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ADDIS ABABA UNIVERSITY

COLLEGE OF SOCIAL SCIENCE

GRADUATE STUDIES

**DEVELOPMENTAL STATE IN SOUTH KOREA AND DEMOCRATIC
DEVELOPMENTAL STATE IN ETHIOPIA: MOTIVATIONS, PRACTICES, AND
CHALLENGES**

DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL RELATIONS

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FEBRUARY, 2021

ADDIS ABABA, ETHIOPIA

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**THESIS SUBMITTED TO DEPARTMENT OF POLITICAL SCIENCE AND
INTERNATIONAL RELATIONS OF ADDIS ABABA UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF
ARTS IN INTERNATIONAL RELATIONS AND DIPLOMACY**

ADVISOR:

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**ADDIS ABABA UNIVERSITY COLLEGE OF SOCIAL SCIENCES
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FEBRUARY, 2021

ADDIS ABABA, ETHIOPIA

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This is to certify that the thesis prepared by Hawaki Bekele, titled *Developmental State in South Korea and Democratic Developmental State in Ethiopia: Motivation, Practices and Challenges*, submitted in partial fulfillment of the requirements for the Degree of Masters of Arts in International Relations and Diplomacy has undergone the due process of examination and accepted as meeting the essential standards of the university pertaining to quality and originality.

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Table of Content.....i

List of Tables.....v

List of Acronyms.....vi

Acknowledgements.....viii

Abstract.....ix

CHAPTER ONE

1. INTRODUCTION.....1

1.1. Background.....1

1.2. Statement of the Problem.....3

1.3. Central argument.....6

1.4. Objectives.....6

1.5. Research Questions7

1.6. Research Methodology, Methods, and Instruments of Data Collection7

1.6.1.1. Research Methodology.....7

1.6.1.2. Research Methods.....8

1.6.2.1. Sources of Data.....8

1.6.2.2. Instruments of Data Collection.....8

1.6.2.3. Methods of Data Analysis.....8

1.7. Ethical Considerations.....8

1.8. Significance9

1.9. Scope9

1.10. Limitations of the Study.....9

1.11. Organization of the Study.....9

CHAPTER TWO

CONCEPTUAL AND THEORETICAL PERSPECTIVES.....11

2.1. Concepts and Origin of Developmental State.....11

2.1.1. Definition of Developmental State.....11

2.1.2. Origins of Developmental States.....13

2.1.3. Major Challenges of Developmental State16

2.2. Perspectives for and against Developmental State17

2.2.1. Perspectives For Developmental State.....18

2.2.2. Perspectives Against Developmental State.....21

CHAPTER THREE

**IMPLIMENTATIONS OF DEVELOPMENTAL POLICIES IN ETHIOPIA AND
SOUTHKOREA.....25**

3.1. Backgrounds of Developmental State Modal in South Korea and Ethiopia.....25

3.1.1. Origin of Developmental State in South Korea.....25

3.1.2. Democratic Developmental State in Ethiopia.....28

3.2. Formulations and Implementations of Developmental State Policies and Strategies...31

3.3. Political and Institutional Reforms and Consolidations32

**3.4. Formulations and Implementations of Comprehensive Development Policies
and Plans34**

3.4.1. Economic Policies.....34

3.4.1.1. Industrial Policy and Instruments for its Implementation.....35

3.4.1.2. Agricultural Policies	39
3.4.2. Social Policies.....	42
3.5. Comprehensive Development Plans.....	45
3.5.1. The Five Year Economic Plans in South Korea.....	45
3.5.2. Growth and Transformation Plans in Ethiopia.....	46
3.6. The Interplay of Government and Private Sectors in Development.....	47
3.6.1. Government.....	47
3.6.2. Private Sectors.....	49
3.6.3. The Role of Foreign Aid.....	51
 CHAPTER FOUR	
 ACHIEVEMENTS AND CHALLENGES OF DEVELOPMENTAL STATE IN ETHIOPIA AND SOUTH KOREA.....	
	53
4.1. Achevements of Developmental State in South Korea and Ethiopia.....	53
4.2. Challenges of Developmental State in South Korea and Ethiopia.....	55
4.2.1. Political Challenges in South Korea.....	56
4.2.2 Political Challenges in Ethiopia	57
4.2.2.1 Lack of Consensus.....	58
4.2.2.2 Exclusive Behaviour of the Post-1991Regimes.....	60
4.2.2.3. Challenges of Regional and Local Governments.....	61
4.2.2.4. Challenges of other Political Forces.....	61
4.2.2.5. Leadership Challenges.....	62
4.2.2.6. Challenges of Civil Society Organizations, Midea, and Wider Societies.....	63
4.2.3. Bureaucratic Challenges in South Korea and Ethiopia.....	63
4.2.4 Economic Challenges	65

4.2.4.1.Agricultural and Rural Development.....	66
4.2.4.2.Industrial Sector.....	68
4.2.4.3.Challenges of Private Sector.....	70
4.2.5.Social Challenges in South Korea and Ethiopia	72
4.2.6. Regional and Global Challenges of Developmental State in South Korea and Ethiopia.....	74
4.2.6.1. Regional Challenges.....	73
4.2.6.2. Global Challenges.....	75
4.2.7. The Challenges of the Politics of Foreign Aid.....	76
4.2.8. Challenges of Rent Seeking and Corruption in Ethiopia.....	78
4.2.9. What Does Ethiopia Learn From the Achievements and Challenges of South Korea in Implementing Developmental State Policy.....	79
5. Conclusions.....	82
References.....	84
Appendices	93

List of Tables

Tables	Pages
Table 1: The major indicators of social improvements in South Korea	54
Table 2: GDP growth and annual growth rates of six years in Ethiopia.....	71
Table 3: List of key Informants	93

Lists of Acronyms

ADB	African Development Bank
ADLI	Agricultural Development Led Industrialization
ANDM	Amhara National Democratic Movement
CIA	Central Intelligence Agency
CSO	Civil Society Organization
ECA	Economic Commission for Africa
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EPRDF	Ethiopian People’s Revolutionary Democratic front
EPRDF	Ethiopian People’s Revolutionary Democratic Front
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FDRE	Federal Democratic Republic of Ethiopia
GCC	Gulf Cooperation Council
GCCC	Gulf Cooperation Council Crises
GDP	Growth Domestic Product
GERD	Great Ethiopia’s Renaissance Dam
GTP	Growth and Transformation Plans
IMF	International Monetary Fund
KDI	Korean Development Institute
MAFRA	Ministry of Agriculture, Food and Rural Affairs

MDG	Millennium Development Goal
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
MoTI	Ministry of Trade and Industry
OECD	Organizations of Economic Cooperative Development
ONTA	Office of National Tax Administration of South Korea
OPDO	Oromo People's Democratic Movement
SEPDM	Southern Ethiopian People's Democratic Movement
TPLF	Tigray Peoples' Liberation Front
TVET	Technical Vocational and Educational Training
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
USA	United States of America
USSR	Union of Socialist Soviet Republic
WTO	World Trade Organization
WWII	World War Two

Acknowledgements

Many contributed to the effectiveness of this thesis. It was the summation of these contributions that encouraged, motivated and improved my thinking over the past two or more years. Above all, I thank Dr. Hussein Jemma, under whose devoted supervision and advise I wrote this thesis. His support bettered my thinking, and indicated better future.

My gratitude also goes to my lovely wife, Hiwot Zelalem, whose support and patience has encouraged and inspired me. I am also grateful to thank my charming kid, Gada, for his love and affection.

Similarly, I am indebted to thank my younger brother Emana Bekele, and my friend Bilal Muhe who unreservedly supported me ideally and financially.

Abstract

This study investigates the experiences of developmental state in South Korea and democratic developmental state in Ethiopia. With regard to the experience of South Korea, the study emphasized the development policies and practices of the country from the period 1961 to 1979. In the cases of Ethiopia, the study gives particular emphasis to the post-2001 situation. Empirical data were collected through key informant interviews. Major findings of the study suggest that in South Korea and Ethiopia, development challenges that are linked to the institutional capabilities and independence of the bureaucrats, political devotions, and investment feasibilities make differences. The study also found that it is difficult to attain and sustain development without building inclusive democratic institutions. The absence of democratic, inclusive, and autonomous political institutions adversely affected sustainable development in both South Korea and Ethiopia even though the degree varied. In Ethiopian situation, the challenges of corruption and rent-seeking persisted as politics overly fused with development. Similarly, inefficient, maladministration and mismanagement of public enterprises prevailed due to the absence competent and independent bureaucratic institutions. Private sectors remained weak as government excessively dominated them. Further, the findings of the study imply that the absence democratic and inclusive political institutions resulted in unrest and political instabilities in both countries. Moreover, in order to be developmental, a country should have to possess capable and inclusive political and administrative institutions. These institutions should have to be supported by capable and committed political leadership, and competent, autonomous, and accountable bureaucracy. The study also suggests some experiences that Ethiopia could learn from South Korea regarding developmental state policy formulations and implementations. In Ethiopia, the development role of political leadership and bureaucrats should have to be clearly stated. Similarly, while implementing the policy, political leadership, civil servants, and business should have to be developmental goal oriented and work to achieve such a goal. The finding of the study calls for further research on similar topics in other countries that have undergone democratic developmental state policy.

CHAPTER ONE

INTRODUCTION

1.1. Background

The term development has been defined in a number of ways. Similarly, the notion of developmental state has no universal definition. It comes in varieties of features and types as many scholars define it in many ways. According to Chan *et al* (1998), the developmental state paradigm is composed of a collection of theories, descriptions, and assertions which relate economic performance to institutional arrangements centered on the state. According to this idea, the role of the state in development is emphasized as that state commits itself to a national development agenda. In countries that follow developmental state paradigm, governments assume active development role.

The other definition of developmental state is forwarded based on goals and capabilities of states. Accordingly, Mollaer (2016: 3) argues that developmental state is particular form of state that enjoys high level of autonomy from different segments of the capitalist class as well as labor unions, and has strong institutional capacity, both of which allow this specific form of state to implement a set of successful state interventionist policies in pursuit of developmental goals.

Further, developmental state is not only interventionist but also protectionist. Defensive role of developmental state is designed to protect infant industries and weaker economies from unjust competition from stronger economies. For this purpose, developmental state model controls their national financial system that helps them prioritize investment area. Similarly, such states restrict foreign direct investments giving priority to domestic industries.

In developmental state paradigm, the role of the state in promoting development is subjected to debate. The issue is not state involvement in the economy *per se*, but the extent to which the state intervenes and for what purposes.

Developmental state differs from other forms of states such as liberal, welfare and socialist states. According to Bresser-Pereira (2016: 6), the liberal state limits itself to guaranteeing property rights and contracts, controlling the national currency, and to maintaining healthy public finances, leaving all other activities to the market's coordination while the developmental state intervenes moderately in development, by planning the economy's non-competitive sector and by practicing strategic industrial, embracing, and an active macroeconomic policy.

Similarly, developmental state differs from welfare states based on the aim of government intervention in economy. According to Andersen (2007), in welfare states, the government spending is supposed to increase consumer demand and boost economy. Welfare state is a type of state in which government spends to provide social services and invests in consumption while in developmental state, government directs social service policies and invests in production.

Developmental state also differs from socialist states in the extent of government intervention in economy. In most cases, socialist economies are based on command economic system in which the government determines production, quantity and quality of production, and the prices of production while developmental state paradigm gives markets rooms in economy. The advocators of command economic system flatly offend the roles of market in economy while the proponents of developmental state argue for the cooperation and collaboration of government and market in economy. Socialism can only be introduced by the revolutionary overthrow of the existing political, economic and social system, usually based on the belief that existing state structures are irredeemably linked to capitalism and the interests of the ruling class; and aims to replace the capitalist system (Heywood, 2015: 209).

Developmental state paradigm and its associated policies have had different historical background in different regions of the world over different times. The initial origin of developmental state was associated to Europe while many Asian countries also adopted developmental state. According to Caldentey (2019), developmental state and its associated policies are experienced in East Asia and Latin America from the end of World War II to 1960s and 1970. European countries used the same policies throughout the seventeenth and eighteenth centuries and the United States during the nineteenth century.

In the post 1970s and 1980s, many African countries have had developmental state paradigm in both their development performance and aspirations. One remarkable feature of the discourse on the state and development in Africa is the disjuncture between the impossibility of developmental state in Africa and the prospective literature that presupposes the possibility of their existence (Mkandawire, 2001: 289). After they liberated from the yolk of colonization, many African states tried to adopt different paths to development. In these countries, the developmental state paradigm was adopted after the failure of the structural adjustment

programs. Similarly, in East Asian countries, the adaptation of developmental state policies and strategies has undergone significant changes after these countries had been suffered from various socio-economic and political crises during different times.

The history of developmental state in South Korea was traced back to the 1960s. The various social, economic and political crises such as colonization, conflicting ideologies, compromised national identity, civil war and poverty have continued to invigorate South Korea's determination for the adaptation of developmental state paradigm during the early 1960s.

In Ethiopia, social, economic, and political crises had dominated the long lasting history particularly during the 20th century. The problems political instability, poverty, drought, war, and backwardness have been persisted. From this backdrop, the Ethiopian Government targeted to transform the country since the last decade of the 20th century. The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) assumed democratic developmental state model aiming to change the status quo. Democratic developmental state, according to Edigheji (2005: 9), refers to the one that not only embodies the principles of electoral democracy, but also ensures citizens' participation in the development and governance processes. According to the author, democratic developmental state is not an attempt to do away with representative democracy but rather places greater premium on the how participatory democracy compliments representative democracy.

Even though South Korea and Ethiopia adopted similar development line, the policy outcome varied. South Korea scored rapid economic growth relatively within a short period of time while Ethiopia wasted the same years but still economic growth is still questioned. This paper focuses on prototypes of the developmental state and democratic developmental state systems which were adopted in South Korea during the 1960s and in Ethiopia during the early 2000s respectively.

1.2.Statement of the Problem

South Korea and Ethiopia had experienced developmental state paradigm at different times. South Korea had practiced the developmental state policies during the 1960s and the 1970s while Ethiopia has been experiencing it since 2001. Throughout the Park¹ Regime (1961-79), developmental state was the engine pushing forward South Korea's rapid economic growth Kim

¹ Park Chung-hee was the previous president of South Korea that ruled the country from 1961 to 1979.

(2006: 100). According to Mohamed *et al.* (2018), the Ethiopian Peoples' Revolutionary Democratic Front, (EPRDF) adopted a developmental state doctrine within a capitalism system in which the state is involved in the economy supported in some sectors by national and foreign private sector.

Before adopting the developmental state paradigm, South Korea and Ethiopia had one thing in common: poverty and backwardness. Kim (2006: 10) stresses that South Korea had experienced long lasting economic crises. Korea's modernization began after the background of colonization, conflicting ideologies, civil war and poverty. All of these factors have continued to revitalize Koreans' determination for rapid modernization and economic development. According to the same author, even though South Korea was one of the poorest countries from 1910 to the 1960s, now a day it is a member of the Organization for Economic Co-operation and Development (OECD) and one of the few countries that appeared to have successfully graduated from the developing countries.

Similar to South Korea, Ethiopia has also been characterized by social, economic and political crises before the adaptation of the developmental state paradigm. Almost the whole twentieth century, Ethiopia was considered as among the most starved and conflict-prone countries in the world (Muleta, 2010: 1). Focusing on economic transformation, the Ethiopian government intervened in the economy over the past decades. This involvement characterizes the country as developmental state. The EPRDF, after examining South Korea's and Taiwan's history of economic development in particular where both countries have had a large section of rural population dependant on agriculture, found developmental state relevant to Ethiopia (Abtewold and Fisseha, 2017: 19). According to this argument, Ethiopia was inspired by the South Korean development path and adopted such a kind of developmental model.

Although Ethiopia and South Korea adopted developmental state paradigm, they enjoyed different outcome of economic development and prosperity. Speedy transformation from poverty to prosperity characterizes the developmental state of South Korea. Many people wonder why South Korea took only 25 years to achieve the level of production that Japan took 90 years to reach (Kim, 2006: 10). South Korea's achievement of moving from one of the world's poorest countries as recently as the early 1960s to the ranks of the ten biggest economies only four decades later has rightly attracted interest from policymakers and scholars alike (Hundt,2009: 2). Although, the developmental state paradigm led South Korea to prosperity, it was not free of

challenges. The country faced different political and economic challenges, particularly during the early 1960. There had been political instabilities, institutional fragilities, economic crises and regional and international constraints. For more than a decade after the end of the war with North Korea in 1953, almost everything went downhill in South Korea; the country remained a poor and largely under developed nation; problems of corruption and maladministration were prevailed (Edward, 2003: 12). Unlike that of the South Korean, the Ethiopian democratic developmental state encountered many and complex challenges. Still, there is no consensus among politicians and elite of the country why Ethiopia adopted the developmental state paradigm (Befekadu, 2010 and Misgena, 2015). Some argue for the relevance of the paradigm for rapid economic growth. Clapham (2018) argues that Ethiopia is one of the clearest examples of a developmental state in Africa.

Others still doubt whether the need for rapid economic transformation motivated Ethiopia to adopt developmental state model. As (Tesfaye 2010; in Mesgina, 2015) discusses, in Ethiopia, the term developmental state is almost equated with the mere imposition of hard-power and authoritarian rule on society with the aim of continuing one-party rule under the pretext of implementing social, economic and political policies and programs.

Compared to South Korea, developmental state is a recent idea in Ethiopia and it received little attention of researchers and academicians. Even the available literature presents the adaptation and implementation of developmental state policies in Ethiopia and South Korea discretely. Some discuss the challenges and prospects of building a developmental state in Africa comparing and contrasting the cases of Botswana and Ethiopia, e.g. (Gebretensae, 2015). Others present the roles that developmental state plays in development with special emphasis on agricultural development led industrialization (ADLI) development strategy (Yirga; 2015). Still, few emphasize on the challenges of developmental state in Ethiopia such as corruption (Befekadu, 2013). Further, researchers like Asayehgn (2012) discuss the comparison of Ethiopia's developmental state strategies to those of Malaysia within the context of the continuing saga of globalization, instead of considering the Korean case.

Nevertheless, these literatures scarcely give information about the driving forces for the adaptation, practices and challenges of developmental state model in South Korea and Ethiopia. These literatures rarely discuss how the weakness or absence of capable and inclusive political institutions hampers sustainable economic development in South Korea and Ethiopia. In

Ethiopia, since the concept of a developmental state is an emerging phenomenon, the studies available are few (Misgena, 2015). According to Habtamu² (interview: 2020) and Zena³ (interview, 2020), Ethiopian developmental state lacks clarity regarding its adoption period, the extent to which development actors intervene in development, and in its future predictability.

This study will contribute to endeavors to fill the gap in the literature. The government-economic relationships, leadership commitments, ideological orientations and consensus, institutional capacities, and achievements and challenges in both countries are assessed.

The research contributes to the existing information that assesses the nature of developmental state paradigm in South Korea and Ethiopia. It aims to illuminate the driving forces to adopt such model and the major challenges they encountered during their practices. It gives similar emphasis to what is exceptional about the two countries' practices of developmental state model. In this regard, it takes issue with many analyses that cause success and failure.

1.3. Central Argument

The central argument of this study is that several internal and external economic, political, and social factors influenced South Korea and Ethiopia to adopt the developmental state and democratic developmental state policies, respectively yet, as the two countries implemented the policies differently, both countries enjoyed different development outcomes.

1.4. Objectives

The overall objective of this study is to describe the experiences and challenges of developmental state and democratic developmental state policies and strategies in South Korea and Ethiopia, respectively. The study addresses the following specific objectives:

- Explore major factors that motivated South Korea and Ethiopia to adopt developmental state and democratic developmental state model, respectively.
- Appraising the way South Korea and Ethiopia practiced the policies and strategies of developmental state and democratic developmental state, respectively.

²Habtamu Getachew is a Macro Economy Planning Directorate Director at the Federal Democratic Republic of Ethiopia, Planning and Development Commission. The interview was held on March 03, 2020 at Addis Ababa.

³Zena Habtewold is a directorate director of planning, monitoring and evaluation at the Federal Democratic Republic of Ethiopia, Ministry of Agriculture. Interview was held on June 14, 2020.

- Investigating the achievements and challenges that the two countries experienced in implementing the developmental state policy
- Examining the way South Korea overcome the challenges it faced in implementing the developmental state policies and strategies and lessons that Ethiopia could learn from South Korea

1.5. Research Question

The core research question of this study is that what are the factors that explain the motivations, adaptations, practices of developmental state in South Korea, and democratic developmental state in Ethiopia? The study also attempts to answer the following specific research questions.

