TRACKING DEVELOPMENT
in Southeast Asia and Sub-Saharan Africa:
the primacy of policy

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DRAFT VERSION

ABSTRACT

The Tracking Development project compares four countries in Southeast Asia with four in Sub-Saharan Africa in order to explain why the former region has developed rapidly in the past half century, and the latter has not. In particular, the question is whether the contrast can be explained by specific policy choices. In Southeast Asia, the transition to sustained growth has consistently been associated with policies aimed at (1) macroeconomic stabilization; (2) improving life in the rural sector, increasing agricultural productivity, and ensuring an ample supply of food; and (3) liberalizing the economy and creating conditions of economic freedom, particularly for peasant farmers and other small actors. However, state intervention remains essential; the typical development trajectory of Southeast Asia is not one in the style of the Washington consensus. In Africa initiatives in these directions have in some instances been present, but the simultaneous pursuit of all three policy objectives has not. Other factors that appear to be of somewhat lesser importance, but that nevertheless deserve further study, are: (1) industrialization on the basis of foreign direct investment; (2) systems of politics and governance; and (3) cultural patterns as manifest in policy choices.

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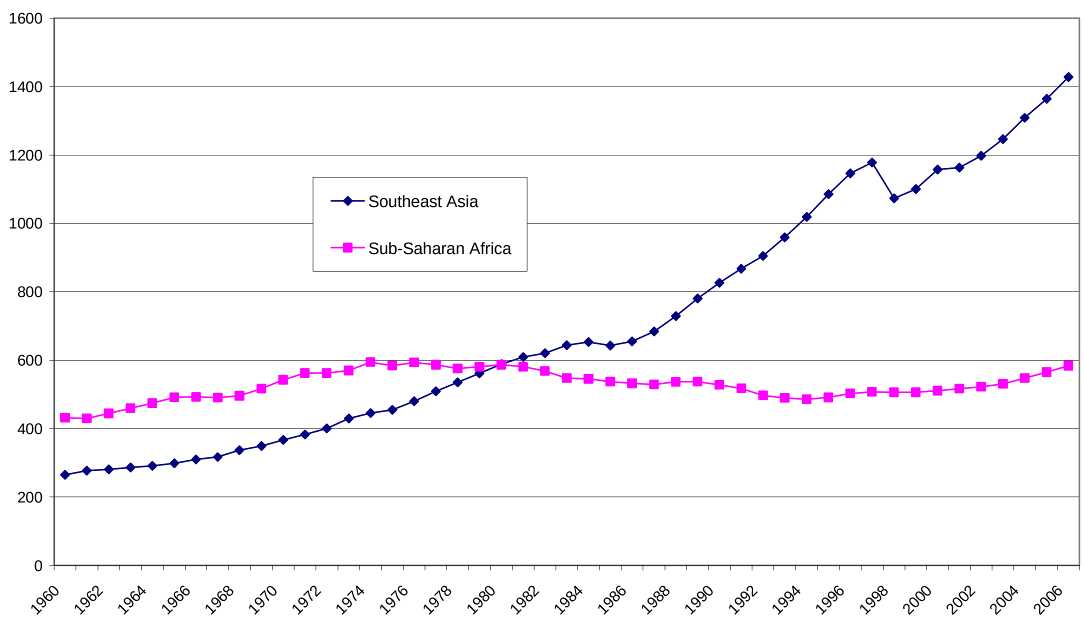
Diverging paths

Between 1960 and 2005, the economies of Southeast Asia grew at an average of almost six percent per year. For Sub-Saharan Africa, the equivalent figure was 3.5 percent. In per capita terms the contrast in economic performance between these two regions is even greater, since population growth, especially toward the end of the period, was faster in Africa. In the 1960s, Southeast Asians were on average much poorer than Africans; by 2005, they were almost two and a half times richer. In Southeast Asia the whole 45-year period was, apart from a brief hiatus at the turn of the century caused by the Asian financial crisis, one of almost continuous growth; in Africa per capita income stagnated in the 1970s, declined in the 1980s, grew weakly in the 1990s, and in 2005 was still lower than it had been in 1975.

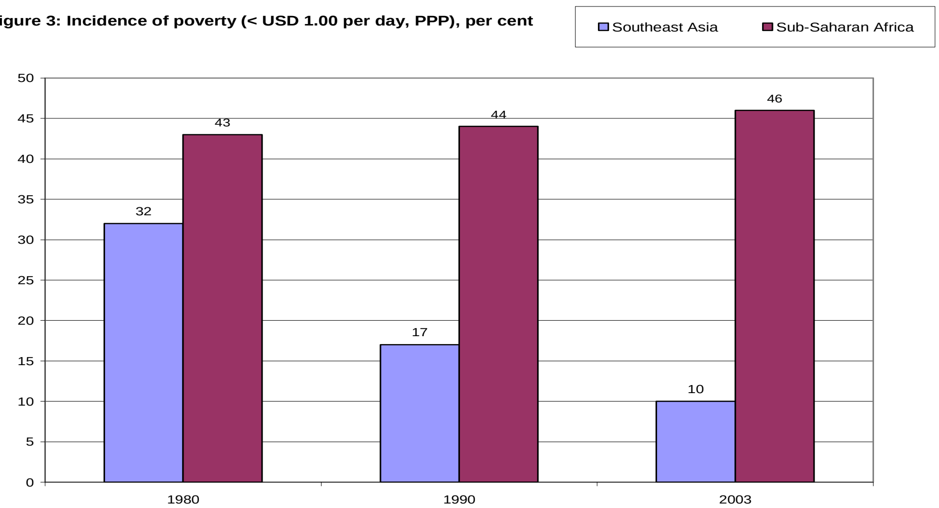
Southeast Asia and Sub-Saharan Africa: GDP per capita (constant 2000 USD), 1960-2006



