

**Interrogating the concept of the developmental state in southern Africa: what's power got to do with it?**

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## **Introduction**

In 2001, Thandika Mkandawire (2001) published his landmark article on the developmental state in Africa, and not too long thereafter, in 2006, South African president Thabo Mbeki declared his intention to pursue precisely such a strategy. It was, of course, a bit of a red herring, because Mbeki was also the architect of neoliberal reform—whereby state involvement in the economy is anathema—in South Africa. In essence, the developmental state came to represent the pursuit of neoliberal macroeconomic policy with palliative poverty reduction measures, which is to say, the post-Washington Consensus. Something similar was expounded by Mozambican president Armando Guebuza. The actual debate on *o estado de desenvolvimento* in Mozambique appears largely to have been taken up by two scholars, Joseph Hanlon and Carlos Castel-Branco. While Hanlon is a strong proponent of the concept, Castel-Branco is sceptical as to its utility. The two are not, however, necessarily at odds with each other as both fundamentally acknowledge the need for greater state involvement in economic development.

This paper examines the developmental state paradigm and seeks to critique it from the perspective of a holistic, historical political economy. I begin by describing the two of dominant approaches to the developmental state paradigm by examining the works of Peter Evans, Erik S. Reinert and Ha-Joon Chang. I note how, through examining historical experiences, these scholars derive general principles that form developmental state models. I turn to examine two factors that these proponents have too often left out—the roles of imperialism and class relations in state- and market-formation, with a focus on East Asia (and South Korea in particular). I argue that post-World War II American imperialist actions in East Asia were pivotal in the formation of a particular class structure and state apparatus, as well as to the infusion of capital into South Korea that facilitated its capitalist development. I then turn to Mozambique to examine what limitations imperialism and class relations present to prospects for broad-based equitable development there.

## **The developmental state paradigm**

Postcolonial developmental efforts largely took the role of the state for granted. The state was taken to be central in guiding and coordinating economic development, however defined. By the 1980s, however, the tide had shifted in mainstream development economics and the state was out of favour. The antipathy to the state was one of the more pronounced elements of neoliberal economic theory and practice, which, under the auspices (or, imposition) of the International Monetary Fund and World Bank became known as the Washington Consensus. The core doctrine of neoliberalism holds that “human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey 2005, 2). The state, by intervening in the market, would only distort its otherwise far more efficient functioning in virtually all spheres of life. Thus, countries were encouraged to undertake liberalization measures to devalue currency rates and dismantle trade barriers so as to “get the prices right”; to privatize state-owned enterprises since the state, by definition, could not be as efficient at industry as private actors; and to balance budgets through the practice of fiscal austerity, which, in practice, often meant the reduction of provision of social services (again, through privatization). In other

words, many of the key strategies used by states in the Third World to promote industrialization were greatly restricted, and, the often crucial services were to be left to the market.

The main challenge to neoliberalism within development studies came from proponents of the developmental state. Based on inductive studies of the impressive economic growth and relatively favourable income distributions of states in East Asia, the newly industrializing countries, or NICs, mainly Japan, South Korea and Taiwan, scholars developed a theory of state involvement in industrialization. As Chalmers Johnson, whose study on Japan was seen to introduce the term, notes, “The essence of the argument is that the credit for the postwar Japanese economic ‘miracle’ should go primarily to conscious and consistent governmental policies dating from at least the 1920s” (Johnson 1999, 37). Ben Fine, in his overview of the study of the developmental state, suggests that much of the literature falls into two schools: a political school and an economic school (Fine 2006, 104). The political school focuses on the politics surrounding economic policy, in particular the capacity of the state, whereas the economic school focuses largely on the policies that must be adopted to achieve development. In the case of the latter, a main preoccupation is how the state can correct market imperfections.

The basic argument of the political school can be summed up with a modification to the classic words of Marx and Engels: “The executive of the modern State [ought to be competent enough to act as] a committee for managing the common affairs of the whole bourgeoisie” (Marx and Engels 1978, 475). The successful developmental state is able to shape and guide the common affairs of the capitalist class, even and especially if that means overriding the interests of particular sections of capital, in the service of a project of transformation of the economic structure. Peter Evans argues that the ideal-type developmental state does this through “embedded autonomy,” that is, combining “Weberian bureaucratic insulation with intense connection to the surrounding social structure” (Evans 1995, 51), specifically, the business community. Without adequate autonomy, the state becomes beholden to the interests of the business community, seeking mainly to “protect its members from changes in the status quo,” whereas embeddedness, necessary for “information and implementation,” “implies a concrete set of connections that link the state intimately and aggressively to particular social groups with whom the state shares a joint project of transformation” (Evans 1995, 58-9). His examples of Korea and Taiwan as adhering closely to the ideal-type of developmental state suggest that the state also needs to be able to exercise a certain degree of dominance or coercion over business to shape the economic trajectory (Evans 1995, 53, 55). Evans counterposes the ideal-type developmental state to the ideal-type predatory state, ones which take from citizens without giving much, if anything, in return (Evans 1995, 45)—the main problem being, precisely, the lack of a capable bureaucracy and the absence of a correct sort of embeddedness. Without embedded autonomy, the state is in no position to facilitate economic development.

Complementing the assessment of how the state ought to be, the economic school focuses on what the state ought to do, and in particular, with respect to industrial policy. Sanjaya Lall (2005), for instance, stresses the role of the state and government policy in facilitating the absorption of technological capability by local industry—in essence, the government must correct market imperfections and lower barriers to entry. The key is to increase manufacturing activities that add value in processing before sale on the world market, the value thus accruing to the domestic economy.