- Which factors influenced South Korea and Ethiopia to adopt developmental state and democratic developmental state model, respectively?
- How South Korea and Ethiopia experienced the policies and strategies of developmental state and democratic developmental state paradigm, respectively?
- What were the major achievements and challenges that South Korea and Ethiopia experienced in implementing the policies and strategies of developmental state and democratic developmental state, respectively?
- How did South Korea overcome the challenges of developmental state paradigm and what could Ethiopia learn from the experience of South Korea's developmental State paradigm?

1.6. Research Methodology and Methods of Data Collection

1.6.1. Research Methodology

This study employed qualitative research methodology to describe the experiences of developmental state in South Korea and Ethiopia as qualitative approach is appropriate to analyze the roles of individuals, groups, and states in development. Employing qualitative research explore a wide array of dimensions of the social world; the understandings, experiences and imaginings of our research participants, the ways that social processes, institutions, discourses or relationships work, and the significance of the meanings that they generate (Mason, 2002: 1).

1.6.2. Methods of Data Collection

1.6.2.1.Sources of Data

The study consulted both primary and secondary sources of data. The study mainly used key informant interviews and review of archival documents to generate relevant and adequate data. Accordingly, documentary sources such as published and unpublished materials that included books, journals, governmental and non-governmental reports; political party documents particularly EPRDF-related documents, legal documents, research papers, newspapers, articles, and internet sources were considered.

1.6.2.2.Instruments of Data Collection

The study used key informant interview to collect primary sources of data. With regards to Ethiopia, data was collected through semi-structured interviews with selected officials in different federal institutions. Consequently, interviews were held with Ministry of Finance and Economic Development, Ministry of Agricultural, Planning and Development Commission, Civil Service Commission, and Ministry of Construction. These key informants were selected because of their positions as well as the knowledge relating to the information the study needed. On the other hand, my attempt made to get South Korean Embassy in Addis Ababa was not successful due to the impacts of Covid-19 pandemic as I explained under limitation of the study. The study was also conducted by studying several documentary sources.

1.6.2.3.Methods of data analysis

I examined the data collected from both primary and secondary sources. After conducting many interviews with key informants and read several documents, I edited the data. Data were also categorized and summarized. In this process, I distinguish the relevant data from the irrelevant one for further use. I interpreted, explained and defined the data giving meanings so that conclusion was reached.

1.7.Ethical Consideration

I consider interview process in which informed, consent and a voluntary participation are applied. Any information that related to the privacy of the participants is kept secret, as they asked for.

1.8. Significance

This research is important as it explores the historical, social, economic and political factors that have motivated South Korea and Ethiopia to adopt developmental state paradigm. As it discusses the experiences of the two countries in practicing their developmental state policies and strategies, it provides further information that could be used by researchers and academics in their effort to understand the challenges and prospects of developmental state in Ethiopia and South Korea. Besides, different policy makers and government institutions can use the study as an input in policy making process. Further, the study contributes to the existing research as there is scanty of researches. It would also help those who are interested in the area to conduct further research.

1.9. Scope

This study emphasis to the experience of South Korea's and Ethiopia's and motivations, practices and challenges with regard to developmental state and democratic developmental state models respectively. In terms of time, while in the case of South Korea, the period covered from 1960s to 1979 will be considered. With regards to Ethiopia, the post-2001 period is considered while discussing Ethiopia's experience. The periods are picked depending on development policy orientations in both countries.

1.10. Limitations

The study was constrained by several factors. Due to the challenges of Covid-19, individuals in some institutions were not willing to be interviewed. In this case, individuals in the embassy of South Korea in Addis Ababa were refused to be interviewed despite repetitive requests. Those individuals in FDRE Ministry of Industry were also unwilling to be interviewed. Similarly, reluctance, unwillingness, and lack of adequate information with some individuals limited the study. Lack of adequate time, resource and knowledge had also limited the research.

1.11. Organization of the Study.

This study is organized into four chapters. The first chapter presents the background of the study, statement of the problem and specific and general objectives and research question. Research methodology, significance, scope, limitations and organizations of the study are also included. Chapter Two emphasizes conceptual and theories of the developmental state. It briefly discusses

the market state and market centered theories of development with their variants. The chapter also highlights origins and challenges of developmental state.

Chapter Three is devoted to deal with the adoptions and implementations of the developmental state and democratic developmental state policies and strategies in South Korea and Ethiopia, respectively. It briefly highlights backgrounds of developmental state giving particular emphasis to South Korea and Ethiopia. It sheds light on the major factors that enforced Ethiopia and South Korea to adopt developmental state paradigm examining the major global political dynamics and developments of the post-world war as well as domestic historical, political, economic, social factors together with the roles of political leadership. The way these countries implemented the policies and strategies of developmental state is also discussed. Chapter Four emphasizes challenges of developmental state and democratic developmental state in South Korea and Ethiopia. Therefore, challenges related to internal, regional and global political, economic and social factors will be emphasized. This is followed by conclusion.

CHAPTER TWO

CONCEPTUAL AND THEORETICAL PERSPECTIVES

2.1. Concepts of Developmental State

The concept of developmental state is subjected to debate among the political economy elite. Despite several diversities of ideas, however, some basic agreements exist among these elite. Accordingly, developmental state is associated with a type of government that intervenes in the economy with the aim of achieving development. This chapter gives an impression of conceptual and major theoretical perspectives and arguments for and against developmental state after discussing the definitions, origins as well as major challenges of developmental state orderly.

2.1.1. Definition of Developmental State

Explanations of developmental state paradigm vary. Major factors of variations include countries that are typically categorized as developmental, factors that influence countries to adopt developmental state policies, and challenges that encountered these countries. In countries that follow developmental state model, the interplay roles of different development agents such as political leadership, bureaucrats, and market are also debated. The role of the government in promoting economic growth and social progress has been a subject of contestation among international development experts and policy analysts (Fritz and Menocal, 2006: 2). In developmental state model, government is motivated to intervene in development being the ally of the market rather than representing it. The basics of debate, in this case, centers on whether the intervention is universally similar across countries that have been practicing developmental state model.

Despite the above debates, many agree that the term developmental state is state centric and associated with the intervention of government in development activities targeting social and economic transformation backed by technological development. According to (Chalmers Johnson, 1982, 1999; in Bresser-Pereira, 2016: 6), developmental state is described as:

a state that prioritize economic development objective; one that intervenes in the economy by means of regulation and substantively; one that assumes a small and highly skilled public bureaucracy; one that controls its foreign commercial and financial accounts; protects the domestic industry from end-products; one that facilitates technology imports; the creation of public-sector financial institutions; the adoption of a consolidated public investment budget;

strong government support to science and technology; the rejection of detailed laws, making room for the initiative of business firms and discretionary guidance from the public bureaucracy.

Government intervention in development aims to formulate effective policies and strategies, and guide the implementations of these policies and strategies. In this case, the developmental state paradigm represents one in which political realm collaborates with economical realm. Key themes of the developmental state include institutional forms and structures, the state's relations with domestic and foreign capital, and the growth-first ideology which supports developmentalism⁴ (Hundt and Uttam, 2017: 23).

The process of collaboration between government and market is more influenced by the performances of bureaucrats and technocrats in development. The developmental state, which lies between the liberal state⁵ and statism⁶, is a superior form of capitalist economic and political organization and a means to sensibly or pragmatically combine government and market coordination in capitalist economies (Bresser-Pereira, 2016:16). The government plans, directs and employs the economy.

Developmental state model has its own characteristics that help explain more the term. These characteristics are appeared at the levels of policy formulations, implementations, and policy outcomes. First, developmental state is supposed to be capable of implementing its policies and strategies. According to Hundt and Uttam (2017) and Chu (2016), the developmental state is described as strong and autonomous and has the political capacity to communicate and inculcate its developmentalist⁷ legacies into other development agents and the wider societies. The main features of the developmental state are discipline over the private sector, the capacity to mobilize and control labor, and maintenance of an authoritarian regime (Hundt and Uttam, 2017:3). In development state paradigm, the approach that governments use to formulate development policies and strategies are critical for the overall development goals. Perez (2008) regards three basic issues of developmental state: interventionist but which did not imply excessive

⁴Mkandawire (2001: 29) describes developmentalism as the ideological foundation of developmental states in which the governments perceive their mission as that of ensuring economic development, usually interpreted to mean high rates of accumulation and industrialization.

⁵Liberal states refers to states that apply and, and rules in according to the principles of free market economy and liberal political system.

⁶According to Eatwell *et al.* (1990), statism or statist refers to a system where state or government centrally plan the overall political and economic policy formulations, policy implementations, and policy outcomes

⁷ According to Bresser-Pereira (2011; 2016), developmentalist legacy is the ideology of developmental state needed to be indoctrinated and inculcated to the citizens of a given country practicing developmental state.

intervention; goal oriented intervention and achieves these goals through instruments of industrial, trade, and financial policies; and the degree and type of intervention varies over time in scope and content. According to the author, policy instruments include tax, subsidies, import controls, export promotion, financial loans and grants.

Besides, developmental state is also described by its major elements. Mkandawire (2001) distinguishes developmental state from the other forms of states by its parts. According to the author, developmental state has ideological and structural parts. While the ideological part underlines the developmentalist ideology, the structuralist part focuses on the capability of the government to formulate and implement development policies.

Moreover, developmental state is explained by the interplay of different development agents and the outcome of the interplay. The development outcome is influenced by the nature of the interaction among development agents that include political leaders, government bureaucrats, private firms, and the wider societies that took part in development. In this regard, Onis (1991) presents the two central features associated with the developmental state as the unusual degrees of bureaucratic autonomy and public-private cooperation. The coexistence of these two conditions allows the government and the bureaucratic elite to articulate development agenda and implement the agenda through effective policies, strategies and plans. Similarly, Williams (2015) outlines the differences between the features and outcomes of developmental state to make clear understanding of it. According to the author, the outcomes of developmental state are rapid economic growth while its features include state bureaucracy, capacity, autonomy, discipline, and political power.

2.1.2. Origins of Developmental States

The rise of developmental state in different regions of the world has to be seen in its historical and geo-political contexts. Prior to the second half of the twentieth century, the form of developmental state had been practiced in different parts of the world. The Economic Commission for Africa stresses that developmental states have evolved over the ages; and they characterized the growth of the Netherlands in the sixteenth century, England in the sixteenth to the nineteenth century, and Germany in the middle of nineteenth to the early twentieth century (ECA, 2011: 96).

The beginning of the second half of the twentieth century was described by war catastrophe that resulted in various social, economic and political crises in different regions of the world. To reconstruct these war devastated economies, different countries adopted different forms of policies and strategies, one of which being developmental state paradigm. Related to this, the concept of developmental state has been clearly identified by Johnson (1982) wherein he explained the miraculous recovery of the Japanese economy after its destruction in the Second World War. Besides, some countries adopted it at the time when they were miserably poor in the aftermath of colonial domination or other forms of social, economic and political crises. The twentieth-century developmental state pursued an industrialization led approach to economic growth (Williams, 2014: 9). During this period, the developmental state paradigm had been clearly identified with the development policies and strategies followed by South East Asian countries. According to Chu (2016), the developmental state is mostly associated with rapid economic transformation experienced by East Asian countries including Japan, South Korea, Taiwan, Hong Kong, and Singapore after WWII.

Outside East Asian countries, developmental state have been also practiced elsewhere. As Kanchoochat *et al* (2019) indicate, in addition to East Asian countries, Europe and North America, developmental state policies and strategies have been practiced in Latin America and many African countries after the end of colonial rule.

It is important to consider motivating factors for the adoption of developmental state. Some countries adopted developmental state policies to replicate the earlier development path followed by other countries. In this case, the history of development success influenced others to follow that path. Caldentey (2009: 31) stresses that the developmental state was viewed as a type of development strategy followed by the late industrializing countries to catch up with more developed ones. In similar fashion, Williams (2014: 1) states that the success stories of developmental states in East Asian Economies attracted tremendous interest among economists, social scientists and development policy makers.

In addition to the path-dependency⁸, other countries adopted developmental state policies for the sake of alternative to attain and sustain development. Chu (2016) presents two distinct

⁸According to (John, 2010: 5; Stuteville, 2011: 64), the idea of path dependency is that technological innovations and their knowledge base are closely linked with the earlier developments; used by both political scientists and

developmental state projects: the task of catching up with more advanced countries, and the task of developing industries that are able to compete technologically. In this approaches of developmental state, governments direct the economy to achieve rapid economic and social transformation.

There are different arguments in illuminating why some countries in Africa and East Asia adopted developmental state model. One basic approach uses colonial rule to explain the reason behind the adoption of developmental state in African and East Asian countries. Majority of these countries share colonization in common. The colonies make colonialism responsible for their contemporary development crises i.e. the previously colonized countries of Africa and Asia blame the past colonial rule for their contemporary underdevelopment. Colonial rule exploited and delayed development in both Africa and Asia. Any review of capitalism in Asia since WWII needs to start with the legacy of colonialism (Hundt and Uttam, 2017: 5). After political independence, countries in Africa and Asia planned to build economic self-reliance. For African and Asian countries, the quest for political independence was inextricably linked to the desire for social development and an end to their subordination to the industrialized states of Europe and North America (Heywood, 2002: 116).

Besides, the influences of particular history and social structure have determined the policy choice in Africa and South Asian states. Particular historical elements of ancient civilizations which are attached to contemporary state formations, economic development and emergence of nationalist forces have determined the role and autonomy of governments in development in East Asian countries. Haggard (2013) analyzes the historical sources of development in Japan, South Korea and Taiwan emphasizing the development success of these countries. Historical factors had also critically determined the development policy choice in post-independence African countries. Global factors such as WWII and Cold War situations coupled with the domestic political crises have influenced the development models of the African and East Asian countries.

Overall, it is crucial to see the essences of developmental state. Firstly, development policies and strategies are dependent on government intervention. This intervention is not to dominate the

economists to show how certain laws, rules, and institutions can create heavy disincentives for change because so much is already invested in the existing ways of doing things

roles of the market, but to cooperate with it by protecting infant industries, or by filling the market gaps. This means that the intervention is restricted and selective. Secondly, government interventions in economy are goal oriented as it targets rapid industrial development, and the overall social and economic transformations. In this regard, Mkandawire (2001) claims that in the African case, the failure of the structural adjustment programs has compelled the Bretton Woods institutions namely the International Monetary Fund and the World Bank to recognize the positive role that states can play in the process of development, beyond acting as a night watchman⁹.

2.1.3. Major Challenges of Developmental State

The developmental state paradigm advocates political intervention in economy. Unless carefully and efficiently managed, political intervention will result in several problems. It was witnessed that after adopting the developmental state paradigm, many countries have achieved successful development while others have failed. This leads us to deal with the challenges and limitations that the developmental states face.

The first challenge stems from the competence and commitments of the political leadership to formulate and implement development policies. The competences and commitments of political leadership are critical as it determines the effectiveness of other development agents. Successful developmental states have always relied on republican-minded nationalist politicians and pragmatic economists who knew that their core job was to ensure economic stability and make policies that contributed to their country's industrialization or productive sophistication (Bresser-Pereira, 2016).

The other challenge of developmental state comes from capable and efficient bureaucratic institutions. Strong institutions reduce or evade mal administrations and misadministration in public institutions in the process of formulating and implementing developmental state policies. Fritz and Menocal (2006) explains the major challenges of developmental state paradigm as corruptions and rent-seeking, and the capacity and the commitment of the state bureaucrats to coordinate, implement and evaluate developmental policies and strategies. As expected, unless strong institutions exist, developmental state model is vulnerable to the challenges of

⁹Night man watch states are minimalist states whose actions are restricted or limited while enforcing rules and regulations

corruption¹⁰ and rent-seeking¹¹ as government officers are involved in the economy. Many developmental states, particularly those in developing countries were critically challenged by the corrupt and inefficient political leaders and bureaucratic institutions.

Most of the time, corruption and rent-seeking are used interchangeably. However, corruption and rent-seeking operate in conditions in which one feeds the other. According to Aidt (2016), rent-seeking is an unearned reward sought through a quest for privilege from the government officials. Through corruption and rent seeking process, some group emerges to capture the state that endangering the interest of the wider public. Many of the problems associated with these failed state interventions were rooted in state capture: influential interest groups used the state to foster their own interests and extract rents rather than to promote a developmental vision (Fritz and Menocal, 2006: 2).

2.2.Perspectives For and Against Developmental State

Development perspectives have changed over time based on changes in international political and economic developments and changes in ideology. With these changes within perspectives, therefore, conceptions of the roles of government in development have been changed. Such changing character of development conceptions and its relationship with government can be understood through major development perspectives that came into existence after WWII. These perspectives are characterized by a high degree of heterogeneity, divided along paradigmatic lines between the broad categories of the market-led development and the state-led development views. The market-led development perspectives favor the dominance role the market in development while the state-led perspective advocate the dominance, or alliance of the role the government play in development. In this case, developmental state perspectives stress that economic realm and political realm could not be examined in isolation of each other. This section elaborates theoretical debates and arguments between the two most dominant category of market-led development and the state-led development views.

¹⁰According to Shleifer and Vishny (1993) in Aidt (2016) corruption refers to sale by government officials of government property for private gain and or situations where, 'the power of public office is used for personal gain in a manner that contravenes the rules of the game, Jain (2001) in Aidt (2016).

¹¹Aidt (2016) Hillman and Ursprung (2015) describe rent-seeking as the quest for privileged benefits from government.

2.2.1. Perspectives For Developmental State Model

Several perspectives have recognized the role of government in development though their recognition varied in extent and purpose over time. Commonly, these perspectives argue for state-led development advocating the leading and controlling roles of the government in economy. Among these perspectives, the command economic system accepts government as a sole development agent. This perspective completely rejects the role of the market in determining the economy particularly the means of production¹². Eatwell *et al.* (1990: 58) contends that command economy is one in which the life-cycle and activity of firms, their adjustment to disturbance and coordination between them, are typically and in the main governed by administrative means – commands, directives, and regulations - rather than by market mechanisms. The essentials of centrally planned economy include maximum resource mobilization towards urgent national objectives such as rapid industrialization or radical transformation of the socio-economic system. It solves the disorganization of market economy through price control possibly occasioned by inflationary pressure. Command economic system is important as developmental state perspectives are modified version of it in which the roles of government and market are recognized and allied.

Some of the proponents of the classical market based assumptions accept restricted levels of government intervention in economy. For instance, some variants of neo classical economic theorists recognize limited roles of the government in development for protecting the interests of the customer and ethical behaviors in the market. The interventionist pole of the neo-classical liberalism theory, as (Lewis, 1954, 1958; in Cooper, 1981) identifies that the state could promote economic growth.

During the 1930s World Great Depression¹³, Keynesian economic perspective emerged with the view of greater government intervention in the economy. According to this perspective, government intervention in economy is required with the aim of increasing spending in social

¹² As described in (Gartman: 388), Karl Marx's term 'means of production' is that the interaction of human nature in 'labor process' to produce use values to meet their needs; economic and social resources or inputs used to produce goods and services including machineries, labor, etc.

¹³ World Great Depression refers to 'the greatest economic catastrophe' (Keynes, 1931; in Crafts and Fearon, 2010:285); the economic crises that began in 1929 soon engulfed swiftly every producing country and all food and raw materials producers (Crafts and Fearon, 210:285).

and economic sectors such as educations, employments, infrastructures and health consumptions. From 1930s to the mid-1970s, Keynesian development approach claimed that capitalism requires significant state regulation. After the end of the Second World War, the Keynesian suggestions caused the emergences of the Welfare States¹⁴ in different parts of the world particularly in the Western countries.

Besides, some recent variants of neoliberal perspective recognize certain government intervention in economy. These variants recognize some imperfections with markets and thus, advocate limited government intervention to correct such market failures and imperfections.

However, developmental state model was articulated with the appearance of developmental state theories. These theories evolved from a number of diverse and amalgamation of theories and historical events, notably theory of late development or late industrialization and theory of state-autonomy. Recent changes and evolutions of the developmental state approach became dominant following the end of the Second World War. In 1950s and 1960s, a number of developing states acquired political independence from colonial rule. During their movements towards independence, they commonly shared the idea that colonial rule had been responsible for their social, political, and economic crises. This means that in the newly independent and late industrialized countries, governments started playing central development roles to achieve social and economic transformation. According to Haque (1999), in Asian, African, and Latin American countries, a separate set of developmental theories emerged and attempted to address issues such as economic crises, weak political institutions, and the need for rapid economic growth and nation-building.

