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The Theory and Practice of Building Developmental States in the Global South

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ABSTRACT

Reviewing decades of thinking regarding the role of the state in economic development, we argue for the continued relevance of the concept of the ‘developmental state’. With reference to Argentina, Brazil, Ethiopia, Rwanda, and China, we contend that new developmental states are evidence of a move beyond the historical experience of East Asian development. Further, we argue for the applicability of the developmental state framework to key questions of governance, institution building, industrial policy and the extractive industries, as well as to a wide variety of cases of successful and failed state-led development in the early Twenty-First Century.

Development is essentially a record of how one thing leads to another.

-- Albert Hirschman¹

Development, often understood in economic terms as the structural transformation of the national economy, has been an elusive objective for many outside the advanced industrialized countries of the West. Despite the multitude of reforms rooted in economic modernization

paradigm of the 1950s, very few countries have succeeded in realizing sustained, rapid industrial development. The intellectual history of this debate stems from questions around which policies can deliver economic growth and why countries failed to take off and experience similar economic transition.

The exceptionalism of East Asia's success, therefore, generated a vibrant debate centred on the extent to which policy choices, institutional dynamics, and external circumstances have shaped economic development. As our special issue collectively suggests, the *politics* underpinning development planning is a key determinant of the outcomes of policy-making. Without understanding the political basis of development, one becomes excessively focussed on policy design as the explanation to the success of East Asia.

The collection builds on long-standing debates on state transformation and contributes to a richer understanding of the politics of growth in the context of global market integration. While high export prices translate into greater rents and new competitive advantages are crafted with strong state support, a lacuna exists in explaining how and why some governments are able to craft development strategies that create and sustain new sources of growth. Owing to disillusionment from international financial institutions (IFIs) that advised or insisted upon structural adjustment programmes (SAPs) and counselled against state interference, the post-2000 period was marked by profound inspiration to emulate – if not replicate – the development strategies of East Asia, which led to rapid, sustained industrialization in less than fifty years.² We provide some tentative answers through several cases, for example Brazil under Lula da Silva's Workers' Party (PT), Argentina under Nestor Kirschner, and Ethiopia under the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), whereby new developmentalist thinking has shaped policy choices in the twenty-first century.³ Beyond country cases, we

likewise identify non-traditional pathways of growth, particularly through natural resources, which require new ways of managing the national economy. We suggest that important lessons can be drawn from those who appear to be succeeding, those who may have succeeded for a time, as well as those who have tried and failed.

Our special issue directly engages the ‘transferability’ debate: that is, the extent to which the developmental state (DS) model(s) can be adapted beyond East Asia’s geographical, socio-political and historical conditions to provide alternative ways of doing development in the Global South. We carefully selected papers to answer three inter-related questions:

- (1) Given that the DS model/s emerged within specific conditions, what *generic* policies and state institutions can inform contemporary governing elites to address the challenge of economic and social development?
- (2) In states with weak capacity and legacies of inequality, oppression and colonial rule, what theoretical and methodological approaches will enable scholars to examine states with *political intent* and *institutional capacity* to promote industrialization?
- (3) In reflecting the evolution of development paradigms and the movement beyond old models of ‘developmental authoritarianism’, what lessons arise from how do political elites in East Asian developmental states face rising challenges to economic governance and to what extent have they been successful in managing economic globalization and addressing sustainable development?

Each paper interrogates one or two key aspects of the DS model/s, and then, critically engages with the theory and builds new insights either through new empirical evidence or re-appraisal of conventional wisdom regarding DS theory. Collectively, we examine economic and political development in the Global South in the context of economic globalization, and consequently,

the case studies reflect on how old models of developmental authoritarianism remain compatible with global democratization. Our introduction offers an overview of the debates and arguments put forward in the collection. We begin with a reflection on the ‘state of the art’ of developmental state theory, outlining its key tenets and a brief summary of the main arguments. We then proceed with an analysis of emerging conceptual frameworks aimed at how these tools might provide the foundations for different theories and methods of studying state governance and development. Finally, we synthesize some common themes across the papers, stressing two important findings from our collection: (a) *new institutions and policies* are needed to understand emerging responses to globalization; and (b) the *political base of development* must be examined to contextualize how strategies are crafted. Our approach deploys sectoral/industry-specific, country by country, and policy-focused analyses to highlight the features, prospects, and challenges for twenty-first century developmental states.

Thirty Years of Research on Developmental States

Chalmers Johnson⁴ first proposed the concept of a ‘developmental state’, using the term to describe strong interventionist policies implemented by Japan that led to sustained, rapid industrialisation and long-term economic development. The term became a shorthand for the successful rise of the newly industrialised countries (NICs) of East Asia, or the ‘Asian Tigers’— Japan, South Korea, Taiwan, and Singapore.⁵ In the period that began with the Second World War and continued up to the 1980s, their developmental strategies were shaped by a political ideology that privileged raising income levels and sustaining industrial growth (or ‘GNP-ism’). This paradigm asserts the state as key to the development process, with the capability and intent to resolve market failures, capital scarcity, and lack of coordination between governments and industrial elites.⁶

The DS framework offers important analytical tools to understand the East Asian ‘miracle’. However, national industrialization was, and remains, elusive in the rest of the developing world. Table 1 confirms what many scholars⁷ have argued —that Southeast Asia (notably Indonesia, Malaysia, Thailand, and Vietnam), is the region that came closest to the growth rates and capital accumulation experienced by East Asia. This is particularly evident when examining GDP at nominal values, growth rate averages (although these are significantly lower when comparing 1980s-1990s and 2000s-2015), poverty gaps and poverty headcount ratio using a higher threshold for poverty.⁸ Latin America’s record likewise confirms established wisdom regarding its high levels of inequality but also impressive poverty reduction during the 2000s – mainly a direct outcome of the Left’s social investments during the commodity boom. Nevertheless, remarkable progress is discernible in Argentina, Brazil, Ethiopia, Rwanda, and China – all of which are newer examples of developmentalist thinking with varying success. Ethiopia and Rwanda are particularly impressive due to their four-fold increase between 2005 and 2015, average growth rates at 9.7% and 8%, and fairly respectable shares of income for the lowest 20% of the population (see Table 1). Their performance is especially notable when compared to Botswana and Kenya, which also experienced growth spells over the past decades. The growth strategies of Argentina, Brazil, Ethiopia, Rwanda, and China involve centralizing rent management, strengthening political ties between government and domestic capitalists, and adapting industrial policy and state-backed finance to create new competitive advantages.⁹

