Daniel Turner
GEO302 Extended Essay

Best Practice: Are World Bank policies of development at odds with the successful practices used by the 'tiger' Asian economies?

World Bank policies have championed the ideas of structural adjustment as a framework for economic success in developing countries, based on policies supposedly used by the East Asian economies in the last 50 years. Yet many authors have criticised the World Bank approach to structural adjustment and questioned its applicability in other parts of the world, especially Africa. Despite the claimed success of structural adjustment, Africa has lagged far behind the rest of the world in GDP growth. Has structural adjustment helped? Can structural adjustment help? Or has poor policy implementation at either a local government or World Bank level hindered progress in the poorest continent of the world? This paper argues that a more diverse and inclusive strategy is essential to reverse the continued poor performance of Sub-Saharan Africa, and notes several key strategies used in Asia that are not being implemented by African nations.

Introduction

In the 1990's the World Bank published two crucial documents that set out its strategy for development assistance; 'The East Asian Miracle' in 1993, and the following year 'Adjustment in Africa'. The former was an analysis of the extraordinary success of the High Performing Asian Economies (HPAE's). These were the 'Tiger' nations of Taiwan, Singapore, South Korea and Hong Kong, and the Newly Industrialising Economies (NIE's) of Malaysia, Thailand and Indonesia (World Bank 1993). Together with Japan and China, these countries have seen an extraordinary increase in economic development in the second half of the 20th century, and the World Bank wanted to see this success emulated by other developing nations, especially in Sub-Saharan Africa – a notion it stated through the recommendations in 'Adjustment in Africa'. However the World Bank tactics for development in Sub- Saharan Africa have been criticised by many, including those within the Bank itself, for being incomplete (Bayliss *et al.* in Fine *et al.* 2001) and potentially damaging (Danaher 1994; Stewart 1995; Sahn *et al.* 1997; Mkandawire 1999). This paper asks four key questions:

1) What strategies did the HPAE's employ during their development?
2) Are World Bank policies for Sub-Saharan Africa different from those used by the HPAE's?
3) Are these policies the best practice for the economically and socially varied African nations?
4) Are these practices still applicable in the emerging free trade era?

It will be argued that there have been several crucial differences in the implementation of structural adjustment in Sub-Saharan Africa (SSA) that have hindered economic growth of the kind that has benefited the HPAE's, and that the World Bank needs to change its reliance on top down, market driven solutions and implement a more diverse and inclusive strategy.

To answer these questions it is first necessary to see how the so called 'Tiger' nations have developed, especially around several areas that are controversial in the field of structural adjustment policy. Defining structural adjustment is a difficult task, and it is important to realise that there is no set formula, although the overall aim is to create fiscal policy that encourages foreign investment, opens markets to competition and creates an export-led economy. This is achieved through a variety of methods that stabilise inflation and encourage domestic savings. Cuts in government spending and intervention are encouraged to create competitive markets and reduce budget deficits, usually in line with extensive privatisation of publicly owned businesses. Trade barriers are also reduced, to enable competition in the global economy (Sahn *et. al* 1997).

Countries can see an increase in poverty during structural adjustment programmes as stabilisation procedures are implemented (Stewart 1995), but ideally this period will be short lived. Hence many of these issues are very controversial, especially the role of government intervention, reducing spending on education and health care, the reform of fiscal policy, and a focus on export orientated production. The debate on the relative merits of these policies will be discussed in detail later, but first let us examine the policies that the 'Tiger' nations employed.

The Tiger Nations

South Korea, Singapore, Hong Kong and Taiwan all have had different approaches to economic growth, but have all achieved remarkable, and enviable success (Kellman and Chow 1989). *Appendix A* shows the extent of their Gross Domestic Product growth; since 1970 all four countries have seen their per capita GDP increase by more than twice as much as UK GDP over the same period (Econstats 2004). The East Asian economies were not predicted to be big winners in the rush to industrialise in the 60's, indeed the World Bank stated in 1961 that South Korea's plans for development were too ambitious, and it had little chance of developing (Steers 1999). Nevertheless South Korea's economy grew very rapidly, strongly aided by the role of the 'chaebol' (literally 'fortune clusters'); diverse industries owned by large family businesses (Kirk 2000; Steers 1999).

The four biggest chaebols in South Korea are Hyundai, Samsung, Lucky Goldstar, and the former conglomerate, Daewoo. Cheabols grew more than five times faster than the South Korean economy as a whole in the 1970's, aided by a willing and educated population, and strong export incentives from the government of Park Chung Lee (Kim 1997). Links were established between these locally owned firms and foreign multinationals, creating deals with Japanese and Western high-tech companies such as Siemens and Mitsubishi to produce mutually beneficial Foreign Direct Investment (FDI) deals (Kim 1997). These companies gained foreign knowledge while retaining their independence. Helped by government loans, export targets and subsidies to key industries, these enterprises became mass-producing exporters (Numazaki in Kim 1998).

By controlling bank loans the government was able to push for export orientated growth in areas it felt were profitable, and was able to control interest rates; encouraging saving or spending depending on the strength of the economy. The government also held monthly meetings with chaebol executives to set targets for exports in certain goods. It has thus been considered that this close relationship between government and industry formed a 'Quasi-Internal Organization', businesses that were to a certain effect financed by credit in the market created by government targeting (Chowdhuzy and Islam 1993).

The government also played a strong role in Taiwan, with state owned industries in key areas such as chemicals, communications and transport (Numazaki in Kim 1998). However in contrast to South Korea where companies maintained a local identity, Taiwanese companies largely exported by subcontracting work from Western multinationals and producing under famous brand names. Despite this difference in export-orientated approach, both Korea and Taiwan achieved economic growth with small domestic markets and few natural resources (Hoesel 1999).