Source: calculated from World Development Indicators (WDI) Online (World Bank)

High per capita growth in Southeast Asia has entailed substantial reductions in poverty: the proportion of the regional population living on less than one US dollar per day (calculated at Purchasing Power Parity) fell by more than two-thirds between 1980 and 2003. In Africa, by contrast, poverty levels have remained high and rising, even after the return to growth in average per capita income during the 1990s.

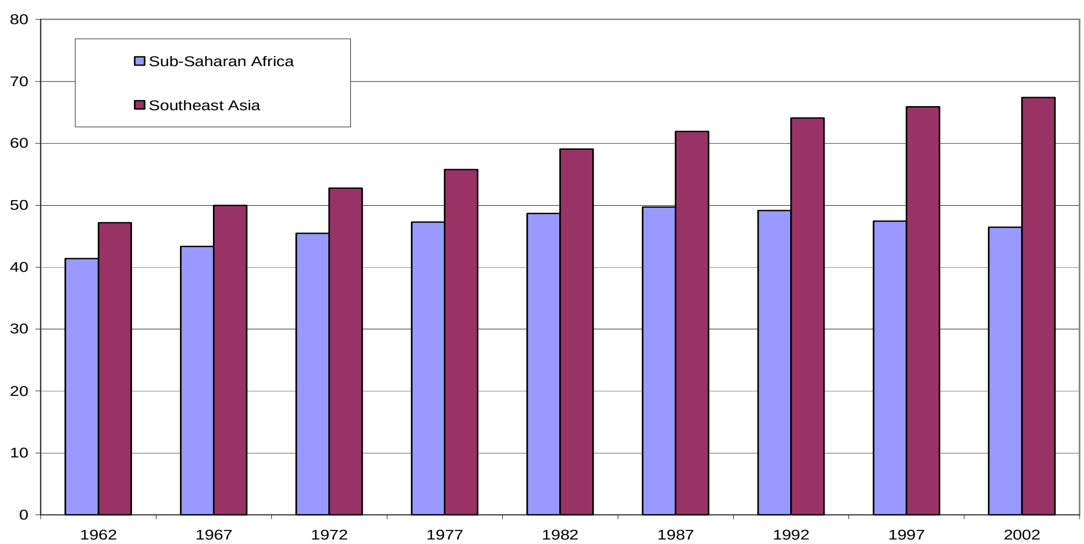
Figure 3: Incidence of poverty (< USD 1.00 per day, PPP), per cent



Source: UN Economic Commission on Africa, Economic Report on Africa 2005

The same divergence is evident in other indicators of material well-being. In the 1960s, life expectancy at birth for inhabitants of both regions was between 40 and 50 years; today it is still little changed in Africa, but has risen to almost 70 years in Southeast Asia.

Average life expectancy at birth (years), SE Asia and Sub-Saharan Africa, 1962-2002



Source: calculated from World Development Indicators (WDI) Online (World Bank)

The absolute decline in African life expectancy since 1987 is partly due to Africa's AIDS epidemic, but also reflects generally poor health care, with levels of infant and child mortality much higher than in Southeast Asia. In education, too, Africa, although making more progress than in other fields, still lags well behind Southeast Asia, where universal primary education is the norm (*Millenium development goals report* 2009:14, 24, 26).

Southeast Asia, like Africa, emerged from colonial rule with predominantly rural economies, some of them heavily dependent on the export of primary agricultural products. Subsequently, oil exports also became important in Malaysia, Indonesia and Vietnam. Unlike exporters of oil and primary commodity in Africa, however, Southeast Asian countries have succeeded in developing other exports and diversifying their economies into manufacturing, agro-industries, value-added services, and other activities that enable them to move up the value chain in the global economy.

		1970	1980	1990	2000	2006
Agriculture: contribution to GDP (per cent)	SE Asia	33.6	22.2	16.0	11.7	11.8
	SS Africa	35.8	23.9	28.9	28.1	28.1
Manufacturing: contribution to GDP (per cent)	SE Asia	15.4	18.2	22.8	27.2	27.7
	SS Africa	15.6	24.1	15.1	9.4	7.7
				1995	**2000**	**2005**
Index of export concentration (EU in 2006 = 0.66)	SE Asia			0.127	0.186	0.155
	SS Africa			0.288	0.383	0.402

Source: UNCTAD Handbook of Statistics, 2008

Africa's failure to diversify has significant consequences for employment, incomes, and economic sustainability. Petroleum and mineral extraction, in particular, have limited employment effects, while the rents from these commodities create economic distortions that undermine productive activities other than mining. Commodity revenues are volatile, and reliance on a narrow revenue base creates an unstable foundation for growth. Subsistence farming remains a key source of livelihoods in most African countries, agriculture having receded only modestly as a share of production in recent decades. The virtual collapse of manufacturing since the 1980s is a salient feature of the region's economic record; for many countries, the relative contribution of manufacturing to the economy is currently below the level at independence.