This introduction seeks to synthesize emerging literatures on political economy of state transformation to examine the institutions and policies on the one hand, and the political bases of developmental states in the Global South. As a departing point, we identify the *necessary* political conditions that brought forth the economic miracle in East Asia: (1) state

Table 1: Social and Economic Performance of Selected Developing Countries

Selected Countries	Gross Domestic Product (1)		Adjusted net national income (2)		Gross Capital Formation (average annual % growth) (3)			GINI Index (4) (5)		Percentage Share of Income or Consumption		Broader Measures of Domestic Savings		Poverty Rates at International Poverty Line	
	US\$ Billion (2005)	US\$ Billion (2015)	Average annual % growth (2000-2015)	US\$ Billion (21015)	Average annual % growth (2000-2015)	1990-2000	2000-2016	(4) (5)	Lowest 20% (5) (6)	Highest 10% (5) (6)	Consumption of Fixed Capital as % of GNI (2015) (7)	Education expenditure as % of GNI (2015) (8)	Reference Year	Population below US\$ 3.10 a day (9)	Poverty gap at US\$ 3.10 a day (10)
East Asia															
China	2,286.00	11,064.70	10.1	8,361.10	..	11.6	12.5	42.2	5.2 (2012)	31.4 (2012)	23	1.8	2013	11.1	2.5
Singapore	127.4	296.8	5.9	237.6	5.5	7	6.6	..	..	..	14.8	2.8	..	..	..
South Korea	898.1	1,382.80	3.9	1,113.90	3.2	4.3	2.9	..	..	..	19.5	4.1	..	..	..
Latin America															
Argentina	198.7	584.7	3.9	510.1	5	7.4	5.9	42.3	4.8	30.6	10.3	5.1	2014	4.3	1.7
Brazil	891.6	1,803.70	3.5	1,590.10	4	4.4	4.2	52.9	3.3	41.8	8.6	5.5	2014	7.6	3.1
Chile	123	242.5	4.3	188.1	5	..	..	50.5	4.6	41.5	13	4.6	2013	2.1	0.8
Colombia	146.6	291.5	4.5	242.9	5.1	2.1	9.1	53.5	3.4	41.9	12.4	3.5	2014	13.2	5
Mexico	866.3	1,151.00	2.3	966.6	2.3	4.1	2.7	(2012)	48.1 (2012)	38.9 (2012)	11.4	5	..	..	..
Southeast Asia															
Indonesia	285.9	861.3	5.5	760.9	5.2	-0.6	6.3	39.5	7.2	31.9	7.5	3	2014	36.4	9.6
Malaysia	143.5	296.3	4.9	234.2	6.3	..	12	46.3 (2009)	4.6 (2009)	34.6 (2009)	17	6.1	2009	2.7	0.5
Philippines	103.1	292.8	5.1	324.3	5	2.1	5.9	43 (2012)	5.9 (2012)	33.4 (2012)	7.4	1.8	2012	37.6	11.7
Thailand	189.3	399.2	4	298.7	3.7	-4.2	4	37.9	6.9	29.2	19.2	4.2	2013	0.9	0.1
Vietnam	57.6	193.2	6.4	159.2	6.4	19.8	8.6	38.7 (2012)	6.5 (2012)	30.1 (2012)	12.3	5.4	2014	12	3.1
Africa															
Botswana	9.9	14.4	4.7	10.8	4.5	4.6	6.4	60.5 (2009)	2.8 (2009)	49.6 (2009)	21.9	9.5	2009	35.7	14

	12.4	64.5	9.7	44.9	..	..	..	33.2	8	27.4	14.1	2.9	2010	2010	26.5
Ethiopia								(2010)	(2010)	(2010)					
	18.7	63.8	4.9	47.7	5.7	6.1	9.2	48.5	4.7	38.8	21	4.9	2005	2005	25.5
Kenya								(2005)	(2005)	(2005)					
	112.2	481.1	7.9	402.9	7.9	-1	12.4	43	5.4	32.7	10.7	0.9	2009	2009	39.1
Nigeria								(2009)	(2009)	(2009)					
	2.6	8.3	8	..	7.6	3.8	14.1	50.4	5.2	43.2	13.8	4.3	2013	2013	42.5
Rwanda								(2011)	(2011)	(2011)					
	16.9	45.6	6.7	40.8	7.1	-1.1	9.7	37.8	11.1	31	7.4	3.7	2011	2011	33.6
Tanzania								(2011)	(2011)	(2011)					

Source: Compiled by authors from World Development Indicators. <http://wdi.worldbank.org/tables>

NOTES:

- 1) GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.
- 2) Consumption of fixed capital represents the replacement value of capital used up in the process of production.
- 3) Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 1993 SNA, net acquisitions of valuables are also considered capital formation. Data are in constant 2010 U.S. dollars.
- 4) Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.
- 5) Unless the reference year is indicated, the default year is 2013.
- 6) Percentage share of income or consumption is the share that accrues to subgroups of population indicated by deciles or quintiles. Percentage shares by quintile may not sum to 100 because of rounding.
- 7) Consumption of fixed capital represents the replacement value of capital used up in the process of production.
- 8) Education expenditure refers to the current operating expenditures in education, including wages and salaries and excluding capital investments in buildings and equipment.
- 9) Poverty headcount ratio at \$3.10 a day is the percentage of the population living on less than \$3.10 a day at 2011 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in earlier editions.
- 10) Poverty gap at \$3.10 a day (2011 PPP) is the mean shortfall in income or consumption from the poverty line \$3.10 a day (counting the nonpoor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in earlier editions.

transformation through the creation of a professionalized, meritocratic bureaucracy alongside a fairly insulated group of technocrats, which overall constitutes the historical development of state capacity widely referred to as ‘pockets of state efficiency’¹⁰; (2) a pro-business orientation in policy-making that created a mutually-beneficial alliance between states and big business, notably referred to as ‘embedded autonomy’¹¹; and (3) the presence of exceptionally difficult circumstances, which then creates a structural condition in which national elites must deal with their ‘systemic vulnerability’ and hence focus on economic development as the principal source of their political legitimacy.¹² We discuss these elements in detail below.

