# Chapter 9
# Conclusion

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## 9.1 Introduction

The previous chapters created fascinating narratives of state building and economic development in Asia and Africa. As the editors promised in Chap. 1, this volume has accounted for important roles of human agency in developmental state building. It has also tried to avoid *post hoc ergo propter hoc* reasoning about success stories from East Asia by accounting for the ongoing processes of developmental state formation in three low-income countries, Myanmar, Ethiopia, and Rwanda. Paying attention to human agency in diverse cases has made the narratives more interesting than otherwise.

This short chapter aims to digest the major points of the narratives. The volume covers Japan, where Johnson (1982) framed the concept of developmental state, and the three tigers, namely, Korea, Taiwan, and Singapore. These countries are now high-income countries. The volume also includes cases of Malaysia and Indonesia, which are upper-middle-income developmental states, and the three low-income countries mentioned above. These case studies present considerable similarities and dissimilarities. I would like to advance hypotheses that explain them more or less coherently.

Chapter 1 argues that "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." The chapter introduces the legendary pioneer of the Bangladesh garment industry which has grown into the world second largest producer in four decades after starting from scratch. The subsequent chapters, however, do not devote many pages to discuss the private sector. I would like to give due attention to the private sector in a discussion about how developmental state studies will develop in the future.

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Y. Takagi et al. (eds.), *Developmental State Building*, Emerging-Economy State and International Policy Studies, https://doi.org/10.1007/978-981-13-2904-3_9

## 9.2 What Have We Learned?

As Chap. 1 argues, "the development state should be defined in terms of the shared intentions among the leaders and policymakers" rather than "a specific set of policy instruments."[1] That is, a developmental state is a low- or middle-income country with leaders and policymakers sharing a strong will to deliver rapid economic growth so that the country catches up with high-income countries.

The narratives in the previous chapters indicate that this objective of the leaders and policymakers is associated with two major constraints. One is the world/regional order. A deviation from it might invite severe punishment from leading nations and other members of the international community, as Myanmar under military rule experienced (see Chap. 7). Protectionist trade policies and the use of foreign technologies without paying loyalties, not to mention the invasion of a foreign country and abuse of human rights, could be regarded as deviations. Another major constraint is the need to manage conflicts. As Chap. 3 emphasizes, economic development inevitably creates winners and losers, which is a source of conflict. Without managing conflict, rapid economic growth will cease before the dream of entering the ranks of high-income countries is realized.

Within the constraint of world/regional order, a developmental state has usually three ways to make its economy grow, even though it may exceptionally have four ways. The first is to increase its human capital through education and its physical capital through saving and investment. The second is to mitigate market failure problems arising from various types of transaction costs, external economies and diseconomies, and monopoly. The third is to obtain goods and services, technologies, and expertise at lower costs than producing and acquiring them domestically, that is, gains from trade and investment.

There are three implications induced from these ways to achieve economic growth. First, the success of a developmental state requires a rational and effective strategy for development. Hence, the degree of success depends much on the state capacity, which is the second implication. Third, the degree of success depends also on the managerial and technical capabilities of the private sector because the economy consists in large part of activities of private firms, farms, and individuals.

Exceptionally, there is a fourth way to boost the economy. It is the so-called infant industry protection. This is exceptional because most industries are not infant industries in the true sense, which will by definition grow into internationally competitive industries if temporarily protected from foreign competition. Most industries fail to grow even if they are protected for many years because they lack either technical expertise or proactive workers who are willing to acquire new skills.

The forth way worked in Japan in the 1950s when the Ministry of International Trade and Industry (MITI) used foreign exchange allocation extensively (see Chap. 2). This is because large-scale firms and their workers in Japan had already been able and willing to use new machines, to which new technologies were embodied, and to devise ways of using the machines efficiently.

[1] Policymakers here include technocrats and bureaucrats.

They had acquired such ability and attitude through the productivity movement that the US government allowed to transfer on a full scale from the United State to Japan soon after the outbreak of the Korean War in 1950, considering the strategical importance of Japan (Sonobe 2018). At least for some industries in Japan, the infant industry protection worked well (Komiya et al. 1988).

The concept of developmental states in its incipient period was associated with the infant industry protection policy because the seminal work by Johnson (1982) was based on the observation of the MITI's approach. This policy, however, was not used or did not work in the developing countries that became developmental states later than Japan. In these countries, productivity movement started actively only after Foreign Direct Investment (FDI) began to flow in massively. Until then, their industries were not infant industries in the true sense, and temporary protection, if provided, would not lead considerable productivity improvements. After the massive inflow of FDI began, infant industry protection became unnecessary. This is why we discard the definition of the concept in terms of a specific set of policies or policy instruments. Instead we expect that a developmental state will adopt any policies that are within the constraints and expected to lead its economy to a sustainable growth path.