¹⁴According to Quadagno (1987), Welfare state is an economic, political and social system in which government provides social services to the people including health care, educations and security services. In such system, the main focus of government is investing in consumption. According to (Briggs, 1961), a welfare state is a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of the market forces in at least three directions __by guaranteeing all citizens a minimum income; by narrowing the extent of insecurity; and by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services.

The developmental state perspective strongly advocates government intervention in the economy for various reasons. Firstly, it reasons economic and political motivations. According to Fine, *et al.* (2013), the developmental state theory consists of the economic school that emphasizes the significance of market imperfections and the role of a government in addressing them; and the political school that identifies the potential and the independence of the state itself. In this case, this theory considers the capabilities and independence of the state to formulate and implement effective development policies. Market imperfections come from its powerlessness relative to non-competitive activities, and a poor coordinator of macroeconomic prices (Bresser-Pereira, 2016; Mkandawire, 2001).

Secondly, the developmental state theory advocates government intervention to attain and sustain rapid economic growth. The proponents of the developmental state argue that developmental policies adopted by the state lead to rapid industrialisation and economic growth. As Gerschenkron (2018) asserts, those late comer states to the global economy require a centralized approach to industrialization and economic growth. In order to catch up with the developed world, underdeveloped and developing countries need a more centralized system for capital accumulation, technological advancement and industrial growth. The core idea of the developmental state model is that governments should make development agenda its top priority and intervene in the economy to facilitate growth and economic transformation (Yirga, 2015: 97).

Thirdly, the developmental state perspective assumes active involvement of the state in the economy with the motive of protecting infant industries of the newly independent states. Not only protecting purpose, they also assume the planning and promotion of macro economies and heavy infrastructures. Government intervention is required to accrue the economies of scale and scope, to coordinate investments within and across sectors, to harness positive and eliminate negative externalities (Fine *et al.*, 2016: 4). In this case, developmental state theories advocate for selective and restricted government intervention for the market failures differ in intensity, scope and locations. In this regard, the stance of developmental state theorists is between the liberalists and the socialists. Apart from the fact that market fails to provide most of the basic services such as education and health care without strong state support and regulation, markets are today rigged to favor the rich more than they have been in any decades since the Second World War (Bagchi, 2003: 47).

2.2.2. Perspectives Against Developmental State Model

Several political economy theorists have been rejected government intervention in economy for long period of time. This rejection varied in extent and over time. The eighteenth century economic theorists including Adam Smith and David Ricardo strongly claim free market economic system. These theorists are too apt to treat growth as a self-propelling process and to underplay the social basis of production Cooper (1981: 2). According to this view, the best remedy mechanism for economic crises such as recession is leaving the free market alone which, in other way, they called *laissez faire*¹⁵. This perspective had strongly argued that economy has to be merely determined by the law of supply and demand through the price adjustment mechanism. According to this argument, consumers and suppliers should regulate the market forces through customer satisfaction and profit maximization, respectively.

In the 1970s, the idea of the developmental state became discredited with the revival of liberal theories. The economic aspect of neoliberalism is an extension and modified type of the classical liberal economic theory. In this connection, Mammadov (2016: 292) also claims that neoliberal economic thought is an updated version of the classical liberal economic thought. The neoliberal perspective dominated international development policy advocating market-led development. It was a turning point from state welfarism¹⁶ towards a political agenda favoring the unrestricted operation of markets.

The central assumption of the neoliberal perspective is that the free market economy is the best way of ensuring rapid and successful economic development. According to the neoliberal perspective, the rational decision making capacities that people have between outcomes and related values, the individual and firms ability to maximize profit and market centered decision making through competition. After the end of the Second World War and the establishment of Bretton Woods Institutions, liberal economics has championed and expanded its domain of

¹⁵*Laissez fair* is a neoliberal thought those who see no need for government intervention in economy (Williams, 2004: 165).

¹⁶According to Andersen (2007), welfarism is state policies, principles, attitudes and beliefs related to the welfare states.

application (Fine, 2013: II). In the realm of liberal approach, the purist¹⁷ free market proponents suggest that any intervention of government in economy is unnecessary.

The neo-liberal perspective offends government involvement in economy centering on the thinking of individual liberty against the governments and regulated markets. The theory claims that a largely unregulated capitalist system not only embodies the ideal of free individual choice but also achieves optimum economic performance with respect to efficiency, economic growth, technical progress, and distributional justice (Mammadov and Hasanov, 2016: 294). In the case of free market economists, state intervention is seen as a dead hand that reduces competition, efficiency and productivity (Heywood, 2001: 96).

Neoliberalism became a central part of economic development programs being characterized by structural adjustment programs¹⁸ and free trade agreements. In the 1980s, the neoliberal orthodoxy harped on the deleterious effects of state intervention and insisted on the advantages of market-driven development (Mkandawire, 2001: 291).

The other opponents of developmental state argue that developmental state is not inclusive. It treats certain business groups at the expense of other labor and social groups. The proponents of the developmental state do not problematize neither the nature of the state nor the national development process, through treating the state as a technocratic body separate from contradictory class relations, overlooking the exploitative relations between state-labor and capital-labor which are intrinsic to the capitalist development process (Mollaer, 2016: 7).

Further, the other offensive argument against developmental state model is that it places the human right issues as its second agenda, next to its ‘development first’ motto. According to this argument, governments give little attention to the protections and promotions of human rights. It also rarely accommodates multiple interests that can be represented and articulated by civil society organizations. In short, developmental states have been weak in practicing democratic

¹⁷According to Cooper (1981: 3), the variants of purist neo-classical economic theory argue that economic development should be equally pristine, utopian, and abstracted from social and political reality.

¹⁸ According to Mlambo (2019), Structural Adjustment Programs (SAPs) refers to the instruments or agencies of WB and IMF according to both institutions provided conditional loans to African countries starting from 1981, in return, the borrowing African countries were forced to implement neoliberal economic regime which included, among other things, to roll back the state in order to allow for free market forces to play an unfettered role.

governance. Many of the characteristics of developmental states emphasized by the literature, such as autonomy from social pressure, seem to be authoritarianism by another name (Kyle, 2017: 29).

The theoretical debates discussed above illustrate that different countries have experienced different development paths. Some countries achieved development through the hypothesis of market-led development theories while others used the state-led development theories and become successful. Still, some other countries failed adopting one of the above theories which could lead others to achieve advanced industries. Therefore, the experiences of different countries witness that the nature of the policies they adopted is less significant than the way they implemented these policies. For the sake of this study, the perspective of developmental state paradigm is emphasized for the following reasons.

First and foremost, the developmental state theory articulates the major factors that motivate governments to involve themselves in the economy. This theory treats government and market as complimentary, not substitutive institutions. Therefore, the interplay between the two is important to analyze particularly in the experiences of South Korea and Ethiopia in the shadow of the developmental state theory suggestions. The developmental state theory argues that the role of the government in formulating, coordinating and regulating development policies and strategies to fill the gaps created by the imperfect market is crucial to achieve development.

Second, developmental state paradigm grew so hegemonic in South East Asian countries including South Korea that its policies and strategies became attracted many policy researchers, theorists and academicians. These researchers and theorists came with various views of such development model regarding its projections, practices and outcomes. Again, the democratic developmental state that Ethiopia adopted is also worth to study under the shadow of developmental state theory. The ways South Korea and Ethiopia practiced the policies and strategies of developmental state and democratic developmental state paradigm matters.

Further, there have been many unanswered questions that why countries those follow the same development line achieves different development outcomes. Some countries were able to successfully achieve development while others were failed. By the late 1970s, for instance, the state-led model of development had come under strain in Africa and in Latin America while East

Asian countries able to achieve rapid and sustainable development using the model. Since the late 1970s, largely in the name of stabilization, efficiency, productivity, and competitiveness, these statist development programs have increasingly been replaced by market-oriented policies in developing countries (Babai, 1988; Smith, 1991 in Haque 1999: 199). According to Takagi (2019) on the other hand, state intervention in the economy in many of developmental states was often highly wasteful and inefficient. According to the developmental state theory, the major factors variables are associated to leadership problems, bureaucratic inefficiencies, and institutional incapability.

CHAPTER THREE

ADOPTIONS AND IMPLIMENTATIONS OF DEVELOPMENTAL STATE AND DEMOCRATIC DEVELOPMENTAL STATE POLICIES IN SOUTH KOREA AND ETHIOPIA

3.1. Backgrounds of Developmental State Modal in South Korea and Ethiopia

Many developing countries in Africa and East Asia have experienced developmental state model after World War II. Using this model, majority of these countries particularly those of East Asia have achieve rapid economic development. Almost all African countries commonly share backward social and economic situations. According to Edigheji (2005), the post-independent African countries were characterized by the dominance of primary economic sector such as agriculture, oil, and minerals; dependence on foreign aid; heavy endebttness, high unemployment, and informalization of the economy, and absences of social and physical infrastructures. Political crises had also prevailed. At the existence of such juncture, governments in African countries were involved in economy to reduce the impacts of such crises. However, contrary to East Asian countries, the African countries faced challenges in implementing the developmental state policies. This chapter focuses on the experiences of developmental state and democratic developmental state policies in South Korea and Ethiopia emphasizing on backgrounds, formulations and implementations of these policies in both countries.

3.1.1. Origin of Developmental State in South Korea

South Korea had experienced state-led development model from 1961 to 1979, which was dictated by the combination of different factors that enforced the country to adopt it. This period covers the reign of Park Chung-hee as a president of South Korea. The country had passed through external invasions, internal political and economic disaster, and backward societal lives. The contributing factors for the formation of strong developmental state in South Korea were associated with historical legacies, Confucian¹⁹ tradition, colonial rule, political crises, and geopolitical situation of South Korea during the Cold War era (Cumings, 1998; Kim and Lim, 2007; Ann Sasa, 2000).

¹⁹ Confucian tradition is an ancient religious background, and social and ethical philosophy that aimed to build common moral background and to perfect attitudes and behaviors of individuals. It was originated in the ancient China, and expanded to other countries including Korea.

In 1910, Japan colonized Korea which lasted until 1945. Koreans experienced absolute decline in political, social, and economic lives. The motives after colonialism of South Korea's need to move towards a developmental state can be seen from two angles. First, the ruthless colonial rule forced the Koreans and brought them to search for native life. Under the colonial rule, the largest percentage of the Koreans was dependent on backward agriculture. However, the majority of the peasants were landless while others were employed as traditional laborers of the Japanese landlords due to the unjust land policy of colonialism. Colonialism influenced the Koreans as stirring and motivating force toward change. Korean intellectuals and leaders of the nationalist movements believed that Korea was easily colonized because it had been weak and poor state. Kim (2006) claims that within the colonial structure, the Korean people were mobilized to serve the interest of colonial power, exploited and assimilated, and at the same time they were not passive recipients of the colonialism. Following the end of the Japanese colonial rule in 1945, South Korea faced other crisis. The course of the Second World War and the Cold War tensions caused the division of the Korean Peninsula into two in 1948. In the process of dismantling the Japanese colonial empire, American and Soviet troops occupied the peninsula; dividing it into two parts along the thirty-eighth parallel (Hundt and Bleiker (2007: 66). On the other hand, South Korea considered Japan as its role model. Japan emerged as a powerful country using the developmental state model in the twentieth century. Some South Korean top authorities, including Park Chung-hee²⁰, admired the colonizer's path to development. Following the end of colonialism in 1945, and after the toppling of Syngman Rhee's²¹ regime in 1961, these authorities²² came to power in South Korea with the mentality that corresponds to the Japanese development path. One distinguishing mark of any successful developmental state in history has been its ability to learn from others (Gchi, 2003: 40).

The wider society of South Korea had influenced the country's development policy orientation. On the one hand, there had been national consensus among the Korean people. The relative homogenous nature of the Koreans contributed to this consensus and eased the adoption of developmental state model. South Korea was single-minded on growth that the substantive

²⁰ General Park Chung-hee was the former President of South Korea that ruled the country from 1961 to 1979, and assassinated on October 26, 1979.

²¹ Syngman Rhee was the first President of South Korea after independence that ruled the country from 1948-1960, who was put on power by the support of USA.

²² According to Eduward (2003: 14), Major Genera Park had been a junior officer in the Japanese army during the 1930s and 1940s, and he was strongly influenced by the doctrine __ widely held by the Japanese military during the period __ characterized by a belief in strong, centralized management of economy and by strong nationalist.

catch-up project got off to a flying start under the regime of General Park Chung-hee (Kanchoochat (2019: 49-50). On the other hand, South Koreans passed through internal and external unrests, which they badly remember. The mentality that had suffered from poverty, war, and backwardness was eager for transformation. The Koreans demanded development and became part of it standing with the reformist leadership of the 1960s. Korea's modernization was forged with the backdrop of colonization, conflicting ideologies, civil war and poverty (Kim, 2006: 9).

Being derived by different factors, political leadership of the 1960s carefully explored effective economic policy. First, political leaders in South Korea were very strong and nationalist who started modernizing the country against the conditions of hopelessness and tragedy after civil war. The new Park-led government that came to power in 1961 promised a new era of development and was committed to realize its promises. For Kim (2006), nationalist orientations played a motivating, a mobilizing, and legitimating role in state- building and development strategy. On the other hand, the Park government feared the growing popular dissatisfaction and grievances over economic crises of the 1960s. Social grievances were feared to cause the internal political turmoil and national security threat. Economic growth for Park was not only a source of prosperity for the country, but also a means to increase the legitimacy of his regime and strengthen national security (Asmolov, 2019: 181).

South Korea's developmental state had also international origin. Korea was internationally created from colony of Japan in 1945 as a result of WWII. Japan fought WWII against US and USSR. Japan was defeated and evacuated from Korea leaving it under US and USSR. In 1948, the confronting super powers, US and USSR, divided and occupied the Korean peninsula. US occupied the southern part while USSR occupied the northern. The establishment of the divisive regions led to a destructive civil war between North Korea and South Korea that lasted from 1950 to 1953. The war was devastating for the Koreans and strong developmental state emerged to build the war-torn economy. The division of the Korean peninsula brought into being by the Cold War and deepened by fratricidal conflict of the Korean War, was another reason for the establishment of strong state in South Korea (Ann Sasa, 2008: 9).

After the war with North Korea, South Korea remained under US trust ship²³ which strongly shaped its policy orientations. US influenced South Korea's development policy makers to consider the principles of the Western capitalism. US pressure on South Korea extended to advocate regime change. So, the ideology of anti-communism swept away other dimensions of modernity, creating tensions between the underdeveloped and developed social institutions (Kim, 2006: 105). US trained the Korean policy expertise including the members of Economic Planning Board (EPB). It is impossible to understand the Korean developmental state project outside of context of the post-war global development project and nationally based capitalism (Pirie, 2008: 2).

The global and regional political development of the Cold War contributed to the emergence of nationalism in South Korea. On one the hand, strong nationalist and leftist movements demanded reform. On the other hand, the US had left a deep impression on the political economy of South Korea where development agenda became a response for national 'security threat'²⁴ and economic development. These states were only 'semi-sovereign', however, insofar as they compromised external autonomy to gain domestic autonomy (Hundt and Uttam, 2017: 6).

3.1.2. Democratic Developmental State in Ethiopia

Development is delayed in Ethiopia despite the old existence history of the country. The country was considered among the most starved and conflict-stricken countries in the world. Ethiopia has been branded with political and economic, and social crises. Unrest, poverty, famine and problems of illiteracy have been persisted in the country.

Successive governments of Ethiopia resisted change. Beginning from the existence of Ethiopia as a 'modern state'²⁵, the wider Ethiopian people have been excluded from development and governance, in which one-man rule or the few exercised unlimited power over the people. All Ethiopian rulers have maintained neopatrimonial²⁶ rule (Dima, 2009: 19).

²³ After the Security Council of United Nation mediated the issue of Korea, South Korea was kept under US rule

²⁴ Development crises such as poverty and unemployment were identified as national security threat in South Korea particularly after civil war (1950-1953).

²⁵ Modern Ethiopian state formation started from 1855.

²⁶ According to Eisenstadt (1973), neopatrimonialism refers to a political and bureaucratic relationships which is formally constructed on rational-legal lines in which officials hold positions in bureaucratic organizations with powers which are formally defined, but exercise those powers, so far as they can, as a form not of public service but of private property.

The country had been feudal state during reign of Emperor Haile Selassie-I (1930-1974). The reign of the Emperor was excessively centralized and lasting absolutist delaying development. In large parts of Ethiopia, particularly in the south, the local communities had been converted to the property of feudal lords. The regime granted peasant lands to the land lords through the system known as *gult*. *Gult* system was probably even more extractive than under European feudalism (Acemoglu and Robinson, 2010: 27). The authors add that: transition has never happened in large parts of Africa and the evidence suggests that while the transition was taking place in Western Europe, absolutism²⁷ and patrimonialism²⁸ were persisting in Africa and may be even intensifying. An example of this comes from the history of Ethiopia. ...the basic extractive economic institutions of the absolutist Ethiopian Empire, such as *gult*, lasted until they were abolished during the 1974 social revolution (Robinson and Acemoglu, 2010: 26-27).

The *Derg* i.e., military, controlled state power in 1974 following the revolution and nationalized land. Even though peasants were entitled to land, the process of transferring land to the peasants was highly exposed to injustice, corruption, and nepotism due to fragile government institutions. Development crises prevailed in Ethiopia throughout the reign of *Derg*. Different organized political groups challenged the power of the socialist *Derg*. Finally, the coalitions of different political parties²⁹, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), controlled state power in 1991. A decade later, the EPRDF-led government introduced a form of democratic developmental state paradigm in Ethiopia.

Motivated by various factors, the EPRDF-led government introduced democratic developmental state policy after 2001. Poverty reduction was the major objective of the new policy. According to the World Bank (2005), the share of the Ethiopian population living below the poverty line fell from 46 percent to 44 percent between 1995 and 2000; in rural areas, the rate declined from 48 percent to 45 percent while the rate in the urban areas increased from 33 percent to 37 percent. The EPRDF government started repeatedly articulating that the interest of the Ethiopian

²⁷According to Acemoglu and Robinson (2010: 26), absolutism refers to a type of state where the power of the ruler is absolute and unconstrained by institutions or countervailing forces

²⁸Acemoglu and Robinson (2010: 26) describe 'patrimonialism' as a system of state where only few institutionalized rules are applied and universalistic criteria are not used; rights and responsibilities are determined by the ruler who endows them conditionally on people in exchange for support.

²⁹Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) had been the coalitions of four political forces: Tigray People's Liberation Front (TPLF), Amhara National Democratic Movement (ANDM), Oromo People's Democratic Organization (OPDO) and Southern Ethiopian People's Democratic Movement (SEDM).

people is to live free from poverty, disease, and backwardness. In the words of (Habtamu: interviewee)³⁰, ‘there was a development gap; millions of Ethiopian people were under poverty line; it was only the government that appropriately could fill the gap’.

The adoption of developmental state in Ethiopia has a historical background. (Zena: interviewee)³¹, claims that government involvement in economy has had a complex historical, economic, and political background. The previous feudal and socialist Ethiopian regimes had totally monopolized the economy. They marginalized and weakened the private sectors leaving no room for private sectors in development. In this regard, Lefort (2015: 359) indicates that in 1991, industrial and service sectors made up only 12 percent and 23 percent of GDP respectively while the private sector was tiny. The author adds that 48 percent of construction; 72 percent of transport and communications; 89 percent of industry and mining; and 100 percent of electricity, banking and insurance companies were in the hands of the state, which had proved to be a very bad manager. According to Zena, socialism had eaten the private sectors as private sectors were not allowed to own a capital more than Birr 500,000.00 (five hundred thousand) during the *Derg* period. The EPRDF regime intended to reverse this situation.

Ethiopia’s development policy choice during the early 2000s was influenced by regional and global political developments. The end of the Cold War and development success in South Eastern Asian Countries had influenced Ethiopia’s development policy orientations. The ideological dominance of USA in the post Cold War era was coupled with the disintegration of the former USSR and unification of Germany in the late 1980s. The *Derg* had oriented its political and economic policies toward the socialist ideology being the ally of USSR and East Germany. With the collapse of the socialist bloc, the world had changed, and the TPLF changed radically, almost overnight—at least in public (Lefort, 2015: 360).

The post Cold War global political developments encouraged Ethiopia’s policy orientation from two angles. On the one hand, Ethiopian authorities opposed the ideas of neoliberal economic thinking seeing it as a risk to the weakest and war-torn Ethiopian economy. As an alternative, the government adopted developmental state paradigm with the intention of protecting of the weak domestic industries. Zena argues that had Ethiopian economic sectors like telecommunication, electricity and banks made fully open to the foreign private companies, no domestic company

³⁰ See, page 6.