An overvalued currency protected the Taiwanese market from foreign imports in the early stages of development, and domestic production of textiles and bicycles was very strong. Taiwan had an early structural adjustment program in the 60's financed by USAID, where the currency was gradually devalued while markets were opened (Hoesel 1999). Even so, the government remained heavily involved in promoting industries, especially the petrochemical sector and formed import-substitution policies that were initially inwardly focused (Chu 1994). Economic crisis was averted in the 1970's by increasing the price of government owned electricity and oil suppliers (Hoesel 1999). This was followed by a heavy government push to become more self sufficient, and an increase in the role of public enterprises, especially in the heavy chemical industries. Privatisation did not really begin until the 1990s.

The two smaller states of Hong Kong and Singapore had a much stronger focus on business and finance, and both became important locations for regional headquarters of multinational firms. Singapore's export industry is largely focused in export processing zones, which attract foreign investment through tax free benefits, but contribute little knowledge and low wages to the local country (Chowdhuzy and Islam 1993). The main focus of Singapore today is as a procurement centre, where multinational firms purchase goods and parts from across the pacific rim. Hong Kong has a similar role in the procurement chain, but has a more significant industrial sector, specialising in production of textiles, plastics and toys through strong links with factories inside China (Numazaki in Kim 1998).

Singapore has extensive state owned enterprises in common public areas such as transport, infrastructure, housing and utilities as well as financial, regulatory and educational institutions (Bercuson 1995). In 1993 the government became concerned with the heavy reliance on foreign owned firms, and instigated a successful 'regionalisation' program to actively encourage domestic private enterprise (Yeung 1998).

Conversely, Hong Kong has been described in such gushing words as a “testament to the sheer wealth-creating aspects of the capitalist system in all its unfettered glory” by Ellis, who also stated that “no other government has been as 'actively noninterventionist' ” (Ellis1998). In a predominantly serviced based economy, Hong Kong's government has a hands-off policy of non-interference with business, although the government remains a key player in regulatory bodies and controls the sale of all land (Freeconomy.org 2003). The government does however issue franchises to protect certain specialist industries from competition, and limits profits of some companies to protect prices for consumers (Kai-Sun in Mody 1997).

Historical and political factors can also be considered to be crucial to the success of the 'Tiger' economies. Their proximity and cultural similarities to Japan cannot be downplayed; at a time when rising labour costs were making Japanese firms look abroad for foreign investment opportunities, the HPAE's had good infrastructure and a highly educated workforce ideal for high-tech industry. The East Asian nations all learnt from each other's successes and failures, and had policies of strong regional co-operation (Lau 1997). The USA also provided considerable investment to South Korea and Taiwan, including billions of dollars of military aid to protect her free market projects against the communist neighbours of China and North Korea (Vogel 1992).

In conclusion, these four countries have many strategy elements in common; high levels of education and domestic savings, moderate levels of government involvement, stable economies and governments, and a shift to an export orientated engine for growth. This last tactic is perhaps best described by Gereffi (1998), who comments that with the exception of Singapore, the industrial sectors of the 'tiger' nations are characterised by first focusing on 'buyer driven commodity chains' of goods like toys and textiles, and then using these strong, domestic businesses to shift to a 'producer driven commodity chain' to take part in larger external markets (Gereffi in Kim 1998). Vogel (1991) finds that these four 'late late developers' in the world market were able to industrialise through huge initial financial investments and governments that co-ordinated and facilitated free market systems, only intervening when necessary.

So what can we learn from the success of these countries? The 'East Asian Miracle' report states that “private domestic investment and rapidly growing human capital were the principal engines of growth” (World Bank 1993) thus one could expect the World Bank to promote policies that encouraged local firms over foreign investors, and allowed governments to increase expenditure on education. However, structural adjustment programs, as we shall see, have done the opposite. The report also states that “in most of these economies [ie HPAE's], in one form or another, the government intervened -systematically and through multiple channels -to foster development, and in some cases the development of specific industries". As we have seen, government intervention played a strong role in the development of South Korea and Taiwan, and although the report also notes that caution must be made with government intervention. It concludes that government intervention is beneficial when well managed, and has specific goals and objectives. Again this finding is contrary to the policies prescribed for Africa. So why is there such a contradiction already, before even discussing structural adjustment? To understand this we need to discuss what the World Bank is, and how it works.

The World Bank

The World Bank is an organization of 184 member countries and five international banks, set up under the Bretton Woods agreement in 1944 to foster and provide economic assistance for member countries through the allocation of loans for specific development projects. Initially this was to re-develop Europe after World War II, but later this remit was expanded to provide development assistance and consultancy to developing nations (Stiglitz 2002). It has 184 member countries, and employs a large number of consultants and economists, who are relatively free to research and publish their findings under the World Bank name. Thus there is considerable debate within the organization as to the best strategies for economic policies, and reports are often published that are seemingly contradictory in nature. 'The East Asian Miracle' is a good example of this; the report was financed by Japan, the second largest financial contributor to the World Bank, as it was unhappy with the previous Western based policy focus (Gereffi 1998).

While the conclusions of the report are very deliberately open ended, stating that there is no set formula for development, it has never the less been interpreted as being pro-structural adjustment, and then later pro-state intervention in the post-Washington consensus era (Fine *et al*. 2001). The post-Washington consensus is a phrase used to refer to the change in policy forwarded by the late chief economist of the World Bank, Joseph Stiglitz, who became the most vocal voice from within the World Bank for an overhaul of the structural adjustment process. While his position on ideas such as government intervention and privatisation are not radically different from the official World Bank line, he called for a more considered approach, setting up regulatory bodies before privatisation, rather than assuming the market will automatically be competitive (Stiglitz 2002).