The study of the East Asian miracle was associated with the impressive transformation of state institutions aimed at generating rapid, sustained industrialization throughout the post-war years. Indeed, the developmental capacities of states — defined in terms of the creation of a Weberian rational bureaucracy — and the choices in economic state-crafting were deemed pivotal in directing economic growth in the region. State capacity is oftentimes linked to economic growth and poverty reduction,¹³ political legitimacy,¹⁴ and nation-building.¹⁵ In Latin America, political corporatism emerged as a way of reconfiguring state-business alliances, and almost coincidentally, as a platform for integrating social actors into political structures.¹⁶ Taking a broader view, we find that an intellectual history exists surrounding the centrality of political states — and particularly developmental states — in enhancing productivity, creating comparative advantages for export promotion, and driving policy cohesion through a relatively insulated cadre of bureaucrats and pilot agencies. In so doing, the state could deploy a variety of instruments, such as government-backed financing and state-owned enterprises acting as direct producers, in order to seek for new areas of competitiveness.

The second tenet of a developmental state involves the crafting of a mutually-beneficial state-business alliance, whereby the state implements a series of incentives and rewards to persuade domestic capitalists to undertake investments in targeted sectors in the economy. This relationship partly underpins the justification for national ownership. National ownership opens a developmental space for domestic firms to compete with multinational companies through state protectionism. Because foreign firms can crowd out nationally-owned firms in mid- and high-tech industries, national enterprises can only catch up with the brand name recognition and technological finesse of foreign firms through market protectionism under a limited time period.¹⁷ Crucially, state-business relations are embedded in a political framework, in which the centralized management of rents enables states to impose political stability, reduce transaction costs for private actors to motivate entrepreneurship, and create further opportunities for productivity-driven rent-seeking.¹⁸ For East Asian states, *the ways states organize their support for various business groups* determined the high levels of institutional capabilities to push for industrialization.¹⁹

Finally, developmental states that are capable of mobilizing financial resources to pursue ambitious industrial policy had motivations linked to national security and survival of the political ruling class. That elites saw economic growth as the main source of regime legitimacy stems from existential threats and immense vulnerability brought about by structural conditions and historical contexts.²⁰ Specifically, the Cold War rivalry, the threat of communism, and the constant threat of war were critical factors that drove national elites in Singapore, South Korea and Taiwan to undertake economic reforms that would otherwise be impossible during ‘normal times’.²¹ In effect, the geopolitical situation forced elites to build robust, developmentally-oriented states with industrialization as the answer to state insecurity.

These three conditions have become the basis for several path-breaking studies on the origins, prospects and limits of developmental states. Further research has interrogated several new themes in lieu of the ‘transferability’ question of the East Asian experience, namely: (1) the importance of colonial legacies and historical path dependence in shaping growth regimes towards a developmentally-oriented state²²; (2) the rise of welfare regimes and social democracy as a ‘Third Way’ between neoliberalism and state intervention²³; (3) the role of industrial policy and value chain upgrading as a development strategy towards economic globalization²⁴; and (4) the significance of political alliances among contending elites and important fractions of society in the context of weak state capacity as a means to promote economic growth.²⁵ This burgeoning literature on state governance is crucial if we are to further take the DS as an analytical framework beyond the East Asian context.

A New Research Agenda for the DS Theory

To take the DS model as homogenous and as a blueprint for development would be a mistake. Indeed, reflecting on his work over a decade after *Embedded Autonomy*, Evans forcefully argues for the need to build pragmatic, flexible states that can respond to new challenges and changing international contexts and avoid *institutional mono-cropping* and one-size fits all approaches to development policy.²⁶ If the ‘developmental state’ concept is to travel beyond East Asia, we need to build new scholarship that takes the diversity of the Global South as a starting point. There have been several calls to move ‘beyond’ the developmental state.²⁷ But, the concept has remained popular in scholarly discourses—particularly regarding African development in the post-Washington Consensus era. In Latin America, from 2000 onwards, the intellectual fashion stressed the return of state-led approaches to development, oftentimes understood as governance strategies aimed at creating ‘globalisation with a human face’.

In order to understand the moves towards embracing and then re-embracing state-led development, we need to explore the unique challenges and nature of post-neoliberal experiments in Africa, Latin America, and Asia and their respective positions in the world economy. There are two key challenges in doing this – first, addressing theoretical and methodological debates between and within development economics, comparative political economy and area studies; and second, finding empirical evidence of both success and failure that lends credibility to the DS approach. In the contemporary contexts of Latin America and Africa in particular, this involves and coincides with a re-examination of the role of natural resources in structural transformation.

The first challenge is to chart a course between overlapping–sometimes competing–conceptual frameworks that explore development processes rooted in localized experiences of capital accumulation while also considering the theoretical innovations within area studies. In this context, conceptual debates offer new possibilities to expand the scope of the DS framework. In particular, we would like to draw similarities and differences across four concepts: *post-neoliberalism*, *neo-structuralism/neo-developmentalism*, *developmental patrimonialism*, and *neo-extractivism*. As Table 2 summarizes, there are shared assumptions across these frameworks and they provide fresh starting points for further elaboration. With the exception of developmental patrimonialism, most conceptual tools from these debates have rarely referenced the DS model despite their shared interest in analysing state intervention and industrial policy-making. We briefly outline some of these debates below.

