

Full Length Research Paper

Economic development models of East Asian developmental states

Yoo Dae Kim Ji-tae

Department of Public Policy and Leadership, Park Chung Hee School of Policy and Saemaul (PSPS): Yeungnam University, South Korea. E-mail: yoo.dae55@yahoo.com.

Accepted 12 May, 2016

The East Asian developmental states were so successful to transform their nation from the agrarian to the most advanced industrial state. Although it is believed that developmental state exists before the East Asian countries, most of the literatures give emphasis to the successful East Asian countries. All the developmental states in East Asia fulfill those requirements to be called as a developmental state. Additionally, these countries developed their own economic development models which can be taken as success factor of their development. In most of the research papers, the success of developmental states is not debating. The debating issue is whether or not the experience from East Asian developmental states can be replicated in the currently developing countries. Most authors lack confidence to recommend the applicability of East Asian developmental states success. However, as far as there is committed and strong leadership, both democracy and economic development can be implemented hand in hand. The current Ethiopian government from its beginning was democratic. The country was under dictator government and closed economy was the policy direction for 17 years before 1991. Now in Ethiopia, multiparty system exists, and power is accessed only by election. The country underwent four elections successfully in the past 20 years. Ethiopia's economic development is impressive. The country is in a state of unprecedented economic development. This was made possible in this short period of time because of the characteristic of political leaders in Ethiopia. The state in the country shares most of the characteristics mentioned for developmental states. Moreover, there are strong grounds to implement the economic models of East Asia in the developing country, Ethiopia. There are similarities and differences between the Ethiopian and East Asian economic development models. The differences are the weakness of the state in Ethiopia, so there is a possibility to amend this by taking the experience from East Asia. Generally, Ethiopia is working as a democratic developmental state. The current situation in the country reflects this fact; therefore, the developmental state experience from East Asia can be implemented in the developing countries of Africa.

Key words: Ethiopia, East Asia, developmental states, Foreign Direct Investment, current government.

INTRODUCTION

Developmental states have differed in their evolution, context, trajectory, and manifestations. There are therefore cultural and conjectural peculiarities in the emergence and nature of developmental states around the world, and so "one size fits all" can not apply to the engineering and modeling of developmental states in Africa, as elsewhere in the world. Developmental states have emerged largely through trial and error and learning by doing, which have no formally designed templates that aspiring countries can copy (ERA, 2011). Developmental

state may be defined as "a state that puts economic development as the top priority of government policy, and is able to design effective instruments to promote such a goal (ERA, 2011; Fritz, 2006; Ziya, 1991). The literature on developmental states has largely identified two major features in a developmentalist ideology and a structure that pertains to the requisite institutions, norms and standards that can support development processes (ERA, 2011).

Developmental states have a long history before the

miracle in East Asia becomes the issue in the world. However, the developmental state situation in East Asia was exceptional in every dimension. The developmental state is therefore usually associated with the rapidly growing East Asian countries. East Asian countries fulfill the characteristic features mostly used to define developmental states. Moreover, these countries lead their nation to an advanced industrial state within a relatively short period of time.

All the studies conducted about the developmental states in East Asia could not deny the success of these countries. Even criticism of the developmental path is not strong, as the path is completely different from the neoliberal thinking. The difference lies on whether the experience of developmental states in East Asia can be applicable or not in the currently existing developing countries. Ziya (1991) and Manuel (2010) concluded that the applicability of the developmental state in the developing countries is difficult because East Asian developmental states were successful in authoritarian regime. Jong (2002) also concluded that the applicability of the economic development is difficult in the now democratic developing country(s), however, he recommended to use the model by extracting the best and suitable model for the intended country. John (2012) in his study also indicated that for developing countries to use the experience, they should first confirm and listen to the voice of the people, otherwise the application may be difficult. On the contrary, ERA (2011) pointed out that the applicability of the experience from the developmental state of East Asia is timely to the developing countries in Africa, and designed how to implement the experience from these countries. Therefore, the purpose of this paper is to answer the following research questions:

- Is it possible to use the experience of East Asian Developmental States in Ethiopia?
- What differences and similarities exist between East Asian and Ethiopian development situations?
- Is it possible to build a Democratic Developmental State in Ethiopia?
- What favorable conditions exist in Ethiopia to build a Developmental State?
- Can Ethiopia fulfill the characteristic features of Developmental States?

To successfully answer these research questions, this study drew out the economic development models of East Asian developmental states in the literature review, and then discussed the questions in the study's modeling economic development.

