Southeast Asian Economies*, 33 (2), 188–208.

Vu-Thanh, T.-A., 2017. Does WTO Accession Help Domestic Reform? The Political Economy of SOE Reform Backsliding in Vietnam. *World Trade Review*, 16 (01), 85–109.

Vu-Thanh, T.-A., Thai, L.V., and Thang, V.T., 2007. *Provincial Extralegal Investment Incentives in the Context of Decentralization in Viet Nam: Mutually Beneficial or a Race to the Bottom?* Hanoi, Vietnam: UNDP.

de Waal, A., 1991. *Evil Days: 30 Years of War and Famine in Ethiopia*. New York: Human Rights Watch, An Africa Watch Report.

de Waal, A., 2013. The Theory and Practice of Meles Zenawi. *African Affairs*, 112 (446), 148–155.

de Waal, A., 2015. *The Real Politics of the Horn of Africa: Money, War and the Business of Power*. Cambridge, UK: Polity.

Wade, R.H., 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, N.J: Princeton University Press.

Wade, R.H., 1992. East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence (Review Article). *World Politics*, 44, 270–320.

Wade, R.H., 2001a. Capital and Revenge: The IMF and Ethiopia. *Challenge*, 44 (5), 67–75.

Wade, R.H., 2001b. Showdown at the World Bank. *New Left Review*, 7 (Jan-Feb), 124–137.

Wade, R.H., 2003. What Strategies are Viable for Developing Countries Today? The World Trade Organization and the Shrinking of 'Development Space'. *Review of International Political Economy*, 10 (4), 621–644.

Wade, R.H., 2005. What Strategies are Viable for Developing Countries Today? The World Trade Organization and the Shrinking of 'Development Space'. *In*: K. Gallagher, ed. *Putting Development First: The Importance of Policy Space in the WTO and IFIs*. London: Zed Books, 80–101.

Wade, R.H., 2006. Choking the South. *New Left Review*, 38 (March/April), 115–127.

Wade, R.H., 2012. Return of Industrial Policy? *International Review of Applied Economics*, 26 (2), 223–239.

Wade, R.H., 2014. Foreword. *In*: *Reclaiming Development: An Alternative Economic Policy Manual*. London: Zed Books, xii–xxv.

Wade, R.H., 2018. The Developmental State: Dead or Alive?: Debate: The Developmental State: Dead or Alive? *Development and Change*, 49 (2), 518–546.

Wallerstein, I.M., 1976. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. Text ed. New York: Academic Press.

Wang, C. and Balasubramanyam, V.N., 2011. Aid and Foreign Direct Investment in Vietnam. *Journal of Economic Integration*, 26 (4), 721–739.

Watanabe, O., 2005. *East Asian Economic Integration and Issues in Enhancing Japan-China Business Alliance*.

Watts, M., 2006. Andre Gunder Frank. *In*: D. Simon, ed. *Fifty Key Thinkers on Development*. London ; New York: Routledge, 90–95.

Weeks, J., 1998. Open Economy Adjustment and Transition in Viet Nam. *In*: P. Cook, C.H. Kirkpatrick, and F. Nixson, eds. *Privatization, Enterprise Development and Economic Reform: Experiences of Developing and Transitional Economies*. Cheltenham, Glos, UK: Edward Elgar, 100–107.

Weeks, J., 2001. A Tale of Two Transitions: Cuba and Vietnam. *In*: C. Brudenius and J. Weeks, eds. *Globalization and Third World Socialism: Cuba and Vietnam*. Houndmills, Basingstoke, Hampshire: Palgrave, 18–40.

Weeks, J., 2015. *Macroeconomic Policies for Full and Productive Employment: Case Studies of Thailand and Viet Nam*. Bangkok, Thailand: International Labour Organization, ILO Asia-Pacific Working Paper Series.

Weeks, J., Geda, A., Zerfu, D., and Weldyesus, D., 2004. *Source of Growth in Ethiopia (Final Report)*. London: Centre for Development Policy and Research (CDPR), SOAS University of London.

Weeks, J., Thang, N., Roy, R., and Lim, J., 2004. *Macroeconomics of Poverty Reduction: Case study of Viet Nam. Growth with Equity*. Hanoi, Vietnam: UNDP.

Wehrfritz, G., 2005. Vietnam Revs Up. *Newsweek International*, 27 Nov.

