

The Feasibility of the Democratic Developmental State in the South

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South-South Programme

The Feasibility of the Democratic Developmental State in the South

Edited by
Daniel A. Omoweh



CODESRIA

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DAKAR

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Table of Contents

<i>Abbreviations</i>	vii
<i>Contributors</i>	xi
<i>Acknowledgments</i>	xv
<i>Preface</i>	xvii
1. Introduction: The Theoretical Setting	1
<i>Daniel A. Omoneb</i>	
2. Understanding the Rise of the Reformatory State and its Choice of Policy: An Agent-Structure Approach	23
<i>Dennis D. Trinidad</i>	
3. Deconstructing the Democratic Developmental State: Blocked Democratization and Political Parties in Nigeria and South Korea	41
<i>Daniel A. Omoneb</i>	
4. Democracy without Citizens in Latin America	59
<i>Silvia Gómez Tagle</i>	
5. Electoral Democracy and Poverty Reduction in Cameroon and Burkina Faso	69
<i>Elie Ngongang</i>	
6. The Democratic Developmental State: The Indian Experience	89
<i>Prithvi Ram Mudiam</i>	

7. Democratic Developmental States? Institutional Structures for
Incubating an indigenous Entrepreneurial Class and Poverty
Reduction in Malaysia and South Africa 107
Omano Edigbeji
 8. Notes on South-South Cooperation and the Democratic
Developmental State: Cuba and a New Research Agenda 131
David González López & Silvio Baro Herrera
 9. Concluding Remarks: Strategies for the Emergence of the
Democratic Developmental State in the Global South 137
Daniel A. Omoweh
- Bibliography* 151

Abbreviations

AC	Action Congress
AG	Action Group
AHI	Afrikaner Handels Instituut
ALBA	Alternative Bolivariapara las Americas
ANC	African National Congress
APGA	All Progressive Grand Alliance
APISA	Asian Political and International Studies
ANPP	All Nigeria Peoples Party
BDP	Botswana Democratic Party
BEE	Black Economic Enterprise
BEEC	Black Economic Investment Council
BRIC	Brazil, Russia, India and China Group
BPO	Business Process Outsourcing
BSA	Business South Africa
BUSA	Business Unity South Africa
CBM	Confidence Building Measures
CENI	Commission Electorale Nationale Independante
CGC	Credit Guarantee Corporation
CHAMSA	Chamber of Commerce and Industry South Africa
CHP	Comprehensive Healthcare Programme
CLACSO	The Latin American Council of Social Sciences
CM	Consultative Mechanisms
CODESRIA	Council for the Development of Social Science Research in Africa
CPP	Convention People's Party
CRP	Congres Pour la Democratie et le Progres
CSI	Conseil Superieur de l'Information.
CSO	Civil society Organization
CSP	Christian Socialist Unity Party
COS	ATU Council of South Africa Trade Unions
DA	Democratic Alliance
DDS	Democratic Developmental State

DLP	Democratic Liberal Party
DJP	Democratic Justice Party
DP	Democratic Party
DRP	Democratic Republican Party
EDB	Economic Development Board
EE	Employment Equity
EPU	Economic Planning Unit
EPWP	Expanded Public Works Programmes
ETC	Economic Transformation Committee
FABCOS	Foundation for African Business and Consumer Services
FDI	Foreign direct Investment
GB	Grameen Bank
GDS	Growth and Development Summit
GI	Governed Interdependence
GNP	Grand National Party
GNPP	Great Nigeria Peoples Party
GNU	Government of National Unity
HIPC	Highly Indebted and Poor Countries Initiatives
ICA	Industrial Coordination Act
ICT	Information and communication Technologies
IIC	International Investment Council
IMF	International Monetary Fund
LP	Labour Party
LP	Liberal Party
LFP	Liberty Forward Party
MARA	Majlis Amanah Rakyat
MBC	Malaysian Business Council
MERCUSO	Members of the South America's Southern Common Market
MIDA	Malaysian Industrial Development Authority
MITI	The Japanese Ministry of Trade and Industry
MTI	Ministry of Trade and Industry
NAP	National Advance Party
NAFU	National African Farmers Union
NAFCOC	National African Federation Chambers of Commerce
NCNC	National Convention of Nigerian Citizens
NDC	National Democratic Congress
NEDLAC	National Economic Development and Labour Council
NEP	National Economic Policy
NEF	National Empowerment Fund
NEC	National Executive Committee
NLP	National Liberation Party

NPN	National Party of Nigeria
NKP	New Korea Party
NIC	New Industrializing Countries
NIT	New Information Technologies
NPM	New Public Management
NPP	Nigeria Peoples Party
NAM	Non-Aligned Movement
NPC	Northern Peoples' Congress
ONEL	Observatoire National des Elections au Cameroun
OPEC	Organization of the Petroleum Exporting Countries
PAS	Pas Islam sa-Malaysia
PDC	Penang Development Corporation
PAP	People's Action Party
PCP	People's Convention Party
PDP	Peoples Democratic Party
PERNAS	Perbadanan Nasional
PNB	Permodalan Nasional Berhads
PRP	Peoples Redemption Party
PPP	Progressive Peoples Party
POSCO	Pohang Iron and Steel Company
RDPC	Rassemblement Democratique du People Camerounais
SACOB	South African Chamber of Commerce
SACU	Southern African Customs Union
SAF	South African Foundation
SAARC	South Asian Association for Regional Corporation
SEDC	State Economic Development Corporations
SSA	Sub-Saharan Africa
TNC	Transnational Corporations
UDA	Urban Development Foundation
UDT	Underdevelopment, Dependency Theory
UPN	Unity Party of Nigeria
UMND	United Malays National Organization
WB	World Bank



Contributors

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This work is dedicated to all critical thinkers who contend that the prospect of recovery from protracted and deepening social, political and economic crises of the countries of the South and the ability of these countries to place themselves on the path of sustainable development do not reside with the market.

Africa's protracted failure to develop makes sharing of experiences with Asia and Latin American countries a key issue in the discourses on the prospects of the DDS in the South. It was, therefore, timely for APISA-CLACSO-CODESRIA to launch the tri-continental collaborative joint research on the 'Feasibility of the Democratic Developmental State in the South'.

The contributors to this work wish to express their profound gratitude to APISA, CLACSO and CODESRIA for selecting them out of the numerous proposals earlier submitted and evaluated and for providing them with the opportunity to undertake research and present papers at the South-South Comparative Research Seminar held at Kampala, Uganda between November 27 and 30, 2006. The book is the outcome of the seminar.

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virtue of this work, have transformed us into a veritable research team on the developmental state in the South. I sincerely hope that this research network will flourish beyond this work. There are other people without whose contributions this work would not have seen the light of day but whose names are not mentioned here. I sincerely believe that by the time they see the book, they will be satisfied that their efforts were not in vain.

Finally, let me state categorically that the views expressed in this work are strictly those of the contributors and they bear sole responsibility for the errors that the study may contain.

Daniel A. Omoweh

Preface

The study examines the prospects of the rise of a democratic developmental state in Latin American, African and Asian countries, which are collectively referred to in this work as the 'South'. Within this context, it analyses unresolved critical issues in the state-development discourse such as the re-conceptualization of the developmental state, democratization, elections, embeddedness, indigenous entrepreneurial class, political parties and South-South cooperation. It looks into the need to re-centre the state into the development process of the Southern countries after over twenty-five years of neo-liberal policies and economic reforms that, rather than transform, have sunk their economies into deeper political, social and economic crises. It argues that the capacity of a state to overcome the market and democratic deficits resides with its democratic credentials. It suggests strategies that could lead to the emergence of the democratic developmental state (DDS) in the global South.

The study is structured into nine chapters. Chapter One introduces and sets the theoretical contexts for the work, paying attention to the limits of neo-liberal assertions, the conceptualization of the developmental state and the need for its re-think in the form of a democratic developmental state. It establishes a comparative paradigm and clarifies unsettled conceptual issues in the work. The theoretical debates on the DDS continue into Chapters Two and Three.

Within the agent-structure framework, Chapter Two advances an alternative theoretical construct to deepen the understanding and plausibility of the DDS. Within this context, it analyzes the state's choice of policy, its receptivity and non-receptivity, its capacity and incapacity to adapt to change, drawing on the experiences of South Korea, Taiwan and Malaysia. The strength of the framework resides with its dialectics, as it furthers the understanding of the state's economic change.

Chapter Three deconstructs the DDS by problematizing blocked democratization in the development and political processes and the implications for the rise of the developmental state. It elaborates on this with the crisis of democratization and the political parties in Nigeria and South Korea. It defines the DDS in the context of political leadership. The Chapter suggests strategies that could lead to the re-creation of the developmental state in both countries.

Chapter Four examines the opportunities available to democratic regimes and the threats they are faced with in Latin American countries. It compares and contrasts the political leadership, economic reform and party system in Venezuela and Mexico, taking cognizance of the consequences for democratic consolidation, halting drug trafficking and national as well as regional insecurity. It argues that democracy can hardly be achieved without the citizens in the sub-region, pointing out the need for a strong political leadership, party system and democratization if the developmental state is to emerge.

Chapter Five establishes theoretical and empirical framework that links electoral democracy and poverty reduction in Cameroon and Burkina Faso. Within this construct, it reviews the status of electoral democracy in both countries, pointing out four theoretical issues that political elite should note regarding voting theory, the theory of interest groups, debt and political behaviour and the theory of bureaucracy. It formulates quantitative general and specific models for examining electoral democracy and poverty reduction. It shows that the ballot box is crucial for the emergence of democracy and the DDS in Africa.

Chapter Six examines how the Indian state adapted its tradition and history to formulate its national goals of modernization and overall development of the country since it attained political independence in 1947. It discusses the features of the developmental state, but not of the DDS, that are exhibited by the Indian state. The Chapter looks into the mix of the state-market relations. It analyses how India's policy of non-alignment helped the state to construct its own path to social, political and economic development and as well as assisted India to access economic and technological assistance from the Western and Eastern blocs. It suggests that while the experience of the Indian state with development holds out useful lessons for other Third World countries, there is the need for the political leaderships to guide against a blanket approach to the state because of their different historical, economic and cultural backgrounds.

Chapter Seven looks at the need to formulate an inclusive development strategy that embeds the state with business. It contends that a virile local business class is a major condition for the rise of the democratic developmental state in the South. Within this context, it compares and contrasts the efforts of the Malaysian state and its counterpart in the post-apartheid South Africa in creating and nurturing an indigenous entrepreneurial class that will partner with the state in the development process of both countries. The Chapter discusses the institutions and their internal characteristics and role of the state in creating the local entrepreneurial class in the development of these countries. It demonstrates that even though the efforts of the states in Malaysia and South Africa in nurturing domestic business groups with which they enter partnerships are yielding some positive results, the state remains authoritarian in both countries.

Chapter Eight examines the utility of the framework of the South-South Cooperation for facilitating the rise of the DDS in the South. It explains how Cuba took advantage of the South-South framework to market the country's huge medical expertise and drugs as it established cooperation across the developing countries such as Indonesia, Pakistan, India, Nigeria, Brazil and China. It suggests new research areas that will facilitate such cooperation between and among the Southern countries. Chapter Nine is the conclusion and it summarizes the prescriptions that could lead to rise of the democratic and developmental state in the South.

The intention of the authors is that the work helps to advance and deepen the understanding of the developmental state. The contributors sincerely hope that it will provoke more constructive thinking and researches on the strategies for overcoming the development predicaments of the global South of today.

Daniel A. Omoweh



1

Introduction: The Theoretical Setting

Daniel A. Omoweh

Background: The Limits of Neo-liberalism

The resurgence of scholarly discourses on the prospects of the democratic developmental state (DDS) in the global South since the 1990s marks a monumental failure of neo-liberal economic reforms mounted by the Bretton Woods Institutions in developing countries. In spite of the World Bank (WB) and International Monetary Fund's (IMF) contempt for the state as a poor manager of the economy, the performance of market forces has been woefully disastrous in the development experiences of the global South. The economies of Latin American, African and South Asian countries remain the most adjusted in the global economy and yet, they are trapped in protracted social, economic and political crises.

The resort of Latin American countries to the initiatives of the Bank and Fund such as the Washington Consensus (WC) not only further downsized the state, but its policies on fiscal discipline, public expenditure, privatization and deregulation, property rights, tax reform, exchange rate and infrastructural development produced economic and social exclusions, fragmented the labour unions and weakened civil societies.

In particular, the adoption of the WC initiative by Argentina precipitated bloody protests in the country in 2001 because the construction of a market society commoditized the entire society and its activities, which, in turn, caused social and political tensions and the rise of counter-movements to contain the crisis. The peasant land revolt in Peru in 2010 was a major fallout of the neo-liberal reform. The social and political reforms articulated by Hugo Chavez's government in Venezuela terminated the neo-liberal policies in the country. The left turn of the

critical mass of the public across the region and the upturn of the global ideological tide with emphasis on the bottom-up development approach are clear indications of a re-radicalizing Latin America. In all appearances, the Left is increasingly resurfacing in the politics, economy and social activities in the region ostensibly to overcome the limitations of the WC initiative and other neo-liberal policy reform.

Even though the majority of African countries had embraced liberal and neo-liberal development policies since they attained political independence in the 1960s, the continent's economy has moved from one crisis to another. From a fledging agrarian economy in the 1960s, Africa could have been ushered into early industrialization if the political leadership had been committed to its development (Kilby 1969). Having missed the initial opportunity to industrialize, coupled with the dwindling revenue from the export of agricultural commodities, African governments had to secure huge loans from the London and Paris Clubs, the Bank and Fund and other western countries to finance, essentially, the construction of physical infrastructure. The inability of most African governments to repay the loan plunged the continent into severe debt crisis in the late 1970s, and left the majority of the debtor countries to adopt one form of economic reform policies or the other of the Bank and Fund IMF at the onset of the 1980s. Worse still, the majority of adjusted African countries could hardly terminate the liberal reforms when they were confronted with the IMF's highly indebted and poor countries (HIPC) initiative and the WC framework.

African debtor countries' inability to service their external debts, coupled with the criticism levelled against the Fund for its harsh policy and attendant miseries and woes it inflicted on the people, led the IMF to undertake a U-turn and formulate the HIPC initiative. Rather than repay the principal and interest, or advance new loans, the HIPC initiative requested debtor countries to practise good governance, reduce public expenditure drastically, promote competitive exchange rate and privatize the economy, among others conditions, so that the gains accruing from implementing the initiative would be ploughed back to trigger off growth and development in the economy.

After several unsuccessful years of servicing its loan, Ghana had adopted the HIPC initiative in the early 1990s so that it could help strengthen the state to bail its heavily traumatized economy out of the doldrums. Yet the country's economy remained in severe crisis.

In Nigeria, even after the IMF-styled structural adjustment programme (SAP) was officially terminated in 1994 by the junta regime headed by General Sani Abacha, subsequent governments' reform policies have largely been neo-liberal and, indeed, an extension of the SAP. It is not surprising that, Nigeria's economy is still on the brink of collapse and characterized by huge infrastructural decay, gross corruption, inept political leadership, institutional decay, insecurity, bad governance, docile civil society and weak political parties.

Worse still, shortly after the Olusegun Obasanjo's government liquidated the country's external debts owed the London and Paris clubs in 2006 so that the relief could help the Nigerian state to deliver good governance and sustained economic growth and development, the economy is back into the debt peonage with US\$4.5 billion external debt as at December 2010.

Across the Asian newly industrializing countries (NICs) of South Korea, Malaysia, Indonesia and Taiwan, the market failures since the 1990s, in spite of the relative industrial growth they recorded in the 1970s and 1980s, have equally exacted unprecedented social, economic and political consequences on the region. The economic crisis that rocked the Asian NICs cannot be divorced from the authoritarian state and its obsession with growth. Departing significantly from liberal and neo-liberal tradition, the states of the NICs had approached development with dictatorial policies, with emphasis on growth. The thinking of the political leadership was that, democracy slowed down growth and development; and that the state should develop first, before thinking about democracy. But that is the major antithesis facing the political leadership in South Korea, Malaysia, Indonesia and even Singapore, where the contradictions of an autocratic and undemocratic political leadership are manifesting themselves in the form of political upheavals and agitations for human rights.

From all indications, market forces alone cannot be an appropriate framework for recovery from crisis as the neo-liberals would want us to believe. All this reinforces the need for policy makers, scholars, governments, development agencies and civil society organizations, who are concerned with reversing the underdevelopment of the Southern countries, to restart the debate on the DDS, which seeks to rethink the state, revisit its nature, policy, politics and the path it took to development.

With the increasing rejection of neo-liberal policy initiatives by the majority of the Southern countries, policy and scholarly attentions are being directed at the state again. This time, the kind of state that is being sought has to be democratic and developmental, largely because of its expected role in the envisaged development process. The preconditions that must prevail to enable it to perform such functions are equally critical. In the construction of the DDS, therefore, scholars and policy makers pay adequate attention to its constituents that make it a reality and their ideological dispositions; the nature of the struggles going on between and among the constituents of the state and; how all this shapes the formulation and implementation of development policies and programmes and their renewals.

Further, there is the need to interrogate what should be the ultimate goal of the state in the global South, irrespective of whether its ideology of development is capitalist or socialist. It is all the more so, whether the state, as it currently constituted across the Southern countries, is really acting as a social public force in

promoting public good, regulating the markets, redistributing wealth and working towards the general good or welfare of its citizens. One other issue is the state's pliability, which on account of its politics and materialism is ever open to be driven by private interests, susceptible to those with power to influence its policies and decisions and to remain silent on the inability of its officials to promote the public good.

In contributing to the growing scholarly discourses on the prospects of the DDS in the South therefore, the Asian Political and International Studies Association (APISA), the Latin American Council of Social Sciences (CLACSO) and the Council for the Development of Social Science Research in Africa (CODESRIA) launched a tri-continental collaborative and joint research on 'The Feasibility of Democratic Developmental State in the South'. The research is designed to enable scholars from the Global South not only to reflect on a theme undergoing a revival in academic and policy circles, but also focus on some of the unresolved old and new issues such as regime types, embeddedness, representativity, democratization, good governance, environmental sustainability, political parties, crime, corruption, insecurity, legislature, civil society and cooperation, by sharing experiences and exchanges between and among the countries of the South-South. It is the expectation of the tri-continental research network that such studies will not only help to deepen the understanding and prospect of sustained development in the South, but the need to think out of the neo-liberal box, emphasizing the views from the global South.

At the APISA-CLACSO-CODESRIA's South-South Comparative Research Seminar held at Kampala, Uganda between November 27 and 30, 2006, scholars from Asia, Africa and Latin America presented papers on diverse issues, ranging from deconstructing the concept of the democratic developmental state with an emphasis on blocked democratization, formulating alternative framework for understanding the rise of the reformative state to case studies on electoral democracy and poverty reduction, developmental experiences, strategies for nurturing indigenous business class and advancing a framework of the South-South cooperation. The debate on the developmental state preceded the DDS, making it important to revisit the former in order to create a background context for understanding the latter.

The Developmental State Revisited

The concept of the developmental state was first brought to the fore by the underdevelopment and dependency theory (UDT) debate on the crisis of Latin American economy by scholars like Celso Furtado, Gunder Frank and Paul Baran in the 1960s. Structuralists like Raul Prebisch had undertaken studies on the underdevelopment of Latin America in the 1950s and traced its major cause to the exchange economy introduced by the subsidiaries of the United States'

transnational corporations. Prebisch's recommendations for the introduction of the import substitution industrialization strategy could not bail the region's economy out of crisis. Scholars like Celso Furtado and Andre Gunder Frank had, in response to the limitations of the Prebischian framework, provided the UDT paradigm as an alternative and more rigorous analytical tool for understanding the origin, nature and dynamics of the underdevelopment of Latin America. The analysis of the condition of the local, its politics and surplus extraction brought into bolder relief, not only the nature and role of the state in the underdevelopment of the region, but the need to rethink the state if it were to deliver development (Furtado 1964; Frank 1976/77; Baran 1973; Prebisch 1950).

Generally, the UDT paradigm gained currency in scholarly and policy circles across the Latin America in the 1970s. Writing in the late 1970s, for instance, Peter Evans formulated the concept of 'dependent development' to shed light on the nature of the Brazilian state and as a strategy to promote development in the country. Evans's formulation of the developmental state and dependent development were meant to embrace the notion of a strong and dynamic state embedding with an appropriate business class to collectively promote growth and to address the issues of inequality and poverty in Brazil. Evans's developmental state is one that successfully uses 'embedded autonomy' to relate realistically to the global economy with an understanding of its own limits (Evans 1995).

By the 1970s and 1980s, the fast economic growth of the Asian NICs had attracted UDT-inspired scholars like Frederic Deyo and Bruce Cummings. To Deyo and Cummings, the rapid economic growth of the NICs was a major feat that no Third World country had achieved in the post-1945 period. However, impressive as the rapid growth of the NICs might be, Deyo and Cummings described the state as autarchic and its strategy for industrialization was closed and not replicable in Latin America and Africa. They discounted the much touted 'Asian NICs development model' by the World Bank (Deyo 1987; Cummings 1984; World Bank 1983).

By the 1980s, not only was the governance of the development process of the NICs still the preserve of the state, its undemocratic practices, repression of human rights and annihilation of opposition political parties caused Paul Krugman, Deyo and Cummings to contend that there was really nothing 'mythical' and 'miraculous' about the economic growth of the 'Asian Tigers' as many a Koreanist scholar and even the World Bank, would want us to believe (Krugman 1994, World Bank 1993).

In spite of the democratic deficits of the developmental state and its role in the relative economic growth of the Asian NICs, the concept still gained prominence in the discourses on the Asian development process. Contextualized as a 'hard state', the developmental state holds out great lesson for the political leadership, scholars and policy makers from the developing countries, especially

from Africa, where the problem is not so much that development has failed, but that it has never really been on the agenda of the state. For example, Singaporean Prime Minister, Lee Kuan Yew, had contended that Singapore did not need democracy to develop, as evident in his claim of having moved Singapore from the Third World to the First without democracy. To him, the experience of Singapore was such that the hard Singaporean state had first to promote rapid economic and industrial growth, before it began to embark on democracy (Yew 2000).

However, it would be quite misleading to recommend Yew's narrow conception of the developmental state for other countries of the South. In fact, Yew, who is regarded as a 'Minister Mentor' in Singapore, has embarked on a self-critique or revision of his previous hardliner's view on the politics and development of the country since the 1990s. Interestingly, Yew had made a U-turn on his views on the opposition political parties that he once undermined while in government by advocating the increased participation of the opposition political parties in the national political process. He also recommended that the 'hard state' should relax policies that led to human rights abuses. The democratic deficits that the Singaporean state faced really question the basis for characterizing it as developmental.

In Africa, the UDT paradigm was popularized by scholars like Samir Amin and Claude Ake in the 1970s to deepen the understanding of the political economy of the African development crisis. This framework was not well received in government and policy circles, largely because of the fear by the political elite that its Marxist-Leninist leanings could incite the people to rise against the predatory African state (Amin 1974; Ake 1978). The 'Kenya debate' of 1978, which focused on the prospects of capitalist development in Africa, was the climax of the utility of the UDT in explaining the nature of the African crisis. The debate had deepened the understanding of the nature of the state and its role in the continent's worsening trend of underdevelopment (Leys 1975). The 'Kenyan debate' further brought into greater relief how the zero-sum politics of the political elites would hinder the possibility of a developmental state emerging in Africa.

Without doubt, the state in the Asian NICs had promoted impressive growth, but the absence or lack of democratic credentials in its polity and economy was a major hindrance to its capacity to sustain such growth and converting it into development. The same is true of Latin America, where the autocratic nature of the state in the 1950s and 1960s frustrated the rise of a developmental state. In Africa, the state remains irrelevant to the existential conditions of the people.

Irrespective of the pockets of economic growth recorded in some of the countries in the global South, there is the general concern for the re-insertion of the state into the pursuit of development. This time, scholars, policy makers and civil society groups are charting the path of a democratic developmental state.

This state must demonstrate democratic practices, good governance, open up the political spaces and democratize development. It is desirable to consider some theoretical formulations regarding the DDS.

Conceptualizing the DDS

By the 1990s, societies and governments – whether poor, emergent, transitional or industrialized – had realized the need for the modern state to combine democracy and markets in order to tackle rising transformational, distributional and industrial challenges facing them. The argument is put forward that the state's capacity to provide affordable and sustainable public goods for the people depends on its democratic credentials. Scholars like Mark Robinson, Gordon White, Peter Evans, Adrian Leftwich, Linda Weiss, Richard Sklar and Thandika Mkandawire have contributed immensely to the growing academic debate on the subject from various perspectives.

In formulating the notion of the democratic developmental state, Adrian Leftwich insisted on the ability of such a state to promote political and economic development. He defined the democratic developmental state as a transitional form of the modern state which has emerged in late developing societies with political and bureaucratic elites that have achieved relative autonomy from socio-political forces in the society and want to use their position to promote a programme of rapid economic growth. It is a state that has been able to sustain the formal process of democracy while generating an annual growth rate in gross national product (GNP) *per capita* of four percent over a minimum of 35 years, while the non-developmental democratic state is unable to achieve such growth rate over the same period. He added the *caveat* that the developmental democratic state should have a national government in which people, political parties, and groups are free to pursue their interests according to peaceful, rule-based competition, negotiation and cooperation with institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of competitive struggle for the people's vote.

Leftwich also attempted a preliminary classification of the DDS into two broad groups: (i) *developmental democratic state*; and (ii) *non-democratic developmental state*, noting however, that the developmental state is not static. Included in the concept of the democratic developmental state are the 'dominant-party developmental democratic states' and the 'coalitional-developmental democratic states'. In a dominant-party developmental democratic state, political parties play crucial roles in the political and economic development of the country. Leftwich cited Botswana and Singapore as good examples, in part, because the Botswana Democratic Party (BDP) and the People's Action Party (PAP) of Singapore have been in power for a long time and have equally played significant roles in the relative economic growth of these countries. According to him, in a 'coalitional

developmental democratic state', the various political groups and institutions form a coalition government and they agree on a common vision and development strategy for fostering the growth and development of the society. Mauritius and Malaysia have been categorized as examples of this type, because of the ability of the political elites to manage the complex plurality of these societies (Leftwich 1996).

No doubt, Leftwich's analysis gave useful insights into the extent to which the nature of political elites and the political competition could permit the emergence of the DDS in the countries of the South. However, Leftwich's insistence on constant four per cent *per capita* growth in the GNP spread over 35 years may seem somewhat unrealistic, as there are no indications of such a state having emerged in the developing countries. The goal seems in practice very difficult to achieve in any country of the South. He did not cite any Western country with such a history of economic development to buttress the argument. Leftwich glossed over the 'growth without development' thesis, which argues that growth does not automatically lead to development though it may facilitate it.

With one political party dominating a government for over three decades the prospects for democracy must be doubted. Lee Khuan Yew ensured that the PAP dominated the politics and economy of Singapore, but with the opposition nullified the leadership of the PAP is imploding the party itself. The party lacks internal democracy. It is doubtful how Leftwich's recommendation regarding a single and dominant political party will facilitate the rise of the DDS in the South. Clearly, one needs to go beyond the characterization of the democratic developmental state as put forward by Leftwich, as Chapter Two attempts to do.

Gordon White had noted that the concept of the democratic developmental state is still evolving and the majority of the writings on the subject inclusive of his work have only helped to sharpen the focus of the debate. The current work is also an effort in this direction.

For White, the extent to which the instrumentality of democratic politics permits the progressive organization of the public goods determines the level at which the state can be regarded as developmentally oriented and successful. And that if such successes like the regulative, infrastructural, redistributive capacities of the state were reasonably tied to democratic political practices, the state could be classified as democratic and developmental. For the state to play these roles successfully, it requires strong political authority and administrative capacities to maintain public order and manage social and political conflicts that arise from structural divisions in the society. He explained the regulative capacity of the state as its framework for managing micro and macro-economic policies; its infrastructural ability as the creation and sustenance of physical and social utilities and the state's redistributive capacity being concerned with the amelioration of social inequality, poverty and gender biases in the society.

White identified six key elements: autonomy, social embeddedness, consensual autonomy, institutional coherence, authoritative penetration and inclusive embeddedness. He defined state autonomy as the capacity and independence of state institutions and political elites to compile and implement strategic development programmes; while social embeddedness refers to the state as a part of the larger alliances with other social groups that stimulate social and economic change. Consensual autonomy of the state means the capacity of institutionally accountable political elites and the administrative agencies to design and implement development programmes for the good of the society. The state's institutional coherence refers to the constitutional arrangements for the distribution and use of political power and in relationship with the bureaucracy and the party systems. Authoritative penetration means the state institutions' ability to extend their regulative and extractive capacities on a consensual basis by enforcing economic regulations, among other functions. Finally, inclusive embeddedness implies that the social basis and range of accountability of the state goes beyond a narrow band of elites to embrace broader sections of the society.

However, White had noted and rightly too, that the prospects of the elements of the democratic developmental state in any society as itemized above, are shaped by the interplay of major structural and institutional features, which vary from one society to another. He identified the five key features as the level of the 'socio-economic development' and its social structure as it relates to class, gender, ethnicity, culture and religion; 'civil society' in terms of its capacity to influence the socio-political activity of the citizens and groups; 'political society' with reference to the nature and character of institutions created as channels of political participation and social base of the party system; 'state institutions' in regards to the distribution of political and administrative authority, the rules governing access of citizens to political power and the manner in which political authority is exercised; and, finally, the 'international environment', which refers to the nature of the external political and economic pressures and how they impinge on the society (White 1998).

Compared with Leftwich's conception of the DDS, White is more holistic in approach and provided a deeper understanding of the issues that will help to determine its feasibility in the South, or in a given society. But beyond the identification of the features of the DDS, his analysis did not capture the realities in most countries of the South where a few rich political elites form political parties to cater for narrow social, economic and political interests, as demonstrated in Chapters Three and Five. On the contrary, White relied on secondary materials that were analysed within the framework of Western development theories by Africanist scholars like Larry Diamond (Diamond 1996) and David Kong's writings on South Korea (Kong 1995).

White's six major elements expected to make the democratic developmental state successful largely re-stated David Easton's thesis on extractive, regulative and distributive capacities of the political system; Gabriel Almond's structural-functional analysis and the seven variables for measuring the performance of the political system and the modernization theory of David Apter (Easton 1953; Almond *et al* 1965; Apter 1965).

The theoretical formulation of the DDS should draw extensively from the experiences of the South because the West does not really need development and the discipline of development studies has long been waning in West and the core countries of the North, leaving the developing countries to serve only as laboratories for experimenting with some of the eclectic approaches to development (Ihonvbere 1992). If the West has achieved development and that scholarship on development studies should be more concerned with experiences of the South then, S. P. Varma was quite right when he argued that the dominance and prevalence of western political and economic development theories in the discourses on political theory and development should be eschewed in developing countries whose peculiar situations have never been properly articulated in the literature (Varma 1975). All this questions the theoretical foundation of White's conception of the DDS in the context of the reality of the South.

In his contribution to the debate on the DDS, Richard Sklar emphasized the need to deepen democracy in order for the sought state to emerge in the South. This is because, democracy comes to every nation or country in fragments, with each fragment, irrespective of its variation, becoming an incentive for the addition of another until the democratic developmental state is fully actualized. This represents institutional accumulation of democracy. In essence, the sought state would emerge incrementally (Sklar 1996).

Sklar's advocacy of an incremental approach to the realization of the democratic developmental state is understandable, given the historical antecedents and uneven level of the capacities of the state in the extractive, redistributive and transformative contexts to bring about holistic development of a country.

However, Sklar did not provide insights regarding the time frame open to the political leadership as it attempts to move onto its path to development before striking the right political, social and economic fundamentals for the rise of the democratic developmental state. As a profound Africanist scholar, Sklar would have factored into his formulation of the incremental developmental state the present governance and democratic deficits and market failures facing the post-colonial state in Africa. For instance, the Nigerian state could not conduct any credible election after many years of political independence in October 1960. Would Sklar advocate allowing more years for the Nigerian state to acquire the capacity to hold free and fair elections? It could be an endless wait. Much as

Sklar's thesis on political incrementalism could be factored into the prospects of the democratic developmental state in the South, there is a need to suggest a time frame within which the state institutions are expected to have acquired the capacity to deliver the public good, and within which the people, civil societies, pro-democracy groups, social, economic and political movements can measure the performance of the state.

What is more, the politics of plurality in the South is too critical to the success of institutional accumulation for Sklar to have glossed over it in his analysis. Sklar's institutional accumulation will be further constrained by the rights-based views of democracy among the rural poor in the South for two basic reasons. First, individual rights to political representation, political appointments and formation of political parties have hardly been actualized by the rural dwellers. Rather, the urban elite have, in most cases, mobilized the rural poor financially while handing out limited economic benefits. In doing so, these elites have claimed to be advancing rural interests, whereas their ultimate purpose is to exploit them. This is quite evident when the urban elites take up virtually all political positions and more or less abandon the rural masses same people once elected to office.

Second, the social exclusion of the rural poor from effective participation in politics is not so much due to their low levels of literacy, limited access to formal sources of information, physical distance from decision makers and political parties, and the lack of time due to exigencies of survival. On the contrary, these constraints are all symptoms of the zero-sum strategy of the political elites. They cash in on the limitations of the rural poor to dictate the trend and nature of political contestations, political recruitment and handing over of political largess while manipulating cleavages in the rural communities.

In agreement with Castells, Myrdal and Evans, Thandika Mkandawire has noted that the ideology of the developmental state mirrors its goals. That is to say, the major preoccupation of the developmental state is to ensure sustained economic growth and development, as the economy records high rates of wealth accumulation, industrialization and structural change. The developmental state should have the capacity not only to formulate and implement economic policies, but to deliver development. The state's capacity to perform creditably well should be derived from a combination of institutional, technical, administrative and political factors. The developmental state also needs to enjoy autonomy from social forces that otherwise could frustrate its efforts aimed at achieving long-term development objectives for the society. At the same time, the state should be 'socially anchored' to prevent it from using its autonomy in a predatory manner (Mkandawire 2001; Castells 1992; Myrdal 1968; Evans 1995).

That said, Mkandawire undertook a self-critique, arguing that the concept of the developmental state as outlined above can be misleading, partly because it not only equated the success of the policy outcomes of the state with its strength,

which is not necessarily the case in all situations, but that it glossed over the trial and error nature of policy making, a problem that even the most successful state is still faced with. Further, the definition of the developmental state did not create any room for the possibility of poor performance, which can arise from concealed factors and unpredictable natural disasters and so on. The state may find itself unable to cope with such unanticipated crises, and its developmental failures may be put down to a large amount of simple bad luck. Mkandawire argued that a combination of these factors constrained the efforts of some African countries like Botswana, Cameroon, Nigeria and Côte d'Ivoire which otherwise had the potential to move onto a developmental path in the mid-1970s.

Mkandawire defined the developmental state as 'one whose ideological underpinnings are developmental and one that seriously attempts to deploy its administrative and political resources to the task of economic development' (Mkandawire 2001:291).

Without doubt, the ideological underpinnings of the state are important, largely because they create the rationale, give legitimacy for its policies, and help to bind the ruling class together. Equally, Mkandawire might be right in arguing that the major task of the developmental state is to promote economic development, especially for Africa, where the state has failed to deliver.