METHODOLOGY

This paper is entirely based on secondary data. However, the data used are reliable in that they are taken from the well known international organizations and also from the

respective countries' governmental offices. Subsequently, this study shows the economic development model of East Asia based on some core specific issues, after which the Ethiopia situation was briefly discussed by using the points or issues used in the "economic development model" putting some comparison with East Asia. This is followed by a brief indication of the gaps for further investigation, and finally, the study was concluded.

MODELING ECONOMIC DEVELOPMENT

Economic development model of East Asian developmental states

Many of the developmental states of East Asia have been able to transform their economies from agrarian to industrial, and post industrial economies have witnessed high rates of industrialization resulting in near unprecedented economic growth, and made qualitative improvements in the living standards of their population. These countries made a remarkable effort and lower the relative and absolute poverty. They transformed their economies from relatively high reliance on the primary sector in the 1960s to the currently dominant share of manufacturing and services in GDP, with manufactures accounting for more than 50% of their exports (UNECA, 2008).

The developmental states have the following characteristic features: vision setting, capable leadership and a developmentalist ideology, relative state autonomy especially in formulating and implementing policy, state institutional capacity notably a strong and competent bureaucracy, effective national development planning, coordination of economic activities and resources, support for a national entrepreneurial class, commitment to expansion of human capacity, peace, political stability, rule of law and predictability in government business (ERA, 2011). Different authors discussed with different success factors for the economic development achieved in East Asia. The following success factors are extracted from different literatures, and designed to help in the comparison of the developmental state in Ethiopia and East Asia.

The role of the Government

Before the East Asian miracle, there were two dominant paradigms for development: one focused on markets, and the other on government and planning. The governments of East Asia recognized the limitations of markets but confined the government's role to policies that actively sought to ensure macroeconomic stability; making markets work effectively by for instance, regulating financial markets; creating markets where they did not exist; helping to direct investment to ensure that resources were deployed in ways that would enhance

economic growth and stability; creating an atmosphere conducive to private investment and ensured political stability. In short, rather than replacing markets, these governments promoted and used them. Such interventions had to be carefully balanced; if they were too heavy-handed, they might squelch the market. This agenda required government to design interventions in a way that reduced the likelihood of rent seeking behavior and that increased its ability to adapt to changing circumstances. One such mechanism was a performance based reward structure that provided strong growth oriented incentives and served as a basis for awarding government subsidies. This structure was relatively free from corruption and helped to direct resources to areas that produced high economic returns. Another essential step was to design a civil service system based on merit, which compensated employees well and built in provisions that reduced the dangers of corruption (Joseph, 1996).

In explaining the Asian economic „miracle“, some analysts stress the role of large investments in physical and human capital (public and private), the creation of a market friendly environment and appropriate macroeconomic policy frameworks (World Bank, 1993). Others focus on strong institutions as the central factor (Mkanadwire, 2001). The major agency for all these factors is the developmental state. In East Asia, it has played a fundamental role in efficient resource allocation, concentration of infrastructure, development of efficient school system and assurance of profitable investments through appropriate credit and interest rate policy. State policy interventions were in several directions subsidized credits, public investments in research and technology, and development of export marketing institutions (Evans, 2010).

The role of agriculture

Most East Asian and Southeast Asian countries underwent some form of land reform redistribution early in their history so that they started with a relatively even land distribution that greatly facilitated the subsequent growth of agricultural output and the transfer of the agricultural surplus to non agricultural sectors (Eric, 2004). According to Joseph (1996), the land reform had three effects: increased rural productivity and income which resulted in increased savings; higher incomes provided the domestic demand that was important in these economies before export markets expanded; and the redistribution of income contributed to political stability, an important factor in creating a good environment for domestic and foreign investment.

The major mechanism to obtain the resources needed for industrialization at an early stage of development is through an inter-sectoral transfer out of agriculture. It is important to identify the major components of this transfer. A first component consists of the resources that

tend to flow out of agriculture, automatically through the market mechanism wherever the rate of return on resources is higher in agriculture than in non-agriculture/typically in the incipient industrial sector (Teranishi, 1998). In summary, the treatment of agriculture and the delicate way in which resources were transformed out of agriculture combined with the emphasis on primary education in East and Southeast Asia was instrumental in generating the takeoff and establishing favorable conditions for the next development phase (Eric, 2004).

Industrial policy

It is an attempt by the government to influence the industrial structure of the economy and the allocation of resources between different industries. Simply put, industrial policy refers to government activity intervening in the economy and selecting some specific industries to protect and nurture (Jong, 2002). Most countries shared three objectives: developing technological capabilities, promoting exports, and building the domestic capacity to manufacture a range of intermediate goods (such as plastics and steel). Support for particular industries and imports of the necessary foreign technology took several forms (ERA, 2011).