In Latin America, scholars have recently coined ‘post-neoliberalism’ as a reference to the return of state capitalism in the region while calling for a ‘new kind of politics that place

Table 2: Key Conceptual Frameworks in Development Politics

	Key Authors / Publications	Analytical Focus	Theoretical Foundations
Post-Neoliberalism	<p>Grazel & Ruzovazzi 2012, 2017; Wilde 2012.</p> <p>Key documents: Bárcena & Prado 2015; ECLAC's <i>Changing Production Patterns with Social Equity</i> (1990) and <i>Structural Change for Equity</i> (2012).</p> <p>For scholarly work, see French Davis 1988, 2010, 2015; Leiva 2008; Ocampo 1998, 2005; Ocampo & Bertola 2012; Ocampo et al. 2000. *</p>	<p>State-market relations and state-society relations, with specific references to welfare and social policies, poverty reduction, and citizenship claims-making; emphasis on Latin American Left (2002-2012)</p> <p>Building on structuralist thought in Latin America and the Caribbean in the 1950s and 1960s, neo-structuralism opposes the Washington Consensus based on stabilization, privatization and liberalization. Instead, the paradigm reflects on how to deal with the consequences of greater liberalization in trade and finance, how to overcome productive heterogeneity, and how improve income distribution.</p>	<p>Political science and sociology</p>
Neo-Structuralism / Neo-Developmentalism	<p>For neo-developmentalists: Boito Jr. 2012; Boito Jr. & Berringer 2013; Bresser-Pereira 2011, 2012; Castello 2012; Gezmis 2017.</p> <p>Famous structuralists include Celso Furtado (1920-2004); W. Arthur Lewis (1915-1991), Raúl Prebisch (1901-1986), Juan Novoa Vázquez (1922-1962); Aníbal Pinto Santa Cruz (1919-1996); Osvaldo Sunkel (1929-) and Ignácio Rangel (1914-1994).</p>	<p>Neo-developmentalists build on developmentalist thinking in Brazil, which focusses on sectoral development through industrial policy, governing through state-owned enterprises and state-backed financing, exchange rate management to improve export competitiveness, and policies avoiding the Dutch disease. Some important work in political sociology also examines the role of class politics and the changing political base of development in Brazil.</p>	<p>Development economics; political economy</p>
Developmental Patronalism	<p>Booth 2011; Kelsall 2011; see also Clapham and Saunders & Carment, this volume for critical engagement.</p>	<p>State-business relations, principally understood as how the state as a cohesive actor shapes interest groups. Emphasis on state power and role of political elites in managing economic rents to produce export sectors rather than predatory capitalism. A re-appraisal of how neo-patrimonial relations in African regimes can be conditioned to produce better developmental outcomes.</p>	<p>Comparative politics; political economy</p>
Neo-Extractivism	<p>Burchard & Dietz 2014; Veltmeyer & Petras 2014; Gudynas 2010, 2016. For an</p>	<p>Linked to debates on structural transformation, neo-extractivism is critical of possibilities for natural resource-led growth.</p>	<p>Political science and sociology</p>

alternative but similar viewpoints, see Haslam & Heidrich 2016; Ocampo 2017.

Building on Latin America's recent policy innovations, these authors examine the causes, processes, and shortcomings of resource-linked development policy. Emphasis on social investments, poverty reduction, and participatory forms of governance in the mining sector. Some critical views on the ability of developing states to manage the resource curse and move away from rentier politics.

NOTES:

+ Selected works only.

citizenship, rights and inclusive politics' in governance and development.²⁸ Built on political economy and comparative area studies, this school reflects and critically explores how regional governments can deepen democratic engagement and practices to go beyond simply calling for state renewal and activist policies in economic governance. Complementing this approach, political economy and development economics have a long-standing tradition of understanding Latin American (under)development from a structuralist point of view, whereby systemic factors and structural conditions that undergird regional and national political economies limit the capacity of states and firms to reposition themselves in a globally integrated economy. There appears to be less nuance between 'new structuralism' as applied to Spanish-speaking Latin America²⁹ and 'new developmentalism'³⁰ in Brazil, although recent attempts to connect these debates have begun.³¹ These frameworks recognize the tensions between structural transformation through renewed state activism and inclusive politics as neoliberal reforms constrained more meaningful forms of democratic participation. Crucially, social policies and civil society activism are novel features of these models, whereby the scope of state capacity goes beyond the notion of *infrastructural capacity*, or the "capability of governmental institutions to implement public goals through a professional bureaucracy",³² but instead, includes the ability of the political classes to generate political legitimacy through acceptance and negotiation with social forces and organized civil society.

By contrast, in Africa, recognizing the pervasiveness of corruption, money politics and rent-seeking, David Booth, Tim Kelsall and others have utilized 'developmental patrimonialism' as a framework to explain the political conditions which can produce *incremental* state transformation and renewed growth strategies based on natural resource-based industrialization.³³ Given the divergent developmental outcomes amongst neo-patrimonial regimes and the failure of 'good governance' approaches to African development, Booth

suggests that “we should at least consider the possibility that there are forms of the neo-patrimonial state that combine patronage politics with quite a high degree of developmental effectiveness...” and that “...in Africa just as in Asia, patronage politics and corruption can work in ways that block provision of the public goods that are essential to reasonably inclusive economic growth and human development.”³⁴ The underlying condition here, as Kelsall notes, is not only the presence of long-term development visions (or developmental roles in Vu’s language) but the *state capacity* to make autonomy decisions over how economic rents can be transformed into productive assets. What distinguishes the economic performance of Ethiopia and Rwanda from other East African states is the immense capability of states to *centralize rent management*, enabling political elites to expand participation in key sectors, though concerns remain about the growing concentration of power and wealth within a small group, increasingly less accountable to the public.³⁵