These patterns of production and trade shape the capacity of regional economies to respond to external shocks. The current global downturn has affected both regions, but the divergent development paths of recent decades indicate that Southeast Asian economies will be more resilient than those in Africa, where much larger numbers of people live a precarious existence in absolute poverty. Although Southeast Asia has greater exposure to the international financial markets that are the source of the crisis, the corrective measures already undertaken there in response to the earlier banking crisis of 1998 have afforded this region some protection. It remains strongly engaged with the global economy, the real sectors of its economies intact and its national finances mostly in good shape, with moderate debt loads and large foreign reserves.

African countries, too, have some unprecedented sources of resilience in the current crisis. Inflation is mostly low, and foreign investment on the rise. Public finances, thanks to debt relief and an improved policy climate, are sounder than in the past, and Africa has recently experienced its longest period of economic growth in more than three decades. The driving force behind this growth, however, has been a historic boom in commodity prices, the most dramatic (in real terms) since before the First World War (World Bank 2009b:55). The narrow export base of most African economies, and the comparatively low productivity of agriculture and other employment-generating sectors, leave few possibilities open for responding to adverse trade shocks. The deterioration of public institutions and social services over the past two decades, meanwhile, has left governments with limited means of mitigating hardships. According to a recent World Bank assessment, more than half of Sub-Saharan Africa's countries risk experiencing a substantial increase in poverty (World Bank 2009a).

Origins of the divergence

The idea of a detailed comparative study of the development trajectories of Southeast Asian and Sub-Saharan African countries originated in the observation that certain features of African politics which are often said to explain economic stagnation in Africa (Chabal and Daloz 1999; Van der Veen 2004) are in fact also present in economically successful Southeast Asia. In both regions, rent-seeking is common in government positions in connection with what has been called 'neo-patrimonialism': a fusion of public and private spheres in which patron-client relations structure political behaviour. Corruption and clientelism, then, cannot in themselves explain African economic retardation.

Tracking Development does not compare aggregates of the two regions, but rather studies four sets of paired nations. The comparison of Nigeria and Indonesia is an obvious one that has already attracted considerable scholarly attention (Thorbecke 1998; Bevan, Collier and Gunning 1999; Lewis 2007). Both countries have experienced long periods of military rule; are similarly ranked in the Corruption Perception Index; and are large, densely populated, and well endowed with natural resources, notably oil. The second pair, Kenya and Malaysia, consists of two countries that have opted consistently for the 'capitalist road' to development, relying to a great extent on private ownership of the means of production, and on foreign direct investment. Tanzania and Vietnam, by contrast, are both countries which for a long time relied on state ownership and direct government intervention, and which have subsequently liberalized their economies. The fourth pair is Uganda and Cambodia, two cases of post-conflict reconstruction.

Our pairwise method differs from the dominant approaches to cross-country comparison, which attempt to explain growth differentials either through multiple regression analyses of time series data for many countries (Ndulu et. al. 2007), or through explicit model-building and the identification of 'anti-growth syndromes' (Ndulu et al. 2008). While these approaches have produced valuable insights, ours offers more insight into the political and social processes that lead both to particular policy choices and to particular economic outcomes.

Our concentration on policy reflects the fact that Tracking Development is commissioned by the Netherlands Ministry of Foreign Affairs, and is expected to be policy-relevant. But we also believe there is something uniquely inspirational, and constructive, about looking at successful policy choices. There is no shortage of critical works on development and development aid, but it makes a difference to compare disappointments with triumphs. This does not of course imply the development of infallible prescriptions. It has been said with justification that there has been too much planning in development policy, and that attention can more profitably be directed to 'searching' (Easterly 2006). Tracking Development is an exercise in searching. It also follows Dani Rodrik's (2007) admonition to compare, and look beyond, a variety of policies that have succeeded in particular settings, in order to extract general principles that can also be applied in other settings.

In our search for these underlying principles, we begin by putting together comparative narratives of the selected countries and looked for turning points: dates at which two crucial development indicators, GDP and poverty incidence, showed a lasting turn for the better, leading to sustained growth in association with sustained poverty reduction. Then we look for the specific policies responsible for the turning point. Such positive turning points are found only in Southeast Asia, not in Africa, and they function as templates against which to contrast the Sub-Saharan cases. Where there are clear negative turning points, we try to analyse these in a similar way.