First, the support for education particularly engineering and science education provided an intellectual infrastructure that facilitated technological transfer. Secondly, decision to discourage/through financial market regulations/ the allocation of capital to areas such as real estate meant that more capital was available for areas with higher technological benefits, such as plants and equipment. Thirdly, the government encouraged exports. Fourthly, in some industries, particularly those with many firms, government promoted technology programs, including science centers that offered services ranging from identifying new products to providing R & D for firms that had no facilities of their own (Masaki, 2006).

Taiwan and Malaysia developed industrial parks for high technology industries, both to allow firms to capture some of the diffuse externalities associated with these industries as well as to lower the barriers to entry. And finally, the government provided explicit and implicit subsidies/through cheap credit/ to industries it wished to support (Jong, 2002). An important element in the expansion of certain industries was receptivity to direct foreign investment. The East Asian economies not only resisted xenophobic aversions to foreign investments but they also induced capital flows by providing sound macroeconomic management, a stable political environment, and well managed labor markets with educated workers. In many cases, governments took explicit steps to ensure that a transfer of technological and human capital would accompany these inflows. Foreign investment increased the pace of expansion, reducing the constraints imposed by limitations on the

availability of capital, domestic entrepreneurship, and technological know-how (Joseph, 1996).

Policies towards FDI and technology transfer

East Asia recognized that the world economy evolves mainly through an interdependent development process rather than through independent growth. The economic history after Second World War reflects the insight of Allyn Young /1928/ that, while interaction among agents and firms can lead to external economies, interaction among countries through trade, investment and technology transfer can create strong positive spillover. A fundamental corollary of such a proposition is that although openness alone does not guarantee successful economic development, no development can be successful without openness. So the hallmarks of East Asia's development from the 1960s were an outward orientation to benefit from the fruit of state of the art technology. Trade and foreign investment became the "conveyor belt" in the transfer of technology (Erik, 2004). FDI has not been a significant factor in Japan, and Taiwan, although it played a much larger role in Hong Kong and particularly in Singapore. For all second tier NIEs of Asia, however, FDI has been much more important than for countries in Northeast Asia (Jong, 2002). Compared to the Northeast Asia countries, the Southeast Asian countries, in general, have been more open and receptive to FDI and other foreign capital. Singapore had few restrictions and regulations governing FDI. In fact, one of the major tasks of the Economic Development Board (EDB), a Singaporean government agency, was to scout for foreign investors. Malaysia, adopting the "Look East" policy in 1981 to emulate the industrial deepening efforts of Japan, Korea, and Taiwan, also actively sought FDI, especially from Japan. FDI has played a central role in the emergence and success of export oriented manufacturing sectors in Malaysia, especially in Electronics. Traditionally, Thailand has maintained a liberal attitude towards FDI. The promotion of FDI has been a major element in every national development plan since 1960. As in Malaysia, the government of Thailand has placed the highest priority on FDI-led, export oriented industrial development. FDI from Japan has played a significant role in developing and upgrading the automobile and electronics sectors of the Thai economy (Jong, 2002).

Incentives and policies for export-led growth

Despite substantial differences in factors endowments and initial economic conditions, virtually all of the East Asian countries have pursued export oriented policies for their industrial development. In terms of the old idea of economic take off (Rostow, 1960), export growth in these countries provided fuel for takeoff for industrialization.

This export led industrialization was led by Japan, and

followed by other groups of East Asian countries one after another, like a group of geese flying in V-formation (Jong, 2002).

Differences in resource endowments played a key role in determining when and how the East Asian economies shifted from import substitution to export promotion in their development strategies. For the economies of Northeast Asia, the paucity of natural resources was an important factor responsible for their rapid shift to manufactured exports, which required industrial upgrading through more active and selective industrial policies by their governments (Jong, 2002).

As in the economies of Northeast Asia, however, labor-intensive, export oriented manufacturing industries in Southeast Asia did not develop spontaneously through the availability of cheap labor and greater reliance on freer trade and FDI for the transfer of technology and managerial skills (Jong, 2002). In addition to the provision of infrastructure and universal education, various government measures were used to accelerate investment in these industries. These measures include subsidies, tax breaks, support for training programs, and various export promotion measures, which are simply part of an industrial policy to create dynamic comparative advantages (Joseph, 1996; Jong, 2002).