Weis, T., 2014. Dominant Parties and the Private Sector in Sub-Saharan Africa: A Typology of Approaches. *Zeitschrift für Vergleichende Politikwissenschaft*, 8 (3–4), 263–281.

Weis, T., 2016. Vanguard Capitalism: Party, State, and Market in the EPRDF's Ethiopia. PhD. University of Oxford, Oxford: UK.

Wells, K., 1998. International and Domestic Sources of State Stability and Regime Collapse: Merchant Capital in Ethiopia, 1974 - 1995. PhD. London School of Economics (LSE), London.

Werner, M., Bair, J., and Fernández, V.R., 2014. Linking Up to Development? Global Value Chains and the Making of a Post-Washington Consensus: Global Value Chains: Linking Up to Development? *Development and Change*, 45 (6), 1219–1247.

White Campbell, O. and Bhatia, A., 1998. *Privatization in Africa. Directions in Development*. Washington D.C.: World Bank Group.

Whitfield, L., 2009. Aid and Power: A Comparative Analysis of the Country Studies. *In*: L. Whitfield, ed. Oxford ; New York: Oxford University Press, 329–360.

Whitfield, L., 2012. How Countries Become Rich and Reduce Poverty: A Review of Heterodox Explanations of Economic Development. *Development Policy Review*, 30 (3), 239–260.

Wikimedia Commons, 2005. Vietnamese Provinces Map [online]. Available from: https://en.wikipedia.org/wiki/File:VietnameseProvincesMap.png [Accessed 9 Jan 2018].

Williamson, J., ed., 1990. *Latin American Adjustment: How Much Has Happened?* Washington, D.C: Institute for International Economics.

Womack, B., 1997. Vietnam in 1996: Reform Immobilism. *Asian Survey*, 37 (1), 79–87.

Woodside, A., 1997. The Struggle to Rethink the Vietnamese State in the Era of Market Economics. *In*: T. Brook, ed. *Culture and Economy: the Shaping of Capitalism in Eastern Asia*. Ann Arbor, Michigan: The University of Michigan Press, 61–78.

World Bank, 1990. *Ethiopia's Economy in the 1980s and Framework for Accelerated Growth*. Washington D.C.: World Bank Group, No. 8062-ET.

World Bank, 1993a. *Viet Nam: Energy Sector Investment and Policy Review. Main Report*. Washington D.C.: World Bank Group.

World Bank, 1993b. *Viet Nam: Transition to the Market: An Economic Report*. Washington, D.C: World Bank Group.

World Bank, 1994. *Viet Nam Public Sector Management and Private Sector Incentives: An Economic Report*. Washington D.C.: World Bank Group.

World Bank, 1995a. *Memorandum on a Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit in the Amount Equivalent to SDR 82.9 Million to the Transitional Government of Ethiopia for a National Fertilizer Sector Project*. Washington D.C.: World Bank Group.

World Bank, 1995b. *Vietnam: Economic Report on Industrialization and Industrial Policy*. Washington, D.C: World Bank Group.

World Bank, 1995c. *Financial Sector Review: An Agenda for Financial Development*. Washington D.C.: World Bank Group.

World Bank, 1997a. *World Development Report 1997: The State in a Changing World*. Washington D.C.: World Bank Group.

World Bank, 1997b. *Implementation Completion Report: Federal Democratic Republic of Ethiopia. Structural Adjustment Credit (SAC I) (Credit 2526-ET)*. Washington D.C.: World Bank Group, No. 16787.

World Bank, 1998. *Ethiopia: Anti-Corruption Report*. Washington D.C.: World Bank Group.

World Bank, 1999a. *Vietnam Development Report 2000. Attacking Poverty*. Hanoi, Vietnam: World Bank in Vietnam, No. 19914-VN.

World Bank, 1999b. *Vietnam Moving Forward: Achievements and Challenges in the Transport Sector*. Washington D.C.: World Bank Group.

World Bank, 2000a. *Ethiopia: Country Assistance Evaluation*. Washington D.C.: Operations Evaluation Department, World Bank Group, No. 21450.

World Bank, 2000b. *Global Development Finance: Country Tables*. Washington, D.C: The World Bank.

World Bank, 2000c. *Vietnam: Managing Public Resources Better. Public Expenditure Review 2000*. Washington D.C.: World Bank Group.

World Bank, 2002a. *Banking Sector Review: Vietnam*. Washington D.C.: World Bank Group.