³¹ See, page 6.

would have been competent. There was high market failure in Ethiopia, and to change this problem, there was a need to intervene in development. For Fantini (2013), during the 1990s, EPRDF strategy opposed structural adjustments and economic liberalization policies and opted for other development path.

On the other hand, the Ethiopian authorities had been admiring the developmental state model of the Eastern Asian countries. While opposing the market dominance in economy, Ethiopia was arguing for government intervention in development. The country adopted the developmental state model to replicate the experience of the successful developmental states of the East Asian countries. Policy imitating has had lasting history in Ethiopia. The EPRDF adopted democratic developmental state mixing the Western and East Asian policy values. The Ethiopian democratic developmental state can be seen as the emulated form of developmental state from eastern Asian countries, particularly South Korea and Taiwan (Melke, 2013: 294).

The post-2000s political leadership committed to determine the type of development policy in Ethiopia. The ruling EPRDF has adopted a form of democratic developmental state under the leadership of the former Prime Minister, Meles Zenawi, who played decisive roles to position Ethiopia as a democratic developmental state. The development experiences of East Asian countries such as South Korea and Taiwan (whose economy had been largely based on agriculture) attracted the interests of Meles Zenawi, who favored such model. Ethiopian leaders saw East Asia as an alternative to the neo-liberalism they so decry in the west and its conditionality (Elsje, 2011, in Melke, 2013: 294). The leadership also repeatedly promised to build democracy. Ethiopia adopted democratic developmental state which is unique to Ethiopia and different from the East Asia's authoritarian developmentalism for which it is difficult to postpone democracy for the sake of development (Muleta, 2015: 98).

3.2. Formulations and Implementations of Developmental Policies and Strategies

South Korea and Ethiopia experienced developmental state model during different time span. In both countries, governments have made variant degrees of alliance with market. This section provides an impression of the experiences of both countries regarding the way both countries did it.

3.3. Political and Institutional Reforms and Consolidations

Political transition took place in South Korea in 1961. In 1963, the country amended its Constitution that initiated the third Republic of South Korea. A presidential type of political system that vested the highest state power in the hands of the president was introduced. At least in principle, South Korea formed a liberal democratic form of civilian government. In practice, however, as argued by Asmolov (2019), a military dictatorship, which manipulated economic and political actors, was established under President Park Chung-hee (1961-1979). The foundation of developmental state in South Korea was coincided with the establishment of such a strong dictatorial military government under the Park leadership.

The Park Government had established various institutions to implement the developmental state policy. Hundt and Uttam (2017) categorize these institutions under government, finance, society, bureaucracy and labor institutions. The government had built strong and merit based bureaucratic institutions centering around economic transformation. Administrative institutions such as the Ministry of Commerce and Industry, Ministry of Science and Technology, Ministry of Economic Planning Board (EPB), Senior Secretary to the President for Economic Affairs were arranged. Other institutions such as Budget Bureau, Statistics and Research Bureau, Planning and Coordination Office, and Ministry of Reconstruction were reshuffled to coordinate industries, trade, and technologies. Research Institute center was established to serve as a training center to emulate foreign technologies and invent newer ones. A developmentalist, nationalist, and competent bureaucracy had acted as a conduit through which the state had negotiated the terms of the developmental alliance (Hundt, 2009: 6). The Park government arranged the means in which the independent bureaucrats and politicians interact and manage other economic actors. Onis (1991) identifies mechanisms of reconciling bureaucratic autonomy and the accountabilities of the political authorities as: keeping the size of bureaucracies small; creating pilot agencies like EPB; the unusual division of labor within the state, among the executive, bureaucrats, and military; and the increased role of civil societies.

South Korea also established strong and centralized financial system that targeted industrialization, technological innovative and export promotions. To achieve this target, different policy frameworks, laws and regulations were promulgated. The National Bank of Korea was mandated to regulate the tasks of other financial institutions like Korean Exchange Bank, Korea Housing Bank and the National Agricultural Cooperatives Federations (Mah, 2007: 84).

As regards to Ethiopian situation, the EPRDF controlled state power in 1991. However, it ruled the country without clear development policies for the first decade, which was subjected to disagreement. Some argue that the government was confused with the future development policy preference (Lefort, 2015). For others, the government had been involved in tasks of state building as a benchmark for transforming the country. The period between 1991 and 2002/2003 was a period of transition from war to peace from, command economy to market-based economy, from totalitarianism towards more democratic system, and of political consolidation (Arkebe, 2015: 63; Gebrehiwot 2015: 8).

In 1995, the FDRE Constitution was made that laid basis for institutional, political, and economic transformation. Accordingly, the government restructured bureaucratic, economic and political institutions reversing the previous command economic system. According to Arkebe (2015), economic organizations such as Ethiopian Export Promotion Agency, Ethiopian Investment Authority (now Ethiopian Investment Commission), and banking sectors were newly established while the previously existing institutions such as Agricultural and Education ministries continued intact.

In 1994, the government developed comprehensive civil service reform plans. In 1999, the Civil Service Proclamation No. 352/1999 was promulgated. The Ministry of Capacity Building (now Civil Service Commission) was established in 2001 aiming to enhance the capacity of government institutions. In 2002, the Federal Civil Servants Proclamation No. 262/2002 was formulated to maintain the interests and duties of the country's civil servants, and the Public Sector Capacity Building Program was initiated in 2003. (Redwan: interviewee)³² notifies that the Ethiopian Civil Service policies, proclamations and regulations were formulated in the frameworks of developmental state model.

Majority of the Ethiopian bureaucratic institutions adopted various reform tools. Accordingly, some of these tools emphasize to improve administrative and bureaucratic routines and service delivery, while others focus on result- based employee appraisal system. These tools include Balanced Score Card (BSC), Business Processing Reengineering (BPR), Citizen Charter³³ and

³² Redwan Shamil is Human Right Performance Senior Auditor at the Federal Democratic Republic of Ethiopia, Civil Service Commission. The interview was held on July 28, 2020 at Addis Ababa.

³³ Citizen charter refers to a document that contains standards of service to be delivered, and signed between service delivery organizations and customer within Ethiopian civil service organizations.

*Kaizen*³⁴. The usage of BPR and BSC has cascaded to work segments, departments, and work units. *Kaizen* mechanism was adopted to promote continuous improvements in productions and service delivery.

The Ethiopian government introduced parliamentary political system with revolutionary form of democracy. EPRDF notices revolutionary democracy as evading backward economic and social complexities, and political outlooks by radical means to facilitate for the establishment of free market economy and democracy. Because of these assumptions, the Ethiopian government termed itself as a democratic developmental state. The EPRDF's version of a revolutionary democracy is founded on the idea that a vanguard party should rule on the basis of representing the people, knowing their concerns and needs, and engaging these based on the party's own overarching ideology (Lie, 2018: 12).

The post-1991 Ethiopian government introduced federal state structure. Power was constitutionally divided between the federal government and the constituent units of the federation (named Regional States). The introduction of developmental state policy was accompanied by the arrangements of political, economic, and bureaucratic system in Ethiopia in the early 2000s.

During the first decade of EPRDF's reign, many economic sectors were liberalized. Several public enterprises were privatized and investment and tax policies were revised. The government made economic strategies such as Export Promotion Strategy in 1998 and Industrial Development Strategy in 2002/03. Altenburg (2010: 17) further divides these strategies in to various sub-sector strategies and development plans including, Sustainable Development and Poverty Reduction Program, the Plan of Action for Sustainable Development, and Reduction of Poverty and the Growth and Transformation Plan (GTP)

3.4. Formulations and Implementations of Comprehensive Development Policies and Plans

The developmental states of both South Korea and Ethiopia formulated sets of policies and strategies, and have undertaken actions in pursuit of state-led development. In both countries, all policy areas are characterized by the interactions of different development actors particularly the specified roles of government and private sectors.

³⁴ *Kaizen* comes from Japanese terms, '*kai*' and '*zen*' which means continuous improvements

3.4.1. Economic Policies

South Korea and Ethiopia have formulated and executed various comprehensive economic policies. They arranged some centrally planned economic regulations. In both countries, economic policies were made out of crises where both countries had been based on backward economy with traditional agriculture. South Korea and Ethiopia made their respective economic policies in the 1960s and 2000s, respectively, to reverse such crises. South Korea gave policy priority to export-based industrialization while priority was given to agricultural development in Ethiopia. However, in both countries, the policy extended to reform other economic sectors such as mining, service, and trade. In both countries, the major economic policies were subjected to improvement over time.

3.4.1.1. Industrial Policy and Instruments for its Implementation

South Korea had built one of the world's biggest economies. The country adopted industrial policy that enabled to record rapid industrial growth. The Park Government strategically intervened in industry by controlling, regulating, and directing it. Industrial policy was not an alternative to the market but the government intentionally altered incentives within markets to influence the behavior of civilian producers, consumers and investors (Johnson, 1999: 48; in Hundt, 2009: 17).

South Korean industrial policy was subjected to change over time. This witnessed various levels of government intervention in the sector. First, the government highly intervened in industrial planning and implementing it. It gave financial support and assigned devoted leadership. The government reasoned skill gaps and fear of vulnerability on the behalf of firms in the war-torn economy for its intervention. The strategies of intervention were selective and specific. Major areas of involvement were light manufacturing industries. According to (Kim, 1991; Mah, 2007), the South Korean Government also invested in physical infrastructure and human power that did facilitate industrial development, technological expansion, and agricultural transformation.

Gradually, the government prioritized massive investments in heavy and chemical industries. According to (Fine, *et al.*, 2013: 38), it financed large firms employed in industries such as steel, petrochemical, metals, shipbuilding, and electronics which were deriving the national economy. The establishment and expansion of the state-owned firm was the core aspect of the system of accumulation in the South Korean steel industry in the period of miraculous growth in the 1970s

and 1980s. Further, the Park Government focused on technological development positioning it as the primary objective of the country. In this regard, regional security threats compelled the government to prioritize economic and technological power. Like industry, the country's technological development passed through different phases. According to Hundt and Uttam (2017: 106), these phases were industrial imitation, innovation and invention. Besides, the government made horizontal³⁵ intervention in industry to facilitate coordination and integrated development across various sectors.

South Korean industrialization policy strategy had coincided with exportation. Both economic policies were developed in accordance with the one would feed the other. Export promotion policies begun to be perused with the slogan 'Export Number One' (Mah, 2007: 78). To promote exports, the government established various institutions such as Korean Trade and Corporate Investment Corporation and the Korean International Trade Association. The first was aimed at facilitating foreign trade and technology importation while the later was targeted to improve export by offering training, research, information, and foreign market opportunities. In addition, there were more than 30 industry-based export associations in the country (Hundt and Uttam, 2017: 103)

South Korean export policy had been varied over time, similar to industrial policy. At first, short term plans were set to export light industrial outputs. The government focused on exporting products of the labor intensive light industries, in particular textile and garment industry where the Korean economy had comparative advantage (Mah, 2007: 83). Next, the government emphasized heavy and chemical industries planned on long-term basis. Finally, South Korean government gradually decreased its involvement in industry. Its task was changed from specific to general approach intended to sustain economic growth. The government played directive roles, instead of direct involvement. The plan was extended to comprehensive support like function-oriented. On the other hand, sectors like education, research and science and technology continued receiving government support. With this new approach, come measures of privatization and deregulation, as well as, a growing emphasis on competitiveness (OECD, 1999: 28).

³⁵ 'Horizontal intervention refers to the Park Government's involvement in industries so that similar industrial sectors should cooperate each other.

When we come to Ethiopian experience, the EPRDF government promulgated industrial policy that centered industrial development. The policy was selective and industry specific. In the Second Five Year Growth and Transformation Plan (GTP-II), the government stated that micro, macro enterprises and middle industries would be emphasized on the agro processing industries to create wide job opportunities (EPRDF, 2017)³⁶. To implement the industrial policy, the government established various institutions. At the top of these institutions, the FDRE Ministry of Industry was established and mandated to lead. Other institutions include, Investment Commission, Industrial Park Development Corporation, the Leather Industry Institute and textile industry institute, the Metal Engineering Corporation, the Micro and Small Enterprise Development Agency.

Ethiopia designed its industrial policy based on labor intensive agricultural development. EPRDF had initially targeted agriculture as the key driver of the post-war economic take off (1995-2015) but it increasingly pursued the development of the manufacturing sector as the prime driver of sustained economic growth and structural transformation of the post 2010 (Arkebe, 2018: 2). This policy emanates from the fundamental understanding that the contemporary industrial development in Ethiopia was at low stage, as Lefort (2015: 359) argues, ‘In 1991, industrial sector made up only 12 percent of the country’s GDP’.

Ethiopia’s manufacturing industry is fundamentally limited to light industries. Tesfaye (2017) identifies four detailed economic sub-sectors addressed by Ethiopia’s industrial development strategy such as: the textile and garment industry, the meat and leather products industry, the agro-processing industry, and the construction industry. Heavy industries like chemical, electrical and electronics, metal industries and other engineering industries were rarely emphasized by the policy. According to World Bank (2006), the technological level of firms has been very low, even by African standards; e.g. only 4 percent of firms use technology licensed from foreign companies, and likewise only 4 percent have state owned industry certification. Ethiopian industrial policy also centered on market oriented manufacturing industries. Exportations of industries like textile, leather and agro-processing were emphasized.

³⁶ EPRDF prepared a document, *The Second Five Year Growth and Transformation and Leadership Role* in 2017, in Amharic. Meles Leadership Academy, Addis Ababa, Ethiopia.

The Ethiopian Government selectively intervened in the manufacturing industries where micro and small industries were prioritized. The target was to reduce poverty by creating job opportunities. The government took, by and large, the responsibility of government-owned industries. In 2003, the EPRDF Government formulated strategy to fully encourage industries such as sugar industries. Accordingly, the government planned to establish ten sugar industries in 2010/11 while at the end the budget year 2018, only one sugar industry, namely, *Wolkait* Sugar Factory, located in the northern part of the country, was reported to be finished by the government.

Seeing in a comparative manner, both Ethiopia and South Korea had used various instruments to implement industrial policies. These instruments helped achieve the utmost outcome from industrial policy. Major instruments included political and legal measures, financial inducement and tax preferential, namely.

South Korea implemented instruments of industry through tax exemption, tax reduction and access to special credit and loans for exporters. At first, the government used tariffs and quotas to restrict the importations of consumptions to favor export. Besides, the government enacted various laws and regulations to favor export-led industry. According to (Kruger, 1992: 119; Mah, 2007: 82), between 1967 and 1971, major tax laws including the Steel Industry Promotion, Machinery Industry Promotion, Shipbuilding Industry Promotion, Textile Industry Modernization, Petrochemical Industry Promotion and Nonferrous Metal Producing Business were enacted. The Office of National Tax Administration (ONTA) was also established. In 1975, South Korea enacted Tax Exemption and Reduction Control Law that centered exported goods. To enforce the law, the government took measures such as simplifying tax administration, intensifying the punishment for tax delinquency, and providing incentives for book keeping and voluntary compliance; tax system has been used to influence the industrial structure of Korea

The Park government controlled financial system, where the banking sector had been under the control of the government. It favored domestic firms targeting to scale up their competitiveness and capabilities. Exporting firms were financed based on investment priority, investors, product types and technologies. It provided administrative and market based incentive for promotion of exports in order to pay for the raw materials and capital goods required for rapid economic

expansion (Hundit and Uttam, 2017: 102). The Government of South Korean also provided land to the firms invested in industry, and the government prepared spaces for industrial complexes.

On the other hand, the Ethiopian government intervened in industrial sector using deferent instruments. It made various legal and other institutional mechanisms to encourage industrialization and export driven economy. It provided economic incentives and preferential credit scheme and direct support for selected exports through capacity building and other means. The sector has been encouraged through different forms including subsidizing, and giving credits. The EPRDF government had provided long term credits to flower industry and sugar industries.

Special agencies were established to direct the industry. According to Habtamu, these included National Export Coordination Committee, Ministry of Industry, Organizations of State Owned Enterprises and Development Bank of Ethiopia. Export Coordination Committee was established in 2003. The members of National Exportation Coordination Committee have held monthly meeting. The Committee set agenda to evaluate monthly achievements and challenges of all exportation related ministries. Government ministries, agencies and authorities or offices that worked on exportations present their monthly report as the starting point of the meeting. .

The government has also used land provision system. It has been preparing sites of development and land preparation, and man power skill development. It favors in providing land lease rates for export industries.

3.4.1.2.Agricultural Policy

The largest portion of people in South Korea and Ethiopia had been dependant on agriculture. In 1963, 63 percent of the total work force in South Korea was engaged in farming or fishing and, in 1970s, agriculture constituted 50 percent of the total labor force and 27 percent Korea's GDP (CIA,2007; Han, 2004: 73). Now a day, agriculture has handover the leading position to industry in South Korea, while its share continues dominating the Ethiopian economy. Thus, the two countries formulated agricultural policy centering around the position of the agriculture in their respective economies.

In South Korea, government intervention in agricultural sector had its historical basis from the previous regime. The Park predecessor, Syngman Rhee (1954-1960), had promulgated

agricultural policy from the background of calamities the sector had experienced during the colonial rule. After independence, the Rhee regime reformed land policy initiating economic development plan and Land Development Program in 1960 and 1961 respectively. According to these plans, agriculture had been the primary focus of the government to transform the overall economy. However, according to ADBG (2016), agricultural policy of the Park government reversed it and begun prioritizing industrialization and exportation.

The Park Government intervened in agriculture with several objectives. Its policy mainly emphasized improving basic living conditions and infrastructural expansions in rural areas and diligence, self-help and cooperation among rural residents and economic growth (MAFRA, 2018)³⁷. During the early stages of agricultural policies, the government focused on leading structural transformation and development of agriculture in short period of time. The policy centered on sustainable improvement in agriculture conciliating with the environment. The government also intervened in agricultural sector to train and educate farmers. During the early 1960s, government conducted wide campaign on illiteracy to create skilled farmers. Korea pursued government-led policies to effectively achieve the goals of agricultural development, which were the reduction of poverty and increase of agricultural productivity, responding to potential possibilities or market failure during the early stage of agricultural development (Lee, 1999; Wharton, 1963). During the last 40 years, however, the share of agricultural sector to GDP was declining. Accordingly, the stress of government policy orientation had been changed to industry and technological development.

Ethiopia is an agrarian country. The post 1991 Ethiopian government sees agricultural sector as the mainstay of all the country's economy. Agriculture has been dominated the Ethiopian economy (GDP) in terms of output, employment, and export earnings. According to (Zena: interviewee), it constitutes 80 percent of employment and 45 percent of GDP and 80 percent of export as well as it is the main source of raw material for industry.

The Ethiopian Government involved in agriculture in several ways. It formulated comprehensive agricultural policy that originated from the belief that agricultural transformation determines the growth of all national economies. The policy was devolved from federal government to regional

³⁷ MAFRA refers to South Korean Ministry of Agriculture, Food and Rural Affairs

states and local government hierarchies paralleled with rural development. The government involvement in agriculture was based on some strategic guidelines. These guidelines, according to MoFED (2003), include: proper utilization of arable land, labor intensive strategy, one foot on land³⁸, integrated development path and taking different agro-ecological zones into account.

Rural development strategy seized the core of Ethiopian agricultural policy. The earlier strategy, in this context, was articulated as Agricultural Development-Led Industrialization (ADLI) in 1994. ADLI was Ethiopia's long term development strategy based on the assumption that the transformation of agricultural sector- led industrial development. Agriculture was seen as a launching pad for industrialization (Lefort, 2015: 362). Rural development strategy covers agricultural and non-agricultural activities. In this case, urban-rural development strategy targeted to organize urban areas in such ways that urban and rural areas support each other. The central objective of rural development strategy was to alleviate the extreme rural poverty by achieving food self-sufficiency for all farmers (Lefort, 2015; Tesfaye, 2017).

The Ethiopian government arranged key agricultural institutions led by Ministry of Agriculture. These institutions are largely associated with research, infrastructure, extension, training, finance, marketing and land management. The EPRDF-led government targeted to build the capacity of rural work force that extended to training and developing man power. It also focused on coordinating popular and government participations in rural development (source).

Government expanded infrastructures in rural areas. According to (Zena: interviewee), government involvement in rural Ethiopia was required to fill persistent structural gaps in expanding social and economic infrastructures such transport, energy, telecom, banks, micro-financing institution, health and education for rural residents. Ethiopian infrastructure needs high investment, highly skilled human resource and foreign exchange; and special emphasis would be given particularly to construction sector capacity building (EPRDF, 2017: 77)³⁹.