Tracking Development particularly highlights one major area of policy that is associated with positive turning points. We find that state-led rural and agricultural development, leading to higher incomes for peasant farmers, has been crucial to Southeast Asia's success, and we infer that its absence has also been crucial to Sub-Saharan Africa's failure. This finding goes against an opposite position that appears logical at first sight: that because Southeast Asian economic success is also associated with export-oriented industrialization, the emulation of this strategy should have the highest priority in Sub Saharan Africa.[4]

Besides state-led agricultural development, sustained growth and poverty reduction in Southeast Asia is also associated with two other essential policy preconditions. Sound macroeconomic policy, firstly, is a precondition for economic growth. However, it must be stressed that macroeconomic stabilization alone does not produce the developmental turning point unless it is accompanied by pro-poor policies with respect to agriculture and food. Economic freedom, at least for peasant farmers and small entrepreneurs, is the other variable associated with positive turning points. But here too there is an important caveat: it would be wrong to assume that Southeast Asia proves the wisdom of the Washington consensus that locates the source of development in the working of the market with minimal state interference. State intervention and involvement in the economy is important, but it needs to be supplementary to, or mediated through, markets.

Three preconditions for sustained growth:
dates from which present in eight countries since 1960

	Macroeconomic stability: low inflation, little currency overvaluation	**Pro-poor public spending** on agriculture, and rural infrastructure	**Economic freedom** for peasant farmers and small entrepreneurs	**Transition to sustained growth** (date at which all three conditions met)
SE Asia				
Indonesia	1967	1967	1967	1967
Malaysia	[pre-1960]	[pre-1960]	[pre-1960]	[pre-1960]
Cambodia	1986	1998	1989	[1998?]
Vietnam	1986	1989	1989	1989
SS Africa				
Nigeria	1997	-	1986	-
Kenya	[pre-1960]	-	1995	-
Uganda	1989	-	1989	-
Tanzania	1995	1967-1982	1985	-

Our conclusions are close to those of the World Bank's *East Asian Miracle* study (1993) in stressing the importance of policies designed to promote 'shared growth', and similar also to those of Campos and Root's *The key to the Asian miracle* (1996) in pointing to the 'growth coalition' that underpins such policies and makes them politically feasible. But whereas these studies stress the general need for growth with equity, we argue more strongly that in the case of Southeast Asia, development success is specifically associated with a policy focus on

[4] Roemer 1994; Soludo 2003; Stein 2005; Collier 2007; Johnson et al. 2007; Selassie 2008.

agriculture and on food production. Agricultural and rural policies raised rural incomes and levels of well-being, leading directly to mass poverty reduction, and indirectly to the creation of a conducive climate for industrial investment.

Although we analyse narratives of historical development, we do *not* take a *long-term* historical view. The countries which we study in Southeast Asia were never *predestined* for developmental success, and even on the eve of that success, strikingly few experts predicted it. In the 1970s Vietnam was embroiled in war, and Cambodia in one of the most destructive revolutions in history. In Indonesia the economy had been stagnant for decades and the new Suharto dictatorship, established in a bloodbath and riddled with corruption, was not expected to last long. Malaysia too was seen as a fragile politity that could easily be torn apart by racial troubles, Above all, Southeast Asia was considerably poorer than the African countries that we now compare it with. A long-term historical theory would need to explain the stagnation and decline of both regions, as well as Southeast Asia's present flourishing state and the sustained growth which, sooner or later, will hopefully take place in Africa too. By limiting ourselves to the recent turning points in the development trajectory, we create a clear focus out of which policy logically emerges as a crucial variable.

It follows that the historical determinism implicit in the term 'path-dependency' is not productive. If in Africa a strong tendency still exists to associate contemporary problems with the colonial past, in the Asian context attempts have been made to explain economic success in terms of the particular postcolonial historical context of the cold war (Stubbs 1995). But while the international environment has undoubtedly been influential, it is not sufficient as an explanatory factor. Within Southeast Asia, there are countries that have taken a different path: Burma is a stagnating state-dominated economy, and the Philippines have not developed as strong an agricultural and industrial base as the countries included in our study. Their failure reveals the limitations of the 'neighbourhood' (Easterly and Levine 1998) and 'flying geese' (Akamatsu 1962) effects: policy-making elites may choose to pick up ideas from the development success of neighbours - or they may not. The communist threat was arguably less acute in Sub-Saharan Africa than in Southeast Asia, but the example of Zaire demonstrates the opportunities which, in Africa too, existed for exploiting that threat in order to extract resources from the Western powers. Political elites are actors in particular historical contexts, but their actions are not predetermined by those contexts.

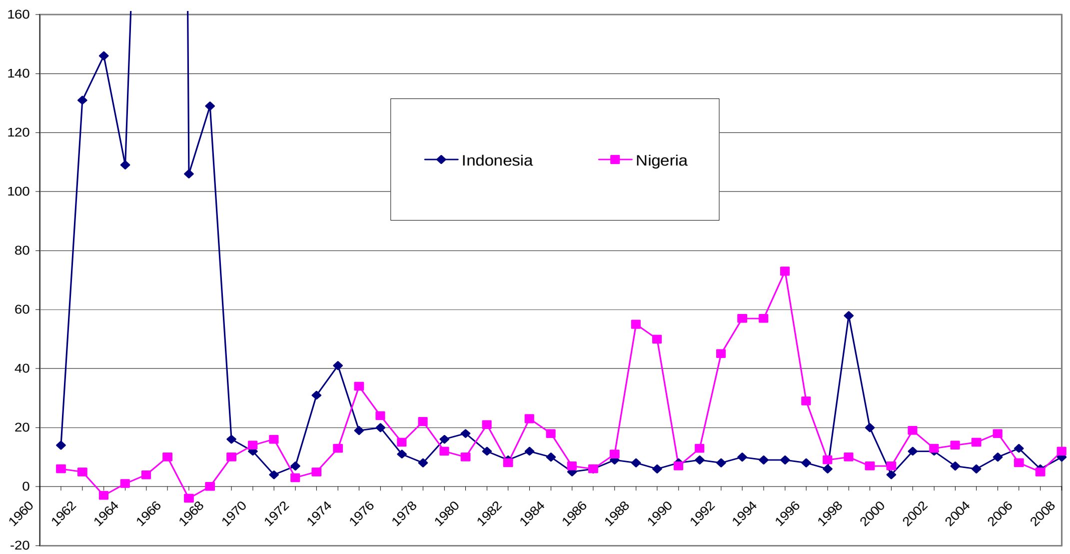
Southeast Asia's road to development: (1) sound macroeconomic management