World Bank, 2002b. *Vietnam Development Report 2002. Implementing Reforms for Faster Growth and Poverty Reduction*. Hanoi, Vietnam: World Bank in Vietnam.

World Bank, 2003a. *Memorandum of the President of the International Development Association to the Executive Directors on a Country Assistance Strategy for The Federal Democratic Republic of Ethiopia*. Washington D.C.: World Bank Group, No. 25591-ET.

World Bank, 2003b. *Ethiopia: Country Economic Memorandum. Concept Paper (November 10, 2003)*. Washington D.C.: World Bank Group.

World Bank, 2004a. *Project Appraisal Document on a Proposed Credit in the Amount of SDR 12.7 million (US$19 Million Equivalent)*. Washington D.C.: World Bank Group, No. 30758-ET.

World Bank, 2004b. *Ethiopia Trade and Transformation Synthesis. Diagnostic Trade Integration Study. Volume 2. Final Version*. Washington D.C.: World Bank Group.

World Bank, 2004c. *OED Review of the Poverty Reduction Strategy (PRS) Process: Ethiopia Case Study*. Washington D.C.: Operations Evaluation Department World Bank Group, OED Review.

World Bank, 2005a. *Vietnam Business: Vietnam Development Report 2006*. Washington D.C.: World Bank Group.

World Bank, 2005b. *Ethiopia: A Strategy to Balance and Stimulate Growth.* Washington D.C.: World Bank Group, A Country Economic Memorandum No. 29383-ET.

World Bank, 2006a. *Summary of Ethiopia: Developing Competitive Value Chains*. Washington D.C.: World Bank Group.

World Bank, 2006b. *Vietnam's Infrastructure Challenge: Infrastructure strategy. Cross-sectoral Issues*. Washington D.C.: World Bank Group.

World Bank, 2006c. *Vietnam Aiming High: Vietnam Development Report 2007*. Washington D.C.: World Bank Group.

World Bank, 2007a. *Ethiopia: Accelerating Equitable Growth. Country Economic Memorandum. Part 1: Overview*. Washington D.C.: World Bank Group, No. 38662-ET.

World Bank, 2007b. *The Demand for IDA15 Resources and Strategy for their Effective Use*. Washington D.C.: World Bank Group.

World Bank, 2008. *Ethiopia: Country Assistance Evaluation, 1998-2006*. Washington D.C.: Independent Evaluation Group, World Bank Group, No. 43524.

World Bank, 2010. *Potential Climate Change Mitigation Opportunities in Industry Sector in Vietnam: Background Paper*. Washington D.C.: World Bank Group.

World Bank, 2012. *Vietnam and the World Bank: A Strong and Enduring Partnership. A Brief Annotated History*. Washington D.C.: World Bank Group.

World Bank, 2013a. *Ethiopia. 2nd Economic Update: Laying the Foundation for Achieving Middle Income Status*. Washington D.C.: World Bank Group.

World Bank, 2013b. *Implementation Completion and Results Report (IDA-4200) on a Credit in the amount of SDR 92.80 Million (US$ 133.4 Million Equivalent) to the Federal Democratic Republic of Ethiopia for an Electricity Access (Rural) Expansion Project*. Washington D.C.: World Bank Group, No. ICR00002736.

World Bank, 2013c. *Building the Developmental State: A Review and Assessment of the Ethiopian Approach to Public Sector Reform*. Washington D.C.: World Bank Group.

World Bank, 2014a. *3rd Ethiopia Economic Update: Strengthening Export Performance Through Improved Competitiveness*. Washington D.C.: World Bank Group.

World Bank, 2014b. *Financial Sector Assessment: Vietnam*. Washington D.C.: World Bank Group.

World Bank, 2015a. *SME Finance in Ethiopia: Addressing the Missing Middle Challenge*. Washington D.C.: World Bank Group.

World Bank, 2015b. *Making The Whole Greater Than The Sum Of The Parts: A Review of Fiscal Decentralization in Vietnam*. Washington D.C.: World Bank Group.

World Bank, 2015c. *4th Ethiopia Economic Update: Overcoming Constraints in the Manufacturing Sector*. Washington D.C.: World Bank Group.

World Bank, 2016a. *Poverty and Shared Prosperity 2016 : Taking on Inequality*. Washington D.C.: World Bank Group.

World Bank, 2016b. *World Development Indicators*. Washington, D.C: World Bank Group.

World Bank, 2016c. *Ethiopia Public Expenditure Review*. Washington D.C.: World Bank Group.

