Chapter 1

Introduction: The Nexus of Developmental Policy and State Building

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1.1 Introduction: Is the Developmental State Still Relevant?

Life of the “developmental state” concept has its ups and downs. Its heyday had lasted from the mid-1980s until the Asian financial crisis broke out in the late 1990s. Many analysts considered that it would face almost certain death following that crisis, during which the term “developmental state” seemed to connote “crony capitalism”. Nonetheless, its flagging fortune has been revived again in the wake of the global financial crisis of 2007–08, as the so-called Washington Consensus, with an opposing emphasis on deregulation and liberalization, is subject to growing criticisms (Helleiner 2010; Birdsall and Fukuyama 2011). Meanwhile, the Beijing Consensus, reminding most observers of the developmental state concept, has attracted increasing attention worldwide (Halper 2010). More fundamentally, however, renewed interest in the developmental state is due to the fact that the debate itself focuses on questions that are unlikely to easily fade into insignificance, that is, the relationship between the state, the market and civil society as well as the political and institutional foundations for long-term economic development (Hayami and Aoki 2001; Haggard 2015).

Of course, the traditional understanding of the developmental state had already become obsolete. Early studies were seriously problematic not only in their state-centric view and *post hoc ergo propter hoc* reasoning but also their samples which were small in number and limited or biased toward Asian economies (more on this below). Moreover, international and domestic contexts have changed considerably. While the wider process of globalization has increasingly reduced the latitude of policy choice for developing countries, the democratization process has rationalized the demands of domestic voters for income redistribution and public provision as well as the elimination of intolerable inefficiencies and injustice. As a result, unlike the

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developmental state of the Cold War era, which in the twenty first century is forced to rethink state intervention and cannot secure political legitimacy by achieving economic growth alone.

All these analytical limitations and evolving contexts provide an opportunity for us to reconsider more thoroughly the role of the state in economic development and offer deeper reflections on development strategies for emerging economies. More specifically, this volume makes enquiries into the blend of technocracy and democracy delivering economic growth with equity, national and regional security and stability (Shiraishi 2018). It also explores those factors which lead to particular mixes of technocracy and democracy, presumably including state capabilities, geopolitical location, and ethnic diversity. Through these enquiries, the volume aims at relativizing and redefining the developmental state perspective so that the concept can treat successful and failed attempts to build developmental states in the remote and recent past in a coherent way. It also intends to draw policy implications relevant to the current and future emerging states.

This chapter proposes a framework to modify and revitalize the developmental state approach. Since the end of the Cold War, accompanied by the US declining support for the Third World (see Jackson 1990), an increasing number of developing country governments have changed their attitudes to the development of their own economies from near indifference to willingness and even to strong commitment. Meanwhile, rapid globalization has increased the opportunity cost of the remaining underdeveloped and non-industrialized. Growth “miracles” in East Asia in the past five decades have recast doubt about the principle of *laissez faire* among people in the other parts of the developing world.¹ This awareness, together with the progress of democratization, has prompted policymakers in these countries to discover when and how far economic policies should deviate from *laissez faire*, what brings effective policy designs and implementation toward economic development, what prevents political leaders and state institutions from being captured by vested interests (the so-called “state capture”), and what induces them to drive economic development.

To meet this demand for knowledge, the developmental state approach can impart its insights into development policies and institutional arrangements for planning, deciding, and implementing the policies. For this purpose, this chapter points to the importance of making developmental state argument reflect the recent globalization and democratization and the recent progresses in social sciences. Among the progresses in social sciences, we think the following are particularly relevant to the developmental state. The first is the increased availability or accumulation of case studies of successes and failures in economic development. Singapore, for example, shared somewhat similar policies toward economic development with the Northeast Asian developmental states, while Thailand did to a much lesser degree. More recently examples are Botswana and Ethiopia, which have their own versions of “Look East” policy following the lead of Singapore and Malaysia. We propose international comparisons of regimes, institutions, policies, and growth performance

¹Skepticism about *laissez faire* has had a long tradition, with roots tracing back at least to the work of Alexander Hamilton and Friedrich List in the eighteenth and nineteenth centuries.

among these developing countries, which were impossible for earlier researchers whose observations were limited to developmental experiences in Northeast Asian and the Western world².