We must also realise that corruption is not just a factor in African governments, and a policy of opening countries up to a free market system will not automatically eliminate inefficiency and create transparency without regulatory systems of the sort that have been previously discussed.

Examples of this can be found even within the remit of a recent World Bank construction project, where bids for contracts are invited from across the world. For a $1.1bn dam project in Lesotho tendered in 1998, the major construction firms that won the contract were found guilty of paying bribes to the local chief executive of the project (BBC News 1994 and 1999b, Private Eye 2004).

Details of the project are unavailable as the World Bank has removed the documents from their website (World Bank 1998), but the 14 Western construction firms involved have not been debarred from World Bank contracts, they are still able to apply for other construction projects. This seems to contradict the World Banks own policy on 'corrupt practice' which states that the Bank shall disbar any firm found guilty of “offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the procurement process or in contract execution” (World Bank 2004c).

Interestingly the World Bank provided the Zimbabwe government with $7million to aid the second stage of their controversial 'land reforms' programme in 1999, and even notes the strategy of 'compulsorily acquired and redistributed' farms (World Bank 1999). Here 1,471 farms were forcibly reallocated by the government from affluent land owners, a procedure which does not seem to be compatible with the World Bank rhetoric of reform by free market systems. Just as markets and states are prone to economic failure, organisations like the World Bank can also back the wrong horse.

So what are the World Bank policies for Africa? These are outlined most comprehensively in the two major policy documents of the last 10 years, 'Adjustment in Africa' (1993), and 'Can Africa Claim the 21st Century' (2000), a collaborative report with African and UN agencies (World Bank 2000). It must be noted that both these documents contain disclaimers stating that the contents of the report are not indicative of the opinions of the directors or governments of the Bank, rather it might be better to view the documents as recommendations from the staff of the World Bank to the policy makers. Therefore it is more accurate to get an indication of current policy by analysing the purpose and focus of current World Bank loans to the region.

Export Orientated Policy

Export driven market economies are still forming a key focus of the World Bank development strategy for Africa. For example, the Democratic Republic of Congo has recently been granted a $120m loan with the goal of “improving the investment climate” and “reform of public enterprises” (World Bank 2004a) despite continuing conflict in the region. A key focus of this loan is to encourage foreign investment in the mining industry in the nation, especially considering the potentials in gold and diamond exports. The other stated area for economic investment is in utilities such as telecommunications, energy and transport, with a clearly stated aim of 'divestiture from public enterprise'.

This seems to be a familiar pattern in World Bank policy; promote privatisation of publicly owned utilities, and increase foreign investment in agriculture and mining operations. However this does not seem to be compatible with the HPAE's strategies, countries who largely maintained publicly owned utilities and industries in the early stages of development, and pursued export strategies based on manufactured goods, not raw materials. Indeed in a quick survey of World Bank loans to SSA the last 10 years, 28 out of 36 countries that received assistance had projects stipulating the privatisation of public utilities, and only 3 countries had loans that promoted manufactured goods as exports (see Appendix A). This is despite recommendations from 'The East Asian Miracle' report that states “economies that are in the process of trade liberalisation would benefit from providing specific incentive to manufactured exports” (World Bank 1993). Yet this is clearly not a priority of current World Bank policy in Sub-Saharan Africa.

Indeed this seems to be an important absence in both the literature from the World Bank and the IMF, as to what exactly Africa should be exporting. An IMF report on trade in Africa published by the World Bank managed not to mention specific exports at all (Subramanian 2000), except in the context of removed tariffs. As for goods mentioned in World Bank project documents, with the exception of oil and agricultural products there seems to be no policy to promote or encourage specific industries.

Duncan and Howell (1992) note that SSA has made very poor progress at diversification, and continues to focus on the production of agricultural products which are poorly paid commodities, and dangerously vulnerable to fluctuations in global prices. If the World Bank wishes to peruse an export based policy for growth in SSA, then it follows there must be policies that consider what the exporting industries are going to be. If the argument is that a free market will identify opportunities and create successful export industries, this has clearly yet to materialise. Promoting primary goods for export will not create the same kind of success seen in the HPAE's.

There are a number of senior economists that seriously doubt the World Bank declaration that open export based economies grow faster than inwardly focused ones. Subasat for example has found that trade liberalisation and a subsequent export strategy is only beneficial to middle income countries, and not low income nations, which compromise most of Africa (Subasat 2002). Most notably, a scathing report by two World Bank economists states that it is very difficult to prove a casual relation between exports and growth (Levine and Rupert 1991). They find that many studies that claim to have proved this association are seriously flawed, and at best 'tenuous'. They conclude that although there is a strong correlation, there is little evidence that one factor is causing an increase in the other. Chowdhuzy and Islam (1993) find an additional five authors who come to similar conclusions.

The World Bank does not seem to have taken heed of the cautions Levine and others have made in internal policy documents. 'Adjustment in Africa' attempts to show how countries that the World Bank states have 'good' economic policies (by their own retroactively applied definitions) are the best performers. 'Our Continent Our Future' notes that this finding has not held up in recent years, and 3 African countries were not categorised at all. The year after the report was published, Easterly and Levine (1995) reiterated that it is unreliable to try and correlate growth statistics with qualitative definitions of economic policy as 'Adjustment in Africa' did. Yet this approach was a key basis to the document, and seemingly has determined the policy direction for development in Africa.