Attention to skilled and educated labor force

In the East Asian developmental states, the national education systems expanded rapidly during the process of state formation (Masaki, 2006). It has been stated that emphasis on skill formation is one of the distinctive features of the East Asian national education system (ERA, 2011). Efficient human capital was vital for the developmental states in the process of state formation. To produce skilled human resources, these states carried out detailed human capital strategies, especially in Taiwan and South Korea along medium term economic development plans. In Japan, in the 1960s, interest groups in the industry such as the Keidannen demanded that education provide efficient human resources from the government (Masaki, 2006).

The East Asian developmental states coordinated an upgrade of industry and expansion of the national education system. Consequently, as Morris (1996) states, the expansion of the national education systems was largely sequential, with first priority placed on primary education, then later on secondary education, and to tertiary education.

According to Erik and Henry (2004) in the early phase of East Asian development the government emphasized on primary education. The spread of education throughout the rural areas provided the children of farmers with the human capital and skills they would need to operate successfully in non-farming activities after takeoff. These skills benefited for particularly young women who started working in a variety of factories while

still living at home and commuting. The emphasis on primary and vocational education prepared the labor force to move out of agriculture and migrate later on to semi-rural and urban regions. Traditionally, most women quit their work after marriage or child birth, so that knowledge accumulation covers a short period than for male workers. Between mature industrialized economies and industrializing economies, the comparative advantage of the later lies in products using relatively intensively workers with less experience, that is, industries relying on female labor such as footwear, garments, plastics, and electric/electronic assembly. Japan early on specialized in those industries and was followed by the NIEs and presently China. Cummings (1997) points out that state investment at the tertiary level was limited primarily to critical areas such as Engineering and the Science. The East Asian states have also placed stress on citizen formation. The emphasis on values and moral education is one of the most characteristic features of the East Asian national education systems. Moral and values education relates to the priority given to promoting national identity and social cohesion (Masaki, 2006).

DEMOCRATIC DEVELOPMENTAL STATE IN ETHIOPIA

This country was in command and closed economy for many decades before 1991. Additionally, there was dictator authoritarian military government which ruled Ethiopia for 17 years. The year 1991 is the turning point for Ethiopia in terms of social, political and economic situations. The current government launched programs for democracy and economic development in this country since the year 1991. To design policies and strategies for both democracy and economic development, experiences from different countries in the world were taken and adopted with the situation of Ethiopia. The economic development model is taken basically from East Asian countries. Most literature conclude that the developmental state which was successful in East Asia is good experience for developing countries in Africa, but its implementation in democratic situation is difficult. In this paper, a trial was made to show how democratic developmental state is working in Ethiopia. For easy understanding, this study is limited to explain the situation in Ethiopia based on the success factors used for East Asian countries.

The role of the Government

The current government in Ethiopia took power from the previous military government, when the country was in a very bad situation. There was no appropriate policy and strategy to alleviate the persistent poverty in the country. The country was suffering in the command economy closing its door for external market. The living situation both in urban and rural areas was severe, and all these

happen because of the coordination failure.

The first work for the new government was to design new policy and strategy to change the history of the country by leading from poverty to sustainable development. As a result, a policy which makes agriculture a central issue was designed and implemented for the last 20 years. Now the country is in a fast unprecedented economic growth. According to World Bank New Economic Update reported on December 13, 2012, over the past decade, the Ethiopian economy has been growing at twice the rate of the African region, averaging 10.6% GDP growth per year between 2004 and 2011 as compared to 5.2% in Sub-Saharan Africa. According to this report, 2.5 million people in Ethiopia have been lifted out of poverty over the past 5 years as a result of strong economic growth, bringing the poverty rate down from 38.7 to 29.6% between 2004/2005 and 2010/2011. The government's target to reduce poverty to 22.2% by 2014/2015 is ambitious but attainable. The report attributes this impressive economic growth mainly to agricultural modernization, the development of new export sectors, strong global commodity demand, and government-led development investments. This study also agrees that the role of the government in developmental states is to register high economic growth, so one of the prerequisite for developmental state is found in the democratic country, Ethiopia. The head count index for poverty was 56% in 1992 right after the new government took power, currently it goes down to 29.6% and this clearly shows the commitment of the government for economic development in Ethiopia.

There is high market failure in Ethiopia and to avoid this problem there is a need to intervene in the market. The government of Ethiopia intervened in the market for the sake of economic development. In this regard, many activities can be mentioned but only some of them will be shown. There is a mechanism to support entrepreneurs to be successful in the market, provision of different infrastructures like school, health facilities, road, electricity and telecommunication was made possible by the current developmental state. Apart from the economic changes, the democratic situation is also in progress in Ethiopia. The institutions for democracy are already established well. There is access for free press, people can speak and make criticism as well as civic societies are actively participating under the democratic atmosphere. Above all, the people can decide on their leaders based on the election system established in the country. Four successful elections have taken place up to now in Ethiopia. Therefore, the argument that developmental state experience will not be applicable in developing countries is very well disproved in Ethiopia as the country is implementing the experience in democratic situation.