There is no positive turning point in our case studies without a background of macroeconomic stability. In the first place, this means an inflation rate which does not exceed (roughly) 20 percent. The importance of avoiding excessive inflation is nowhere clearer than in Indonesia, where the hyperinflation of the late Sukarno years provided a strong negative benchmark for the Suharto regime which seized power in 1965. To ensure that hyperinflation would never happen again, in 1967 the new government instigated a law whereby parliament could not approve any budget that was not balanced, in the sense of state revenues (including foreign aid and loans) equalling or exceeding expenditures (including debt servicing) (Hill 1996:59). Macroeconomic stabilization also played a central, and seldom fully appreciated, role in Vietnam's Doi Moi or 'Renovation' process of the 1980s and 90s. In retrospect Doi Moi is mainly associated with liberalization, but at its inception the primary goal was actually the control of inflation, which by 1986 had reached over 400 percent (Nguyen 2006:84, 173). In Cambodia, which was under Vietnamese control from 1979 to 1990, macroeconomic stability was likewise restored under Doi Moi in the late 1980s. In Malaysia, thanks to consistently prudent financial policies, it has never been seriously threatened since independence in 1957.

In our African case studies, macroeconomic stabilization is clearly associated with the return of aggregate growth in the 1990s. The clearest example is Uganda, where an agreement with the international financial institutions brought down inflation from over 100 percent in the late 1980s to under 10 percent by the mid-1990s. In Tanzania a similar agreement was concluded in 1985 but did not have the desired effect until 1995, when donor conditionality brought discipline in the banking system and in government finances. In Kenya, as in Malaysia, macroeconomic stability has seldom been a major problem. By contrast the lack of stability in Nigeria during the late 80s and early 90s, despite attempts to discipline the economy in the face of falling oil revenues, was strongly associated with negative economic performance.

Inflation, consumer prices (annual per cent), Indonesia and Nigeria, 1960-2008

(Indonesia peak off scale at 1136 per cent in 1966)



Source: World Development Indicators (WDI) Online (World

Here again it bears repeating that macroeconomic stabilization is a necessary, not a sufficient, precondition for developmental take-off. Except during the initial stage of liberalization when markets re-establish themselves, it is not associated with poverty alleviation. In many cases it is also more fragile than it at first sight appears, being dependent on large inflows of foreign aid or oil revenue. In New Order Indonesia the development budget was at first financed almost entirely by aid, and in Vietnam the turning point was accompanied by the coming on stream of oil production. Neither aid nor oil, as the African story shows, is in itself a guarantee of macroeconomic stability, still less of sustained growth. Nevertheless it may be concluded that such inflows of foreign money are very useful when it comes to balancing state finances and overcoming foreign exchange constraints.

A second vital aspect of sound macroeconomic management is the maintenance of a competitive exchange rate between the national currency and those of potential export markets. Cross-country statistical studies show that the size of the black market premium on currency deals - that is, the difference between an administratively overvalued official exchange rate and a real (black market) rate for a national currency against the US dollar - is a reliable predictor of poor economic performance (Easterly 2002:221-223, 238). The successful Southeast Asian countries have never overvalued their currencies enough to allow any such black market premium to emerge. Indonesia, in fact, repeatedly *devalued* its currency by tens of percentage points at a time in the 1970s and 80s in order to reverse oil-fuelled appreciation of the rupiah and keep its non-oil exports competitive. In Nigeria, by contrast, the value of the naira was allowed to appreciate freely throughout the oil boom of the 1970s and early 80s, and then artificially maintained for several years at four times the black market level after oil prices fell (Lewis 2007:193).

Southeast Asia's road to development: (2) pro-poor, pro-rural public spending

Macroeconomic stabilization is an important policy aim in Africa as well as Southeast Asia. In Uganda and Tanzania it was associated with a return of economic growth, often at over six percent per year, in the 1990s. In crucial contrast with Southeast Asia, however, it was not linked with pro-poor policies directed at agriculture and rural development. Southeast Asian planners saw that the obvious way to address the problem of mass poverty, given that most of the population lived in the countryside and depended on agriculture, was by raising farm incomes. One way to do this was to increase the productivity of export crops, such as palm oil, cocoa and rubber in Malaysia or coffee and cashew nuts in Vietnam. The most concentrated effort, however, went into food production, and was inspired by a desire for national self-sufficiency in food. Southeast Asian countries promoted the green revolution of improved rice varieties using subsidized inputs such as fertilizer and insecticides, and supported by subsidized credit. The process by which they did so was initiated by the state, mediated by the market, and directed at the smallholder (Djurfeldt et al. 2005).