World Bank, 2016d. *Why So Idle? Wages and Employment in a Crowded Labor Market. 5th Ethiopia Economic Update.* Washington D.C.: World Bank Group.

World Bank, 2016e. *Ethiopia Public Expenditure Review*. Washington D.C.: World Bank Group.

World Bank, 2016f. *International Development Association Project Appraisal Document on a Proposed Credit in the Amount of SDR 144.8 Million (US$200 Million Equivalent) to the Federal Democratic Republic Of Ethiopia for a Small and Medium Enterprise Finance Project*. Washington D.C.: World Bank Group.

World Bank, 2017a. *Ethiopia: Completion and Learning Review for Country Partnership Strategy for the Period FY13 - FY16: IEG Review*. Washington D.C.: World Bank Group.

World Bank, 2017b. *World Development Indicators*. Washington, D.C: World Bank Group.

World Bank, 2017c. *Taking Stock. An Update on Vietnam's Recent Economic Developments. Special Focus: Improving Efficiency and Equity of Public Spending*. Washington, D.C: World Bank Group.

World Bank, 2017d. *World Integrated Trade Solution*. Washington D.C.: World Bank Group.

World Bank, 2018a. *World Development Indicators*. Washington, DC: World Bank Group.

World Bank, 2018b. *Climbing The Ladder: Vietnam Poverty And Shared Prosperity Update Report. Poverty Reduction And Shared Prosperity In Vietnam*. Washington D.C.: World Bank Group.

World Bank, 2018c. *Ethiopia Economic Update: The Inescapable Manufacturing-Services Nexus. Exploring the Potential of Distribution Services*. Washington D.C.: World Bank Group.

World Bank, 2018d. Financing [online]. *International Development Association, World Bank Group.* Available from: http://ida.worldbank.org/financing/ida-financing.

World Bank, 2018e. *International Development Association Program Appraisal Document on a Proposed Regular Credit in the Amount Of Sdr 176.9 Million (US$250 Million Equivalent) and a Proposed Scale-Up Facility Credit in the Amount of US$125 Million to the Federal Democratic Republic of Ethiopia for the Ethiopia Electrification Program*. Washington D.C.: World Bank Group, No. 119032-ET.

World Bank, 2018f. *Taking Stock. An Update on Vietnam's Recent Economic Developments. Special Focus: Reform Priorities for Reducing Trade Costs and Enhancing Competitiveness in Vietnam*. Washington, D.C: World Bank Group.

World Bank, 2018g. *Logistics Performance Index, 2018*. Washington D.C.: World Bank Group.

World Bank and MPI, 2016. *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*. Washington, D.C: World Bank Group.

WTO, 2017. *World Trade Statistical Review 2017*. Geneva: World Trade Organization.

WTO, 2018a. Members and Observers [online]. *World Trade Organization*. Available from: https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm [Accessed 10 Aug 2018].

WTO, 2018b. Ethiopia [online]. *WTO Accessions*. Available from: https://www.wto.org/english/thewto_e/acc_e/a1_ethiopia_e.htm [Accessed 10 Aug 2018].

Yakob, S. and Mirtus, G., 2015. The Dynamics of Information and Communication Technology in Oromia: The Case of Goro Woreda. *Journal of Information Engineering and Applications*, 5 (8), 76–84.

Young, J., 1997. *Peasant Revolution in Ethiopia: the Tigray People's Liberation Front, 1975-1991*. Cambridge, U.K. ; New York, NY, USA: Cambridge University Press.

Zenawi, M., 2006a. Speech by HE Meles Zenawi Prime Minister of the Federal Democratic Republic of Ethiopia for the Africa Task Force.

Zenawi, M., 2006b. African Development: Dead Ends and New Beginnings (excerpts from unpublished masters thesis, preliminary version). Erasmus University, Rotterdam.

Zenawi, M., 2011. States and Markets: Neoliberal Limitations and the Case for a Developmental State. *In*: A. Noman, K. Botchwey, H. Stein, and J.E. Stiglitz, eds. *Good Growth and Governance in Africa: Rethinking Development Strategies*. Oxford: UK: Oxford University Press.

Zenawi, M., 2011. *Speech to the World Economic Forum on Africa*, 2012. Addis Ababa. Available from: https://www.youtube.com/watch?v=OwTPfsqwERY [Accessed 11 Aug 2018].