Second, new insights into the interaction of political and economic institutions and into state capture should be incorporated into the development state argument. Third, the developmental state argument should embrace the policy implications of the new trade theory and the new economic geography (or spatial economics), which explain why orthodox policies are not necessarily desirable from the national welfare point of view. Fourth and similarly, the implications of social capital and coordination failures should be taken into account. These concepts have been used extensively in recent studies to explore the determinants of the capabilities of people, firms, public offices, and their society. Depending on such capabilities, public policies that work well in one country may not work in another. The fifth is the rapid growth in the literature on social network and global value chains (or commodity chain). As globalization proceeds, global value chains extend to a broader range of the developing world, and the roles and advantages of diaspora networks have been changing. The developmental state argument should incorporate insights from these bodies of literature.

The remaining discussion proceeds in the following way. The second section traces the evolution of the debate over the developmental state to demonstrate both its relevance for the twenty-first century and its major shortcomings. The third section considers the implications of the deeper process of globalization and democratization as well as recent developments in social science studies on the developmental state. The fourth section proposes our new approach to the study of developmental states. The fifth section briefly summarizes the chapters ahead.

1.2 Evolution of the Debate: Relevance and Shortcomings

The developmental state is one of a handful of concepts that have arisen from the empirical grounds outside the Western world but have gained global currency and provoked worldwide debate across scholarly and policymaking communities, signified in the launch and aftermath of the *East Asian Miracle Report* (World Bank 1993). At least prior to the 1997 Asian financial crisis, the eight highly performing Asian economies (HPAEs)³ were considered to be the developmental models from which other developing countries should draw institutional and policy lessons to “replicate” their highly performing economies.

²Singh provides a good collection of case studies (Singh and Ovadia 2018).

³HPAEs included: Japan, Korea, Taiwan, Singapore, Hong Kong, Indonesia, Malaysia and Thailand.

1.2.1 From MITI to Embedded Autonomy

Chalmers Johnson is among the trailblazers in the field, with his *MITI and the Japanese Miracle* (1982) paving the way for the later generation of the developmental state literature that examined historical origins of East Asia's staggering growth through a typological framework. It is worth reminding the context of Johnson's study. He coined the term "developmental state" in the era of Cold War when most people could think of only two possibilities of political economy regime, that is, either socialism or capitalism. In this context, he argued that we should study Japan not within this dichotomy, but with a new framework, which is a *capitalist developmental state*. In other words, the developmental state is a concept to make a typology differentiating Japan from the US and USSR. While Johnson explained the changing nature of government–business relations from 1925 to 1975, he highlighted the bureaucracy as the key entity given enough authority to guide the country's economy and to implement its policy efficiently. He emphasized the role of administrative guidance and the Ministry of International Trade and Industry (MITI), as a pilot organization (Johnson 1982: Chap. 9). He even stressed that "Japan's [model] is a system of bureaucratic rule" (Johnson 1982: 320).

The work of Johnson inspired a group of scholars to expand their empirical analyses to newly industrializing economies in the late 1980s and the early 1990s, with a focus on selective industrial policy. Alice Amsden (1989) argued that South Korea succeeded in export-oriented industrialization by "getting the prices wrong", while Robert Wade (1990) summarized the key strategy that fostered Taiwan's extraordinary rate of economic growth as "governing the market". Stephan Haggard (1990) compared the internal political dynamics that allowed Hong Kong, Singapore, South Korea and Taiwan to move from an import-substitution strategy to an export-oriented industrializing strategy. When the debate proceeded to the search for the more general lessons that can be drawn from these East Asian economies, Peter Evans (1995) brought the concept of "embedded autonomy" to the fore. In addition to being autonomous and capable, a bureaucracy needs to develop close and productive ties to the business communities to formulate and implement effective industrial and trade policies. Otherwise the state would fall into the predatory state, where political elites exploit national resources without providing social welfare to the people in general, or an intermediate type.

In sum, the rising tide of the developmental state concept in this early debate has moved from the impressive, yet specific, role of MITI in the early 1980s to the more generalized lesson of embedded autonomy in the mid-1990s. While we consider that the categorization of state type as Evans (1995) made is still of use, especially in the analysis on contemporary African economies, we maintain that the interpretation of the developmental state based on a *specific set of policy instruments* or *economic performance* is misleading. The development state should be defined in terms of the shared intentions among the leaders and policymakers, as Johnson (1982) originally perceived.

1.2.2 *Fatal Flaws that Require Remedies*

Despite the profound insights offered by the existing studies of the developmental state, they suffer from three major drawbacks, that is: overly structural explanations; state-centric unit of analysis; and East Asian empirical bias.