The general thrust of this argument has been provided in greater political economic detail by Erik S. Reinert (2000; 2007) and Ha-Joon Chang (2002). Reinert argues that economic growth cannot simply derive from comparative advantage—specializing in trading internationally in whatever happens to be most abundant or cheapest to produce—but that the type of economic activity carried out is crucial, i.e., manufacturing activities that bring together or stimulate varying skills and capabilities result in broad-based economic growth. In the 19th century, German economist Friedrich List enumerated the kinds of policies pursued by the more industrialized European states, far exceeding just tariff protection, which Reinert collects into a “toolbox” (Reinert 2007, 82-3), arguing that these policies were then emulated by late developers like Germany in the 17th century, Japan in the 19th century, Korea in the mid-20th, and Ireland in the late 20th. Basically, all developed countries have practiced import-substitution industrialization (ISI) of some sort before becoming competitive internationally. Moreover, the state has played a crucial role in economic development, particularly in “providing institutions, distributing income and risk, and promoting economic growth” (Reinert 2000, 81). Indeed, in promoting economic growth, states have taken very specific and interventionist functions, including “getting the nation into the ‘right’ business... providing skilled labor and entrepreneurship when needed... [and] acting as a capitalist and entrepreneur of last resort” (Reinert 2000, 81-2).

Ha-Joon Chang goes further, and also points out that many of the institutions of good governance, such as democracy and social safety legislation, promoted by various actors today were actually the outcomes of industrialization, and not precursors to it. So, for instance, “It was only well into the twentieth century that we begin to witness ‘modern’ regulations on working hours” (Ha-Joon Chang 2002, 110). Ultimately, both Reinert and Ha-Joon Chang argue that the ways in which now developed countries prevent countries in the Third World from pursuing policies of state intervention directed toward incubating infant industry amounts to unfair tactics. Wealthy countries “keep poor countries poor based on theories postulating the non-existence of the very factors that created their own wealth” (Reinert 2007, 79), or, in other words, “developed countries [are] trying to ‘kick away the ladder’ [they used to industrialize] by insisting that developing countries adopt policies and institutions that were *not* the ones that they had used in order to develop” (Ha-Joon Chang 2002, 139).

But, more than implying neo-colonialism of sorts, Reinert and Ha-Joon Chang, generalize across time and space, through a rather selective reading of history, to explain all successful cases of economic development, from Western Europe beginning in the 1500s (or, England with the Tudor victory in 1485) to East Asia in the second half of the twentieth century. Moreover, they argue that any country seeking economic and social prosperity must adopt and emulate the same core strategies of socializing risk to invest in high-value-added activities; indeed, “The policy tools involved in such efforts may have become more varied, complex and effective over time, but the general pattern has remained remarkably true to type” (Ha-Joon Chang 2002, 126). The shift to manufacturing and now industrialization is key, and ultimately, even an inefficient industrialization leads to better living standards than no industrialization (Reinert 2000, 96). Thus, the concept of the developmental state goes from being one that is largely descriptive to

being normative, transhistorically so. The developmental state, and in particular, the *capitalist* developmental state, becomes a universal paradigm.<sup>1</sup>

There is, however, a danger here in how the experiences of developed countries are universalized into policy packages or toolboxes. For the “correct” set of policies is only correct if it is in a position to take advantage of the wider context—social, political, economic—in which it exists. Moreover, in developing ideal types of how states ought to respond to society or markets, questions about the relationship between state and classes, and politics and economics more generally, become obscured in a search for technocratic efficiency within the context of globalized capitalism. The market is taken for granted, as is its separateness from the state, thus eliding the question of the historical processes and social, political and economic pressures and interests that lead to the formation and reformation of both markets and states (Castel-Branco 2009a, 6).

### **American imperialism<sup>2</sup> and state and market in East Asia**

American imperialism was pivotal in the formation of states and markets in East Asia. The United States government influenced industrialization, market opportunities and class and state structures through direct and indirect measures, not least of which was direct military occupation in South Korea and Japan.

Vijay Prashad notes that the industrialization that took place in the East Asian NICs “required an enormous infusion of capital... the scale of [which] was beyond the capacity of the domestic population... because only with it could their various institutional advantages shine” (Prashad 2007, 252). With practically no international clout of their own—the economies and societies of most East Asian countries were thoroughly devastated by the Second World War—it was the impetus of American imperialism, fighting rising people’s movements and communist governments in the region while it exercised stewardship over Japan, South Korea, Taiwan and later South Vietnam, that played an important role in the capital infusion and creation of market opportunities necessary for industrialization in the countries of East Asia.

Because of the Korean War (1950–1953) America dramatically increased its spending in the region (Stubbs 2005, 64). The American military contracted Japanese countries for special procurement purposes, and [t]he sum of dollars pumped into the Japanese economy through special procurements was enormous for the time and produced a veritable explosion in production” (Stubbs 2005, 69)—the contracts also gave Japanese producers the space to incorporate new technologies and methods of production. The relative autonomy of Japanese political and economic institutions was also strengthened as, for instance, the Ministry of International Trade and Industry (MITI)’s played the key role in managing the procurements programme and the Bank of Japan controlled finances (Stubbs 2005, 71-2). The war also

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<sup>1</sup> Amiya Kumar Bagchi includes the Soviet Union and socialist China (2004, 30-3) as models of the *socialist* developmental state that achieved high rates of economic growth and increased living standards. However, these achievements were coupled with massive repression, inordinate numbers of lives lost in processes of primitive accumulation, and ultimately inefficient systems of economic planning. These are all arguably characteristics shared by capitalist development.

