The Viability of a Democratic Developmental State for Africa
In an Era of Economic Globalization

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Abstract:
Despite the implementation of several economic development blueprints in Africa for the last 60 years, the poverty rate of Sub Saharan Africa (SSA) has increased from two hundred million in 1981 to almost three hundred eighty million in 2005. Entrepreneurial creativity and ingenuity were stifled and a number of African states became unstable when ruled by despotic rulers. To revitalize Africa's development process in the 21st century, researchers have proposed at least two perspectives to consider. First, the Economic Commission for Africa (ECA) has challenged the African states to refute the intolerable conditions required by the Neo-liberal policies of the Washington Consensus to borrow capital from the International Monetary Fund, which over the years has submerged African countries into a deep chasm of economic *crises. Instead, the Economic Commission for Africa has encouraged the African countries to emulate the Malaysia developmental state, along with addressing and practicing democracy and good governance. The second perspective, on the other hand, is premised on the assumption that since the era of economic globalization has caused the appreciation of currencies, precipitating a huge influx of direct foreign investment and portfolio capital in a number of Asian countries, the lack of prudent financial market regulations and the emergence of new innovative investment practices in the Asian countries, have resulted in excessive private debt in hard currencies, fluctuation in asset prices and severe exchange rate fluctuation. To be reproduced in the African continent, the second perspective argues that the distinctive East Asia model of developmental state is too outdated to address the East Asian financial crisis and Japan's prolonged economic downturn. Thus, instead of aimlessly flirting with irrelevant Western capitalist models and optimistically dreaming of replicating the East Asian miracle, pioneered by Japan and emulated by the rest of Asia, the second perspective argues that Africa would be better off if it designs according to its own competitive advantage with an agriculturally-based development plan that focuses on putting African people first.*

Introduction

Despite the pursuit of advancement since political independence in the late 1950s, it is very sad to see that a number of African countries are falling behind in human development. For example, the number of extremely poor in Sub Saharan Africa (SSA) has increased from two hundred million to about three hundred and eighty million between 1981 and 2005 (World Bank, 2009). To revitalize Africa's development process and galvanize its people in the 21st century, the Economic Commission for Africa (ECA) has challenged the African states to refute the canons of Neo-liberal policies of the Washington Consensus, which has submerged them into a deep chasm of economic crisis. Instead, it has encouraged the African countries to use the Malaysia developmental state, in collaboration with democratic political values and a system of good governance, promoting the rule of law, with transparency and a free flow of information. However, in view of the 1997 financial crisis in East Asia and the current economic slowdown in the Japanese economy that has occurred because of globalization, the developmental state model's contribution to high economic growth is now called into question as an absolute, and challenged as irrelevant for application elsewhere. Similarly, a neo-mercantilist model which served the East Asian region for the past four decades as financier, planner and the producer of goods and services, and preserved social solidarity and ethnic cohesion, has now exhausted its effectiveness because the current global economy is fundamentally market-driven and not state engineered (Pang, 2000). In addition, as stated by Pang, the Asian Developmental state model has become incompatible with current globalization because it has encouraged clienteles, cronyism, cartels, official and unofficial favoritism for business firms, and gives state patronage to certain ethnic groups (2000). The purpose of the research described herein is to map out the reasons why a number of scholars and policy makers still strongly argue that the Developmental state model which contributed to the East Asian miracle of high economic growth could still be relevant in an age of globalization for Africa provided the paradigm is adjusted to integrate democratic values and administered by good governance (Meles, 2006; Africa, 2011; Teshome, A., 2012).

This paper proceeds as follows. The first part of the paper maps out briefly the various economic development blue prints that have been attempted in Africa since its political independence in the late 1950s. The second part explores the trajectory of the Malaysian Developmental state model. Using the Malaysian developmental state framework, the third part assesses whether or not the Malaysia model has contributed value to Ethiopia's democratic Developmental state model. The fourth section of the paper discusses the framework of the people-centered, agriculturally-based growth model that has been suggested for Africa's development in the 21st century. Finally, the paper draws some conclusions and outlines some policy implications for the future.