First of all, structural explanations have dominated the developmental states literature. All dominant explanations for the origins of developmental states have been made from the structuralist perspective, considering developmental state as being a product of the colonial legacies (Kohli 2004), the Cold War conditions (Woo-Cumings 1998), resource constraints (Rasiah 2003), or systemic and severe threats (Doner et al. 2005). While these structural factors are relevant, a mere focus on them results in the failure to account for the role of human agency in the complicated process of design, formation and maintenance of related policies and institutions, and contingency including timing of policy implementation (Hau 2017).

The fundamental issues of structure–agency should be dealt with in a more balanced manner. A better understanding of effective developmental strategies and states requires an analysis that compares and contrasts the interactions of leaders and leading actors across countries and regions (Leftwich 2010). A good example of such leaders is Noorul Quader, a bureaucrat-turned-businessman, whose foresight laid the foundation for the rapid and sustained development of the export-oriented garment industry in Bangladesh. This industry did not exist forty years ago, but it has led the high economic growth of the country for the last three decades by growing into the second largest garment exporter in the world (Easterly 2002; Mottaleb and Sonobe 2011).

The example of the entrepreneur in Bangladesh reminds us of the second flaws in the existing literature, which is so-called East Asian bias. In this volume, we call for a study that goes beyond the East Asian bias prevalent in the existing literature and investigate more thoroughly emerging states such as those in Southeast Asia and Africa. Even though we can hardly find a full-fledged developmental state in Southeast Asia, several scholars consider many Southeast Asian economies as possessing the intermediate states in which we can find certain parts of the *pockets of efficacy* (e.g. Doner et al. 2005). As above mentioned, we can still find pockets of efficacy in one of the latest members of the middle income country such as Bangladesh. It is interesting, analytically and empirically, to explore how the “intermediate states” have fared after the two financial crises. Even more interesting is the “developmental state experiment in Africa” (Ayee 2013). In the past decade there have been attempts to “emulate” the economic successes of East Asia, with the concept of developmental states being increasingly employed in the continent. For example, the African National Congress (ANC) in South Africa used the concept explicitly in its electoral campaign material, while the late Ethiopian Prime Minister Meles Zenawi promoted the model as the way forward to African Finance Ministers (Routley 2014). This volume aims to shed new light on the developmental state literature by going beyond the East Asian boundary to examine various aspects of economic development in newly emerging economies.

Third, the traditional developmental state approach suffers from its tendency to pay too much attention to political institutions and its relative neglect of the private sector. It is farmers, businesses, and their workers in the private sector who play the central roles in economic development. Bureaucrats and politicians are auxiliary players. The latter, however, exert enormous influences on the central players, reminding us the importance of looking at both types of players and examining their relationship carefully. Existing empirical analyses demonstrate the association among delegation, bureaucratic reform, and economic take-off, but they do not establish the underlying causal connections. Nor do they examine under what conditions political institutions lead the private sector, not the other way around. A possible hypothesis is that political institutions guide the private sector when and where the former are superior to the latter in information gathering and processing, knowledge, and foresight, and *vice versa*. In our view, such capabilities are composed of human capital as emphasized by Schultz (1961) and Becker (1964), social capital as emphasized by Putnam (1993) and Arrow (1998), and the ability to coordinate as studied by game theoretic experimenters such as Cooper et al. (1992) and Brandts et al. (2014) among others.

Going back to the example from the garment industry in Bangladesh, Quader sent 130 highly educated Bangladeshi employees to South Korea to receive intensive training for eight months at a Korean leading garment firm. These trainees would become the cadre of the subsequent industrial development (Rhee 1990). As soon as completing the training, they went back to Quader's newly established factory to produce and export their products to developed country markets. To do this successfully, they needed new government policies and regulations related to export financing and bonded warehouses. As the government had no expertise in making such arrangements necessary for the then new industry, it was Quader's firm and the Korean firm that took the initiative in making them.⁴ Generally, while government services are essential for a country to achieve economic development, it is not an easy task for the government to achieve embeddedness. Even with embeddedness and good policies, however, economic development could not be achieved if the private sector was too weak. This is why this volume pays much attention to the government's capability and its intention to assist economic development and to the private sector's capability as well as government policies toward strengthening it.

