Chapter 9

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> … (A)ny nation which owing to misfortunes is behind others in industry, commerce, and navigation, while she nevertheless possesses the mental and material means for developing those acquisitions, must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations (Friedrich List, 1885: xxvi).

Introduction

The last few decades have witnessed a spirited debate over globalization and the real or perceived impact of global economic integration on the performance of national economies (Weiss, 1998; 1999; Rodrik, 2001; Chang, 2007). The debate appeared, for a time, to be polarized between the theorists of global market integration (eg Ohmae, 1995; Dollar, 2001) and those that are critical of the globalization orthodoxy (Weiss, 1998; Rodrik, 1999; Chang, 2002; Amsden, 2005). The former group celebrated the convergence of different species of capitalism on the Anglo-American norm of "free trade"; the latter underscored cross-national variations in capitalist development. One group announced the rise of the "borderless world" signifying the sovereignty of private capital over sovereign states; the other documented the enduring significance of nation-states in the "global" political economy. One team celebrated the "death" of industrial policy; the other appreciated the changing, but *not* ending, significance of industrial policy (Rodrik, 2004; Chang, 2007).

By the end of the 1990s, some degree of consensus had emerged. That effective industrialization is strongly associated with developmentalist institutions is no longer debatable (Chang, 2007; Reinert, 2007). That the economic dynamism of the Northeast Asian tigers – or even Ireland (Chang, 2003) – is linked to distinctly national economic policies is not debatable either. What is debatable is the vitality of country-specific industrial policies for latecomers (such as Uganda) that seek to industrialize in the current era of globalization. Do policies of economic nationalism – what I unashamedly call *economic mercantilism* – make sense in the current age of globalization?

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It is the purpose of this paper to examine the functionality of economic mercantilism as an instrument of late industrialization in Africa. The focus is on Uganda against the backdrop of ‘early’ industrialization (in Britain and USA) and effective ‘late’ industrialization in Taiwan and other East Asia tigers. The rationale for examining Uganda in the light of the Asian economic miracles is simple, but not obvious. The Asian tigers (such as Taiwan and South Korea) and, to a lesser extent, Singapore – were in several respects, comparable to Uganda five decades ago. Taiwan, for example, had GDP per capita of $199 in 1950, comparable to Uganda’s $200 at the time of independence (1962). Taiwan is a former colony (of Japan), just like Uganda, which is a former colony of Britain. Both suffered colonial exploitation and plunder. Both are economies of small-to-medium enterprises (SMEs). Both Taiwan and Uganda are tiny nation-states of about 25 million people. Moreover, both emerged from colonialism with strong wishes to industrialize and transform the national economy. Yet, today, the two are substantially different. Uganda is still a commodity economy, with the agricultural sector employing 88% of the total labour force, accounting for 85% of total foreign exchange earnings and contributing 54% of GDP. By contrast, Taiwan is a high-tech economy known for the manufacture and export of computers, electronics and other high value-added industrial products. How does one explain the effectiveness of the Asian tigers (such as Taiwan) and the inability of sub-Saharan African countries (such as Uganda) to attain industrialized-nation status in the current age of globalization?

The central claim of this paper is that globalization is a distinctive form of economic nationalism – that of the dominant industrial economies. It is simultaneously beneficial the competitive industrial economies and detrimental to the commodity latecomer-economies. This is not to suggest that late industrializers have absolutely nothing to gain from a “global” economic order. Globalization has undeniably increased the flow of information, the diffusion of technology, and the cross-border movement of capital goods needed for late industrialization. The international flow of foreign direct investment (FDI) also seems to have facilitated specific categories of late industrialization, particularly in China and other Asian tigers. But, this restates the problem: Why are some countries more effective than others in benefiting from global market integration? Why does globalization foster late industrialization in East Asia and not in sub-Saharan Africa when both regions are “globally” integrated? This paper contends that cross-national variations in the levels of economic performance primarily spring from the capacity of domestic political institutions – particularly the state – to mediate the external pressures of globalism and pursue the long-term developmental goals of the national economy. As Friedrich List (1885: xxvi) argued, any country that is ‘behind others in industry, commerce, and navigation … must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations.’

The paper first conceptualizes economic mercantilism. The major objections to economic mercantilism are outlined with reference to the constraining role of today's contextual variables, such as the WTO rules.[i]. Evidence is then presented to show that effective 'early' *and* 'late' industrialization took place via the active use of economic mercantilism. The chapter then outlines the industrialization outcomes of two cases – Taiwan (representing successful use of economic mercantilism) and Uganda (representing premature global market integration). The analysis ends by stressing the changing, but not ending, significance of economic mercantilism.