Zewde, B., 2001. *A History of Modern Ethiopia, 1855-1991*. Oxford, United Kingom: James Curry.

Ziso, E., 2018. *A Post State-Centric Analysis of China-Africa Relations*. Cham: Springer International Publishing.

van der Zwan, N., 2014. Making Sense of Financialization. *Socio-Economic Review*, 12 (1), 99–129.

Appendix A: Interview schedule and codes

Key to interview codes

First letter (country)

E	Ethiopia
V	Vietnam

Second letter (type of interviewee)

A	Academic or researcher
D	Domestic enterprise or private sector association
E	Foreign embassy official, bilateral donor official
F	Foreign investor
G	Government official, ruling party or coalition official
I	International organisation official (IFI or UN agency)

Anonymity (position and institution)

To protect the anonymity of interviewees (as agreed during the process of securing consent), job titles and specific Departmental information have not been included, since, in both countries, when combined with organisation name and interview date would often make it possible to trace back to individual respondents. Therefore, two categories have been created to differentiate between interviewees differently placed in organisation hierarchies: official and senior official. Senior official refers to the following broad job roles (and official to anything below these):

Academia:	Director/President of research institute
Private sector (domestic or foreign):	Director/ President (or equivalent) or their Deputy
Government:	Minister, State Minister (or equivalent); or Director of an independent government agency
International organisation:	Country Director or Deputy Country Director

In addition, officials from both bilateral donor agencies, IFIs and FDI firms in Ethiopia requested that their comments not be connected to their institution, so the details of their institutions have been anonymised. Contextual information has been provided where possible.

Category	Code	Position	Institution	Date(s)
Academia	EA-1	Expert	Ethiopian Institute of Agricultural Research (EIAR)	31/03/2016
	EA-2	Expert	Ethiopian Economics Association	24/03/2016
Domestic enterprise and enterprise associatons	ED-1	Senior official	Addis Chamber of Commerce	18/02/2016
	ED-2	Senior official	Vitacon Textiles Plc	10/03/2016
	ED-3	Senior official	Knit to Finish Garment Factory	11/03/2016
	ED-4	Senior Official	Muya Textiles	17/03/2016
	ED-5	Senior Official	Soreti International Trading	17/02/2016
Bilateral donor or foreign government representative	EE-1	Senior Official	Bilateral donor	28/01/2016
	EE-2	Official	Bilateral donor	30/03/2016
	EE-3	Official	Bilateral donor	22/03/2016
	EE-4	Official	Bilateral donor	22/03/2016
Foreign investors	EF-1	Senior Official	Foreign textile and garment firm (Asia)	04/02/2016
	EF-2	Official	Foreign leather goods/shoe firm (Asia)	04/02/2016
	EF-3	Senior Official	Foreign leather goods/shoe firm (Western)	19/02/2016
	EF-3	Senior Official	Foreign textile and garment firm (Europe/North America)	30/03/2016
	EF-4	Official	Foreign leather goods/show firm (Asia)	05/03/2016
	EF-5	Official	Foreign textile and garment firm (Europe/North America)	05/03/2016
	EF-6	Senior Official	Foreign industrial park construction firm (Asia)	05/03/2016
	EF-7	Senior Official	Foreign textile and garment firm (Middle East)	08/03/2016
Government	EG-1	Senior Official	National Planning Commission	11/01/2016; 15/01/2016; 12/02/2016; 25/03/2016; 07/03/2016
	EG-2	Senior Official	Ministry of Finance and Economic Cooperation (MOFEC)	12/01/2016; 16/03/2016; 29/03/2016
	EG-3	Senior Official	National Planning Commission	12/01/2016
	EG-4	Senior Official	Ministry of Finance and Economic Cooperation (MOFEC)	12/06/2016
	EG-5	Official	Ministry of Finance and Economic Cooperation (MOFEC)	13/01/2016; 21/03/2016
	EG-6	Official	National Planning Commission	14/01/2016
	EG-7	Senior Official	National Bank of Ethiopia	21/01/2016
	EG-8	Senior Official	Development Bank of Ethiopia	26/01/2016
	EG-9	Senior Official	Ministry of Agriculture	26/01/2016
	EG-10	Senior Official	Ministry of Industry	27/01/2016; 11/02/2016; 22/03/2016