<sup>2</sup> I use the term imperialism in a broad sense of maintaining an overseas empire, formally or informally, not in a quasi-technical sense focusing on the export of capital as a result of monopoly capital, etc. (Lenin 1975).

committed the United States to Taiwan and South Korea, where it invested enormous amounts of aid—hundreds of millions of dollars at first, and, over the course of the next few decades, several billion.

Although internal factors were extremely important in economic and social transformation—for instance, the military coup in South Korea that brought a newly focused regime to power in 1961—external factors continued to play an exceedingly important role. During the 1960s and continuing on for several years thereafter, South Korea also became increasingly reliant upon investment from Japan. Japan gave Korea hundreds of millions of dollars in loans and grants, helping South Korea “finance needed imports and sustain its rapid rates of growth” (Hart-Landsberg, Jeong, and Westra 2007, 9). Japanese direct investment was also important, particularly through “the relocation of its labor-intensive light manufacturing industries to neighboring countries with lower wages” (Chibber 2003, 73), which came with “assurances of technological cooperation, access to markets [mainly in the United States], assistance in marketing, provision of inputs and credit, and so on” (Chibber 2003, 74), although, importantly, the South Korean state’s intervention in these negotiations was crucial. These moves were crucial in redirecting South Korea from a path of ISI to export-led industrialization. Meanwhile, US aid continued to flow.

While America’s prosecution of the war against the people of Vietnam in the 1960s and first half of the 1970s resulted in the deaths of millions, it also acted as a tremendous boost to the East Asian capitalist economies. In South Korea alone, well over \$2 billion were earned through US payments to Korean soldiers, through increased exports to Vietnam, and through US military spending in Vietnam and Korea (Hart-Landsberg, Jeong, and Westra 2007, 9). Moreover, Stubbs concludes that “[t]he expansion of the US domestic market, fuelled by the spending induced by the Vietnam War was a boon to the development of export-manufacturing in Japan and Hong Kong, and especially to the newly created export manufacturing industries of Taiwan, South Korea and Singapore” (Stubbs 2005, 148). The Vietnam War thus also played an important role in the continued industrialization of East Asian economies through the provision of capital and markets.

It must be stressed that these Cold War conflicts and alliances were not the only conditions that contributed to the industrialization and economic growth, but that they played crucial roles, and were simply unavailable to the vast majority of countries in the Third World: “The investment-as-aid that went into Taiwan and Korea dwarfs the aid that went to the rest of the Third World from both the United States and USSR” (Prashad 2007, 252). The original infusion of capital and market access for East Asian economies are generally not considered by Reinert and Ha-Joon Chang—where the two do discuss East Asian economies their point is simply that Listian principles from the toolbox of industrial transformation were applied there (Reinert 2007, 211-2; Ha-Joon Chang 2002, 60-1). Broader questions about the causes and consequences of failed development despite adherence to more-or-less Listian principles are not considered by hewing closely to the experiences of successful development.<sup>3</sup>

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<sup>3</sup> The limited self-selectivity is discussed more fully by Ben Fine in the introduction to a forthcoming critical collection on the developmental state.

However, American influence in East Asia goes beyond just the infusion of capital and development of market access. The United States was also involved in transforming or modifying state and class structures of these countries. The examples of radical land reforms in communist China and North Korea, combined with domestic tensions spurring from inequality, led to the United States to pressure the governments of both Taiwan and South Korea to push through land reform programmes beginning in the late 1940s and completed by the early 1950s (Stubbs 2005, 75. 85). In South Korea, these reforms weakened the strength of landed elites, resulting in “the virtual elimination of the landlord class, and the creation of a relatively egalitarian class structure” (Koo and Kim 1992, 123). However, through land reform, the allocation of aid and the sale of state-owned enterprises at vastly reduced prices to certain individuals and companies through the 1950s, “the state artificially and selectively created the capitalist class” (Dae-oup Chang 2009, 89)—although, it should also be noted that the process had begun when the US military government in the immediate aftermath of the war “reformulated the local capitalist class by redistributing state-vested property and suppressing the labour movement” (Dae-oup Chang 2009, 83).

Further, the United States saw to preserving and augmenting much of the state structures that cohered during World War II. So, in South Korea for instance, government employment was predicated upon previous experience serving Japanese colonialism, and “former ‘imperial’ bureaucrats, landlords and landlord-turn entrepreneurs soon organised the Korean Democratic Party that worked closely with the US authority” (Dae-oup Chang 2009, 83-4). This state structure did not have to contend with the power of the landed elites and had a capitalist class that was, from the beginning, dependent upon the state for its existence. Moreover, charting from Japanese occupation and as a result of the threat of communism (and the Korean War) the military played a great role in South Korea by the early 1950s. In many ways, the state apparatus of South Korea was one of an overdeveloped state, “equipped with a powerful bureaucratic-military apparatus and mechanisms of government which enable it through its routine operations to subordinate the native social classes” (Alavi 1972, 61)—albeit one that operated under the tutelage of an American military occupation. Thus, the rays of communism and the American government played an important role in facilitating transformations in the class structures of several East Asian economies while preserving and strengthening much of the state structure.