Conceptualizing Economic Mercantilism

The term "mercantilism" never entered the political economy lexicon till the later part of the eighteenth century (Wilson, 1967: 3-10). This was centuries *after* the practice of economic mercantilism had been tested, trusted and institutionalized or even amended to suit the changing tasks of governing the national economy. In other words, mercantile economic policies developed first. The "system" or "theory" of economic mercantilism came later. As a corollary, "mercantilism" has been a controversial term in both liberal and Marxian political economy analysis. In the liberal economics tradition, Adam Smith (1776/1937) decried the "mercantile system".[ii] Smith was enraged by the heavy customs duties erected by England from about 1688 on wards, which, he argued, would never have been imposed "had not the mercantile system taught us, in many cases, to employ taxation as an instrument, not of revenue, but of monopoly" (Smith, 1776/1937: 833 cf. Coleman, 1969: 6). Following the Smithian tradition, rational choice theory conceptualizes economic mercantilism as the polar opposite of economic liberalism or "globalization." State involvement in the economy is pejoratively associated with rent-seeking business behaviour. The claim is that state policies such as protective tariffs prop up inefficient firms, undermine innovation, and *distort* the free markets, nationally and internationally.

Marxist economic analysis is not kind to mercantilism either. Mercantilism, it is alleged, is "a system of State-regulated exploitation through trade …[It is] essentially the economic policy of an age of primitive accumulation".[iii] Neither Marxism nor liberalism appreciates the *dynamic* character of mercantilism; the fact, that is, that mercantilism as an instrument of economic development changes in character, depending on the changing needs of the national economy.

This chapter contends that the *substance* of mercantile economic nationalism is an adjustable set. The tools used might involve *direct* state involvement in industrialization via public companies or *indirect* approaches to wealth creation such as offering tax holidays to selected industries. It might involve infant industry protection at one time and economic openness (or globalisation) at another, depending on the concrete demands of national economic governance (Kiiza, 2007).

Researched evidence shows that today's industrialized economies used mercantilistic policies to grow (Chang, 2002). In his seminal work entitled *Power and Plenty as Objectives of Foreign Policy*, Jacob Viner (1948) documents several policies that were of 'nearly universal importance' in early industrialization. First, the haemorrhage of gold or silver (a mercantilist measure of wealth) was discouraged.[iv] Second, importation of raw materials was encouraged while the export of raw materials to rival nation-states was prohibited. [Under the reign of King James I, England, for example, banned the export of unfinished cloth to the Netherlands which was the economic hegemon of the time]. Third, importation of manufactured or luxurious products was discouraged (via high tariffs or even a total ban). Fourth, importation of capital goods and skilled workers was encouraged. Fifth, "exports" of skilled industrialists and machinery were restricted. [Oftentimes, 'defection' by local industrialists to rival states was treated as a treasonable offence punishable by death]. Sixth, navigation laws were formulated to promote domestic shipbuilding and create jobs for local people. And seventh, strong navies (or armies) were built by all visionary monarchs. The ultimate goal of these mercantilist policies was to strengthen the state (that is, the coercive apparatus) and enrich the nation (ie the people).

The policies of economic mercantilism – or what the German historical school calls *Merkantilismus* – historically took roots in countries that deliberately embarked on a *Staatsbildung* (state-building) program. For the German nationalists, *Merkantilismus* was no ordinary economic policy. It was above everything else, "a policy of state-making (*Staatsbildung*) carried out by wise and benevolent rulers" (Cameron, 1989: 129). Gustav (von) Schmoller (1896: 69) argued that mercantilism "in its innermost kernel is nothing but state-making – not state-making in a narrow sense but state-making and national-economic-making at the same time." Central to this double-edged *Staatsbildung* project was the centralization of the state. This involved the transfer of power from small political units of the medieval period to centralized states. [The classic example was the centralisation of Hohenzollern Prussia].[v] Additionally, *Staatsbildung* involved creating a merit-based bureaucracy or civil service to serve as an engine of modern economic policymaking (Toye, 2007). It involved using state power to create political stability, abolish interstate tariffs, and harmonize foreign "commercial" policies.

Evidence suggests that effective late industrialization borrowed heavily from economic mercantilism. Japan, Korea and Taiwan, for example, derived great benefits from global market integration *without* renouncing the strategic role of the state in the domestic economy (Johnson, 1982; 1999; Noland and Pack, 2003: xii). According to Rodrik (2001), the East Asian tigers 'were free to do their own thing, and did so, combining trade reliance with unorthodox policies – export subsidies, domestic content requirements, import–export linkages, patent and copyrights infringements, restrictions on capital flows (including direct foreign investments), directed credit, and so on …' (p. 28). The key question today is whether mercantilism is still feasible, given the restrictive WTO rules and other dynamics in the global political economy. It is these dynamics that are invoked in today's objections to mercantilism.

Objections to Economic Mercantilism

The main objection to mercantile economic nationalism today is couched in the language of globalization. The view of the intellectual orthodoxy is that the world economy has gone through substantial or even "epochal" changes over the last two decades. Globalization has allegedly rendered industrial policy irrelevant. Globalization theorists do not deny the continued existence of states as *political* entities. What they question is the *economic* role of states in the current era of economic openness. Infant-industry protection, subsidization, and other industrial policy tools are rejected as pointless aberrations from the Anglo-American norm of economic liberalism. The claim is that deepening economic integration has led to the rise of "ungovernable" markets, the de-territorialisation of economic activity, and the convergence of national varieties of capitalist development on the Anglo-American norm of free markets (cf. Reich, 1992).