Privatisation

The issue of privatisation has also been questioned by several authors, and it remains a controversial issue. Yet the World Bank seems to measure the success of privatisation not on the economic gains, but simply by how fast programs were implemented (Stiglitz 2002), and how many functions were privatised (Bayliss and Cramer 2001). This suggests that privatisation is unquestionably and universally beneficial, when in fact it is a very complicated issue. The World Bank's own major report on the benefits of privatisation, 'Welfare Consequences of Selling Public Enterprises' (Galal *et a*l. 1994), makes some key statements that reiterate how carefully privatisation projects must be selected. It states that “there is no simple internationally applicable recipe for divestiture” and each enterprise needs to be carefully assessed for the potential benefits, suitability and strategy for privatisation (Galal *et al.* 1994). However the report also makes three worrying statements that question the economic benefits to developing nations.

The first is the meagre size of benefits, even if privatisation is well implemented: “in a typical developing country... if half the sector were to be divested, the annual gains would amount to something like 1 percent of GDP”. Although this benefit is annually accrued, this does not seem like a huge improvement, considering the World Bank aim of achieving a annual GDP growth of

7% for Africa as a whole. This is necessary to meet the Millennium Development Goal of halving poverty by 2015 (World Bank 2000). However it has always been a crucial claim of the World Bank that the benefits of privatisation extend beyond the liberalised enterprises, by providing a more competitive free market economy. Yet Galal et al. (1994) note that “indirect effects and additional economic benefits from unleashed entrepreneurial activity... are nowhere substantiated by empirical work”.

A glaring omission from the World Bank privatisation strategies is the role of regulation and control of a liberalised market, especially where competition is difficult, for example in utility provision. This was a key statement made by Joseph Stiglitz (Fine *et al*. 2001) who recognised the dangers of public owned monopolies simply becoming private monopolies, in which case there would be little benefit from privatisation. Galal et al. (1994) found in their study of privatisation examples from developed countries that “in none of the cases of large-scale monopoly divestitures have major cost-saving productivity improvements been convincingly demonstrated” (Galal *et al.* 1994). Thus the World Bank must take much more care in choosing enterprises for privatisation, and complement this with the establishment of regulatory bodies and anti-trust legislation.

It has also been a policy of the World Bank and especially the other big Bretton Woods organisation, the IMF, to encourage removal of government control of banks and financial institutions and liberalise the loan market. 'Adjustment in Africa' details the World Bank approach to financial market reform, stating that government involvement should be removed from banks, credit agencies and institutions that set interest rates (World Bank 1994). The aim of this was to improve the performance of the financial sector by increasing real interest rates, removing bad loans, closing insolvent banks, cutting staff and implementing auditing procedures. Creating a private sector borrowing market was expected to create competition and hence an efficient financial sector, presumably with the intention of providing a sound environment to provide capital for businesses.

However a World Bank report (co-written by one of the authors that the Bank actually quotes at the beginning of the chapter) questions this notion, and categorically states that a market based financial system brings no benefit to heavily borrowing industries (Beck and Levine 2000). As has already been noted, the HPAE's retained considerable government intervention in financial markets, especially with regard to setting interest rates. Where governments are able to control interest rates they can protect economies from market shocks, increase spending when the economy needs boosting, and promote saving to control inflation. Commercial banks do not necessary act on the interests of the economy as a whole.

Regional co-operation and inter-regional trade was also crucial to the development in East Asia and continues to be so today. A World Bank report recently found that 90% of current export growth in the region was due to inter regional trade, and is seen as a crucial factor to increase stability and development in the region (Krumm and Kharas 2004). Despite this knowledge only 1% of the value of current World Bank loans for Africa are directed at promoting this strategy (World Bank 2003). This compares with 5% assistance by value for Europe and Central Asia, and 6% for East Asia and the Pacific.

Easterly and Levine (1995) also note that regional co-operation on policy improvement brings strong benefits too. If a group of neighbouring countries all instigate beneficial reform, such as the removal of exchange rate control, or increase education provision, the economic benefits are doubled compared with the effect if once country had acted in isolation. While the World Bank has made some attempt to create regional rather than country based policies, it could certainly be doing a lot more in Africa to encourage governments to work together, and share lessons learnt from structural adjustment. Although SSA has a large number of different cultures that will react in different ways to reform, similar cultures can be found just outside country boundaries (Watkins 2000), so knowledge sharing will often be relevant with neighbouring countries.

Clearly there are significant differences between the strategies employed by the HPAE's and those prescribed for SSA. Yet perhaps this is appropriate. After all there are very important geographical and cultural differences between the two regions, and applying a generic framework to all developing countries is inappropriate. So what are the current conditions in African nations, and to what extent are programs modelled on the 'Tiger' nations appropriate?

Africa

Sub Saharan Africa is still not doing well. All but 8 countries have seen deteriorating terms of trade since 1995, and three of these were micro-island nations (Nationmaster 2004). As a continent Africa had a real GDP growth rate in 2002 of only 1% above the rate of population growth. Of course this figure hides the variations between nations, considering Equatorial Guinea has a GDP growth rate of 20%, while troubled Zimbabwe has -13% (Nationmaster 2004).

Easterly and Levine (1995) identify key factors that have statistically been associated with the slow growth of African nations; “low school attainment, political instability, poorly developed financial systems, large black-market exchange-rate premia, large government deficits, and inadequate infrastrcuture” (Easterly and Levine 1995)

Many of the World Bank polices for SSA are very logical in nature, and can be considered to be very applicable for the particular conditions in Africa. For example corruption and poor governance is genuinely a real problem for Africa (Schwab 2001), and in such situations taking away power from governing bodies and transferring it to the private sector makes a lot of sense. In the case of the 'Tiger' nations, governments were stable, and while by no means infallible, ran businesses very well and would not have been made more efficient by privatising them (Galal *et al.* 1994).