### **State autonomy and class relations; or, the grin without the cat**

In Reinert and Ha-Joon Chang’s discussions of the role of state intervention, the question of class and class relations is virtually non-existent—the state’s intervention on behalf of the bourgeoisie is taken for granted. Evans is more explicit about the state’s embeddedness with the business community (and about avoiding embeddedness with landed elites less concerned with industrial transformation in the case of India for their perverse effects on capitalist development). He is generally unconcerned with labour except as a factor of production until he argues that the successful developmental state not only generates a capitalist class but may also generate a strong labour movement, as it did in South Korea by the 1980s (Evans 1995, 227-9). Evans notes that the state repressed striking workers in the late 1980s, and that the workers could not distinguish between the repressive capacities of the state and its other (i.e., developmental) capacities. What Evans does not note is that the state’s repressive capacities are part and parcel of its developmental capacities, particularly in South Korea.

Indeed, following 1945, the US occupation in collaboration with local elites exercised often brutal repression of labour and peoples' movements. By the end of Japanese colonial rule in 1945, Korea was divided between Soviet control in the North and US control in the South. The process of proletarianization in Korea began during the period of Japanese colonialism (1910–1945), through the forced “separation of the means of production and subsistence from farmers,” for, as in other cases of colonialism, the Japanese used extra-economic coercion to mobilize a labour force for migration to other parts of the empire and to urban areas (Dae-oup Chang 2009, 80-1). Although workers, as such, comprised a relative minority of the population, they were nevertheless well organized through the Korean National Council of Trade Unions (*Jeonpyeong*), “established in 1945 with 16 industrial unions and approximately 500,000 members” which agitated for worker control of factories, as others also organized peasants for control of land (Dae-oup Chang 2009, 83). Meanwhile Koreans throughout the country, led by left-wing organizations and leftists, organized the Committee for the Preparation of Korean Independence, and soon organized the People's Republic of Korea in September 1945. The US authority banned the People's Republic of Korea's people's committees and banned strike action in 1945, repressed widespread uprisings in 1946, banned *Jeonpyeong* in 1947 (to be replaced by a right-wing trade union federation), suppressed a series of general strikes and killed up to 30,000 people in the Jeju uprising in 1948, and even after the declaration of the Republic of Korea, had to continue to repress sometimes armed struggles for independence. According to Dae-oup Chang, “The number of casualties of these conflicts reached more than 100,000 people even before the civil war” (Dae-oup Chang 2009, 85).

To belabour the point, the formation of the Southern Korean republic was based on often brutal repression of workers and independent political organizing of not only and majorly leftists, but also more centrist groups. Similarly, labour and left repression was key to the US occupation in Japan (Stubbs 2005, 67); and in Taiwan the Kuomintang “used state emergency powers against all working class, peasant, aboriginal, and student organisations, beginning in 1950 with the roundups of members of the underground ‘Communist Party of China — Taiwan Province Working Committee’: an organisation of some 1,000 young Maoists” (Minns and Tierney 2003).<sup>4</sup>

However, US military governance could not have gone far without tapping into existing power structures and relations, or without attempting to shape and guide new ones. In South Korea, as noted above, the US authority initiated the (re)formation and expansion of a Korean capitalist class through the divestment of state ownership of previously Japanese-owned fixed capital and other properties; and moreover, government employment was based on previous experience serving Japanese colonialism. Local elite interests mattered and shaped the way that the US operated in South Korea, Japan, Taiwan and elsewhere.

Moreover, repression was coupled with cooptation, as authoritarian governments founded or sponsored trade union organizations and other forms of association that were conducive to their hold on power; moreover, land reform in Korea and Taiwan was crucial to mitigating the power

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<sup>4</sup> Although, as Minns and Tierney note, it was not mainly or primarily repression in Taiwan that mitigated class struggle, but the reconfiguration of class relations themselves through land reform, and resultant burgeoning of petty-bourgeois or petty-commodity producing enterprises—most worked both land and as labour.



of left responses or militancy from below. Repression, however, was never eliminated and remained a key strategy of labour control in Japan and especially South Korea. The state played the key role in enacting labour repression, which only intensified with the onset of military rule in South Korea in 1961; indeed the intensification of the exploitation of labour and concomitant repression was often central to the regime of capitalist accumulation (Koo and Kim 1992). It was not merely the more militant sections of the South Korean working class that associated the state itself with repression. Students, workers and ordinary people participated on and off in many revolts throughout the period of authoritarianism, including, for instance, the Kwangju armed democratic uprising of 1980 that was crushed brutally by the South Korean military.

The theoretical point that emerges is that the state is not so autonomous from class relations after all, but that the balance of class forces (e.g., peasant unrest, the minimization of landed elites, the formation of a capitalist class, the repression of labour and peoples' movements, the influence of an imperialist occupation) is central to understanding the state. When Evans refers to the embeddedness of state with society, the latter refers entirely to business firms and ignores the way the state relates to capital *as a whole* and to the way that the state is produced and reproduced in the context of class relations. By focusing entirely on business, as business, rather than capital and class relations, Evans does not have to be mindful of state-labour and capital-labour relations in constructing his model of embedded autonomy. Dae-oup Chang states the matter clearly:

Without considering labour, more exactly, *the effect of state intervention on relations between capitalists and workers*, the nature of state-capital relations cannot be captured. If 'labour-capital' relations are brought into question in the first place, it becomes apparent that the government's leadership against individual capitals cannot be transformed smoothly into 'state autonomy' from capital. It is particularly the case in Korea, where the subordination of labour to capital has been complemented largely by the state. (Dae-oup Chang 2009, 61; emphasis in the original)

In other words, the question of state autonomy from capital is difficult to conceptualize when viewed from the lens of labour and other subordinate groups, and not from the lens of capital (or, capitalist development) and other elites. By ignoring capital-labour and state-labour relations, the state can appear as autonomous from capital as the grin from the cat.