³⁸MoFED (2003: 16) describes the term 'one foot on land' by the analogy between the rapid movement of person when lifting each foot in sequence with one foot always placed firmly on the ground and providing the necessary force for moving ahead; and, the government's vision regarding agriculture as continuous forward movement by keeping one foot on the ground.

³⁹The EPRDF prepared a document, *The Second Growth and Transformation Plan*, in 2017. In Amharic. Addis Ababa, Ethiopia.

The government established financial institutions, such as credit and saving institutions that provide financial support to small farmers. Cooperative unions were established at federal and regional levels. (Zena: interviewee) mentions major government support to agricultural sector as duty free importations of mechanization materials, encouraging cooperative unions giving them loans to import and distribute fertilizers, encouraging private firms to import fertilizers, government subsidizes to import wheat and supporting investment agencies to engage in agriculture.

Arable land has been other areas of government intervention in agriculture. In Ethiopia, the issue of land matters. Firstly, the FDRE Constitution recognizes that land belongs to the Ethiopian people and government. Accordingly, the government made Rural Land Administration proclamation No. 89/1997. This law defines the extent of individual rights to use land. A fundamental aspect of the proper use of land is to guarantee the availability of land to people who seek to make living out of farming and its sustainable use (MoFED, 2003: 15). Next, the lasting question of land hasn't been fully realized as land is either unevenly distributed among farmers, or farmers were unfairly dispossessed or evicted from their lands. According to a document, (EPRDF, 2011)⁴⁰, the EPRDF member parties particularly Tigray Peoples Liberation Front (TPLF) and Amhara National Democratic Movement (ANDM) strongly believe in the government ownership of land and its fair distribution to farmers (EPRDF, 2011).

The EPRDF government formed a mechanism to transform agriculture and the overall economy named Development Assistant Group. The Group centers on the development of agriculture that would laid basis for the developments of other sectors like industry, trade and social development (Habtamu: interviewee). It also facilitates for the attraction of foreign investment and firms. The Ministry of Finance and Economic Development led this group. Other members include Ministry of Agriculture, Ministry of Water and Energy, and Ministry of Industry.

3.4.2. Social Policies

Social policy reform constituted the center of developmental state of South Korea and of democratic developmental state of Ethiopia. Both countries adopted social policies to address social and economic issues. Government, NGOs, private sectors, CSOs and Intergovernmental Organizations took part in implementing such policies in both countries.

⁴⁰ In 2011, EPRDF wrote a document titled *EPRDF from Establishment to 2000*. In Amharic. Addis Ababa, Ethiopia.

South Korea formulated social policies and accompanying strategies to address social insurance⁴¹, public health, public insurance⁴², welfare and veterans' relief. The country allocated financial and human resources for the effectiveness of the policy. Social policy was used as an instruments of economic policy; the welfare programmes were structured in such a way that risk-pooling was narrow within particular social categories; and the major social policy initiative were motivated by political justification of an authoritarian regime (Kwon, 2005: 27).

Educational reform has been a national priority of South Korea. Previously, Korea's education policies and curriculum were designed based on colonial rule. An estimated 78 percent of the Korean population was illiterate at the end of the Second World War, and Korea has a number of policies in place to promote equity in education, most notably in the early years (OECD, 2016: 6; 2014: 189). The Park Government formulated educational policy on the top of other policies enabled to develop human skill and facilitated the employment of the skilled to work. South Korea's spending in education has been one of the largest in the world. Government spending in education is reflected in a high education budget, increased per student significant financial contributions by families, high teacher salaries and reducing class size (OECD, 2014: 190). The Park Government had involved in educational sector at various administrative hierarchies, where higher educational institutions were supported by higher government bodies, elementary educations were administered by the lower government organs. The government bodies together with private sectors concurrently administer education system.

South Korea adopted health policy with various health legislations. The policy aimed to achieve universal health insurance coverage. The policy was centered on systematic selections of the insured social segment and financial allocation. South Korea's health laws entitled health insurance for employees in large companies. Later, the insurance covered government employees, private company workers and industry work places. In South Korean health system, private sector initiatives and activities have been prevailed. The role of the government in health system has been very limited (Lee, 2003: 49-50).

⁴¹Social insurance refers to government's plan aimed to subsidize certain social groups and protecting them against risk as they cannot afford it by themselves.

⁴² Public insurance refers to developing government-funded plan that would follow the traditional government plans and would compete with private insurances (Blumberg and Holahan, 2008).

Social policies constitute one of the core areas of the democratic developmental state policy of Ethiopia. The EPRDF-led government had ratified the social and human rights outlined in the Universal Declaration of Human Rights, the African Charter on Human and People's Rights, Convention on the Rights of the Child, Convention on the Elimination of all forms of Discrimination against Women, and the African Charter on the Rights and Welfare of the Child (Cochrane and Melisew, 2019: 6). The authors also claims that the Ethiopian legal institutions including the FDRE Constitution has also recognized such social and human rights, and many organizations such as FDRE Ministry of Labor and Social Affairs, Ministry of Women and Children Affairs, Ministry of Health, Ministry of Education, and Ministry of Urban Development had made many policies and initiatives for the implementations of the laws. The government developed these policies and programs to cover poverty reduction, good governance and human right issues, education, health and other social issues.

In Ethiopia, the EPRDF Government had reformed different social policies in the 1990s and 2000s. In 2014, the Ethiopian government formulated National Social Protection Policy and supplementary strategies were that focused on mandatory social insurance; community based health insurance for rural population and urban informal sector workers, life insurance, index linked crop or livestock insurance, and innovation and appropriate technology allocating about 3.4 percent of its GDP (OECD, 2019: 35).

Ethiopia has had the highest deficiency in education. In 2000s, the illiteracy rate was high, approximately 73 percent for females and 50 percent for males (Johanna, *et al.*, 2005: 17). The Ethiopian Government dominated the sector to reverse such situation by improving human resources and the economy. By expanding education coverage, the government aimed to reduce poverty gap and fertility rate. It also targeted to enlighten citizens to build democracy and good governance. Educational policies such as training and education sector development policy and strategy, and accompanying plans and programs were formulated. It also developed curriculums, trained teachers, staffed and built the capacity of administrative personnel at federal, regional, and *woreda* or *kebele* levels. The government dominated the sector by building public universities, colleges, technical, vocational and educational training centers, and schools. Private sectors have also invested in education owning some universities, colleges, TVETs, High schools and primary schools, even though the great majority of these schools and TVET centers are owned by the government (Johana *et al.*, 2014: 43).

Ethiopia's health system had been one of the most fragile in the world. In the 1990s and 2000s, Ethiopia had poor outcomes by sub-Saharan Africa's standards characterized by many decades without a national health policy, with a spend of less than \$ 5.6 per capita per year, providing only 0.2 hospital beds per 1000 population, while more than 50% of population were more than 10 km from the nearest health facility usually in regions with poor infrastructure (Bevan 2015: 24; Wamai, 2009: 279; 24). EPRDF formulated different policies, strategies and programs to improve such fragile health system. These policies center on national health spending and outlining the roles of other agents such as NGOs in planning and implementing health services. According to the EPRDF Ministry of Health (2015), Ethiopia's health policy and strategies emphasized increasing access to all segments of population with preventive and essential curative and rehabilitative health services through decentralized and integrated health care delivery system (MOH, 2015: 2). The government also dominated the sector by building hospitals, clinics and health stations and training health professionals and administrative staffs. After 2003, the Government invited private sectors and NGOs to implement health sector packages (MoFED, 2003). Private sectors have been engaged in owning hospitals and clinics.

3.5.Comprehensive Development Plans

3.5.1. The Five Year Economic Plans in South Korea

South Korea established a national team that consisted of political and civilian expertise in 1962. This group was named Economic Planning Board (the Board) and was charged with planning and implementing the economic policy. The plan of the Board included international trade and domestic investments, financial allocations, infrastructures and technology promotion. It made a series of five year economic plans. The First Five Year Plan ranged from 1962-66 while the second covered the period 1967-70/71. The first focused on developing selected industries, and various economic laws were made. Based on these laws, state-owned banks were created and private banks nationalized. According to Caledentey (2009: 29), the first two five-year Economic Development Plans were centered on the establishment, identification, and perfecting of state instruments and on self-reliance. The Third Five Year Plan covered the period from 1971-75. This plan focused on transforming rural economy, intense and sustained growth of exports and establishments of heavy chemical industries. During the third five year plan, according to the author, the focus of the Korean developmental state turned to corporate growth through the

establishment of *chaebols*⁴³ (family-owned conglomerates) that ended up controlling a significant share of the economy of South Korea (Caldentey, 2009: 30).

Later, the direct involvements of the government in industrial activities gradually declined and emphasized on subsidizing ‘those private enterprises that were able to achieve higher levels of export or of substituting domestic production for imports’ (Eduward, 2013: 16). During this period, the Board also recommended abolishing the old multiple exchange rate⁴⁴ system under which the Korean currency was overvalued and replacing it with single exchange rate⁴⁵ system. Toward this end, the government nationalized the major banks of the country, which allowed it to supply cheap credit to targeted industries. Finally, the manipulation of interest rates⁴⁶ was used to induce firms to change production techniques.

3.5.2. Growth and Transformation Plans in Ethiopia

The Ethiopia Government introduced two five year development plans known as Growth and Transformation Plans (GTP I and GTP II). GTP I covered the period from 2010/11 to 2014/15. This plan centered around achieving the Millennium Development Goals (MDGs). It was intended to reduce poverty and hunger, universal primary education, gender equality, maternal health, combat HIV/AIDS and environmental conservation. Arkebe (2015) and EPRDF (2017) highlight the targets of GTP-I as laying foundation for structural transformation by consolidating on the expansion of economic and social infrastructure and at the same time paving the way for industrialization.

Ethiopia also set the second Growth and Transformation Plan that covered from 2014/15 to 2017/18. According to EPRDF (2017), GTP II focused on achieving three major objectives: to be the member of World Trade Organization (WTO), and other regional free trade organizations; improving the productivity and competencies of manufacturing sector; and creating market opportunities for exportation by reducing the impacts of tariffs and quotas. During this period, labor- intensive technologies mostly from China, India, Turkey and other countries were targeted to invest in Ethiopia from which domestic industries were required to make skill and technology

⁴³ *Chaebols are giant business groups that owned large degree of wealth in South Korea starting from 1950s.*

⁴⁴ Multiple exchange rate is a system where countries use various exchange rates for imports and exports aiming mostly to promote exports and restrict imports

⁴⁵ Single exchange rate or fixed exchange rate system is a system of exchange where countries link the value of their currency to other countries’ currency or commodities to control inflation, to set the value of currency, maintain certainty, etc.

⁴⁶ Interest rate manipulation refers to the deliberate control of inflation and deflation in the economic market

transfer. The document also highlights the special emphasis of GTP-II as improving the efficiency of agriculture and manufacturing sectors that would increase productivity, quality, and competency.

Ethiopia targeted to be one of the lower middle income countries by 2025 through GTP-II. The plan emphasized structural change of the economy; macro-economic stability, trade balance, fiscal policy and government revenue and expenditure, monetary policy and financial industrial development, saving and investment, and job creation and poverty reduction. The second five year GTP could be seen as verging on hubris: it projects a base case scenario of an 11.2 per cent annual growth rate, and hopes for 14.9 per cent rate (its high case scenario), that is, doubling of GDP in five years (Lefort, 2015: 372). It emphasized human resource development, green economy, urban development, and fighting against corruption. The plan also aimed to fill the gaps created in the implementations of the first five year plan. According to Arkebe (2015), the Ethiopian Government faced severe challenges and it has recognized these challenges in its current national plan, which is in its second year of implementation. During GTP II coverage, institutions like the FDRE Ministry of Construction and Development Planning Commission were established. Other institution such as Ministry of Finance and Economic Development was rearranged to Ministry of Finance and Economic Cooperation.

3.6.The Interplay Roles of Government and Private Sectors in Development

3.6.1. Government

In the development endeavours of South Korea and Ethiopia, governments have played decisive roles. They articulated national development agenda and mobilized resources towards such common agenda. They also created awareness and built commitments to the local people on development.

In the 1960s, strong central government used top-down approach to initiated and implement development policies in South Korea. It directed the role of markets and other development agents. It also built several economic institutions and controlled investments. The ban on the creation of private banks was a significant leverage of pressure: deprived of financial independence, corporations were forced to develop the industries, which the government plan considered priority ones (Asmolov, 2019: 182). The government established strong and independent bureaucratic culture on the developmentalism attitude. The Korean economic

bureaucracy, by operating at the intra-state and development alliance level has been a central force shaping developmental alliance (Hundt, 2009: 33).

The Park Government was at the centre of policy makers and giant business groups that built institutions to manage the relationships between the government and private firms. On one hand, the government operated with selected and few effective private firms particularly those who had previously dominated the Korean economy. Throughout Park's rule, *chaebols* (large conglomerates) and farmers were his most ardent supporters; to improve the corporate management system, the government emphasized conglomerates as they were easier and more convenient to manipulate (Asmolov, 2019: 182; Han 2004: 73). On the other hand, the park government powerfully determined the entry and performance of private capitalists towards national economic goal. Kim termed the government-private relationships as a process of 'guided strategic interaction' (Kim, 1999: 213)

The Government also arranged mechanisms to plan and evaluate the economy. In 1961, President Park established and led the National Export Promotion Meeting on regular basis. The members included ministers and state ministers, presidential and ministerial staff, representatives of firms and industrial associations, bank representatives, and representatives of research institutions (Arkebe, 2015).

When we are coming to the Ethiopian experience, the Ethiopian Government played active roles in development. It endeavors national development agenda and directed the activities of other development actors. It worked to stabilize the national macro economy; built different industrial zones and expanded necessary infrastructures. It formulated development policies and implemented them at different administrative hierarchies including federal, regional and, *woredas* and *kebele*⁴⁷ levels. The government was committed and envisioned political leaders who equipped themselves with progressive ideas, hardworking, and disciplined (EPRDF, 2017).

The EPRDF Government developed, implemented, and evaluated development policies and coordinated the interactions among different development actors. (Haptamu: interviewee) argues that the EPRDF Government arranged pilot organization called National Planning Council with the objectives of accomplishing GTP II. The Council was led by the Prime Minister and its members included presidents of regional states, mayors/deputy mayors of Addis Ababa and Dire

⁴⁷In the current arrangements of the federal system of Ethiopia, *woreda* represents the second administrative hierarchy from the bottom, while the *kebeles* represent the lowest administrative hierarch of local governments

Dawa, National Bank of Ethiopia, Finance Ministry, Trade and Industry Ministry, Investment Commission, Planning and Development Commission and Federal Custom Authority. In the Council, all members had their respective roles while the Planning and Development Commission has been assigned to lead the technical wing of the council, which is planning and evaluating the economy. The Council led the overall development and puts policy priority.

The Ethiopian Government controlled financial systems. It monopolized domestic financial institutions like National and Development Bank of Ethiopia and international sources of development funds. It also conducted bureaucratic arrangements and civil service reforms establishing various civil service institutions. According to MoFED (2002), the government carries out capacity- building tasks by developing human resources, building and strengthening institutions and establishing effective working practices in combination. The EPRDF- led government had actively involved in the economy through two channels. First, it solely or partially owned the national giant enterprises like telecommunication, transportations, sugar factory, metal, chemical, housing projects, infrastructures, and mining. Second, the government intervened in development on the behalf of ethnic party-affiliated companies⁴⁸, formally owned by foundations linked to different political parties.

3.6.2. Private Sectors

Private sectors slowly involved in development activities of South Korea and Ethiopia. At the early stages of policy development, both countries narrowed the room for private firms allowing governments to play the dominant role. In 1991, 72 percent of transport and communications, 89 percent of industry and mining, and 100% of electricity, banking and insurance companies were in the hands of the Ethiopian government (Lefort, 2015: 360). However, both countries gradually increased the roles of private firms in development.

In South Korea, the level of private sectors involvement in development varied over time. In the 1960s, the central government dominated the economy instead of private firms. Private financial institutions were nationalized. As mentioned previously, the extent of economic involvement by domestic firms and Foreign Direct Investment (FDI) also varied. The government imposed more restrictions over FDI than on domestic firms by enacting obstructive regulatory frameworks. As

⁴⁸ *'Effort'* and *'Tiret'* were political party-affiliated companies. While Effort was owned by TPLF, Tiret was run by ANDM.

a newly established state, there were political, security and economic factors for the restrictions of FDI in the country. Military tension with the neighboring North Korea, business uncertainties and the Cold War tensions restricted the engagements of foreign firms. Foreign investment was not considered beneficial to national objectives when it had competed with domestic firms in the Korean market (Mardon, 1990: 116).

However, in the 1970s, South Korea began privatization of public enterprise on conditionalities. Private firms appeared in the economy mainly in the form of family-owned large business groups (the *chaebols*). These *chaebols* created strong bond of relationships with government and became the tools and engines of development. By 1969, *chaebols* like Fairchild, Motorola Korea, Komy, Signetics or International Micro Electronic produced over 97 percent of South Korea's exports of integrated circuits (ICs) and transistors which represented 46 percent of total manufacturing production and over 80 percent of that of the electronics industry; Samsung, Hyundai and Goldstar entered the mass production of very-large-scale integration chips (Fine, 2013). The *chaebols* engagement in development was due to the special approaches⁴⁹ of the Park Government.

The Ethiopian Government privatized several public enterprises based on the 1992 investment law to promote the complimentary roles of government and private. To this end, as (Arkebe 2015) claims, various organizations like Ethiopian Privatization Agency and Public Enterprises Supervisory Agency were established in 1994. Property rights and property rights enforcement mechanisms were institutionalized.

The Private sectors have engaged in development in the forms of domestic firms, FDI, and party-affiliated endowment funds. Domestic firms were allowed to invest in agriculture, services, manufacturing, banking and insurances, housings/ real estates, food, leather industries, and cements while the foreign firms were allowed to invest in beverages, cotton, cement, housing and flower industries. (Zena: interviewee) argues that government supported private firms to engage in agriculture with special attention given for domestic investors with conditionality. According to the interviewee, government supported private firms investing in agriculture to import-duty free agricultural mechanizing fabrics; financed cooperative unions to import and

⁴⁹ Previously before Park Chung-hee came to power, the *chaebols* had accumulated illegal wealth due to the prevalence of corruption. The Park Government took them to work legally with their wealth and involved them in development, instead of criminalizing them.

distribute fertilizers; and subsidized traders to import crops like wheat. Private firms who effectively accomplished as of the government plans were branded as ‘developmental private sectors’ while others who couldn’t fulfill their tasks were identified as ‘rent-seeking’ and the government was mandate to make them accountable. According to (EPRDF, 2000)⁵⁰, Ethiopia’s revolutionary democracy uses value creating role as a criterion to evaluate private capitalists to select and assign them in development activities.

Endowment fund based companies were established in Ethiopia during the 1990s. With the establishments of these companies, the EPRDF government penetrated into the economy. The TPLF-led business group, *Effort*, had been regionally (Tigray) owned endowment fund and the largest of all conglomerates. It had been involved in industries like beverage, cement, construction, tannery, textiles, garments, mining, banking, insurance, trading, industrial engineering, and live stocks (Arkebe, 2018).

3.6.3. The Role of Foreign Aid

Foreign aid had played crucial roles in the development activities of South Korea and Ethiopia. In 1960s and 1990s, Western economic powers had penetrated in the development activities of South Korea and Ethiopia, respectively through foreign aid.

In South Korea, the Park Government formulated the five years consecutive development plans. South Korea’s budget alone, however, could not enable the executions these plans. Due to preceding history of attachments, Korea primarily preferred Japan to request support. In 1965, South Korea achieved an influx of \$800 million worth of Japanese investment into the country and, in 1971, Japan’s investment in South Korea accounted for 54 percent of the overall foreign investment (Han, 2004: 74; Smolov, 2019: 183). The Japanese had been involved in South Korean development as trainers and policy advisors. Japanese foreign and joint-venture investments made 64.4 percent of the total investment in South Korean economics in 1969 (Fine, 2013: 116).