There was, then, strong government intervention in the agricultural sector of the economy. However this was mostly supplementary to, not in place of, markets. In Africa, by contrast, immediately after independence there was a move toward government monopsony in agricultural marketing, which was openly used as a way of acquiring surplus for economic development. In many cases this caused, or at least contributed to, a decline in agricultural output. During the period of structural adjustment in the 1980s, marketing boards were abolished or reformed. This led initially to a recovery of output, but not to a sustained pattern of growth.

Agricultural output in the African countries is in general erratic. This is partly explained by agronomic factors, but it is also a consequence of policy. The organization of agricultural marketing in the African countries has typically been either dominated by the state, or left to the private sector without any consideration for minimum price guarantees. While the use of fertilizer has grown exponentially in the Southeast Asian countries, in Africa it has remained stagnant. Foodcrop production, accordingly, has also remained stagnant, and on a per capita basis has declined. The African countries, with the exception of Uganda, have frequently been dependent on food imports.

For these reasons economic growth in Africa has not usually led to poverty alleviation in rural areas, where income, unless supplemented by remittances or trade, is dependent on agriculture. It is, therefore, not surprising that urbanization is rapidly leading to an ageing of the countryside. In Africa, poverty tends to decrease in urban areas. This is probably partly explained by disproportionate benefits from the aid flows into the country. It also reflects a pattern of enclave development. Economic liberalization usually leads to an inflow of foreign direct investment, but in Africa this tends to be concentrated in mining and other extractive industries, or in tourism. These sectors have few linkages with the domestic economy, so that the multiplier effects of the investment are limited.

The single most important distinction between Southeast Asian and African development strategies is that in Southeast Asia, macroeconomic stabilization has been paired with a concern for 'shared growth' through agricultural and rural development. Southeast Asian government spending tends to show a pronounced 'rural bias'. During the 1970s, when Malaysia was already well on the way to becoming an industrial power, the Malaysian government was still spending one quarter of its national development budget - almost ten times its expenditure on industrial development - on agriculture. In Indonesia too, foreign aid and oil revenues were invested on a huge scale in enhancing the productivity of peasant agriculture by means of irrigation works, the development and dissemination of new high-yielding rice varieties, fertilizer and pesticide subsidies, and subsidized farm credit. In the New Order's first five-year development plan (1969-74), fully 30 percent of the development budget was allocated to agriculture - not including the large sums also spent on rural roads, electrification, health services, and education.

In Nigeria at the same period, by dramatic contrast, the proportion of development funds spent on agriculture fell to just six percent as Nigerian planners chose instead to invest their oil windfall in ill-conceived schemes for heavy industrial development. Even in Kenya, often thought of as one African country that did invest in agriculture rather than 'squeezing' it for the benefit of urban and industrial interests, an initially strong spending focus on agricultural development was largely lost amid the false security of the prosperous 1970s.

Sectoral budgetary allocations are at best a rough first indication of the level of rural/agricultural or urban/industrial bias in a country's development strategy. The allocation of money to rural development may be a different matter from its actual disbursement. Even when it is disbursed, its effectiveness may vary dramatically. Fertilizer subsidies, for example, do not constitute pro-poor public spending if they disproportionately benefit large-scale farmers - a persistent problem in Kenya (Oluoch-Kosura and Karugia 2005:189). Rural development spending may also be counterbalanced by rural taxation: in Tanzania in the 1970s, impressive budgetary allocations to agricultural development went hand in hand with very heavy indirect taxation of peasant farmers (Ellis 1983).

On the daring assumption of other things being equal, it may be said that an allocation of at least 10 percent of total public spending, and/or 20 percent of the total development budget (public capital investment), to the agricultural sector (including research, extension, input, credit and replanting subsidies, irrigation, drainage, and land settlement) is indicative of pro-poor, pro-rural public spending. A comparably high proportional allocation to the transport sector may also be a good sign: roadbuilding benefits the rural population and is, alongside agriculture, the area in which public spending in Africa has in the past fallen most strikingly below Asian levels (Fan et al. 2008:25). Ultimately, however, any assessment of whether and how this important precondition for development is met must be based on a specific historical narrative which takes full account of conditions in the country under study.

Southeast Asia's road to development: (3) economic freedom for peasants and small entrepreneurs

Wherever there has been a development strategy based on accumulation by the state, and a more or less successful attempt by the state at full control of the economy, there has been a crisis in growth. Freedom for economic actors, especially the smaller actors, was essential in the return of growth. This was nowhere clearer than in Vietnam, where the dissolution of the communal farm went together with macroeconomic stabilization and the consolidation of a growth coalition based on the broad mass of the rural population. Economic liberalization in Tanzania from 1985 onward did not immediately bring a return of economic growth; this did not follow until macroeconomic stability was established in 1995. When growth came it still had little effect on poverty, since a pro-poor agricultural policy was lacking. In Uganda, as in Vietnam, economic liberalization and macroeconomic stabilization (in this case through agreement with the IMF) took place simultaneously, leading to a return of growth in 1989. But like Tanzania and unlike Vietnam, Uganda failed to adopt pro-poor rural policies, with the result that growth did not translate into sustained poverty reduction.