This is not to undercut the fact, historically in South Korea and more generally, that the state is an institution of its own, and can exercise leadership over individual capitals, or, business firms. But how is it that the state serves the interests of capitalist accumulation without serving the interests of capital as a whole? To argue that the state has its own logic in pursuing capitalist accumulation, viz. nationalist pride, or otherwise, is an abstraction of states and politics from history that naturalizes the capitalist mode of production and normatively equates the interests of a bourgeoisie with the interests of the whole population of the nation (Castel-Branco 2009a, 7). In the 1940s and 1950s the Soviet model of development was often widely perceived to be just as impressive, if not more so, than the capitalist model, especially in the Third World (Bagchi 2004, 30-3). That strong social democratic, socialist and communist movements were crushed quite ruthlessly in South Korea and elsewhere should be an indication that class mattered in the very development of the capitalist states.

Indeed, Chibber argues that the South Korean military state of General Park Chung-hee (1961–1979) which is credited as being the regime where developmentalism took off, while initially

hostile to many capitalist interests, could not have repressed capital as a whole. For, ultimately (and with American consternation), the state was keen on not alienating capital and thus provoking a downturn in investment in a society already fraught with economic crisis. At first, like virtually all other developing countries, the Park regime pursued a strategy of ISI, a policy quite in line with the interests of domestic capital. This policy, however, was unsuccessful on its own. Meanwhile, increasing Japanese investment in South Korea in the mid-1960s, as a way of relocating labour-intensive light industries to areas where labour was cheaper, made Korean capital turn willingly to the export-led industrialization strategy now being propounded. Certainly, the state played an important role in securing investment in terms that was favourable to the further industrialization of South Korea, and, moreover, once “agreed to by capital, the state was able to exercise its vaunted disciplinary powers without fear of provoking a class-wide reaction against them” (Chibber 2003, 67; 51-84). Yet, throughout the authoritarian period, the state constantly changed strategies and economic direction responding to pressures from capitalists and dissident groups (Koo and Kim 1992).

Class struggle was not merely the outcome of state direction that then fed back to change the state (Evans 1995, 232-3) but, on the contrary, state direction was—and is—the outcome of an ongoing process of class struggle and the balance of class forces. To be sure, state actions and class relations are related dialectically, but precisely for that reason cannot be separated easily. Moreover, the role that imperialism played in determining the balance of strength of class forces, the incubation of state institutions and market opportunities cannot be underestimated. Capitalist development in East Asia was not merely a matter of following a set of more or less correct policies, whether neoliberal or statist, and which ought to be replicated elsewhere. While the claims of most neoliberals may be exaggerated, the claims of statist must be taken with due consideration of the context in which state interventions took place—at least two of these contextual factors are imperialism and class relations.

### **Mozambique and the developmental state debate**

The trajectory of state, class and market formation has been very different in Mozambique compared to East Asia. Since the turn of the fifteenth century, Portuguese imperialism played a considerable influence in the affairs of the region. The Portuguese consolidated their control over the territory now known as Mozambique in the late nineteenth century as part of the scramble for Africa. A guerrilla war begun in 1964 by the Front for the Liberation of Mozambique (FRELIMO) contributed to the weakening of fascist rule in Portugal. With the Carnation Revolution in 1974, Mozambique was independent under the rule of the Marxist-Leninist FRELIMO by 1975. However, there was no integrated national market, and the economy’s structure was dependent on export of raw materials and imports of food and manufactured goods, with dramatic and consistent balance-of-payments deficits—a pattern that still holds.

Almost immediately after independence, Southern Rhodesia (now Zimbabwe) buttressed its own invasions by organizing and funding rebels, whose sponsorship was taken over by apartheid South Africa in 1980. The rebel group, Mozambique National Resistance (RENAMO) actively sabotaged Mozambique’s economic plans in addition to their generalized attempts at creating chaos, but soon became a movement itself as it acquired roots in parts of the countryside. The proxy-turned-civil war devastated the entire country, with nearly one million deaths by its end in

1992 (out of a population of around fifteen million through the 1980s). In addition to mistakes of Frelimo's policies, the war ensured that any attempt to transition to a socialist economy was thoroughly undermined and abandoned. Frelimo leaders sought to compromise with the West and with Renamo by the late 1980s. By 1994, Mozambique had turned to a multiparty liberal democracy.

Since 1987, and still under the leadership of Frelimo, Mozambique has been pursuing largely neoliberal policies under the influence of the IMF, World Bank and several Western donors. In practice, this has meant that—aside from creating a proper “investment climate” to try and attract foreign direct investment—the state has done little to formulate coherent economic policies, especially in rural areas and the agricultural sector in which the majority of Mozambicans are employed (Virtanen and Ehrenpreis 2007, 13). Moreover, Frelimo elites have enriched themselves from privatizations and other state connections (Harrison 1999). Nevertheless, for the IMF, Mozambique is “one of Africa's most remarkable success stories... It [*sic*] has grown 8 percent annually, on average, since the early 1990s and sharply reduced its poverty headcount, thanks to prudent macroeconomic policies and the implementation of two successive and well-sequenced waves of reforms” (Christensen 2008, v)—indeed, the GDP has taken off since the 1990s (Figure 1). The poverty headcount reduction referred to is staggering—“from 69.4% of the population in 1996–7 to 54.1% in 2002–3” (Arndt, James, and Simler 2006, 573). Neoliberalism, it would appear, has been working well.