Following an agriculture and resource based export strategy also is logical considering the huge amounts of valuable minerals and agricultural land available in SSA. Promoting these industries requires small initial capital investment, and in most cases schemes are already successful. The continent also is typified by a sparsely distributed rural population, predominantly dependant on subsistence agriculture (Duncan and Howell 1992). Thus the lowest risk way to help the largest number of people would seem to be prioritising the growth of agricultural exports.

Any current industrialisation strategies for SSA seem to centre on mechanisation of primary industries, especially agriculture and mining, (Tiffin and Osotimehin 1992). Yet as early as 1979 Roemer was highlighting the inefficiency of this approach to development, noting that it requires a high capital dependency on technology from developed nations, creates few jobs, reinforces economic reliance on primary products, and produces exports that are heavily tariffed by developed nations (Roemer 1979).

Vogel (1991) suggests that just as in the industrial revolution in Europe in the 1800's, it was textile manufacture in East Asia that provided the entry point to more advanced industrial processes. As the textile businesses grew, they needed high-tech products such as computer and telecommunications equipment, and had the profits and local demand to invest in these more capital intensive, but higher earning export goods. So could Africa not follow the same pattern? It could be argued that many African nations are in a better position that the 'Tiger' nations were in the 1960's as they have a considerable domestic cotton growing industry. Yet at the moment exports of textiles and clothing in SSA account for just 2% of the value of merchandise (Mshomba 2000). Textile industries employ many more people than high-tech industries, so could quickly bring about economic development (Dicken 1998)

There are many reasons often cited in development literature for why Africa has had such difficulty in perusing successful growth. Yet with more careful consideration most of these were similar conditions in some of the 'Tiger' nations as well, hence they cannot be blanket reasons for poor performance.

The colonial history of Africa is often seen as having a negative historical effect on many nations, through heightening of ethnic tensions, removal of working men to slavery, and exploitation of natural resources. This was then followed by the cold war era where the USA and USSR exclusively backed certain countries in Africa to promote trading partners (Schwab 2001) However Hong Kong was a colony of Great Britain until the last decade, and both Malaysia and Taiwan have had relationships with China that could be described as colonial. The cold war legacy is also nowhere more present than between the two halves of Korea.

African nations tend to have many different ethnic groups, a fact that is often linked to conflict and corruption. Malaysia also has ethnic fractioning between the native Malaise and ethnic Chinese populations, but has managed both political stability and excellent economic growth (Jomo and Gomez 1997). Indonesia has also managed strong growth despite violent clashes between religious groups. Corporations and governments in East Asia have also had corrupt collaborations which may have contributed to the financial crisis of 1997-98 (Kidd and Richter 2003). The World Bank needs to realise that the damage of corruption is just as significant in private markets as they are in governments.

Where there are very crucial differences between SSA and East Asia are in the areas of education and strong governance. Many authors have attributed the strong motivations of the East Asian workforce to the Confucian ideals of loyalty to the company and state, and a willingness to learn (Chowdhuzy and Islam 1993). Some writers have even compared this influence to the rise of the Protestant work ethic in Europe that Weber associated with the industrial revolution (Vogel 1992). While this is probably not the most significant reason for East Asia's success, Africa on the other hand has a smorgasbord of religious influences. Yet there still seems to be a strong desire to become educated, when President Kibaki announced primary education in Kenya would be free, schools were inundated (BBC News 2003a).

The structural adjustment process demands that governments restrict their expenditure, and privatise key areas of public control. With regard to education and health care, the implications are that governments must reduce the amount they spend on the provision of education and health services, to be replaced by private organisations that employ 'cost-recovery'; in other words charging for services (UNCTAD 2002). With so many families living in poverty in SSA, it is inevitable that this will negatively effect healthcare and educational levels. The World Bank policy here is to offset this effect by providing loans that directly support HIV/AIDS strategies or primary education. Even so this is not free money, and certainly contradicts the 'Tiger' nations strategies of providing large amounts of public investment in education (Chowdhuzy and Islam 1993). With the current HIV crisis in Africa having a serious impact on the development of the region (Kalipeni *et al.* 2004), it is not a good time to cut expenditure on health care.

The Free Trade Era

The world is in a much different position today than it was while the East Asian nations were developing. The World Bank, IMF and WTO have all promoted the notion of a free trade market, where tariffs and quotas on the movement of goods and services between nations are reduced to create a global competitive market. The conditions of IMF and World Bank structural adjustment loans, or their replacements the Poverty Reduction Strategy Papers (PRSP's) stipulate that markets should be kept open by the reduction of import and export tariffs and quotas. As a result of this African nations are now no longer able to peruse an import substitution policy which so many of the HPAE's conducted early in their development, or provide incentives to particular industries. In this stage import tariffs were kept high to protect domestic manufacturers from cheaper foreign made products.

Ideally this means that although domestic markets in Africa will be threatened by external markets, their local export potential will be increased. However this has not been the case, as Western nations have not reduced their import restrictions in line with the rest of the World. particularly limiting are the effects of textile restrictions (Mshomba 2000), especially from the North America Free Trade Agreement (NAFTA) free trade region. This protects American textile industry, but removes crucial markets from African nations, and especially for India.

At the same time the European Union spends $300bn, an amount roughly equal to the combined GDP of Africa, on subsidising European farmers (World Bank 2000). Because African nations cannot afford to subsidise their farmers to this extent (Duncan and Howell 1992), and structural adjustment programmes do not allow such government intervention, Africa is restricted to exporting foodstuffs that the EU does not produce.