It would be a simplification to reduce the need for economic freedom to an icon of the Washington consensus, which preaches minimal state intervention and expects great results from the operation of unfettered markets. In all of the Southeast Asian cases, to reiterate, there has been considerable state involvement in the economy with respect to agriculture: fertilizer and credit subsidies; provision for subsidized purchase of crops when market prices fall below guaranteed minimum levels; restrictions on the export of food crops. However, the Southeast Asian governments have as a rule avoided granting monopoly positions to state institutions. These have operated alongside independent agents, frequently providing subsidies to private providers rather than taking over the provision of subsidized goods themselves. Where regulation has occurred, for instance with respect to food exports and imports, it has often taken the form of licensing rather than direct state provision. Although export controls, where present, did affect the economic freedom of small farmers indirectly, in their own environs they were free to sell their produce to any chosen party. They were also free to choose which crops to plant, and at what price to sell them (or not). Price controls were seldom resorted to, except by the indirect means of public subsidy. The state, in short, placed very few coercive restrictions on the economic activity of small farmers and petty entrepreneurs.

There are significant variations in this respect among the Southeast Asian countries. Despite liberalization, for instance, Vietnam has retained a much bigger state sector after liberalization than is found elsewhere. The continuation of some types of state intervention under liberalized conditions is nevertheless a common feature of the Southeast Asian systems, and a crucial difference between them and their African counterparts. In Sub-Saharan Africa there has in recent decades been a major withdrawal of the state from its former heavy-handed regulatory role in the economy, but this has not been balanced by the creation of institutional structures through which positive interventions can continue in a relatively hands-off fashion in order to support a growth coalition between state officials and the mass of the farming population. The diffusion of the green revolution in Southeast Asia, as noted, has been characterized as state-led, market-mediated, and smallholder-based. This last characteristic is essential to understanding the role of economic freedom in developmental turning points. Whether in Sub-Saharan Africa or in Southeast Asia, smallholder production stagnates or declines if there is no freedom to choose which crop to plant and who to sell it to.

Supplementary issues: (1) industrialization and foreign direct investment

Large inflows of foreign direct investment, related especially to industrial production for export, are an essential part of the development trajectories of the successful Southeast Asian countries. In Africa, despite a minor boom in the past ten years, there has been far less foreign investment, and what investment there is has gone more into extractive industries such as mining than into manufacturing.

This is a field where our insights still need to be further developed. But our preliminary finding is that industrialization was more a result than a cause of the initial developmental turning point. The typical sequence of events, most clearly distinct in the Indonesian case, is that growth first takes place in the agricultural sector, followed by an initial reduction of poverty, and only then by the development of export-oriented manufacturing. One functional link between these stages is that the spurt in food production brought about by the green revolution makes food plentiful and cheap, helping to keep wages low and stable, and thereby contributing to the attractiveness of the country as a target of investment in labour-intensive manufacturing industry.

Further research is needed to assess to what extent policy as such has been a catalyst for industrialization. In Malaysia and Indonesia, industrial policy as such has been preoccupied with the development of a locally-owned industrial sector producing technologically sophisticated goods like cars and aircraft for the domestic market. But these initiatives have been sideshows compared to the dramatic growth of export-oriented industrialization, much of it driven by foreign direct investment. In the industrial sphere, then, policy factors appear rather inconsequential.

An opaque area is the role of investment agencies. In the industrial development on Penang in Malaysia, policies aiming at young, high-value growth industries have been effective in making the island a major manufacturing hub in the global computer industry. Such agencies can be found in Sub-Saharan Africa too, but here they seem far less effective. Most foreign direct investment in Africa - for example in horticulture in Kenya, mining in Tanzania, and oil in Nigeria - appears not to be policy-driven at all.

Further research is also needed to judge the precise effects of export-oriented industrialization in Southeast Asian development trajectories. Employment creation is the most immediate effect. But there are doubts about the quality of this employment, and about whether it really caters for a broad mass of poor job-seekers. The goods produced also tend to have a very high import content. Finally, there are doubts concerning whether this type of industry will upgrade to more capital-intensive forms when labour costs rise.

Supplementary issues: (2) politics and governance

The themes of politics and governance have been dominant in the policy discourse on international development in the past decades (Kauffman, 2008; Stiglitz 2002; Ndulu et al. 2008). But when we compare the development trajectories of Southeast Asia and Sub-Saharan Africa, these themes seem to have little discriminatory value. Nigeria and Indonesia, for instance, are similarly rated according to Transparency International's Corruption Perception Index. Similarly, the countries included in the Tracking Development study do not differ much in terms of indices of democratization.