However, it can be argued that the scope of the democratic developmental state extends beyond the technicist realm of promoting economic development, as Mkandawire would want us to believe. This kind of state ideally advances a holistic development. The DDS should have the capacity to strike a balance between democratization and economic development in the pursuit of its development objectives. Ideologically, the DDS should show the political willingness to use either capitalist or socialist policies to promote holistic development. One of the contradictions of the African state is its undemocratic politics and its mode of surplus extraction from the economy. State capitalism stems largely from either how the state managers use its political power to extract surplus from the economy or the state uses the publicly owned enterprises to mediate its accumulation of wealth. This is worsened by the fragility of the state and its tenuous relationship with production, all of which has reduced politics to the pursuit of wealth, instead of service to the people. Mkandawire ought to have factored all this into his conception of the developmental state.

Defining the developmental state has been problematic, in part, because scholars tend to rely largely on developmental outcomes like the success or failures of the state in characterizing it. Stephen Gelb, for example, has proclaimed that South Africa is not a developmental state because of what he termed its 'low level of equilibrium trap and its failure to reach a pact with its social partners around growth and redistribution' (Gelb 2006).

Equally, to define the democratic developmental state in terms of its objectives has raised another concern. If the developmental state is to be defined only in the context of its objectives, then the post-colonial African state could be classified as developmental on account of its stated orientation. But beyond its orientation, the actuality of the African state shows that it has not done much to promote the development of the continent in the post-colonial period.

Generally, these definitions have contextualized the democratic developmental state in terms of its role. In doing so, scholars have, in most cases, ignored the fact that the role of the state is ever-increasing, particularly as it responds to the needs of the people and society. Also, the majority of the scholars engaged in the discourse expect the full-blown attributes of the democratic developmental state to be present before it can be classified as such. This can be mistaken because the creation of the democratic developmental state must confront certain inherent contradictions like rent seeking, which, hopefully, can be resolved as the state actualizes its full developmental potentials.

Further, scholars have, in most cases, failed to establish a causal connection between the state's organisational structures and its relations to societal actors and development outcomes. Peter Evans, in *Embedded Autonomy*, has argued that in defining a developmental state, the trick is to establish a connection between development impact and the structural characteristics of the state in the context of its internal organizations and relations to society (Evans 1995). That is to say, certain institutional attributes of a developmental state are not only positively correlated with growth, equality and poverty reduction, but also have significant effects on these dependent variables. It is important to note that, in defining the democratic developmental state, autonomy and synergy are not only positively correlated with economic growth and equality, but that they are powerful explanatory variables of them. These conceptualizations have informed the context within which the democratic developmental state can be established, as demonstrated in Chapter Seven of this work.

In all, the discourses on the DDS and its prospects in the South have thrown up considerable development problems, some of which are examined in various chapters in the work. Also, critical unsettled theoretical issues have been raised that need clarifications in order to deepen the understanding of the democratic development state and the context in which it is used in the work.

Clarifying Unsettled Concepts

The State: As a concept, the state has been construed by most of the scholars engaged in the debates on the DDS largely in its territorial connotation with set rules and orders that are administered by a national government. The different academic backgrounds of the contributors to the work also account for the various contexts in which the state is cast. But it would be misleading to contextualize

the state solely in the Weberian sense, as there are individuals and institutions that are in power, but not necessarily in government. There are also other groups that have representatives in government, but not necessarily in power.

Therefore, the 'state', as used here, refers to the totality of the classes, institutions, groups and individuals which, acting as a public social force, dominates the society not impartially, but in terms of the narrow group interests that make it a reality. In practical terms, the state includes the political leadership which is not class neutral and impartial as implied at times by some mainstream scholars. This explains why the state is unable to rise above the narrow interests of its constituents in its approach to politics and the kind of development that it promotes. It is an institutional mechanism for the domination of society, because the political leadership consists of individuals, groups and institutions that cut across all facets of the society. The groups and institutions include the oligarchy, professional business groups, local private capital and fronts of foreign capital, and the bureaucracy among others. In essence, it is the nature of the struggles that goes on between and among these institutions of the state that in turn shapes not only the content and direction of the outcome of public policy and the kind of development a country experiences, but the prospects of a real developmental state in the South.

Viewed in this context, the democratic developmental state refers to the political leadership and its institutional groups which enjoys a reasonable measure of autonomy from the society, but aligns with groups, classes and institutions that will facilitate the delivery of its set development objectives. The defining characteristics of the DDS include, but are not limited to, accountability, responsiveness and transparency, democratic governance, autonomy, and a people-centred development strategy that can promote delivery of the public good.

That is not all. The state is quite distinct from the government; yet some scholars have used both the state and government interchangeably as if they connote the same. Essentially, government refers to a group of legitimately elected representatives of the people, who are empowered with the appropriate authority to govern people and administer state institutions according to set rules and regulations within a geographical entity. Such a government may come down to a mere clique, promoting its own class interest and agenda while claiming to accomplish the task of societal development.

However, the government exists not only to service the state, but acts as the theatre where the various state institutions are engaged in constant and fierce struggles over the control of the state's political power. It is all the more so, because the holder of the instrument of state's power has the key to wealth (Marx 1978; Ake 1995; Miliband 1969; Omoweh 2005).

Comparative paradigm. The discourses on the democratic developmental state have been largely comparative. But the majority of scholars have not really

developed adequate paradigms to guide the researches either by direct modelling or establishing rules and the limits of what is possible in such interrogative efforts. Many a scholar has taken Peter Evans's 'embedded autonomy' as the defining characteristic of the DDS and have juxtaposed it with the experiences of other developing countries. But this is to fail to take cognizance of the Brazilian situation on which Evans wrote. This approach cannot create an appropriate paradigm for comparing the experiences of countries of the South. There is really no methodology for guiding the inquiry and the search for practical solutions in most cases. Worse still, there is no predominant theoretical framework, even multi-disciplinary, that informs the investigation of the democratic developmental state. Scholars have rather approached the subject from their respective academic disciplines, making generalizations on subjects that cut across continents and countries without due regard to their different trajectories of development, political leadership, political system and socio-cultural backgrounds (Chilcote 1994).

Therefore, there is a need for a comparative paradigm as the discourses on the DDS progress. The absence of such a comparative framework to guide the various contributions in the present volume stemmed from the fact that they were initially written as conference papers. Chapter Two is the only exception in this work. Subsequent interrogations on the DDS should emphasize the incorporation of an appropriate comparative framework, especially in case studies.

The Structure of this Work

With this first Chapter serving as an introductory overview of some key issues, the rest of the work is structured as follows.

'Understanding the Rise of the Reformatory State and Its Choice of Policy: An Agent-Structure Approach' is the thrust of Chapter Two. It examines the feasibility of the emergence of the reformatory state in the South. Within the agent-structure framework, it analyses the state's choice of policy, its receptivity or non-receptivity and its capability or incapacity, to adapt to change. The strength of the framework lies in its dialectics, because it deepens the understanding of the state and economic change.

The Chapter argues that the state is inherently a reformatory agent, but there is the need to understand the circumstances under which the states in Southern countries relate to society. Beyond the autonomy of the state, there is the necessity for making appropriate policy and taking decisions with inputs from the public and private sectors. It discusses the factors motivating the agents in the reform process, using the rational choice model. It examines how the global process and institutions like the World Bank and International Monetary Fund limited the agents' rational decision-making process, drawing on the experiences of South Korea, Taiwan, Malaysia, among others, where the political elites are able to surmount such hurdles.

The Chapter submits that the rise of the reformative state is indispensable to the development of the South. But such a prospect is conditioned by the willingness of the political and economic elites to be receptive to change, to be flexible in policy and institutional reforms, as the state embeds with the larger global system.

Chapter Three, 'Deconstructing Democratic Developmental State: Blocked Democratization and Political Parties in Nigeria and South Korea', problematizes the democratization agenda of the state in both countries. Within this context, it examines the internal democratic practices in political parties and the feasibility of the DDS in both countries. It argues that the state's zero-sum politics blocks the process of democratizing the polity and hinders political parties from getting underway.

The chapter examines the history, leadership, structure, financing and governance of political parties in both countries, taking note of the similarities and differences between them. It argues that there is a crisis of democratization in the political parties, as evident in the manner in which they formed, disbanded, merged and regrouped. These parties lacked internal democratic practices and leadership positions were cornered by a few powerful members as instruments for advancing their narrow social, economic and political gains, leaving the majority of the members of the party politically disempowered.

The Chapter recommends the democratization of the governance of the entire development process and of political parties in particular. Further, it would be desirable to reinforce democratization through the creation of appropriate political spaces for civil society groups. Such groups would act as a check on the policies of the state that are ambiguous, and anti-people, and to pressurize the state to account to the people and respond to their yearnings. It also recommends the creation of movements that will empower the people, groups and communities to form social, political and environmental movements on critical development issues. Such movements will in turn, not only provide the platform for the formation of political parties with clearly defined ideologies of development and politics, but enable individuals and institutions to imbibe democratic practices and culture. That way, the democratization of political parties will facilitate the prospects of the DDS in Nigeria and South Korea.

'Democracy without Citizens in Latin America' is the focus of Chapter Four. In particular, it looks into the opportunities available to democratic regimes and the threats they are faced with in Mexico and Venezuela. In doing so, it considers the role of the citizenry in shaping the emergence of the democratic developmental state in the region. It analyses how the European colonial legacy disarticulated the culture and social lives of the people and of the productive system of the economy. Such a heritage, coupled with the lack of civil citizenship, weak political leadership, corruption and the neo-liberal economic reforms entailed by the Washington

Consensus, have prevented the relatively positive economic growth recorded by Latin American countries from translating into an improved living condition of the majority of the people.

The Chapter discusses the weakness of the political leadership and the challenge it poses to democratic consolidation across the region. In particular it looks at political party systems in Venezuela, where the traditional political parties disappeared shortly before Hugo Chavez became President. It captures the most recent changes that have taken place in the electoral processes, and the re-orientation of political trends with the emergence of leftist candidates that produced the change in the ruling party but preserved a basic loyalty to neo-liberal politics.

Charting alternative strategies for democratic consolidation and the rise of the democratic developmental state in Latin America, the Chapter calls for the redress of unsettled issues. These issues include the need to deepen the democratization process in Latin America, the imperative to reconcile the neo-liberal styled structural reforms with public demands, and to subject to deep examination the recent changes in the party system and the implications for democratic consolidation. Other issues are the need to foster interaction between the old and new powers, to tackle corruption head-on, and the problem of drug trafficking, all located in the context of national or regional security.

Chapter Five, 'Electoral Democracy and Poverty Reduction in Cameroon and Burkina Faso', provides a theoretical and empirical framework that examines the linkage between electoral democracy and poverty reduction in sub-Saharan Africa. It argues that democracy is a theory of the public good, largely because a significant part of its financing is derived from the state. Its review of the status of electoral democracy in Africa shows four major areas to which political elites should pay attention: voting theory, theories of interest groups, debt and political behaviour and theory of bureaucracy.

In particular, the chapter examines parliamentary elections in both countries with an emphasis on the electoral strategies of the political candidates in terms of the organization of the parties, and their human and material innovative capacity. In doing so it draws on the parliamentary elections held in Cameroon in July 1995 and Burkina Faso in May 1997. It analyses how the ethnic and regional membership of religious groups, populism and the platforms of candidates shaped the electoral attitudes of voters in both countries.

The Chapter formulates general and specific models for a quantitative analysis of electoral democracy and the fight against poverty. It incorporates variables such as the number of votes in a given population, the incidence and depth of multidimensional poverty, and the proportions of the poor and non-poor who vote either in favour or against the ruling party. The outcome of the elections in Cameroon and Burkina Faso showed that neither the ruling parties nor the elected

representatives were concerned with mitigating poverty because they failed to formulate policies that helped to broaden the social and economic opportunities of the poor. This implies that elections were not a powerful means for compelling governments and the elected representatives of the people to reverse the deplorable material conditions of the majority of the poor.

It submits that all national and international stakeholders participating in elections should use the ballot box to promote accountability and enhance the well-being of the marginalized segment of the population. It also suggests the need to create more access to information, establish more local and rural radio stations with an emphasis on their independence, and the imperative of popularizing new information technologies among others.

Chapter Six, 'Democratic Developmental State: The Indian Experience', considers how the Indian state adapted its tradition and history to the requirements of its national goals of modernization and the overall development of the country in the post-colonial period. Its major concern is not so much with the state and the market, but with what kind of state and what kind of market evolved in terms of the aims of a democratic developmental state. This issue is all the more central given the strategies adopted by the Asian NICs to bring about economic growth. Such strategies included a strong market element and the encouragement of private investment in key industries through various incentives. The state created and nurtured an indigenous entrepreneurial class; identified and implemented critical economic development programmes and projects; and guided priority industries to compete internationally.

In particular, the Chapter examines how India's policy of non-alignment helped the country to chart its own path to social, political and economic development. In doing so India was able to obtain economic and technological assistance from both Western and Eastern blocs. This, in turn, helped to keep the state's defence expenditure low in the first decade of its independence, and precluded severe ideological disputes over national economic priorities and strategy.

The chapter discusses the main features of the DDS exhibited by the Indian state such as democratization, decentralization, an empowered civil society, and corrective influences on the country's quest for industrialization. Other features of the Indian state of note include its development strategies and economic and social programmes and projects, such as economic cooperation and integration, South-South cooperation, energy security, demographic trends and business process outsourcing.

The Chapter shows that the Indian state has played a central role in the economic development of the country over the last six decades. While the role of the state was extensive and almost paternalistic in the pre-liberalization period, it became critical and facilitative thereafter. The state provided the political space for the

growth of civil society initiatives nationally and internationally, and facilitated corrective feedback mechanism through the conduct of periodic elections. In conclusion, it suggests that, even though the Indian state's experience might hold out useful lessons for other states in the South, it cautions them against a blanket approach to the establishment of a DDS because of differing historical, economic and cultural backgrounds.

Chapter Seven, 'Democratic Developmental State? Institutional Structures for Incubating Entrepreneurial Class and Poverty Reduction in Malaysia and South Africa', examines the need to promote an inclusive development strategy that embeds the state with business. The active role of the local business class is one of the defining characteristics of the DDS and its absence poses a major policy challenge. It conceptualizes the DDS with emphasis on its institutional characteristics. It compares the efforts of the Malaysian state and its counterpart in post-apartheid South Africa to nurture a virile indigenous entrepreneurial class that will partner with the state in the development process of both countries.

With regards to Malaysia, it examines the institutional foundations, the internal institutional characteristics and role of the state in creating the indigenous business class in the country. It examines the National Economic Policy (NEP) in two interrelated contexts. First, the NEP is the state's policy to reduce and eradicate poverty through creating employment opportunities and incomes for all Malaysians irrespective of race. Second, it redressed the ethnic imbalance between the minority Malays and the ethnic Chinese. Its analysis of the implementation of the objectives and impact of the NEP showed that it facilitated the entry of the Bumis into the business class as they enjoyed state privileges such as channelling bank loans to their entrepreneurs, purchased shares in companies and obtained large state contracts, among other state largesse. However, the emergent Bumis business class took to rent-seeking, especially as they relied more on the state's patronage than in investing in production.

Its analysis of the state institutions and state-society relations shows that the Malaysian state was still authoritarian and undemocratic in its politics, as evident in the curtailment of press freedom, restriction of the people's rights, and prohibiting parliamentary debate of the NEP. The Malaysian state was only partially embedded, as it established ties only with a section of the business community. Thus the state lacks inclusive embeddedness, as the selection of participants in the embedding process was based on individual capacity and that partly accounted for their minimal contribution to public policy.

The Chapter discusses South Africa's similarities with the Malaysian case. Both states have sought to promote human-centred development. The bureaucrats are insulated from external pressure in both countries. The South African state has also achieved cohesion and a shared common agenda like its Malaysian counterpart.

Under the framework of ‘Governed Interdependence’, the South African state has consulted with more civil society organizations in the policy making process, thereby promoting more state-society/trade union/business relations. Under the National Empowerment Fund (NEF), the state introduced measures that facilitated state-black business relations. The white business class was apprehensive of the policy of the African National Congress (ANC) to re-distribute wealth in favour of black business. These are some embryonic features of the DDS.

Further, the Chapter argues that the South African state lacks the capacity to achieve its development potentials, as evident in its weak departments and ministries to provide public goods. The establishment of a New Public Management (NPM) framework failed to empower the bureaucrats, because it destroyed their esprit de corps. The worsening trend of inequality remains a major challenge for the post-apartheid state in South Africa.

The Malaysian and South African states have built institutional foundations that helped to incubate an indigenous entrepreneurial class and to reduce poverty in both countries. Both states evinced elements of the DDS, but the Malaysian state had stronger institutional frameworks than its South African counterpart. In regards to the degree of embeddedness, South Africa had more than Malaysia. The Malay business class and its counterpart in South Africa were largely dependent on the state for survival. In terms of policy coordination, the EPU in Malaysia played more roles compared to the PCAS in South Africa.

The Chapter argues that there is a need to democratize the political leadership in both countries; to have the state more focused on development projects; and to construct appropriate institutions to help actualize development goals. Malaysia’s experience of deliberately constructing the institutional arrangements that enabled the state to pursue its developmental programmes should be a lesson for South Africa.

Chapter Eight, ‘Notes on South-South Cooperation and the Democratic Developmental State: Cuba and New Research Agenda’, examines the utility of the framework of South-South cooperation for facilitating the emergence of the developmental state in the South, or strengthening this kind of state where it is already developing. It pays particular attention to the promotion of social, economic and political stability, the sharing of development experiences, and the reversal of dependence of the Southern countries on the North. It draws on the experience of Cuba with its advanced technological capabilities in tropical medicine and illustrates how the country has exchanged such expertise with African countries like Uganda.

The Chapter explains how Cuba, under the South-South framework, has assisted other developing countries like Pakistan, Indonesia, India, Brazil and China that have used the South-South framework to market their vital medicines at

affordable prices in other developing countries like Nigeria. It provides a new research agenda that will facilitate cooperation between and among countries of the South in the hope of leading to the rise of the democratic developmental state in Third World countries.

Chapter Nine consists of a Conclusion which summarizes the strategies that could lead to the emergence of democratic developmental states in the South.

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2

Understanding the Rise of the Reformative State and its Choice of Policy: An Agent-Structure Approach

Dennis D. Trinidad

Introduction

The state has a role to play in any economy, especially in the provision of public goods. But the majority of the states in the South lack the capacity to perform such a minimal task. This is partly because the concept of state capacity has not been well articulated and understood in both scholarly and policy circles; nor has the politically-created process that will result in the transformation of the state from an 'incapable' state into a 'capable' one been underway. This is the task the chapter seeks to accomplish, as it examines the prospects of the rise of the reformative state in the South. It adopts the agent-structure framework to analyse the state's choice of policy and its receptivity and capability to adapt to change. The dialectics of the agent-structure approach recommends it for analyzing economic change.

The neo-liberal revolution of the 1980s rooted in the debt crisis had set the fiercest challenge to the role of the state in the development process in the majority of the countries of the South. Following the adoption of the World Bank and International Monetary Fund-styled structural adjustment programme by the majority of the developing countries, which failed to deliver the adjusted economies from economic, political and social crises, there was renewed interest in the role of the state in redressing these failures. Paradoxically, the pervasive state-market debate had produced an unintended wide appreciation for the state and its

institutions in promoting growth. In fact, the World Bank had reversed its earlier position on rolling back the state, to admit that the state and political institutions have an increasing role to play in facilitating good governance and promoting growth and development of the South (World Bank 2002).

However, the role of the state in the reformative process requires the government to know the kind of policies to adopt, the institutional reforms to undertake, and to understand the nature of the benefits accruing from these changes to the political and economic elite. Moon and Prasad aptly captured this when they contended that:

The role of the state was misconstrued because the neo-liberals wrongly assumed that the state is an internally cohesive and unitary actor. The state is not generic. Many scholars tend to ignore the fact that 'state structure' is not an internally coherent, unitary entity, but is composed of several distinguishable dimensions like executive leadership, executive-bureaucratic nexus, intra-bureaucratic dynamics and bureaucratic constituents (Moon & Prasad 1998:11).

One of the implications of the analysis of Moon and Prasad is that much more is expected of the developmental state, especially its institutional capacity to provide the public goods, as demonstrated in the section of conceptualizing the DDS in Chapter One and in Chapter Seven, which examines the incubation of the indigenous business class with which the state wishes to embed in Malaysia and South Africa.

In different studies, Wade and Evans argued that the success or failure of intervention of the developmental state in public service delivery depend, among others, on the structure of the state, the policy instrument available to the government, and the state-society relationship in general. State capacity can include its bureaucratic capacity, its insulation and the degree of public-private sector coordination (Wade 1990; Evans 2003). In essence, state capacity is associated either with the implementation process or the conditions that facilitate efficient coordination between the public and the private sectors. It also emphasizes the need to create institutions with reformist objectives and responsibility.

Unfortunately, the task of reforming the existing institutions in order to build state capacity requires the high resolve of the political leadership and this has been quite problematic. Several states in the South have failed miserably to effect any change largely because they lack the political will to pursue the desired change and reform. The rest of this chapter examines the circumstances under which states can become reformative in their policies and programmes.

Situating the State in the Reform Process: The Basis of the Reformatory State

A review of some of the basic literatures on the reformatory state is in order to help situate the basis of the DDS in the South. Skocpol had argued that the impetus to change comes from within the state structure and that the state as the locus of change is capable of promoting autonomous actions that are 'not simply reflective of the demands and interests of the social groups, classes and society' (Skocpol 1985:9). Thus, the state is assumed to be inherently reformatory. But the recurring concerns are the inability of states to be disposed to reform and the lack of the motivation to reform.

In response to the above questions, Skocpol had contended that the reformatory behaviour of states comes from certain officials, who are insulated from dominant social and economic interests. They could be members of the elites such as the top government officials, the captains of industry, the high brass in the military and the leaders of political parties whose actions may not be driven by personal interests but by certain ideologies or nationalism. If the primary concern of the elite were to address immediate social, economic and political problems then it needed to enjoy the organizational strength within the existing state structure (Skocpol 1985).

According to Trimberger, revolutions are replete with examples of the state acting as agent of change, citing examples of the social transformation of Japan's Meiji era, Turkey's Ataturk Revolution, Egypt's Nasser Revolution, and Peru's 'corporatist' coup of 1968, as 'Revolution from Above' (Trimberger 1978). These revolutions were organized by a group of autonomous bureaucrats and members of the military that seized and reorganized state power, destroyed the existing dominant class, and re-oriented national economic development.

However, there are two pre-conditions that made Trimberger's 'Revolution from Above' possible in Japan, Turkey, Egypt and Peru. First, was the relatively autonomous bureaucratic state apparatus; and, second, the dynamic and autonomous bureaucrats. But the autonomy of the bureaucratic apparatus was dependent on two conditions: (i) that the bureaucrats were not recruited from the dominant, landed, or commercial, or industrial classes and (ii) that they did not form close personal and economic ties with these classes after their elevation to high office. For the post-revolution leaders to succeed, they should consolidate political power by gaining the cooperation of the most influential local interests and using the state apparatus to mobilize resources for economic development (Trimberger 1978:4).

Trimberger dealt with the extraordinary instances of achieving state autonomy, while Skocpol argued that such autonomy was possible under constitutional politics. Both Trimberger and Skocpol have conceptualized state autonomy as synonymous

with the idea of insulation; and that the capacity of the state to reform was dependent on the level of its autonomy or insulation of 'reformists' from outside influence, especially from the dominant social class. In particular, Skocpol concluded that state autonomy is not a fixed structure of any government system and that bureaucratic autonomy is a necessary but not sufficient condition for the state to have the capacity to reform (Skocpol 1985). All suggests that reform and autonomy is 'leader-dependent', which accounts for why an autonomy achieved can be lost over time.

Chibber set the preconditions for state autonomy as its internal cohesion and possible measures to achieve it. First, the state should be staffed by 'rule-following bureaucrats'; second, an appropriately coordinated state apparatus; and third, act as corporate entities with broadly collective goals, rather than as the sum of the individual strategies of their functionaries (Chibber 2002:952-956). However, Chibber did not explain what pushes the agents in the state to pursue broad goals, the reason why some states succeeded in developing an 'appropriately coordinated state apparatus', while others failed.

From the foregoing, it can be argued that state autonomy alone would not automatically make the state receptive to change; nor would it allow bureaucrats to know which policies are appropriate and others are not. Rather, the choice of policy and context of decisions are indispensable factors that will facilitate the rise of the reformative state. Once an autonomous bureaucracy is set up, the course of policy that it would pursue is unpredictable. It may end up promoting the policy of shared growth, or otherwise. While some autonomous states prefer one strategy, for example, intervention over another, state-centred strategy could accord significant attention to the hitherto neglected roles of private sectors and civil society groups if the reformative state is to be achieved. In this context, Trimberger recognized the existence of these influential sectors, which she called 'influential local interest', but did not elaborate on how they contribute to policy choices.

Apparently, the non-state organizations play significant roles in determining policy formulation and its outcomes, but the extent to which they successfully impacted on policy making should be closely examined, as Peter Evans did with his embedded autonomy hypothesis (Trimberger 1978; Evans 1998). With regards to the choice of policies, Skocpol averred that autonomous states might adopt policy initiatives that are either 'stupid or appropriate' and that the 'appropriateness of policies that they have successfully produced might be accidental' (Skocpol 1985:15).

Another major weakness of the perspective on the state as an agent of reform is that the institutional setting that determines the behaviour of agents in the state was not given sufficient attention in the discourse. For autonomous states have institutional bases which can be merit-based or involving a non-discriminatory

recruitment process. In fact, the well-insulated politicians, who are outcomes of transparent electoral systems, would want to reduce transaction costs by maintaining an efficient bureaucracy. Through electoral laws, politicians could either avoid pecuniary gifts to candidates, or forbid the appointment of members of their families into political offices. There is the need first, to have such institutions established before a cohesive autonomous state could be constituted. But then, agents must find rents in instituting these reforms. Local and domestic processes can alter their context of decisions, and create new sets of incentives to agents to make them more receptive to change. This is based on the assumption that states are part of a larger social system or a much bigger global system.

Across the South, the conception of a socially embedded state, state capacity and a state-society approach have been well covered in the works of Migdal and Montinola, but the focus is on the former. For Migdal, the state is an entity that claims monopoly of the legitimate use of physical force within a given territory, but it would be too idealistic to conceive the state in such a context. Rather, all states enjoy legitimate use of force, particularly those of the Third World that are in constant struggle for social dominance. Perhaps, much more important to note is the neglect of state behaviour in the discourse but which was relatively well captured in Marxist literature, considering the (state) role in social conflict. Drawing on the experiences of Israel, Sierra Leone and Egypt, Migdal concluded that states are engaged in constant struggle for domination against powerful non-state organizations in the society which are basically the chiefs, landlords, bosses and clan leaders (Migdal 1988, 2001; Montinola 1999).

However, the degree of social control of states over these organizations depends on four varying factors: world historical timing; military threats, an independent bureaucracy, and skilful leadership. The capacity of these factors to further the emergence of a strong state in the South varies from one country to another. For instance, a historical legacy arising from colonial experiences has fragmented social control among hitherto highly homogeneous societies; created arbitrary political boundaries to favour certain groups, clans or organizations to the detriment of other for narrow political gains and the exercise of social control. Such superficial social control vested in local elites or certain groups relied heavily on the backing of their colonial masters. Thus, the resultant political vacuum left after independence rendered their social control weak and vulnerable to threats posed by non-state and state organizations. In fact, weak states usually inherited strong non-state organizations which the colonialists either might have unconsciously strengthened or could not neutralize. With a weak foundation of social control, the non-state organizations eventually resorted to politics of survival, doing so at the expense of the country's economic growth. Within this context, state mobilization of the population becomes more difficult and the dilemma of state leaders worsened when strongmen were able to maintain a tight grip on local resources (Migdal 2001).

One of the dilemmas of state leaders is that they do everything to prevent the possible rise of 'power centres' from among state agencies and non-state organizations which could threaten their political status. But often they fail to achieve it. Ironically, the state leaders depend on the non-state organizations as ground forces to help induce political mobilization in order either effectively to bring about change or implement reforms in the polity. Under such circumstance, the state or political leaders used their power to hire and fire and to appoint and shuffle ministers of state, military commanders and top bureaucrats and to prevent loyalties in potentially strong agencies from taking root. In fact, state leaders resort to non-merit appointments of officials with deep personal loyalties (Migdal 1988).

State or political leaders also tend to disregard the overlapping of bureaucratic functions, even though it may be detrimental to the implementation of policies because 'it does not fit into the conception of the politics of survival' (Migdal 2001:79). Perhaps the worst strategy that state leaders deployed to prevent centrifugal forces from enveloping them was the use of 'dirty tricks' such as the imprisonment, deportation, strange disappearances and torture of the members of the opposition and the use of death squads to annihilate all those standing against their policies and programmes (Migdal 2001:81).

The officials, who are particularly badly hit by the dirty politics of the state managers, are those implementing the policies at the local level, in part because they confront the triangular relationship with strongmen, on the one hand, and with other state and party officials on the other. At the local level, the officials either reverse fragmented social control by collaborating with the local men or weaken it. One of the strategies to break the triangle of accommodation is to create countervailing forces such as the bishops and priests as it was done in Latin America in the 1970s and to enhance their powers by making them impervious to sanctions of the state leaders (Migdal 2001:88).

However, one of the issues in the discourse on the reformative state is whether the constant struggle of the state for social domination will permit the weak states ever to regain full social control. For his part, Migdal had argued that societies, first, must be weakened before a new distribution of social control is possible. He observed that strong states usually experienced major social disturbances that disrupted the social control of non-state organizations. Examples of such common disruptions include the combination of war and revolution in China, Vietnam, Russia, and Yugoslavia, and mass migration in Taiwan and Israel. Global structures like power relations among nations in the international system and international rules that define the systems of trade, investment and finance have constrained the actions of state leaders (Migdal 1988).

Even though the state-society perspective deepened the understanding of social and economic change, it is limited. There seems to be an implicit assumption that state leaders, whether at the national or local level, and those who Migdal considered

as strongmen, are two different personalities whereas they are not. In the Philippines, for instance, the government, especially the national legislature, was dominated by elites or strongmen in the late 1940s and 1950s. The majority of these elites were part of the landed class who were opposed by the peasants. In essence, the social conflict in the Philippines was a fight between the peasants and landholders, many of whom occupied either national or local public positions.

Further, there is a high risk of predation when strongmen, especially the agrarian barons, are the same people that dominate the state. As a result, the peasants doubted the sincerity or the appropriateness of state policies and programmes that they formulated and implemented. The Philippines Legislature had ignored for a very long time the enactment of comprehensive agrarian reform law, despite peasant-related insurrections in the rural areas. This was an indication that state leaders and even non-state organizations had their own policy agenda and interests. Migdal did not really interrogate such a crucial issue in the discourse on the strong state, although he argued that policies are outcomes of the politics of accommodation that had transpired among state leaders, policy makers and the strongmen.

From Migdal's analysis, an erroneous impression can arise that non-state organizations are the antagonists because of the challenge they pose to a state's social dominance. The question that the rest of the chapter seeks to examine is whether there is a possibility of cooperation between the strongmen and non-state actors. And if cooperation is possible, then the next issue to contend with is the circumstances that will allow the non-state organizations and strongmen to cooperate with state leaders. Reforms do originate from non-state organizations in some states and when this happens, the government becomes an impediment to change rather than its agent. However, weak states are trapped in the politics of survival and in the triangle of accommodation as noted. In Migdal's view, reforms that would benefit the general welfare are difficult to sustain unless there are powerful countervailing forces to ensure such policies are implemented or protests are organized by the non-state actors to resist the policies from getting derailed. This makes the pursuit of economic growth a secondary objective of the state, with the struggle for social dominance as its primary aim.

Thus the task of formulating appropriate policies that are beneficial to the general welfare of the people is a daunting one. It is even more difficult to implement such policies when they are formulated. The inability of social conflict frameworks to explain major policy change calls for the need to consider the behavioural characteristics of state leaders as an alternative analytical construct. State leaders have their own reasons for supporting certain policies and rejecting others. The preferences of policy agents inclusive of their stakes in the implementation cannot be ignored if state policy preference in general is to be deeply understood. It is possible that state leaders engage in the politics of survival

because they either benefit materially from the status quo, or it is advantageous to their own policy agendas. This leads us to examine the attributes that motivate the ruling political elites – inclusive of the executive and legislators – to seek reform.

Agents' Motivation and the Reform Process

The rational choice model provides an alternative analytical framework for understanding the behaviour of politicians, bureaucrats and other policy actors in the state. This approach analyses human behaviour on the assumption that actors are rational in their choice of policy and actions (Hindess 1988). From this perspective, individuals are perceived to be self-interest seekers, whose actions are always directed toward maximizing utility. The incapacity of the conflict paradigm such as that of Migdal to explain major policy shifts has led scholars to apply the rational choice approach in the analysis of variation of state capacity across developing countries. One of such scholars is Barbara Geddes, whose study of state capacity in Latin American countries like Brazil introduced another dimension to the current literature. Stressing the rationality of the behaviour of those who formulate and implement public policies, Geddes argued that the state is a collection of self-interested individuals and that government policies often reflect the interests and economic ideologies of state officials, rather than those of domestic or foreign economic elites, or powerful organized middle and working class groups (Geddes 1994).

Further, Geddes contended that the capacity to implement public policies was dependent on the ability of the state to tax, coerce and shape the incentives facing private actors, and to make effective bureaucratic decisions during the course of implementation, which relied on the competence of the bureaucracy to perform those tasks (Geddes 1994:14).

In essence, the reform of the bureaucracy is a necessary first step to build state capacity. If the pursuit of personal interest determines the behaviour of political actors, then the support for bureaucratic reform will only be possible when it furthers the interests of bureaucrats, especially in enhancing their careers or economic well-being. While politicians are conscious of their re-election to political office, bureaucrats seek career promotion and security of tenure. Therefore, administrative reform can be costly to politicians because any reform that diminishes their access to resources and the state's political power, which they need in order to maintain the support structure of their political careers, will be aborted.

As noted, the rational choice theory proposes that agents are engaged in a cost-benefit analysis in their decision-making processes. This explains why politicians have, in most cases, used the issue of reform to attract the support of their constituents, even if this could eventually reduce their access to resources once the promised reform has been adopted. This is what Geddes called the 'politician's dilemma'. In pursuing narrow interests, politicians engage in two

overlapping prisoner's games: one is between the politician and his/her constituents and the other is between him/her and other politicians. Geddes identified a patron-client type of relationship characterizing these games. Politicians pledge some particularistic benefits to their clients like the provision of jobs in exchange for their political support. If politicians were concerned about their re-election bid, why do voters fail to make credible threats to punish those who renege on their campaign promises? Geddes attributed this to 'information asymmetry' where citizens generally lack the necessary information to judge whether politicians actually fulfil the promises made during political campaigns. Moreover, politicians would rather respond to the interest of a few but politically 'useful citizens rather than respond to the general interest of the public as a whole' (Geddes 1994:42).