Category	Code	Position	Institution	Date(s)
Government	EG-11	Senior Official	Ethiopian Horticulture Development Agency	09/02/2016
	EG-12	Official	Commercial Bank of Ethiopia	11/02/2016
	EG-13	Senior Official	Special Advisor to the PM	12/02/2016
	EG-14	Official	Ministry of Finance and Economic Cooperation (MOFEC)	15/02/2016
	EG-15	Senior Official	Ministry of Public Enterprises	15/02/2016; 04/03/2016
	EG-16	Official	Ministry of Finance and Economic Cooperation (MOFEC)	16/02/2016
	EG-17	Official	Ministry of Finance and Economic Cooperation (MOFEC)	16/02/2016
	EG-18	Senior Official	Ministry of Industry	18/06/2016
	EG-19	Senior Official	Leather Industry Development Institute	19/06/2016
	EG-20	Senior Official	EIC	23/02/2016
	EG-21	Senior Official	TIDI	24/02/2016
	EG-22	Official	Ministry of Industry	25/03/2016
	EG-23	Senior Official	Special Advisor to the PM	28/03/2016
	EG-24	Official	Ethiopian Investment Commission	30/03/2016
	EG-25	Official	Ministry of Small and Medium-sized Enterprises	16/03/2016
	EG-26	Senior Official	Industrial Development Park Corporation	16/03/2016
	EG-27	UN Coordinator	Ministry of Finance and Economic Cooperation (MOFEC)	03/03/2016
	EG-28	Official	Ethiopian Revenue and Customs Authority (ERCA)	08/03/2016
	EG-29	Official	Ministry of Trade	09/03/2016; 10/03/2016
	EG-30	Official	Ministry of Trade	10/03/2016
International organisations (IFIs, UN agencies)	EI-1	Official	IFI	09/02/2016
	EI-2	Senior Official	UN Agency	10/02/2016
	EI-3	Senior Official	IFI	10/02/2016
	EI-4	Official	UN Agency	18/06/2016
	EI-5	Official	IFI	24/02/2016
	EI-6	Official	IFI	04/03/2016

Category	Code	Position	Institution	Date
Academic and researcher	VA-1	Senior official	Viet Nam Institute for Economic and Policy Research (VEPR), Vietnam National University, Hanoi	02/06/2016
	VA-2	Senior official	National Graduate Institute for Policy Studies (GRIPS)	20/06/2016
	VA-3	Expert	Independent expert and consultant	22/06/2016
	VA-4	Senior official	Fulbright Economics Teaching Program	04/08/2016
	VA-5	Senior official	Fulbright Economics Teaching Program	05/06/2016
Domestic enterprise and enterprise associatons	VD-1	Official	Vietnam Chamber of Commerce and Industry	21/06/2016
	VD-2	Senior official	Vietnam Chamber of Commerce and Industry	11/06/2016
	VD-3	Senior official	Vietnam Textile and Apparel Association	12/06/2016
	VD-4	Official	Animal Husbandry Association of Vietnam	15/06/2016
	VD-5	Senior official	Vietnam Association of Seafood Exporters and Producers (VASEP)	16/06/2016
Bilateral donor or foreign government representative	VE-1	Senior official	KOICA	16/06/2016
	VE-2	Senior official	Korea Trade-Investment Promotion Agency	28/06/2016
	VE-3	Official	British Embassy	06/07/2016
Foreign investors	VF-1	Senior official	E-Land International Fashion (Shanghai) Co.	24/06/2016
	VF-2	Senior official	Philvovina Inc	24/06/2016
	VF-3	Official	Philvovina Inc	24/06/2016
	VF-4	Senior official	Sembcorp	16/06/2016
	VF-5	Official	Duanne Morris	01/08/2016
	VF-6	Senior official	Asuzac Foods Co. Ltd	08/06/2016
	VF-7	Senior official	Delphi Industry Co Ltd	09/06/2016
	VF-8	Senior official	Delphi Industry Co Ltd	09/06/2016
	VF-9	Senior official	Mtex Vietnam Co. Ltd	09/06/2016
	VF-10	Senior official	Dih Lhing Enterprise	09/06/2016
Government (including official government think tanks)	VG-1	Official	Vietnam Institute of Economics, Vietnam Academy of Social Science	03/06/2016
	VG-2	Official	Institute of World Economics and Politics, Vietnam Academy of Social Science	03/06/2016
	VG-3	Official	Instiute for Africa and Middle East, Vietnam Academy of Social Science	07/06/2016
	VG-4	Official	Vietnam Institute of Economics, Vietnam Academy of Social Science	08/06/2016
	VG-5	Official	Vietnam Asia-Pacific Economic Center	08/06/2016
	VG-6	Official	Institute of World Economics and Politics, Vietnam Academy of Social Science	10/06/2018
	VG-7	Official	CIEM, Ministry of Planning and Investment	14/06/2016; 30/06/2016
	VG-8	Official	Vietnam Institute of Economics, Vietnam Academy of Social Science	17/06/2016
	VG-9	Official	Ministry of Industry and Trade	20/06/2016