A key obstacle to the use of mercantilism in 'late' industrialization lies in the restrictive WTO rules. The official WTO ideology of economic liberalism has rendered protectionism difficult. Under the Agreement on Subsidies and Countervailing Measures, export subsidies are now illegal – except for poor countries with per capita income below US$1,000. Local content requirements (which were pivotal in indigenizing foreign capital and technology to Asia) are now disallowed. The WTO norm of 'national treatment' mandates developing countries to treat foreign capital and imported goods 'no less favorably' than national capital or locally produced goods. Most importantly, infringements on foreign patents and copy rights, – which were crucial for both early industrializers such as the USA (Ben-Atar, 1995; Chang, 2002) and latecomers such as the Asian tigers (Rodrik, 2001: 28) is now illegal under the TRIPS Agreement. In the light of the restrictive WTO rules and the North-South free trade agreements (FTAs), the global context of industrialization has arguably changed dramatically. The tempting conclusion is that economic mercantilism and country-specific industrial policies are dead.

Another major obstacle to economic mercantilism is the rising importance of bilateral trade agreements, particularly between the advanced knowledge economies of the North and the primary commodity producers of the global South. Oftentimes, the rich countries – labelled ‘Bad Samaritans’ by Ha-Joon Chang (2007) – actively push for issues that have been resisted within the WTO framework. The Economic Partnership Agreements (EPAs) between the EU and the ESA Countries illustrate the point at issue. The EU argued that the EPAs had to be concluded by December 31, 2007. The aim was to have the EPAs enforceable by January 2008. The substance of EPAs includes trade liberalization, protection of intellectual property, competition policy, investment and government procurement. The last three of these are the core elements of the ‘Singapore Issues’ (Khor, 2004) that were resisted by the BRICs (Brazil, Russia, India, China), backed by the small and vulnerable economies (SVEs). This suggests that EPAs may be alternative avenues for advanced economies to actualize their national interests that could not be accepted in the WTO framework.

This chapter accepts the observations, but finds loopholes in the conclusions, of the critics of modern economic mercantilism. As Haque Irfan ul (2007: 4) observes: ‘simple copying of past policies and practices is now neither feasible nor altogether desirable for countries striving to catch up with the more advanced countries.’ This, however, is not to suggest that there are ‘no alternatives’ to free-market fundamentalism. Globalization has changed, not ended, the significance of economic mercantilism. As Rodrik (2004: 29) suggests, ‘The reality is that industrial policies have run rampant during the last two decades – and nowhere more so than in those economies that have steadfastly adopted the agenda of orthodox reform.’ Indeed, effective early and late industrialization typically involved building viable domestic institutions, designing innovative policies, and marshalling domestic capacities to reclaim development ‘policy space’ from both local and foreign obstacles. This suggests that catch-up industrializers such as Uganda can, and should, draw insights from the history of effective industrialization. Below, I present five pieces of evidence that appear to underscore the centrality of economic statism in both ‘early’ and ‘late’ industrialisation.

Economic Mercantilism in 17th Century France

The earliest prototype of institutionalised economic mercantilism is perhaps seventeenth century France under Jean-Baptiste Colbert. Colbert was the economic affairs czar of King Louis XIV. Like twentieth century Japan or Taiwan, Colbert established a high quality economic bureaucracy that became pivotal to France's economic transformation. Colbert was politically insulated from the French *Parlement* and other short-termist interests. Yet, somewhat ironically for absolute monachism, he was "embedded" in the productive sectors of society, particularly, the merchant and industrial community. Contrary to the prognosis of rational choice theory, Colbert used his political insulation and discretionary powers in pursuit of the national interest, not personal gain. He used economic *etatisme* (statism) to construct a distinctly French economic nation in the face of formidable economic pressures from rival nation-states, particularly the Netherlands (which was the economic hegemon of the time). Colbertian France not only established state monopolies such the *La Campagnie des Indes Occidentales* (the French West India Company). It worked as an investment banker along the lines later proposed by Hirschman (1958) and Gerschenkron (1962). Like the developmental states of East Asia, the French monarchy socialised the risks of key enterprises, gave tariff protection to priority industries (such as textiles) and encouraged exports by means of bounties or export rebates.

While Colbert had no theory of rent-seeking business behaviour to guide his industrial policy, he undoubtedly knew how to guard against it. Privileges to industrialists were granted with meticulous care. Colbert demanded evidence that privileged industrialists "were really going to endow France with a new invention or a new type of manufacturing" (Cole, 1939/1964: 135). Once the privilege was granted, he exhorted his corps of quality bureaucrats to ensure that "the entrepreneur lived up to the terms imposed upon him… When public policy seemed to demand it, when an enterprise did not succeed, when a manufacture failed to comply with the terms he had agreed to, Colbert did not hesitate to revoke the privilege" (Cole, 1939/1964: 135-6). By the time of Colbert's death in 1683, France was "perhaps the richest, most populous, and strongest nation of western Europe" (Scoville, 1960: 155). The co-variation of *colbertisme* and France's level of economic performance is damaging to the liberal and Marxist claim that economic mercantilism is antithetical to national economic vitality. If anything, Colbertian France strongly suggests that economic nationalism is a crucial variable in the development of capitalism.