Turning to the constraint of conflict management, two examples are particularly notable. One is the strategy of "growth first, distribution and stability later," which was pursued by the regime of General Park Chung Hee in Korea. While the strategy delivered surprisingly rapid economic growth, it created confrontation, making the regime increasingly authoritarian, and eventually led to the assassination of Park himself (see Chap. 3). To keep the economy growing, the successor had to make considerable efforts to mitigate confrontation and to increase social cohesion. Another notable example is the leadership of Prime Minister Mahatir of Malaysia. In this country, the "class structure that had crystallized along ethnic lines" before development started, and the leadership had to have "the imagination, resolve, and power to make stability a prerequisite for economic growth and equitably distributed growth a determinant of stability" (see Chap. 5).

Since economic development creates winners and losers, the coordination of conflict is imperative for developmental states to succeed. Political coordination must be more difficult in countries with a deeply divided society as an initial condition. In such countries, demand must be high for strong leadership of a charismatic political leader. Presumably that is why Park Chung Hee, Lee Kuan Yew (both appear in Chap. 3), Suharto (in Chap. 4), Mahatir, Meles (both in Chap. 5), and Kagame (in Chap. 6) among others emerged. Since economic development is intricately linked with conflicts, leadership, and coordination, the title of this volume includes "the Politics of Emerging Economies."

Japan was an exceptional developing country in this respect as well. Of course, political coordination of conflicting interests was important there. The favorable initial conditions, however, allowed it to succeed in high growth without relying on authoritarianism or a charismatic leader. It did not suffer from serious ethnic divide. Democratization, land reform, and fundamental rights for workers among other major changes were realized in the Allied occupation soon after the war. To the extent that the role played by political leaders was small, the role played by bureaucrats, especially those at the MITI, in planning and implementing the development strategy appeared large in this country. Its favorable initial conditions in terms of social cohesion and the ability to improve productivity must have a great bearing on the fact that Japan became the first developing country to enter the ranks of high-income countries.

## 9.3 What Should We Learn?

The above discussion of the constraints faced by a developmental state implies that it is a daunting task to lead a low- or middle-income country to chase the dream of catching up with high-income countries, unless the country has exceptionally favorable conditions. That is why leaders of developmental states must be nationalists who have a strong will and share it with capable policymakers (see especially Chap. 5). These are just necessary conditions, however. Even with a strong will to serve the country, leaders and policymakers may fail if the constraints are too severe. Even a brilliant, charismatic leader will give up being a developmentalist and instead turn into a predator capturing state resources if it becomes clear that firms are poorly managed, that political institutions are too inefficient, and that the people have only weak sense of social cohesion.

The accumulation of successful and unsuccessful experiences of the developmental states in the past will, however, help leaders of new developmental states draw lessons. Globalization is also creating an environment conducive to the growth of developing economies as discussed in Chap. 1. Increasing international labor mobility may increase remittance to developing countries. Global supply chains provide opportunities for developing countries to work with technologically and managerially advanced countries. Both official development assistances and non-government organizations' activities help human resource development, technology transfer, and finance needed for the growth of developing economies.

From these considerations, it seems natural to hypothesize that the proliferation of developmental state, which started very slowly in the 1970s and 1980s, will accelerate and turn a number of low- and middle-income countries into developmental states, even though it will then decelerate as remaining countries become few. As to the nature of newly emerged developmental states, we may advance a hypothesis that they will be more unfavorably conditioned with deeper ethnic divide, stronger regional rivalry sentiment, lower education attainment and achievement (or poorer quantity and quality of education), and so on.

Another hypothesis is that the public sector of a developmental economy will initially muster human resources to the economic policy department with a view to boosting economic growth and later increase resource allocation to the social policy department to address social equality and cohesion issues. A corollary to this hypothesis is that such a tendency of shifting resource allocation within the public sector will be clearer if the public sector abounds with high-quality human resources. If such resources are scarce, there will be only a few pockets of efficacy in the public sector and little reallocation of resources.

This volume has confirmed that there are several important factors relaxing and tightening the constraints other than the administrative capability of the public sector and managerial and technological capabilities of the private sector. Examples include economic geography and choice of industrial location as discussed in Chap. 7, devolution or decentralization discussed in Chaps. 4, 5, and 8, the availability of different types of technocrats or technologies as discussed in Chap. 4. We may be able to put forth hypotheses linking the nature or type of developmental state with a set of these factors.

There are several interesting and practical questions as to state capacity. For example, what is the effective way to increase the administrative capability of government offices substantially? How about the managerial capabilities of private firms? To what extent does advanced technology, such as artificial intelligence, help to improve the administrative capability? Will the applicability of advanced technology to public administration inevitably increase incentives of developmental states to build surveillance states? Will such application reduce the impetus toward democratization?

Developmental states are a major driver of world development and a cause of major uncertainties in the world. This is because becoming a developmental state is practically the only possible way for a low- or middle-income country to catch up with high-income countries in the presence of market failures, trade barriers, vested interests, and other obstacles. While a developmental state is built for the realization of an economic dream, it is built through political maneuver and coordination, as this volume has reiterated. Thus, we expect that there will be an increasing demand for developmental state studies in the future, and that trans-disciplinary dialogues like this volume will remain a useful approach.

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