If Africa were to start exporting manufactured goods, they would also have to pay import duties to developed countries, making their products less competitive. This was a serious problem for Taiwan in the 1970's (Hoesel 1999), and it is doubtful that individual African nations have the kind of political clout necessary to bring challenges about protectionist markets in the EU and America to the WTO. However coalitions of developing countries did create a powerful lobby at the last WTO meeting in Cancun, and if African nations could do the same to lobby over protectionist tariffs they would form a powerful voice. Once more World Bank policies for SSA are logical in this respect, as they are encouraging countries to focus on products that are not strongly restricted by developed nations tariffs and quotas. However again the Bank should be enabling regional cooperation strategies to give Africa a voice to change the world trade rules to better serve their needs.

Conclusions

This review has considered the development strategies of the 'Tiger' nations and found significant differences with the World Bank policy documents for Sub Saharan Africa, enabling conclusions to be drawn on the four questions posed at the beginning of this study. The first conclusion is that the 'Tiger' nations developed through a diverse range of strategies, but these had common elements, such as inward followed by outward oriented policy, governments that acted in the interest of developing the export market system, production of secondary goods and services, and expenditure on infrastructure and human capital. It was then shown that World Bank policies in SSA are significantly different from this approach, emphasising borrowing, structural adjustment programmes that reduce government involvement and a focus on primary exports. It was then argued that although these policies seem logical considering conditions in much of Africa, they are not best suited to rapid development, and there is a lack of consideration of the huge diversity of Africa, especially with regard to issues such as blanket privatisation. On the other end of the scale, the World Bank has done too little to promote inter-regional co-operation, a factor that was crucial in the success of the HPAE's and could bring strong economic benefits to SSA.

The report has also noted that in the current WTO dominated era African nations must adapt strategies used by the 'Tiger' nations of providing incentives to particular industries, and protecting internal markets, and have little choice but to embrace the free trade system. However this can work in their favour if they are able to lobby as a group for the removal of Western barriers on imports – something they have a strong legal case for. This would allow them to develop high value adding industries that they are in a good position to develop with large amounts of cheap labour, as the 'Tiger' nations did decades ago.

In short the simple answer (if there is one) is co-operation. The African nations need to co-operate with the World Bank to get the loans in areas they need to develop profit-making high-tech industries, with conditions that allow them to spend on areas that are appropriate such as infrastructure, education and health care. Nations need to co-operate internally to end infighting and corruption, this can be done to a certain extent to have clear goals for poverty reduction and export growth, just as the 'Tiger' nations had. They also need to co-operate regionally to form strong buying and selling consortiums, and to be more successful at obtaining WTO reform and attracting FDI deals. These FDI programmes also need to be co-operative, not exploitative, so that the companies are benefiting from cheap production, while local enterprises can learn technology and management skills.

Lastly Africa and Asia need to co-operate: East Asia is looking to expand international production, and Africa needs to put together a unified and politically stable front to fight off strong investment competition from India and China. The free market system can work for Sub-Saharan Africa, but first the World Bank and African nations must learn more from the experience of the 'Tiger' nations and create a flexible development framework.

References

Aoki, M., Kim, H., Okuno-Fujiwara, M. 1997. *The Role of Government in East Asian Economic Development*. Clarendon Press, Oxford.

Bayliss, K., Cramer, C. 2001. *Privatisation and the Washington Consensus*. in Fine *et al*. 2001

BBC News. 1999. *Dam Builders Charged in Bribery Scandal*. [accessed online March 2004] http://news.bbc.co.uk/1/hi/world/africa/528639.stm

BBC News. 2003a. *Kenyan scramble for free school places*. [accessed online March 2004] http://news.bbc.co.uk/1/hi/education/2636663.stm

BBC News. 2003b. *Lesotho Fines Second Dam Firm*. [accessed online March 2004] http://news.bbc.co.uk/1/hi/business/3185145.stm

Beck, T., Levine, R. 2000. *New Firm Formation and Industry Growth: Does Having a Market- or Bank-Based System Matter?*. World Bank, Washington DC.

Bercuson, K. 1995. *Singapore: A Case Study in Rapid Development*. IMF, Washington DC.

Chowdhuzy, A., Islam, I. 1993. *The Newly Industrialising Economies of East Asia*. Routledge, London.

Chu, W. 1994. Import Subsitution and Export-Let Growth: A Study of Taiwan's Petrochemical Industry. *World Development*. **22(5)**, pp. 781-794.

Danaher, K. 1994. *50 Years is Enough: The Case Against the World Bank and the International Monetary Fund.* South End Press, Boston.

Dicken, P. 1998. *Global Shift: Transforming the World Economy*. Paul Chapman Publishing, London.

Duncan, A., Howell, J. 1992. *Structural Adjustment and the African Farmer*. Overseas Development Institute, London.

Easterly, W., Levine, R. 1995. *Africa's Growth Tragedy: A Retrospective, 1960-89*. World Bank. Washington DC.

EconStats. 2004. *Global Economic Data*. [accessed online: March 2004] http://www.econstats.com/grplist2.htm

Ellis, P. 1998. Hong Kong's Emerging Tertius Role in the Global Economy. *Business Horizons*. **41 (5)**, pp. 37-43.

Fine, B., Lapavitas, C., Pincus, J. 2001. *Development Policy in the Twenty-first Century: Beyond the post-Washington Consensus*. Routledge, New York.

Freeconomy. 2003. *Government Role in the Economy*. [accessed online March 2004] http://www.freeconomy.org/freeconomy/eng/text/page_b1.html

Galal, A., Jones, L., Tandon, P., Vogelsang, I., 1994. *Welfare Consequences of Selling Public Enterprises: An Empirical Analysis*. World Bank / Oxford University Press, DC / NY.

Gereffi, G. 1998. *Commodity Chains and Regional Divisions of Labour*. in Kim 1998.

Hoesel, R. 1999. *New Multinational Enterprises from Korea and Japan*. Routledge, New York.

Jomo, K., Gomez, E. 1997. *Rents and Development in Multi-ethnic Malaysia*. In Aoki *et. al* 1997.