Work by Montinola in the Philippines lent some support to Geddes's arguments by concluding that politicians always reneged on their campaign promises once in power. Based on the rational choice framework Montinola argued that unless competition to influence policy is largely confined to a single dimension, politicians have no incentive or 'political will' to adopt bureaucratic reform. A single dimension type of competition to influence policy occurs when voters' preferences over one issue can be used as predictors for their voting behaviour on a majority of issues (Montinola 1999:744-745).

While it might be true that the pursuit of personal interest determines the behaviour of state leaders, it is an oversimplification of the complexity of human behaviour to argue as Montinola does that politicians' main concern or interest is solely confined to the enhancement of their political careers. History is replete with great rulers who fought for what they believed was right instead of their selfish interests. It is difficult to sustain fully the argument of the rational choice theorists, particularly Geddes, who excluded the electoral rules in Latin American from her analysis. However, both Geddes and Montinola did not claim that the inclination of state leaders and politicians to enhance their careers was an end in itself, but rather a means to achieve a concealed end.

Political leaders and bureaucrats need their positions to protect or promote certain interests such as the privileges they obtain from their positions in relation to their own or their families' businesses. What comprises these interests is based on the type of business in which agents have a stake or with which they are directly or indirectly affiliated or associated. The problem in most economic performance studies is that they focus more on policy outcomes than on the process (March and Olsen 1984). That is, poor economic performance is often attributed to poor economic policies instead of the poor policy process itself. The majority of scholars have assumed that once the state realizes the objectives of its policy, especially when it promotes growth, then it can be mainstreamed. Such an approach has often ignored the factors that determine the policy preferences of agents such as the absence of democratization in the policy process

as explained in Chapter Three of this work. A reformative state should be able to introduce appropriate and coherent institutional reform that will overcome such a gap in the policy process.

The Elites as Agents in the Reform Process

The direct and indirect role of the elites in formulating the policies of the state is axiomatic, because the elites are highly esteemed in society. The elites have an inherent interest and high stakes in governance, partly because they are the most affected when the system breaks down. In particular, while the economic elites are prominent community members who may possess vast tracts of land, much wealth, high levels of education and influence, the political elite plays a key role in decision-making inclusive of the economic sector, by influencing prices, regulating the degree of competition, formulating the rules of economic transactions and enforcing rules that protect contracts and private property rights. In reality, decision-making power is centred in the hands of a few but powerful individuals. The ultimate authority to decide is vested in the 'proximate decision-makers' (Putnam 1976).

As policy agents, the elites are rational. But the unsettled issue pertains to the kind of policy the elites promote and whose interest it caters for. As the author has noted elsewhere, there is a multiplicity of interests among elites. It cannot be assumed that they merely foster the well-being of their own class (Trinidad 2006). Under normal conditions, the elites would not support policies that tend to diminish their power base, or to curtail the access to state power and resources. The elite rather support policies that give them immediate benefits than those that promise long-term gains.

However, there seems to be an anomaly in the case of the elites in the high-performing East Asian countries like South Korea, Malaysia and Singapore. The political elite in East Asia promoted the policy of shared growth, which the economic elite supported. Some of the sectors covered by the policies included education, land reform, market liberalization, support for small and medium-size industries, and the government provision of basic amenities like housing and public health services. When the elites share the benefits of growth with the non-elite, the former were able to win the support of their constituents and, subsequently, acquired complete authority and political legitimacy. This has made the adoption of subsequent reforms politically viable and enhanced their reform capabilities.

The next unsettled issues are the factors that cause elites to change their policy preferences and the kind of reform that the state adopts and implements. The recent changes in the global economy, particularly its rapid integration, have made national economies mutually vulnerable. Changes in the international structure abruptly affect the basis of interests of elites which make them abandon policy preferences in favour of new ones.

Global Processes and Institutions as Constraints to Rational Decision-Making

Generally, the impetus to reform must come from the realization by agents of change or by political and economic elites that the existing policy is undesirable and obsolete. This is where exogenous pressure helps in the reform process. An exogenous factor, like prices in the international market, can abruptly reverse old policy preferences. This happens when external factors adversely disrupt or change the settings which provide incentives or disincentives to the behaviour of the elites or the agents of change.

Woo-Cummings analysed the relationship between development and national security in South Korea and Taiwan. He argued that the national development of these countries was an important strategy for national security. Preoccupied with the possibility of external attack, the national survival of both countries was perceived to be contingent upon economic development. The development of the two countries was also shaped by the politics of the Cold War, especially the United States' global geo-strategic calculations in South East Asia. For example, while Japan had started its post-war take-off as the Korean War was waged, the Vietnam War boosted the economies of Taiwan and South Korea. Both countries benefited from the American purchases of agricultural and industrial commodities, the use of military facilities and depots for the repair of equipment, and as sites for rest, recreation and contract work for Vietnam (Woo-Cummings 1998).

The development experience of Taiwan and South Korea contrasts with that of the Philippines. The latter faced no direct external threat by any country during the Cold War period. Thus, political leaders and policymakers did not have the urgency to attain economic development as fast as the state could in the same manner as Taiwan and South Korea. The international setting served as a constraint to policy options not just for the Philippines, but other developing countries. The policy shift in the Philippines was noticeable in the 1990s, when the country achieved growth that was comparable with East Asian neighbours. The Filipino policy makers supported liberal reforms partly because of developments at the international level at that time (Trinidad 2006).

Stallings had identified three distinct ways in which international factors impinge on domestic policy options of a country (Stallings 1992). First are the shifts in international markets, both for goods and capital. The fluctuations in the international market determine the availability of external resources, which in turn set limitations to national economic policy. The second factor concerns international linkages, which the policy makers from developing countries can take advantage of by connecting with international actors and networks. The extent of linkage determines policy stands and the kind of business groups that constitute the global network. Finally, there is the international influence on domestic

policy, which can be leveraged through the use of political or economic power. Aid is a typical instrument of such a leverage that is used by the creditor nations to assist developing countries. The imposition of aid conditionality on developing nations by the IMF and World Bank is quite instructive in this context.

The two decades following the end of the Second World War in 1945 were replete with cases of economic reconstruction of national economies, the end of colonialism, the emergence of new states, and civil strife in many former Third World colonies. It marked the beginning of bipolarization. When the Cold War began to unfold, many countries sided with either of the two superpowers: USA and USSR. There were however, a number of states that remained non-aligned. In the international economic context, the gold standard was replaced by an international system based on the Bretton Woods system during which all countries' currencies were set in relation to the US dollar.

The 1950s was characterized also by growing resource nationalism in the Third World. At the same time, Japan experienced high growth rates in the period 1955-73, which eventually influenced other countries, particularly South Korea and Taiwan that followed its development strategy. While Japan embarked on an outward-oriented industrialization, most developing countries like the Philippines preferred to imitate the Latin American import-substituting industrialization strategy.

The 1970s was marked by two oil crises, one in 1973 and the other in 1979-80. The Bretton Woods system finally collapsed in 1973. The floating system of exchange rates, where the value of a country's currency system was set daily in the foreign exchange market, replaced the fixed exchange rate system. The Philippine Peso, by virtue of an agreement with the United States under the Bell Trade Act, was tied to the US Dollar.

Mosley et al., argued that the two oil shocks were responsible for the deceleration of growth that characterized the rest of the 1980s, with the exception of China and some countries in South East Asia. The situation became more unfavourable for the developing countries when creditor nations raised interest rates on commercial loans. The sharp decline in the prices of export of low and middle income countries in international market subsequently triggered another crisis – the debt crisis – during the 1980s (Mosley et al. 1995).

In countries of the South, the 1980s was a turbulent decade with dire consequences for policy reforms. The economic crisis that afflicted these countries and the contributory factors that were associated with it were classic lessons for all countries in the South. As a result of the oil price increases in 1973, European and American commercial banks recycled the 'petrodollars' to Third World countries in the form of loans. The result was a boom in international lending and a dramatic flow of commercial bank credits to developing countries during

the 1970s. Taking advantage of these cheap and accessible loans, the developing countries borrowed heavily from commercial banks to finance development and infrastructure projects.

However, after the second oil shock in 1979, creditor countries began to tighten their macroeconomic policies, especially monetary policy, and raised international rates on commercial loans incurred by developing countries during the 1970s. Thus, by the early 1980s, there was a scarcity of credit supplies in the international capital market. The decline in the demand for and the fall in the prices of exports of developing countries aggravated their balance of payment deficits. Based on a World Bank estimate, 'the combined effect of the terms of trade and interest rate shocks was more than three percent of the developing countries' average gross domestic product (GDP) in 1981-86' (World Bank 1988).

The crisis called for adjustment strategies aimed at correcting short-term imbalances of national accounts. As private sources for capital dried up, developing nations gradually resorted to the World Bank and the IMF for financial assistance. The Bank and Fund, in turn, introduced policy-based lending, which resulted in extensive conditionalities imposed upon the borrowers, the majority of which were the countries of the South.

Faced with a huge debt overhang, the adjusting economies of the South were compelled to adopt one or more conventional stabilization packages in the 1980s, largely under the guidance and financial support of the IMF. Some countries in Latin America, notably Argentina, Brazil and Peru, opted for a heterodox approach. In contrast to the demand management approach, the heterodox approach did not hinge primarily on demand restraint to contain hyperinflation and stabilization. On the other hand, many developing countries adopted a neo-orthodox approach that promoted greater reliance on market mechanisms and fuller integration into the international economy.

According to Haggard and Kaufmann, the responses of developing countries to the debt crisis have not been uniform, but the 'one-size-fits-all' policy recommendation of the IMF and World Bank elicited disparities in economic performance among adjusting economies of the South. The countries that were able to cope with the crisis were the ones that had been able to implement earlier economic adjustment packages successfully (Haggard & Kaufmann 1992).

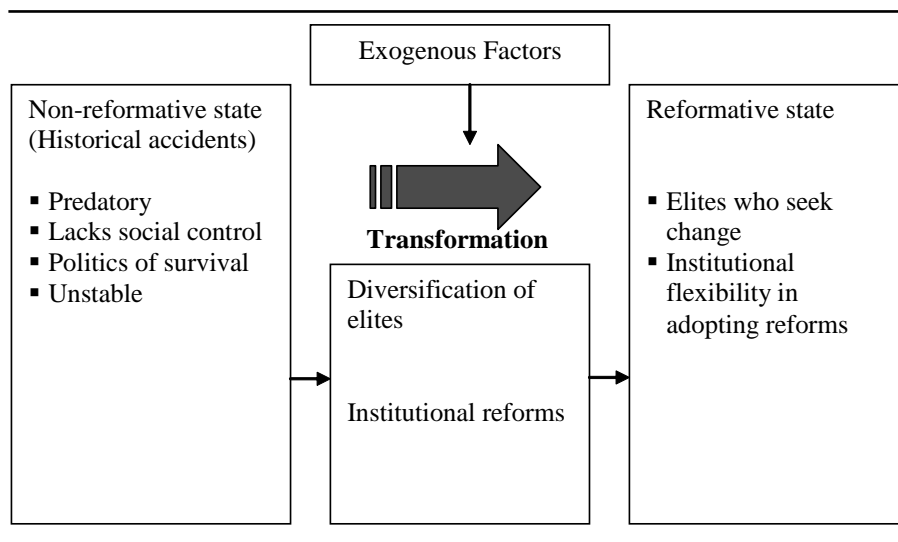
The Rise of the Reformative State

As noted, the economies of developing countries are vulnerable to external shocks, which are necessary impetuses for the creation of a reformative state. Thus, the rise of the reformative state requires the political and economic elite, who are receptive to change and who seek institutional reform, to allow for flexibility so that other reforms to take place. For this to happen, the elites first have to realize that their current policy preferences are no longer desirable.

The global processes and developments in the international economy can alter the elites' perception of what action is rational and what is irrational. When this occurs, agents are inclined to change the rules of the game by aligning with the new international setting. Such a change could also result in the fragmentation of the elite, as some of them would shift to more lucrative modes of business, for example from agriculture to manufacturing and services. Eventually, this will create a diverse group of elites in the state with multiple interests.

The elites in a non-reformative state are less diverse, because the majority of them are active in the agricultural sector. Diversity pushes agents to support institutional reform in order to make the rules of the game fair to all. The economic transformation of the developmental states of East Asia and even in the industrialized countries came only after they became reformative.

Table 1: Rise of Reformative State



As outlined in Table 1, when the state becomes reformative, it adopts new rules. For example, it may introduce a merit-based recruitment process in the place of old patterns of nepotism. These may enhance state capacity and bureaucratic autonomy which in turn promote other reforms in the economy and political system. The prevailing situational attributes, which are altered by global processes, will determine the nature of the choices of policies to be adopted. Essentially, it is only when receptivity to reform occurs across most groups and agents in the state that a reformative state is born. Then, a general consensus to take a new path to development can come about.

Concluding Remarks

The study of reform processes, and the obstacles in their way, should take into account both the assumptions of agent and structure-based theories to realistically explain the state's receptivity to reform. Also, the role of political elites as rational actors determines which policies are suitable or not. Situational attributes provide incentives or disincentives for positive elite developmental action. The international setting can reverse or reinforce the context of decisions of agents. States should be embedded in a larger global system, although it makes them vulnerable to systemic change. The prospects for the reformatory state in the Southern countries are tied to their lack of receptivity to change, beginning with the political elites' accommodation of policy reform. The economic reforms currently being enforced in the Philippines under the Arroyo administration are, in part, a strategy for the President's political survival after several alleged corruption charges and election rigging, but nonetheless in the right direction.

The recent liberal reforms in some African countries are prompted by a mixture of factors. There is the argument that 'traditional' societies are not receptive to change, thus they must adapt by moving toward the Western hierarchically centralized model for the desired change to take place. Second, there is the contention that 'culture' is the key to understanding change in Africa, but how to induce change on this level is unclear. It cannot be stated unequivocally that some African countries are gradually developing into reformatory states, but in some, the process could be argued to be underway (Doornbos 2000).

The East Asian model can hardly be replicated in any Third World country, because the system was closed. Chapter Three sheds light on this. However, the developmental state model requires more aggressive interventionist state policies and programmes. This means that much more capability is needed to enable the state to carry out its transformative role. The set of incentives and disincentives presently available to nations will determine which countries will succeed in the long run and which will remain stagnant for many years to come.

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3

Deconstructing the Democratic Developmental State: Blocked Democratization and Political Parties in Nigeria and South Korea

Daniel A. Omoweh

Introduction

The chapter problematizes the democratization agenda of the state in Nigeria and South Korea within the context of deconstructing the DDS. It argues that the state's zero-sum politics blocks the process of democratizing development and the political parties from getting underway. It examines the history, leadership and governance of the political parties in both countries, taking note of the political contestations and internal democratic practices within and between the political parties. It looks critically at the manner in which the political parties were formed, disbanded, merged and regrouped, paying attention to the privatization of the parties by a few powerful and rich members, leaving the majority of the members of the parties politically disempowered.

The chapter recommends the need to democratize the governance of the entire development process and the political parties in particular; and to institute the democratization process through the creation of appropriate political spaces for civil society groups where they could act as a check on ambiguous and anti-people policies of the state and its inability to produce the public good. It recommends the formation of social, political and economic movements that can empower the people, groups and communities to pressurize the state to deliver on national development. In part, this is because such movements not only provide the platform for political parties with clearly defined ideologies of development and politics in the process, but imbue the members, the citizenry

and political institutions with democratic norms and practices. That way, the democratization of the political parties will produce the political leadership with a democratic culture that will help to facilitate the rise of the DDS in both countries.

Until the crisis that rocked South Korea's economy in the late 1990s, the country's rapid economic growth was already taken as a development model for Nigeria and Africa by scholars like Alice Amsden and Samuel Huntington, and by the Bretton Woods Institutions and policy makers. There was so much focus on the Korean state's obsession with growth that no attention was given to its nature, politics and democratization project, if it had any. Before the crisis, a comparison between the two countries to examine the issue of development would have been dismissed as irrelevant by many African scholars – as the author did in an earlier work (Omoweh: 2005) – except if it were to draw lessons for Nigeria from South Korea. The chapter further redresses such a misconception.

As noted in Chapter One, most of the discourses on the democratic developmental state are largely comparative, although the majority of scholars have not really developed paradigms to guide the researches either by direct modelling or establishing rules and the limits of what is possible in such interrogative efforts. There is a need for creating a comparative paradigm that will capture the various development trajectories of the Southern countries while formulating the strategies for the emergence of a democratic, developmental state.

Chapter Three thus locates the discourse on blocked democratization as it deconstructs the DDS and its feasibility in Nigeria and South Korea, using the framework of Marxist political economy. The rationale for deploying this approach, notwithstanding its limitations, resides in its capacity to establish the dialectics of development and the common class traits in the political leaderships of both countries. In this sense, it regards the history of Nigeria and South Korea as a totality, in which the phenomenon of imperialism caused by British and Japanese colonialism played a crucial role in shaping the present structure of the political leadership, political parties, democratization and economic development in both countries.

Further, the framework of inquiry recognizes the similarities and differences in the political systems of Nigeria and South Korea as an intrinsic part of the democratization project. For instance, Nigeria and South Korea operate a presidential system of government, with the difference that Nigeria's president has a constitutional limit of two terms of four years each, its Korean counterpart lays down a single term of five years. Whereas Nigeria's National Parliament is bicameral – the Senate and House of Representatives with proportional representation – Korea's legislature is unicameral with the majority of the seats based on a single-member constituency with only a few candidates elected by proportional representation. Korea's electoral law permits independent candidates to contest for elective positions; this contrasts sharply with the situation in Nigeria

where no such opportunity exists in the country's electoral law. Both countries operate multiparty systems; the trend of two major political parties dominating the political landscape is common to them. First, it seems as well to discuss briefly some of the contradictions of the post-colonial state in Nigeria and South Korea.

The Antimony of the Authoritarian State and its Politics

In Nigeria, even though the political space has been marginally liberalized since May 29 1999, when Olusegun Obasanjo's administration was inaugurated after a prolonged period of military rule, the Nigerian state has remained predatory, repressive and totalitarian. Politics is still zero-sum and brutish. The antecedents of the current state such as repression, predatory political behaviour and parasitism remain in place. Rather than democratize the polity and promote inclusive politics amid a complex plurality, the state continues to exclude more and more people from the political and development processes. The massively rigged general elections held in April 2007, with the attendant nullification of gubernatorial and parliamentary results by the election petition tribunals and the appellate courts, was indicative of the inability of the state to conduct credible elections after 47 years of political independence. It also gave useful insights into the depth of political decay in the country.

The vigour of the civil society groups and the pro-democracy activities mounted by the Civil Liberty Organization (CLO), the Committee for the Defence of Human Rights (CDHR) and the National Coalition for Democracy (NADECO), the National Labour Congress (NLC) and National Association of Nigerian Students (NANS) that chased the military from the political scene in the 1980s and mid-1990s has been extinguished since the onset of the civilian government in May 1999, partly because of the entry of their key members into partisan politics. The same is true of the majority of political activists who found participation in partisan politics more lucrative than forming political, social, economic and environmental movements to agitate for change and to pressurize the state to deliver public goods.

Worse still, the political elites have, on account of the kind of politics they play, not only alienated themselves from the people, but have been held hostage by them. Lacking in legitimacy, the political leadership resorts to bloody violence at all levels of political competition in order to remain in power. Coupled with the state managers' tenuous relationship with production, politics has become the only lucrative business and the dominant means of accumulation in town. Hence, the political elites fight fiercely to penetrate the state, access its political power and retain it at all cost once it is captured.

While the process of forming and registering political parties has remained relatively open since 1999, the internal governance of the parties has hardly been liberalized. In fact, a few and rich politicians have captured and privatized the

political parties to meet their narrow gains, thereby re-orienting the parties away from their basic functions of interest articulation, aggregation and political education. As a result, political parties have become vehicles for power acquisition and surplus extraction. This has had dire consequences for internal democratic practices within the parties.

The Korean state's approach to politics is not significantly different from its Nigerian counterpart in several ways. Politically, the autocratic Korean state still suffers from huge democratic deficits and weak political institutions. After over six decades of political independence, there is really nothing to suggest that the Korean political leadership is interested in democratizing the polity, economy and political parties. The level of political activism demonstrated by the labour unions, university teachers and student unionism in the late 1940s and 1950s, which resulted in the Kyonju massacre during which thousands of students, labour union members and academics were killed by the military and other state security operatives, has not been re-ignited in the country since the 1980s. In fact, Syngman Rhee, an academic who fled to the United States and was returned by the US government to be the country's President after the end of the Korean War in 1954, could not reverse the Hobbesian politics of the Korean state.

Labour and student unionisms are well organized and resistant, but they are not really a countervailing force in the country's body politic like their counterparts in Nigeria. Civil society groups are regularly cracked down on, and potential social, political and economic movements nipped in the bud by the state security agents. South Korea's positioning as a bulwark for containing Sino-Russian extension of socialism into the southern Korean peninsula and Southeast Asia, coupled with the frosty relationship with its North Korean neighbour, reinforce the authoritarianism of the state and its undemocratic practices. The country's geopolitics and the security implications for the peninsula have become an alibi for the state's repressive policies and reluctance to open up the political space. This has further entrenched a tiny political class within the state that decides who will become the political actors and shapes the nature and outcome of political competition and development in the country. In such circumstances, the state remains unaccountable, as corruption deepens in the economy.

It is not surprising that the small number of rich, senior politicians benefit from the government that established political parties to reinforce their inordinate political ambitions. The parties' manifestoes are no less a representation of the narrow world views and interests of the founders. The membership of parties remains closed. Even though the Koreans are a homogeneous group of people, they are extremely divided along the exploitative interests of the key founding members of the parties and key political leadership. The influential politicians and top bureaucrats have used their positions to carve out the country into spheres of

political interests and party strongholds, leaving other areas like the Chejudo islands as the underdogs and marginalized.

The Korean state's economic development policy and programmes were in sharp contrast with Nigeria's. By 1960, 15 years after South Korea gained political independence the Korean economy was still largely underdeveloped and had similar basic economic indicators to Nigeria's. South Korea's per capita income of US\$95 was only slightly higher than Nigeria's US\$93. The economy was equally ridden with acute poverty and deepening social, political and economic crises.

By the late 1970s, South Korea's economy grew at five percent annually. Coupled with its per capita income of US\$3500, which continued into the early 1980s, the Korean state earned the status of a 'late industrializer', while suffocated under debt peonage and political and economic crises. Scholars like Byon-Nak and Amsden described South Korea as 'Asia's next giant' and characterized the Korean state as developmental (Byon-Nak 1995; Amsden 1989).

However, contrary to the expectations of the majority of scholars, the chaebols or large conglomerates that ought to have been a major feature of the developmental state were seen by critics as South Korea Incorporated, because they provided safe havens for corrupt practices by a small group of politicians and government officials to accumulate wealth. South Korea's rapid economic growth could not be sustained largely because of the lack of a virile indigenous business class and lagging democratization in the country's development process. Samuel Huntington's characterization of South Korea as possessing a 'hard state' and his recommendation that it be a model for the developing countries like Nigeria, crashed like a pack of card in the late 1990s (Huntington 1991). Korean society, like its Nigerian counterpart, is still strictly divided into two opposing classes: the rich and the poor, with the middle class completely wiped out (Omoweh 2005).

It can, therefore, be argued that the contradictions of the authoritarian state can impede the emergence of a democratic political leadership in both countries. Here it is useful to examine the extent of democratization of the development process generally and the political parties in particular. What is democratization? How is democratization blocked from taking roots in the political parties? What are the implications of all this for the prospects of the DDS in Nigeria and South Korea? These questions are dealt with in the rest of the chapter.

Blocked Democratization

Democratization is concerned with the empowerment of the people to participate effectively in the development process inclusive of politics. To democratize development entails the empowerment of the people to decide the kind of the development they desire, which should be experiential. It allows the people to

participate, to implement and to renew the path to development. In doing so, the people become the agent, means and essence of development.

To democratize the polity entails creating a framework for a broad-based participation in politics inclusive of the opposition, in the hope that it allows the people to freely choose who governs them. It means the liberty of the people to exercise an oversight function on their representatives in government by making them account for their actions or inactions on issues that pertain to their wellbeing and the societal development. It is also necessary to democratize the opposition parties because they can act as a critical shadow government that plays the role of a watch dog towards the incumbent regime in order to promote good governance and participatory development. The democratization of the polity also involves the enthronement of democratic practices in the machinery of political parties. As a framework for political development, democratization promotes healthy political competition between and among political actors. It helps to sustain democratic political transition across governments over long periods.

In spite of the advantages of democratization, it is often found to be blocked. The process of democratization is blocked from taking roots in the overall development process, economy, the polity and the political parties, largely because the political elites resist democratization. It is not because the political elites are ignorant of its crucial role in deepening the democratic process and fostering people-centred development. On the contrary, the political elites dread democratization, largely because they equate the empowerment of the people in the development process to a reduction in the political power of the state managers. It is all the more so because of the state's totalistic conception of politics, which prevents the process of democratizing politics and economic development from getting underway in the first place.

On account of the nature and politics of post-colonial states like Nigeria and South Korea, the concern is not really about democracy, but whether democratization is even on the agenda of the state managers. For the political elites only pay lip service to democracy while being vehemently opposed to the political empowerment of the people in whom the ultimate political power resides. All this significantly accounts for why the state can hardly embark on political reforms, inclusive of the political parties, that seeks to liberalize the process and bring about a substantive democratic change in the political leadership. The state only repositions its clients to occupy sensitive political positions both in government and political parties in order to retain its firm grip on political power and accomplish its limited social, economic and political interests and those of the institutions that make it a reality.

The contention that the democratization process is blocked does not foreclose the possibility of elections; nor does it mean halting the creation of political institutions like political parties and a parliament in Nigeria and South Korea. On

the contrary, the concern is about the state managers, who continue to recycle spent politicians and cronies in government, political appointments and in the leadership and machineries of the political parties. It is the unwillingness of the political leadership to open up the political space or set in motion a process that allows the people to actualize their inalienable rights that is at issue. An example of this tendency more broadly is the increasing trend for presidents of African countries to continue in office after serving out their term of office, and in so doing continue to decide who contests for top elective positions in government and political parties and who gets the plum political appointments (Southall & Melber 2006). Given such prevalent attitudes among political elites, the process of democratization can hardly take root in the polity and herein lies, in part, its crisis.

The Crisis of Democratization and Political Parties

There is a critical linkage between the level of internal democratization in the political parties and among national political leaders and the democratic developmental state. Democratization cannot survive in a country without democratized political parties. This is because party political leadership has first to imbibe democratic principles, values and practices, before such virtues are likely to spread throughout national political institutions. Strong political parties having profound internal democratic governance mechanisms and constructive inter- and intra-party relations are largely indicative of democratic growth and development.

Further, the kind of political parties and the capacity to conduct free and fair party elections gives a critical insight into the nature of the political leadership and the character of the democracy being built in the society. The level of intra- and inter-party democracy determines whether democratization is even underway in the first place. It gives an idea of the credibility of elections, democratic consolidation and renewal. It establishes the linkage between the political parties and the people.

The weakness of internal democratic practices within political parties dims the prospects for the DDS even in the more politically developed countries of the North. Chapter Four of this work sheds light on this with the experiences of Latin American countries.

Maurice Duverger had rightly noted that politicians formed the original political parties, which were called cadre parties, as their congressional caucuses became stable (Duverger 1954). John Aldrich elaborated on Duverger's thesis, contending that political parties arose as politicians sought to gain office and pursue their goals. Further, with the increase in the size of the electorates, new ways were devised to overcome the problem of gathering electoral support and this led to the formation of mass parties (Aldrich 1995).

Political parties are formed to play the crucial roles of political recruitment, interest articulation and aggregation, political education and capacity building of the political leadership. But the majority of the political parties in the countries of the South have been unable to perform these functions credibly, due largely to the complex historical antecedents of the state and inadequate governance mechanisms.

In the colonial histories of Nigeria and South Korea, for instance, political parties were created as an instrument to facilitate either the transfer of power from colonial regimes to the local political elite; or they were formed by the local political leadership to fight colonialism. Once the colonial state was driven out, political parties degenerated into ethnic and regional groups, acting in most cases as the vanguard of local hegemonic forces to meet their narrow interests. In such circumstances, the people could not have been empowered to have any say in how the political parties were governed.

Further, the fledgling political parties were to face greater challenges as they were confronted with the need to choose among ideological positions that would guide their policy implementation. Swayed between the two ideological extremes of capitalism and socialism, political parties supported welfarist or conservative perspectives, depending on the preferences of founding members of the parties, but without sticking to any of them. Key leaders who provided finance to the parties cashed in on their leverage to occupy top political positions both in the parties and in government. The national leaders of the parties were, in most cases, the owners of the parties, whose interests and world views ultimately became the objectives, manifestoes, rules and regulations of the parties. Political parties were no less than the personal property of their leaders, who decided on who should a member. That way, membership of political parties was exclusive, and further reinforced the disempowerment of the people and their lack of ability to participate in party and national politics. Let me elaborate on these points by considering the examples of Nigeria and South Korea.

In Nigeria, under the First Republic, 1960-1966, there were three dominant political parties. The Action Group (AG), largely a Yoruba party, was led by Obafemi Awolowo, a Yoruba man, who doubled as the Premier of the Western region. The Northern Peoples' Congress (NPC), regarded as Hausa-Fulani party, had its major base located in the North and was led by Ahmadu Bello, Premier of Northern region, a Fulani and descendant of Othman Dan Fodio, while Tafawa Balewa, also a Northerner, was the party's deputy national leader and the Prime Minister of Nigeria. The National Convention of Nigerian Citizens (NCNC) was the party for the Igbos, with Nnamdi Azikiwe, as its leader, who later became the President of Nigeria. That parties from the outset reflected the interests of the major ethnic blocs was itself an early threat to the democratization of the political parties.

Worse still, the ethnic basis of the parties facilitated the rise of autocratic and ethnic hegemonic leaders, who were unable to rise above ethnic agendas at both regional and national levels. This, in turn, further fragmented the leadership of the parties so much that the majority of the top politicians lacked the credentials to be a nation-wide leader able to appeal across ethnic divisions.

However, with the resumption of party politics in 1979, after a prolonged period of military rule from 1966, six major parties were formed, namely, National Party of Nigeria (NPN), the Unity Party of Nigeria (UPN), Nigeria Peoples Party (NPP), Great Nigeria Peoples Party (GNPP), National Advance Party (NAP) and Peoples Redemption Party (PRP). The national leaders of the parties were literally separated from the incumbents in government. For instance, Adisa Akinloye was the chairman of the ruling party, the NPN, while Shehu Shagari of the same party was the President of Nigeria. But the separation of such offices in the party did not translate into internal democratic practices, as the national, sub-national and local leadership and the machineries of the party were still undemocratic in the conduct of candidate selection, openness, rights of members, budgets and expenditures and gender issues.

This was indeed the case in the UPN, the major opposition party, where the national leader of the party, Obafemi Awolowo was simultaneously the de facto governor of the UPN-controlled states of Bendel, Oyo, Ogun and Ondo. There Awolowo liked to be seen to act as an 'honest broker' in the party, and whoever he anointed for office was not subject to opposition. In spite of the socialist inclinations of Mallam Aminu Kano, He acted in a similar way to Awolowo while founder, chairman and presidential flag bearer of the PRP. The same was true of Tunji Braithwaite of the NAP, who was the founder, chairman, financier and presidential candidate of the party during the 1979 and 1999 general elections. Thus the opposition parties could not constitute themselves into a formidable unified opposition.

The trend of undemocratic leadership structure that characterized political parties in the First and Second Republics continued into the Fourth Republic. Between 1999 and 2007, for example, 56 political parties were registered in Nigeria, with two major parties, the Peoples Democratic Party (PDP) and All Nigeria Peoples Party (ANPP) dominating the political scene. Other political parties are the Action Congress (AC), All Progressive Grand Alliance (APGA), Labour Party (LP), and Peoples Progressive Party and Nigerian Advanced Party (NAP). Let me elaborate on the PDP.

Emerging as the largest political party in Africa, the PDP lacked internal democratic governance mechanisms. Olusegun Obasanjo, two-time President of the Federal Republic of Nigeria (1999-2003 and 2003-2007), doubled as the national leader of the PDP and single-handedly appointed the national chairman

of the party. He was responsible for getting rid of the founding chairman of the party. He removed other members of the PDP's board of trustees for daring to oppose his position on political issues. He replaced them with his surrogates who carried out his orders. The reporting line of the party was so designed that the decision of the national leader on party matters was final, leaving no room for other members of the party to oppose unpopular views. The choice of party candidates for elective positions and political appointments was the prerogative of the national leader.

Although factions existed within the party, they were not powerful and influential enough to unseat the national leader. The national leader decided the agenda and outcomes of the party primaries and conventions, and, in most cases, determined the winners before the votes were cast. The majority of the initial financiers of the party were virtually replaced by 2003 by the national leader. Faced with a cash crunch to finance his second term bid, he compelled the party to source funds from individuals and groups whose sources of wealth were questionable to complement monies generated by the PDP-controlled states. With the failure of the third term bid of Olusegun Obasanjo to continue in office after May 2007, he schemed to emerge as the chairman of the party's Board of Trustees.

Equally, at the sub-national level, the governors of the PDP-controlled states were leaders of the party and they also wielded enormous political power. They would re-organize the executives of the party at their whim in order to nip in the bud all forms of opposition. Although various factions and their executives existed within the party, those that deferred to the group of the incumbent were, in most cases, in power. The undemocratic practices of the party at both national and state levels cascaded down to the council and ward levels of the party.

It is not only the PDP that lacked internal democratic mechanisms; rather, it is a trend that cuts across other political parties like the ANPP, AC, PPP and APGA where democratization was not really a consideration for the leaderships of the parties.

In South Korea, the approach by political elites to politics and the history of the parties was not very different to their counterparts in Nigeria. As noted, unlike in Nigeria, South Korea under the influence of the US was considered as a bulwark to stem the spread of socialism in the region. The South Korean political elite thus placed a high premium on national security. This influenced the perception and conduct of politics by the Korean state. Even though some Korean politicians, who had emerged during the period of Japanese colonialism and helped to mediate its economic interests in the post-colonial economy, opposed the overwhelming influence of the US policy in South Korea, security was high on the agenda. North Korea's later acquisition of nuclear capacity raised the security stakes even higher in the Korean peninsula.

As security became a major priority in Korean politics and development, not only was it politicized by the political elites, but its politicization dimmed the prospect of any possibility for the democratization of the polity and of political parties. Security became an alibi for the majority of the political elites to perpetuate undemocratic practices as evident in the prevalence of inadequate democratic governance mechanisms.

In the early post-Second World War period, the major parties that arose were the Democratic Party (DP), Democratic Republican Party (DRP), and the Liberal Party (LP), established in 1948, 1949 and 1951 respectively. The DRP was in power under Park Chung-hee from 1963 and upon his death in 1978 and following the rule of Chun Doo-hwan in 1980, it was renamed Democratic Justice Party and later called Democratic Liberal Party under President Kim Young-sam in 1993. It was renamed New Korea Party in 1995 and the Grand National Party in 1997, following its merger with the Democratic Party.

Ideologically, the political parties were broadly either liberal or conservative. From the onset, the GNP was a conservative party and has sustained its ideological position. This contrasted sharply with Nigeria, where the ideological dispositions of political parties like the social welfare policy of the Action Group founded by Obafemi Awolowo could not be sustained among affiliates like the Alliance for Democracy (AD) after his demise.