Economic Mercantilism and Pioneer Industrialisation in Britain

The second case that illustrates the historical significance of economic nationalism is the rise of Britain to industrial supremacy in the eighteenth and nineteenth centuries. The literature (both rightist and leftist) predominantly asserts that Britain's economic transformation took place in the context of *free* markets.[vi] The orthodox claim is that the efficiency logic of Smithian-Ricardian markets is *the* primary causal explanation of Britain's industrialism. The counter-factual claim is that Britain would *not* have advanced if it were not for its free-market regime. This claim is, at best, simplistic. The "Workshop of the World" was no doubt a capitalist economy. But it was *not* a free market economy. For one thing, Britain used state power to politically construct a reliable domestic market *and* capture overseas markets (in USA, India and Africa), for *British* manufactures. For another thing, protectionism, war and foreign policy were all shrewdly used in the service of the British economic nation (in a typical mercantilist fashion). The genesis of English mercantilism is associated with the Tudor Monarchs (named after Henry Tudor), particularly Queen Elizabeth I who reigned from 1558-1603 (Kiiza, 2002 chap. 2 for details). Prior to 1600, England routinely used state power to import technology from continental Europe. It recruited "German miners, Dutch engineers specialised in drainage, French civil engineers and architects" (Kindleberger, 1996: 109). In the seventeenth century, England used state laws and other nationalistic institutions for governing the domestic economy. The Navigation Act of 1651, for example, simultaneously *protected* English merchant capital and sought to deprive the Dutch of their shipping and fishing supremacy. Under this Act, trade from one British port to another became an exclusive preserve of *British* ships. *British* ships were not permitted to sail through an intermediate port. Even when merchandise originated from, or was destined for, another country, it had to go through Britain. The aim was to undercut Amsterdam as Europe's entrepot, and create business for *British* merchants (Cameron, 1989: 157).

It must be emphasised, however, that British economic mercantilism was not static. In the eighteenth and nineteenth centuries, it took the form of economic openness. This was apparently because of Britain's first mover advantages in the race to industrialisation. Bolstered by the likes of Adam Smith and David Ricardo, British economic ideology espoused the virtues of god-given comparative advantages and free trade. Free trade was, nevertheless, a double-edged sword. It was simultaneously beneficial to Britain, the "Workshop of the World" *and* detrimental to continental Europe and USA – the contemporaries of Britain that had not yet developed the competitive muscles to match Britain's manufacturing might. Indeed, USA denounced free trade as ***Britain's economic imperialism*** (cf. Semmel, 1970). To America, free trade ideology was shrewdly crafted to enhance Britain's supremacy and condemn agricultural states like USA to structural underdevelopment. In the last part of the nineteenth century, Italy, Germany and France followed suit. The argument of continental Europe, just like USA, was that the long-term *national* interests called for state intervention to protect infant industries (Kiiza, 2001).

Once America and other rival nation-states insulated their national economies from British manufactures, Britain strategically changed its economic gears. It encouraged domestic firms to shift from the relatively low value-added textile manufacturing to the higher value-added capital goods (where an expanding niche market existed) and the services sector (particularly banking and insurance). By grabbing "protectorate" markets and settler colonies in Africa in the late nineteenth century, Britain also demonstrated its willingness to amend its laissez faire ideology to suit the changing needs of the imperial economy. Britain's laissez faire regime completely collapsed in the 1930s (thanks to the damaging effects of World War I and the Great Depression), only to be revived in the postwar era under US-led economic liberalism. Today, the UK has virtually no objection to economic globalisation and other policies initiated by the Bigger Brother – USA.[vii] The point worth emphasising is that Britain's changing economic regime does not signify the irrelevance of economic nationalism. It is, in fact, more consistent with the changing priorities of the national economy.

Economic Mercantilism and Early "Late" Industrialisation in USA

The third and most interesting case of economic nationalism is USA. America's transformation into a modern industrial and IT-driven economy is informative for two reasons. First is USA's historical rejection of free trade ideology as a distinctive form of *British* economic imperialism. Second is America's commitment to neo-liberal globalism as the most "sensible" strategy of governing the economy today.[viii] In its early stages of industrialisation, America was unmistakably mercantilist. It was isolationist and ultra-nationalistic. The guiding political ideology was *America for Americans*. American mercantilism was, in effect, an applied philosophy of economic statism, comparable to German economic nationalism. Like German nationalism, American nationalism was a distinctive species of economic policy. It was nothing but state-making (*Staatsbildung*) in a broad political economy sense (Schmoller, 1896: 69; Wilson, 1967: 6). The policy was theoretically justifiable for USA, as for Germany or any other country, past or present, that seeks to attain industrialised-nation status in the face of substantial *inter-national* competition. According to Friedrich List (1885), such a country must use domestic political institutions to protect the *nationalokonomie* from the harmful pressures of the 'cosmopolitical' (or 'global') economy. This implies substantial economic regulation and control. The aim is to enrich the nation and strengthen the state. If the peaceful *Staatsbildung* measures prove ineffective, war becomes an inevitable option (see Tilly, 1985). It is precisely those countries that "put the might of their fleets and admiralties, the apparatus of customs laws and navigation laws, with rapidity, boldness and clear purpose, at the service of the economic interests of the nation and state, which obtain ... thereby the lead in the struggle and in riches and industrial prosperity" (Schmoller quoted in Wilson, 1967: 6). This Schmollerian-Listian political economy philosophy was central to America's rise to industrial, technological and military supremacy.