United States was another development partnership of South Korea. This partnership was coincided with the Park policy of anticommunism stance. As Asmolov (2019) claims, the U.S. sponsored the development of civil society institutions by investing in education and media, and

⁵⁰In 2000, EPRDF wrote a document, *Abiyotawi Democracy*, in Amharic, (‘Revolutionary Democracy’), Addis Ababa, Ethiopia.

by carving out opposition politicians from reprisal. The Park regime received political, economic and technical support from the US government during the early phases of its industrialization; and in 1971, US investment in South Korea accounted for 26 percent of the overall foreign investment (Choi 2012; Han, 2004: 74; Strange, 1994; Woo–Cumings 1994; Yonas, 2018). Later, United States became reluctant to support South Korea at least until the end of US-Vietnam War. During this period, the country turned its face to West Germany, who afforded financial and skill support to South Korea (Source).

As regards to Ethiopia, the EPRDF regime controlled state power in 1991 at the juncture of crucial global economic and political developments. Following the disintegration of previous USSR and the unification of Germany in 1989, the Western liberal financial institutions such as IMF and World Bank became the development partners of Ethiopia. Western countries like United States, Sweden, German and the Netherlands have also been participated in Ethiopian development. (Dejene: interview)⁵¹ considers China as the major development partner of Ethiopia. China has been supporting Ethiopian development both in the forms of grants and loans. The interviewee claims that Ethiopia preferred China to WB and US as the two put ideology conditionality like economic liberalization and currency devaluation while China mostly emphasizes on the investment feasibility to extended support.

The influence of foreign aid in Ethiopian development activities can be seen from different angles. On the one hand, these countries and financial institutions powers have granted different forms of financial and technical support to Ethiopia. On the other hand, Ethiopia adopted some development policies to replicate their development path. For instance, Ethiopia adopted systems of University educations and Technical and Vocational Education and Training systems from Germany; industrial Parks from China; *Kaizen* based policy implementations from Japanese companies; and Business Processing Reengineering (BPR) and Balanced Score Card (BSC) tools from American companies (Redwan: interview).

⁵¹Dejene Girma is Asian Countries Cooperation Team Leader at the FDRE Ministry of Finance and Economic Development. The interview was held on June 15, 2020 at Addis Ababa.

CHAPTER FOUR
ACHIEVEMENTS AND CHALLENGES OF DEVELOPMENTAL STATE AND
DEMOCRATIC DEVELOPMENTAL STATE IN SOUTH KOREA AND
ETHIOPIA

Developmental state and democratic developmental state policies have brought multidimensional improvements in South Korea and Ethiopia, respectively. However, it is important to consider the political economy contestations over these achievements. The achievements were not free of challenges. Both countries had encountered serious challenges in implementing their respective developmental state policies and strategies. This Chapter examines major achievements and challenges of developmental state and democratic developmental state policies in both South Korea and Ethiopia orderly. After briefly highlighting the major achievements, the challenges will be presented next.

4.1. Achievements of Developmental State in South Korea and Ethiopia

Developmental state policy has impacted positively the development of South Korea and Ethiopia at different levels. Multi dimensional transformations have been appeared in South Korea. The crises- stricken economic status was replaced by one of the worlds' most developed economies during the reign of Park government. Remarkable achievements had been registered in industrial productivity, capital growth, human resource development and labor productivity. The gross national product increased in real terms more than thirteen fold when measured at 1980 constant process (from 3.00 trillion Won in 1961 to 39.25 trillion Won in 1979) (Cho and Kim 1991:xxv). In 1963, South Korea's GDP grew by 9.1 percent; from 1963-1979, annual growth ranged 8-10 percent, occasionally rising to 12-14 percent and never falling below 6 percent. At the turn of the 1960s-1970s, production grew by an average of 11 percent annually export increased by 28.7 percent ; and by 1971, it reached 15 percent of the GDP; by 1973-74, South Korea became completely economically independent (Asmolov, 2019: 183).

Industry was the most successfully transformed sector. According to Mah (2007: 77), 'the share of manufacturing output by heavy and chemical industries which were promoted by the government especially in the 1970s, increased from 23 percent in 1960s to 54 percent in 1980

and to 79 percent in 2002.’ The total assets of the top 50 *chaebols* exceeded the governments’ budget by approximately three times in 1980, four times in 1985, and six times in 1990 (Kanchoochat, 2019: 51). In the 1970s, South Korean domestic companies particularly semi-conductors, electronics, and joint venture companies grew rapidly. South Korean production increased from \$45.9 million in 1968 to \$3.3 billion in 1979; exports grew rapidly from a mere \$20 million to \$1.8 billion during the same period (Hobday 1995: 59 in Ben Fine, 2013: 115-116).

The Relative political stability was observed in the country during 1961-1979. Despite its shortcomings (we will see next), South Korea experienced multiparty political system described by a form of presidential political system of governance and electoral system based on universal and direct suffrage by secret ballot. Throughout the Park Regime, the country had been conducting consecutive elections (Asmolov, 2019: 184).

The social conditions of South Korea showed multidimensional improvements starting from 1960s. The Government social services delivery has been relatively effective and efficient. The following table shows major indicators of social improvements.

Table1.1. Social and economic changes of South Korea (1960-1990)

Year	1960	1970	1980	1990
GDP per Capita Constant US \$ 1995 US \$	1325	2283	3910	7967
Death rate (per 1000 people)	5.67	9.4	6.4	6.3
Life Expectancy (Year)	54.2	59.9	66.8	70.3
Population Growth (annual %)	2.8	2.1	1.6	0.9
Fertility rate(birth per women)	5.67	4.27	2.56	1.77

Source: World Bank (2000).

As

indicated in

the above table, in all aspect, social improvements have been registered in South Korea starting from the 1960s. In some cases, the country had registered approximately double achievements within ten years. For instance, GDP per capita grew from 1325 in the 1960s to 2283, in 1970s at the 1995 US \$ price. Likewise, life expectancy continuously increased.

The achievement of Ethiopia's democratic developmental state model is the subject of contestation. Although its economy has shown improvements, the country is still one among world's poorest countries. While Ethiopia is one of the five fastest growing countries in the world, GDP per capita is reported to be one of the lowest in the world (UNDP, 2011). However, some significant changes occurred in the country in political, economic, and social situations since 2000s. Economy has grown; the number of people living below the national poverty line was reduced from 38.7 per cent in 2005 to 29.6 per cent in 2010/11; and life expectancy in the country reached 64 years in 2014 from a daunting 46 years in early 1990s (Arkebe, 2015). Unemployment rate has declined in rural and urban areas.

In Ethiopia, sectors like education, health, roads and potable water were improved. According to Arkebe (2015), from 2001 to 2011/12, the number of public universities grew to 35 from 2 in 1990s. As (Johana *et al.*, 2014: 20) argues, in 2001/ 2002, the primary school enrollment was 50 percent; which Arkebe (2015) claims that this enrollment reached 100 percent in 2014/15. Arkebe (2015) further argues that net enrollment ratio in secondary education stood at 20.7% in 2014/15; total gross in the undergraduate program in both public and private higher learning institutions rose from 18,778 in 2009 to 729,028 in 2014/15; gross enrollment in public universities alone reached 618,370 in 2014/15. This data shows that Ethiopia achieved relative success in expanding education over the last three decades.

Ethiopia achieved relatively wide coverage of infrastructure. Addis Ababa-Djibouti railway, Addis Ababa railway and Ghibe III hydro electric power were constructed. The Grand Ethiopian Renaissance Dam has been under construction.

The country has started to practice parliamentary form of political system based on decentralized power structure. The FDRE constitution promised limited government guided by democratic values and elements. The country promised popular participation to construct political system in which diverse voices were allowed to be heard.

4.2. Challenges of Developmental State in South Korea and Ethiopia

South Korea and Ethiopia encountered complex and several challenges in their experiences of developmental state and democratic developmental state policies, respectively. In both countries, the challenges persisted broadly at policy formulations, policy implementations, and policy outcomes. Under this section, the major challenges are addressed under the broad category of

internal and external factors. The internal challenges include political, economic and administrative challenges. The external challenges are presented under the regional and global political and economic developments of the Cold War (for South Korea), the Post- Cold War (for Ethiopia), and the associated impacts of foreign aid for both countries.

4.2.1. Political Challenges in South Korea

The Developmental State of South Korea faced critical political challenges in the 1960s and the 1970s. The political challenges encompass the broader social and political environments obstructing effective policy formulations and implementations. The practices of Park Government in South Korea will be evaluated against the principles and characteristics of developmental state.

The Park Government seized power in 1961, through coup *d'état*. After that day, authoritarian regime under one-man rule dominated the state. The Park Government did not transform political institutions; and there had been no space for democracy. And political organizations in the early Park regime were dominated by the military (Edward, 2003: 16).

The Park Government weakened and suppressed democratic institutions. It used up-bottom approach keeping strong bond with bureaucracy and firms. Hence, the wider society, CSOs and labor unions, were excluded from decision making. State-society relationship was replaced by state-firm relationships. CSOs were even repressed by the government (Edigheji, 2010).

Even though South Korea had been conducting elections in the 1960s and 1970s, none of the elections were free and fair. The incumbent regime organized the elections to be appeared democratic to foreign powers, particularly America. In the 1963 presidential election, Park won 46.6% against 45.1% of his contender; in 1967, 51.4 % against 40.9%; and in 1971, 51.2 % against 43.6 % (Grotz and hartmann, 2001 in Asmolov, 2019: 184). Even though the President claimed that he won these elections, particularly those held in 1967 and 1971, these election showed widespread fraud and faced challenges (Eduward, 2003: 15). The author further argues that after the 1972 election, the government modified the country's constitution according to which, the President would stay in power for life. Park effectively suppressed dissent and after 1972, he actively suppressed democracy, as well (Edward (2003: 15).

As a result, democratic transition was delayed in South Korea resulting widespread and lasting political instability since regime had been opposed by different social classes. According to Kanchoochat (2019), popular resistance to the military regime, led by intellectuals, labor unions, civil society organizations and peasants was continued as a major anti-government force in the 1960s and the 1970s demanding reform. Such political crises severely challenged the legitimacy of Park's regime.

The regime reacted harshly against the widespread mass protests that led to mass killings and imprisonments. In 1972, President Park declared a state of emergency which caused gross violations of human right; the regime preemptively executed large numbers of people it considered a 'political danger' to prevent possible security problems and for other political reasons without following legal procedures (Byung-joon, 2002: 88; Bruce *et al.*, 2011: 2).

In the process, the Park government failed to build capable political institutions investing on its 'growth first ideology'. (Mel'vil, 2000; in Asmolov, 2019: 181) illustrates that the reign of Park Chung-hee demonstrated that democratic transitions do not necessarily mean guaranteed transition to democracy and there is no direct correlation between democratization and the level of economic development. Meanwhile mass protests and political instability were intensified through the 1960s and 1970s, in which almost all social groups participated in the protest. On the other hand, up to 1972, the Park Chung-hee regime remained moderately authoritarian (Asmolov, 2019: 184).

Finally, the chaos and unrest resulted in the end of the Park Government in South Korea. The combinations of widespread mass protests against the regime's ongoing military aggression and the harshness of the government reactions and the inability of political institutions to deal with widespread political and social environment led to the assassination of the President in 1979.

4.2.2. Political Challenges in Ethiopia

The EPRDF government encountered several political challenges when appraised against the values and principles of democratic developmental state. Political challenges of the country mostly stemmed from the decisions and actions of political regime as elaborated below.

4.2.2.1.Lack of Consensus

Ethiopia's democratic developmental state has been critically contested. Consensus was lacked within the ruling party itself; among scholars, policy makers, and the opposition political parties regarding the basics the democratic developmental state. The policy categorized the country's elite into adherents and opponents. The discourses and narrations of the debate around Ethiopian developmental state model have its bases.

The adherents of the policy presented it as the only alternative to Ethiopian development. This group argues that Ethiopia has been committed to the goal of democratic developmental state that envisioned transformation. Arguments from Asayehgn (2012), Clapham (2018), Dejene (2014), Endalcachew (2018), Meles (2012), and Yirga (2015), treat the nature of the post-2001 Ethiopian Government as a developmental state. In their view, the post-2001 Ethiopia can be taken as a good example of a developmental state. The former Prime Minister, Meles Zenawi, argues that democracy is the founding block of Ethiopia's continuation without which the country would end up in civil war, and the substance of the state would be jeopardized. While underlining the essentiality of economic growth, Meles claims that the greatest country's enemy was poverty; that could be reduced, so long as the country adopts a good policy that organizes its people to work (Meles, 2006; Mulu and Daba, 2017: 6). The basic theme of this argument is that the Ethiopian government has recognized that economic growth and democracy are two sides of a coin, meaning that development and democracy are inseparable. Sustainable economic growth is impossible without democracy and, similarly building democratic system needs economic stability.

On the other part, many elite opposed the relevance of developmental state policy to Ethiopia. Major arguments of this group stemmed from the strong government dominance nature and the inefficiency of the policy. Ethiopia is not fulfilling the feature of the developmental state paradigm to be a developmental state and conclude that Ethiopia is not a developmental state, rather an autocratic state disguised on the name of development (Sibu, 2020: 38). Similarly, the party-state relationship was the other factor to criticize the relevance of the policy. They argue that devising economic intervention tactic; EPRDF diverted public resources towards its own and used it for political dominance. The developmental state was used as a tool to stay in power by deceiving the public (Mesgna, 2015: 33). Similarly, (Sibuh, 2020: 40) claims that while the

Ethiopian Government is advocating democratic developmental state, in reality, it has exercised the undemocratic approach. Still others doubt whether the EPRDF-led government was genuinely motivated by economic and democratic factors that caused the adoption of democratic developmental state. It is claimed that the EPRDF introduced the policy just to deviate from the previous military regime, which was authoritarian and repressive government with command economic policy. The regime's motivation was perhaps more political than economic radically declaring 'no longer a hard-line Marxist and would work for free enterprise and the shift towards capitalism was largely tactical move designed to gain support of the Western (Lefort, 2015).

Further, there is a gap between theory and practice in Ethiopian democratic developmental state. The EPRDF Government claimed to ensure rapid and sustainable development, nevertheless, when its performance is cautiously appraised, Ethiopia couldn't achieve democracy and economic growth. Mulu and Moges (2017) stress that developmental state is not relevant to Ethiopia as the country lacks both the 'software' and 'hard ware' that any developmental state needs to possess. The software criterion, according to the authors, refers to the developmentalist ideological orientation while the hardware represents the strong institutional capacity needed to implement the policy.

Such lack of consensus delayed development in Ethiopia. It affected orientations and commitments towards accepting government decisions, which, in turn, led to policy resistance (Clapham, 2018; Zakarias, 2020). On the one hand, the opponents' argument influenced the attitude of wider society to doubt the role of government in the economy. The social and political setup of the country could serve as a fertile ground to sensitively suspect the government. Ethiopia is a country with heterogeneous society. Constructing democratic developmental state seriously challenged EPRDF as the country is heterogeneous and multi-ethnic nation with diverse economic and political interests (Muleta, 2015: 98). On the other hand, the undemocratic and exclusive practices of the government sidetracked itself. These perceptions and practices that related to the government caused lasting political instabilities over the last two decades. Though the government says it is pursuing a democratic developmental state, democratic form of governance has remained a mere aspiration of the citizens (Endalkachew, 2018: 79).

4.2.2.2.Exclusive Behavior of the Regime

The history of Ethiopian developmental state policy was all about the history of EPRDF. Thus, defects arising from the origin and deeds of the EPRDF government had affected the policy. In this case, the Ethiopian developmental state faced many and complex challenges. Above all, the political and economic institutions of EPRDF-led government were highly centralized and exclusive. Instead of cooperating and complimenting with other development agents, it captured these agents. Of the three pillars of modern political order (capable and autonomous institution, rule of law, and acceptable degree of accountability of state and business elite to citizens), the Ethiopia barely meets the first criterion; in spite of the form of a federal state structure and multiparty system, the EPRDF has remained a de facto centralized one party state (Birhanu, 2015: 184).

The basic evidence for the exclusiveness of the EPRDF government has been its organizational structure and jurisdiction. On one hand, EPRDF was the affiliated of only four parties: Tigray Peoples' Liberation Front (TPLF), Amhara National Democratic Movement (ANDM), Oromo People's Democratic Movement (OPDO), and Southern Ethiopian People's Democratic Movement (SEPDM) that didn't represent the whole country. TPLF represented the Tigray National Regional State; ANDM represented the Amhara National Regional State; OPDO represented the Oromia National Regional State; and SEPDM represented the Southern Ethiopian Nations, Nationalities and Peoples Regional state. The City council of Addis Ababa had been ruled under the alignments of these four parties. According to this arrangement, the EPRDF had not accommodated the other regional states such as Afar, Benishangul Gumez, Gambela, Harari, and Somali which were used to be ruled by satellite parties⁵². Similarly, these regions were not represented in both executive and central committees of EPRDF⁵³. They were not participating in crucial party decisions including policy making processes. Yet, they are forced to implement the policy made by the EPRDF executive committee. They have been

⁵² Satellite Parties are peripheral parties that were marginalized from central positions of EPRDF, yet not members of allied parties. They include Afar Democratic Party, Benishangul Gumuz Democratic Party, Ethiopian Somali Democratic Party, Gambella Democratic Party and Harari Democratic Party.

⁵³ The stipulated program of EPRDF describes the organizational structures of EPRDF as General Assembly (the highest organ), the executive committee (second highest organ after General Assembly) and the Central Committee. The executive committee is the policy making body. The four EPRDF affiliated parties had each assigned nine representatives to executive committee of EPRDF party. The central committee is the third highest organ of the EPRDF constituting 180 members. Each of the four EPRDF affiliated parties had been represented by forty five members.

treated as periphery since the establishment of EPRDF. The top-down decision was unconstitutional as regional autonomy and self rule was stipulated in FDRE Constitution (FEDRE, 1995: 15, 16).

Besides, the EPRDF-led government continued with the hierarchical culture. TPLF dominated other member parties of EPRDF. Although, EPRDF was composed of four political parties on equal basis, in practice, it had been dominated by the Tigray People's Liberation Front and the other coalition political parties were treated as junior (Boo and Takagi, 2019: 110; Clapham, 2017: 3; Tefera, 2019: 466). The imbalances of political power within the Front raised various questions as it caused imbalances of economic power, which gradually caused unrest and political instabilities. The criteria of representations and mandates of economic policy formulation and implementation lacked transparency. According to Acemoglu and Robinson (2010; 2012), unfair representation in political institutions encourages unfair representations in economic institutions, both are antithesis to development.

4.2.2.3.Challenges of Regional and Local Governments

The intensions and actions of Ethiopian development policy should have to encompass all the voices under its influence. Had the policy been inclusive towards regional and local governments, its implementations would have been genuine. In practice, however, development policy decisions had been solely passed by selected top authorities and imposed on local administrations. This clearly ignored the constitutionally guaranteed autonomy of regional and local governments. The federal government designated a federal agency to transfer and manage large scale lands in a blatant encroachment against the regional jurisdictions; foreign owned companies were protested in Gambella, Oromia and Amhara regional states being received to accumulate wealth, backed by the central government at the expense of the local communities (Zekarias, 2015: 113). Consequently, the alienated regional and local government groups challenged the developmental state policy of the regime. The subordinated local governments seriously and repeatedly opposed to the top down approach of the policy. This caused severe political unrests in the country especially in the Oromia Regional State (Zekarias, 2015: 119). Among the growth and development obstacles across the regions were regional heterogeneity in terms of exclusiveness in public policy participation in decision making and resource allocations (Heshmati and Yoon, 2018: 8).

4.2.2.4.Challenges of other Political Forces

The practices of Ethiopian democratic developmental state did not accommodate opposing political forces. Once EPRDF advocated development as a national agenda, all political forces should have to be engaged regardless of differences of their opinions. Instead, EPRDF worked to destabilize and marginalize opposition political parties over the past two decades. In this regards, the EPRDF-led government used various methods including killings, intimidating, detaining, and imprisoning the individuals suspected to have connections with opposition political parties. No free and fair elections had ever held (Clapham, 2017). This approach totally contradicted with the principles of democratic developmental state. Though a number of opposition parties are permitted to exist, these were effectively restricted to narrow base within the elite, and it has become abundantly clear that since 2005⁵⁴ that no significant challenge to the regime would be permitted; the EPRDF has never allowed opposition to play a significant role (Clapham, 2017: 4; Markakis, 2011: 277; in Takagi and Khoo; 2019: 117). According to (Yemane, 2020: 56), democratic institutions such as the court, national election board, and the security apparatus were not neutral and highly politicized under EPRDF.