Further, South Korea's political parties are regionally-based and centred on important personalities who founded, financed, directed and owned the parties. Korea's regional and party politics revolved around three major areas, the Southwestern Cholla region, otherwise known as Honam, the stronghold of the DP; the Southeastern Kyongsan region, referred to as Yongnam, which is the major base of the GNP; and the greater Seoul area, which is home for more than half of Korean electorate, which has the swing vote because it determines the success of the parties in any election.

Regional autocratic hegemony and their narrow interests framed the formation of political parties in South Korea. From the outset, the leadership of the political parties was not interested in creating political spaces to accommodate other politicians who were seeking elective positions in government. Nor has the Korean political leadership been able to create multiple-seat constituencies to cater for the interests of other politicians. As a result, the majority of politicians cross from one party to another with their members in search for political opportunities to realize their political ambitions. This has been a major concern not only for the electorate in Korea and for democratization of the political parties, but also for their counterparts in Nigeria.

Between 1948 and 2008, over 60 political parties were formed, disbanded, merged and participated in Korean politics, but only nine political parties contested the elections held in August 2008. Of the nine parties, two parties were dominant,

namely, the ruling Grand National Party (GNP) led by Park Hee-tae; and the Democratic Party (DEP) with Chung Sye Kyun as leader. The GNP was the de facto ruling party until 2007. Other parties were the Liberty Forward Party (LFP) led by Lee Hoi-chang, who was the presidential nominee of the GNP in 1997/2002, but defected to launch the LFP. The Pro-Park Coalition (Park) had Suh Chung-won as its leader; the Creative Korean Party (CKP) was led by Moon Kook-hyun, and the New Progressive Party (NPP) led by Roh Hoe-chan, which was a split from the Democratic Labour Party. A number of independent candidates also stand for office.

To all appearances, South Korean political parties were weak, lacked internal democratic practices and became vehicles for surplus accumulation by politicians. The political leaders only used the political parties to build an army of followers that was disempowered and could not succeed them. The resultant implosion of the parties caused splinter groups to form their own parties to actualize their political ambitions. But that further disenfranchised the majority of the people from participating in party politics, because the newly formed parties were too weak to recruit members besides those they decamped with.

That is not all. The opposition parties and their internal politics can vary but they remain uniformly undemocratic. Yet it is not the case that party politics among African and Asian polities is merely an extension of a larger, all-inclusive family, nurtured by the traditional political culture. For even within the single party system, the party leadership was undemocratic.

Worse still, the majority of the political leaders in the opposition have, on an account of their narrow political, social and economic interests, either reconciled with the old order or crossed the floor, taking with them their parties and membership. All this has further reduced opposition politics to the politics of survival. Let me elaborate on this.

In Nigeria, Mohammed Buhari, the presidential candidate of the major opposition party the ANPP in the April 2007 election, had appealed to the Supreme Court against the judgment of the Tribunal that endorsed Umaru Yar' Adua as President of Nigeria and legitimately elected under the ticket of the PDP. This was in spite of Yar' Adua's admission that the election was not free and fair. Ironically, the President proposed a government of national unity (GNU) to accommodate the interests of the opposition, as the GNU has become a framework for legitimizing fraudulent elections in Africa. (Another example of this trend is President Moi Kibaki's unity government in Kenya. His opponent Raila Odinga was the acclaimed winner of the 2008 general election, but after the bloody post-election violence which claimed thousands of lives, a government of national unity was formed with Odinga forced to accept second position as Prime Minister.)

The President of Nigeria had invited the ANPP to nominate candidates for consideration by the government, but Buhari declined the offer. However, the national chairman of the ANPP, Ume Ezeoke, one-time Speaker of the Federal House of Representative, objected to Buhari's decision, insisting that the party should participate. When the Yar' Adua-led government requested the ANPP to suggest names for consideration, Ezeoke reportedly nominated himself. Even when his name was turned down by the government, he suggested his son for possible consideration. Again, it was rejected.

The issue, therefore, is not really whether the political elite is faced with sticking to an alleged tradition of a political system that did not permit much acknowledged opposition, or that they fear a clash of civilization, culture and interests. On the contrary, those who are in opposition are not significantly different from their counterparts in government. Both share the common interest of capturing the state's instrument of political power for selfish social and economic gains. Thus there is even the possibility that the weak leadership of the opposition parties could slide Nigeria into a single party state in spite of the huge potential for a robust opposition.

In South Korea, the same trend of a weak opposition and the practice of floor-crossing by politicians was established. For instance, the Liberty Forward Party led by Lee Hoi-chang broke away from the GNP after he failed to secure the presidential ticket in the 1997/2002 elections. Hoi-chang moved from the party with his members, a trend that is similar to the practice in Nigeria, where an incumbent governor in Bauchi State defected from the ANPP on whose ticket he won, to the PDP.

South Korea's National Legislature was weakened by the overwhelming control of the seats by the GNP, a long-time conservative opposition party before it recently won the presidential election. The two dominant parties, GNP and DP, had acquired the notoriety of not cooperating with each other while the other was in power. Little wonder that the DP, the major opposition, took a hard-line position against the GNP. Even within these two major political parties, the prospects of new entrants fulfilling their political ambitions were slim, as the top leadership of the two organizations usually handpicked candidates for elected positions without giving members the liberty to vote. The lack of democratization within the political parties exacerbated the zero-sum politics of South Korea's body politic.

Concluding Remarks: Any Prospect for the DDS?

From all indications, the feasibility of the DDS in Nigeria and South Korea given the nature of the political leadership is doubtful. It is all the more so because the process of democratization has not even started among political parties. The polity cannot be democratized without the political parties internalizing a democratic

ethos and the parties cannot play the crucial role of educating, raising and nurturing democratic political leadership if they are not democratic in thought and action.

While the steps that could be taken to bring about a truly democratic developmental state are implicit in the preceding analysis, it might be useful to put forward some explicit recommendations regarding the democratization of governance in the entire development process generally and political parties in particular.

First, civil society organizations (CSOs) should be brought into the heart of the process of democratizing development and politics. Only such independent bodies offer the hope of acting as a check on the obnoxious and ambiguous policies of the state and its failure to deliver the public good. The CSOs can also backstop the political parties in order to instil elements of democratic practices in their governance machineries. Practically, a coalition of CSOs can mount pro-democracy demonstrations to protest the state's glaringly undemocratic approach to politics, the decay in infrastructure, and the irrelevance of the political leadership to the actual conditions of the people. Groups similar to the Pastor Tunde Bakare-led Save Nigeria Group (SNG), could be created to protest the state's reluctance to compile a new voters register for the April 2011 elections in Nigeria. Such groups could lend their weight to reforms such as the liberalization of registration of political parties. It is imperative to revitalize the seemingly docile CSOs such as the CLO, CD, CDHR and NADECO whose protracted agitation chased the military out of the political scene between 1988 and 1993.

Second, there is the urgent need for labour unions and student groups to re-radicalize and fight the deepening corruption and undemocratic practices in public institutions and the political parties in South Korea. The historic Kyonju massacre was a mark of prolonged resistance to the autocratic state by students, labour and academics in the 1950s, and indicates that the potential for sustained opposition goes deep in the South Korean political heritage.

Third, it recommends the creation of movements that would empower the people, groups and communities to form social, political and environmental movements on critical development issues. These movements can provide a credible platform for the formation of political parties. Once the leadership and members of a movement imbibe basic elements of democratic governance such as openness, accountability and responsiveness, they would have been prepared for training and nurturing the political parties that could spring from such movements. That way, it would be more difficult for opportunistic politicians to hijack parties to actualize personal gains.

Fourth, there is the need for the movements to be transformed into a countervailing social and political force to check the repressive state and its injustices to the people. The state's policies and politics in the natural resource sector in

Nigeria are clearly undemocratic. The Movement for the Emancipation of Niger Delta (MEND), created by a group of activists in the region, has sought to redress the situation. MEND is aimed at actualizing the resource rights of the people in the region after three decades of ruthless exploitation by the state and foreign oil capital. The activities of MEND crippled Nigeria's oil exports under then Yar' Adua's government and the Movement is watching closely the implications of the impending Petroleum Industry Bill for the Delta region before it takes the next step. The resource control movement could have been another formidable force to confront the predatory Nigerian state, but it lacked coordination and collapsed.

Fifth, it suggests the need to establish a Special Court for Electoral Crimes. This Special Court would bring to trial and sentence politicians found guilty of election rigging and the manipulation of the electoral process, together with the requirement that repayment the monies acquired in office be repaid to the public purse. Also, such political parties should be prohibited from once again putting forward candidates whose election was nullified in the re-run. This will stem the woeful trend of having the Appeal Courts nullify the election of the governors of PDP-controlled states of Ondo, Ekiti and Osun in the 2007 election, only to have the same personnel declared the winners of the gubernatorial elections in these states in 2010. The Labour Party reclaimed Ondo in 2009 after the illegitimate PDP government was in power for over a year while Action Congress of Nigeria won Ekiti and Osun States after the PDP was in government for a three-quarters of the four year tenure. Yet the ousted governors who stole the mandate of the people were not punished.

Sixth, this analysis suggests that there is a need for a truly autonomous national electoral body that is solely responsible for the conduct of elections. The head of such a body should be appointed by the national legislature and its funding charged to the national account. Not only would all this help to insulate the electoral umpire from the influences of top politicians and the leaders of political parties, but would help energize the process of democratization and reformation of the state.

Clearly, the factions and groups within the political leadership that benefit enormously from the current structure of the state in Nigeria and South Korea will resist democratization. But the contradictions thrown up by the policies and politics of the state and the leadership of the parties are reviving pro-democracy agitations and revolutionary tendencies across Latin America and Africa countries. There seems to be only one path for the post-colonial state in Nigeria and South Korea, and that is to democratize the development process or risk mass action and revolution. Discussion of this topic is taken further in Chapter Four.

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4

Democracy without Citizens in Latin America

Silvia Gómez Tagle

Introduction

This Chapter examines the opportunities available to democratic regimes in Latin America and the threats with which they are faced. In particular, it looks into the role of the citizenry in shaping the emergence of the democratic developmental state in the sub-region. It focuses on the political party systems of the Latin American countries because they provide the framework for power and political competition. The comparison of the party systems of the countries, particularly that of Mexico, helps capture the most recent changes that have taken place in the electoral processes, where there has been a re-orientation of political trends with the emergence of leftist candidates that produced the change in the ruling party, but preserved a basic loyalty to neo-liberal politics.

In the South, though there are ample opportunities for the political leadership to deepen the democratization process, thereby helping to construct the sought DDS, they are hardly utilized because of the inherent problems the governments are faced with. One of such opportunity that the political leadership has missed is the role a critical citizenry should play in building the democratic process and the developmental state.

Bobbio has rightly argued that democracy is at risk in the absence of an active, critical and well-organized citizenry that continually puts pressure on the political leadership, 'as politics are sequestered by just a few citizens, the richest and the powerful, in order to satisfy their interests and perpetuate their mandate, making

the citizenry to lose interest in politics' (Bobbio 1986:25). Under such circumstances, democratic institutions are bereft of the necessary ideas and the will to further the democratization process, even when they exist in a formal sense.

Across the South, political culture has been characterized by the apathy of citizens and a discredited political leadership, especially the leaders of the political parties. This is particularly true of the younger generations of political elites who are seeking political office and power but not interested in consolidating the democratization process. In fact, the worsening trend of social conditions and poverty has increased the incapacities of most governments in the South to consolidate democratization – that is if democratization were on the agenda of the political leadership, because like counterparts in Nigeria and South Korea they despise or even dread democratization, as discussed in Chapter Three of this work.

Of the 18 countries included in the UNDP report of 1989 entitled *Democracy in Latin America: Towards a Citizens' Democracy*, only Colombia, Costa Rica and Venezuela were considered to be democracies. By 2006, the contrast was such that there was relative peace from the Rio Grande to Patagonia, as the authoritarian governments had gradually given way to elected regimes. Yet despite two decades of experimenting with democratization, the majority of the citizens in Latin American and Caribbean countries are dissatisfied with the poor performance of their governments, as evident in the deplorable social conditions of the people and the overall economic crises that have plagued the sub-region.

Within the subcontinent, regardless of the degree of democratic consolidation, all countries have had to endure the negative effects of poorly conceived economic policies formulated by the international financial agencies. These economic measures, known as the Washington Consensus, have led to the deterioration of wages and growing unemployment, the abandonment of agriculture, the decrease in welfare policies in health, education and housing sectors, and the attendant unequal income distribution across Latin American countries.

Worse still, the elected governments in Latin America have been confronted with problems that are similar to those of the relatively advanced democracies of the West, which can be termed as 'worn-out democracies' – in part, because the Western European and North American countries are faced with the majority of the citizens' loss of confidence in politics, parties and political leaders expressed through their growing indifference to political participation and withdrawal into private lives. The disparagement of politics has produced cultural changes at two levels. First, is the intensity of communication, which leads to a restructuring of social and political identities, and second, is the state's inability to mobilize resources and information instantly with the advent of globalization, which has resulted in the real dissolution of national borders.

In essence, globalization has broken down the sovereignty of the state and weakened politics at the national level. Institutional actors like the political parties have further alienated the people from active politics, partly because they no longer participate in taking political decisions.

Growth without Well-being

In the 1990s, a reasonable degree of stability and economic dynamism was achieved in the majority of Latin American countries. However, there was a major contradiction between these positive signs in politics and the economy and the deterioration in the material condition of the people. In particular, the increased productivity and relative economic stability did not lead to a rise in the well-being of most of the people in the past fifteen years. The decade of the 1990s was lost partly because the large majority of Latin Americans did not enjoy the benefits they had expected from the free and competitive electoral processes that most of the governments witnessed in the sub-region.

The UNDP report of 2004 clearly showed the disappointment and rejection of government policies and actions among the citizenry. For instance, while 44.9 percent of Latin Americans would have supported an authoritarian government if it could have solved their countries' economic woes, 41.9 percent would have accepted paying the price of some amount of corruption to ensure a better situation. In addition, during the past two decades, poverty had not been cut back significantly, but continued to plague 225 million people, representing 43.9 percent of the population (UNDP 2004:39). On the other hand, it could be argued that the Latin American countries did not post the worst poverty levels in the world, and neither demonstrated the greatest inequality in the South in the past twenty years.

Factors that Weakened both the New and Old Democracies

To begin with, Latin American countries evolved from the European colonial legacy that externally disarticulated the culture and social lives and the productive system of the people. In particular, the legacy had resulted in societies whose different cultures were poorly integrated into the nation building process since the countries attained political independence. This state of affairs still constitutes a profound and unresolved structural contradiction of contemporary Latin American states. The cultural legacy is crucial, because of its centrality in examining the experiences of countries of the South with democratization.

The UNDP report *Democracy in Latin America: Towards a Citizens' Democracy* had identified eight factors that could weaken emergent democracies in Latin America. First, was the dearth of social citizenship. The majority of the countries in the region are still plagued by greater inequality in income and wealth distribution than the world average. More than 25 percent of the citizens in 15 Latin American

nations lived under the poverty line, while in seven countries the proportion of the poor was over 50 percent of the population. There were 209 million people whose income was under the poverty line. Therefore, the status of well-being of the people was very fragile as evident in seven out of every new jobs created in the region since 1990 were in the informal economy, while only six of every 10 new jobs created were covered by some kind of social protection.

Second was the lack of civil citizenship. It means that, despite the progress made, the rights of the people were not fully implemented – that is, the right to individual liberty, freedom of expression, thought and religion, the right to property, and the right to enter into valid and legally secured contracts. Citizens perceived that there were serious shortcomings in the way that justice was administered. All these were an indication that the process was yet to be installed to attain reasonable conditions of equality before the law, as the rich always asserted their rights, while the poor, immigrant or indigenous segments of the population remained at a serious legal disadvantage.

Third was a deficit regarding political citizenship. Half of the population preferred economic development to democracy. These ‘non-democrats’ comprised 26.5 percent of the population, whereas those in doubt, that is, people who agreed with the concept of democracy but thought it valid for the government to make anti-democratic decisions when conducting its business, accounted for 30.5 percent. This implies that over half of the population was not committed to the true realization of a democratic system.

Fourth, was the fact that neo-liberal economic reforms did not meet people’s expectations. In the 1980s, for instance, a blueprint for development was devised in the form of a neo-liberal economic model, called the Washington Consensus. Even though the Washington Consensus had recommended budgetary discipline, financial and commercial liberalization, privatization and changes in public spending priorities, it excluded the people who are the means, agents and means of development from the kind of development it sought to bring about. In fact, the deregulation framework had, on average, placed the state as a referee between the different interest groups. That is, the stronger links to the market have borne fruit at the macroeconomic level but their effects have not reached many citizens in terms of an appreciable reduction in poverty levels. In fact, an increased inequality among the majority of the population had pushed more people into the informal economy due to the lack of jobs.

Fifth was the weakening of the state. Across Latin America, the state has lost its ability to influence, control, regulate and benefit from transnational processes. Also, the state has no capacity to withstand hegemonic tendencies in economic or political plans being prepared in the centres of financial power. The state has become so weak that it can no longer regulate and control local or international power on the ground.

Sixth was the emergent non-official power that various groups increasingly enjoyed. There has been a proliferation of interest and business groups that act as powerful lobbies essentially created to distort the forms of genuine democratic representation and limit the sovereignty of public institutions. For instance, the mass media, which are a part of such large business groups, are not subordinated to political power.

Seventh was the issue of corruption. Corruption is an endemic evil undermining the rule of law in Latin America. From a survey, 44.1 percent of the citizens accepted that bribes were an everyday unavoidable matter in order to expedite bureaucratic procedures. Such an unwholesome attitude has had devastating effects on public institutions and political leaders of the region.

Eighth and finally, was the state's loss of its territory. Literally, the state has lost 'pieces of its territory', which have been occupied by people conducting economic activities that are not only informal, but illegal. In the majority of Latin American countries, drug traffickers control significant amounts of resources, and such a group wields a level of power similar to that of the state. The extension of drug trafficking implies a dual challenge. On the one hand, it controls part of state apparatuses and territories, and on the other attracts the attention of the United States, generating new forms of external pressure.

Challenges of Consolidating Democracy

Latin American countries are facing the challenges of consolidating and legitimizing democratization. This explains, in part, the need to examine the extent to which the social factors involved in political processes in each country have helped to realize the aspirations of the people, and the sustainability of democracy – that is the ability of the state to endure stresses arising from the political system without the breakdown of its institutions or becoming stagnant. The case of Venezuela is quite instructive, in part, because the deterioration of a party system was formally democratic but it did not represent the majority of the population. This led to the virtual disappearance of traditional political parties, shortly before Hugo Chávez became President of Venezuela.

The state should create the institutional capacity and the political will to be able to effect change and to increase citizens' participation in the democratic process in order to achieve true consolidation of democracy. Thus, the state's political power and institutions should acquire legitimacy.

However, there is a kind of tension between the market economy and a democratic political system, which has implications for consolidating democratization. In this context, there is a great contrast in the opinions and historical experiences of different Latin American countries regarding the likelihood that a democratic regime may establish an efficient market economy but at the same time create a more equitable and just economic system (Offe 1992; Maravall 1995; and Przeworski 1995).

Further, tensions can be derived from the legal structure, based on the right to private property, because large companies are disposed to espouse liberal democratic theory (Pasquino 2000:17-18). Lastly, the experiences of many countries in the sub-region show that the relationship between democracy and the free market is not as linear and harmonious as some authors in the late twentieth century had argued.

The electoral rules in Latin America of today are a victory of the masses that burst into political life in the twentieth century for the purpose of ensuring the realization of their rights. Political democracy was a gradual conquest of the authoritarian regimes by the masses. But the limitations of political democracy have become more glaring than ever due to the failures of political parties, the use of marketing as a method for winning voters' sympathies, and the increasing inability of the elected representatives to formulate and implement policies that raise the living condition of the majority of the electorates.

That said, democracy still offers better possibilities for developing the citizenry. From this context arises the need to examine other countries' experience with democratization, as the process consolidates. Also, there is the need to compare the forms of representation, which entails restructuring political institutions and political parties, the incentives for setting off collective action that calls for reformulating political power structures, and new ways of participating that some authors have termed 'radical democracy' (Mouffe 1992).

However, globalization has reduced the capacity of the state to deepen democratization at the national level. This could partly explain why the hopes generated by the third democratic wave in the 1980s did not advance the civil and social rights of the people in keeping with the expectations that had been created, and why the right to elect one's rulers often did not translate into greater freedom, justice and progress. That is not to imply that the dilemmas now faced by the majority of Latin American countries should derail the focus on consolidating democratization in the South. For a poor democracy is better than a poor dictatorship. In this sense, Dasgupta had argued that democracy and freedom are as precious – in and of themselves – for the poor as they are for the rich. At stake, therefore, is how freedom impinges upon other aspects of the material well-being of the people (Dasgupta 1993).

Przeworski et al., in a study conducted on democracy, development and well-being in 140 countries, have shown that the correlation between development and democracy is strong, but not definitive. And that other historical factors that should be considered included a country's political and cultural heritage such as ethnic and religious heterogeneity, its institutional framework like presidential and parliamentary systems of government, and the world political climate, whose influence upon political change has not been adequately documented (Przeworski, Álvarez, Cheibub and Limongi 2000).

According to Przeworski et al., once a country has achieved a level of development of US\$2,500 to US\$3,000 per capita such as in Portugal, Mexico, Algeria or Costa Rica, democracy makes a difference, not so much because a democratic setting guarantees a higher degree of development, but because of the type of development achieved. Income distribution is more equitable and wages are higher in democratic countries than in non-democratic countries (Przeworski, Álvarez, Cheibub and Limongi 2000:164). In fact, dictatorships grow on the basis of greater capital investment and lower wages, because the workers can be repressed and labour is generally poorly remunerated. Even though there may not be major differences between a dictatorship and a democracy in their general level of development, democracy does make a difference in the specific characteristics assumed by the development process, for example with regard to employment, social policies and productive investment (Przeworski, Álvarez, Cheibub and Limongi 2000:168).

The Latin American Left and the Search for Alternatives

The failure of the Washington Consensus to raise the material condition of the people has prompted a significant shift towards the left in Latin America. The municipal, legislative or presidential elections held in Venezuela, Brazil, Chile, the Dominican Republic, Panama, Uruguay and Bolivia, with Hugo Chávez, Lula da Silva, Ricardo Lagos, Lionel Fernández, Martín Torrijos, Tabaré Vázquez and Evo Morales as presidents, respectively, were evidence of the overall trend towards the left in the sub-region.

In 2004, Kirchner and Lula, presidents of Argentina and Brazil, respectively, signed what has been called the 'Buenos Aires Consensus'. The document was intended to address citizens' well-being and the redistribution of income and wealth as priority goals for their countries' economic policies, without sacrificing basic macroeconomic stability. This policy has been implemented in Chile by the Gobierno de la Concertación and by Ricardo Lagos. In essence, the Buenos Aires Consensus has not only offered a kind of alternative to the Washington Consensus but represented a social democratic version of the latter. Unfortunately, the Buenos Aires Consensus has drifted into the oblivion.

State Globalization: An Opportunity or a Threat for Global Development?

Globalization is a complicated, multifaceted phenomenon, but it has become a fetish word in terms of being used to define scenarios, as an excuse to justify actions, denounce unjust situations, to support particular policies or simply to express alarm in the face of the intricacies of a given historical period. The term globalization began to be used in the 1960s as a prism reflecting the complexity and interdependence of the world capitalist system. Globalization involves a

process of instantaneous communications in terms of its control within the national space under the administration of the state, which has occurred due to satellite communication and other technological breakthroughs.

The cultural processes that have been unleashed should be viewed from an anthropological perspective. The processes go far beyond neo-liberalism, even though at this stage, big capital and other financial actors have taken the greatest advantage of this situation. The big companies have been the most disposed towards globalization. The major failure of the left has been its inability to deepen its thinking on the changes engendered by globalization and formulate strategies to harness its benefits to leverage economic development models, especially regarding political action. For that reason, not only socialist or planned economies have undergone a crisis, but also social and democratic economies, which were successful in the late twentieth century because they had mechanisms that facilitated the negotiation of interests of opposing political actors such as businessmen and unions in a national context.

Globalization has modified the fundamental concepts upon which the construction of traditional nation-states is grounded: power, sovereignty, territory and self-determination in the era of global capitalism. It is also crucial to consider the transformation of citizens' lives, changes in the family, and the modifications of gender roles and in the general lifestyles of the people. Globalization reflects the 'expanding scale, growing magnitude, speeding up, and deepening impact of transcontinental flows and patterns of social interaction' (Held and McGrew 2003:13).

New political actors emerged from the cultural changes, while old actors in new environment offered different opportunities. For instance, traditional actors on the left such as unions, parties, and the state itself, lost resources and strength; while others like the media or financial capital became very powerful. That partly explains why the left needs a different strategy to successfully reinsert itself into this new national space – so intensely linked to international affairs – the political agendas and demands of society's marginalized sectors.

Within the context of the nation-state, globalization has also spurred a process of decentralization, regionalization, and a reassessment of sub-national political units. In 1996, the OECD's report *Globalisation: What Challenges and Opportunities for Governments?*, outlined the dual direction to be taken by this change for governments and public services. The report did not only identify the need for adjusting governments' structures, making it feasible for them to govern in an increasingly interdependent world, but emphasized the necessity for a thorough analysis of the impacts of globalization on national and international policies all aimed at strengthening democracy.

Concluding Remarks: Agenda for Further Research

From all indications, the consolidation of the democratic process must face up to many unsettled critical issues such as security, drug trafficking, corruption, political leadership and institutions, the administration of justice, social and economic policies and the increased well-being of the people. The poor performance and outcomes of Latin American governments experimenting with democratization represent an obstacle for its consolidation.

Thus Latin America in particular and the South generally face intractable problems in grappling with democratization. Some of these problems centre on how neo-liberal styled- structural reforms can be reconciled with public demands, understanding the recent changes in the party system and the implication for democratic consolidation, corruption, political leadership and political institutions and drug trafficking and national security.

In Africa, one of the key concerns is whether democracy can really help to reduce the impact of poverty on the people and economy. Chapter Five takes the discussion further by interrogating these issues in Cameroon and Burkina Faso.

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5

Electoral Democracy and Poverty Reduction in Cameroon and Burkina Faso

Elie Ngongang

Introduction

One of the major issues in the scholarly and policy debates on African development is not whether democratic governance is actually under way, but if it constitutes a necessary condition for the continent to develop. Even though the majority of the governments of African countries have established political institutions like a parliament, political parties, periodic elections, and have liberalized the polity by embracing multi-party systems, democratic governance is still far from really being entrenched. For instance, in the 1990s Cameroon and Burkina Faso embarked on political democratization at a time when they were experiencing significant and chronic public finance deficits.

However, African countries which complied with the prescriptions of the creditor nations and the Bretton Woods Institutions were yet to witness any significant social and economic progress a decade after. According to the United Nations Development Programme (UNDP) report on human development, the number of persons surviving in sub-Saharan Africa on less than US\$1 per day increased, but income per head declined in 20 countries, or stagnated in many other countries during the period under review (UNDP 2003). All this reinforces the concern for ascertaining the actual linkage between democracy and economic and human development in the continent.

Therefore, this chapter provides an empirical framework to examine the linkage between electoral democracy and poverty reduction in Cameroon and Burkina Faso. In doing so, it constructs the electoral democracy-poverty reduction model and undertakes an empirical analysis of the democratic experiences of the two

countries. It compares and contrasts the electoral processes in the two countries. Finally, it concludes with a major prescription that all national and international stakeholders participating in elections should use the ballot box to promote accountability and to enhance the material well-being of the marginalized segment of the population in Africa.

Contrary to the misconception of some African and Africanist scholars that Africa is a monolith, Africa merits deep and special comparative studies of its countries and their governments. In spite of the common colonial histories of Cameroon and Burkina Faso, their development experiences varied, as the former, with its huge natural resources and the steady growth recorded within the first decade of its political independence in the 1960s, had the potential for sustaining economic growth and, possibly, transforming it into development, but for its inept and corrupt political leadership. The latter was resource poor and a land-locked country, with very little or no prospects of promoting any meaningful economic development coupled with its fragile and corrupt political leadership. The contrasting roles of the political elites and political parties in tackling poverty reduction in Cameroon and Burkina Faso have helped to deepen the understanding of the nature of political decay in both countries. France, their former colonizer, had equally had dire consequences for their economies and politics. All this has had severe implications for the rise of a democratic and reformist state in Cameroon and Burkina Faso in particular and, Africa generally.

Electoral Democracy in Africa

Across Africa, the majority of the countries subjected to structural adjustment programmes established political institutions like parliament and political parties, but the political elites and leadership of the parties remained largely indifferent to the electoral process.

This explained why elections have not fostered the democratization project of the African state, nor really established any critical linkage between electoral democracy and good governance and poverty in the continent. Scholars like Becker, Alson, Downs, Alesina & Tabellini and Alesina & Drazen have interrogated these contentious issues. This chapter departs from the extant literature by formulating an empirical and quantitative approach to deepen the understanding of the African state and its politics (Alson 1965, 1982; Downs 1957; Alesina & Tabellini 1992; Alesina & Drazen 1992).

Mueller explained public choice theory either as 'the economic analysis of non-market decision processes; or the application of economic analysis to political issues' (Mueller 1989). Public choice theory was pioneered by Downs, but it was popularized in the developing countries by Buchanan and Tullock, who paid attention to four major fields: voting theory and the analysis of the linkage between the forms of political institutions; the theory of interest groups and the search for

unearned or private income; domestic causes of foreign indebtedness and the behaviour of international suppliers of capital, and the theory of bureaucracy and the study of links between structural adjustment and political and economic interactions (Downs 1957; Buchanan and Tullock 1962). The strengths and limitations of public choice theory have been adequately interrogated in Chapters One and Three. Let me first examine parliamentary elections and the electoral strategies and the electoral attitudes of voters before the application of the conceptual framework in the study.

Parliamentary Elections

Electoral Strategies of Candidates

According to Niskanen, candidates' strategies for victory in election are linked to their positions in the political parties and the capacity of the parties to win over public opinion. In the parliamentary elections held in Cameroon in July 1995 and Burkina Faso in May 1997, the results showed that the ruling parties won 119 out of 180 votes cast in Cameroon, and 100 out of 111 of the votes cast in Burkina Faso. Three factors explained the victories of these parties: the organization of the ruling parties; the endowment in human and material resources, and their innovative capacity (Niskanen 1971). I elaborate on these issues.

Organization of Ruling Parties

Following the parliamentary elections held in 1995 and 1997 in Cameroon and Burkina Faso, the parties in power showed that they were better organized than those in opposition. Both political parties, the Rassemblement Democratique du Peuple Camerounais (RDPC) in Cameroon, and the Congrès pour la Démocratie et le Progrès (CDP) in Burkina Faso, had an organized national political and administrative structure. While the cohesion of the RDPC was partly rooted in the former one-party system in Cameroon, the CDP relied on the popular structures created by the revolutionary government in Burkina Faso. However, the opposition parties were further weakened by internal divisions orchestrated by the ruling parties.

Human and Material Resources

With respect to human and material resources that are required to for the democratization process to get underway, it can be argued that democracy is an instrumentality for producing the public good, since a significant share of its financing is usually ensured by the state in Africa (Bernard 1985; Percebois 1991; Picard 1995).

However, the membership of the incumbent party in Cameroon and Burkina Faso included most of the administrative, economic and social elites of the countries, especially the young political elites who had just been recruited into the

political scene following the rotation of elites in 1983 with the advent of the revolution in Burkina Faso and their admission into the party after the transfer of power in Cameroon in 1982.

Therefore, the party in power had no problem in acquiring the material resources necessary to carry out its electoral campaign, and to use its power over the electoral process. For instance, some of the candidates who belonged to the party in power and had all the information provided by the state significantly influenced the spatial allocation of the state's capital expenditures. They claimed the credit for them, and distributed handouts and multiplied the number of official inaugurations of public works just before the day of the election.

Innovative Capacity

With regard to the innovative capacity of the political parties, Zerbo argued that to nominate candidates for the legislative elections held in July 1995 in Cameroon, and in May 1997 in Burkina Faso, the parties in power had, contrary to the expectations of the opposition, organized primaries. The primaries were aimed at weeding out certain politicians who had a strong base in their electoral constituencies in order to select the most representative candidates for the elections, as the strategy enhanced their chances of winning the elections (Zerbo 2005).

Drawing on the experiences of the Cameroon and Burkina Faso, it was demonstrated that the ruling parties appropriated the state's machinery and power of incumbency to further weaken the opposition. In response, the opposition parties adopted defensive attitudes by merely criticizing the activities of the ruling parties and the poor performance of the democratic institutions in the electoral process.

In Cameroon, the opposition parties scored a decreasing percentage of the total parliamentary seats: 48 per cent and 16 per cent, respectively, during the 1997 and 2002 parliamentary elections, while the ruling party in Burkina Faso won by a landslide. To redress the poor performance of the opposition in Burkina Faso, the parties adopted structures that allowed them to obtain 48 per cent of the seats during the 2002 parliamentary elections. This was a significant success for the opposition parties and this could be explained by the qualitative change of the political environment in Burkina Faso between 1998 and 2002. It was characterized by the proportional technique used for the allocation of seats and a greater involvement of the opposition during the last elections. The situation was quite different in Cameroon where political parties were less involved in the elections. Contrary to the 1997 elections, which were boycotted by the opposition parties, the parliamentary elections of 2002 in Burkina Faso did not only record wider participation by opposition parties in the electoral process, but emphasized their collaboration with the electoral regulatory organizations and the media.

The opposition parties did not adopt a common strategy during legislative elections in Cameroon, which was in contrast with Burkina Faso's opposition parties that used the ballot box to advance the democratization process at the institutional level. Rather, they adopted public campaign methods to increase the awareness of voters and to mobilize them for elections. The strategy partly accounted for the relative massive participation of the political parties in the parliamentary elections held in 2004. Also, the political parties sent their representatives to the Commission Electorale Nationale Independante (CENI) and collaborated with the Conseil Supérieur de l'Information (CSI), which is the state agency that ensures that equal time is respected by the state-sponsored media programmes.

With their agreement to participate in the 2002 parliamentary elections, coupled with relative increased finances and modest human resources, the opposition parties in Cameroon had a better outing at the polls than in previous elections. For instance, certain opposition parties with less representation at the national level formed alliances to overcome such a weakness. It allowed the rank-and-file of the parties to choose their representatives, as opposed to the traditional methods whereby top party leaders handpicked the candidates.

The opposition candidates also mobilized the voters by mounting a door to door campaign, rather than use the usual populist strategies of giving limited financial assistance and handouts. They did not only organize meetings with voters in the larger urban centres, but deepened their knowledge about the power of the ballot box in the democratic process. The opposition candidates whose parties were represented in the legislature did not hesitate to deploy the ministers during electoral campaigns in Cameroon and Burkina Faso.

Notwithstanding the material and organizational problems, the opposition parties in Africa are participating more as regulatory electoral institutions, and collaborating more with private information agencies, all in the hope of deepening the democratization process.