The role of the government in East Asian countries was also the same but still the Ethiopian developmental state lacks the building of strong bureaucracy. There is great

gap between the political leadership and civil servants in Ethiopia so the experience on how to build strong bureaucracy is still crucial from East Asian countries.

The role of agriculture

Agriculture is the backbone of the Ethiopian economy. It employs over 80% of the population, and still dominates GDP contribution. Its growth, like the country's growth, was stagnant for decades. The Ethiopian government began taking different policy measures and development interventions since the 1990s. The overarching development policy of the country is Agricultural Development Led Industrialization (ADLI). Since 1992, Ethiopia has instituted series of media and long term plans, and focused on policies such as the Agriculture Development Led Industrialization (ADLI), Poverty Reduction Strategy Paper (PRSP), and Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) 2005/2006-2009/2010. In 2010, Ethiopia unveiled a Growth and Transformation Plan (GTP) for the period of 2010/2011-2014/2015. The GTP envisaged that the country's GDP per capita would grow from 378 USD in 2010 to 1271 USD in 2025. Besides, the CRGE strategy projects that the contribution of agriculture will diminish from 42 to 29%, indicating migration of jobs from the agriculture sector to industry and services, which are expected to contribute 32% and 39% of the GDP (MoFED, 2010; EPA, 2012). During the implementation of SDPRP, PASDEP was encouraging, with over 8% annual growth. Based on the progresses during the last two plan phase's success, the government developed the current Growth and Transformation Plan (GTP) which will be implemented within the time period of 2010/2011-2014/2015. Smallholder agriculture is the dominant sector that provides over 85% of the total employment and foreign exchange earnings and approximately 55% of the Gross Domestic Product (GDP). As of recently, the industry and service sectors are taking more share of the GDP (EPA, 2012).

The current economic growth is directly associated with the impact of agricultural activities. The working culture as well as the productivity at farmer's levels showed dramatic increase for the last 20 years. The farmers get incentives from the improved market system which resulted from market intervention by different mechanisms from the developmental state in Ethiopia. Another motive for the farmers is the land reform which took place in the late 1990s. The direction of economic development in Ethiopia is in line with what has been implemented in East Asian countries, that is, transfer out of agriculture is the main direction. Sectoral transfer out of agriculture to industry is practically underway in Ethiopia. To change the life of farmers by increasing agricultural productivity, the developmental state in Ethiopia is strongly working at the grass root level. Like the saemaul movement which was so effective in South

Korea, the government of Ethiopia already launched farmer's movement known as "Developmental Army Building". The movement is showing its fruit in many aspects.

The agricultural policies and strategies have similarities with that of Taiwan and South Korea. The difference lies in the outcome of the policies this intern depends on, the implementation capacity, as well as some natural conditions. The developmental state in Ethiopia still needs to see how to use modern technologies for agriculture. Additionally, the non-agricultural activities in Ethiopia especially in rural parts are not yet started. Therefore, some lessons should be taken to Ethiopia from the developmental states in East Asia.

Industrial policy

The industrial sector development of Ethiopia operates within the framework of the country's overarching economic development policy, ADLI. Industrial development during the implementation of past development plans like PASDEP, supported macro, small, medium and large industries, especially those using agricultural inputs. Encouraging developments were recorded over the past decade. For instance, around 1.5 million jobs were created during five years implementation of PASDEP. Textile and garments, and other industrial sectors, however, performed poorly during PASDEP. The share of industry in the GDP contribution remains low compared to the agriculture and service sector. In 2000/2001, industry contributed 11% of the GDP. Its share increased to 13% in 2009/2010, 15% in 2010/2011 and is projected to reach 19% of the GDP by 2014/2015, growing by 20% per year, twice the growths recorded in the past (EPA, 2012).

The developmental state in Ethiopia is trying to fulfill all the necessary infrastructures for the existing industries in the country. The formation of industrial cluster is already started, and there is also a plan to expand the activity. The provision of standard road, access to electricity, telecommunication, and water supply to the industries is giving incentive for both the local and international firms found in Ethiopia.