American nationalism assumed a critical stage with the overthrow of British colonialism, the Declaration of Independence (4 July 1776) and the establishment of the "United States" of America. The struggle was cemented by the national consciousness of the US revolutionaries and their political will to build a rich and strong nation "that stretched from ocean to ocean" (Crapol, 1973: 10). In July 1776, USA was only 369,000 square miles. By 1860, it had expanded nearly eight times to 3,022,387 square miles. This 'continental' empire was pivotal to America's industrial revolution. Yet, neither territorial expansion nor political independence answered the crucial question of America's *economic* sovereignty. To Alexander Hamilton, Mathew Carey and other economic nationalists, the US was still a victim of British economic imperialism. As late as the time of the American Civil War (1861-65), USA was dependent on Britain as a source of investment capital and a market of agricultural exports. The price of America's wheat and cotton exports was set by the buyers "in the Liverpool and London commodity markets" (Crapol, 1973: 14). America's status in that system was semi-vassal at best, and neo-colonial, at worst. If the US was to effectively transform the national economy and realise its mission as " a nation of great wealth and power", it had to de-link itself from Britain's economic hegemony. This meant assisting local industrialists to erect "the workshops of the world" on American soil. It also meant using protective tariffs, transport subsidies, and other nationalistic policies to develop the national economy. This is exactly what America did *for centuries*. In the 1884 Berlin Conference, for example, while Britain and other "G8" powers of the day were designing "global" mechanisms of sharing out Africa amongst themselves, America's commitment to economic nationalism was firm. Newton Nutting eloquently asserted:

> Let free trade remain on the banners of England, but let our policy be in all the years to come what it has been in the past. Let us seek to make a market here for all our products … let us stand by the idea that America is a Government for Americans and American ideas and principles (Newton W. Nutting, 1884 quoted in Crapol, 1973: 20).

In short, after 110 years of political independence, USA was not ready to go global. The national economy was still paramount. American firms had to be protected from foreign competitors.

American nationalism, however, was ambivalent in character. It was characterised by xenophobia for Britain's commercial and naval supremacy coupled with "admiration and respect for British industry and enterprise" (Capol, 1973: 9). The aim of Americanism was not to create a fairer system of global capitalism. The aim was to *replace* the economic hegemon – Britain. Theirs was a struggle to dismantle pax Britannica *and* erect pax Americana. This appears to explain why the US is the most articulate zealot of free trade today. In virtually all the recent international forums – from WTO's Seattle Conference of 1999 to UNCTAD's Bangkok Conference of February 2000; from the IMF annual conference in Prague (September 2000) to the bloodstained G8 summit in Genoa (20-22 July 2001) – US-led economic liberalism has dominated agenda-setting. In Uganda and other African countries (which have hardly been independent for 40 years!) Americanism is actively pushing for liberalisation and other orthodox adjustment programs. Through the agency of the IMF/World Bank fraternity, the US and other industrial powers have exerted leverage on African governments to privatise state-owned enterprises. Africa's trade and industrial policies must be liberalised. Protective tariffs and subsidies must also be dissolved. The claim is that these tools of economic nationalism "prop" up inefficient firms, promote rent-seeking business behaviour, and interfere with the "American conception of free enterprise" (Aikman, 1986: 116). The solution is supposedly to institutionalise a regime of economic liberalism premised upon the virtues of market efficiency. America's push for a global regime of unbridled capitalism is significant for two reasons. First, it is *inconsistent* with its own history of economic mercantilism. Second, it upholds List's (1885) proposition that free trade is the natural view of a dominant industrial economy, particularly one seeking to prevent the rise of competitors abroad. This suggests that economic liberalism or "globalisation" is not necessarily the polar opposite of economic nationalism. Rather, it is a distinctive form of economic nationalism – that of the giant industrial powers.