Electoral Attitudes of Voters

In electoral competition, the voter constitutes the most precious element to win over. For the voter faces a list of candidates from which a choice is made in casting the vote. The choice of candidate to vote for depends on many considerations such as the membership of an ethnic group and region as in Cameroon (Menthong 1998). Other factors include the advice of a spiritual chief like the Mourides in Senegal (Monjib 1998), populist relationships, material well-being and political ideologies of the candidates. Let me examine these factors in detail.

Ethnic, Regional and Religious Membership

The majority of voters are inclined to choose candidates who belong to their ethnic, regional and religious groups. For instance, during the presidential elections of 1992, 1998 and 2004 in Cameroon, Paul Biya obtained about 97 per cent of the total votes cast in the South Province, his ethnic home, and 40 per cent of the votes cast at the national level. His arch rival during the election, John Fru Ndi, secured his own ethnic base, North-West Province with 87 per cent of the total votes cast and 36 per cent of the votes at the national level. In Senegal, as in Northern Cameroon, the Mouride spiritual leader's opinion significantly influenced the choice of the voter. A study conducted by the Department of Political Science, University of Saint-Louis, Senegal in 1998, showed that 42 per cent of the Mourides cast their ballots according to their affiliation with religious brotherhood or ethnic group (Monjib 1998).

However, ethnic and regional influence on voting is becoming less significant in African countries like Mali, Benin, and Burkina Faso, where the parliamentary elections of 1997 and 2002 showed that candidates were increasingly finding it difficult to impose themselves on their loyal constituencies due largely to political awareness and elections campaign mounted by the non-governmental organizations (NGOs).

Populism or the Convictions of Candidates

According to Banegas, the responsibility of the elected representative is conceived in terms of populist redistribution as a matter of priority. The responsible elected representative is the one who redistributes, but the best candidates are those who redistribute financial, material resources or foodstuffs to the voters. Populist redistribution does not suffice for the legitimacy of the candidate, or to win the confidence of the voters in the pluralistic context that favours 'free riding' (Banegas 1998). It is crucial to note that the voters may benefit from the generous gifts of candidates during elections but it should not be construed as reflecting profound convictions regarding the candidates' capacity. Thus, the populist pronouncements and practices of the candidates do not solely determine the votes that they secure in elections (Zerbo 2005). In fact, voters' choice of candidates should be tied to the future well-being of the people, particularly as the African economy has been faced with protracted political, economic and social decline since the 1980s.

From the foregoing, three types of voters can be discerned: the voters whose vote is a function of the expectation of their future well-being; the voter whose votes are based on populism; and the voters who cast their votes on the basis of either membership of a group, or an ideology. Thus, the economic analysis of democracy leads to the construction of a model which considers the votes of electorates not only as a function of their future welfare relative to outgoing candidates but more importantly, the progress or regression of the level of economic, social, and human development.

Conceptual and Methodological Framework of the Study

This section conceptualizes the theoretical framework for analyzing the linkage between democracy and the fight against poverty using points raised in the preceding discussion to build a general model and to specify and to adapt its application for Cameroon and Burkina Faso.

The General Model of Electoral Democracy and the Fight against Poverty

The 'Electoral Democracy and the Fight against Poverty Model' is based on a function called 'the function of democratic sanction of the government by the people'. It depends on the level of welfare represented here by the incidence and the depth of multi-dimensional poverty, and the factors highlighted in the preceding analyses like the vote as a function of the future welfare of the voter. In this context, two types of votes can be distinguished: the votes cast in favour of the political party in power, and the votes for the opposition.

Further, three types of voters can be considered: (a) the poor voters, who vote against governments owing to their deplorable living conditions, as opposed to the poor who vote for the government because of populism or ethnic, regional or religious membership; (b) middle-class voters who vote against the governments in solidarity with the most disadvantaged, and the rich voters who vote for the governments for personal interest and the interests of their social class, and (c) the general voters, who vote against governments on account of differences in ideologies, religions and ethnic considerations.

The Function of Democratic Sanction of the Government

There is the need to clarify the variables in the context they are used in the framework.

Let N = the number of voters in a given population;

P_0 and P_1 = the incidence and depth of multidimensional poverty, respectively;

γ = the proportion of the poor who vote against governments because of their living conditions;

β = the proportion of the non poor who vote against governments in the cause of the poor and,

w = the proportion of voters who decide to sanction governments for ideological reasons or ethnic, regional or religious membership.

(Parameters, and w vary between 0 and 1).

The hypothesis is that the more living conditions deteriorate, the higher the percentage of the votes of the poor penalizing the party in power. An increase in poverty is perceived by the population as proof of the incapacity of the government to deliver the public good and enhance the material conditions of the people.

For this reason, parameters g and β are increasing functions of the incidence index P_0 , and of P_1 , the index of multidimensional poverty.

Let $g = g(P_0; P_1)$ and $\beta = \beta(P_0; P_1)$;

It is assumed that these two parameters are functions of P_0 and P_1 , and, they take on the value 0 in $P_0; P_1 = (0; 0)$, which means that when nobody is poor in the society, the share of sanction votes for poverty reasons is equal to 0. According to these notations, the number of the poor voters who vote against governments because their living conditions are poor is given by the following relation (1):

$$m_{sp} = N^* \cdot P_0^* g(P_0; P_1) \quad (1)$$

The number of the middle-class voters who vote against governments because of the poor conditions under which certain strata of the population live is given by the following relation (2):

$$m_{vsr} = N^* (1 - P_0)^* \beta(P_0, P_1) \quad (2)$$

The number of voters who vote against governments for ideological, populist, and social considerations is simply equal to their proportion w multiplied by the rest of voters after subtracting the preceding two categories of voters.

$$m_{vsi} = w^* (N - N^* P_0^* g(P_0, P_1) - N^* (1 - P_0)^* \beta(P_0; P_1)) \quad (3)$$

Therefore, the cumulative number of sanction votes against governments is given by relation (4).

$$N_{vs} = N^* [P_0^* g(P_0; P_1) + (1 - P_0)^* \beta(P_0; P_1) + w^* [1 - P_0^* g(P_0; P_1) - (1 - P_0)^* \beta(P_0; P_1)]] \quad (4)$$

By dividing relation (4) by the total number of voters N , the sanction function (F_{sg}) is obtained and it gives the percent of sanction votes against governments as expressed in relation (5) below:

$$F_{sg}(P_0, P_1) = P_0^* g(P_0, P_1) + (1 - P_0)^* \beta(P_0, P_1) + w^* (1 - P_0^* g(P_0, P_1) - (1 - P_0)^* \beta(P_0, P_1)) \quad (5)$$

In simplifying the second member of relation (5) the simplified expression of the sanction function against the government given by relation (6) below is obtained. It highlights a partition of voters into two groups. The first part of the second member of relation (6) corresponds with the voters' sanction votes against

governments linked to the living conditions of the poor, while the second term corresponds with sanction votes linked to the political weight of the opposition.

$$F_{sg}(P_0, P_1) = (1 - w)^* (P_0^* g(P_0, P_1) + (1 - P_0)^* \beta(P_0, P_1)) + w \quad (6)$$

The forms or characteristics of the functions $g = g(P_0; P_1)$ and $\beta(P_0; P_1)$ are specific to each community, or each country.

The function $g(P_0, P_1)$, which measures the proportion of the poor who vote against the government is characterized by the level of education and the mastery of the democratic game by the poor on the one hand; and by the degree of tolerance, patience, and the demands of the poor for the improvement in their welfare on the other. However, the lower the level of schooling and awareness of the poor voters are, the easier it is to convince them through populist electoral strategies, and through arguments related to their membership in some group they identify with, despite the fact that they are poor.

The function $\beta(P_0, P_1)$ gives the proportion of sanction votes by the non-poor against the government due to the existence of poverty, which is characterized by the degree of solidarity or conflicts of interest between social classes within the population and the level of patience, or the demands of the most well-off relative to the improvement expected in the standard of living of the poor.

The parameter w of the sanction function captures the influence of ideological, religious or ethnic, and populist weight of all opposition parties in a country. The weaker the opposition, the lower w will be. At this juncture, let me look into the framework that explains the variable that will enable the government to retain power.

Programme of the Incumbents to Stay in Power

For the incumbents to stay in power, they have to minimize sanction votes against them by the opposition. Let me analyze the characteristics of the functions $g(P_0; P_1)$ and $\beta(P_0; P_1)$; the parameter w as short and medium-term exogenous data; and the government programme to minimize sanction votes against its party, as expressed below:

$$\text{Min}_{P_0, P_1} F_{sg}(P_0, P_1) \quad (7)$$

By using the expression of the sanction function in programme (7), the next programme (8) is obtained.

$$\text{Min}_{P_0, P_1} [(1 - w)(P_0 g(P_0, P_1) + (1 - P_0)\beta(P_0, P_1)) + w] \quad (8)$$

Under the hypotheses formulated above on functions $g(P_0, P_1)$ and $\beta(P_0, P_1)$, it appears that the solution of program (8) would be $(P_0; P_1) = (0; 0)$, with $F_{sg}(0; 0) = w$. This implies that, to reduce the percentage of sanction votes against the government party to the lowest level possible, the exogenous factors being fixed, governments must eradicate poverty. In this case, the percentage of sanction votes is reduced to the ideological, populist or ethno-regional weight of the opposition.

However, according to the principles of electoral democracy, to have the majority is not equivalent to having the support of all the voters or even 70 per cent of the voters. But it amounts to having a little more than half of the voters that is, 50.5, 51, 51.5, or 52 etc. In this context, it can be deduced that the solution of programme (8) is such that, if the weight w of the opposition is close to 50 per cent, that is, in an equilibrium situation in terms of weight or legitimacy between the party in power and the opposition, the elected representatives are obliged to continue combating poverty until it is eradicated, otherwise they will lose power.

Likewise, when the functioning of democratic institutions and the characteristics of the voters are such that the values of the functions of the parameters g and β are close to 1, even for low poverty indicators, governments are forced to adopt policies likely to enlarge the economic and social opportunities in favour of the most disadvantaged.

Should the weight of the opposition be low or negligible; that is, well below 50 per cent or even close to 0 per cent; or if the voter's social characteristics and the functioning of democratic institutions are such that the parameters g and β remain close to 0, even for high-valued poverty indicators, elections will not constitute a powerful means for the people to put pressure on political leaders to eradicate poverty when they are not interested in such a programme.

Let it be given that, $w = 20$ per cent. Therefore, $F_{sg} = (0, 0) = 20$ per cent of the votes. It means that if poverty is eliminated, the percentage of the voters for the ruling party is 80 per cent. Yet, the eradication of poverty requires, among others, more effort, material, financial and human resources. Rationally, taking into account the huge costs involved and the scarce resources, governments may set their electoral objective at, say, 60 per cent of the votes. That is, at less than the 80 per cent representing the score they would receive when they would eradicate poverty. To the electoral objective of 60 per cent set by governments, it corresponds with a value of 40 per cent for the sanction function. But from the fact that this function reaches its minimal value at $(0,0)$, it follows that the governments' electoral objective at 60 per cent of the votes would correspond to a couple of values (P_{og}, P_{ig}) of the incidence and depth of poverty, which is different from $(0,0)$. In this case, the electoral objective of those in power does not converge with the aim of the poverty eradication programme. Looking at the exogenous factors characterizing the function $g(\cdot)$ and $\beta(\cdot)$; the indicators (P_{og}, P_{ig}) correspond with the electoral objective of those elected and this is far from $(0, 0)$, which represents a situation without poverty. In a dictatorial regime, the parameters g and β are equal to zero.

The sanction function of the general model is a function yielding the probability of overthrowing the regime. Given the fact that the people cannot express themselves in a dictatorial regime, the probability depends on the relative weight of the members of the opposition, who are usually forced to work outside of

the law or in secret. Thus, the main concern of dictatorial regimes is to annihilate the opposition. Even in regimes that claim to be democratic, but condone malfunctioning of democratic institutions and restrict civil liberties and political freedom, the parameters g and β are totally nullified. There is nothing that guarantees that the improvement of the living conditions of the people will constitute one of the concerns of those in power. As a result, the reduction of the coefficient w of the sanction function to its lowest level turns out to be the principal objective of such a regime. Under such circumstances, the opposition is permanently destabilized as its leaders are either locked up in detention or are forced into exile by the government.

Based on the principles of the general model as explained above, democracy is a necessary condition for those in power to promote human development. As can be expected, democracy as a process should evolve slowly but not be imposed on the people. However, the question is when will democracy really get underway in Africa? The specific model that helps to redress the question is examined in the next section.

Specified Model of Electoral Democracy and the Fight against Poverty

The specification of functions with parameters g and β is sufficient for the general model that is applied for African countries. This means that, by using the results of the preceding analyses, specifications of relations (9) and (10) are proposed, respectively for parameters $g(P_0; P_1)$ and $\beta(P_0; P_1)$ of the sanction function

$$g(P_0, P_1) = k_1 P_0^a P_1^b$$

With $a \geq 0$, $b \geq 0$ and $0 \leq k_1 \leq 1$

where a = coefficient of naivety or inexperience of the poor voters in the electoral process. For a given level of poverty, the higher a means that it is easier to convince poor voters through populist methods, vote buying and ethnic or regional membership manipulations. Thus, the percentage of sanction votes among the poor is linked with their declining material conditions.

When the coefficient a tends toward infinity, the percentage of the sanction votes of the poor tends toward 0 owing to their living conditions.

The b is the coefficient of tolerance, patience or demands of poor voters put to those in power relative to their living conditions.

For a given depth of poverty, the higher b implies that, more poor voters are patient or less demanding of an improvement in their living conditions.

When b tends toward infinity, the percentage of these sanction votes tends toward 0.

The k_1 is a constant which takes into account the other factors not explicitly taken into account in the model, such as the independence of the regulatory

institutions of the voters and their capacity to limit electoral fraud. A value of k_1 close to 0 indicates a weak independence and a low capacity for democratic institutions to ensure the transparency and regularity of elections. But a value of k_1 close to 1 indicates that democratic institutions are both strongly independent and capable of ensuring that elections will be transparent and free in the areas where the poor reside. It must be recognized, however, that when the incidence and intensity of poverty increase, the proportion of sanction votes linked to living conditions increases among the poor.

Relation (10) gives a specified form of the proportion of the middle class, who would vote against the ruling party for reasons linked to the populations' living conditions.

$$\beta(P_0; P_1) = k_2 P_0^c P_1^d \quad (10)$$

with $c \geq 0$, $d \geq 0$ and $0 \leq k_2 \leq 1$

where c is the coefficient of conflicts of interest between the rich and the poor. A value of c close to 0 indicates a strong solidarity between social classes. On the other hand, a value of c tending to infinity indicates serious conflicts of interest between the rich and the poor. The proportion of the middle class voting against the leaders to support the poor becomes a decreasing function of coefficient.

The d is the coefficient of tolerance, or the patience of the middle class voters toward those in power relative to improvement in the living conditions of the poor. For a given level of the depth of poverty, the higher d is, the more the middle class voters are patient in improving the living conditions of the poor, the lower the percentage of their sanction votes will be. When the middle class show unlimited patience; that is, when d tends to infinity, the percentage of their sanction votes tends toward 0, because of the deplorable conditions of the poor.

The k_2 is a constant which takes into account the other factors not explicitly taken into account in the model, such as the independence of regulatory institutions and their capacity to reduce electoral fraud. These factors may be different depending on whether the issue at stake is about the poor voters or the rich voters.

In relations to (9) and (10), the parameters k^1 and k^2 may be assimilated to scores, which account for the efficiency of the country's democratic institutions to function and their capacity to conduct free and fair elections. Thus, the specified sanction function is given by relation (11) below.

$$F_{sg}(P_0; P_1) = (1 - w)k_1 P_0^{1+e} P_1^b + (1 - P_0)k_2 P_0^a P_1^c + w \quad (11)$$

From relation (11), several types of situations can be analyzed according to the dominant factors that exist in the country or community. Thus, on the basis of the hypotheses posited on the parameters, several situations will be analyzed with the understanding that the factor 'weight of the opposition' was analyzed in the

preceding section to see to what extent the couple of poverty indicators $(P_0; P_1)$ correspond with the electoral objective chosen by the government would converge toward the objective $(0;0)$ which is the objective of poverty eradication in democratic states where the opposition is weak.

When elections are not free and transparent in a country, partly because democratic institutions do not function effectively, the parameters k_1 and k_2 are closer to 0. In this case, the electoral objective $(P_0; P_1)$ of those in power is farther from $(0;0)$. When democratic institutions depend totally on those in power or when these institutions do not exist or malfunction, k_1 and k_2 are equal to 0. Thus, the reduction or the fight against poverty ceases to be a concern for the party in power. The priority of the latter is to destroy the opposition, for if k_1 and k_2 are equal to 0, the sanction function depends only on the weight of the opposition. In part, this explains the behaviour of certain non-democratic regimes that have ruled, or continue to rule in Africa.

In a context where elections are free and transparent, and where the opposition is weak, for the electoral objective $(P_0; P_1)$ of those in power to converge toward the objective $(0;0)$ to improve the welfare of the populations, the parameters a, b, c and d must tend to 0, respectively. This implies that the poor are experienced or have relative mastery of the mechanisms of the electoral process, that a greater solidarity exists between the social strata, and that voters are demanding or do not reveal to those in power their great patience over the prolonged deplorable conditions of their existence.

Therefore, the elected representatives are obliged to work continuously for an improvement in the welfare of the people, as doing so is the only way to obtain the majority of the votes of the poor voters, who are increasingly becoming cunning and colluding among themselves. As a result, the political objective of the party in power converges with the welfare objective, notably in favour of the poor. The solidarity of the voters constitute a powerful asset, which may serve to put permanent pressure on those in power, who are compelled to reduce poverty in order to benefit from voter patience, and to reduce the weight of poverty on the latter.

However, when the degree of poor voters' naivety is significant or when serious conflicts of interest exist between the rich and the poor, or when the voters show boundless patience and are not demanding relative improvements in their living conditions, the sanction function takes on low values on those close to 0, even when poverty indexes are high. In this case, nothing ensures the convergence of the ruling party's political objective toward the welfare objective $(0;0)$.

According to this model, the factors which determine whether the priority electoral objectives of the party in power will converge toward, or diverge from, the welfare objectives of the poor are the following; mastery of democratic politics by the people, solidarity among the people or low levels of conflicts

between social classes and sustained demands by the populations for improvements in their welfare. Divergence from the welfare objective of the poor simply means that most or some of the above factors do not obtain.

Analysis of the Situation of Electoral Democracies

An analysis of the convergence of the electoral objectives of the elected representatives with the welfare need of the disadvantaged is the task of this section, paying attention to the sanction function, opposition and democratic institutions, conflict of interests, and the mastery of the democratic process.

Estimation of the Sanction Function

Having specified the preceding model in equation (11) above, let me now turn to the data drawn from the report of the *Obsevatoire National des Elections au Cameroun* (ONEL), and those generated from another study conducted by University researchers who carried out a simulation using the results of the 1995 parliamentary elections. The simulation results provide us with the parameters and variables applicable to our model and they permit the estimation of the sanction function so specified. The data were complemented by the synthesis of data obtained from the headquarters of the opposition parties with seats in the National of Assembly of Cameroon, and the data from the works of Fambon on election financing and political parties in Africa (Fambon 2003). The estimate of the sanction function is stated below:

$$F_{sg}(P_0; P_1) = (1 - 20)(0.05P_0^{1+0.7}P_1^{0.9} + (1 - P_0)0.05P_0^{0.05}P_1^{0.95}) + 20 \quad (12)$$

Emerging from this estimation; that is, equation 12, are a number of observations. First, is the proportion g of the poor who voted during the elections against the party in power, which is 60 per cent. Second, the proportion of the middle class voting against the party in power for the cause of the poor is 30 per cent. Third and final, the proportion of the voters which decided to sanction the ruling party because of ideological, ethnic and religious reasons is 70 per cent. The parameters are $e = 0.7$, $b = 0.9$; $b = c = 0.9$; and $a = 0.95$. This implies that the objectives of those in power are far from converging toward the welfare objective $(0, 0)$ of the poor whatever the values of (P_0, P_1) .

Further, the parameters $k_1 = k_2 = 0.05$ indicate the quality of democratic institutions and electoral methods. In addition, these parameters show the degree of naivety of the poor, and solidarity or conflicts of interest between the rich and the poor. Given the assumptions made on the parameters and the variables P_0 and P_1 , the estimate of the sanction function is equation 12 which allows for a deeper understanding of the situation of electoral democracies relative to the decisive factors that render elections an effective tool to compel elected representatives to pay attention to the needs of the poor.

Weight of the Opposition and Functioning of Democratic Institutions

The model examines the influence of the total votes secured by the opposition or ruling party in Cameroon. A strong opposition implies that the representatives of the opposition parties have a national spread in the presidential and parliamentary elections, well-organized and united.

In Cameroon, as in other African countries like Gabon, Chad, Burkina Faso, Niger and Senegal, the opposition parties are politically weak, largely because of their inability to perform the traditional functions of mobilizing the people and ensuring adequate representation of various interests. For instance, some parties have disappeared between two elections, for example the *Mouvement Populaire pour la Revolution*; *Le Parti des Fourmis*, while the ruling RDPC still behaves as it did during the period of the one-party system. The parameters $e=0.7$; $a=0.95$; and $b=c=0.9$ tend to 1, thereby indicating that the (P_0, P_1) objective of the leaders of the RDPC do not converge toward the $(0;0)$ welfare objective of the people. As noted, the poor voters are not experienced, and do not grasp the mechanisms of the electoral process very well, or are excluded from the process by various techniques that they ignore. The couple of indicators (P_0, P_1) , which is the electoral objective set by those in power, do not converge toward $(0;0)$. This situation does not bode well for alleviating poverty. The elected representatives have never really been compelled to work constantly to improve the welfare of the most underprivileged group in the society.

The divergences between and within the opposition parties and the multitude of existing parties in Cameroon constitute some of the crucial factors weakening the opposition in the country. In the period, 2001 and 2004, the three dominant parties were the SDF, UNDP and UPC. The parties were all afflicted by serious internal crises that resulted in the defection of some of the top leaders of the parties and the majority of the rank and file. The same crisis rocked the political parties in Burkina Faso from 2002 to 2004, and in Chad, between 2006 and 2007. However, whereas in Cameroon, with a population of 20 million, 20 political parties participated in the 2002 parliamentary elections, in Burkina Faso with population of 12 million, 40 parties participated in the legislative election held in the same year.

Worse still, the opposition parties in Cameroon and Burkina Faso, like other African countries, have been victims of destabilization usually deployed by the ruling parties. As noted, past experiences of both countries and indeed Africa, have shown that influential political leaders were often threatened, locked up and forced into exile by the government, which controlled the military. The parameters $k_1 = k_2 = 0.05$ tend to 0, indicating that the elections are neither free nor transparent. The value of 0.05 also indicates that democratic institutions totally depend on those in power. Since the 1992 elections in Cameroon, it has been observed that

a party member figuring in the list of the ruling RDPC will certainly increase to 98 per cent of the vote. But once elected, the representative will not be accountable to the people who voted him into office. All this is an indication that poverty reduction ceases to be a concern for those in power and this, in turn, further weakens the opposition.

Therefore, it can be argued that, these factors indicate and confirm the values taken by the parameters: e , b , a , and c of the sanction function of the representatives elected by the populations in Cameroon. Thus, the present challenge for the Cameroon is for the representatives of both the ruling parties and the opposition and other pressure groups, to defend the interests of the people, especially the poor and for government to enthrone the principle of separation of powers and virile civil society organizations impacting on the public policy process.

Is it Solidarity or Conflicts of Interest between the Rich and the Poor?

The experiences of Cameroon and Burkina Faso with elections and democratization corroborate the fundamental concern that the rich generally pretend to identify with the plight of the poor whereas their real interest is to exploit the latter. For instance, in the Littoral Province of Cameroon, with a population of 3 million, 15 political parties participated in the parliamentary elections of 2002, compared with the 40 parties that took part in parliamentary elections of Burkina Faso in May 2002. Yet, the annual agricultural deficits in Cameroon and Burkina Faso were characterized by appeals from salaried employees, employers, and self-employed workers of the urban sector on behalf of their families or rural sector communities, asking for assistance to purchase foodstuffs (FAO 2006).

Generally, when the population is very vulnerable, and work opportunities and other activities are increasingly scarce, coupled with formal education and health facilities becoming increasingly inaccessible, the rich are expected to help redress the crisis. This is because if poverty is monetary or non-monetary, it has negative direct and indirect impacts on the welfare of the middle class and the rich. The middle class would want to support the poor by pressurizing government to adopt pro-poor policies in order to ensure better living condition for the poor.

Naturally, the middle class would be disposed to vote against the political leaders and parties that neglect the plight of the poor. In the estimation of the sanction function for Cameroon, the coefficient $a = 0.95$, measures the boundless patience of the voters. That is the fact that voters are not demanding enough on the issue of improvements in their living conditions and the fact that there are less conflicts of interest between the rich and the poor. This is very a significant issue for the Northern part of Cameroon, where begging for charity prevails.

Given the solidarity between the rich and the poor, the electoral effects outweigh those of eventual conflict of interest over the years. The elite in power have often

amplified the social divide between the rich and poor, and other social strata. The elites have regularly used ethnic sentiment as an instrument to keep and legitimize themselves in power (Otayek 1999). This has questioned the rationale of citizenship, the exercise of civil and political rights, and the political capacity of the voters during election (Bayart 2001). These various identity claims cannot be considered as the perverse effects of pluralism, rather, they stem mainly from the *real politik* of the politicians as they manipulate ethnic or religious differences to remain in power.

Mastery of the Democratic Game and Access to Information by Voters

Generally, the majority of the voters in Africa lack the mastery of the game of politics, particularly the democratization process. This stems, in part, from the high level of illiteracy, limited access to information and the fragility of the multi-party system. According to the PNUD, for instance, 40 per cent of the adult populations in Africa are illiterate as against none for developed countries, and 27 per cent for other developing countries. In Cameroon in particular, 49.2 per cent of the population is still illiterate with about 65.3 per cent of the population concentrated in the rural areas compared with 76 per cent in Burkina Faso, where the bulk of the rural populace had no access to radio and television (PNUD 2004).

The preceding estimates of sanction function are quite significant. The coefficients $k_1 = k_2 = 0.05$ indicates that the democratic game engages populations which do not grasp the concepts, content and mechanisms of politics. There are many voters in Cameroon who are unable to carry out a critical analysis of the programmes and speeches of the political candidates or distinguish between the populist actions of the latter and those actions that are aimed at improving the welfare of the people in the long run. The naivety coefficient $e = 0.7$ of the sanction function is relatively high in Cameroon. Also illiteracy and limited access to information contribute to render populations less demanding of improvement in their living conditions. This helps to increase the coefficients $b = 0.9$ and $d = 0.9$ of tolerance vis-à-vis those in power as regards living conditions. Consequently, the power of the populations to compel those in power to be attentive to the underprivileged is reduced.

It can be gleaned from the foregoing that information plays an important role in understanding the practice of the democratization process, especially the mobilization, education and training of the voters for elections. Other factors impeding the democratic game include but are not limited to poor communication, lack of the independence of the media, restrictions on the freedom of expression and association.

That said, the proliferation of local and rural radio stations in Cameroon, Burkina Faso and the majority of African countries, the popularization of new

information technologies (NIT), which are difficult to control by those in power and tend to adopt actions to heighten the awareness of the public through broadcasting in local languages, and the rise of non-governmental organizations, have increased access to information. However, elections, on average, do not really constitute a powerful tool for the poor to compel the parties in power to pay attention to their votes and their needs.

Concluding Remarks

This Chapter has constructed an empirical framework based on the contention that good governance contributes to the improvement of the welfare of the African people. Within this context, it demonstrated from the experience of Cameroon and Burkina Faso that the ruling parties or their elected local representatives did not redress the needs of the poor; nor formulated and implemented policies that broadened social and economic opportunities of the poor. Other misgivings were the inability of the parties and their elected members, indeed, the government, to guarantee free and fair elections, to protect the civil and political rights of the people, and to open up political spaces. In fact, elections were not powerful means for the people to compel the governments either to enhance the deplorable material condition of the poor or to compel the elected representatives to account to the people in both countries.

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6

The Democratic Developmental State: The Indian Experience

Prithvi Ram Mudiam

Introduction

The Chapter examines India's experience with political and economic development in the context of the democratic developmental state. Within this framework, it looks into how the Indian state adapted its tradition and history to the requirements of its national goals of modernization and overall development of the country in the post-colonial period. It argues that, the state's proactive engagement of democratization of the development process raised the prospects of the democratic developmental state. Finally, it submits that while the Indian state's experience holds out useful lessons for other states in the South, it cautions them against a blanket approach because of the differences in their historical, economic and cultural backgrounds.

The relative rise of the Asian NICs in the 1970s stemmed, in part, from the state's modification of neo-liberal policy and the market to promote its development objectives. The state 'governed the market', instead of allowing the free reigns of the 'forces of the market'. At issue, however, is not so much about the state and the market, but what kind of state and its mix, and what kind of market with regard to either state-led market, or free market, in the quest for the DDS.

In particular, as the state-market battle for supremacy raged, the strategies adopted by autocratic states in the Asian NICs to promote economic growth included the encouragement of private investment in key industries through various incentives. It nurtured an indigenous entrepreneurial class, identified and implemented critical economic development programmes and projects. It also exposed and guided priority industries to compete internationally. The state

protected trade, provided government subsidies, and formulated policies for selective credit allocation to specific industries, and deliberately distorted interest rates to shore up the potentials and capacities of the local and fragile industries to enable them compete globally. The state promoted land reform, emphasized technical education and income equality, which helped to create the larger social framework for an orderly and all round economic development (Gilpin 2003:316-333). But the fundamental question tackled in the rest of the discussion is whether the processes that led to such growth was ever democratized in the case of India. It is necessary to examine the historical antecedents of the Indian state.

The Historical Antecedents of the Indian State

India attained political independence in 1947 after a long period of British rule. In order to promote the country's development along its history, tradition and culture of the people, the priority of India's first Prime Minister, Jawaharlal Nehru, was to reverse the inherited colonial development policies and programmes.

For Nehru:

India is a country with a tremendous vitality which it has shown through its history. It has often imposed enough of its own cultural pattern on other countries, not by the force of arms but by the strength of its vitality, culture and civilization. There is no reason why we should give up our way of doing things, our way of considering things, simply because of some particular ideology which emanates from Europe ... We should be flexible in mind and we should be receptive, but I have also no doubt at all that we should not allow ourselves ... to be swept off our feet by any wind from anywhere. We should approach these problems, whether domestic or international problems, in our own way (Nehru 1961:39).

India's policy of non-alignment reflected and represented the country's urge to chalk out its own course in political and economic contestations among the comity of nations. Within the context of the policy of non-alignment movement (NAM), Nehru created a political environment, both domestically and internationally, that was conducive to actualize India's objectives of rapid and overall economic development consistent with its national ethos, temperament and ingenuity.

Internationally, the policy framework of the NAM was India's most imaginative contribution to world politics. This is because the western notion of international relations only knew neutrality, isolation and alliance before non-alignment was formulated and introduced into world politics during the period of the Cold War. The policy of non-alignment was also a unique Indian political invention that sought to avoid military alliances in the context of the Cold War, but refused isolation and neutrality as policy options for the newly independent countries for two reasons.

First, it reflected the need of the developing countries for a positive and beneficial interaction with the international community for internal reconstruction and development, while strategically insulating themselves, to the extent they could,

from Cold War rivalries and conflicts. Second, it gave expression to the ambition of the members of the NAM to make their voices heard and views reckoned with in world affairs, which was previously denied them by the core countries of the North.

Further, the instrumentality of the NAM enabled its members, which were developing countries, to assert their priorities on global development issues. Again, Nehru reiterated the significance of the policy of non-alignment as follows:

It is a strange thing that when the world lacks so many things, food and other necessities, and people in many parts of the world are dying from hunger, the attention of this Assembly of Nations [the UN] is concentrated only on a number of political problems. There are economic problems also. I wonder if it would be possible for this Assembly to ... look at the vital and urgent economic problems, and look at places in the world where food is lacking (Nehru 1961:165).

No doubt, the non-aligned countries had played a significant role in moderating and de-escalating the Cold War tensions and rivalries. In a world dominated by the superpowers with nuclear weapons and universal ideologies, the non-aligned policy had helped to bridge the political communication gap between the superpowers, between superpowers and the developing countries and between and among the developing countries. All this facilitated and promoted dialogues and debates that helped to resolve differences that could have triggered off global conflicts especially in the nuclear age (Mudiam 2006:39-40). In essence, the non-aligned policy created an 'area of peace' that was not geographically located, but had global political, diplomatic and moral dimensions that ensured a relatively stable and peaceful international environment for development.

It was in an attempt to preserve the diversity and choice in the international system that Nehru advocated the universalization and consolidation of the state system, particularly in the Third World. To him:

We have to acknowledge that there is great diversity in the world and that this variety is good and is to be encouraged, so that each country may grow and its creative impulse might have full play in accordance with its own genius. Hundreds and thousands of years of history have conditioned us in our respective countries, and our roots go deep down into the soil. If these roots are pulled out, we wither. If these roots remain strong, and we allow the winds from four quarters to blow in upon us, they will yield branch and flower and fruit (Nehru 1961:218).

Panchsheel lays down the very important truth that each nation must ultimately fend for itself. I am not thinking in terms of military fending, but in terms of striving intellectually, morally and spiritually ... This is the lesson of tolerance and peaceful coexistence and cooperation, which India has believed in through the ages. In the old days, we talked of religion and philosophy; now we talk more of the economic and social system. But the approach is the same now as before (Ibid:100-102).

Further, viewed in the domestic context, the policy of non-alignment made it possible for India to adopt a mixed economy approach to its development; an approach that allowed the complementary existence of public and private sectors in the national economy. While key industries like steel and heavy machinery were established in the public sector with the help of public funding, the private sector helped to mobilize private funds for industrialization and the emergence of an indigenous entrepreneurial class. The policy of non-alignment also encouraged the co-existence of politicians with conservative and social political leanings within the Indian National Congress. In turn, this helped to minimize internal strife over foreign and economic policies, maintained internal cohesion and, promoted the country's international relations.

However, when India first, liberalized its economy in the early 1980s, and embarked on a more radical economic reform following the economic crisis in 1991 in order to give the market a greater say and role in the national economic management, the role of the state changed but it [the state] did not disappear (Bhagwati 1995:78-91). In fact, the operation of the free market has always been the creation of a deliberate state policy. As Karl Polanyi argued, 'The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled intervention. There was nothing natural about laissez-faire, as free markets could never have come into being merely by allowing things to take their course' (Burchill 1996:46).

Even after the Indian state opened up the economy, it still created the conditions that permitted the successful functioning of the market-oriented economy 'such as the provision of public education, health services and arrangements for social security' (Dreze 2002:62). The state not only micro-managed the national economy, but took critical decisions on the inflow of foreign direct investment (FDI), sectors to which it was directed and other major issues such as labour and industrial relations, removal or rationalization of subsidies and development of physical infrastructure. Above all, the state formulated and implemented policies on foreign relations and defence policies consistent with India's policy as an emergent global economic player.

From the foregoing, it can be argued that, each state in the South should follow a developmental strategy to suit its history, geography and culture, because that would ensure a plurality of paths to development in the contemporary world. Again, the concern expressed by scholars and policy makers is whether the development strategy and its processes were democratized in India; that is, if the people were empowered to participate in the development or state-led. It is thus in order to examine other aspects of the development efforts of the Indian state, paying attention to its democratization and social and economic development projects.