As in the East Asian experience, economic growth becomes the primary motivation for state intervention; centralization of patrimonialism and rent-seeking becomes a form of *disciplined* capital accumulation. Growing authoritarianism notwithstanding, the ability of political elites at the apex of power to generate a consensus or ‘political settlement’ is the glue that holds together the relationships between contending elites – and between states and social forces – that consequently provides an enabling environment for national elites to secure political stability and policy consensus over the trajectory of development planning.³⁶

These debates have advanced our understanding of localized capital accumulation and the importance of the changing bases of production in a globalized world economy. However, one emergent debate in political economy of development involves the extent to which new forms of capital accumulation – principally through natural resources – can generate sustained, rapid

industrialization. These development projects were underpinned by a commodity boom and a return to old debates about resource-led growth. In Latin America, neo-extractivism has become a conceptual framework to connect intensive and extensive resource extraction to the politics of redistribution.³⁷ The ‘commodity supercycle’ of the early 2000s was a catalyst for new thinking about the role of the state in economic development. Moving from an overview of new developmentalism in Latin America to studies of more and less successful extractivism in Africa, the papers in this special issue will address the new possibilities for new developmental states that leverage natural resource wealth before returning to consider alternative configurations and alliances that might lead to developmental states beyond East Asia.

Across these conceptual debates, some necessary conditions can be identified, which explains the relative success of Brazil (2002-2010) and Argentina (2002-2007), the partial success of Rwanda under Paul Kagame and Ethiopia under the EPRDF, and the significantly more limited success or outright failure of other states who have articulated a vision of state-led development and may or may not have made real moves to realize it. We summarize this in Table 3. As a starting point, state-led high growth systems and those which feature partial success are underpinned by the creation of a group of ‘economic technocrats’ who were more or less able to steer the political economy relatively insulated from external pressures of rent-seeking and profiteering – a highly politicized process that governments historically partook to establish the political capacity to implement public policy and provide goods conducive for private sector expansion.³⁸ One distinction between Argentina and Brazil, for example, is the presence of coordinating councils, presidential advisory committees, and other intermediary institutions which enable states to establish formal and informal lines of communications with business firms and state-owned enterprises. These ‘developmental spaces’ are crucial for industrial

policy and for the government to maintain discipline over capital, which could prevent rent-seeking that leads to predatory capitalism. Furthermore, there have been significant reforms in the SOE sector in Brazil and China, according states managers with greater autonomy and isolation from political processes. Conversely, increasing political interventions in Brazil under Dilma Rousseff and in Argentina under Cristina Kirchner led to the erosion of state autonomy, which is consequential to the performance of domestic firms. Their success is also underpinned by favourable external conditions that allowed unconventional approaches to development to be implemented.

These institutional conditions are only one part of the story; policy choices and the ways economic reforms are implemented in the wider political context equally matter. As the first wave of DS theorists argued, state intervention was implemented to deliberately ‘get the prices wrong’, and in response to changing market conditions, governments were able to switch from import substitution industrialization (ISI) towards export orientation of capital goods.³⁹ In so doing, the fiscally-expensive industrial policy in Asia was mediated through mutually-agreed targets between the conservative government and business leaders towards the internationalization of their exports. Finally, states were pragmatic in adjusting to the international context. For East Asian states, the geopolitical context of the Cold War fortunately provided the much-needed support through U.S. military aid and development assistance to mobilize financial resources for development but it also created an immediate export market through demands for infrastructure and heavy capital goods as the US government ventured into proxy wars and opened its domestic market for imports from its allies. To put it crudely, there is undoubtedly a security imperative that drove developmental states from rapidly industrializing and for the conditions for its emergence to materialize.⁴⁰

Table 3: Comparative Evidence on New Developmental States

	Brazil (2002-2015)	Argentina (2002-2008)	China (2003-present)	Ethiopia (2005-present)	Rwanda (2000-present)
State capacity	Presence of 'leading agencies' like Itamaraty (Foreign Ministry), Ministry of Planning, state-backed financing through BNDES, and state-owned enterprises	Independent Central Bank although clear absence of 'leading pilot agencies' similar to East Asia	National Development and Reform Commission (NDRC) as the 'leading pilot agency' of national strategic industries. State-owned Assets Supervision and Administration Commission (SASAC) as shareholder and supervisor of Central state-owned enterprises	Capacity boosted by war and revolution. Efficient state-owned enterprises. Ministry of Finance and Economic Development balances domestic rent extraction with encouraging foreign investment	Ministry of Agriculture heavily involved in promoting the sector and working with donor agencies and cooperatives. Rwandan Development Board modelled on Singapore's EDB
Sources of growth	Dependence on domestic savings, generated from windfall profits and export earnings, consumption-driven growth.	Consumption and export-led growth mainly from agricultural products (e.g. soya)	Foreign-direct investment in manufacturing industry and the development of both state and private sectors	Agricultural development-led industrialization (ADLI) giving way to policies that privilege private entrepreneurs	Agricultural development leading to increased output, concentration of manufacturing in a small number of domestic and foreign-owned firms
Industrial policy	Macro-economic fundamentals were in place through reforms in the 1990s. PT government promoted the internationalization of Brazilian firms, such as construction, food processing, and extractives, while attempting to create new sectors, such as ship-building and expansion of petrochemicals	Macro-economic management through trade and exchange rate policies, government subsidies in strategic sectors and relative high spending on infrastructural development.	Strategic positioning to support infrastructure. Upgrading the selected manufacturing industry with the support of export-led policy incentives. Heavy state investment in research and development for state-owned enterprises. Internationalization of state-owned enterprises	Heavy investment in infrastructure (roads and rail, communications network and hydroelectricity as well as human capital formation). Promotion of the agricultural sector through assistance with technology and access to credit. Promotion of labour-intensive manufacturing with subsidies for textiles and agro-processing	Implementation of successive Programs for the Strategic Transformation of Agriculture (PSTA) plans and Vision 2020, heavy state investment in agriculture and successful implementation of an upgrading strategy; use of parastatal companies with ties to the RPF and military
Poverty reduction record	Consolidation of conditional cash transfer (CCT) programmes into <i>Bolsa Familia</i> targeted towards poorer regions and communities	<i>Jefes y Jefas, AUBI</i> , and policies towards minimum wage increases.	Most successful poverty reduction as an outcome of sustained growth, Universal compulsory education, the minimum standard of living system, and the system of land ownership in rural areas	Significant poverty reduction and improved food security since the mid-1990s	Resettling of refugees and IDPs from the genocide, 2004 PRSP has led to some poverty reduction. Heavy investment in social services and cash transfers
Political base of development	Political coalition led by Lula da Silva's Workers' Party (PT) with side payments made to minor parties to support its policy reforms; acquiescence from regional elites especially agricultural elites who benefited from state support.	<i> Frente para la Victoria Party (PJ coalition)</i> . Continuity with changes in terms of state compact with various labour unions and social groups, 'segmented corporatism' where formal, urban-based unions negotiate with state while informal labour and agricultural elites excluded in the coalition	Support from the Politburo of the Communist Party of China to conduct the planning of the economic policies	EPRDF as dominated by Tigray region but also a composite party that has created a new political settlement in a federal system allowing it to run a 'single-party state in all but name'	Legitimacy of RPF bolstered by strategy of growth and transformation. Political control maintained through high levels of state violence against critics