Similar challenge was the dismissal from and prohibition of entry into permanent and professional work which members of opposition parties had faced. This had critical adversarial effect on development as it challenged merit-based⁵⁵ civil servants (HRW, 2010). Such problems had become worsened when EPRDF dominated the law interpreting bodies as the judiciary. The EPRDF-led government had also been fighting with some political organizations such as Ogaden National Liberation Front, Oromo Liberation Front, and Patriots May Seven until recently. The combinations of these political crises delayed economic development.

4.2.2.5.Leadership Challenges

The quality and commitment level of leadership determines both policy input and outcome. Meles Leadership Academy (2017) described the three features that EPRDF leaders needed to possess: commitment to and acceptance of development as life and death; free from the influence of private capitalists; and creating the developmentalism hegemony (EPRDF, 2017: 57). In practice, the matter of EPRDF leadership raise from the absence of these features. Ethiopia was

⁵⁴ In 2005, Ethiopia had conducted the third National General Election in which opposition political parties won the highest number of seats in the Parliament since election began in Ethiopia.

⁵⁵ Professional civil servants who were employed to public institutions were adversely affected by the regime environment.

known by war, famine, and disease that resulted from developmental failure because of not only the technical shortcomings of economic policy but also due the lack of committed and capable political leadership and political will to promote national development agenda (Yirga, 2015; Sibuh, 2017: 37). Although developmentalism hegemony was targeted, corruption and rent seeking were expanded. The outstanding challenges of leaders were balancing the rights of business with the needs of the majority and governing in accordance with popular wishes while transferring the structure of the economy (UNDP, 2012: 17).

4.2.2.6. Challenges of Civil Society Organizations, Media and Wider Societies

The EPRDF-led government promised to boost inclusive social participation in development. A strong civil society organizations, help to maintain political stability by providing a channel of communication between government and the people, bringing out puts into line with inputs (Heywood, 2002: 277). Inculcating ‘developmentalism’ to the wider society is one of the major characteristics of developmental states. One of the instruments of inculcation could have been voluntary organizations such as Civil Society Organizations (CSOs) and media. However, in Ethiopia, CSOs that represented the interests of their members and would check the government power were lacked. While the independent and strong CSOs were repressed by the government, others had been established deliberately by the government under the cover of voluntary principles. Such approach of state-society relations failed to bring genuine outcome. The Civil Society Organization, media and wider society were marginalized from development from policy formulation. Independent civil society and media have been severely restricted and repeatedly charged with supporting terrorism so that the regime was not responsive enough to the growing demands of different social groups and the wider marginalized segments of the society (Melisew, 2018: 4; Zakarias, 1995: 106). In addition to media, and CSO, popular participation was also critically challenged over the last two decades. The EPRDF’s aspiration to build a democratic developmental state became more difficult as democratic developmental state logically requires broader social embeddedness, which essentially is beyond the cooperation between the governments and the private sector (Yemane, 2020: 67-67).

4.2.3. Bureaucratic Challenges in South Korea and Ethiopia

Bureaucracy was one of the most crucial development actors in the developmental state of South Korea. It planned and implemented, and advised effective policy to contribute to the rapid economic growth of the country. During the reign of the Park Government, the bureaucracy

performed as a link between political leadership and firms. However, the bureaucrat faced critical problems to sustain its equilibrium position between the government and the business favoring towards the government. In this condition, the business gradually became under the control of the government. While the bureaucracy worked in favor of the state during the Park period, it was the constraining feature of state apparatus (Hundt, 2009: 17). This approach discouraged the acts of the business which had resulted in other economic risks. The administrative-dependence of business took forms of deposit insurance, lender of last resort, state guarantees, or subsidies to banks that become critically exposed to firms in financial difficulties (Kim *et. al.*, 2005: 12).

The other challenge of the Korean Bureaucrat had come from its organizational structure. At the highest hierarchy or national level, Economic Planning Board was organized to lead the overall bureaucracy. The Board, in return, was accountable to the country's deputy Prime Minister, which is political. Here bureaucracy was mixed with politics, which indicated the crises of bureaucratic independence. Installing a Deputy Prime Minister system may hinder the autonomous and responsible policy implementation and execution of authority by ministers, who were key figures in horizontal organization under a presidential system (Bae, 1989: 107). The author also claims that the Board worked for long period of time, and hence too large; and its plans had been rigidly implemented.

Similarly, the Ethiopian bureaucratic institutions have critically influenced the implementation and outcome of the country's development policy. The arrangements and capabilities of these institutions are appraised along their autonomy and accountability. In this case, the Ethiopian bureaucratic institutions faced countless challenges. First, the absence of efficient professional staff and meritocracy⁵⁶ in public sectors had affected the policy execution and outcome. Ethiopian public sectors have been filled with poorly educated and low-skilled staff over the last decades. These are serious problems in almost all social and economic sectors (Redwan, 2020: interviewee)⁵⁷. Bayu and Gebremariam (2017: 20) argue that a very critical element is missed in Ethiopia, i.e., the 'software' of developmental state, which is committed, dedicated, educated, and well trained, and bureaucrats. According to Redwan, this is partially caused by the lowest

⁵⁶ Meritocracy, as indicated by Heywood (2001), is rule by talented; the principle that rewards and positions should be distributed on the basis of ability (Heywood, 2001:44).

⁵⁷ Redwan Shamil is Senior Auditor of Human Resource Performance at FDRE, Civil Service Commission. The interview was held on July 28, 2020 at Addis Ababa.

payments to the civil servants. Public sectors are the lowest choice in attracting qualified employees.

The bureaucratic organizations involved in formulating and executing public policies have been captured by the incumbent party. Services delivered by these organizations were politicized. Excessive government intervention in the bureaucracy hampered the required outcome. Redwan states that there have been gaps between the formulations and implementations of civil service policies, proclamations and regulations. Even though these policies and proclamations were formulated in the framework of democratic developmental state, there have been unnecessary EPRDF party interferences in public service laws. In addition to the party, different groups with different interests have interfered and abused the public service laws. Altogether, if revolutionary democracy were to continue to exist, political governance had to detach itself from bureaucracy and give way for meritocracy (Addis Fortune, 2017)

Moreover, the line between bureaucratic autonomy and accountability was blurred in Ethiopia. Bureaucratic rules and regulations were formulated in accordance with party politics. Strong executive body which was relatively independent from the internal and external influence had rarely existed for the accomplishment of developmental state policies and strategies. The institutions in which the functionaries have operated are strongly influenced by the ruling elite as many higher positions are assigned according to an ethnic based quota and nepotism system to meet equal representation (Sibuh, 2020: 40).

Further, yearly turnover rate in Ethiopian public sector is high. According to Redwan (2020: interview), yearly turnover rate reaches 30 percent to 40 percent. Poor work environment and low salary are the basic causes. High turnover rate exposes public sector for economic crises to train and develop man power on short term and long term basis. If the trained civil servants leave the government institutions within short period of time, the public sectors are enforced to employ and train new civil servants causing another cost. This also harms work effectiveness and time.

4.2.4. Economic Challenges in South Korea and Ethiopia

In implementation process of developmental state policy, the economic part of the policy had faced critical challenges in both South Korea and Ethiopia. In 1970s, the South Korean developmental state policy created the advantaged and disadvantaged groups. Business groups

and traders were gained while the labor groups lost (Onis 1991: 121). Similarly, Ethiopia had relatively spent more on the economic aspect of its developmental state despite its claim to adopt democratic developmental state. However, the country rarely effectively applied its economic policies. Ethiopia is still identified as one of the poorest countries in the world, which is based on traditional economy (HRW, 2010: 4). Poverty gap is wide; the resource is unevenly distributed across regions and individuals (Endalcachew, 2018: 78). Economic institutions were inefficient and distorting. Informal economy had widely prevailed in Ethiopia.

4.2.4.1. Agriculture and Rural Development

In South Korea, economic challenges varied across sectors. In the 1960s, about 60 percent of the South Korean population had been living in rural area depending on backward agriculture (OECD, 1999: 11). The income level of these agrarian societies was low. According to (ADB, 2016: 5), South Korea's agricultural policy centered around poverty reduction, productivity improvement and filling market deficiencies. The government also targeted to build infrastructures, housings, in rural areas. These plans were inevitably challenged by shortage of finance. In the 1960s, the greatest challenge was shortage of resources particularly finance. In 1960s and 1970s as the government agricultural inputs such as fertilizer and machinery, the country was seriously challenged by problems of price distortion, fiscal deficit, and shortages of finance (ADB, 2016: 5). Besides, the sector was also challenged by low infrastructural developments as roads, ports, telecommunications and energy were poor. Besides, the country also encountered by the problems of skilled man power with the awareness of modern technology and market information was scarce.

Similarly, agriculture in Ethiopia is historical and diverse type of economic sector. It is an ancient practice, while less transformed. It still accounts for the largest share of the economy and central to the lives of millions of Ethiopians. Considering this fact, though the sector attracted policy priority to transform the overall economy, the strategy failed to bring the desired outcome. Ethiopian agriculture has often been surrounded by a number of challenges, which were either natural or man-made. One of the natural challenges can be its dependence on uncertain rainfall, which is exposed to the adverse effects of climate change. Shortages or irregularity of rainfall, and droughts could aggravate countrywide food shortages.

The majority of Ethiopia's population lives in rural areas where poverty, illiteracy and deprivation are most severe. Although the policy emphasized to transform the rural society, the financial, physical and human capital of the Ethiopian rural society was not transformed as dreamed. In Ethiopia, almost all farmers still rely on oxen to farm. Ethiopia still needs some form of emergency or recurring food aid every year to prevent between ten and fifteen million Ethiopians for (one in six or eight, mostly peasants) to prevent from starving (Lefort, 2015:358).

In spite of its huge agricultural potential in labor, arable land and experience, Ethiopia still has been importing agricultural products in the last three decades. Productivity in agriculture lags far behind. Trade balance in agricultural product has been experiencing zero or negative. The infertility of arable land and its dependence on imported chemical fertilizer became critical. Though state ownership of land is still the predominant form, in reality the land tenure system is ambiguous due to competing rationales in Ethiopia; the regime thus advocated and led an economy where the state and the party controlled the commanding heights of the economy (Tefera, 2019: 481).

Failure of agricultural sector can indicate the failure of the policy. According to (Zena,2020 : interviewee)⁵⁸, it suffered from lack of infrastructure, finance, technology, fair regulation, fair tax system, clear trade policies and investment policies. Agriculture has been highly dependent on fertilizer; however, Ethiopia has no fertilizer factory. Rural workforce lacked necessary skill and knowledge that include small holder farmers which causes poor management system in soil, market and technology. Zena claims that the way the government worked to increase saving and investment, and decreased consumptions has had problems. Less accessibility of financial institutions in the rural areas and low level of the social understanding regarding finance affected saving and investment behavior in rural area of Ethiopia. Zena further argues that Ethiopia is using seeds that it was using before several years where as in advanced countries every three or four years a seed becomes obsolete. This indicated that how technology is growing in the country.

⁵⁸Zena Habtewold is a directorate director of planning, monitoring and evaluation at the Federal Democratic Republic of Ethiopian, Ministry of Agriculture. Interview was held on June 14, 2020.

4.2.4.2.Industrial Sector

In South Korea, industrial policy also faced various challenges. Based on the different phases of industrial policy, the challenges also varied over time. The early challenges of the industrial policy of South Korea emanated from the nature of the policy itself. In the 1960s, the Korea's industrial policy focused on exporting light industries providing financial and tax advantages. Infrastructural expansions and developing sites for industrial complexes were focused at the early stage. The government targeted to fund industrial inputs, support exportation, articulating performance standards and establishing the groups of industrial firms providing administrative and market-based favor. The government intended to use scarce foreign exchange to promote infant industries and foster international competitiveness (Uttam and Hundt, 2017:102). However, these policies were highly challenged by shortages of skilled man power, foreign exchange, technologies and infrastructure. The currency crises and poor skill led South Korea to serious hardship.

In 1970s the focus of South Korean industrial policy was shifted from light industries to heavy and chemical industries. The government planned to build capital intensive and heavy industries, like chemical industry, metallurgy and shipbuilding, infrastructure and education facilities. However, this policy resulted in its own negative consequences. In the late 1970s, Korea ran into a number of economic problems___ a terms of trade deterioration resulting from the second oil crises and high rate of inflation and excess capacity and low profitability in some of the heavy and chemical industries (Kim *et al*, 2005: 12).

Unexpected rise in prices of products also challenged South Korean economy. In the late 1970s, the biggest challenge and risk to South Korean economy was high inflation. A growing labor shortage led to sharp rise in wages while the while the money supply on back of increased policy loans (KDI, 2015: 21). During the reign of Park government, annual per capita income was growing at 9.5 %, with an average inflation rate of around 15.5 % (Jeon, 1995: 73).

Ethiopia is one of the least industrialized countries in the world. The country formulated industrial policy that devised to develop human and capital resources for industrialization. The government made the strategy giving priority to micro and small industries. This strategy targeted achieving rapid economic growth by creating job opportunities. The government aimed to support urban micro enterprises and rural agro industries to achieve the goal of the strategy.

Unfortunately, these small industries rarely met the target as they lacked entrepreneurial and managerial capability. They also have been dependant on old technologies, unskilled man power and low capital. The manufacturing sector in Ethiopia operates at very low technological level well behind world technological standards even in the activities in which it specializes (MOFED, 2003). Labor productivity is low.

Majority of industries were state owned. State owned enterprises were ineffective and vulnerable to corruption. According to (MoTI, 2009), between 1997 and 2009, only 287 enterprises were transferred to private sector. But the process of transferring has been delayed and severely exposed to corruption. In 2003, the government planned to build several industries. Among this plan, ten sugar industries were targeted to be constructed. After ten years, however, only one was attained. Finally, the government stated that it could not build them. Arkebe (2015) stresses delay is one of the most challenges of manufacturing enterprises an immediate consequence of which is a rising financial cost, the foregone employment opportunities, the unearned foreign exchange earnings, and more importantly the sense of hopelessness that may result in eventual failure.

In Ethiopia, critical problems persisted to private owned industries. The industrial environment has been more challenging for private firms than government owned industries. Private firms entering these sectors encountered more challenges to access credit facilities, working sites, and other support than government owned and FDI. Ethiopia's manufacturing industry is primarily light industry i.e. producing food, beverages and textiles while state, political parties and foreign investors play an active role by owning considerable chunk of medium and emerging large scale manufacturing industries (Yonas, 2018: 11).

State owned enterprises become inefficient and distorting. Government couldn't play crucial roles; and at the same time, it failed to decentralize the industry. These industries were uncertain to provide the dreamed objective and the required innovations. The policy making government organ and research institutions hardly cooperated to achieve innovations. Strong government excluded other development actors in Ethiopia. If both political and economic institutions were centralized in the hands of few, development fails. Acemoglu and Robinson (2012) claim states will be successful in development if they can build inclusive political and economic institutions.

Further, regulatory and institutional impediments in economy critically challenged industrial sector. Ethiopian Development Bank that was mandated to support industry on the behalf of government faced serious challenges. Inefficiencies in planning market and project feasibilities encountered the Bank. Domestic trade and investment challenges began with regulatory framework. Lack of inspection, integration and informality of the sector posed serious challenges. Taxation system has been striking crises in Ethiopian political economy over the past decades. Low skills, underdeveloped markets, inadequate and unreliable public services, and limited managerial experience collectively constitute binding constraints on rapid transformation of merchant capital into industrial capital (Birhanu, 2011: 33).

4.2.4.3.Challenges of Private Sectors

Private sector played important role in the South Korean economic development. However, during the Park Government, two challenges were associated to the private sectors. On the one hand, as discussed above, the participation of private sectors varied over time. In the 1960s, the private sectors played very restricted roles in economy as the government had nationalized most part of the economy. In 1960s, the Korean economy was not open to Foreign Direct Investments. After 1970s, however, private sectors gradually started to take part in the economy. On the other hand, the Korean state has been instrumental in the creation of private-business groups, *chaebol*, as the basis for securing cooperation for its industrial policy and enhancing its autonomy in implementing its strategic goals. The recent evidence suggests, however, that the Korean government has increasingly unable to control and monitor the activities of the *chaebol* (Onis, 1991: 121).

Similarly, EPRDF introduced restrictive and selective strategies of government intervention in the economy for which it justified market inefficiencies and the need for protection of domestic companies. It also argued grounds of shortages of capital and technology in domestic industries. However, the government practiced in contrary to its claim, for it left only few investment rooms for private firms. The government owned relatively huge enterprises like telecoms sector, infrastructure, sugar and fertilizer factories, metals and engineering enterprises. Excessive government intervention in the economy is another area that needs to be rethought, as they are mostly to blame for the macroeconomic inefficiency (Addis fortune, 2017).

In addition to the unrestricted government intervention in economy, the intervention was not effective, for government owned enterprises showed little or stagnant growth. Even these economic enterprises were exposed to poor management and corruption. Government support for private firms was hardly based on fair competitions. The critical challenge facing the Ethiopian developmental state is that, as it is supposed to be under market economy, the inability of the private sector to provide the productive capacity; state-driven developmental model is conditioned on a set of paradigmatic practices, such as cronyism and unofficial favoritism for selecting and allocating a number of business firms (Asayehgn 2012; Clapham, 2017: 8-9).

Besides, EPRDF penetrated into the economy through ethnic-based endowments at the expense of the private firms. Private industries were systematically marginalized. EPRDF controlled one of the largest industries through mechanisms arranged by its affiliated parties. Among such industries, the Endowment Fund for Rehabilitation of Tigray (EFFORT) was the most powerful. EFFORT was engaged in a large number of industries, including building materials, tannery, textiles, garments, pharmaceuticals, industrial engineering, mining, banking, insurance, trading, construction services, and livestock. Party and military enterprises as well as developmental capitalist that have been monopolizing rents with unreserved support by the state-party as the fundamental players in the economy (Tefera, 2019: 81). These industries were preferentially treated with regard to government licenses, foreign exchanges and contracts. Ethiopia is described as a developmental state with authoritarian features and opaque boundaries between the party and the state system (Berouk and Lie, 2018).

In Ethiopia, the major challenges of these three economic sectors we discussed above show how the country's developmental state policy implementation was challenged. After two decades of implementation, as shown in the following table, the country's annual growth rate continuously declined. EPRDF faced strong mass resistance and popular grievance.

Table.2. The six years GDP growth and Annual growth rate in Ethiopia

Annual year	2007	2008	2009	2016	2017	2018
Growth rate in (%)	11.8	11.2	10	8.0	10.1	7.7
GDP at Constant Market Prices (million birr)	660,936,609	732,242,11	796,697,628	1,568,097,450.6	1,717,127,214.	1,834,066,486.
	.4	5.9	.1		8	8

Source: The FDRE Planning and Development Commission, March, 2020

As the above table indicates, Ethiopia's growth rate declined in the years 2016, 2017, and 2018. These periods were last three years of the second decade of developmental state policy implementation, in which political instabilities and unrest persisted in the country. This indicated that as popular grievances and resistances persisted against the government, economic activities decreased. Investments were highly challenged. In (EPRDF, 2017: 86)⁵⁹, EPRDF itself describes the major challenges it faced during these periods as: it couldn't sustain economic growth and development; it couldn't cope up with the growing demand of the Ethiopian people; and it mistakenly perceived and used public power. The document further highlights that the year 2016 clearly showed the failure of government to lead the people; and its mission to build political and economic development was forgotten (EPRDF, 2017: 87).

4.2.5. Social Challenges in South Korea and Ethiopia

The nature of South Korean development policy caused social challenges. It created advantaged and disadvantaged social groups. In the early stage, the country focused on labor intensive light industries due to the existence of abundant of labor. The country's dependence on large labor led to various social crises. According to Hundt and Uttam (2017), a 'growth first-strategy'⁶⁰ which was adopted by the government as a means of national salvation discouraged working class and trade unions. On November 13, of 1970, a young worker who was serving as garment cutter in *Dongdaemun* Peace Market, burnet himself to death demanding fair wage, better working and enforcements of standards of labor. The agenda of national development violated the rights of laborers. Onis (2019: 119) argues that Korea appears to confirm to the patterns of authoritarian corporatism which involved institutionalized collaboration between the government and business elite in the policy formulation and implementation process accompanied by sever repression of popular groups and the exclusion of labor from the political arena.

Severe income inequalities had been amplified in South Korean society. The policy preferential on selected firms and higher inflations had worsened income inequality. A *chaebol* groups continued holding core positions of the national economy under the Park administration. These groups were those firms who created wealth during the previous corrupted regime. The poor remained poor and the rich become richer and richer. According to (Solt, 2009; in Kanchoochat,

⁵⁹ Science and Art of developmental and democratic leadership for Ethiopian Renaissance. In Amharic. EPRDF, Meles Leadership Academy, Addis Ababa, Ethiopia.