The policy direction is starting by agriculture and then accumulating many from this sector. The main reason to start from agriculture is because most of the population lives in rural Ethiopia, and the lack of capital to start from industry. In the industrial sector, the government protects and nurtures some industries like the East Asian developmental states did. The center of support by the government is basically for the SME. According to the plan set by the government if the GTP succeeded, the direction will be changed in that the industry will lead the economy of the country after 2014/2015. Although there are some similarities between the developmental states of Ethiopia and East Asia in this regard, there are so many useful experiences which should be taken from

East Asian countries. The developmental state is usually associated with the emphasis given to industrial policy, so because of the economic factor, the developmental state in Ethiopia give great emphasis to agriculture. However, now there is fertile ground to give much emphasis for industrialization, and for this the experience from East Asian countries is useful.

Policies towards FDI and technology transfer

Like East Asian countries, the developmental state in Ethiopia designed good policy for the development of FDI. The changing of the closed economy to free market economy is an indication for the commitment of the state in Ethiopia. FDI policy in Ethiopia allows different incentives for the investors. In Ethiopia, land is owned by the government, and this gives great opportunity for the developmental state to use the land for economic development. For investors in Ethiopia, the government gives land by lease with minimum rental price for a specified period. So any investor who decided to invest in Ethiopia can use his money to expand the planned investment instead of wasting money to buy land. In addition to this since the bank is not liberalized, the developmental state is using the development banks to give loan for investors with minimum requirements. Moreover, there is high support by professionals at the national and local levels for the firms which are committed to invest in Ethiopia.

The stock of inward FDI in Ethiopia has grown steeply in the past decade, although the rate of accumulation has slowed down since the onset of global crisis in 2008. The level in 2011 is almost five times the level in 2000. The inward FDI stock was nearly \$1000 million in 2000 and it reached close to \$4,500 million in 2011. Like Ethiopia's trade, its source of FDI is remarkably diversified. This is another indicator of how central Ethiopia is in the global economy, taking distance and size of economic partners into account. The sources of FDI in Ethiopia include Europe (24%), Asia (22%), Middle East (21%), North America (19%), Africa (11%), and others (3%) (Henok et al., 2012).

The FDI flow is increasing from time to time and started playing its role both in filling the gap for investment and saving, and technology transfer for development in Ethiopia. In the short run, FDI served as a huge job opportunity in the country.

Ethiopia has comparative advantage in many directions to attract FDI. This country is central to Asia, Europe, and North America so distance can be an advantage for the global market. Ethiopia also possesses huge natural resources which can be used for raw material for industries, and the country has the second largest population in Africa (more than 80 million people) which gives comparative advantage for low cost labor. Above all, the unprecedented economic growth rate for the past 9 years gives impetus for investors to come to Ethiopia.

However, FDI flow is not like that of East Asian countries, and the technological transfer is also sluggish. So there should be an experience which should be taken from the East Asian countries on how to attract FDI, and how to use them for technology transfer.

Incentives and policies for export-led growth

There are trade policies that favor export-oriented and import substituting industries. Tax incentives, including import duty free exemptions, tax holidays, etc., that promote priority sectors, particularly where these sectors face particular handicaps such as the currently inadequate trade logistics. Regulatory exemptions to attract, preserve or foster the growth of particular industries, include attraction to FDI (Henok et al., 2012).

The developmental state in Ethiopia additionally designed program to reward successful industries in the export sector. Based on the above measures, currently the export sector showed dramatic improvement. At present, the ministry of industry is working in the formation of industrial clusters, and in the GTP plan of the country more emphasis is given to hasten the export sector. Almost all the FDI stock established in Ethiopia are producing for export. The export items in the country are diversified. Until recently, the export was based only on coffee but now export items like leather and leather products, cut flowers, meat and meat products as well as oil seeds are contributing great share in export.

The developmental state in Ethiopia is far behind when compared to the East Asian developmental state in promoting the export sector and using the comparative advantage from export. There are a number of experiences which should be adopted from the developmental state of East Asia.

Attention to skilled and educated labor force

The government developed the education and training policy in 1994, and launched the Education Sector Development Program (ESDP) in 1996/1997, which is currently in the fourth phase. Over the past 15 years of ESDP implementation, commendable achievements were made in the education sector. To note, the number of public universities has increased from 2 to 22 till 2010 and is expected to reach 33 when new universities under construction are completed. The public Technical and Vocational Education Training (TVET) colleges reached 253, while the number of primary schools increased from 11,780 in 2000/2001 to 25,217 by the end of 2009/2010. The average expenditure on education in the 1980s and early 1990s was around 2.3% of the GDP. With shifts in government priorities to the pro-poor sectors, it started changing. In 1992, it was increased to 3.6% and reached as high as 5% of the GDP by 2003/2004. The government maintained the high level of spending, always above 4% of the GDP since then. The overall

government expenditure in education has been maintained at around 20% of the total public expenditure during the last decade (MoFED, SDPRP, 2002). Ethiopia has a surging supply of young, increasing well educated, trainable and inexpensive labor (Henok et al., 2012).