External environment	Commodity boom that drove export earnings from agriculture and mining; Brazil as a growing regional power and emerging market	Commodity boom with export taxes as fiscal base	Competition and cooperation with international trade partners; rising importance of China in the global economy	Importance of external development aid and concessional loans for investment capital	Supportive donor community post-genocide; possibility of aid dependency
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Source: Authors' elaboration with help from special issue participants

In moving forward, the collection places special emphasis on how global rules and the changing patterns of production and consumption are reshaping spaces of development and the degree to which new industrial strategies might succeed. For instance, since the heyday of neoliberalism in the 1990s, trade rules have banned the use of traditional industrial policy instruments like export credits, trade subsidies, and tariffs to support domestic producers in competing with technologically-advanced multinational companies which dominate high value-added segments of global production networks.⁴¹ At the back of a debt crisis, hyperinflation, and macroeconomic instability, during the 1990s global governance institutions pushed developing countries to adopt market liberalization in textile, manufacturing, and even natural resources, arguing that monopolistic markets and previously state-controlled sectors need competition to create dynamism and recover from economic decline.

This is an important context for the ‘return of the state’ debate. In 2003, the commodity boom opened up the question of state intervention as a policy strategy to maximize rents and to pursue structural transformation. For example, new developmentalism brought in structuralist thinking into the analysis of natural resources as a strategic sector for renewed industrialisation for developing countries. Given that Africa and Latin America are historically raw materials producers for the world economy, changing the fiscal, exchange rate, and monetary policies towards more heterodox principles in economics were perceived as acceptable in order to capture windfall profits. Accordingly, oil, gas and mineral rents have become a potent force in financing industrialisation in the Global South. From a linkages perspective, industrial policy through natural resources can generate the big push for African and Latin American countries to capture more value in the global supply chain. As Nem Singh and Massi detail, natural resources have the potential to generate production, fiscal and consumption linkages that can generate spill-over effects, and consequentially, technological learning between global and

national firms while gradually supporting the development of a network of domestic suppliers.⁴² In developing countries with relative industrial capabilities, notably in Brazil, Argentina and Mexico, natural resources can only be harnessed as a key revenue contributor if an explicit developmental strategy exists. In a resource-intensive, commodity-based economy like Brazil, the Workers' Party (PT) government under Lula da Silva (2003-2010) pursued a state-driven industrial policy aimed at the internationalization of Brazilian firms, even if the leading sectors are export agriculture, mining, and oil and gas. Brazil implemented interlinked economic policies aimed at sector-specific industrial growth, with state subsidies acting as economic rents distributed in the domestic sector.⁴³ Examining the potential for a 'petro-developmental state', Ovdia cogently argues that African oil producers should follow suit, organizing a range of trade, investment and industrial policies across the economy around natural resource-based development and the creation of linkages between the oil and non-oil sectors in order for the slow move towards economic diversification and eventually a transition away from fossil fuels to take place in the region.⁴⁴ Such industries with the potential for value-added production, in other words, is how industrialization might look like for the rest of the developing world.

The Collection of Papers

The special issue is organised in three sections. Part 1 begins with some theoretical and methodological concerns in studying state intervention and development capacity-building. We emphasize the need for new approaches and finding new elements in the DS model/s to unpack how development strategies are formulated. Ovdia and Wolf argue that we need to start at unconventional sectors as a place to look for developmental state-making while Nem Singh and Chen suggest unpacking the state-owned enterprises as the black box to capacity-

building. Hsu, in examining East Asian countries, explicitly challenge the ‘development as industrialization’ narrative as sufficient to explore social development in the twenty-first century; instead, she draws inspiration from Amartya Sen’s human capabilities approach as a more holistic approach to development. Part 2 offers critical engagement with the DS theory by way of examining country case studies from traditional lens of developmental states. In contrast to standard case studies, each paper carefully draws out the utility of insights from the DS model, such as state capacity, developmental corruption, and geopolitical contexts as a means of understanding how complex patterns of state-society and state-market relations emerge as Africa and Latin America face the need to find new sources of growth in the contemporary world economy. In our Latin American cases, Wylde, Massi and Nem Singh draw from Argentina and Brazil to critically reflect on the equally important role of developmental ideology in industrial policies. In Africa, Clapham writes an insightful compendium of the political bases and the changing developmental state in Ethiopia. By contrast, Saunders and Caramento uses Zimbabwe and Zambia as an example to show the historical relevance of ‘developmental structures’ and a state-business alliance that is committed to a developmental vision. Finally, Part 3 revisits the original East Asian developmental states by examining how their economic success has been limited in engaging with new challenges, notably in climate change and economic diplomacy. Dent focusses on Singapore and South Korea to demonstrate how East Asian states have combined growth targets with environmental concerns while Tonami demonstrates the importance of political continuity in the Japanese developmental state as contemporary elites engage with economic diplomacy in the Arctic Circle.