⁶⁰ President Park's pal focused on mainly economic growth

2019: 50), inequality has increased over time with Gini coefficient⁶¹ rising from 0.35 in the 1960s to 0.40-45 from the 1970s to the 1990s. Higher inflation did more than worsen social inequality and stir anxiety among the working class (KDI, 2015: 21).

Similarly, the democratic developmental state policy of Ethiopia had formulated and implemented different social policies and strategies. As discussed above, the EPRDF-led government had ratified social and human rights outlined in the international human rights documents and included them in its own legal and policy framework. In practice, however, social rights faced discriminations during the implementations of developmental state policies. These discriminations had their root causes in the political, economic and institutional problems of the country. According to (Cochrane and Melisew, 2019: 3), in 2016, urban unemployment rate aged between 20-24 years constituted 28 percent, while orphaned children constituted 7 percent of the population. This figure shows the exclusiveness of the developmental state policy implementation against young and children social groups.

Ethiopia's National Social Protection Policy and strategy that was formulated in 2014 faced critical challenges. The feasibility of the strategy was challenged as the government alone couldn't fund the strategy unless backed by foreign donations, which was also challenging as foreign support for Ethiopia has declined significantly over the past two decades (OECD, 2019: 92).

Similarly, in the past two decades, government failure was widely seen in reconciling development projects with the interests of the displaced people in the name of those projects. On the one hand many people were dispossessed and displaced from their lands without fair compensation, which exposed many societies to severe crises and detachments. On the other hand, the projects were delayed, and in some cases, not started yet.

The education aspect of social policy faced one of the most critical challenges over the past two decades. In Ethiopia, education has neither shaped nor corresponded to labor force needs or the requirements of industry and trade (Johanna *et al.*, 2014: 10).

⁶¹Gini coefficient is an instrument that measures the extent of social and economic inequality; a measure of income inequality (Dniesterzanski, 2015: 26).

4.2.6. Regional and Global Challenges of Developmental State in South Korea and Ethiopia

4.2.6.1. Regional Challenges

Several regional forces challenged the developmental state of South Korea. In the early 1960s, the country was fragile state with weak political and economic institutions. In 1960, power vacuum was created between the departing and coming government. The state of such crumbling lasted long even after strong government was created in 1963. According to Asmolov (2019), the defeat of the previous government in 1960 opened the way to the weakening of the repressive apparatus and related crimes; the neutralized law enforcement agencies proved to be unable to stop the wave of organized crime and increasing corruption. The internal political instability created fertile ground for the regional threat. Political and security threat persisted from North Korea. Relevant challenges were the North Korean, which was the threat to national security backed by external pressure emanating from the Cold War, and the Push from international capital to open Korean market (Hundt and Uttam, 2017: 85).

Similarly, Ethiopia is the world's largest populous country with no sea outlet located in the Horn of Africa being surrounded by six poorest countries⁶² of the Horn. Such geo-political setting posed great challenges on Ethiopia's development sketch. First, as Ethiopia is landlocked country, its development plan has been challenged by difficulties and security of access to ports and their utilization.

Secondly, Ethiopia's neighboring states have been conflict prone. Major security and political instabilities of the area include civil wars and continued terrorist attacks in Somalia, piracy and maritime terrorism on the Somalia coast, and internal political strife in Sudan and South Sudan. Besides, Ethiopia was involved in devastating border war with Eritrea between 1998 and 2000. Since then, political and security tensions continued between the two countries until recently. While the war with Eritrea destroyed Ethiopia's hope to use the sea outlet, following the diplomatic crises with Eritrea, Ethiopia became heavily dependent on the Djibouti port. This dependence hasn't served Ethiopia's long term socio-economic and interests as the pressure from Djibouti is increasing. Similarly, there has been securitization of the Red Sea by Djibouti which hosts several external military bases. A wide variety of international security actors from Europe, the United States, the Middle East, the Gulf, and Asia are currently operating in the region. The

⁶²The six countries that surround Ethiopia are Djibouti, Eritrea, Kenya, Somalia, Sudan and South Sudan.

external militarization of the Horn poses major threat for the future security and stability of the region (Melvin, 2019: 1). The presence and competition among these powers in Djibouti has had serious economic, political, and military tensions for Ethiopia, the land locked country with weak economy. It has been increasing the costs of Djibouti costs.

Further, the effects of the Gulf Cooperation Council Crises (GCCC)⁶³ on the Horn of Africa have been serious challenges for Ethiopian development activities. Rival countries that are members and non-members of GCC have extended towards the Horn and Red Sea establishing their military bases. Such extension tow the area had intensified tension in Ethiopia. It also has had visible economic and political repercussions on Ethiopia, constraining its ability to use ports for its export and import needs.

4.2.6.2.Global Challenge

Global factors imposed several challenges on South Korean development activities. During the Cold War period, the country was victimized by divisive Cold War political and military set up as USA and USSR had been belligerent over it. One of the most international challenges of South Korea during the Cold War was that since the country was established internationally⁶⁴, it needs the recognition and support of international community (CIA, 1948). The situation of the Cold War created economic, political, economic and military challenges on South Korea. The military challenge, according to CIA, included, the probable attack from Northern Korea and the Soviet Union. The then global super powers, US and USSR, had different and competing views on South Korea. The subsequent rivalry between the two superpowers in the Cold War era, combined with the competition between the communist forces and the rightwing conservative forces of internal Korean politics affected the internal conditions of the country (Hong, 2000). Kruger (1992) describes the economic difficulties that South Korea faced during the Cold War era as fiscal difficulties arose from drastic reduction of foreign aid and lack of foreign exchange to import capital goods. The global oil crises of the 1970s had also affected the South Korean economy. China had also involved in the Korean politics allied with North Korea. The Communist Chinese was also identified as a global threat to South Korean development path.

⁶³The Gulf Cooperation Council Crises clearly began in 2017 with the rivalry among the Gulf States that put Saudi Arabia and United Arab Emirates on one side and Qatar on the other side.

⁶⁴ Following the defeat of Japan in WWII, Korea got its independence from Japanese colonial rule in 1945. Due to external impact from US and USSR, Korea was divided into two__ North Korea and South Korea along 38 parallel in 1948. After the end of the Korean War (1950-1953) South Korea was kept under the close control US.

The post 1991 Ethiopia reoriented its foreign policy towards the Western World. The country accepted the IMF program in 1998. According to Takagi and Khoo (2019), Ethiopia approached World Bank to get financial assistance for its rural development which in return the country was required to open its financial markets. Here, begun the impacts of globalization.

Today, the world is becoming highly interconnected and interdependent than ever before. Technological development and expansions; economic forces like trade and investment; social and political factors derive these interconnectedness and interdependence. In these conditions, countries either cooperate or compete with each other. Under both cases, strength at home is very crucial.

Foreign trade through export and import drives Ethiopia most to be engaged in international arena. The country mostly exports low valued raw agricultural products and mostly imports higher valued capital goods. Thus, the country earns negative trade balances. Access to market opportunities, low quality of exported goods and fluctuations of foreign exchange had critically challenged Ethiopian development policy over years. Technological development lagged far behind in Ethiopia (Zena: Interview). Without technological development and expansion, it is difficult to resist the top-down impacts of globalization.

4.2.7. The Challenges of the Politics of Foreign Aid in South Korea and Ethiopia

In the early 1960s, South Korea totally depended on foreign finance for its development purposes. It received significant economic assistance from US and Japan. Foreign aid played both positive and negative roles in the development endeavors of South Korea. The positive impact included financial assistance, preferential treatment to access international markets, technologies and skills. The support of the United States helped launch the developmental alliance, providing material resources and political support where Korea relied on the openness of the American market to generate export revenues during the early phases of its industrialization (Hundt, 2009: 35).

The negative implications of foreign aid for South Korea can be seen from different angles. Industrialization became almost an ideology for the Korean state, which was faced with the challenge of developing capitalism without a capitalist class (Uttam and Hundt, 2017: 85). The diplomatic and economic relationship that the South Korean government established with Japan also caused internal political instabilities and public protests because of the previous Japanese

harsh colonial rule over Korea. In 1965, Japan and South Korea signed a normalization treaty that focused on economic and social bilateral relationship, which caused criticism and mass antagonism from the Koreans for Japan's gross human right violations against them during the Second World War (Sakaki, 2019: 3-4).

Uncertainties of access to foreign assistance were the other biggest challenge of Korea's dependence on foreign aid. This was witnessed when financial assistance from America faced challenge in the early 1960s. The effort of the government to raise funds for its steel projects was significantly affected by the changing wider political and economic relations and interests of the time (Fine *et al.*, 2013: 43). In this case, the US-Vietnam War and the 1973 oil crises highly challenged the country's development activities. Foreign aid created widening gaps between firms and urban and rural areas. The fact that Korean firms had high dependency on external debts for capital investment and short-term circulation of capital, further collapses of firms, particularly small and medium size firms are not surprise (Bagchi, 2003: 136).

In similar fashion, Ethiopia is one of the largest recipients of foreign aid in the world (HRW, 2010: 4). The challenges of foreign capital to support Ethiopian development were many and complex. First, it was not easy to access. Second, once it was acquired, it was difficult to use for the targeted development. (Natnael, 2020: interviewee)⁶⁵ claims that once development projects were developed by different sectors like health, education, economic sector, etc, MoFED sent these projects to foreign donors; most of the time, Ethiopia had faced hurdles to get ready made donations or loans. Similarly, even once the budget was acquired, the internal sectors either delay the project or they do not use the foreign for the targeted project.

The other challenge is that development donors gave assistance on conditionalities, which may not be relevant to the interests of the Ethiopia. According to (Dejene, 2020: interviewee)⁶⁶, the World Bank and China have been the largest development donors for in Ethiopia. Dejene stated that World Bank puts policy conditionality to provide financial assistance. This conditionality included currency devaluations and privatization of public enterprises, limiting concessional loans, etc.

⁶⁵Natnael Abebe is Asian and Oceania Countries Cooperation Senior expert at the FDRE Ministry of Finance and Economic Development. The interview was held on 15 June, 2020 at Addis Ababa.

⁶⁶Dejene Girma works is Asian Countries Cooperation team leader at the FDRE Ministry of Finance and Economic Development. The interview was held on 15 June, 2020 at Addis Ababa.

The other important challenge is that foreign aid deepened dependency behavior in Ethiopia. Dejene further argues that various economic and social sectors repeatedly ask for foreign aid rather than exhaustively using the internally available resources. These sectors demand commercial loans in large amount which would be load for generations.

Further, the ruling EPRDF politicized foreign aid to weaken the local political opponents. There was a danger that the government could use its donor funded structures and services to control and oppress the population. International human rights law are flouted, and often, by local government officials who have considerable power when it comes to distributing donor-funded seeds, fertilizers, food, micro-loans, and other resources on which Ethiopia's impoverished majority rural population relies for survival (Human Right Watch, 2010: 27).

4.2.8. Challenges of Rent-Seeking and Corruption in Ethiopia

If strong institutions do not exist, developmental state is easily exposed to the danger of rent-seeking and corruption. In Ethiopia, due to the absence of strong institutions, corrupt and self-centeredness of the bureaucrats, business men and politicians endangered the overall economy. Over the past two decades, the Ethiopian government was captured by certain corrupted politicians, bureaucrats and business men. In the view of (Zena, 2020: interviewee)⁶⁷, rent-seekers were highly prevailed; in privatization process, government officials misused and abused public power and transferred public enterprises to private firm with low prices. Zena further argues that private firms took rural arable land for sell or to lend money from government bank, Central Development Bank of Ethiopia, by using the land on collateral. The form of corruption is worse as these investors neither develop the land nor the land is transferred to other uses. Using the money they received from Government Banks, they build hotels in Addis Ababa, as the interviewee argued.

The pervasiveness of rent seeking and corruption in Ethiopia over the past twenty years pointed out the failure of the state. According to (Habtamu, 2020: interviewee)⁶⁸, the motive to prevent the invisible hand in Ethiopian economy created another invisible hand. By invisible hand, Habtamu means that throughout the country, EPRDF penetrated into the economy using its party

⁶⁷Zena Habtewold is a Directorate Director of planning, monitoring and evaluation at the Federal Democratic Republic of Ethiopia, Ministry of Agriculture. Interview was held on 14 June, 2020 at Addis Ababa.

⁶⁸Habtamu Getachew is a Macro Planning Directorate Director at the FDRE Planning and Development Commission. The interview was held on March 03, 2020 at Addis Ababa, Ethiopia.

based ‘development associations’⁶⁹. These associations were led by party leaders or members at all administrative hierarchies. The fact that they were politically supported, they were rarely accountable for their corrupt practices.

Although the degree differs, corruption prevailed across all sectors of the economy. According to (Getnet,2020: interviewee)⁷⁰, corruption in all its forms prevailed in Ethiopian construction sector over years; where contractors were unjustly selected; poor performance is compromised; and in many cases, government officials took over partially or wholly unfinished projects. Getnet adds that secret information that baized the process of competition and harm public interest are disclosed to some firms. The government intervention in the economy enabled politicians to build a basis of political support. The result was unfair economic benefits for the elites which antithesis of development. Party related groups captured the state using government institutions to advance their own interests. Several projects were left unaccomplished or delayed.

4.2.9. What Does Ethiopia Learn From the Achievements and Challenges of South Korea in Implementing Developmental State Policy

South Korea provides one of the best examples of developmental state. The country could link policy with outcome in its economic performance. The effective cooperation among development stakeholders like government, business, and bureaucratic institutions, as well as, social and political collaborations finally transformed the country’s economy within a period of less than 20 years. Korea may be a prototype case of guided market economy in which the government has played strategic role in taming domestic role and international forces and harnessing them to national economic interests (Onis, 1991: 112).

South Korea encountered different challenges. The country started from zero. Shortage of finance, political instabilities, and lack of skilled man power were some of the severe challenges of development policy implementations. Indeed, some challenges lasted until recently. Being under these challenges, the government committed to guide, coordinate, and stimulate development activities; bureaucrats continued to implement; business groups worked towards

⁶⁹ By development associations, Habtamu means, the Tigray Development Associations, Amhara Development Association, Oromo Development Associations, Wolayita Development Associations, Gurage Development Associations, etc that were economic wings of the party.

⁷⁰ Getnet Desta was legal expert at EPRDF Ministry of Urban Development and Construction. The Interview was held on 28 June, 2020 at Addis Ababa.

transforming the economy; and many other social groups cooperated where for internal and external; political and economic factors, the development process has been threatened and the path forward was darkened. The government managed various interests of development agents and articulated national development goals.

Contrary to that of South Korea, the practices of democratic developmental state missed theory in Ethiopian. Although Ethiopia claimed to adopt democratic developmental state, two decades later, however, Ethiopia is neither developmental nor democratic. The Ethiopian economy couldn't transcend the rental vulnerabilities created by the fusion of government sectors and private firms.

Therefore, it is worth for Ethiopia to learn from some experiences of South Korea. First and foremost, it is not the nature of the policy *per se* that matters, but implementation as well. Towards the implementations of democratic developmental state policy, inclusive political and economic institutions, supported by committed leadership and professional bureaucrats, should have to be functional.

Second, the role of the government and bureaucrat in the economy should have to be clearly stated. The extent and purpose of government interventions in the economy should have been determined, as in South Korea. In Ethiopia, the fusion of politics with economy entitled politicians and bureaucrats access to unfair control of the resources. This way advanced the interests of selected groups at the expenses of the many. This was seen when rent-seeking resisted transformations during the past decades of EPRDF reign. The underprivileged Ethiopian population pushed for reform, while the privileged tried to maintain the status quo. Ethiopia should have to clearly adopt and implement capable and inclusive institutions to reduce such performance.

Third, turning to the experiences of South Korea, there was strong and committed government behind the South Korean development achievement. Though the strength of Park Government suffered from the problems of political restriction, it was effective in transforming the economy. Politicians were committed towards national goal maintaining strong relationships with private enterprises and government officials. The Park Government wisely used all the internal and external resources. What Ethiopia should have to possess is limited, committed and efficient

executive branch of government that can mobilize resources for development and minimizes power abuse and corruption.

South Korea developed contextually relevant industrial policy. It focused on export-driven industry and market-cooperating government institutions. South Korea was able to move from just protectionist based industrial policy to attain development whereas Ethiopian industrial sector still maintains protectionist and market distorting level. Ethiopia requires strong and efficient bureaucratic institutions to implement the policy effectively. It was the civilian expertise who would prepare a successful series of five year economic plans of South Korea. Sources of finance were exhaustively identified and allocated efficiently by the expertise. South Korea's bureaucratic administration was confirmed to efficient and effective, contrary to that of Ethiopian. Thus, the way South Korea's bureaucracy formulated and implemented was important lesson to Ethiopia.

5. Conclusion

Countries of the world had used different development paths. Based on their particular history, geographical set up, economic, political, and social situations; and external factors these countries have used different development policies. Some countries have used capitalism-based development path while others have used socialist-oriented path. Capitalism advocates market-development while socialism advocates government-based development. As explained by the research, it was in between the two paths that developmental state model emerged as a new development paradigm. Developmental state is a paradigm that advocates the alliance of government and market roles in development. However, it is difficult to find universal definition, common viability, and similar challenges for developmental state across countries as some countries became rich using it while others remained poor using the same.

Following the end of the Second World War, developmental state policy has been widely used in many East Asian and Latin American, and later, in African countries. The impacts of colonial rule, the deep-rooted social and economic problems such as poverty, unemployment, low level of infrastructures, and illiteracy had impacted the East Asian and African states to engage in economy to reduce such social and economic problems particularly after political independence.

As explored by the research, South Korea and Ethiopia had adopted the developmental state policies and strategies in the early 1960s and in 2000s, respectively. Once upon a time, both countries had experienced similar level of social and economic underdevelopment. Problems of civil war, illiteracy, unemployment had persisted in both countries. Government institutions and political leadership were fragile; corruption and mal administration were prevailed. By formulating different policies and establishing different organizations, the two countries were committed to reverse such multidimensional crises by formulating the developmental state paradigm. Many actors including government, private firms, and foreign development partners were involved in the implementation of the policies. After complex internal and external economic and political challenges, while South Korea was able to overturn the development crises, the crises still continues in Ethiopia, as the country has just started the practice. As indicated in the study, it was not the nature of the policy that created difference, but the implementation.

In Ethiopia, heavy political intervention in an economy had resulted in higher risks. The country's developmental state under EPRDF rule lacked committed political leadership, whose

narrow and self-centered interest has not considered the wider public development goal. The study suggests that committed and strong nationalist political leadership enabled to transform South Korean economy. In South Korea, while the political leadership had transformed the economy, the transformation of political institutions was delayed, which significantly challenged the country's development path.

Considering the experiences of South Korea, the role of professional and capable bureaucratic institutions remains crucial in development activities of Ethiopia. The ability to possess and preserve such efficient bureaucratic institutions contributed a lot to the development achievements of South Korea. In Ethiopia, in contrast, the lack of professional and capable bureaucratic institutions had equal effect on the goal of democratic developmental state to be left unrealized. Such a shortcoming will even continue determining the future development fate of the country. Here, the independence of the bureaucrats that coincides with democratic accountability is critical for Ethiopian development goals.

Finally, the findings of the study suggest that it is difficult to sustain development without the existence of inclusive and capable democratic institutions. Although the degree varied, the absence of democratic, inclusive, and independent political institutions adversely affected development in both countries. This means that in order to be developmental, a country should have to possess capable and inclusive political and administrative institutions, supported by capable and committed leadership and competent civil servant to build and sustain strong development.

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Table.3 List of Key Informants

No	Name	Organization	Status	Date of Interview	Place of Interview
1	Dejene Girma	FDRE Ministry of Finance and Economic Development	Asian Countries Cooperation team leader	June 15, 2020	Addis Ababa
2	Getnet Desta	FDRE, Ministry of Construction and Urban Development	Legal Expert	June 28, 2020	Addis Ababa
3	Habtamu Getachew	FDRE, Planning and Development Commission	Macro Planning Directorate Director	March 03, 2020	Addis Ababa
4	Natnael Abebe	FDRE Ministry of Finance and Economic Development	Asian and Oceania Countries Cooperation Senior Expert	June 15, 2020	Addis Ababa
5	Redwan Shamil	FDRE Civil Service Commission	Human Resource Performance Senior Auditor	July 28, 2020	Addis Ababa
6	Zena Habtewold	FDRE Ministry of Agriculture	Directorate Director of Planning, Monitoring and Evaluation	June 14, 2020	Addis Ababa