However, there are important reasons to take issue with the dominant neoliberal and government narrative. For one, Mozambique remains one of the poorest countries in the world. Indeed, if the poverty line is kept fixed rather than flexible between the 1996–97 and 2002–03 surveys on which claims of poverty reduction are based, the poverty headcount declines from 69 percent to 63 percent (rather than 54 percent); and because of population increases, this means the absolute number of people in poverty has actually increased (Hanlon and Smart 2008, 62; Government of Mozambique 2004, 16). Further, rural inequality is widening rapidly, “with the top one-fifth becoming much better-off and the poor half getting much poorer” (Hanlon and Smart 2008, 65), and nationwide inequality remains exceedingly high.

So poor is the country that Mozambique is deeply dependent on foreign aid and foreign investment for its general operation. 55% of the 2009 state budget alone relied on foreign aid (Agência de Informação de Moçambique 2008), and similarly the 2010 state budget is expected to rely over 50% on foreign aid (Agência de Informação de Moçambique 2010a). If “off budget” public spending is taken into account, according to Castel-Branco, this proportion increases to 2/3rds (2009b, 9). It is through their control of funding that Western donors can strengthen factions within Mozambican ruling elites. Thus, “The small domestic private sector, foreign businesses interested in investment, and Western powers committed to propagating market principles and privatization provided the bulk of the support for [the neoliberal] position” in the Frelimo party in the 1990s (Pitcher 2002, 118). More recently, the G-19 group of donors withheld funds from Mozambique's government from the start of 2010 until March until it negotiated compliance on political matters (Agência de Informação de Moçambique 2010b). Moreover, the current account balance deficit in 2008 was over \$975 million, or 10% of the GDP (World Development Indicators, World Bank), and according to Castel-Branco, investment in Mozambique was comprised of 70% foreign direct investment, 29% loans, and 1% national

direct investment (2009b, 9). Many scholars have suggested that following the war when Mozambique became so dependent on Western donors and aid agencies, the country was effectively “recolonized”—Western imperialism acting in another way. Mozambique is certainly dependent upon the West and is under considerable pressure from Western political and economic intervention. The scope of action that local Mozambicans, especially in government, can undertake is severely restricted and must continually be negotiated.

Indeed, the aggregate economic growth of Mozambique is driven largely “by increasing aid and investment in mega-projects,” while industry and the economy in general have stagnated (Hanlon and Smart 2008, 15). The agricultural sector, which supports 80 percent of the population, has stagnated in productivity as well—its growth since the 1990s represented a return to pre-war levels of production (Virtanen and Ehrenpreis 2007, 22). Mega-projects, like the Maputo Development Corridor or the Mozal aluminum smelter, are “predicated on a ‘big bang’ approach built around short-term, capital-intensive and large-scale investment, with a minimal degree of state involvement” (Söderbaum and Taylor 2001, 684). They rely almost exclusively on foreign investment (Figure 2), but create very few local jobs. The Mozal smelter alone contributed to the doubling of the value of Mozambique’s merchandise exports in one year between 2000 and 2001 (Figure 3). However, the profits from mega-projects flow outward back to foreign investors, and, because the projects are inadequately taxed (there are virtually no taxes on the Mozal smelter), they do not contribute significantly to local income generation. Because mega-projects largely fail to develop linkages with local enterprise and industry (they rely on highly specialized and expensive inputs, which are imported or are sourced from foreign subsidiaries) they also drain investment resources from other potentially more poverty-reducing projects—investment in the agricultural sector remains extremely low. Rather than diversifying, particularly when it comes to exports, Mozambique’s economy has become even more dependent on mega-projects focused on natural resource extraction—and the discovery of oil is soon anticipated (Bucuane and Mulder 2007). Aggregate economic growth figures are thus not an actual reflection of broad-based development in Mozambique—and certainly not of effective industrialization.

Many scholars (including Castel-Branco, Hanlon and Smart, Söderbaum and Taylor, and Virtanen and Ehrenpreis cited) have argued for the state to take a more active role in the economy: to tax foreign corporations more heavily, to intervene in developing linkages between industries, and very importantly to develop a comprehensive rural development strategy. Joseph Hanlon has put this sentiment forward in terms of the developmental state, that Mozambique ought to become one, and that it is perhaps on the way (Hanlon and Smart 2008; Hanlon and Mosse 2009; Hanlon 2009). Carlos Castel-Branco is less convinced of the utility of the developmental state concept, for the reasons I have argued at length above, and because it leads to positing questions of “what ought to be” rather than “what is, and why?” (Castel-Branco 2009a, 12)—the focus must be on actually-existing interest groups and patterns of accumulation and growth. To be fair to Hanlon, he does seek to examine developmentalism, in detail, in these terms. In examining their approaches, we can begin to see some of the challenges from class relations and foreign involvement that face Mozambique’s development.

Hanlon has argued that Mozambique’s ruling elite may be experiencing a general shift in the dominance of predatory factions (who mainly skim off aid and engage in criminal activities) to

more developmental ones. The developmentalists are more focused on productive activities, but are often stifled by predatory factions. One such example is the the group of companies, Insitec, created by a protégé of current president Armando Guebuza. Chiefly a financial concern, Insitec negotiated the financial engineering that transferred the Cahora Bassa dam from majority Portuguese to majority Mozambican ownership—the dam generates energy that is sold to South Africa (Hanlon and Mosse 2009, 7). Insitec is involved in banking, in making computers and in construction. Because of its success, Hanlon and Mosse argue that, like private companies that were supported by East Asian governments, the Mozambican government must support companies like Insitec—which is not really a problem considering it already receives support from Guebuza. Hanlon and Mosse provide a set of things that the Mozambican government ought to do to further support such enterprise.