Closely related to the 'good governance' argument are theories that reason in terms of particular types of relationship between government, business, and capital accumulation. Economic stagnation in Africa is often explained on the basis of 'neo-patrimonial' relations: politicians need to extract rents in order to build up a personal following, and this is said to have a corrosive effect on the economy (Chabal 2009; Van der Veen 2004; Van de Walle

2001). In the Southeast Asian context, the term 'crony capitalism' is often used to refer to parasitic relationships between government and business, based on personal ties (Robison and Hadiz 2004; Rodan et al. 2006). Yet in our pairwise comparisons, these factors do not seem to have any particular explanatory value. There may be an efficiency cost involved in the transfer of resources from the business sector to the bureaucracy; but if so, it clearly has not prevented the Southeast Asian economies from flourishing.

Terms like neo-patrimonialism and patron-client relationships cover diverse practices, and some authors have sought to make finer distinctions in order to explain the divergent outcomes of neo-patrimonial behaviour. Kang (2002), for instance, distinguishes between one form, exemplified by the Philippines, in which the pursuit of private goods prevents the production of public goods, and another, exemplified by South Korea, in which it does not. Khan and Jomo (2000) argue that rent-seeking is not *necessarily* a purely parasitic activity in economic terms. In Africa, the pressure on politicians to access resources for distribution among their followers is undoubtedly severe. However this does not explain the kind of primitive accumulation which takes place from oil income in Nigeria, and which is also evident in the Kenyan Anglo-Leasing scandal. Here, embezzlement for personal gain would seem a more appropriate description than rent-seeking for redistribution to clients.

Yet at another level, political factors do seem to be relevant. Southeast Asian regimes, for example, are quite intolerant of opposition: Vietnam is a one-party state, and the repression of the communists is a central element in the story of Suharto's Indonesia. In Sub-Saharan Africa, by contrast, political opposition and its repression have seldom played a significant role in national development trajectories. The fact that African politicians typically do not have to fear opposition - or at least, certainly not rural-based mass opposition - may be of great importance, since in Southeast Asia the threat of rural rebellion is a key part of what makes pro-poor rural policies politically expedient.

In some respects, the political systems of all our case countries are similar. Generally speaking, these are dominant-party systems characterized by the advocacy of consensus. Political parties are usually constructed from above, and do not emerge from grassroots organisation. Yet there is also a major regional contrast: in Africa the parties tend to be mere candidate-generating machines, whereas in Southeast Asia they are strongly tied to development messages. This may be an important aspect of the creation of Southeast Asian growth coalitions; much further research is needed here.

Supplementary issues: (3) culture and its expression in policy

Classic social scientific accounts of development or 'modernization' stress the need for a cultural revolution involving the adoption of individualistic values geared towards capital accumulation (Lerner et al. 1958; Riggs 1966). In Southeast Asia, however, diverse cultures appear to have passed remarkably unchanged through an industrial revolution of unprecedented speed. Academic appreciations of the role of cultural factors in economic change are suspiciously susceptible to retrospective revision. Less than a century ago, Asian values and beliefs were portrayed by Max Weber and others as major obstacles to economic progress; but as soon as some parts of Asia became rich, aspects of their cultures began to be identified as inherently conducive to capitalism and growth (Hofstede and Bond 1988; Redding 1990).

At the same time, our own stress on policy as the major explanatory variable leaves open the possibility that an underlying cultural factor is at work. Policies themselves are partly expressions of shared interpretations of society and the world, and as such are part of a broader pattern that gives meaning to social life (Berger and Luckmann 1966). In this respect there is arguably a distinct difference between Southeast Asia and Sub-Saharan Africa. In the Southeast Asian countries, policy-makers usually started with a hard-headed assessment of the resources at their and their nation's disposal. This was essentially an assessment of scarcity, and it involved a clear sense of choice. Given the resources available and their limitations, the characteristic choice for agricultural and rural development was simply the logical one to make. It also reflected a sharp awareness of the implications of rapid population growth. Southeast Asian policy-making has always been characterized by a keen eye for danger. Jomo Kwame Sundaram's highly critical appreciation (1977) of the (then still young) Malaysian success story in export-oriented industrialization illustrates the Southeast Asian ability to foresee new risks even at moments of dizzying success.

African policy-making also starts with a realization of scarcity, but then proceeds to focus on the absence of certain resources, and the need to somehow acquire them, instead of concentrating on how to make the best use of whatever resources are already to hand. For this reason, the reference point in policy-making is often an idealized state of modernity - symbolized in the past by factories and universities, more recently by hypermarkets and laptops - that is seen as the hallmark of development, without considering whether it is really relevant to the solution of current African problems.

Tracking Development interprets development trajectories as the results of actions taken by people who have the ability to choose between alternative courses of action, and to shape their societies within the - generally elastic - limits of inherited cultural patterns. This may raise the objection that unlike institutionalist studies such as the existing comparison of Nigeria and Indonesia by Peter Lewis (2007), it tends in practice to isolate policy from its societal context. And indeed that study makes many essential points: in Indonesia's development trajectory there has been a more centralized system for the management of rents, and a much higher degree of autonomy for technocratic planners, than in Nigeria. But these are not in themselves complete explanations for the developmental divergence. They do not explain, for instance, why local and regional leaders in Nigeria have not implemented shared growth policies, or relied on technocratic advice, within their own domains of decentralized authority. The way institutions function, like the way policy is formulated, may ultimately be seen as an expression of culture. For the time being, however, the purpose of our research is best served by putting policy choices at the centre of our analysis.

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