1.2.3 A Redefinition of Developmental States

Following the Asian financial crisis in 1997–8, a number of critics underscored the risks associated with industrial policy and restated the case for market-oriented

⁴In contrast, the development of the generic drug industry, which has been another leading industry of Bangladesh for the last decade, was boosted by a drastic and surprising industrial policy designed by an expert committee under the head of the army who had just seized power through a bloodless coup in 1982 (Amin and Sonobe 2014).

reform. At that time such terms as “booty capitalism” and “crony capitalism” came to replace the developmental state, leading Wong (2004: 345) to summarize that: “In the end, it seemed that the most severe and lasting casualty of the 1997 crisis was the East Asian developmental state model itself.”

Nevertheless, the view that the Asian financial crisis was the death knell for the developmental state is an unfounded claim, as it rests on the misleading presumption that defines the developmental state in terms of a *fixed set of policy instruments*. In fact, industrial policy of the East Asian states was not all about the promotion of “national champions” via heavy-handed credit control. Although that orientation was pursued by South Korea, Taiwan was rather characterized by its state support for small-to-medium-sized enterprises via a variety of policy means, whereas Singapore has lent a great weight to the role of state-own enterprises. As pointed out by Thurbon (2014, 4–6), the developmental state is better conceptualized in ideational term—rather than equating it with specific policy approaches that freeze the concept in space and time. Going back to the original work of Johnson (1982), his contribution was not only describing the key features of developmental states, but, more importantly, specifying what sets them apart from other state varieties. In there, Johnson distinguishes the “plan-rationality” character of the developmental state from both the “market-rational” (concerned with the rules of economic activity than substantive outcomes as in the US) and the “plan ideological” (bureaucratic planning is valued as an end in itself as in the Soviet Union) types. The pursuit of techno-industrial transformation and competitiveness of developmental states is a political-economic project that places priority on national economic growth:

Johnson’s original conceptualization of the [developmental state] placed primary emphasis on the *shared goals or ambitions* of the policymaking elite (i.e. national industrial transformation and competitiveness) as well as shared ideas about *how these goals might best be achieved* (i.e. via strategic intervention in the market). In this sense, Johnson’s conception of developmentalism has a distinctive ideational element: it is as much a political-economic philosophy...[that is]...a set of ideas regarding the primary purpose of economic activity, the central goals of the state and the appropriate role of the state in achieving those goals – as it is a set of institutional arrangements and policy expressions. (Thurbon 2014, 6, original emphasis)

An ideationally-informed conceptualization of the developmental state not only helps us understand more fully about the evolution of East Asian states but also provides an analytical framework through which we can explore the variation among the emerging states in different regions. In addition to the three types by Johnson, we can add the type of “market-ideological” after learning the series of failures in Asia, Russia, and Eastern Europe caused by the abrupt changes triggered by the policy prescription prepared by those who believed in Washington Consensus (Stiglitz 2002).

What, then, differentiates a developmental state from other kinds of growth strategy? It is further argued here that a developmental state is one that focuses on productivity improvements rather than relying upon its market size or resources as a driving engine for economic growth. This is because, we are interested not in simple economic growth but more in transformation of political economy in particular states.

As discussed in detail in Tsunekawa (2018), if developing countries are assessed based on their catch-up speed (increase in GDP per capita) and economic size (share in global economy), there are 29 countries which could be counted as “emerging states”. More interestingly, these emerging states do not take the same trajectory toward economic success. There is a significant variation in terms of advantage factor among them. Certain countries such as Russia, Chile and Nigeria recorded high growth rates thanks to their abundant natural resources. Some other countries, such as China, Brazil and India, benefit greatly from large domestic markets. The remaining emerging states are those that become dominant because of their productivity improvements, e.g. Singapore, Turkey, Thailand, the Philippines, Malaysia, Indonesia and Taiwan.⁵ This third group is the focus of our volume. This is because the success of this group is mainly attributed to productivity improvements, a man-made phenomenon that can be replicated more easily than resource abundance and large domestic markets that are rather the given initial conditions.

In sum, we depart from a conventional wisdom that considers the developmental state based on a fixed set of policy instruments. The developmental state is used here as an analytical concept and redefined to underline the shared commitments of leaders and policymakers, with an emphasis on a country’s productivity improvements that facilitate a process of transformation of a country’s productive structure.

1.3 Democratization, Globalization and Policymaking in New Developmental States

In addition to remedying the three analytical flaws as discussed above, this volume aims to incorporate the issues of how the contexts conducive to economic growth that have differ the challenges of developmental states in the twenty-first century from the previous one.