Category	Code	Position	Institution	Date
Government (including official government think tanks)	VG-10	Official	CIEM, Ministry of Planning and Investment	05/07/2016
	VG-11	Official	CIEM, Ministry of Planning and Investment	07/07/2016
	VG-12	Official	Centre for Analysis and Forecast, Vietnam Academy of Social Science	08/07/2016
	VG-13	Official	Ministry of Industry and Trade	20/07/2016
	VG-14	Official	Ministry of Planning and Investment	20/07/2016
	VG-15	Official	Ministry of Industry and Trade	21/07/2016
	VG-16	Official	Ministry of Labour Invalids and Social Assistance	26/07/2016
	VG-17	Official	Ministry of Planning and Investment	27/07/2016
	VG-18	Official	Ministry of Planning and Investment	27/07/2016
	VG-19	Official	Commercial Bank for Investment and Development of Vietnam (BIDV) (majority state-owned)	28/07/2016
	VG-20	Official	Ministry of Industry and Trade	28/07/2016
	VG-21	Official	Ministry of Planning and Investment	02/08/2016
	VG-22	Official	Ministry of Planning and Investment	02/08/2016
	VG-23	Official	Ministry of Industry and Trade	03/08/2016
	VG-24	Official	HCMC Export Processing and Industrial Zones Authority	08/06/2016
	VG-25	Official	HCMC Export Processing and Industrial Zones Authority	08/06/2016
	VG-26	Senior official	HCMC Export Processing and Industrial Zones Authority	08/06/2016
	VG-27	Official	Ho Chi Minh City Department of Industry and Trade	08/06/2016
	VG-28	Official	Central Committee Economic Commission, Communist Party of Vietnam	10/06/2016
	VG-29	Official	Centre for EU Studies, Vietnam Academy of Social Science	16/06/2016
	VG-30	Official	CIEM, Ministry of Planning and Investment	17/06/2016
	VG-31	Official	Ministry of Planning and Investment	23/06/2016
International organisations (IFIs, UN agencies)	VI-1	Official	IFI	17/06/2016
	VI-2	Official	UN agency	12/07/2016

Appendix B: Countries benefiting from EBA and AGOA provisions (as of March 2018)

	Everything but Arms	African Growth and Opportunities Act ✓✓ = Includes 'wearing apparel provisions'	Population (thousands) 2017	WTO membership
Angola	✓	✓	29 784	Yes
Benin	✓	✓✓	11 176	Yes
Burkina Faso	✓	✓✓	19 193	Yes
Central African Republic	✓	✓	4 659	Yes
Chad	✓	✓✓	14 900	Yes
Comoros	✓	✓	814	No
Djibouti	✓	✓	957	Yes
Ethiopia	✓	✓✓	104 957	No
Gambia	✓	✓	2 101	Yes
Guinea	✓	✓	12 717	Yes
Guinea-Bissau	✓	✓	1 861	Yes
Lesotho	✓	✓✓	2 233	Yes
Liberia	✓	✓✓	4 732	Yes
Madagascar	✓	✓✓	25 571	Yes
Malawi	✓	✓✓	18 622	Yes
Mali	✓	✓	18 542	Yes
Mauritania	✓	✓	4 420	Yes
Mozambique	✓	✓✓	29 669	Yes
Niger	✓	✓✓	21 477	Yes
Rwanda	✓	✓✓	12 208	Yes
Sao Tome & Principe	✓	✓	204	Yes
Senegal	✓	✓✓	15 851	Yes
Sierra Leone	✓	✓✓	7 557	Yes
Tanzania	✓	✓✓	57 310	Yes
Togo	✓	✓	7 798	Yes
Uganda	✓	✓✓	42 863	Yes
Zambia	✓	✓✓	17 094	Yes

Sources: EC (2018) AGOA (2018); United Nations (2017b); and WTO (2018b).