Features of the Democratic Developmental State

No doubt, the Indian state had formulated broad development policies that informed its democratization and other specific social and economic projects in the country. There is the need, however, to ascertain whether these projects could be regarded as demonstrative features of the democratic developmental state. This section is a response to such daunting task, beginning with the democratization project of the state.

Democratization

In the received literatures on the subject, there has been no consensus among scholars on should be the ideal relationship between democracy and development. For Milton Friedman, democracy and development go hand-in-hand. Gary Becker attributes the relative rapid economic growth recorded by the Asian NICs to the autocratic state. Amartya Sen contends that democracy and development complement each another. While Robert Barro argues that the relationship between democracy and development is ambiguous, Atul Kohli submits that the connection between the two concepts is elusive (Gilpin 2003:329). For details on democratization, see Chapter Three of this work.

Nevertheless, democracy confers a certain degree of legitimacy, accountability and transparency on the development processes undertaken by the state. The enthronement of democratic practices can result in the democratization of development, as has been the case of India. For instance, the use of the instrumentality of democracy has largely influenced the developmental programmes and projects of the Indian state in three important respects.

First, democratization has accounted for the decentralization of the state's development agenda. Second, it facilitated the rise of civil society groups and organizations that supplemented the development efforts of the Indian state. Third, it acted as a corrective influence on the Indian state's developmental preferences, policies and strategies, on the basis of the feedback obtained through periodic elections, free mass media and civil society groups. Let me elaborate on each of them.

Democracy and Decentralization

In India, the development process is decentralized both spatially and functionally. For instance, economic planning and the implementation of its programmes and projects are handled at the national level by the central government, at the provincial level by the state governments and at the local level by the Panchayat Raj institutions. These institutions derive their powers and functions from the Constitution of India, explaining why they have been autonomous in their respective spheres. Also, the decentralization of the development process has fostered economic and social diversity in the country. All this partly accounts for why the Indian

democratic institutions have not only endured, but permitted the growth of civil society organizations (CSOs), which have, on average, complemented the development efforts of the Indian state.

However, decentralization does not necessarily result in democratization because the former does not amount to the empowerment of the people in the development and policy processes, while the latter is actually about the redistribution of power in the development process in favour of the people.

Democracy and Civil Society Organizations

Even though the CSOs have played a major role in the development of the country, they are not a substitute for the state. It is impossible to envisage civil society and its role in the development process in the absence of the state. As Barnes rightly noted,

A flourishing civil society typically depends on the security and predictability provided by an effective democratic state that is controlled by a government that ensures the rule of law and policies that respond to the needs of the population ... Thus, civil society and democratic states are highly complementary and even interdependent ... Every society has its own distinct forms of social organization, cultural and political traditions, as well as contemporary state and economic structures, all of which are central to the development of civil society and shape its specific features (Barnes 2007:7-9).

In engaging the CSOs in the development process, again, Barnes contends that,

Civil society interfaces with the state through parliamentary institutions... through various forms of policy dialogue, and even through direct displays of power through protest movements and activism. Furthermore, civil society groups can help to monitor and constrain the arbitrary exercise of state power and increasingly, the behaviour of private businesses and even multinational corporations. Therefore, civil society enables different groupings in society to debate differences; to reach compromise; to form priorities and to develop consensus on a higher common purpose (Barnes 2007:9).

The CSOs complemented the development efforts of the Indian state, with the micro-finance and water-harvesting projects. I elaborate on them.

The Micro-finance initiative:

The micro-finance or micro-credit is one of the most innovative and successful economic initiatives introduced by the civil society in the developing world, especially in India. The pioneer of the micro-finance initiative, Muhammad Yunus had explained that, 'The idea is to turn conventional banking on its head. In conventional banks, the more you have, the more you can get, whereas in micro-credit, the less you have, the more priority you get' (Aiyar 2006).

Muhammad Yunus had identified five important features of a micro-credit scheme. First it promotes credit as a human right, second it is targeted at the poor particularly poor women, third it is based on trust and not any collateral or contract, fourth it is offered for creating self-employment for income-generating activities and fifth, it provides service at the door-step of the poor and loans are given to a group of borrowers (<http://www.grameen-info.org/bank/whatismicrocredit.htm>).

The relative success of micro-finance in India has unravelled the myth that the poor are not credit-worthy because they cannot provide collateral. Generally, the loans provided in a micro-credit scheme are small explaining why collateral is not a major concern. In fact, the skills of the poor are considered as security for the loan. This is because the skills are traditional in the sense of being peculiar to certain communities and regions, and their products are 'unique' and marketable.

Since the establishment of the Grameen Bank (GB) in 1983, otherwise known as the Village or Rural Bank, some 50 million households have benefited from the micro-credit scheme in Bangladesh and India (Aiyar 2006). The recovery rate of the loans advanced by the GB to the rural dwellers has been an astounding 98 percent. As of May 2007, 97 per cent of borrowers from GB in Bangladesh were women and its services extended to 78,101 villages, covering more than 93 per cent of the total villages in Bangladesh.

Generally, micro-finance has, on average, led to the democratization of capital for the rural poor in India and Bangladesh. This development holds out significant lessons for other countries of the South with huge rural populations and predominantly agrarian economies. Muhammad Yunus noted that 'these millions of small people with their millions of small pursuits add up to create the biggest development wonder'. (<http://www.grameen-info.org/bank/index.html>).

The Micro-watershed initiative:

With regard to the micro-watershed initiatives undertaken by the Tarun Bharat Sangh in the Indian Province of Rajasthan in 1984, civil society provided portable water and irrigated farmlands for numerous villages in the desert state.

The Rajasthan government had declared four blocs of Alwar District of Rajasthan as a 'dark zone', because the groundwater table receded below recouparable level (Samantaray 1998:1). Under the motto 'Putting Tradition Back into Practice', Tarun Bharat Sangh started erecting water tanks, called Johads, by building small barriers at appropriate places to collect and store rain water. The result was phenomenal, because it led to the rebirth of two dead rivers, Arwari and Ruparel, as a result of groundwater recharge by the series of Johads developed in the catchment's areas (Samantaray 1998:17).

Contrary to the fears about the huge cost of constructing the Johads and the social and economic consequences on the lives of the poor and the rural economy, it was inexpensive, in part, because locally available materials were used and village communities contributed money and provide labour. In spite of Rajasthan being

among the more socially conservative states in India, women participated in the construction of Johads and water was distributed equally among village households.

Furthermore, the major sources of livelihood for most of these villages have been forest-based products, subsistence agriculture and livestock rearing. Water is vital to all these sources of livelihood. One of the direct benefits of effective rain-harvesting in Rajasthan was the greater availability of water for irrigation, drinking and other domestic purposes. For instance, irrigation of hitherto dry lands had resulted in increased agricultural production and the sale of milk and milk products from livestock. Other indirect benefits included increased biomass productivity and fodder availability; increased water availability; flourishing micro-entrepreneurship and; improved health of the people (Samantaray 1998). In particular, the income from cattle and agriculture increased over 10 times; 1,150 Johads were constructed; an increase of 2,500 acres of land under cultivation; and the forest cover rose to 40 per cent since 1987 (Khalakdina 1998:56).

From all indications, the two civil society initiatives did not only complement the efforts of the state to promote development, but fostered community participation in the development process.

Democracy as a Corrective Influence

Democracy may not be the best form of government, but is the least harmful. This is partly because of its in-built self-correcting mechanisms that are based on feedback from the public through periodic elections, mass media and civil society organizations. All this serves to stabilize the system of democracy so that it can endure pressures and stress from the polity. As Bhaduri rightly noted,

The fatal flaw of the command economic system was its lack of any inherent self-correcting mechanism. When economic or political decisions went wrong, pressure did not build up within the system to change policies. Indeed, the market economy embedded in a democratic political system has performed better in the longer run precisely because it has such self-correcting mechanism. This is why despite its many faults and defects, the self-correcting mechanism operates time and again, to save market-based political democracies from total economic or political collapse (Bhaduri 1996:15).

Bhaduri's analysis gives an insight into why India demonstrated greater efficacy in dealing with famines compared with the authoritarian communist China. In the period, 1958-61, China suffered disastrous famine because of the failure of the Great Leap Forward policy of the state that led to the death of 15 to 30 million people. Compared with the successive governments in Indian, the state has dealt decisively with the various famine situations in the country since 1947. According to Jean Dreze and Amartya Sen, what really accounted for the difference in handling famine between India and China is the practice of democracy in India and its absence in China. To Dreze and Sen,

Indeed, it is a remarkable fact that no substantial famine has ever occurred in a democratic country where the government tolerates opposition, accepts the electoral process and can be publicly criticized. A government which has to deal with opposition parties, to answer probing questions in the Parliament, to face condemnation from the public media and to go to the polls on a regular basis, simply cannot afford not to take prompt action to avert threatening famine ... In the multi-faceted causal account of the great famine in China, the absence of democracy must be seen as quite central, with influences on other elements in the string of causation (Dreze & Sen 2002:132-133)

The next section examines the nature of social and economic projects of the Indian state and its policies in order to ascertain whether they are indicative of the developmental state.

Development Strategies, Economic and Social Programmes and Projects

The historical antecedents of the Indian state gave useful insights into its orientation towards development as noted. There is a need, however, to examine the extent to which the state's development thinking has shaped its policies, programmes and projects, particularly the characteristics of the developmental state.

Jawaharlal Nehru had often emphasized the need for India to focus on economic reconstruction and development. To him, the policy of non-alignment was meant to create an area of peace in the international system that should facilitate India's quest for development by cooperating with other countries. It enabled Nehru to keep India's defence expenditure at two per cent of its gross domestic product (GDP) in the 1950s. Limited defence expenditure permitted India to deploy most of its resources and energies to economic development. In the post-Nehru period, the policy of non-alignment was continued. It helped India to contain conflict in the sub-continent by not only taking the Kashmir issue to the United Nations, but by accepting the United Nations-brokered cease-fire line and final settlement of the issue, even though Indian army was poised for a decisive victory in Kashmir. It is useful to examine the development strategies, economic and social projects of the Indian state.

Economic Cooperation and Integration

India has made conscious and consistent effort since the 1980s to pursue economic cooperation and integration as the basis for cultivating friendly relations with other states, particularly its neighbours. This is because technical and economic cooperation based on mutual benefits would, no doubt, promote good neighbourliness, created an amiable environment for nipping conflicts before they explode, and would earn the country moral and material supports by the international community.

Hitherto, India had been lukewarm to the possibility of bringing about regional cooperation in South Asia when the idea was first mooted by the then President of Bangladesh Zia ur Rehman in the early 1980s after the Soviets intervened in Afghanistan in 1979. India had suspected that the initiative was a Western-inspired anti-Soviet move with Cold War implications. In regional terms, India was concerned that other states of South Asia could either gang up against it or could use the forum to rake up contentious bilateral issues. India could not rationalize its gains from the smaller neighbours.

However, once its concerns were addressed, India changed tack and assisted in the formation of the South Asian Association for Regional Cooperation (SAARC) in 1985 with its headquarters based in Dhaka. The SAARC had helped to institutionalize regional cooperation in South Asia. For instance, the Charter of the SAARC focused on economic issues, prohibited the member-states from raising contentious bilateral issues at the regional forum, and prescribed unanimity as the principle for decision-making. Such a principle was counter-productive to the 'new regionalism' of the 1990s in the sense that the latter approach was 'world-wide' and placed a premium on democratization (Palmer 1991:9).

The new regionalism gave a new impetus to the sluggish regional cooperation in South Asia in the 1980s. This is primarily because in the 1990s many countries had conceived of regional economic integration as first line of defence against the pressures of globalization. The new thinking on regionalism awakened the states of South Asia to the realization that they needed to come together to obtain the advantages of collective bargaining, and to avoid suffering from the double disadvantage of competing with other countries and among themselves. In fact, the SAARC provided a better platform for South Asian states to bargain with other regional economic groupings and the transnational corporations than any individual state's bilateral relations in the region. For instance, the SAARC had helped to increase intra-regional trade in South Asia, to reduce transportation costs, to shorten delivery schedules, to save foreign exchange and to discourage smuggling activities (Mudiam 2001:53).

This provided the background context for India's major regional economic initiative in the 1990s, which was known as, the Gujral doctrine. The author of the doctrine, I. K. Gujral, who was former Foreign Minister and later Prime Minister of India, introduced the concept in 1997. A crucial element of the Gujral doctrine was the principle of 'non-reciprocity' in India's dealings with the South Asian region. Its objective was to improve the political climate in South Asia and move the region towards greater economic cooperation. Also, the principle of non-reciprocity meant that India 'does not ask for reciprocity but gives all that it can in good faith and trust' to its neighbours like Sri Lanka, Bangladesh, Bhutan, Maldives and Nepal.

The thinking behind such a policy was that India should absorb its asymmetrical relations with most of its neighbours. As Gujral rightly noted, 'India is the biggest country in the region. Demanding reciprocity with countries like Bhutan or Maldives is an unfortunate way of looking at things'. Besides, reciprocity should not always be in kind, as India's economic concessions could result in better political understanding or security cooperation with the recipient countries. All this is part of India's desire to de-emphasize the element of force in its relations with neighbours by giving the country's foreign policy a more positive context and content (Mudiam 2001:54).

The economic initiatives, measures and policies undertaken by the India state since 1985 are part of its larger strategy of creating and cultivating economic constituencies inside its neighbours on the basis of mutual benefit and advantage. India had conceived the strategy as economic confidence-building measures (CBMs), which were of particular relevance and utility in South Asia, given the conflict that had existed among the states of the region, particularly between India and Pakistan. The CBMs seemed to be less problematic in the economic sphere than in the security context. The CBMs have an added advantage of being easy to implement and quick to yield visible positive results. In more general terms, the economic CBMs have the potential to create areas of mutual interest and benefit in non-political sectors that, in turn, can boost the goodwill and trust among the parties concerned. According to Barua,

Recent programs of liberalization and economic reform in India and Pakistan have led to the emergence of a growing class of young professionals, private entrepreneurs, business consultants and technical experts in both countries. The burgeoning class of energetic and forward-looking business professionals in India and Pakistan needs to be recruited into the confidence-building process. The enormous potential of this constituency for influencing public opinion and political leaders, as well as for mobilizing business resources, still remains to be tapped (Barua 1995:155).

Consistent with its policy of economic integration, the Indian state unilaterally extended the most favoured nation (MFN) status to Pakistan and desisted from withdrawing it in spite of Kargil's intrusions in 1999. Although India mobilized its armed forces on the Pakistani border following the terrorist attack on the Indian Parliament in December 2001, one of the major reasons for India's subsequent restraint was the country's 'increasing integration with the global economy. War with Pakistan with the high risk of turning nuclear, could cause foreign capital to exit India. India is conscious of its potential to grow rapidly with foreign investment as well as of its vulnerability to capital outflows' (Rais 2005, p. 161). Also, India signed bilateral economic treaties with neighbours like Sri Lanka in order to preclude Pakistan from exercising a veto power on regional

economic progress. At the 14th SAARC Summit held in New Delhi in April 2007, Afghanistan joined as its eighth member with the United States, China, Japan and South Korea attending as observers.

Addressing the Summit, the Indian Prime Minister, Dr Manmohan Singh, declared that, 'India is ready to accept asymmetrical responsibilities, opening its markets to its South Asian neighbours without insisting on reciprocity'. He promised that India would allow 'zero-duty-access' for goods from Bangladesh, Afghanistan, Nepal, Maldives and Bhutan before the end of 2007 and 'further reduce' the sensitive lists in respect of these countries. He announced unilateral liberalization of visas for students, teachers, professors, journalists and patients from SAARC nations. The Summit also agreed to set up a South Asian University in India and a regional food bank. Dr Singh said, 'I see signs of hope that, our governments are now addressing the bilateral political issues that have prevented us from achieving our potential. We must now join hands to realize our shared destiny' (*The Hindu* 2007).

The Indian state also initiated a tri-continental integration framework in order to strengthen its bargaining position with other countries in the South, as well as for promoting its dealings with the North. The India-Brazil-South Africa (IBSA) initiative is quite instructive for South-South cooperation. The IBSA focuses on joint projects by member-states in science and technology, health, transport and commerce. It helps poorer countries of the South through a fund of US\$4billion, expected to grow by a billion annually, and it reinforces cooperation among members in international fora. The IBSA will help to increase regional centres of power in the South.

As the Foreign Minister of Brazil, Celso Amorim noted, 'My dream is countries like India, Brazil and South Africa, and the members of the South America's Southern Common Market (MERCUSO) and Southern African Customs Union (SACU) can form a big economic space ... that will enable us to be in a better position to face the North in a creative and competitive way' (Amorim 2007). Another cooperation initiative is the Brazil, Russia, India and China (BRIC) group. The members informally met at the UN General Assembly meeting in 2006 at the instance of Russia. Unlike the IBSA, which seeks to promote South-South cooperation, the BRIC is concerned with devising strategies to enthrone mutual gains into North-South relations.

Civil Society Organizations and South-South Cooperation

The Indian state has always desired to strengthen civil society initiatives at national, transnational and global levels, because they help to redress the imbalance in the North-South divide, and to complement the state in reversing the underdevelopment of the Southern countries. For instance, until the 1970s, civil society was inextricably tied up with the state. However, the rethinking of the

role of civil society in the 1980s re-oriented the CSOs away from dependence on the state. As a result, civil society initiatives and associations became critical of the activities of the state, while empowering the mass-based organizations to participate in the development process. It was the civil society organizations that helped to create massive opposition from below against the totalitarian regimes that overthrew military dictatorships in Latin America and autocratic governments in Eastern Europe. The CSOs had, over the years, acquired a global meaning and reach as a result of its transnational networks (Kaldor 2003:586-588; Giddens 1999:31).

It is expedient therefore, for the South to embrace the CSOs as a non-state and non-market actor to help facilitate South-South cooperation initiatives, and to realize the South's quest for the democratic developmental state. The CSOs could also assist the South to chart alternative strategies for reaping its gains accruing from dealings with the North.

Energy Security

Oil and natural gas are the two cheapest world energy sources without any major substitute since end of the Second World War. Oil-producing states have come to play a major role in the international economic system. The formation of the Organization of the Petroleum Exporting Countries (OPEC) ought to have created an institutional framework for its members, which are developing countries and to leverage them not only into a South-South cooperation in the energy sector, but to help the South to redefine its relations with the North. For instance, there is a need for a South-South energy cooperation framework, because it will enable developing countries like India, Brazil and South Africa to sustain their energy requirements and future economic and industrial growth.

Demographic trends

The long-term demographic trends favour the South over the North. Since 1950, the proportion of the population that is over 65 in the developed world has increased from 8 to 14 per cent and is projected to reach 26 per cent by 2050. One of the implications of an ageing population in the North is that the increase in public pension arising from old-age has become unsustainable. At the macro level, it could translate into a smaller work force, a decline in consumption levels and increased expenditure on health and social welfare (<http://www.packard.org/assets/Files/population/program%20review/pop>).

The relatively youthful and densely populated Southern countries like India could represent an asset for the South, provided the government formulates appropriate demographic policy and funds the development of health and education social capital. By 2020, 'almost half of India's population will be between the ages of 15 and 49, giving India the world's largest working and consuming population' (Leigh 2006:25-26).

Closely related to the advantage of a youthful population is migration of labour from the South to the North and its potential for the development of the former. By the end of the 1990s, approximately three per cent of the world's population was on the move. At the turn of 2000, the UN had estimated that 191 million international migrants were moving round the world. In 2005, the annual migration rate was ten percent. There are substantial benefits from migration for the development of the South. For instance, migrants remitted US\$264 billion home in 2006 and this amount was three times of all international aid combined in the period under review. In the majority of the developing countries, remittances account for a third of families' income and they have helped to minimize poverty and to underwrite healthcare, education and grassroots entrepreneurship. Also, dual citizenship laws if properly formulated and implemented could facilitate the use of migration for capital flow and formation, technological acquisition and networks in the South. The UN's first migration summit on 'Global Forum on Migration and Development' held in September 2006 declared that, 'The Global Forum represents an important first step in our efforts to harness the power of migration to advance development' (Ki-moon 2007).

It can be argued therefore that the huge population of Southern states like India is not so much of a burden, but can be converted into a disciplined, skilful and productive human resource capital.

Business Process Outsourcing (BPO)

Business Process Outsourcing (BPO) is made possible by the revolution in information and communications technologies (ICT) over the last three decades. BPO represents a striking example of what a large but skilled group of people can do to promote the national and global economy. The benefits of BPO include, but are not limited to, productivity improvements, access to expertise, operational cost control, cost savings, improved accountability, improved human resources and opportunity to focus on core business (<http://www.bpoindia.org/>).

The experience of India is quite instructive, in part, because, the country has been described as a 'software superpower', with one of the largest pools of low-cost English speaking scientific and technical talent in the world. The breakthrough in the ICT and the availability of low-cost technical talent in India has helped to create a critical complementarity between it and the economically developed countries. For instance, if a bank shifts work of 1000 people from the US to India, it can save about US\$18 million a year due to lower labour and operational costs in the latter. According to Mckinsey, giant US pharmaceutical firms can reduce the cost of developing a new drug, currently estimated at between US\$600 million and US\$900 million, by as much as US\$200 million provided the development work is outsourced to India.

In India, the main revenue areas for the BPO companies are human resources, customer care, payment services, content development and, administration and finance. The revenue that accrued from the BPO increased from US\$912 million in 2002 to US\$13, 811 million in 2007 (<http://www.bpoindia.org/knowledgeBase/#indian-market-size>). The country's software industry grew at a rate of over 50 per cent during the 1990s, which was higher than the growth rate of the global software industry. India earned over 75 per cent of its revenue from the export of software. Software engineers and professionals of Indian origin presently constitute about ten per cent of the employees in the top four global IT companies namely, Microsoft, IBM, Oracle and Intel.

India produces nearly 178,000 software engineers every year. The Indian industry trains over one million people in the country annually in IT, and it provides IT-enabled services at one-tenth of the global cost. India is ranked as the primary country for supplying off-shore IT services by more than 70 per cent of the large US corporations surveyed. The next highest ranked country is preferred by only ten percent. About 212 Indian software companies created 509 overseas offices or subsidiaries, of which 266 were in North America, 122 in Europe, 59 in Asia (excluding India), 25 in Australia-New Zealand, 25 in Africa, and 12 in Latin America. It was projected that IT-enabled services like back-office operations, call centres and medical transcriptions could create over one million jobs in India by 2008. The IT industry has become an important source of employment for women in the workforce since it involves less physical labour and provides flexibility of working hours (Barua 2006:27).

The BPO companies have created hundreds of thousands of highly paid jobs in India in a relatively short period. The companies have also earned billions of foreign exchange which is crucial for the economic development of any country of the South. Most significantly, BPO has created a critical dependency between the Northern economies and the Indian BPO companies which is becoming increasingly vital for the former to retain their economic competitiveness in the era of globalization.

The leverage that the South could exercise over the North in these three vital areas, namely, energy security, long-term demographic advantage and; the contribution of the BPO companies could become a powerful and effective tool to transform the North-South equation.

Concluding Remarks

No doubt, the Indian state has played a central role in the economic development of the country over the last six decades. At issue, however, is the nature of the state and its interventionist policy and programme, particularly its democratic and developmental potentials. While the role of the state was extensive and almost paternalistic in the pre-liberalization period, it became critical and facilitative

thereafter. Thus, the nature and extent of the state's role in managing and directing the economy varied from time to time, depending on the national economic objectives and priorities and, the nature of the world economy and politics at any given time.

The Indian state could have decentralized development planning, but not the democratization of its process. It provided the political space for the growth of civil society initiatives nationally and internationally. The policy of non-alignment enabled India to obtain economic and technological assistance from the Western and Eastern blocs. The conduct of periodic elections facilitated corrective feedback mechanism for the state. India's foreign policy helped to create a strategic environment for harnessing financial and technological resources that quickened the country's relatively comprehensive economic development, and to preclude ideological disputes and strife over national economic priorities and strategy.

The democratization project of the Indian state has reached an advanced stage. Its relative industrial growth is quite instructive. All this holds out great lessons for the states in Southern countries to re-think their development strategies along the path of democratization, cultural milieu and experiences of the people. There is an urgent need for the democratization of the state and across the institutions that make it a reality while creating the local business class that the state can embed with. The discussion of this subject is the task of the next chapter.

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7

Democratic Developmental States? Institutional Structures for Incubating an Indigenous Entrepreneurial Class and Poverty Reduction in Malaysia and South Africa

Omano Edigheji

Introduction

The need to promote an inclusive development strategy and incubate a virile indigenous entrepreneurial class remains a key challenge for the Malaysian and South African states in their quest for the democratic developmental state. For the absence of a virile indigenous business class that can embed with the state in the development process remains a daunting obstacle.

The Chapter therefore examines the institutional characteristics that enabled the Malaysian state to incubate a Malay entrepreneurial class and significantly reduce the level of poverty, and the organisational structures created by the post-apartheid South African state to promote a black business class and to reduce the high level of poverty among its population. 'Institution' is used here to mean organisations, which are arenas of contestations and where trade-offs are made by the contending groups, but not in terms of rules that constrain human behaviour.

The choice of Malaysia and South Africa as case studies arises partly from the common social, economic and political features both countries share: heterogeneity in terms of religion, race and ethnic considerations. For instance, the minority race and ethnic groups are in charge of the real sector of the economies, while the majority ethnic group dominates the politics and state institutions after independence. In Malaysia, while the economy and politics are controlled by people of Chinese descent, the state institutions have the indigenous Malays in the majority. The same is true of South Africa where the economy is dominated by the minority white population while the

black population, especially Africans, now controls politics and state institutions. In both countries, one major political party, with membership drawn largely from the majority ethnic group, dominates politics.

One of the consequences of the ethno-religious politics is the increasing inequality and the identification of race and ethnicity with economic functions. The Malaysian and South African states have been responding to the challenge by charting a developmental ideology and strategies aimed at promoting an indigenous capitalist class and the reduction of poverty. In fact, Mhone rightly noted that in South Africa, there is 'a conscious and strategic stance taken by government to promote accelerated growth, structural transformation, social development and the repositioning of the economy in the international division of labour by consciously influencing the performance of the market' (Mhone 2003:39).

Furthermore, there are contrasting features that have helped to shape the state and its ideology of development in Malaysia and South Africa. First, Malaysia had more expansive policy tools at its disposal in the years of the New Economic Policy (NEP) – 1970s-1990s – than South Africa in the post-apartheid period. Second, the Malaysian state, like apartheid South Africa, was authoritarian. For instance, the Malaysian state resorted to repressive measures to drive its NEP agenda, partly because dictatorship was fashionable then. By the 1990s, however, when the power of the authoritarian state to sustain growth had waned considerably, the Malaysian state engaged in policy reversal, relaxed previous repressive laws and opened up the political space and economy for the participation by the non-state actors. The Malaysian experience was similar to post-1994 South Africa, when the state began to reverse the apartheid policy and started to solicit opinions from a range of interest groups like civil society organization (CSOs), trade unions and capital and diverse communities around its social and economic transformation policies and programmes.

The Malaysian State: Institutional Foundation and the Creation of an Indigenous Entrepreneurial Class

Malaysia was a rural and an agricultural economy at the time it gained political independence on August 31, 1957 until the early 1970s. Malaysia was not only a heterogeneous society polarized along cultural, racial, religious and geographical lines, but the divide was evident in all facets of its society. While the Malaysian-Chinese dominated the economy, the Malays, the majority indigenous race or ethnic group, controlled the politics, the military, bureaucracy and judiciary. Racial divisions coincided with economic and geographical divisions, as the Chinese dominated the modern sector of the economy and lived in the urban areas, while the Malays were engaged in agricultural activities and lived in the rural areas. The polarization of Malaysian society, especially the intersection of race with economic activities, fuelled the 1969 riot. In fact, the United Malays National Organization

(UMNO)-led coalition government had expressed fear that the deepening racial disparities posed a major threat to the political stability of Malaysia. The National Economic Policy (NEP), therefore, was a policy response to redress the ethnic imbalances.

The Objectives of the NEP

The NEP had two main objectives: first, to reduce and eradicate poverty through increasing employment opportunities and income for all Malaysians, irrespective of race; and, second, to restructure and correct the economic imbalances in a way that would eliminate the identification of race with economic function in Malaysia (Kuala Lumpur 1971). Its overall aim was to uplift the social and economic position of the Bumiputeras¹, the ethnic Malays whose economic positions were historically inferior to the Chinese.

Launched in 1971, the NEP had a twenty-year period (1970-1990) to actualize its objectives.

Scholars described the NEP as a Malay-first policy (Horii 1990), an ethnic-oriented policy (Torii 1997), an affirmative action policy (Shamsul 1997), and an economic empowerment programme (Edigheji 1997).

The Malaysian state had set clear targets to realize the objectives of the NEP. With respect to the first objective – poverty alleviation – it was envisaged that poverty would be reduced from 50 per cent in 1970 to 20 per cent in 1990. With regard to the second objective – restructuring of the society – it was expected that ‘employment in the various sectors of the economy and employment by occupational levels would reflect the racial composition of the country’ (Kuala Lumpur 1973:9). This was to be accompanied by an aggressive training and education strategy intended to create the much-needed Malay professional class. The most salient aspect of the restructuring of the society was how to redress the ownership of the means of production and disparities in wealth. It was envisaged that by 1990 ethnic Malay control of government trust agencies and state-owned enterprises, and equity ownership, would have increased from 2.4 per cent² in 1970, to 30 per cent by 1990. The attainment of these objectives was predicated on direct government intervention³ in the economy to give preferential treatments to Bumiputeras as a way of levelling the socio-economic playing field.

However, government interventions were not intended to be at the expense of non-ethnic Malaysians, in particular the ethnic Chinese. Rather, the government’s goals were predicated on economic growth and the restriction on foreign equity ownership from 60 per cent in 1970 to 30 per cent in 1990. At the same time, non-Malays equity shares were to increase from 34.4 per cent to 40 per cent. Even the decline in the foreign equity ownership was to be in relative terms, because the state still relied on foreign investment for technology, access to export markets, skills and employment opportunities in the manufacturing sector.

The Implementation of the NEP and Its Impact

The Malaysian government initiated several programmes to facilitate Bumiputera entry into the business class. The programmes included special training courses, advisory services, provision of credit with zero-interest and provision of business premises, and were entrusted to the Urban Development Foundation (UDF) and Majlis Amanah Rakyat (MARA). The Malay-owned businesses received preferential treatments from the state. They were particularly favoured in the award of government contracts, import and export licenses. For example, while the Ministry of Works and Public Utilities and, the Department of Telecommunication reserved at least 30 per cent of their contracts and procurements for Malay firms, the Ministry of Transport kept 100 per cent of its contracts for Malay businesses.

Further, the government intervened in the banking sector so that it could channel more capital to the Bumi entrepreneurs. The Malaysian Central Bank (Bank Negera), for instance, had requested all commercial banks to lend 20 per cent of their total loans to the Bumiputera entrepreneurs. Commercial banks that failed to implement the guideline were sanctioned. The government-owned commercial and development banks were established with the sole aim of channelling resources to existing and potential Malay business persons. Similarly, the state created the Credit Guarantee Corporation (CGC) to provide security of up to 60 per cent of the value of its loans advanced by commercial banks to small businesses.⁴

Bumiputeras were equally given special opportunities to buy shares in major companies at a discounted price. The Ministry of Trade and Industry (MTI)⁵ kept a list of Bumiputera applicants for shares and ensured that they were the first to be considered whenever shares were sold.⁶ The Perbadanan Nasional (PERNAS the National Corporation) was set up in 1969 to acquire stakes in existing companies and; to establish its own business, especially through majority holdings in joint ventures, which gave added impetus under the NEP. It acquired stock from foreign firms on behalf of Bumiputeras. As Emsley noted, by 1988, the PERNAS had 96 companies under its control and with majority shares in 69 of the companies (Emsley 1996). Critics of the NEP had noted that most of the state enterprises were poorly managed, riddled with corruption and posted huge losses, thereby making it a waste of national resources. According to Jesudason, the state sacrificed economic efficiency for political objectives.⁷

Like the Japanese Ministry of Trade and Industry (MITI), the Malaysian counterpart, the MTI played an important role in facilitating linkages between the Bumiputeras and foreign firms. Critics of the NEP such as Crouch noted that the MTI was a source of patronage distribution to UMNO supporters and members. Firms owned by top civil servants, UMNO politicians and supporters were favoured in the award of government contracts. In addition, most of the

discounted shares were acquired by politically connected individuals and members of the royal families who resold them at the market price. It became a source of easy wealth. Expectedly, rent-seeking turned out counter-productive to the objective of the NEP, as some of the shares were resold to Chinese business persons that the incubating Bumiputera business class was expected to replace.

The Malaysian government had, in an attempt to rectify the problem, set up the Permodalan Nasional Berhad (National Equity Corporation, PNB). It was a trust scheme known as the National Unit Trust (ASN). Under the scheme, stock shares of well-performing government-owned companies and public corporations were transferred to the PNB. The ASN bought PNB's assets at cost and sold them exclusively to the Bumiputeras in order to ensure the direct participation of the people. Participants in the scheme could only buy and sell ASN's shares to the trust itself, but not to non-Bumiputeras. This was intended to keep the shares in the hands of ethnic Malays. Even strong critics of the NEP such as Jesudason had hailed the scheme as a brilliant strategy that simultaneously kept the state managerial control of the companies, spread profit to the wider community, and held the shares in the hands of the Malays. Crouch had noted that, by 1989, 45 per cent of about 5.3 million eligible Bumiputeras had purchased shares in ASN's trust (Crouch 1996).

The scheme was an appropriate mechanism to empower the Bumiputera community, that is, to redistribute income and wealth to more Malays, especially the poor who could not have participated in such a scheme if it were left to market forces (Edigheji 1997). In fact, the participation of the poor in the scheme was quite commendable, as the majority of trust holders were farmers, labourers and housewives (Jesudason 1989). As it is shown in subsequent sections, this contrasts sharply with the South African case where the poor did not benefit from the black economic enterprise (BEE).

With regard to the creation of a Bumiputera entrepreneurial class, critics had noted that the performance of the NEP was a complete failure. For example, most of the Bumiputera-owned small businesses were either run at a loss, or were fronts for Chinese businesses,⁸ and they defaulted on repayment of loans. Worse still, the Malay business persons engaged only in 'property speculation and manoeuvres on the stock market' (Crouch 1996:214), thereby contributing very little to employment generation and diversification of the economy. In spite of the pro-Bumiputera business strategy of the NEP, it demonstrated that the growth of the Chinese business was hamstrung while ethnic tension heightened.

The Bumiputera business class has been described as a rentier class that depended on government patronage (Faaland et al. 1990). The Bumiputera political and bureaucratic elite inclusive of the emergent entrepreneurs used the state as a source of wealth accumulation. State officials awarded contracts to companies in which the burgeoning Bumiputera elites were directors, or to companies of their friends

and family members. As Jesudason noted, most Bumiputera businesspersons were involved in speculative rather than productive activities, which had few national economic benefits. Even the Chinese business class became involved in rent-seeking activities and was considerably dependent on state patronage. In fact, rent seeking activities permeated the political economy of Malaysia, with few national economic benefits.