However, like the extractive industries that may be competently run and managed, Insitec's activities may provide little in terms of coherent industrialization. It is quite possible that the transnational orientation of Insitec and similar companies will result in accumulation that is limited to a certain section of the population at the expense of the rest. Indeed, as Castel-Branco notes, it is precisely financial elites who are benefiting from extractive industries and their extremely low taxation (2009b, 19)—for the extractive industries rely significantly on loans to finance their activities. Extractive industries are one of, if not the major sites of accumulation in Mozambique, and their benefits are highly restricted to the already-rich sections of Mozambique's population. The elite groups Hanlon identifies may have little to gain from supporting policies (like increased taxation on foreign investment) that may benefit Mozambicans more broadly. Rather, his enthusiasm for their activities seems to stem from the hope that the activities of elites—but now being actively supported by the state—will trickle down to broader development.

Castel-Branco has argued that what is required for broader development in Mozambique is rural development: “rural development must be the fundamental content and centre of gravity of a national development strategy.... not a part or a fundamental part [of it]” (2008, 5; my translation). Rural development must involve rural industrialization—such as the processing of raw cashews into edible cashews, an important (albeit small) industry in Mozambique (and, it should be noted, rural industrialization has been championed by Hanlon and others quite strongly). Castel-Branco notes the importance of institutional changes in the state, and the necessity of its taking an active role in formulating and coordinating a national strategy (2008, 29-30). In other words, although he elsewhere rejects the conceptualization of the developmental state as inadequate, substantively he is calling for one in different terms.

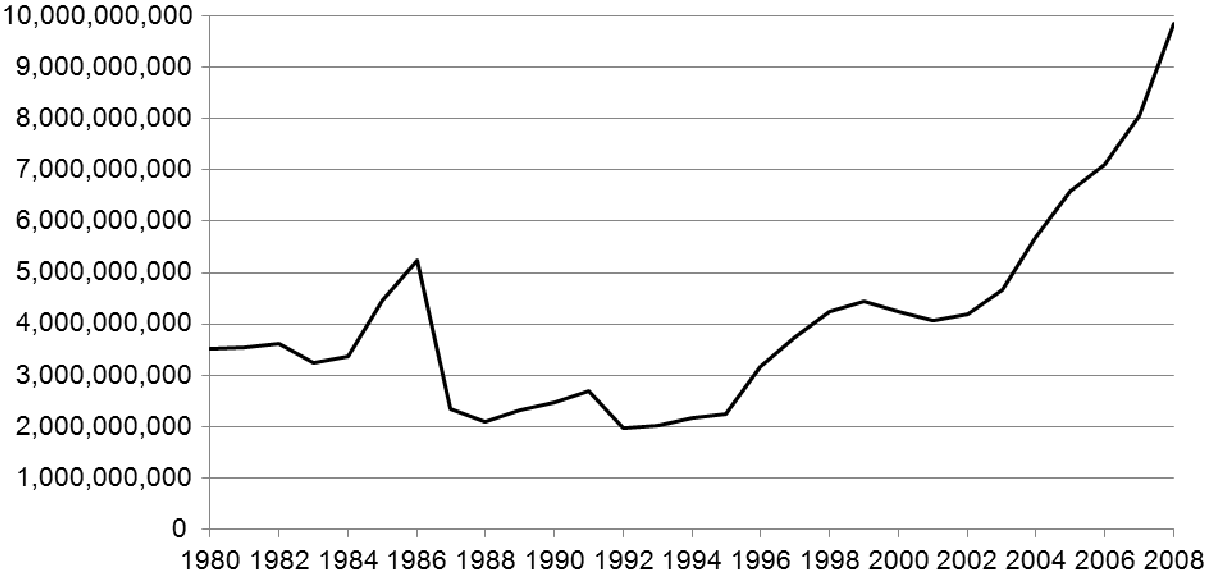
Both Hanlon and Castel-Branco are more interesting when they discuss particular instances of how the state has undertaken anti-developmental measures, for whatever reason, and resistance to the state's actions, potential or actual. For instance, in the 1990s the IMF and WB insisted on trade policies concerning cashew that nearly destroyed the entire cashew-processing industry. It was not until “a newly confident press, civil society, domestic capital and [backbenchers in] parliament” converged (along with protests from laid-off workers) that some of the perverse aspects of the economic policies were mitigated (Hanlon 2000, 29)—the industry has since been recovering. As for extractive industries, Castel-Branco argues that taxation and royalties must be renegotiated along the lines of actions by socialist-oriented governments in

Latin America through a nationally inclusive approach, involving “citizens and social organizations, small and medium businesses, unions; mobilization of tax payers and of Governments and social movements of donor countries... [and] mobilization of capital markets...” (Castel-Branco 2009b, 18; my translation). In both cases, popular mobilization is necessary to pressure the state to pursue developmental ends in the context of neoliberal globalization. Indeed, it is one thing to pose *what* the state must do, quite another—and much more difficult—to concretely pose *how* the state can be brought about to accomplish those things. In Mozambique, it involves struggling against those “comprador” classes who mediate in between international capital and local realities, or “domestic” capital whose interests coincide so clearly with those of international capital at the expense of the majority of the population (Mao 1971, 12; Radice 2008, 1168-9).