1.3.1 Democratization and Conducive Contexts

The prime examples of developmental states, particularly South Korea and Taiwan from the 1970s to the late 1980s, were typically seen as ones governed by authoritarian regimes. As a result, many observers consider that the democratization process, which has taken place in most of the developing world since the 1990s, would hinder the possibility of developmental state building in the twenty-first century.

However, the contexts conducive to developmental state building should be considered beyond the dichotomy of democracy versus dictatorship. Political contexts

⁵Note that the advantage factor used here is not mutually exclusive. Some countries enjoy more than one advantage factor (to a different degree) such as Turkey and Indonesia that possess both large market sizes and productivity.

in which all East Asian developmental states could rather be conceptualized as a “shared growth” model, designed to achieve economic prosperity together with relatively equitable distribution of wealth and income. As Evans (1995) argues, the developmental state is the polar opposite of the predatory state. Accordingly, the more relevant questions than democracy/dictatorship are: How do the developmental states face social pressure? Why did they share the fruits of growth with the nation at least to some extent? What are the mechanisms to induce such a shared growth?

Based on the East Asian experience, scholars have considered *social policymaking* as an essential part of developmental regime making (*Tokyo Daigaku Shakai Kagaku Kenkyujo*, hereafter, *Shaken*, 1998; also see Chibber 2003). They argue that the developmental regimes aimed at establishing national economy based not on individualistic or sectoral interests but on national interests. Land reform might expand the domestic market, accelerating industrialization. In Japan and Korea, moreover, social policy could be seen through the “corporate welfare” system, including not just the lifetime employment but also health provision or educational subsidies for the employees’ children. In sum, social policy can play a far more crucial role than providing a safety net and therefore significantly contribute to economic development in East Asia. For example, cost-effective public provision of health and education can bring about improvements in labor force quality that can, in turn, raise efficiency and enhance productivity. Interestingly, a comparative study of social policy regimes in East Asia, Eastern Europe, and Latin America reveals that the regime in East Asia is biased for education rather than universal social services or labor protection (Haggard and Kaufman 2008).

Social welfare also reduces tensions and enhances the legitimacy of the political system, thus providing a more stable environment for long-term investments (Chang 2002). This is another lesson we should draw from the East Asian miracle, especially when taken into account the rising expectation of people amid the democratization process (Naim 2013; Shiraishi 2016). Meanwhile, scholars working on African countries have criticized limitations of a sudden introduction of elections without a sufficient prepared process (e.g., Collier 2007, Chap. 3). Young electoral democracies have often failed to consolidate its new “game in town”. This volume aims to address social pressure and its politico-economic consequences.

Even Evans has broadened his concept of embedded autonomy between states and businesses to link with civil society in his recent work on developmental states (Evans and Heller 2015). In this work, he and his coauthor point out that the government should be embedded not only in private businesses but also in civil society. In a same vein, this volume aims to examine the broader political coalitions that hinder or foster the developmental state.⁶

⁶Social policy or safety nets would be provided by grass-root institutions to varying degrees, depending on the initial conditions and process of state building and economic development in the past. In a country where both public and private provision of safety nets are far from sufficient, the government may lose legitimacy, which will make its development policy more likely to fail. This difficulty is an issue to be covered by Volume IV, but our chapter should at least mention it and can try to discuss a developmental state providing social services as much as needed.

1.3.2 Globalization and Developmental States

In our view, globalization is not necessarily conducive to economic growth but it opens many windows of opportunity. Economic growth has long been recognized to have two major engines: the expansion of external and internal trade and the progress of technology (e.g., Mokyr 2017). Globalization is a synonym of the expansion of international trade and investment. The latter is to some extent a result of technological progress in navigation, transportation, and communication, which have drastically reduced costs of transporting goods and exchanging ideas across the world. It is also a result of the initiatives and efforts of policy makers and international communities to harmonize institutional arrangements for international business and financial transactions and settlement as well as freer trade and investment agreements (e.g., Helleiner 1994, Chap. 4). Globalization is also associated with the diffusion of advanced technologies through technology transfers between trading partners, by multinational firms, and through foreign aids. Thus, although globalization has resulted from technological progress and expanded international commerce and finance, it has also fueled these two engines to boost further economic growth.