The country has reached a level of accommodating 20 million students per year and this indicates the emphasis given to create educated labor force in the country. Civics is already included in the educational curriculum starting from primary schools to the higher education. The emphasis given to education is almost similar to the East Asian countries, and the attention first is for primary education, then to secondary, and finally to tertiary level. And the result is promising in that the educated man power for the required development is already reaching a sufficient level.

In addition, value and moral education has already started both in a formal way in the school and informal trainings. However, it is not comparable with that of East Asian developmental state achievements when measured by any standard. The literacy rate is still low, the male to female ratio especially in secondary and tertiary level is in problem, and the quality of education is not as required. Moreover, the national spirit towards eradication of poverty is not achieved at the level of developmental states success in East Asia. Therefore taking experience on how to close all these gaps from East Asian developmental states is paramount.

TOWARDS FURTHER INVESTIGATION

The developmental state in Ethiopia shares many similarities with that of the developmental state in East Asia. However, there are challenges to be solved in the developmental state found in Ethiopia. To solve the challenges, further research may be needed in order to put practical recommendations. Therefore, the following points are forwarded for further investigation.

The backbone for the East Asian developmental state success is the existence of strong bureaucracy. The political wing in these countries gave full autonomy for civil servants and they have the right to decide in economic issues. Due to this comfortable atmosphere, the bureaucracy was strong to lead the countries in unprecedented economic growth. In Ethiopia, the developmental state is trying its best to include the civil servants in the current movement towards eradication of poverty. Moreover, the civil servants are playing its role in the developmental army building process especially at farmer's level. However, there are many weak links between the civil servant and the public in general. The developmental state in Ethiopia is not effective in the creation of strong bureaucracy. Therefore, further study is important to know the real problem and put solution for this big issue.

Like East Asian developmental states, the developmental state in Ethiopia interferes in the market

for the sake of economic development. East Asian developmental states were effective in this aspect especially in minimizing the level of corruption. However, the level of corruption in Ethiopia is very high according to some studies. Making market interference by minimizing the level of corruption is still a challenge in Ethiopia and this will further affect the already set economic growth in the country. As a result, further study should be conducted on the current status of corruption and design an efficient preventive mechanism.

In East Asian developmental states, national consensus among the nations was a great contributing factor for their success in economic development. National consensus in the countries like Ethiopia where there are diverse ethnic groups is paramount. The developmental state in Ethiopia also tried a lot to develop national consensus against poverty. However, there are still challenges to include all the nations as the situation needs. There are individuals who move against the direction of the developmental state in Ethiopia. This problem is severe in those who live out of Ethiopia (the so called Diasporas). Therefore, further study should be conducted to identify the gaps in this regard and forward solutions for future use.

CONCLUSION

The East Asian developmental states were so successful to transform their nation from the agrarian to the most advanced industrial state. As discussed by most authors, the situation of the 1960s and 1970s was conducive to be successful in the path of the developmental states. The primary aim for the developmental states was not the development of democracy rather the focus was to bring unprecedented economic growth. Developmental states from experience possess development ideology and strong institutions which are central in the implementation process.

Although it is believed that developmental states exist before the East Asian countries, most of the literature give emphasis to the successful East Asian countries. The success started from Japan before it got to others, and the time taken for development was also shorter as the other countries learned from the early starters. All the developmental states in East Asia fulfill those requirements to be called as developmental states. Additionally, these countries developed their own economic development models which can be taken as success factor of their development. The success factors of developmental states in East Asia lie in the role of the government, the role of agriculture, industrial policies, policies towards FDI and technology transfer, policies for export-led growth, and the attention given to skilled human labor. Although there are differences between countries in these aspects, there are also common features of the economic models.

In most of the research papers, the success of

developmental state is not debating. The debating issue is whether or not the experience from East Asian developmental states can be replicated in the currently developing countries. Most authors lack confidence to recommend the applicability of East Asian developmental states' success.

Most of them conclude that developmental states were successful in East Asia because the regimes were authoritarian and dictator. So to be effective in the currently democratic developing countries is most likely impossible.

As far as there is committed and strong leadership, both democracy and economic development can be implemented hand in hand. The current Ethiopian government from its beginning was democratic. The country was under dictator government and closed economy was the policy direction for 17 years before 1991. Now in Ethiopia multiparty system exists, and power is accessed only by election. The country underwent four elections successfully in the past 20 years.

Moreover, there were countries which were developmental states and under democratic condition. Japan was successful both in the democratic and authoritarian situations. Taiwan currently is democratic and at the same time a developmental state.