Part 1 discusses new conceptual and methodological ways to understand the proliferation of state-led development in the Global South. Ovardia and Wolf explicitly engage with

methodological debates that area studies and political economists must consider when comparing the nascent process of African industrialization with other regions and in the context of economic globalization. The paper argues that quantitative and qualitative approaches can mutually reinforce each other in using the case study approach to development and structural transformation. This observation sets the scene for the papers that follow with their breadth of case studies across Africa, Asia, and Latin America. Taking from the best of the burgeoning literature on African state-led development, Ovidia and Wolf demonstrate how mixed methods can be applied not only to state policy, but also to the study of specific sectors and even specific firms. Crucially, this paper convincingly argues for bringing in the demand side in political economy debates, suggesting that successful industrial policy hinges as much on the demand for productivity as on the supply. The authors substantiate this argument through illustrations from Nigeria and Tanzania's construction and oil and gas sectors, emphasizing state agency and state-business relations as the key to identify successful, partial and unsuccessful examples of developmental states.

In the second paper, Nem Singh and Chen continue the focus on state-business relations but shift the analytical focus towards state-owned enterprise as potential bearers of efficiency and competitiveness rather than vessels of rent-seeking and corruption. The paper examines SOEs and their relationship with centralized governments, or what they refer as 'state-state relations', as one way to understand how novel institutions and policies are crafted to generate new comparative advantages. Giving emphasis to the recent experience of China and the resource sector, the focus on state-state relationships across countries and sectors can enable scholars to identify elite motivations for institutional change as well as how states choose 'winners' and 'losers' in the industrialization race – an issue to which Nem Singh and Massi provide further empirical depth through the case study of Petrobras and Brazil's oil-led industrial policy.

Hsu complements our exploratory approach to theory by bringing into conversation tenets of developmental state theory and Amartya Sen's human development approach, with an emphasis on how new forms of social protection and investments in poverty reduction and social welfare are changing the motivations behind state action in China, Japan and South Korea. As a departing point, Hsu argues that the DS concept, and indeed the study of state-business relations, must be expanded to incorporate other types of coalitions that allow for human development and social welfare provision. Given the realignment of the Japanese and South Korean developmental states around the human development approach (HDA), Hsu suggests that Chinese development is gradually moving towards the political inclusion of civil society actors when responding to a broader range of development priorities. The interventionist perspective of DS theory can help understand how socially inclusive developmental states are being constructed in order to mitigate the negative consequences of social inequality and economic globalization.

Part 2 brings out the case studies that demonstrate institution-building and state capacity formation in the context of economic globalization. We have been fortunate to include Brazil and Argentina – two economically important economies in Latin America – as examples of how developmental states evolve over time and space. Nem Singh and Massi critically explain the successes and failures of Brazil's approach, i.e. utilizing sector-specific development through local content policy, Keynesian style infrastructure-spending, and building inter-sectoral linkages, in sustaining industrialization as policy elites identify new sources of growth and inspiration for industrial policy-making. As in East Asia, the Brazilian state was key to the country's industrialisation, characterized by a slow-moving process of state centralization and consolidation of political corporatism to create a structured relationship with domestic

capitalists and organized labour. What is new, however, is the PT government's intent to utilize the natural resource sector, especially its oil and gas industry, to further deepen the process of structural transformation in Brazil. While the policy was, by and large, well-designed, rent-seeking and clientelism have weakened the autonomy of Petrobras, which meant losing its ability to deliver public policy goals and profit-making for its shareholders.

In Argentina under the Kirchners, and in the context of the 'Pink Tide' more generally, Wylde argues that such a vision was part of building a hegemonic project—a project that ultimately went into decline. Given the importance of reforming and transforming both the state and its defining social relations, the DS concept retains analytical purchase regardless of the eventual outcome. This is a message repeated in Saunders and Caramento's analysis of Zambia and Zimbabwe and the prospects of developmentalist projects in 'deviant' extractive developmental states. The authors argue that Zambia and Zimbabwe have sought to link resources and development and move beyond the context of resource curse, yet they have been unsuccessful using the developmental state paradigm for the same reason they were unable to develop using the rents from natural resources—low levels of state capacity and a lack of commitment to democratically-driven state restructuring.

Saunders and Caramento suggest limits on 'developmental patrimonialism' in resource-rich but otherwise weak states due to a lack of incentive for elites to engage in meaningful reform. Still, in Sub-Saharan Africa it is Ethiopia that, along with Rwanda, is most often considered developmental. In his article reflecting on the development experience of Ethiopia, Clapham suggests the country has achieved undoubted successes despite its patrimonial character. Its heavy investment in infrastructure and agricultural development-led industrialization provides 'one of the clearest examples of a developmental state in Africa'. At the same time, the top-

down and autocratic tendencies of its leaders present challenges for a long-term transition of the economy led by the private sector and a political system that is truly democratic and accountable.

Part 3 brings us back to East Asia, where the DS concept was born but has been abandoned as a model of state governance. Aki Tonami and Christopher Dent offer an overview of how East Asian developmental states have begun to move beyond the confines of their historical models of development in the twenty-first century. Tonami's examination of the Japanese developmental state focuses on Japan's external relations, exploring how the country leverages development assistance, science and technology to bolster its economic success and to expand its economic diplomacy into the Arctic. Her paper details the vital role of Japan's historically strong and professionalized bureaucracy in order to achieve a new policy objective: to export the Japanese DS model as a means of promoting Japan's own economic security and to revive a model that was clearly in decline since the 1990s as the country entered a period of prolonged economic stagnation. Meanwhile, Dent turns his attention to the East Asian approach to low-carbon development. The East Asian region has moved beyond original conceptions of developmental statism with new and evolving forms of state capacity to respond to the global challenge of climate change. Using South Korea and Singapore as case studies, Dent shows that the region has embraced new developmentalism and 'climate interventionism' in order to pursue sustainable 'green growth'.