In addition, globalization has increasingly encouraged individuals to work abroad and resulting in the evolved idea about development finance and implications for economic development. Naim (2013, 60) reveals that remittances made by the migrant workers are now five-time more than that of total international aid and more than a total of annual inflows of foreign direct investment (FDI) to developing countries. Increasing remittances and rapid urbanization also generate huge domestic markets for service industry. The recent Philippine economy, for example, depends almost 10 percent of its GNP on remittances from abroad, enjoys rapid development of service sectors and paid less attention to the manufacturing than before (Raquiza 2014).

While globalization opens many windows of growth opportunity, it is not always beneficial or conducive to economic growth. It could aggravate fluctuations and risks due to bubbles, panics, and asset-price overshooting, which might devastate developing and emerging economies as the Asian financial crisis did toward the end of the 1990s. It could also increase the occurrence of brain drain or outmigration of special human resources to high-salary-paying countries, and that of land grabbing and resource acquisition in developing countries by foreign firms through illegal means that take advantage of foreign investment liberalization. Thus, it is little wonder that few countries have wholeheartedly accepted globalization. Rather the governments paradoxically introduce more regulations when they accelerate liberalization (Vogel 1996).

Nonetheless, some developing economies have recently emerged by selectively accepting and taking advantage of some aspects of globalization. Taiwan has become a powerhouse exporter of high-tech, high-precision goods. Thailand has become a center of automobile production in Southeast Asia by joining Japanese auto supply chains. The Philippines and India have been successful as providers of offshore outsourcing service. These emerging states have neither followed a *laissez-faire* strategy nor accepted every aspect of globalization, but they have embraced international

supply chains and ardently made bilateral and multilateral free trade agreements. These facts must have put pressure on policymakers in developing countries to adopt wise policies to take advantage of globalization in order to achieve high economic growth. Thus, in our view, globalization will increase rather than decrease the number of countries that turn into developmental states in future (also see Baldwin 2016).

1.4 Developmental Strategy and Regime in Emerging States

To alleviate the analytical and empirical problems of the traditional developmental state literature, this book sets out to move beyond growth obsession and structural explanations to appreciate the dynamics of, and variation among, the emerging states. In doing so, we focus on both the developmental strategy and regime.

1.4.1 *Developmental Strategy in Emerging States*

Most scholarship in the developmental state tradition seems to evaluate the state's strength purely in terms of outcomes, usually economic growth. As Amyx (2004) puts it, those who praise Japan as a developmental state do not consider Japan's economic lost decades in their analysis (Amyx 2004). Even in the case of Southeast Asia, during the periods of rapid growth, the Thai and Malaysian states were deemed to be highly effective and any weaknesses were addressed only in footnotes. Yet the claim was reversed in crisis times. This is misleading because the impressive economic performance may result from a few state agencies or from particular economic policies without the overall effectiveness of the state changing. More importantly, it overlooks the unevenness in state capacities and the fact that the state's capacity may be high but is used for another purpose other than economic development. In order to appreciate the more dynamic nature of the developmental state, we should go beyond the developmental state as a typology of state and study the process of state transformation and their outcomes.

Revisiting Johnson's work (1982), we realize that there is a gap between his theoretical explanation in the chapter one and his historical narratives in the succeeding chapters. In the historical narratives on Japan's political economy, he revealed a process of policymaking and highlighted the roles of individuals and ideologies. For example, he paid much attention to a story of innovative bureaucrat Shinji Yoshino who elaborated on policy tools to suppress cut-throat competition in Meiji Japan (Johnson 1982, Chap. 2). A historical inquiry reminds us that a study on policymaking led by Alexander Hamilton, US Treasury Secretary, inspired Friedrich List to found German historical school of economics (Chang 2003). Historical analysis to trace the process of politico-economic transformation in a country provides us with a grip to go beyond overly static typology of countries.

Policymakers can be practitioners of grand strategy when they consider developmental policy with a big picture in order to transform existing socio-economic structure. Grand strategy is a set of policies to achieve larger policy goals beyond the control of a particular department of the government. In the case of foreign policy, for instance, policymakers led by the president work for the grand strategy combining security policy with economic diplomacy (Brands 2014). Grand strategy studies suggest that we examine a process of policymaking in addition to a specific policy and its outcome. A leading scholar in the field quotes US President Dwight Eisenhower saying, “[t]he plans are nothing, but the planning is everything” (Brands 2014, 195). As scholars working on the grand strategy of the US foreign policy scrutinize discussion and debates in the National Security Council instead of the State Department, scholars on developmental strategy should analyze deliberations for policymaking at the highest level.