Economic Mercantilism and Late Industrialisation in Japan

The fourth case of economic nationalism – which is perhaps the most relevant for "late, late" industrialisation – is Japan. Japan's rapid transformation from a backward economy of the nineteenth century to a globally competitive industrial economy of the twentieth century is a compelling case of economic statism. It is a prototype of rapid "late" industrialisation propelled by economic nationalism. Japan's developmentalism sprang from a distinctly nationalistic economic ideology. Meiji Japan wanted to enhance domestic production, boost the balance of payments, and immunise the nation against the economic and military threats of other states, particularly the USA. As early as the 1880s (and between 1937 and 1964), all state agencies "were required to prepare a foreign exchange budget as well as their normal yen budget" (Tiedemann, 1974: 138). According to Johnson (1982), "control of the foreign exchange budget meant control of the entire economy" (p. 25). The aim was to enhance national economic vitality *and* strengthen the state. Japan's developmentalism begins in 1868 with the overthrow of the Tokugawa dynasty and the Restoration of power to Emperor Meiji. This militant transfer of power was sparked by two crucial developments – one internal and the other, external. The internal crisis is associated with the Tokugawa establishment, more specifically, the struggle between the shogunate (central authority) and daimyo (territorial feudal authorities) over the allocation of political and economic power. This was particularly explosive in three economically and militarily strong daimyo – Satsuma, Choshu and Tosa. The *external* threat emanated from the crystallisation of America's economic interests in the Asia Pacific region. In 1853, the US sent Commodore Mathew Perry to Japan on a distinctly mercantilist mission (Wall, 1971: 10-11; Hane, 1986: 67). Perry had to open the doors of seclusionist Japan by force, if need be. Accordingly, belligerent Perry forced Japan to sign the unequal treaties of 1854 and 1858.

The combined effect of the internal and external tremors was a national crisis. Tokugawa Japan was at the crossroads. Japan's seclusion and its sovereignty were under threat. The *samurai* (warrior-scholars) became key players in the ensuing debates and social struggles. The most important outcome of the Japanese crisis was *sonno-joi* – the nationalist movement to "revere the Emperor and repel the barbarians". This meant overthrowing the Tokugawa regime and restoring power to the Emperor – the power that had been "usurped" by the Tokugawa dynasty. Unlike Chairman Mao's China or Kim Il Sung's North Korea, Japanese nationalists knew the importance of Western technology in their struggle to build an economic nation. But, unlike Uganda and other economic laggards of Africa, Japan drew a distinction between modernity and westernisation: one signified economic progress and the other, Western cultural imperialism. The Japanese wanted modernity, not westernisation. They needed Western technology *without* the greed, individualism and social Darwinism of Western capitalism (Hane, 1986: 73). Thus, technology that was imported from the West had to be mediated by Asian ethical values. The overriding aim was to build a distinctly *Japanese* economic nation. Thus, where Germany had the Listian political economy tradition, and where the Americans had the *America for Americans* doctrine, the Japanese developed *fukoku-kyohei* – the movement to enrich the nation and strengthen the state. This became the dominant goal of Meiji Japan's economic statism.

Japan's nationalists were aware that *fukoku-kyohei* would be unproductive unless they uprooted the key institutional obstacles to economic progress. There was need to centralise power and strengthen state structures. Meiji Japan subordinated the local authorities to the central government institutions. This involved the abolition of the *han*, their replacement with prefectures, and the unification of the Japanese state. Second, the unequal treaties of 1854 and 1858 (which legislated against the use of state power to nationalistically regulate the economy) were repealed. Japan had to use tariffs as instruments of economic nationalism. Third, the caste system of the Tokugawa regime and other anti-development feudal institutions such as *kuge* (court aristocrat) or *daimyo* (feudal lord) were abolished. Fourth, legal reforms were carried out, closely modelled on the French legal system. The aim was not to adopt a Western culture of "rule-of-law". The aim was to shift from the Tokugawa "rule-by-status" to a new regime of "rule-*by*-law", defined as the "rule of bureaucrats" (Hendeson, 1968: 415). This meant transforming the Tokugawa tradition of samurai-bureaucrats into an institutionalised system of "administrative guidance" (Johnson, 1982, chap. 7). Japan also carried out land reforms guided by the "land-belongs-to-the-cultivator" philosophy. The ultimate objective of these institutional reforms was to transform the nation into a rich, strong, and prosperous industrial economy.

Japan's late industrialisation is significant in two respects. First, Japan attained *in a few decades*, outcomes that took *centuries* in Britain's early industrialisation. Second, Japan developed a capitalist economy that is nonetheless *unlike* Anglo-American capitalism. The nationality of Japanese capitalism is underpinned by a distinctly home-grown institution – the capitalist developmental state (Johnson (1982; 1999). At the core of this institution are several ingredients of effective economic statism. The paramount goal of state activism is economic transformation. Second, the state guides the market using a pilot agency (such as METI). The pilot agency is staffed with high quality economic bureaucrats who, among other things, perform intelligence-gathering functions needed to transform the national economy. Third, the state does not "kick" private entrepreneurs out of the economy. It instead forges strategic alliances with the business community. Yet, the state does not succumb to the short-termist profit-maximization ideology of private businesses. In other words, the state is simultaneously "embedded" in society and "autonomous" (Evans, 1995). Finally, power and authority acquire a distinctive character. The politicians merely "reign", state bureaucrats actually "rule". Put differently, formal authority is in the hands of politicians; real power in the bureaucracy.[ix] It is these developmental credentials that enabled Japan to attain rapid and structural economic transformation. To what extent is "late, late" industrialization in Taiwan and Uganda consistent with, or different from, the experiences of *earlier* industrializers?