Notwithstanding the criticisms levelled against the NEP, it recorded some level of success. First, Chinese equity ownership actually grew reaching 46.2 per cent in 1990 which was 6.2 per cent more than the NEP target. Indeed, the implementation of the NEP created a social and political climate that enabled the business community to thrive. In all, 'the Chinese not only increased their corporate equity, but achieved social peace from the NEP' (Edigheji 1997:48). Even though critics had noted that, by 1990, Bumiputera equity shares had only grown to 20.3 per cent, that is, 9.7 per cent below the NEP target, Lubeck argued that if the shares of Bumiputeras were added to the surplus extracted from the rent, their shares would amount to 29.1 per cent, which was almost the target of the NEP. What is more, not all Bumiputera business groups were engaged in speculative activities, especially the rural dwellers, who were involved in construction, manufacturing of food products and handicrafts, wholesale and retail activities (Shamsul 1997).

Lubeck refuted most of the critical assessments of the NEP, especially its promotion of rent seeking. In his words:

For the question of accumulation and state strategy, the question of import is not whether corruption exists or whether monopoly rents were granted by the state to individual members of the Bumi bourgeoisie and to the public enterprises ... Indeed, such rentier interventions were probably necessary to maintain social peace, to abolish the ethnic division of labour and to incubate a bourgeoisie that can confidentially cooperate with state bureaucrats to achieve planning goals in the flexible informal manner that Johnson affirms for the developmental states. True, for free marketeers of the Anglo-American variety, the mode of bourgeoisie formation is neither inspiring nor efficient in the short run. The key question for assessing this strategy rests upon the capacity of the bureaucracy and the new generation of the Malays political elite to discipline, rationalize, and deepen the technical capacity of the fledgling Bumi business and industrial class (Lubeck 1997:8).

Lubeck's argument provides a useful insight into the analysis of the inherent contradictions of the democratic developmental state, particularly the simultaneous occurrence of the pursuit of development and rent seeking. The state seems to be closely associated with corruption, patronage and the experiences of a rentier class, at least in the short run. But the key factor that determines successful economic and industrial transformation is the political will that political leaders are expected to demonstrate by identifying and creating a focal point to ensure that its

developmental objectives are achieved, as evident in Malaysia. This is so because the committed political leadership partly accounted for the relatively successful economic transformation of Malaysia.

With regard to the generation of employment in all sectors and occupational levels irrespective of racial composition of the country, the NEP performed well. The state had invested massively in the education of the Bumiputeras. The initial focus was first on basic education; as the country's productive base became more technological emphasis shifted to technical and vocational education. This resulted in the massive increase in the proportion of Bumiputeras in institutions of learning inclusive of the universities.

However, the increase was not at the expense of the non-Bumiputeras.⁹ The trained human resources were gainfully employed so that the state could exert considerable pressure on the private sector to ensure that at least 30 per cent of their workforce was ethnic Malay.¹⁰ The figure contrasted with the situation in South Africa, where white business has largely circumvented compliance with the Employment Equity Act. In addition, the Bumiputeras were preferentially treated in public sector employment and the result was remarkable. By 1990, the Bumiputera population had been transformed from agricultural to modern sector occupations. The state also achieved its objective of creating a middle class Bumiputera society by 1990, as a large number of ethnic Malays rose into the middle class. They were found in various professional occupations both in the public and private sectors.

The net effect of the NEP was a remarkable improvement in the living standards of all Malaysians, irrespective of ethnic background. Absolute poverty declined from 49.3 per cent in 1970 to 15 per cent by 1990, a better result than the NEP had targeted. Also, unemployment declined from 17 per cent in 1990 to near zero per cent in 1995. The gross national product per capita rose from \$370 in 1970 (Emsley 1996) to \$3,890 by 1995 (World Bank 1997). The infant mortality rate fell from 45 per thousand in 1970 (Emsley 1996) to 12 per thousand in 1994 (World Bank 1996). These achievements in social development coincided with high economic growth throughout the NEP period, averaging about 6.7 per cent annually.¹¹ Economic growth was accompanied by a fundamental transformation of the economy. Malaysia was transformed from an agrarian and exporter of raw materials in the 1970s to an industrial economy with informatics being the dominant sector by the 1990s. With the implementation of the NEP, there was a dramatic reduction of income inequality and the liberalization of the economy.

State Institutions and State-Society Relations

At this juncture, it is useful to examine the institutional arrangements that enabled the Malaysian state to incubate an indigenous Malay entrepreneurial class, and how it helped to reduce poverty. Let me state here that the Malaysian state can hardly be described as predatory in spite of evidence of rampant rent seeking

activities, corruption and authoritarianism; but neither did the state possess all the credentials of the developmental state as defined by Johnson (Johnson 1987). All the same, the Malaysian state was highly autonomous. The pertinent question is: How did the Malaysian state achieve its remarkable success in economic growth?

Evans attempts to provide the answer to the above question as follows:

... it takes only a very rough approximation of the Weberian ideal type to confer advantage. Even developmental states are only approximation of the ideal type, but intermediate states show that the basic bureaucratic model can be stretched further and still deliver (Evans 1995:64).

It can, therefore, be argued that the Malaysian state exhibited a high degree of autonomy and was partially embedded. In other words, the state was only embedded with a section of capital – the Malay business class, while it excluded the Chinese business class and the civil society organizations. The autonomy of state institutions only helped to minimize corruption, but it did not eliminate it. A note on the Malaysian political system is necessary at this point.

The Nature of Political System

The Malaysian state can be described as authoritarian, as evident in the curtailment of press freedom and restriction of the rights of association during the NEP period. The state enacted legislation that prohibited the parliamentary debate of the NEP, or its criticism by interest groups and radical opposition parties like the Labour Party. In particular, academic freedom, workers' rights to organize and strike over labour issues and other national concerns were denied or extremely curtailed. Unionization was banned or restrained in industries the state considered as key sectors such as informatics. It was only in 1988 that the rights of workers to unionize in the information and technology (IT) sector were recognised. Even then, it was limited to in-house and not industry-wide unions. This and the division of the labour movement along racial lines considerably limited the capacity of the union movement to participate in the policy process.

However, the Malaysian state opened the political space since the 1990s, as it allowed considerable freedom and became responsive to the demands and needs of the people and the society. But Malaysia did not qualify as a multi-party democracy, as there were restrictions on the opposition parties. The UMNO still dominates the political landscape since independence in 1957, which is similar to South Africa where the African National Congress (ANC) controlled the politics since the end of apartheid in 1994. The Malaysian state had conducted elections regularly, but rigged in favour of the UMNO-led National Front. The competition for positions within the UMNO remained intense, in part, because the Malay votes alone could not give it a two-third majority. Coupled with the radical Malay parties such as PAS (Pas Islam sa-Malaysia) having to compete for the Malay votes, the UMNO had to rely on Chinese and Indian parties to secure the required

two-third majority. As a result, the Malay elite could not use repressive measures alone to suppress other ethnic groups; nor could it afford to completely ignore their demands. The option was for the government to respond to the demands and pressures from the broader society and; to allow considerable degree of freedom.

In essence, the ethnic diversity in Malaysia prevented the state from assuming a fully fledged authoritarian character. Diversity spurred government responsiveness and promoted inter-communal bargaining and negotiations between the ethnic parties that constituted the consociational governments that had run Malaysia in the post-colonial period. The politics of ethnic diversity largely contributed to consensus building around social and economic policies. It was the emergence of such a consensus that had enabled the government to relax some aspects of the NEP from the late 1980s, particularly as legislation was enacted to give effect to such changes.

Autonomous State Institutions and Development Outcomes of Malaysia

The Malaysian state had relatively autonomous institutions that contributed to its cohesion. Of the 16 developing countries inclusive the Asian NICs, Malaysia is ranked sixth (Edigheji 2007). Like South Korea, Singapore and Taiwan, the Malaysian state had a shared ideology among the political and bureaucratic elites. It was an ethnically driven development ideology aimed at promoting Bumiputera participation and dominance of all spheres of the national life. In fact, it was a 'Malayness' ideology, similar to post-1994 South Africa, where there is a shared ideology to promote black economic enterprise between the political and bureaucratic elites, and to reduce poverty. The Malay political and bureaucratic elites had attended the same schools, and had common familial ties and marriages – the kind of informal networks that Johnson claimed characterized developmental states.

Crouch has identified the nature of the Malaysian civil service as a factor that contributed to the cohesion of the state and a basis for the shared project by the political and bureaucratic elites.¹² Civil servants in Malaysia played a leading role in politics. They were allowed to join political parties and by the 1980s occupied elective positions in them. The civil service was not only a recruiting ground for the UMNO, but most of its leaders had a bureaucratic background. In addition, the UMNO and the government were highly embedded and this provided a basis for cooperation on vital policy issues. According to Tun Razak, then Malaysian Prime Minister, it was a 'government with the party' (Torii 1997:221). This means that there was a strong tie between the government and the party, which constituted the institutional foundation for economic transformation. The UMNO through its seven bureaus,¹³ especially the Economic Bureau, contributed enormously to the policy process and played a leading role in some vital aspects of the NEP.¹⁴

The Economic Bureau enhanced the scope for economic policy coordination within the party and between it and the government. This contrasts sharply with South Africa, where the bureaucratic elites have dominated the policy process and marginalized the African National Congress (ANC) and its alliance partners, COSATU. The SACP was also marginalized in the process of policy formation. This, in part, contributed to the tension within the ANC, and between the party, COSATU and the SACP.

Malaysia inherited a significant bureaucratic apparatus from the British that enabled the state to intervene in the economy. Even though recruitment and promotion in the bureaucracy were based on examination, the Bumiputeras were given preferential treatment according to the objectives of the NEP. By such a gesture, the attributes of Weberian bureaucracy were refined to suit the Malaysian situation. In fact, the privileges extended to the Bumiputeras enabled the political elites to appoint trusted and competent personnel into key policy and planning positions (Jesudason 1989:78). The UMNO-led government also enacted legislation that limited debates on the NEP, thereby insulating state policy makers from criticism by special interest groups. Thus, insulation was achieved through repression rather than the ability of the state to elicit co-operation from society,¹⁵ and this can be said to have violated the principles of democratic governance.

Compared with the East Asian NICs, however, the Malaysian state was much more fragmented with multiple planning agencies. The most important of these agencies was the Economic Planning Unit (EPU), which was an arm of the Prime Minister's office. As Jesudason had noted, the EPU acted as 'the custodian of NEP goals'¹⁶ and played a leading role in the selection of projects. At the initial stage of the NEP, the political elites set the broad policy direction and left the technocrats to flesh out the details of planning and implementation. With increased concentration of power in the hands of top political executives, coupled with the emergence of powerful political leaders like Mahathir Mohamad as Prime Minister, agencies like the EPU lost some of their power. As a result, the EPU did not have the same influence on public policy as the Economic Planning Board in South Korea (EPB) and the Economic Development Board (EDB) in Singapore.

Yet the political and bureaucratic elites were able to develop the technical expertise that enhanced state capacity. Equally, other agencies like the Malaysian Industrial Development Authority (MIDA) and the State Economic Development Corporations (SEDCs) played a decisive role in ensuring that the NEP's targets were met. The Penang Development Corporation (PDC) was the most successful agency of the SEDCs, as it moved the economy from a labour-intensive industrialization strategy in the electronics sector to automated manufacturing. There was a semblance of state autonomy in Malaysia, which conferred advantages on the state in its task of incubating a Bumiputera business class and reducing poverty.

Embedding the Malaysian State

In most of the received literature on Malaysia's experience with industrialization, scholars have identified the lack of embeddedness of the Malaysian state as evident in the exclusion of the Chinese business community that constituted the dominant part of the domestic bourgeoisie, from the policy process. In particular, Crouch argued that the Chinese entrepreneurs were disqualified from playing a dominant role in politics because of their ethnic background. As noted, the increased role of the state in politics and economy also left Chinese businesses at the mercy of the Malay-dominated government that was committed to the expansion of Malay participation in business. The state-Chinese business relationship was anything but cordial.¹⁷

However, it can be argued that these criticisms were mistaken. For a major plank of the NEP was the creation of a Bumiputera business class. To achieve this goal, the state entered into alliances with foreign capital, instead of the local Chinese business class. The state also facilitated Bumiputera-foreign capital alliances, especially as the state did not see the Chinese business community as a crucial partner in achieving its objective. Over the years, however the state's relationship with the Chinese business class changed for various reasons. First, the Chinese business class constituted a substantial part of the economy and made it impossible for the state to totally ignore it as it pursued the objectives of the NEP. As a result, the government responded to the demands of the Chinese business class. Second, the changing economic climate had forced the state to privatize some of its assets in the 1980s and further liberalized some of its equity requirements to the relief of the Chinese businesses.

There is a need for an analysis of embeddedness or lack of it in Malaysia in order to capture the social group that constituted the state's partner in its project of transformation. This was quite evident in the state's pro-Bumiputera policies and its relationship with such a group. In this context, it can be argued that the Malaysian state achieved its goal.¹⁸ For example, the state and Bumiputera business class were highly embedded, as there was an institutionalized relationship between both parties. The state-Bumiputera business embeddedness informed the need to restructure the state and society in favour of the Bumiputera business community. The emerging Bumiputera entrepreneurs had considerable leverage in government in terms of the promotion of the NEP's goals. They were avid supporters of the UMNO.

Jesudason aptly captured the depth of the state's embeddedness when he argued that: 'The Malay business leaders had much leverage with government officials because many were, either at present, or in the past, high UMNO officials and top civil servants... These business leaders enjoyed close ties with the government and as potentially important opinion makers, found a receptive ear among politicians and bureaucrats' (Jesudason 1989:65). In fact, the link between

the UMNO and the Bumiputera business class became the foundation for state-led public-private cooperation. The state had further strengthened the Bumiputera business class by creating a business association for it, which became the platform for the private sector to contribute to the policy and development process in Malaysia.

Without doubt, the Malaysian experience has important implications for the conceptualization of embeddedness. The Malaysian state was partially embedded, though it established ties only with a section of the business community. The state also lacked what Evans referred to as 'inclusive' embeddedness (Evans 1995). The selection of participants in the embedding process was based on individual capacity and that partly accounted for their minimal contribution to public policy.

By the 1990s, the policy process became more inclusive and that resulted in the establishment of the Malaysian Business Council (MBC) with representation from the government, private sector, labour and civil society. The various ministries also entered into dialogue and developed consultative mechanisms. All this was established as part of 'Malaysia Incorporated', which required greater and mutually supportive cooperation between the state, the private sector and other stakeholders. The discussion now turns to the situation in South Africa.

The South African State and its Institutional Foundation: 1994-2006

South African politics, like its Malaysian counterpart, was dominated by one major political party, the African National Congress (ANC) that won more than two-third majority in the election held in 2004. Unlike Malaysia where the major party had used state power to suppress all form of opposition, the state allowed the opposition parties to flourish. One problem is that opposition parties, especially the Democratic Alliance (DA), always articulated narrow interests that prevented the party from gaining the support of majority of the electorate. In fact, the parochial interests of the opposition parties largely accounted more the continued dominance of the ANC in South African politics than the reported silencing of the opposition by the ANC.

Further, the South African state, like the Malaysian, expressed a commitment to promote a human-centred development. But the South African state, like most independent African states, lacked the capacity to achieve its developmental goals as evident in the incapacities of departments and ministries and municipal governments responsible for the provision of social services. However, the state showed strong revenue collection ability and macro-economic management.

As noted, the South African state has embryonic features of a democratic developmental state, given its moderate approximation with Weber's characterization of the state. For example, the bureaucratic elites of the state are highly insulated from external pressure. Importantly, there is considerable degree of insularity of economic bureaucrats from external pressures. This was

demonstrated by the manner in which the government adopted and pursued its macro-economic policy since 1996. In spite of the opposition from the public and the ANC-alliance partners, the Council of South Africa Trade Union (COSATU) and the SACP, the government stuck to its macro-economic framework that was focused on macro-economic stability.

The South African state, like its Malaysian counterpart, had achieved cohesion and shared a common agenda between the political and bureaucrat elites. Similarly, most senior bureaucrats are also members of the ANC. Some are members of its National Executive Committee (NEC), which further cemented the links between the government and the ruling party.

Unlike in Malaysia, however, the role of the ANC and its alliance with the partners had waned over the years, especially as the bureaucrats dominated the policy agenda. This became a source of open tension within the ANC-led alliance. Unlike the Economic Bureau of the UMNO in Malaysia, the ANC's Economic Transformation Committee (ETC) had little influence over economic policy. Coupled with the lack of research capacity within the ANC, the bureaucrats were further empowered to dominate the policy process to the detriment of the ANC-led alliance.

The South African state has a high degree of autonomy and coordination of public policy, as evident in the establishment of the Policy Coordination and Advisory Services (PCAS). As its primary goal, the PCAS is to ensure greater coordination and alignment of government policy. However, the autonomy of the South Africa state and its ability to coordinate policy is being limited by the absence of career civil servants and the high turnover of senior bureaucrats. All this contrasts with the Malaysian situation.

The need to restructure South Africa's public service informed the creation of the New Public Management (NPM) framework whereby bureaucrats are appointed on performance-based contracts. Rather than enhance the performance of the bureaucrats, the NPM strategy reduced the *esprit de corps* among the bureaucrats in South Africa, which, in turn, contributed to the inability of the state to address its fundamental development challenges, particularly the reduction of the high levels of poverty in the country.

South Africa is marked by a racial division of labour, one of the legacies of apartheid, which contrasts with Malaysia's ethnic division of labour. Thabo Mbeki, then South African President, had contextualized the racial division of labour when he described South Africa as having two economies: one poor and mostly black, and the second rich and mostly white. This partly explains why the country's economy is still dominated by the white minority group and the resultant high levels of poverty and inequality since the termination of the apartheid regime in 1994.

In the post-1994 period, there is still a worsening trend of inequality in South Africa, as evident in the inability of various government efforts to reduce poverty

through the provision of over two million public houses to poor, and the expansion of social security to greater number of people which have not yielded positive results. So, too, the Expanded Public Work Programme (EPWP) and the extension of free basic water and electricity to citizens have failed to bring about the desired changes. In fact, the number of people living on less than US\$1 dollar a day had increased from 1.9 million in 1996 to 4.3 million in 2004. South Africa's Gini-coefficient increased from 0.60 in 1996 to 0.64 in 2005, making it one of the most inequitable countries in the world.

Worse still, ten years after the Employment Equity (EE) Act – aimed at achieving employment equity in the workplace – 75 per cent of top management positions were still held by white males, compared with 22 per cent of blacks in 2006. All this took place in a context where the blacks still constitute 87 per cent of the economically active population, and in gender terms, males constituted 78 per cent of top management in a situation where they only accounted for 54 per cent of the active labour force (Employment Equity Commission 2006).

It can be argued that not only has the South African state remained untransformed 13 years after the end of apartheid, but also the country's economy is still dominated by the primary sector in spite of its relative level of industrialization. Let me now examine the embeddedness of the South African state.

Embedding the Emerging State and Society

The degree of embeddedness of the state does not necessarily indicate its developmental credentials; rather it constitutes an important component of the nature of state-society relations. This is because embeddedness implies a concrete set of ties between the state and social groups, which the state considers instrumental to actualize its developmental agenda. Weiss refers to such a theoretical framework for the success of the developmental state as 'Governed Interdependence' (GI). The GI involves central coordination founded on cooperation between government and business, with the state acting as the coordinator (Weiss 1998).

As noted, the argument for embeddedness is not based only on its likely positive effects on economic growth, but also on equity. With respect to the latter, embeddedness is more likely to result in the accommodation of the needs of the poor and the marginalized in public policies and their outcomes. Cognizant of the fact that the state has to work collaboratively with non-state actors to permit the growth of embeddedness, the South African government has always argued that 'the state needs to be sufficiently strong to commit to encompassing long-term development objectives' (Pretoria 2003:103). In fact, to Phumzile Mlambo-Ngcuka, then Deputy President of South Africa, the state's ability to halve unemployment and poverty by 2015 would largely be dependent on 'effective economic leadership from government and effective partnership between government and key stakeholders such as organized labour and business' (Mlambo-Ngcuka 2006:1).

As part of the strategy for embedding the state in South Africa, the participation of interest groups in the policy process has increased in the country. There is legislation that mandates the state to consult with non-state actors. Policy networks and consultative mechanisms (CMs) have been created at the three spheres of government, namely, national, provincial and municipal. At the national level, the apex CM is the National Economic Development and Labour Council (NEDLAC), established through an Act of Parliament as a forum for negotiations and consensus-building between the state, organized business, organized labour and communities.

Further, the Mbeki presidency established a number of Presidential Working Groups through which the President and his cabinet could consult regularly with interest groups. These are the Presidential Working Group on Women, the Presidential Youth Working Group, the Presidential Trade Unions Working Group, the Presidential Big Business Working Group, the Presidential Black Business Working Group and the Presidential Commercial Agriculture Working Group, among others. Though no research has been conducted on these Working Groups, there are regular Indabas (meetings) between the President and his cabinet on the one hand and the representatives of the various sectors that made up the respective Working Groups on the other. For example, the Presidential Black Business Working Group provides a forum for the President to directly engage and consult with leading black business persons and organized black business on pertinent issues such as the black economic empowerment (BEE) project. In a similar vein, the President consults with the farming community, including the National African Farmers Union's (NAFU) and Agric-SA on the transformation of the agricultural sector and land reform through the Presidential Working Group on Agriculture.

In addition, an International Investment Council (IIC) was established. The IIC was made up of prominent international business people, with the aim of helping to attract investment to South Africa. The President and his cabinet held regular meetings with members of the IIC, a forum where government policies were explained to members of the Council and advice sought from them. The members of the Council included Mr William Rhodes, Vice President of the Citigroup Incorporated, United States, Mr Niall Fitzgerald, co-chairman of Unilever, United Kingdom, Mr Martin Kohlhausen, chairman of Commerzbank, Germany, Mr Hassan Marikan, chairman of Pretonas, Malaysia, Dr Tony O'Reilly, chairman of Independent Newspapers, Ireland, and Dr George Soros, chairman of Soros Fund Management, United States. The Information, Communication Technology (ICT) Council was established and its members included the chief executive officers (CEOs) of some of the leading ICT companies in the world (Mbeki 2000).

The establishment of these Councils was informed by the President's focus on the promotion of economic growth and increased investment in the country.

The primary aims of the consultative structures were to gain the confidence of the domestic and external investment communities, to generate trust between members and the state, and to enable members to make inputs into government policies, to enhance the legitimacy of the policy process, to facilitate exchange of information and coordinate expectations among private agents and to reduce coordination costs and ensure that policies are made transparently. Other expected advantages of these initiatives were the reduction of rent seeking among private agents and strengthening the capacity of the state to forge ahead with its development objectives.

Therefore, contrary to the view that there is lack of consultation by government with its social partners around its macroeconomic policy, the creation of the Presidential Working Groups is indicative of the increasing participation of interest groups in the formulation and implementation of public policies.

Notwithstanding the embeddedness of the South African state, the greater participation of social groups does not mean that the needs and interests of all non-state actors are accommodated. For example, at the Growth and Development Summit (GDS), the issue was not addressed in spite of the pressure from civil society organisations and the trade unions. This was one issue that could have aborted the GDS, but it did not. Willie Madisha, President of the COSATU in his address at the Summit lamented the inability to reach agreement on issues around HIV, which was deferred to a separate task team to deliberate (Madisha 2003).

Further, the Summit was an effort by the national stakeholders to commit themselves to a common vision for promoting rising levels of growth, investment, job creation and people-centred development. In this sense, business interests have been predominant and quite predictably, they made very few concessions. In the case of retirement funds for example, 'the life insurance industry, government, labour and community organisations committed to work towards investing five per cent of their investable income' in unspecified 'appropriate financial instruments' The trade unions, in particular, were demanding that more than ten per cent of pension funds be invested in job creating initiatives. But business did not yield to this demand and that remained a source of dissatisfaction for the unions.

Even though the GDS agreement seemed progressive, the actual challenge was whether the parties to the agreements would fulfil their commitments. In fact, the South African social partners were notorious for not meeting their commitments, as business has worked against agreements that it perceived not to advance its interest. Business's continued opposition to labour laws and affirmative action laws and policies are illustrative of this point (Edigheji 2003).

Perhaps all this informed Willie Madisha's contention that, 'As always at NEDLAC, it is easy to talk, but hard that action follows the talk'. What is more,

there are no effective mechanisms to monitor the implementation of NEDLAC agreements, like most participatory structures in South Africa. This accounts for why the GDS agreement contained similar contents as NEDLAC's annual summit agreements of the 2000 and 2001 (NEDLAC 2000 & 2001). Three years after these annual summit agreements were signed there was no significant progress towards their implementation. Indeed, the Council was unable to come up with a work programme towards the implementation of the aforementioned annual summit agreements.

Similarly, COSATU had expressed concern about the lack of government commitment to aggressively pursue an equitable growth strategy, at least, until the announcement of Accelerated Skills and Growth Initiative South Africa. COSATU's central concerns have been employment creation and poverty alleviation, which partly explains the Unions' regular engagement with the ANC-led alliance and with the government.

In COSATU's view:

The reluctance by government to prioritise equitable growth also emerges if we contrast engagements on sector strategies with the implementation of BEE. In the 2000s, virtually every government policy adopted some reference to the BEE. Government departments drove the BEE charters in key sectors. In contrast, it was difficult to ensure government commitment to sector strategies that sought to ensure employment creation and more equitable ownership (COSATU 2005:8).

There is also a need to examine the state's relationship with the trade unions, which played prominent role during the struggle to terminate the apartheid regime.

State-Trade Union Relations

The role of trade union movement was very instrumental in the struggles against the apartheid regime. It is natural therefore, to have trade unions incorporated into the policy process in post-1994 South Africa. Primarily, this is aimed at facilitating dialogue between the state and the union movement. Yet state-trade union relations are not as strong as both parties had expected. This could partly be attributed to the absence of a shared transformation vision between the state and the trade unions. For the ability of the state to forge its vision of transformation and mobilize society around it is one of the key elements of the sought democratic developmental state.

However, before 1996 when the Growth, Employment and Accelerated Reconstruction policy GEAR was adopted on the insistence of Finance Minister Trevor Manuel and other senior government officials, only the Reconstruction and Development Programme RDP represented such a common vision. According to the PCAS, 'apart from the RDP, there was no such encompassing framework on board' around which the alliance partners could mobilize the entire South

African society (PCAS 2003:103). Not surprisingly, the relationship between the state and the trade unions, especially COSATU, soured. State-union relations on macroeconomic policy were mired in controversy.

State-Business Relations

State-business relations in South Africa can be understood in two, but inter-related contexts: first, state-black business class, and second, state-white business. This is in spite of the racial fragmentation of business organizations, which weakened the relationship between the two important stakeholders until the early 2000, when the relationship improved. Like in South Africa, fragmenting business interests along racial lines was a problem in Malaysia.

The white business groups were the South African Chamber of Commerce (SACOB), made up of predominant small and medium size firms; the South African Foundation (SAF), comprised of the 50 largest firms in South Africa; the Afrikaner Handelsinstituut, representing the main Afrikaner business interests (AHI), and Business South Africa (BSA). The black business groups were the National African Federation Chambers of Commerce (NAFCOC) and the Foundation for African Business and Consumer Services (FABCOS).

On account of the fragmentation of business groups along racial paths, business has been unable to speak with one voice on important policy issues. In an attempt to form non-racial business associations, Business Unity South Africa (BUSA) was established in October 2003 as the umbrella and national body for business associations in South Africa. As part of the strategy of eliminating racism and strengthening business groups, the AHI, FABCOS, NAFCOC and SACOB were merged into the Chamber of Commerce and Industry South Africa (CHAMSA) in October 2003. Let me now examine the state-business relations in details, beginning with the white business.

State-White Business Relations

In South Africa, like Malaysia, the embeddedness of the state has been constrained by the absence of a shared developmental agenda between the black majority government and the dominant (white) business grouping. This problem has hampered effective cooperation between white and black businesses, as evident in the initial scepticism expressed by the former in the early post-apartheid period that an ANC-led government was not likely to implement market-friendly economic policies.

Big business in particular, had fears about the ANC's nationalization policy and the likely interventionist posture and redistributive thrusts of an ANC-led government. These fears were carried over into the post-1994 period. Coupled with the opposition by white business to the Black Economic Empowerment (BEE) and Affirmative Actions (AA) policies, which were supported by the incipient black business class but seen by white business as state interference with

the free operation of market forces, the approach of the state raised more concerns for the white business group. For example, in 1998, Thabo Mbeki, then Deputy President, had expressed government's frustration over white business opposition to the transformation of both public and private sector institutions and organizations aimed at redressing the problem of racial representation.

Mbeki's reaction should also be viewed in the context of the speculative attack on the Rand, the country's currency, in the mid-1990s, following unwarranted fear about the health of then President Nelson Mandela and the appointment of the first black Minister of Finance, Trevor Manuel. The white business questioned the capacity of a black government to govern and to manage the economy efficiently. All this resulted in substantial depreciation of the local currency, and, in part, led to the adoption of GEAR.

With the implementation of GEAR however, business attitudes towards the government changed remarkably, particularly raising business confidence in public policy. That did not minimize the disjuncture between the political elite and the business leadership due, in part, to the Afro-pessimism among the white community and business persons. Under Mbeki's presidency, Tony Trahar, CEO of Anglo-American Plc, the largest conglomerate in South Africa, had said that the South African political risk issue had started to diminish, although it was not gone (Mbeki 2004).

In essence, the level of embeddedness of the state can be partly understood in the context of the decline of racial factor among the emerging political elites and business groups, and white business's lack of trust for the state in the post-apartheid South Africa.

State-Black Business Relations

The South African state after 1994 adopted measures for incubating and nurturing a black business class, with which it shared a common development project. Some of the measures included the establishment of the National Empowerment Fund (NEF) that provided loans to black business, and the Industrial Development Corporation's (IDC) BEE programme that favoured a tender regime to black businesses, and the various sector charters. The state did not only facilitate the afore-mentioned programmes through the BEE policies, but with the award of state tenders to black businesses.

However, critics had characterized the emerging black business class as parasitic individuals, who owed their positions to political connections but not business acumen. The President's brother, Moeletsi Mbeki, argued that the BBE policy did not create entrepreneurs, but political leaders and politically-connected people, and amounted to giving them assets which they lacked the know-how to manage. The black elite were no more than a buffer to protect white business (Mbeki 2003).

The main weakness of current model of the BEE is its narrow policy, focused on share-acquisition without enough attention paid to entrepreneurial development and skills training as a way of creating a sustained and independent black business

class. This is referred to as a minimalist approach to the BEE, which is primarily focused on de-racializing equity ownership and fostering a process of social exclusion in the new South Africa as the majority of blacks, and most rural women, remain unemployed and are denied the fruits of social transformation – without access to physical and social infrastructure. At the same time, a new very rich black and professional class enjoys the benefits of the democratic transition with access to corporate ownership. Therefore, a minimalist approach to BEE promotes the empowerment of few black individuals and the disempowerment of the vast majority of the black population. This has resulted in widening the gap between the rich and poor in the black population (Edigheji 1999).

Further, the BEE policy helped to create a black business group that relied on crony capitalism and self enrichment, which was similar to the Bumiputera business people in Malaysia in the 1970s and 1980s (Jesudason 1989). However, that is to ignore the fact that, the BEE did also bring about business deals with the government policies that benefited ordinary people. For example, in privatizing TELKOM, the state-owned telecommunication utility, shares were sold to ordinary people. Other BEE deals in the private sector, particularly in two of South African leading banks, NEDBANK¹⁹ and ABSA, also benefited the workers and communities, although their spread was considerably limited.

Concluding Remarks

This chapter has attempted to explain some of the institutional foundations of both the Malaysian and South African states that helped to incubate an indigenous entrepreneurial class and to reduce poverty in both countries. Malaysia and South Africa demonstrated elements of the developmental state, but obviously lacked full democratic credentials. Both countries had fairly high degree of embeddedness with institutional structures, but the emerging business class was tied to patronage of the state. The prospect of the rise of a real DDS remained slim. It is all the more so because of the huge challenge of building the democratic developmental state under the conditions of underdevelopment and dependence in the South.

Notes

1. The Bumiputera or 'Bumis' refers to all indigenous people including the Malays, who constituted the majority race group.
2. Malay individuals or trust funds equity ownership amounted to 1.6 per cent while government agencies had another 0.8 per cent in 1970.
3. Most of the existing studies on Malaysian political economy agree that state intervention was the most crucial feature of the NEP (See Jesudason, 1989 and Crouch, 1996).
4. There were many defaults in loan repayments by Bumiputera business persons. Crouch reports that in 1982 there was a 40 per cent default in the loans made by MARA. These kinds of defaults have made critics view the NEP as a drain on public resources.
5. Critics of NEP such as Crouch (1996) see the MTI as a source of distribution of patronage to UMNO members and supports.

6. Another way the Ministry ensured compliance with NEP objectives was through the issuance of investment licenses. In addition, the government enacted the Industrial Coordination Act (ICA) in 1975, which required all companies producing for the local market to restructure their equity holding in line with NEP's objective - a minimum of 30 per cent equity holding by Bumis.
7. See Jesudason, 1989, for a critical account of the dismal performance of the state sector especially the State Development Corporations.
8. The concept of Ali-Baba refers to a Sino-Bumiputera joint venture. In most cases, the arrangement was that the Ali (Bumi) received generous fees for securing business deals through his access to high-ranking politicians or bureaucrats while the Chinese partner (Baba) retained control over the enterprise. This way the NEP regulations were circumvented.
9. Indeed the proportion of non-Bumiputeras in institutions of learning also increased. As in other sectors, their enrolment in the schools declined only in relevant terms. See Emsley (1996) for a more detailed discussion on this subject.
10. Some of these guidelines including the quota on employment and equity, as well as the heavy industrialization programme, were relaxed in the 1980s following recession in the Malaysian economy. The government in turn embarked on its privatization and deregulation programmes.
11. These figures were in spite of the recession in the world economy, which adversely affected the Malaysian economy. Apart from the East Asian NICs, Malaysia recorded the highest growth rate in the world in the NEP period.
12. Crouch sees the participation of civil servants in politics as a source of corruption.
13. See Torii (1997) for the detailed functions of the bureaux.
14. This was particularly in terms of policy proposals, some of which were later adopted by the government.
15. The Malaysian state had sweeping repressive powers, some of which were derived from emergency legislation. These were used to limit criticisms of the NEP. In this regard, press and academic freedom were curtailed, as well as the denial of workers' rights to organize. These measures were sign as a source of state autonomy. But as I have argued, autonomy means the ability of the state to elicit cooperation and consensus from society rather than dominate it.
16. It is interesting to note that most of the literature on the Malaysian political economy is silent on the role of the EPU. Even Jesudason did not discuss its role in detail. This is an area that is worth further research.
17. See Jesudason (1989) and Pek Koon (1997) for detailed analysis of the acrimonious relationship that existed between the Bumiputera dominated state and the Chinese business class.
18. Most of the existing literature including Jesudason (1989) and Crouch (1996) questioned whether the Bumiputera business class could be seen as a class in itself. The thrust of their argument is that because of the Bumiputera business dependence on the state, they lacked the power to constrain the state and stressed that the latter dominated the former. This argument misses the point. Hence in this paper, I stressed state-Bumiputera business co-operation rather than dominance.
19. In its empowerment transactions, NEDLAC reserves its Eyethu shares for its black clients.