Kalipeni, E., Craddock, S., Oppong, J., Ghosh, J. 2004. *HIV and AIDS in Africa.* Blackwell, Oxford.

Kai-Sun, K. 1997. *Private Participation with Strong Government Control: Hong Kong*. In Mody 1997.

Kee, E. 1997. *Big Business, Strong State.* State University of NY Press, Albany.

Kirk. D. 2000. *Korean Destiny: Hyundai and Chung Ju Yung*. Asia 2000, Hong Kong.

Kim, E. 1998. *The four Asian Tigers : Economic Development and the Global Political Economy* . Academic Press, London.

Krumm, K., Kharas, H. 2004. *East Asia Integrates: A Trade Policy Agenda for Shared Growth*. World Bank/Oxford University Press, Washington DC/Oxford.

Kellman, M., Chow, P., 1989. The Comparative Homogeneity of the East Asian NIC Exports of Similar Manufactures. *World Development*. **17(2)**, pp. 267-273.

Lau, L. 1997. *The Role of Government in Economic Development: Some Observations from the Experience of China, Honk Kong and Taiwan*. in Aoki et al. 1997.

Mkandawire, T. 1999. *Our Continent, Our Future: African Perspectives on Structural Adjustment*. Africa World Press, New Jersey.

Mody, A. 1997. *Infrastructure Strategies in East Asia: The Untold Story*. World Bank, Washington DC.

Mshomba, R. 2000. *Africa in the Global Economy*. Lynne Reinner Publishers, London.

Nationmaster. 2004. *Terms of Trade since 1995*. [accessed online April 2004] http://www.nationmaster.com/graph-T/cur_ter_of_tra_sin_199&int=-1&id=AFR

Numazaki, I. 1998. *Export Orientated Production*. in Kim 1998.

Private Eye. 2004. Lesotho Bribes: Dam and Blasted. *Private Eye*. **1102**, pp. 26.

Roemer, M. 1979. Resource-Based Industrialisation in the Developing Countries. *Journal of Development Economics*. ***6** pp. 163-202*. In Tiffin and Osotimehin 1992.

Sahn, D., Dorosh, P., Younger, S. 1997. *Structural Adjustment Reconsidered*. Oxford University Press, Oxford.

Steers, R. 1999. *Made in Korea: Chung Ju Yung and the Rise of Hyundai*. Routledge, New York.

Stewart, F. 1995. *Adjustment and Poverty: Options and Choices*. Routledge, New York.

Stiglitz, J. 2002. *Globalisation and its discontents*. Penguin Books, London.

Subasat, T. 2002. Does Export Promotion Increas Economic Growth? Some Cross-Section Evidence. *Development Policy Review*. **20(3)**, pp. 333-349.

Subramanian, A. 2000. *Trade and Trade Policies in Eastern and Southern Africa*. IMF, Washington DC.

Tiffin, S., Osotimehin, F. 1992. *New Technologies and Enterprise Development in Africa*. OECD, Paris.

UNCTAD. 2002. *Economic Development in Africa: From Adjustment to Poverty Reduction: What is New?*. UN, New York.

Vogel, E. 1991. *The Four Little Dragons: The Spread of Industrialisation in East Asia*. Harvard University Press, Massachusetts.

Watkins, S. 2000. Local and Foreign Models of Reproduction in Nyanza Province, Kenya. *Population and Development Review*. **26** pp. 725-759.

World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. World Bank, New York.

World Bank. 1994. *Adjustment in Africa: Reforms, Results, and the Road Ahead*. Oxford University Press, New York.

World Bank. 1998. *Highlands Water Project – Phase 1B*. [accessed online March 2004] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P001409#

World Bank 1999. *Zimbabwe - Land Reform Support Project: Project Appraisal Document*. [accessed online March 2004] http://www-wds.worldbank.org/servlet/wdscontentserver/wdsp/ib/1999/10/07/000094946_99082405303973/rendered/index/multi_page.txt

World Bank. 2000. *Can Africa Claim the 21st Century?*. World Bank, Washington DC.

World Bank. 2003. *Annual Report 2003: Africa*. [accessed online April 2004] http://www.worldbank.org/annualreport/2003/africa.html