Ethiopia's economic development is impressive. The country is in a state of unprecedented economic development. This was made possible in this short period of time because of the characteristic of political leaders in Ethiopia. The state in the country shares most of the characteristics mentioned for developmental states. Moreover, there are strong grounds to implement the economic models of East Asia in the developing country, Ethiopia. There are similarities and differences between the Ethiopian and East Asian economic development models. The differences are the weakness of the state in Ethiopia, so there is still a possibility to amend this by taking the experience from East Asia.

Summarily, the state in Ethiopia is working as a democratic developmental state. The current situation in the country reflects this fact; therefore, the developmental state experience from East Asia can be implemented in the developing countries of Africa.

ACKNOWLEDGMENTS

The author sincerely appreciates his advisor, Professor Han Dong-Geun, who gave him direction while preparing this paper and who commented on the proposal as well as the final paper. He also immensely appreciates his dear brother, Dereje Teklemariam, who helped him in arranging this paper for publication by using his experience. Last but not the least, the author is grateful to his wife, Hiwot, and daughter, Rediet, for their help by calling him and giving him advice to stay strong in his work in Korea.

REFERENCES

- Cummings WK (1997). Human Resource Development: The J-model, in W. K. Cummings and P. G. Altbach (eds) *The Challenge of Eastern Asian Education*. New York: The State University of New York Press.
- Economic Report on Africa (ERA) (2011). *Governing Development in Africa-the Role of the State in economic Transformation: Africa's Need for a Developmental State; Opportunities and Challenges*, Chapter 5, Economic Commission for Africa, African Union.
- EPA (2012). National Report of Ethiopia, the United Nations Conference on Sustainable Development (Rio+20). Federal Democratic Republic of Ethiopia, Addis Ababa.
- Erik T, Henry W (2004). *Revisiting East (and South East) Asia's Development Model*.
- Evans P (2010). "Constructing the 21st Century Developmental State: Potentialities and Pitfalls", in Omano Edigheji, (ed.), *Constructing a Democratic Developmental State in South Africa: Potentials and Challenge*. HSRC Press, Cape Town.
- Fritz V, Rocha AM (2006). *Rebuilding Developmental States: From Theory to Practice*.
- Henok A, Derk B, Dan C (2012). *Ethiopian Investment Prospects: A sectoral Scan, Trade and Development Discussion Paper no. 02/2012*, Munich, 18 December 2012.
- John K (2012). *China as a Developmental state*, CSAE Working Paper, CSAE (Center for the Study of African Economics), University of Oxford.
- Jong HP (2002). *The East Asian Model of Economic Development and Developing Countries*, J. Dev. Soc., Joseph ES (1996). *Some Lessons from the East Asian Miracle*, *The World Bank Research Observer*, 11(2) (August 1996)
- Manuel S (2010). *The East Asian developmental state as a Reference Model for Transition Economics in Central Asia- an Analysis of International Arrangements and Exogenous Constraints*, *Economic and Environmental Studies*, Vol. 10, No. 2 (14/2010), 189-210, June 2010.
- Masaki A (2006). *The Developmental State and Educational Advance in East Asia*, *Educate*, 6(1): 2006.
- Ministry of Finance and Economic Development (MoFED) (2010). *Growth and Transformation Plan (GTP) 2010/11-2014/15*, September 2010, Addis Ababa, Ethiopia.
- Mkandawire T (2001). „Thinking about Developmental States in Africa“. *Cambridge J. Econ.*, 25(3): 289-314.
- MoFED (2002). *Ethiopia: Sustainable Development and Poverty Reduction Program*. Ministry of Finance and Economic Development (MOFED), FDRE, Addis Ababa.
- Morris P (1996) *Asia's Four Little Tigers: A comparison of the role of education in their development*. *Comparative Education* 32(1): 95-109.

- Teranishi J (1998). "Sectoral Resource Transfer, Conflict and Macrostability in Economic Development: A Comparative Analysis" in M. Aoki, H. K.Kim, and M. Okuno-Fujiwara (editors), *The Role of Government in East Asian Economic Development: Comparative Institutional Analysis*, Oxford, U.K., Clarendon Press.
- UNECA (2008). Golden Jubilee Book, Addis ababa.
- World Bank (1993). *The East Asian Miracle: Economic Growth and Public Policy*, Oxford University Press, Washington, D.C.
- World Bank (2012). Ethiopia Economic Update- Overcoming Inflation, Raising Competitiveness, Decemeber 13, 2012.
- Ziya O (1991). The Logic of the Developmental State, *Comparative Politics*, 24(1): 109-126.