Taken together, these papers bring us full circle toward new and expanded relevance for the developmental state in the twenty-first century in which the original interventionist model of a developmentally-oriented state works toward structural transformation and sustainable growth. Beyond its origins in East Asia's export-led industrialization, the DS framework continues to

offer a useful approach to analysing the role of the state in economic and social development. Its deployment in this special issue underscores the continued importance of the state and of development politics in global political economy.

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¹ Hirschman, *Essays in Trespassing*, 75.

² Stiglitz, *Globalization and its Discontents*.

³ Clapham, Nem Singh & Massi, Wylde, this issue.

⁴ Johnson, *MITI and the Japanese Miracle*.

⁵ Haggard, *Pathways from the Periphery*.

⁶ Amsden, *The Rise of the Rest*; Evans, *Embedded Autonomy*; Kohli, *State-directed Development*.

⁷ Henley, *Asia-Africa Development Divergence*; Jomo, *Southeast Asia's Misunderstood Miracle*; Kuhonta, *The Institutional Imperative*; Macintyre, "Funny money"; Teichman, *Social Forces and States*; Vu, *Paths to Development in Asia*.

⁸ Henley, *Asia-Africa Development Divergence*;

⁹ Kelsall, *Business, Politics and the State in Africa*;

¹⁰ Chu, "The Asian Developmental State"; Evans, *Embedded Autonomy*; Soifer, "The Development of State Capacity".

¹¹ Evans, *Embedded Autonomy*.

¹² Doner et. al., "Systemic Vulnerability and the Origins of Developmental States"; Yeung, *Strategic Coupling*.

¹³ Brødsgaard & Young, *State Capacity in East Asia*; Kuhonta, *The Institutional Imperative*.

¹⁴ von Hau, "State Infrastructural Power and Nationalism".

¹⁵ Centeno & Ferraro, *State and Nation-Making in Latin America and Spain*.

¹⁶ Collier, "Trajectory of a Concept"; Schneider, *Business Politics and the State in Twentieth Century Latin America*; Yashar, "Contesting Citizenship"; Yashar, *Contesting Citizenship in Latin America*.

¹⁷ Amsden, *Escape from Empire*, 143-146.

¹⁸ Khan & Jomo, *Rents, Rent-seeking, and Economic Development*; Kelsall, *Business, Politics and the State in Africa*.

¹⁹ Weiss, "Government-business Relations in East Asia".

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- ²⁰ Doner et. al., “Systemic Vulnerability and the Origins of Developmental States”.
- ²¹ Yeung, “Rethinking the East Asian Developmental State in its Historical Context”.
- ²² Chibber, *Locked in Place*; Kohli, *State-Directed Development*.
- ²³ Sandbrook et. al., *Social Democracy in the Global Periphery*; Segura-Ubiergo, *The Political Economy of Welfare State in Latin America*.
- ²⁴ Sanchez-Ancochea, “States, Firms and the Process of Industrial Upgrading”; Whitfield et. al., *The Politics of African Industrial Policy*.
- ²⁵ Hickey et. al., *The Politics of Inclusive Development*; Mosley, *Fiscal Policy and Natural Resources Curse*.
- ²⁶ Evans, “Development as Institutional Change”.
- ²⁷ Chan et. al., *Beyond the Developmental State*; Saraswati et. al., *Beyond the Developmental State*.
- ²⁸ Grugel & Ruggirozzi, “New Directions in Welfare”; Grugel & Ruggirozzi, “Post-neoliberalism in Latin America”; Ruckert, Macdonald & Proulx, “Post-neoliberalism in Latin America”.
- ²⁹ Leiva, *Latin American Neostructuralism*; Nem Singh, “Reconstituting the Neostructuralist State”.
- ³⁰ Bresser-Pereira, “From Old to New Developmentalism in Latin America”.
- ³¹ Gezmis, “From Neoliberalism to Neo-developmentalism?”.
- ³² Mann, “The Autonomous Power of the State”; Mann, “Infrastructural Power Revisited”.
- ³³ Kelsall, *Business, Politics and the State in Africa*; for a critical view, see Saunders & Caramento, this issue.
- ³⁴ Booth, “Introduction: Working with the Grain?”, 1-4.
- ³⁵ Mann & Berry, “Understanding the Political Motivations”; Behuria, “Centralising Rents and Dispersing Power”; Clapham, this issue.
- ³⁶ Nooruddin, *Coalition Politics and Economic Development*; Saylor, *State-building in Boom Times*; Whitfield & Buur, “The Politics of Industrial Policy”; Whitfield et. al., *The Politics of African Industrial Policy*.
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- ³⁸ Soifer, “The Development of State Capacity”; Vu, “Studying the State through State Formation”.
- ³⁹ Amsden, *Asia’s Next Giant*; Wade, *Governing the Market*.
- ⁴⁰ Yeung, “Rethinking the East Asian Developmental State in its Historical Context”.
- ⁴¹ Wade, “Rethinking Industrial Policy for Low Income Countries”; Wade, “What Strategies are Viable for Developing Countries Today?”.
- ⁴² Nem Singh & Massi, this volume.
- ⁴³ Massi, *The Political Economy of Development Finance*; Musacchio & Lazzarini, *Reinventing State Capitalism*.
- ⁴⁴ Ovadia, “Local Content and Natural Resource Governance”; Ovadia, “Local Content Policies and Petro-Development”; Ovadia, *The Petro-Developmental State*.