'Late' Industrialization in Taiwan and Uganda

As already indicated, both Taiwan and Uganda are former colonies (of Japan and Britain respectively). Japanese colonialism in Taiwan was no doubt more developmental than British colonialism in Uganda (Ho, 1978: 101; Mamdani, 1976: 30-36). But, Taiwan, like Uganda emerged out of colonialism with an agricultural economy that was structured to supply food and other farm products to the former colonial power. More importantly, both Taiwan and Uganda emerged out of colonialism with strong wishes to industrialise and transform the national economy. Today, the two economies are substantially different. Taiwan is a high-tech economy known for manufacturing computers, electronics, and other high value-added products. It has risen to become the third leading exporter of IT products (after USA and Japan). Uganda is still a Ricardian economy, with the agricultural sector employing 88 percent of the total labour-force, accounting for 85 percent of total foreign exchange earnings, and contributing 54 percent of GDP. How does one account for Taiwan's effectiveness and Uganda's incapacity to translate its "wish" to industrialise into durable economic outcomes? The answer, I contend, defies modernisation theory, dependency analysis, and other traditional theories of development. It primarily lies in the sphere of institutional political economy, privileging developmental ideologies and political institutions (particularly the developmental state) as the *primary* explanation of economic transformation, or the lack thereof.

In Taiwan, the dominant postwar ideology has been economic nationalism. Taiwan's postcolonial economic history started with massive agrarian reforms that redistributed land to the tiller (cf. Wade, 1990). This not only removed a major obstacle to increased agricultural productivity – that is, landlordism. It effectively created a domestic market for local industries (particularly the textile industries). Taiwan also implemented substantial institutional innovations evidenced in the use of high quality economic bureaucrats, the strategic formulation of national economic goals, and the mobilisation of long-term investment capital (Wade, 1990: 240). By contrast, postcolonial Uganda implemented no structural institutional reforms. The main obstacle, it would seem, was the independence constitution (Made in England) that created competing centres of authority between the central government and kingdom-states like Buganda (where *mailo*-landlords controlled both land and political power). Attempts by the first independence government (1962-1971) to centralise political power and institute other nationalistic reforms faced bitter resistance from the local elites (Mamdani, 1976). Today, after four decades of political independence, Uganda has not overcome its developmental obstacles. The Local Councils (LCs) of the current regime (1986-todade) undoubtedly represent a structural reform of the postcolonial state. But, land reforms – the most crucial reforms in an agrarian economy – have not been carried out. This is because of two reasons. First is the fact that the armed struggle (1981-1986) that brought Yoweri Museveni to presidency (1986-todate) obtained massive political and logistical support from the people of Buganda. President Museveni apparently found himself in a more difficult position that Chiang Kai-shek who had no political ties to the local landed elites.[x] Secondly, under the ongoing structural adjustment programs (SAPs) of the IMF/World Bank fraternity, the dominant economic ideology prioritises "land markets" over nationalistic agrarian reforms. The claim is that the ownership and use of land, like other forms of property, must be based on the free market economics principle of *willing-seller, willing-buyer*. This is substantially different from Taiwan's state-guided "land-to-the-tiller" program.[xi]

In the current era of globalisation, the Taiwan-Uganda differences have widened, not narrowed. In Uganda, the dominant framework for national economic management has been economic liberalism, more specifically, *orthodox* adjustment. The "structural" adjustment programs of the IMF/World Bank fraternity have involved the replacement of state-managed foreign exchange rates with market-determined rates; the removal of state controls on product and factor prices; and the equalisation of sales tax on imports and domestic products. These were the key elements of orthodox adjustment in the early to mid-1980s. Under the current regime of President Museveni, Uganda has implemented more far-reaching economic reforms. Public servants have been retrenched from 320,000 in 1993 to 150,000 in 2000 (Kiiza, 2000). The economy has been fully liberalised. The capital account and foreign exchange markets have been deregulated. A liberalised regime of trade and industrial policy has also been institutionalised. Most importantly, several state-owned enterprises (like Nile Hotel Complex) have been privatised. The problem is not necessarily the sale of *public* enterprises to "private" individuals. The problem lies in the theoretical rationale of privatisation and the long-term developmental implications of the new regime. The orthodox claim is that the state is an inefficient economic manager and must, ipso facto, be kicked out of the economy. Yet, from an "efficiency" perspective, privatisation in Uganda defies economic logic. The divestitures completed so far have achieved *less* than their asset value. This is largely because the "for-sale" parastatals (such as the five-star Nile Hotel Complex) were grossly undervalued. Second, government is injecting *more* moneys in the enterprises (prior to divestiture) than it is realising from the sales. By 30 June 1997, "the net accumulated sales proceeds from privatisation amounted to Shs 90 billion, leaving a net deficit of Shs 5.6bn."[xii] Third, by the beginning of the year 2000, only 28 of the 55 privatised enterprises had been fully paid for. Yet, the moneys from divestiture have been "borrowed" by politically connected "predators" (such as Salim Saleh, brother to President Museveni). These and other internal flaws of privatisation question the "efficiency" claims of economic liberalism. It must, nevertheless, be emphasised that Uganda's focus on free market reforms is "rational". For, the alternative Taiwan-style reforms are risky politically. They, therefore, require a state that has political *autonomy* from vested interests. Far-reaching reforms are also difficult to implement precisely because they call for a committed, meritocratic state bureaucracy – the very opposite of Uganda's underpaid, demotivated and demoralised civil service (which is typically recruited via the politics of "who-knows-whom").[xiii] How, then, does Uganda's economic liberalism compare with Taiwan's species of adjustment?