Note: AGOA covers more than 1,800 products which it makes eligible for duty-free access to the US market, in addition to a further 5,000 products eligible under the broader GSP. Some 40 within sub-Saharan Africa were eligible for these benefits in 2018 (USTR, 2018, p.9). EBA grants the recipient countries – in this case, LDCs according to U.N. classification – full duty-free and quota-free access for all goods, bar arms and ammunition. There were a total of 49 beneficiaries as of 2016-2017 (EC, 2018, p.1).

Appendix C: Vietnam: Largest GC-91's by pre-tax profit, capital, budget contribution and employees, 1999

Pre-tax profit (VND, billion)		Capital (VND, billion)		Budget contribution (VND, billion)		Number of employees	
Petrovietnam	5,587	EVN	23,610	Petrovietnam	15,176	VNPT	96,892
EVN	1,950	VNPT	14,272	EVN	2,088	Vinatex	92,852
VNPT	2,900	Petrovietnam	13,828	VNPT	1,991	Geruco	80,000
VNCC	580	VNCC	7,357	Vinataba	1,215	Vinacoal	76,091
Viet Nam Airlines	339	Vinatex	4,603	Viet Nam Airlines	774	EVN	64,700
Total	**11,356**	**Total**	**63,670**	**Total**	**21,244**	**Total**	**410,535**
Percentage total profit	**92.7**	**Percentage total capital**	**76.5**	**Percentage total budget contribution of GC-91s**	**90.5**	**Percentage total employment**	**68.0**

Source: adapted from Marukawa (2001, pp.135–136).

Appendix D: Leading IDA recipients, 1994-2016 (ODA net totals, via IDA US$ million, 2015)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Vietnam	155.6	51.8	221.8	227.1	324.9	197.3	226.3	382.9	346.1	669.0	475.8	403.3
Pakistan	363.9	242.2	284.7	240.4	221.7	170.4	100.8	734.3	1138.1	34.8	739.6	548.8
India	960.0	560.2	792.8	686.4	742.6	614.4	748.4	845.7	1008.0	247.1	571.1	747.8
Ethiopia	194.1	85.4	150.4	62.8	71.7	172.9	151.6	601.2	621.0	292.6	520.1	262.9
Bangladesh	471.7	173.0	270.3	308.8	373.3	429.2	360.9	301.5	260.7	467.3	518.0	423.2
Tanzania	214.1	164.6	142.2	212.9	108.8	221.0	180.1	165.9	195.6	502.9	517.8	292.7
Nigeria	73.2	94.6	105.3	102.8	171.8	91.2	66.9	1.8	10.2	54.5	149.8	261.6
Ghana	213.5	261.0	275.7	283.8	314.6	251.0	234.6	219.9	124.6	288.3	314.6	338.3
Uganda	267.8	169.3	136.5	261.3	131.2	153.9	241.8	402.0	229.7	313.6	328.0	316.5
Mozambique	219.1	178.0	259.8	184.8	164.9	98.6	127.2	71.8	397.3	188.3	212.1	258.2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Vietnam	332.9	692.7	511.8	1,105.6	797.6	874.8	996.4	1,074.0	1,134.8	795.4	625.4	12,623.0
Pakistan	714.3	852.5	-8.1	936.4	192.3	620.1	317.9	166.4	1,097.2	1,464.0	623.7	11,796.4
India	361.7	87.8	73.9	446.3	217.4	714.3	-225.0	-29.6	525.0	256.5	269.7	11,222.5
Ethiopia	365.7	362.0	498.8	982.6	624.3	630.5	689.7	863.0	790.5	691.6	1,185.1	10,870.5
Bangladesh	239.2	401.7	569.5	99.1	102.8	93.8	398.5	359.0	497.2	757.8	757.7	8,634.1
Tanzania	437.1	486.8	385.1	782.6	651.0	228.8	485.9	629.8	545.8	580.9	401.0	8,533.4
Nigeria	354.1	301.3	304.2	450.6	915.8	572.6	436.8	569.1	773.7	709.2	654.3	7,225.5
Ghana	273.5	229.0	249.2	233.9	299.2	374.1	331.6	286.0	281.4	518.6	284.6	6,481.0
Uganda	278.7	357.4	164.7	374.2	305.8	151.8	169.6	317.5	146.3	209.3	163.8	5,590.9
Mozambique	257.4	252.0	255.5	201.6	154.2	84.8	202.5	333.3	286.0	346.2	232.4	4,965.9

Source: OECD-DAC (2018a).