Major Economic Development Blueprints Attempted in Africa

After most African countries achieved their political independence from colonial rule in the late 1950s, the first generation of post-colonial African leaders overwhelmingly used a state-centric developmental model to promote nation-building and foster the unification of their multi-ethnic and multi-religious societies (Laakso, L. and Olukoshi, A. O., 1996). More specifically, to achieve what was described as Africa's development decade, most of the independent African states followed Arthur Lewis' Dual-Sector structural economic model, which was heavily endorsed by the United Nations and other funding agencies as the general theory of development that could mechanically transform the Anglo-Saxon development models for Third World nations.

Briefly stated, the presumption of Lewis' model was that a poor country's economy contained two sectors – a small "capitalist" and a very large "traditional" (agricultural) sector – from which the marginal production of labor was at its minimum. Based on this assumption, Lewis argued that in order to be transformed structurally, developing countries must be converted from an agricultural to an industrial economy in order to use the surplus labor available in the rural sector to enhance capitalistic development in the urban sector. Because of the lack of indigenous private entrepreneurs in Africa in the early 1960s, state intervention in the economy was considered a legitimate strategy to ensure the economic growth that was vital to the delivery of services to African communities (Maphunye, April, 2009; Kofi and Desta, 2008). However, Lewis' model, which is also known as the industrialization of Africa by invitation, failed to materialize in Africa because the model neglected to recognize the importance of agriculture as it simply emphasized an infusion of capital rather than the means to achieve it. Also, irrespective of their industrialization pretensions, the African states that emerged from colonialism were mainly predatory states, highly driven to maximize rent for the ruling classes rather than fulfilling the needs of the down-trodden masses (Meles, 2006).

In the 1970s, the African states attempted to transform their economic system based on the "import substitution model." That is, the African nations initiated a strategy for their domestic industrial growth by reducing the imports of manufactured products and saving foreign exchange. Furthermore, instead of using Gross Domestic Product as a means of measuring the stages of economic growth and to assess people-oriented development, they used the physical Quality of Life Index, composed of the literacy rate, life expectancy, and infant mortality. However, as a result of oil shocks, political turmoil, and drought, many African economies were weakened in the 1980s. For example, the GDP in sub-Saharan Africa fell from 4.2 percent per annum in the period 1965-1980 to only 2.1 percent in the years 1980-1990, while population in Africa increased by 3 percent and agricultural production hovered around 2 percent per annum (Berry, S., 1995).

Therefore after three decades, it was found that the top-bottom ideological commitment of massive state intervention in the political, economic and social aspects had not only adversely affected the industrialization of Africa but also had an insignificant effect on the desired developmental objectives of eradicating poverty, ignorance and disease. As a result, the African nations were forced to search for a new political economy. They designed the Lagos Plan of Action which emphasized self-reliance and self-sustaining growth based on integrated and dynamic national, sub-regional and regional markets (Adedeji, A., 1985, P.15).

Due to the global economic recession which ensued in the 1980s and 1990s and in order to borrow financial capital from international financial institutions, the African states had no choice but give up the Lagos Plan of Action and embrace the Structural Adjustment Programs (SAP) designed by the International Monitory Fund (IMF) and the World Bank. Briefly stated, the Structural Adjustment Programs, premised on the Neo-liberal model, is also known as the Washington Consensus. It was premised on the assumption that the existence of a) free market systems, b) the privatization of state-owned enterprise, c) promotion of free trade, d) export promotion, and e) the creation of a conducive environment for direct foreign investment, would restore internal and external macroeconomic stability and accelerate economic growth in the long run.

Since the SAP did not take into consideration the African culture and organizational set-up (Deng, L.A., 1998), African states were overwhelmed with the adoption of the SAP. That is, the state's autonomy was eroded and its capacity to foster a developmental agenda was inhibited. In their decision-making process, the African technocrats were partially dominated by and became more accountable to the bureaucrats in international development agencies instead of to their people (Edigheji, 2005). Due to the misuse of abundant resources, rampant unemployment, and the deep recession that followed the implementation of the SAP, Africa's GDP growth rate was drastically reduced to less than 0.5 percent per annum, while Africa's debt as a percentage of GNP increased from 28.6 percent in 1980 to 107.9 percent in 1991. Its ratio of debt to its total exports increased from 96.6 percent in 1980 to 329.4 percent in 1991 (Berry, S., 1995; Kofi and Desta, 2008; and the World Bank, 1980-93). Not only was the political space contrived but entrepreneurial creativity and ingenuity were stifled, and a number of African states became unstable, ruled by military dictators and despots.