Not a few scholars have already mentioned the linkage between the emergence of a developmental state and security issues (Doner et al. 2005). They argue that the systemic vulnerability composed of domestic and external threats and budget constraints compels policymakers to transform their political economy through economic development in Northeast Asia. They fail to explain, however, why similar attempts by the policymakers in Southeast Asia did not result into full-fledged developmental states. The Southeast Asian policymakers attempted to transform its regime to achieve peace and prosperity in the countries. In order to grasp the changes from the standpoint of actual political leaders, we should examine such initiatives made by individual political leaders rather than merely focusing on institutions shaping political behaviors.

By paying special attention to the role of ideas and discursive struggle, we can shed new light on the debate over the making and evolution of developmental strategy. This is because, insufficient attention has been paid to the role of human agency, ideational struggle, and discursive power. The extent to which ideas and discourses account for the dynamics of catching-up, as well as the ebb and flow of authoritarianism and democratization in emerging countries, are also the key puzzles of the book. In this way we can make a further contribution to the state transformation debate, rather than reinforcing the typological framework.

1.4.2 Developmental Regimes in Emerging States

Needless to say, we should study both will and capability of policymakers, which might be reflected in a regime composed of public and private sectors. In empirical terms, we call for a study that goes beyond the East Asian bias prevalent in the existing literature and investigate more thoroughly emerging states in Southeast Asia and Africa. Even though we can hardly find a full-fledged developmental state in Southeast Asia, several scholars consider many Southeast Asian economies as possessing the intermediate states in which we can find certain parts of the pockets of efficacy (e.g. Doner et al. 2005; Shaken 1998). Some agencies can be understood as “islands

of state strength” in intermediate states. Skocpol and Finegold (1982) argue that the American state is not as strong as its European counterparts but is still able to effectively direct economic activities by making use of key several agencies or departments, equivalent to the islands of state strength. Evans (1995) further elaborates on the concept and finds out that the islands of state strength should be embedded in productive private sectors so that the state can move toward a developmental orientation through such pockets of efficacy. In sum, these studies make the case for the developmental regime sustained by autonomous, technocratic agencies to be embedded in a network of business organizations to facilitate and direct economic policies effectively. It is of the interest of this volume to explore how these technocratic agencies, or more broadly speaking, developmental regimes, adapt under the process of democratization. This exploration is done particularly in Chaps. 4, 5, and 6.

Meanwhile in Africa, there are several countries intending to follow the developmental state-building mission (Routley 2014). While globalization puts pressures on African states as to the fierce competition in the global markets, globalization also provides great opportunities for them to negotiate with international aid agencies. As we have touched upon in the section III, the African National Conference Party (ANC) of South Africa advocated the “democratic developmental state” in its electoral campaign. Late Prime Minister Meles of Ethiopia had a clear intention to establish a developmental state in his country and his successors are still working for it. Is it the same specter which once haunted several ambitious political leaders with gigantic but prohibitively inefficient projects for heavy industrialization? If not, what kinds of difference can be found between the old concept of industrialization and developmental state building? The study on developmental strategy and regime in Africa can therefore shed new light on state transformation in the age of globalization.

In a nutshell, the development of developing economies is a complicated process that involves a wide range of structural (e.g. state structures and bureaucracy) and agency (e.g. political leaders and policymaker) factors. This volume focuses on the developmental state as an analytical framework that facilitates the study of the politics of growth. We have redefined the developmental state to underline the shared commitments of leaders and policymakers, with an emphasis on a country’s productivity improvements. Moreover, in contrast to an overemphasis on external factors and macro institutions in early literature, the volume underscores as much on the role of incentive structures as the dynamics of private sectors and political coalitions.

1.5 Developmental State Building in Asia and Africa

The Chap. 2 revisits the Japan’s experience of industrial policy making at the time of the transition from middle income country to high income country. Okazaki carefully traces the process of industrial upgrading and nurturing in Japan’s trajectory of escaping the middle-income trap. There have been heated debates over the role of Japanese industrial policy. Some highlight the role of the Ministry of International

Trade and Industry (MITI), others emphasize the entrepreneurship by the Japanese private businesses. Against this backdrop, this chapter argues that MITI played a pivotal role both in upgrading existing industry and in promoting new leading industries such as automobile. It attributes the successful industrial policy making not solely to the MITI but to the interaction among the MITI, private businesses, and international organizations.