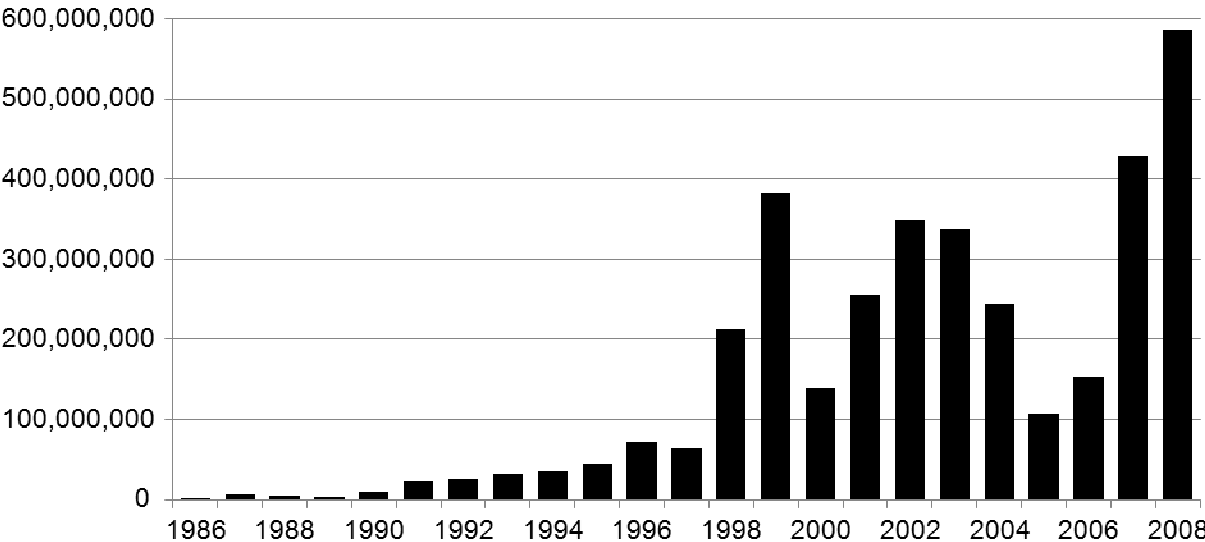
## **Conclusion**

This paper has examined the concept of the developmental state as posed by some of its leading proponents and its utility to development in Mozambique. While the role of state intervention in economic activities is important, the way the developmental state is often conceptualized is limited. The model focuses too much on the separation of state and market and of the state’s autonomy from class relations, rather than on how both of these structures are the outcomes of historical processes that involve class struggle and extra-national intervention, thus eliding power relations—as demonstrated through an examination of the development of the developmental state in East Asia. Approaches to development are often easy to conceptualize that take chiefly into account the role of elites, namely capitalists, but these approaches may conflate their interests with those of the entire country; or approaches to development may stress what the state ought to do without thoroughly examining what the state can do and how it must be made to do those things. In Mozambique at least, broad-based developmental approaches require the active pressures of popular mobilizations—that is, some form of class struggle. As many in Mozambique say, *a luta continua* (the struggle continues).

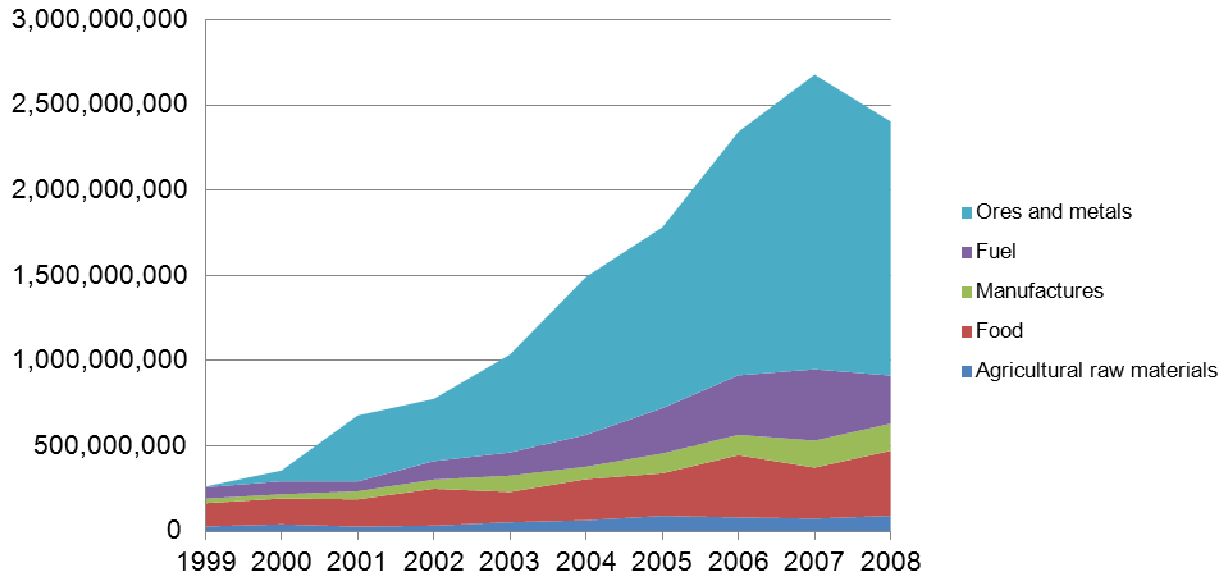
**Appendix: Figures**



**Figure 1 – GDP (current US\$) (World Development Indicators, World Bank)**



**Figure 2 – Foreign direct investment, net (BoP, current US\$) (World Development Indicators, World Bank)**



**Figure 3** – Merchandise exports (current US\$), total breakdown by percentage (World Development Indicators, World Bank)



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