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8

Notes on South-South Cooperation and the Democratic Developmental State: Cuba and a New Research Agenda

David González López & Silvio Baro Herrera

Introduction

Essentially, the chapter provides notes on how the South-South framework can help to facilitate the rise of the DDS in the global South. It examines how Cuba assisted other developing countries with its expertise in tropical medicine, using the South-South paradigm. It suggests new research areas in which Cuba is interested in fostering cooperation with the Southern countries.

The realities of the world today require cooperation between and among countries of the South. Such collaboration affords the opportunities and provides the potential to collectively enhance the material condition of the people and society. It is all the more so because of the declining interest of the core countries of the North in assisting the Southern countries. The new development challenges and the aid fatigue the North has been faced with since the end of the Cold War in 1989 means that little or no priority has been placed on assisting the South. Worse still, the countries of the South have inherent incapacities such as the absence of democratization, inept political leadership, bad governance and corruption that constrain their development.

Cuba is one major developing country that took advantage of South-South cooperation in the conduct of its international relations. Within the South, for instance, Cuba exchanged its advanced technological capabilities in tropical medicine with Uganda. In fact, Cuba assisted Uganda to acquire an outstanding

and valuable experience in the control of HIV/AIDS. Cuba's Medical Henry Reeve Brigade was effective in saving lives in the earthquakes in Pakistan and Indonesia. Cuba marketed its vital medicines at affordable prices in India, Brazil, China and Nigeria, among other developing countries.¹

Even though Cuban cooperation with Africa, Asia and Latin America has yielded positive effects on the recipient nations, the expenditures can only be reasonably sustained when the states in the recipient countries of the South are empowered developmentally. In this context, South-South cooperation becomes an indispensable framework for facilitating the emergence of a democratic developmental state and strengthening it, and particularly in promoting socio-political stability, sharing of development experience, and reducing dependence on the countries of the North.

Understanding Cuba's South-South Cooperation

Cuba has pursued an active policy of cooperation with other nations of the South during the past four decades. Cuban scholars have written extensively on the subject.² However, very few academic works have been produced on Cuba's civilian programmes of cooperation with countries of Asia, Africa and Latin America. For instance, Cuba's cooperation with Africa, which dates back to 1962, only attracted international attention from 1975 to 1990. Even then, Cuba-Africa cooperation was generally limited to the military relationship without reference to the civilian context.³

Over the years, information on Cuban civilian cooperation with Africa has increased significantly but specific official data have not been readily available. Most data needed are to be found in political speeches of officials from Cuban and the recipient countries. As a result, the available literature on the subject is generally short, speculative, politically inspired and superficial.⁴ Worse still, the existing literature is written by academics from the North, since scholars from Cuban and other developing countries have hardly worked on the subject.

After 1990, Cuba experienced a severe economic crisis due to the changes that occurred in the former USSR and the socialist Eastern European bloc, its major economic partners. That Cuba's cooperation with other developing countries did not stop at this juncture, but increased in the past ten years further underscores the fact that it was a viable enterprise.⁵ In fact, most of the works refer to Cuban cooperation with only one country, relying on personal interviews and surveys with either direct Cuban actors, or the beneficiaries from African, Asian and Latin America.⁶

However, Cuba has undertaken several remarkable cooperative ventures with other developing countries. Medical cooperation is a major issue in Cuban civilian cooperation. Between 1963 and 2005, for instance, 132,000 Cuban doctors, nurses and other health personnel worked in 102 countries of Africa, Asia, Latin America

and Europe. As of November 2006, over 20,000 doctors and 11,000 nurses and other experts in the health sector worked in 69 different countries.⁷ In fact, Cuba has established local versions of the country's national healthcare model known as the Comprehensive Healthcare Program (CHP) in various countries, starting with Central American countries after the hurricane Mitch in 1997.⁸

It is not only in the field of medicine that Cuba has used the South-South framework to assist other developing countries, but in education and training where over 45,000 students from 128 countries graduated from Cuban institutions between 1963 and 2005. As of November 2006, 27,000 students from 120 countries had studied in Cuba, with 80 percent of them in the Medical Sciences. The total number of foreign students who studied Medicine in Cuba, and others who studied Medicine in their own countries in Medical Schools staffed by Cuban Professors, was 46,000 with admissions from 82 countries of the South. Cuba's goal in this field is to train a total of 100,000 medical doctors from developing countries within a decade.⁹

Further, Cuba introduced 'Operation Miracle' to facilitate surgery on people with ophthalmologic problems free of charge. The free ophthalmologic service has been extended to 28 countries,¹⁰ with a total of 485,476 patients who recovered their eyesight. In particular, one out of every 213 Bolivians, one out of every 87 Venezuelans and 1 out of every 60 Antiguan had been successfully operated by Cuban ophthalmologists.¹¹

Proposed New Research Agenda

Generally, Cuba's cooperation with other developing countries has enjoyed huge success in the medical field. But there is the need to explore new areas of cooperation. For instance, Venezuela had proposed the *Alternativa Bolivariana para Las Américas (ALBA)*, a framework of social cooperation in which a country such as Venezuela would provide energy and financial resources, while Cuba would cater for human resources and know-how. This form of cooperation in the social sphere has extended to several countries in Latin America and Africa. The 'Yo sí puedo' method has been particularly useful among the aborigines groups in Papua-New Guinea and Bolivia and the poor in Haiti. This method is adaptable to local languages and can reduce the time needed to learn how to read and write tremendously.

However, there is the need for new research agenda on possible areas of cooperation that include the social condition of recipient nations, and the cost and transfer of know-how in Cuba's relations with Asia, Africa and Latin America.

The impact of cooperation on social conditions: The primary goal is to ascertain the impact of cooperation on the social conditions of the recipient country. This will be done in a comparative context, noting the changes before and after the analysis of the figures on maternal and child mortality and literacy at the local and national levels.

Economic cost of cooperation: The objective is to assess the economic costs of the cooperation programmes that produced the improvements based on the figures provided by the Cuban Ministry of Foreign Investment and Economic Cooperation.

Transfer of know-how: The objective is to assess how cooperation could help to form sound skills, and to transfer know-how in the hope of making the cooperation unnecessary in the long run. Here, the ratio between Cuban experts in the field in each country and students from each country in Cuban Medical Schools in Cuba or abroad will be established, taking note of the rate of training of local personnel to carry out literacy campaigns with the Cuban method.

Replication of model of cooperation: This research aspect will assess the possibility of having this model of cooperation replicated in other countries of the South. In other words, it raises the question of how a small country like Cuba with scant resources is able to offer cooperation of this magnitude. Here, an analysis of the human and material requirements of the Cuban experience will be undertaken and supported by interviews with Cuban experts in the field.

Regional context: Data will be collected and processed for the recipient Asian, African and Latin American countries of Cuban cooperation, but the focus will concentrate on three specific countries with one country from each region. The countries are East Timor, Guinea-Bissau and Guatemala.

Notes on East Timor, Guinea-Bissau and Guatemala

East Timor

Cuban cooperation has been present in this country ever since it became politically independent. Even the periods of violence such as those of May 2006 did not interrupt Cuban cooperation with the country. There were 302 Cuban doctors in the country while 498 Timorese had studied Medicine in Cuba, with an additional 200 coming before the end of 2006.¹²

Guinea-Bissau

Cuban doctors were working in the liberated areas of the Guinea-Bissau before the country gained political independence in 1974. Cuban cooperation with the country has continued to grow with 1601 Guinean students graduating from Cuban institutions and 29 Cuban doctors working in the country in 2005.¹³ A Cuban Medical School was opened in Bissau and the *Yo sí puedo* Cuban literacy programme, was launched in the country in 2005.

Guatemala

A brigade of Cuban doctors first arrived in Guatemala after the destruction caused in the country by Hurricane Mitch in 1997. By 2006, 350 Cuban doctors and 670 Guatemalan medical students were in Cuba while 4,462 poor Guatemalans

had successful eyes surgeries through Operación Milagro. When the Guatemalan Vice President, Eduardo Stein, visited Cuba on 26-28 October 2006, he publicly stressed that the work of Cuban doctors in remote areas of the country had allowed the nation to perceivably reduce maternal and infant mortality.¹⁴

Concluding Remark

It is expected that the final research results from the new research areas will provide a more accurate and substantiated perception of the social impact of these types of South-South cooperation programmes, their cost and the possibility of extending them to other countries. Is there any hope for the rise of the DDS in the global South? The next and concluding chapter addresses the question.

Notes

1. RIS Policy Briefs (2006).
2. See Colectivo de autores (1990).
3. For details on Cuban-African relations, see González (2000, 2002); Entralgo et al. (1988, 1989, 1991a, 1991b, 1991c, 1996).
4. A rare well-documented and objective approach to be singled out from this period is to be found in Nzibo (1986).
5. See Hammet (2003, 2005).
6. Among the works based on interviews and surveys with actors and beneficiaries of Cuban-African cooperation, see González et al. (1997), Rufins et al. (2004), and Colina et al. (2004).
7. Data extracted from the Cuban Ministry for Foreign Investment and Economic Cooperation, 2006.
8. This means the same health program, from basic grassroots healthcare to hospital systems. It includes regular field medical attention by Cuban health personnel, including popular health education adapted to local conditions, training of local medical and para-medical personnel in health centres.
9. Ibid.
10. Most of the patients were brought to Cuba to be operated on, but already ophthalmologic clinics staffed by Cuban doctors have been opened in Venezuela (13), Ecuador, Guatemala, Haiti, Honduras, and Bolivia.
11. *Granma*: 'Casi medio millón de pacientes beneficiados por la Operación Milagro', Año 42, no. 283, 20 de noviembre, 2006, p.1.
12. EFE news cable, 16 November 2006.
13. Data from the Ministry of Foreign Investment and Economic Cooperation.
14. ANSA news cable, 28 November, 2006.

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9

Concluding Remarks: Strategies for the Emergence of the Democratic Developmental State in the Global South

Daniel A. Omoweh

This chapter summarizes the strategies that could permit the rise of the democratic developmental state (DDS) in countries of the South. To start with, there has been the confusion among the political leaderships in the South on the choice of adapting either the capitalist or socialist development framework or a mixture of the two in their development strategies in the post-colonial period. A greater concern is the tendency by some scholars to equate the DDS with a capitalist state. This is partly because most of the case studies in the literature are drawn from capitalist states. This is even when the majority of the capitalist states, inclusive of those in the Asian NICs, are faced with democratic deficits. In doing so, the prospect of a socialist state becoming democratic and developmental is foreclosed. Therefore, there is the need to explore the feasibility of the DDS in the South where the development framework is either capitalist or socialist.

Even though there is nothing to suggest in the received literature on the DDS that the countries of the South should adopt either capitalist or socialist development frameworks in their development policies, the choice of the development framework depends, among others, on the ideology of development bequeathed by former colonial powers to the post-colonial state, the kind of political leadership created in the post-colonial period and its orientation to development; adherence to democratic principles, and the prevailing global development ideology. For instance, most states in the global South took either the capitalist or the socialist path to development within the first decade of their political independence. In

some instances, the state even declared a mixture of capitalist and socialist development policies, but demonstrated capitalist accumulation in practice as it was the case of the Nigerian state in the 1960s.

The Indian variant of a mixed economy shows that the state is capitalist to all intents and purposes, though it might lean at times towards socialist policies. In Benin, Matthew Kereku first began with the socialist path to development and even with a strong emphasis on Marxist-Leninist theories, but changed midstream to capitalist development in the late 1970s and 1980s as the state embarked on externally-oriented economic reform programmes. The resurgence of the Left since 2001 in Latin America countries after the termination of the neo-liberal Washington Consensus initiative and the formulation of the radically-biased Buenos Aires Consensus, is quite instructive on the alternative path states in the global South can chart for their development and its implications for the rise of the DDS.

Further, with the introduction of the World Bank/IMF-styled structural adjustment programmes in Africa at the turn of the 1980s, which sought to de-link the state from the real sector of the economy and to replace it with foreign capital, but failed to achieve its objective, the majority of the adjusted economies had the capitalist mode of development foisted on them. Unable to repay the loans borrowed from the Bretton Woods Institutions and the London and Paris Clubs, the reform policies and programmes of the Bank and Fund that the majority of Africa debtor countries embraced in the 1980s sank their economies into deeper crisis with resultant political and social upheavals. By the 1990s, the economies of adjusted Latin American countries like Brazil, Chile, Mexico and Argentina were in severe crises. Yet, they adopted the Washington Consensus, and that further traumatized their economies. By the onset of the year 2000, Venezuela and Argentina terminated the WCI, with other countries following suit. All this is an indication that the state could take the path of either the capitalist or socialist development and yet none of them could single-handedly lead to the rise of a DDS in the South when the democratic credentials are missing. Its feasibility is further compromised when democracy is treated as a separate issue from development as evident in most of the literature on the subject, while it is in fact an inseparable part of development.

The extent to which a state can be characterized as DDS first calls for a contextual understanding of the state. In deconstructing the DDS, therefore, the state means the totality of the classes, institutions, groups and individuals which, acting as a public social force, dominates the society not impartially, but along the narrow group interests that make the state a reality. In practical terms, therefore, the state means the political leadership which is politically formulated along class and institutional interests. This shows that the state can neither be neutral nor impartial in its policies, programmes and projects. In turn, it explains why the state can hardly rise above the narrow interests of its constituents in its approach

to politics and the kind of development – capitalist or socialist – that it promotes. In fact, the DDS can either be capitalist or socialist in orientation and practice. For instance, a political leadership that believes in the exploitation of man by man, private property and unequal distribution of wealth as the basis of economic and production relations, such a leadership is obviously nurturing the rise of the capitalist state, while it quite off the road to equality and social justice.

On the other hand, the socialist state is not only concerned with re-distributing wealth among the people, but it helps to bring together the broad working masses, the patriotically-minded petty bourgeoisie and the intelligentsia to transform all aspects of life-both material and spiritual – in line with the principles of justice, equality and collectivism. The experience of the socially-based Cuban state and its South-South Cooperation, particularly in the health sector, holds out a great lesson for other countries of South that desire to be on the path to the democratic and developmental state. However, the huge democratic deficits of the Cuban state in terms of its lack of multiparty democratic practices, undemocratic political leadership succession and severe restriction of rights of the people are democratic deficits that should be overcome if the state could be regarded as being on the path of a DDS.

To all appearances, the majority of the states in the South have only charted interim development frameworks. Even then, the strategies are ridden with inherent shortcomings that needed to be resolved. It is only a holistic strategy to development in which democracy becomes the instrument for, and an intricate part of, such development that the political and economic limitations among others can possibly be overcome. Therefore, either capitalist or socialist, the democratic developmental state requires certain irreducible minimum conditions, notably, a political leadership that enjoys reasonable measure of autonomy from the society, but aligns with groups, classes and institutions that will facilitate the delivery of its set development objectives. Other defining characteristics of the DDS include accountability, responsiveness and transparency, democratic governance, people-centred development and effective delivery of public goods. In all this, democratization, as a development strategy is very instrumental for empowering the people in the policy process and in achieving the DDS in the South.

Generally, democratization is concerned with the empowerment of the people to participate effectively in politics and development. It is a very potent instrument for achieving people-centred development, as it enables the people to decide the kind of development that they desire and, to engage in the formulation, implementation and renewal of such a development. In doing so, the people become the agent, means and essence of such a development. Democratization is the antidote to the zero-sum attitude that characterizes politics and political competitions across the South.

Specifically, to democratize the political leadership entails democratizing politics of both the government in power and its political parties, and as well the opposition parties and politics. It involves empowering the people to express their desire for political and economic development. It consists of democratizing the polity by creating the appropriate framework that facilitates broad-based participation in politics inclusive of the opposition. This allows the people to freely choose who governs them, and to give the people the liberty to exercise an oversight function over their representatives in government by making them to account for their actions or inactions on issues that pertain to their well-being and societal development.

Further, there is the need to democratize the opposition politics and parties which in most cases are equally undemocratic in their organization and activities like the parties in power. For the leadership of the opposition parties is not only part of the national political leadership, but its democratization helps to raise the democratic credentials of the state and its performance. In fact, to democratize the opposition is a strategy for raising a critical shadow government expected to play the role of a watch dog on the incumbent regime and in doing so, helps to promote good governance and participatory development. Therefore, the democratization of the opposition promotes healthy political competition between and among political actors and institutions and it helps to sustain democratic political transition across governments and over long periods.

However, the majority of the political leadership in the South resist democratization on the grounds that it whittles down their political power which holds the key to accumulate wealth. This is a huge misconception of democratization as noted. Rather, the political leadership's obsession with a winner-takes-all approach to politics, which makes politics a deadly warfare, accounts for its disdain for democratization. Whether the political elite are both in government and in power, that is, the tiny fraction and faction of the state that has a firm grip on its political power, or whether they are outside of such a powerful political clique within the state structure, but they are in government, or whether such political elites are acting either to actualize their parochial interests, or they are proxies for subterranean political forces they (the political elite) stifle the process of democratization from taking off across the countries of the South.

In spite of the pretensions about the democratization project of the post-colonial states in Nigeria and South Korea, they are threatened by the changes in the political system that liberalize how people gain access to political power and by the changes that seek to democratize how the system legislates, formulates and implements policies.

All this significantly explains why the states can hardly embark on a political reform that seeks first to liberalize the polity, then to democratize political parties and bring about a substantive democratic change in the political leadership of

both countries. Rather, the Nigerian state and its South Korean counterpart, usually reposition their clients to occupy sensitive political positions in order to retain their firm control of political power with which they accomplish their limited social, economic and political interests and those of the institutions that make them a reality.

Notwithstanding the reluctance of the states to enthrone the process of democratization in the South, it is indispensable to the feasibility of the DDS. The political leadership first has to imbibe democratic principles, values and practices, before it can internalize them into the state institutions, government, political parties and public policy among others. Also, democratization opens up the political space, helps to empower the people to actualize their inalienable rights, and permits them to participate in the kind of development-political and economic that they desire, which has to be experiential and sustainable.

There is the need for the developing countries to share experiences in their strategies towards becoming a DDS. In doing so, it should be noted that the experience of the countries with development – politically and economically – have their positive and negative consequences. It is all the more so, because of the diversity of the countries of the South in terms of history, culture, national development strategy and priority and political systems. There is no one development framework that states are under any obligation to follow in their quest for the best form of state nor are the states compelled to replicate the experience of others that have posted relative development indicators. Rather, the differences in the experiences and exposures of the political leaderships and their commitments or indifference to development across the countries of the South should provide a rich menu for them to draw from and situate such experiences in the context of the local condition as they struggle for the attainment of their ideal. I elaborate on this with the feats achieved by countries like India and Cuba, while noting their shortcomings and the lessons to be learnt.

The Indian state has, on account of its historical antecedents, particularly the need to reverse the inherited colonial development policies and programmes, used the instrumentality of the policy of non-alignment to largely leverage the development of the country in the Cold War period. This was at a time when the non-aligned movement (NAM) provided only a platform for most developing countries to take advantage of the superpower rivalries by shopping for foreign aid from both the East and the West and to shield their countries from possible military hostilities during the Cold War years. Compared with India under Nehru, another frontline leader of the NAM, President Tito of Yugoslavia was unable to deploy the non-alignment policy to promote the development of his country.

In particular, the Indian state had, within the framework of the non-alignment policy, created a political environment at both international and domestic levels which was conducive to actualize India's objectives of rapid and overall economic development consistent with its national ethos, temperament and ingenuity.

Internationally, the non-aligned policy framework facilitated India's most imaginative contribution to world politics. It was a unique Indian political invention that sought to avoid military alliances in the context of the Cold War, but refused isolation and neutrality. It provided the basis for a positive and beneficial interaction with the international community for internal reconstruction and development, while strategically insulating themselves to the extent they could, from Cold War rivalries and conflicts. This contrasted sharply with Nigeria's external relations in the period under review, when the non-aligned policy was interpreted essentially as establishing relations with Britain and other countries of the West, but obviously opposed to opening diplomatic missions in the socialist countries of the Eastern European bloc.

Domestically, the non-aligned policy facilitated India's adoption of a mixed economy approach to its development; an approach that permitted the complementary existence of public and private sectors in the national economy. Heavy industries like iron and steel, and machinery were established in the public sector, because they were expected to facilitate the production of public goods and quicken the country's industrialization; while the private sector was expected to mobilize private funds for industrialization and help in the creation of an indigenous entrepreneurial class. Conceptually, this contrasted sharply with the situation in Nigeria where the mixed economy arose largely from the nationalist struggles and the political leadership allowed capitalist and socialist frameworks to co-exist on paper, while in practice a socialist development strategy was never really allowed in the country, or when it could have emerged like in the Western region under the premiership of Obafemi Awolowo.

Sharing of development experiences between countries of the South can be counter-productive to the rise of the DDS. For instance, the technical agreement signed by the Nigerian government with the Hindustan Machine Tool Company of India in 1988 to establish the Machine Tools Limited, Oshogbo, Nigeria and to help build and train the technical skills for the company ought to have been a sharing of vital experience and information by both countries on strategies for industrialization. But it turned out to be one of the mutli-million Naira scandals in the country in which the Hindustan Machine Tools of India was implicated in inflating the prices of completely knocked-down parts, the non-supply of parts for which payment was effected, non-installation of the lathe machines and non-compliance with the terms of agreement. The officials of the Hindustan Machine Tools of Indian reportedly committed the fraud, but it was with the connivance of Nigerian government officials and politicians.

One of the implications of such a fraudulent act by an Indian company is that it could block the prospect of sharing information and experiences between and among the countries of the South in a globalizing world, while the North continues to undermine the strategies of the Third World countries to industrialize. Even

long after the contract scam, the Nigerian state had, rather than develop the Machine Tools Limited Oshogbo, sold the project to a private company under its privatization programme in which state-owned enterprises were disposed of. Beyond the sharing experiences on development by the Southern countries, coupled with the need to avoid a repeat of the fraud by the Hindustan Machine Tool in Nigeria, it is imperative for the developing countries to create appropriate institutions with a demonstrated commitment to govern the terms of the technical agreement and adapt them to suit their local conditions.

Further, when India first liberalized its economy in the early 1980s and embarked on a more radical economic reform following the economic crisis in 1991 in order to give the market a greater say and role in the national economic management, the role of the state changed but it did not disappear. Even after the Indian state opened up its economy, it still created the conditions that permitted the successful functioning of the market-oriented economy 'such as the provision of public education, health services and arrangements for social security'. The state micro-managed the national economy and took critical decisions on the inflow of foreign direct investment and other major issues such as labour and industrial relations, removal or rationalization of subsidies, and development of physical infrastructure. Compared to the period of adjustment in Mexico in the 1980s, as the state crumbled, it succumbed to the dictates of the Bretton Woods Institutions, bringing to the fore the menace of drug trafficking barons as a countervailing force to the state, a worsening trend of insecurity and corruption among other governance challenges in the country.

Above all, the Indian state decentralized the national development process both spatially and functionally, created an appropriate policy environment that allowed civil society organizations to flourish, though they were not a substitute for the state, and established micro-finance schemes that led to the emergence of the village or rural bank otherwise known as the Grameen Bank that benefited over 50 million households in India and Bangladesh. The Indian state also formulated regional economic cooperation and integration schemes in South Asia that provided a platform to drive India's regional economic initiative and facilitate its interaction with transnational corporations. With its breakthrough in the information and communications technologies and software, India became the major revenue base of the business process outsourcing in South Asia.

Without doubt, the aforementioned achievements have put the Indian state on the path of a capitalist developmental state, but on the path of a DDS in its politics and the cultural milieu of its development. There is still the unwillingness on the part of India's culture not the least, the Asian NICs, to divulge secrets of its relative industrial growth as demonstrated in the lopsided and failed technical agreement between the Hindustan Machine Tool Limited of India and the Machine Tools Limited, Oshogbo, Nigeria.

Further, in 1988, the military regime of Ibrahim Babanginda sent an official delegation to study the strategies of the relatively successful village and rural banking in India. Subsequently, the government established the Peoples' Bank under the chairmanship of a social critic, Tai Solarin. Perhaps the success of the Grameen Bank of India was because it stemmed from the people and was later encouraged by the state. The expectation of the people was that it would have started from the local and village people and supported by the government but not the situation whereby the state created the Peoples' Bank, staffed and funded the company like a state-owned enterprise, and the people, most of whom were urbanites, were allowed to source credits from the bank.

From the onset, the Peoples' Bank might have been conceived as rural banking, but its objective and operation were in line with commercial banking. It might be true that it is not possible to replicate India's cultural setting in Nigeria but the failure of the Peoples' Bank stemmed largely from the lack of commitment of the Nigerian state and the private sector to rural banking. They ought to have carefully studied the strategies of the Indian state and adopted relevant aspects of such strategies to suit the Nigerian situation.

Following the collapse of the Peoples' Bank, the Community Banks were established. They became an enlarged local thrift society revolving loans among the owners of the banks and their family members and friends. The target group – the local people – who the micro-finance scheme was supposed to benefit, were denied funds. The insolvency of the Community banks was a major problem. The current reform in the banking system aimed at saving the banks from bad and unrecoverable debts, insolvency and threat of liquidation are partly indications that the Nigerian state is way off the track of even a developmental state.

Another critical area where developing countries ought to share their experience with development between and among themselves is to adapt the framework of South-South cooperation to their development programmes and external relations. Co-operation between and among the countries of the South has the potential to help mutual assistance with financial resources, technical know-how and natural resources in their quest for development. In fact, the global economy of today requires an increased South-South cooperation aimed at strengthening the weak states. It is all the more so, partly because of the declining interest of the core countries of the North to assist the Southern countries that the aid fatigue the North has induced since the end of the Cold War in 1989 and the inherent incapacities like the lack of democratization, inept political leadership, bad governance and corruption among others, have constrained their development in the South.

Cuba has, within the context of the South-South cooperation, advanced technological capabilities in tropical medicine and has exchanged such expertise with Uganda. In fact, Cuba has assisted Uganda to acquire an outstanding and valuable experience in the control of the HIV/AIDS across the rural and urban

areas of the country. Cuba's medical Henry Reeve Brigade has been an effective instrument for transmitting such capabilities. Medical cooperation is a major issue in the Cuban civilian cooperation under which Cuban doctors, nurses, and other health personnel were sent to work and train medical and paramedical personnel in countries of Africa, Asia and Latin America. Cuba also established local versions of its national health care model called the Comprehensive Healthcare Programme in various countries in Latin America. Cuba has used the South-South framework to collaborate in other areas such as education and training, where students from developing countries graduated from Cuban institutions, especially in the Medical Sciences. Cuba's Operation Miracle facilitated the surgery on ophthalmologic problems free of charge across the developing countries with huge success.

That a socialist state can be on the path of a developmental state is quite evident in Cuba's medical cooperation with other developing countries. Cuba's medical policy of providing health for all and at affordable rate compelled the state to commit both human and technical resources to the development of such a vital social service, first within the country, before exporting the medical expertise to other countries socially. That Cuba's political system is state-controlled does not foreclose the development of social services. It implies that the developmental philosophy of the Cuban state is people-centred, but it needs to redress the democratic shortcomings earlier identified.

One interesting lesson that the Cuban experience with the South-South framework holds out for other developing countries is the need for the political leadership first to identify an aspect of the national development, then to formulate appropriate policy, programme and projects, and finally, to commit resources to such programmes and projects in the hope of carving out a competitive edge in the form of expertise over other actors. Such expertise can then be transmitted to other developing countries to facilitate their development using South-South cooperation among others.

Nigeria's Technical Aid Corp (TAC) was created by the state in 1988 as an instrument for deploying technocrats in various fields like medicine and engineering to other African countries and settling their bills. The TAC would have achieved similar feats as Cuban medical co-operation, if the states had inclined to developmentalism. From the onset, the key objective of the TAC was to shore up Nigeria as an emergent giant of Africa, instead of situating it within the South-South context of the country's international relations. The greatest problem of the programme was the obvious acute shortage of well trained medical doctors and personnel and competent engineers in the country. The state wanted to deploy such technocrats to other African countries. The ability of the developing countries to cash in on the South-South framework as a strategy to empower the relative weak states across the South and in the process facilitate the emergence of the DDS largely depends on whether the domestic development policies, programmes and projects of the state are democratized in the first place.

There is the need to construct appropriate institutions and policy instruments with the right arrangements that will nurture indigenous business with which the DDS will embed, as it seeks to actualize its development goals. Of particular importance, is the need to incubate a virile indigenous entrepreneurial class that can participate effectively in the policy process. This is because the existence of a strong local business class is one of the defining characteristics of the DDS.

The absence of a strong local business class that the state can embed with in order to actualize its development objectives is a major challenge that the Malaysian and South African states are still faced with. The challenge arises partly from the social, economic and political features both countries share: heterogeneity in terms of religion, race and ethnic composition. For instance, the minority race and ethnic groups are in charge of the real sector of the economies, while the majority ethnic group dominates the politics and state institutions after independence. In Malaysia, while the economy is dominated by the ethnic Chinese, the state institutions have the indigenous Malays in the majority. The same is true of South Africa, where the economy is dominated by the minority white population while the black population, especially Africans, controls politics and state institutions. In both countries, one major political party with membership drawn largely from the majority ethnic group dominates politics.

As a consequence, there have been increasing inequalities and the identification of race and ethnicity with economic functions. It is in response to these concerns that the Malaysian and South African states have been formulating strategies aimed at promoting an indigenous capitalist class and the reduction of poverty. For instance, the Malaysian state initiated the New Economic Policy (NEP) as an instrument to reduce poverty and restructure and correct the economic imbalances by uplifting the social and economic position of the Bumiputeras into a new domestic business class. The Economic Planning Unit (EPU) was the custodian of the NEP goals, while other agencies like the MIDA, SEDCs and PDC were created to ensure that the targets of the NEP were met. As part of the strategy to empower the Bumiputera entrepreneurs to intervene in the policy process, the Malaysian government organized special training courses, advisory services, provision of zero-interest loans, business premises and reserved contracts for them. Indeed, the implementation of the NEP created a social and political climate that enabled the business community to thrive. In all, the Chinese not only increased their corporate equity, but achieved social peace with the NEP.

However, the Bumiputera business class has been criticized as a rentier class that depended on government patronage. The Bumiputera political and bureaucratic elites inclusive of the emergent business persons used the state as a source of wealth accumulation. State officials awarded contracts to companies in which the burgeoning Bumiputera elites were directors, or to companies of their friends and family members. The majority of the Bumiputera business groups

and persons were involved in speculative rather than productive activities, which had few national economic benefits. In fact, rent seeking activities permeated the political economy of Malaysia, with few national economic benefits. The state became authoritarian, which is the characteristic of the states in the Asian NICs like the South Korean state that barred the parliament from debating and curtailed the press from reporting on the policy and prohibited the civil society groups from engaging it. Creating a local business class does not really mean that the state has to back it at all cost with all its resources. The strategy rather should entail modest competition, entrepreneurship and investment in productive activities. These are critical lessons for the majority of African political leadership and some scholars who are desirous of replicating the Malaysian development strategy in the continent.

South Africa is marked by a racial division of labour, which is one of the legacies of apartheid and that contrasts it with Malaysia's ethnic division of labour. South Africa has two economies – one poor and mostly black, and one rich and mostly white. State-business relations in South Africa bring to the fore the fragmentation of business along racial lines, namely, the state-black business class, which is financially weak compared with the second and rich group, the state-white business class. The relationship between the two major stakeholders in the country's economy is weak and business has not been able to speak with one voice. This partly explains why the country's economy is still dominated by the rich white minority race group to the detriment of the poor majority business group, and the resultant high levels of poverty and inequality since the official termination of the apartheid regime in 1994.

As part of the strategy of overcoming business fragmentation along racial lines, the South African state fostered a non-racial business association, Business Unity South Africa (BUSA) in 2003 and the merger of all chambers of commerce and industry into the Chamber of Commerce and Industry South Africa (CHAMSA) in the same year. However, the federation of the business groups did not translate into a shared developmental agenda between the black and white business groups, nor did it lead to the emergence of a virile local black business class that is capable of intervening in the policy process.

The embeddedness of the South African state with the white business class has been constrained by the pre-apartheid fears of the big business groups about the ANC's nationalization policy and its wealth re-distribution in favour of the blacks, which marked the post-1994 era. Coupled with the white business opposition to the BEE and Affirmative Action policies of the ANC-led government, which were supported by the incipient black business class, the gulf between the white business and the state widened. The white business group also raised concern over how the state's policy was disrupting the operation of market forces. All this reinforced the white business's lack of trust in the South African state.

On account of the weak black business class, the South African state introduced measures for incubating and nurturing it. Some of the strategies included the establishment of the National Empowerment Fund, which provided loans for black business; the further support of the Industrial Development Corporation, and the BEE Programme. The state facilitated these programmes by awarding state tenders to black businesses. The BEE arranged deals in line with government policies that benefited the black people, especially in the privatized state-owned TELKOM, in which shares were sold to them. Other BEE deals in the private sector were in two leading South African banks, NEDBANK and ABSA, which benefited the workers and communities, although their spread was rather limited. This is referred to as a minimalist approach to the BEE.

Critics have characterized the emerging black business class as parasitic individuals, who owed their positions to political connections but not business acumen. The BEE policy did not create entrepreneurs, but political leaders and politically-connected people and bestowed assets on them which they lacked the know-how to manage. The BEE has a narrow policy that focused on share-acquisition without enough attention paid to entrepreneurial development and skills training as a way of creating a sustained and independent black business class. It created a black business group that relied on crony capitalism and self enrichment, which was similar to the Bumiputera businesspeople in Malaysia in the 1970s and 1980s. Again, these limitations of the South African situation present useful lessons for the political leaderships for other Third World countries while rethinking their development strategies along the lines of the DDS.

There is a need for new research areas on the DDS across the developing countries, beyond the scholarly works that currently are projected. There are more issues that could be covered under the broad partnership of APISA, CLASCO and CODESRIA collaborative and joint research on the DDS beyond this work. These issues include regime types, embeddedness, representivity, democratization, good governance, environmental sustainability, comparative development, with premium placed on the sharing of development experiences among Third World countries, pluralism, diversity and civil society groups. Others are South-South cooperation, with the emphasis on the impact of such cooperation on the local condition, the economic cost and the possibility of transfer of expertise. It is also important for research to focus on developing a model of cooperation and its replication at national, sub-regional and regional contexts. The results of such research should be widely circulated among academic and policy circles in the hope that it can help shape public policy.

Finally, the state in its current context across the majority of countries in the South is still largely predatory and vehemently opposed to any strategy that seeks to overturn the present power configuration between and among the major institutions. At the same, there are states that have exhibited features of a

developmental state. The challenge is how to democratize such fledgling developmental states. However, the reign of the retrogressive forces within the political leadership in the South is may be coming to an end as social and political movements, pro-democracy demonstrations, revolutions, strong civil society groups and coalition of opposition parties calling regime change and empowerment of the people in the political and development processes are on the rise. The message is increasingly becoming clearer to the hegemonic political leadership in the South and their supporters from the North that the revolutionary path holds the prospect of a democratic and developmental state in the South.



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