In the Chap. 3, Kanchoochat revisits the second generation of developmental states such as South Korea, Taiwan and Singapore and examines one critical aspect of the catch-up process missing in the literature, that is, conflict. To understand successful catch-up more fully, the process of developmental state building should not simply be seen as a story about effective economic policies implemented by capable states. An equally important, but far less explored, dimension is how East Asian states managed the socio-political conflicts that accompanied their rapid economic transformation. The chapter argues that the characteristics of growth-led conflict vary across countries, and the diversity within the East Asian development models is the key to understanding the multiplicity of these conflicts and their paths to settlement. South Korea depended on big business complex, chaebols, creating a sharp division between the winners and losers and ending up with a series of contentious settlements. Taiwan pursued a more inclusive strategy, supporting small-and-medium-sized enterprises, paving the way for a smoother process of political opening with the relatively stable party system. Singapore aggressively invited FDI while maintaining state-owned enterprises in several key sectors, and carefully crafted social policies for new middle classes, which eventually prevented political opposition from cultivating its social base.

In the Chap. 4, Sato points out continuity and change of the development state project in Indonesia before and after its democratization in 1998. She compares the post-oil boom development program under the authoritarian Suharto regime with the post-commodity boom developmental program under democratic regimes. She painstakingly reveals the two different cliques of economic statecrafts in developmental state building in Indonesia; one is technocracy responsible for macro-economic management, another is technologue working for industrialization with visible hands of the government. Besides, it finds out that the politicians with business background play bigger roles in policymaking in democratic developmental state.

In the Chap. 5, Takagi and Khoo begin its analysis with a story about the political leaders facing international financial institutions in their efforts to build developmental states in Malaysia and Ethiopia. Prime Ministers Mahathir Muhammad of Malaysia and Meles Zenawi of Ethiopia clashed with the IMF that opposed economic policy management coincidentally in the same year of 1997. For Malaysia, the IMF attempted to keep opening the foreign exchange market in the midst of capital flight after the Asian financial crisis. Mahathir declined the IMF's policy prescription and carried out exchange controls which eventually worked well. Meanwhile, Meles did not swallow the IMF's policy prescription to open financial market and then gradually prepare a plan to build a developmental state in Ethiopia. By examining the foundation of the leadership, the chapter eventually reveals the political

process underpinning economic growth in multi-ethnic societies where some politicians tend to politicize ethnic divides of society and to add fuel to the fire of the politics of ethnicity.

In the Chap. 6, Takeuchi provides a case study of developmental state-building from a Sub-Saharan African perspective, with a focus on Rwanda. Examining the efforts of the Rwandan government to achieve rapid economic growth after traumatic genocide in the 1990s, the chapter points demonstrates how Rwanda's development strategy, which uses liberalization and state intervention. It also examines the political power structure of the government that steered rapid economic growth and highlights the vulnerability of economic development that depends more on fragile political settlements rather than vibrant private sectors. The chapter thus offers a balanced account of Rwanda's development and relates it to political factors and policy strategies.

The chapter by Kudo unpacks the (hidden) policy making process under the military rule in Myanmar. While most of conventional knowledge underestimates economic policymaking by the military junta, this chapter scrutinizes several efforts to make industrial policy. For example, Senior General Than Shwe had attempted to follow in Soeharto's footsteps to be a successful developmental authoritarian regime. However, Than Shwe's pursuit of FDI-led growth strategy faced a series of economic sanction by the US, which did not support his military regime, especially after the end of the Cold War. The Myanmar's case reminds us of the significant role played by international politics that mediates between the incentive of the government and the real implementation. The chapter also makes a contribution by offering fresh and systemic analysis of development strategy of Myanmar which considers regional imbalance of country's economic development.

The chapter by Matsumoto examines the challenges of developmental state-building after the end of the Cold War and the aftermath of the decades of structural adjustments in Africa using the case of Kenya. By scrutinizing district level data, the chapter finds an unequal economic performance among several regions in Kenya which enjoyed rapid economic growth after democratization. The findings help us understand more fully about the dissatisfaction of several ethnic groups in the country which enjoyed relatively smooth democratic transition followed by the troublesome period of consolidation. The role of leaders as well as the influence of regional characteristics has been examined carefully—leading to a number of fresh results, as the existing studies offer no rigorous evaluation on the impact of such decentralization.

Lastly, in the concluding remarks, Sonobe summarizes the findings and sets up several agenda for the future researches.

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