To address the low level of economic growth, lack of infrastructure, and political instability that characterized the African continent, the Economic Commission for Africa (2011), hereafter referred to as the African Commission, persuasively challenged the African states to refute the canons of Neo-liberal policies of the Washington Consensus and encouraged them to use the Malaysia developmental state in order to revitalize their economies and reframe their political system to address the basic tenets of democracy and good governance.

The Malaysian Developmental State for Africa

Economically, Malaysia was chosen as the role model for Africa to jump from an agriculture -intensive economy to an industrialized and knowledge-based economy in the 21st Century, because like most African states, about five decades ago, Malaysia was heavily dependent on agriculture. However, upon its disillusionment with the Western model of development, Malaysia under the leadership of Prime Minister Mahathir Mohammed (1981-2003) started looking at the developmental interventionist state as the means to industrialize the Malaysian state. That is, Malaysia focused on the institutional and sociopolitical bases of Japan and South Korean states. Malaysia pursued the Japanese developmental state because it was based on: 1) a meritocratic bureaucracy of autonomous government elites (i.e., not elected but less subject to the influence of the corporate class or working class through the political process), 2) economic nationalism (a desire to catch up with the United States of America), 3) an industrial policy of governmental guidance and supervision that functioned with an unusual degree of public-private cooperation, 4) the protection of collective group interests to beget a culture of job over profit, with unhindered access to the U.S. markets (See Pang, 2000; Johnson,1982; Fingleton, 1996). In addition, the South Korean developmental state model was also considered because it emphasized the state bureaucracy's active role in economic growth and industrial transformation (Hyun-Chin, L and Jin-Ho, J., (2006).

To facilitate its industrialization process, the Malaysian Government invited Japanese and South Korean experts to provide technical assistance to the governmental and private sectors and to train the Malaysian labor force. A number of Malaysian students were also sent to Japan and South Korea to be trained in a number of vocational and tertiary institutions so that after their training they could reenergize Malaysia to pursue an effective developmental state (Zalanga, (2012). Domestically, the Malaysian Government embarked on socializing its work force to be well versed in Japanese and South Korea work ethics, values, and managerial styles. Therefore, based on Prime Minister Mahathir Mohammed's instruction, Malaysia adopted a "Look East" policy to emulate Japan and South Korea's developmental state efforts.

Africa's past challenges with despotic rulers, a one-party state and other forms of authoritarian domination denied the continent's citizens the opportunities and the basic rights to play meaningful roles in their countries' governing processes (Maphunye, April, 2009, p.44). However, unlike the pseudo democratic government that exists in Malaysia and other East Asian countries, the African Commission pointed out that an ideal democratic state and good governance is crucial for sustained growth in Africa. In addition, to reconcile its state interventionist economic model with democracy and to achieve Africa's sustainable development at the end of such integration, it was suggested that there should be a harmonious relationship between a capable bureaucracy and state-business in Africa.

Finally, to achieve an economic renaissance like Malaysia's, the African Commission has encouraged the African developmental states to attract foreign investors to provide capital, management, and marketing expertise so that the states may effect the structural transformation they so need and desire. To stimulate investor-friendly environments conducive to foreign investors, African countries were also encouraged to have fully equipped infrastructures, trained human capital, and politically stable environments that have well established rules of law, independent judiciary system, and effective regulatory bodies (2011).

In recent years, because of the financial crisis in Asia and economic slowdown of the Japanese economy, it is widely proclaimed that the state guidance of all economic activities in East Asia that contributed to the East Asian miracle of high economic growth is being challenged. Also, in an age of economic globalization, the East Asian developmental model is considered now to be outdated. As argued by Pang, the neo-mercantilist model, which served the region for the past four decades, has exhausted its effectiveness. It must be acknowledged that the global economy is fundamentally market-driven, not state-promoted. The state needs to reduce voluntarily its role as financier, planner, and producer of goods and services. The state should not row, but steer. Social solidarity and ethnic cohesion should be preserved and built on economic dynamism and income equity (Pang (2000), and needs to adhere to democratic values and good governance. Therefore, the question that needs to be addressed at this juncture is: Is Ethiopia pursuing the Malaysia developmental state paradigm in its effort to transform its socio-economic and environmental factors? **To be continued…**