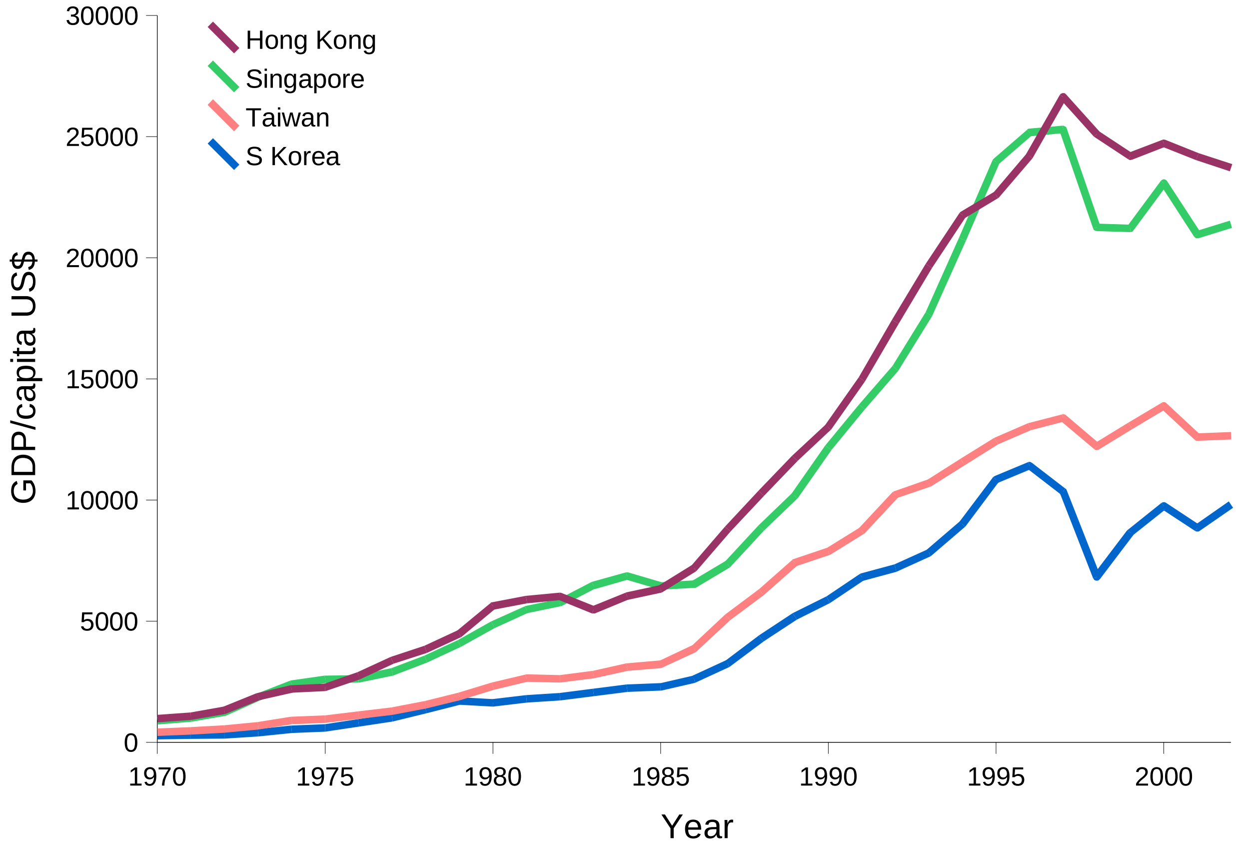
World Bank. 2004a. *DR of Congo: Private Sector Development and Competitiveness Project*. [accessed online April 2004] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P071144

World Bank. 2004b. *Project Database*. [accesed online March 2004] http://www.worldbank.org/projects

World Bank. 2004c. *List of Debarred Firms*. [accessed online March 2004] http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:20066549%7EpagePK:84269%7EpiPK:60001558%7EtheSitePK:84266,00.html

Yeung, H. 1998. The Political Economy of Transnational Corporations: A Study of the Regionalisation of Singaporean Firms. *Political Geography*. **17(4)**, pp. 389-416.

Appendix A: GDP of 'Tiger' nation economies 1970-2003. Source (Nationmaster.com 2004)



Appendix B: Survey of Four Aspects of World Bank Loans to Sub-Saharan Africa after 1994

Country	Private sector loans?*	Utilities privatisation **	Bank privatisation***	Goods promoted****
Benin	Yes	Some	Some	Cotton/Textiles
Botswana				*No involvement post 1990*
Burkina Faso	Yes	Yes	Yes	?
Burundi	Yes '92	No	No	Coffee
Cameroon	Yes	Yes	No	Petroleum
Cape Verdi	Yes	Yes	No	?
CAR	Yes	Yes	No	Petroleum, cotton, livestock, mining, forestry
Chad	Yes	No	No	Cotton, petroleum
Comoros	Yes	Yes	No	?
DR of Congo	Yes	Yes	Yes	Mining
R of Congo	Yes	Yes	Some	Oil
Cote d'Ivoire	Yes	No	No	FDI, value added exports
Equatorial Guinea				*(no projects post '92)*
Eritrea				*Only emergency projects*
Ethiopia	Yes	No	Yes	Coffee
Gabon	Yes	Yes	No	Agri-business
Gambia	Yes	No?	No	EPZ's
Ghana	Yes	Yes	No	Cocoa, forestry
Guniea-Bissau	Yes	Yes	No	Cashew nuts
Kenya	Yes	Yes	No	?
Lesotho	Yes	Yes	No	agriculture
Liberia				*No involvement post 1984*
Madagascar	Yes	Yes	No	minerals
Malawi	Yes	Yes	No	Tobacco, maize
Mali	Yes	Yes	Yes	?
Mauritania	Yes	Yes	Yes	Mining, fishing
Mauritius	Yes	Yes	No	Sugar, tourism, textiles
Mozambique	Yes	Yes	No	gas
Namibia				*No projects*
Niger	Yes	Yes	Yes	Farming
Nigeria	Yes	Yes	No	agriculture
Rwanda	Yes	Yes	Yes	Coffee, tea
Soa Tome & Principe	Yes	Yes	No	cocoa
Senegal	Yes	Yes	No	Oil, tobacco, rice
Seychelles				*Few projects*
Sierra Leone	Yes	Yes	No	Petroleum, diamonds, mining
Somalia				*No involvement post 1990*
South Africa	No	No	No	Few projects
Sudan				*No involvement post 1990*
Swaziland				*No involvement post 1994*
Tanzania	Yes	Yes	Yes	Gas,
Togo	Yes	Yes	Yes	? export crops
Uganda	Yes	Yes	No	Coffee, mining
Zambia	Yes	Yes	No	Copper, mining
Zimbabwe	Yes	Some?	No	? Few projects
Totals / 36	**35**	**28**	**9**	**Manufactured exports 3**

*Countries where loans have been awarded to encourage private sector growth
**Countries where loans have been awarded with a condition being privatisation of some government held utilities
***Countries where loans to reform financial sector include privatisation of state owned banks / credit associations
****Exports either promoted by a specific loan, or mentioned as key exports in country profile

(Source: World Bank 2004b)