In the 1980s and 1990s, Taiwan undoubtedly implemented important economic reforms. The Little Tiger *formally* shifted from a fixed exchange rate to a flexible rate in February 1979. Thereafter, a regime of liberalised interest rates and capital flows has been *officially* encouraged (although in practise, the central bank has operated some form of managed exchange rate). In trade and industrial policy, both tariff and non-tariff barriers have been relaxed (Kuo and Liu, 1998: 181). Between 1982 and 1989, the average nominal tariff rate declined from 31.0 percent to 9.7 percent. By 1995, the rate had declined further to 8.6 percent (DGBAS, 1998). Today, "further liberalisation," "adjustment," and "globalisation" are common terminologies in Taiwan's political economy lexicon. The orthodox conclusion is that Taiwan has embraced Anglo-Americanism and globalisation (Schive, 1999: 47-8). Evidence, however, suggests that Taiwan's economic reforms are *unlike* the globally integrated liberal policies of Anglo-American ideology. In contrast with Uganda's donor-driven programs, adjustment in Taiwan has been distinctly *mercantilist*. While the trigger of economic reform has oftentimes come from abroad, the object of adjustment has never been global market-integration. The object has invariably been to strengthen the Taiwanese national economy in the face of both internal and external challenges of economic governance. In the event of the petroleum crisis (1970-73 and 1979-1980), Taiwan responded by actively restructuring *and* upgrading its industrial base. The aim was to acquire cutting-edge technology (via increased R&D investment) and transform the economy into a high value-added industrial and information economy. In the face of American protectionism (under the Omnibus Trade Act) in the 1980s, Taiwan's response was distinctly nationalistic. The Little Tiger strategically allowed the NT dollar to appreciate from 39.85 to 35.50 to the US dollar. It also sent a state-led "purchasing mission" to the US to buy American goods. The aim was *to appear* to be doing something to reduce USA's trade deficit with Taiwan.[xiv] Faced with the healthy but real problem of *trade surplus* in the mid-1980s, Taiwan again strategically adjusted its tools of economic nationalism. Some form of adjustment was encouraged to cool down the rising economic temperature. The rise of President Chen Shui-bian to power (in May 2000) undoubtedly broke the long postwar regime of the KMT. But the economic bureaucracy appears to have remained intact. Today, Taiwan continues to grapple with capital surpluses, trade surpluses, rising wages, and other problems of a mature industrial economy. So how does Taiwan's response to its economic challenges compare with Uganda's approach?

In contrast with Uganda's "big-bang" adoption of economic liberalism, Taiwan has typically taken a calculated, cautious, and coordinated approach to economic reform. Taiwan also continues to set long-term oriented industrial priorities for the national economy. In the 1980s, these were defined on the basis of a ***2-high, 2-large, 2-low*** formula. This meant that Taiwan would prioritise industries that were "***high*** in technology intensity, ***high*** in value-added; ***large*** in market potential, ***large*** in industrial linkage (forward or backward), ***low*** in energy consumption, or ***low*** in pollution…" (CIER, 1995: 12). More recently, the state has prioritised ten new millennium industries: telecommunications, information, consumer electronics, semiconductors, precision machinery and automation, aerospace, advanced materials, specialty chemicals and pharmaceuticals, medical and health care, and pollution control and treatment" (IDB/MOEA, 2001). These industries were prioritised "because they cause little pollution, have strong market potential, are technologically demanding, but not heavily energy reliant, and have high value-added products" (IDB/MOEA, 2001. Moreover, in contrast with Uganda's erosion-of-the-state scenario, economic reform in Taiwan has not precluded the use of state power to construct development-enhancing institutions. The Hsinchu Science-based Industrial Park, for example, was set up in 1980 at the very dawn of the current era of globalisation. By the year 2001, "a total of 88 well-planned industrial parks covering a total area of 11,895 hectares were completed, and 23 new parks with a total area of 18,414 hectares" were under construction (IDB/MOEA, 2001). The aim of these developmental institutions is to transform the Island into a *higher* technology and knowledge-intensive economy.

What difference, one might ask, has *mercantile* adjustment made in Taiwan in comparison with *orthodox* adjustment in Uganda? If one measures economic performance in terms of GDP growth rates alone, one could confidently declare that there is no substantial difference. Uganda has registered growth rates of 7.4 percent a year since 1987 and is now growing at 5.7 percent. This rapid growth – attained under a liberal economic regime – is comparable to Taiwan's postwar rates of GDP growth (CEPD, various years). If, however, one measures economic performance in terms of *structural* transformation, a different picture emerges. Two crucial variables will be highlighted to illustrate the point at issue. First is the sectoral source of GDP; second is the share of higher value-added products in total exports.[xv]

Sectoral Distribution of GDP

Taiwan and Uganda have had substantial differences in their sectoral sources of GDP. In Taiwan, the share of agriculture in total GDP declined from 32.2 percent in 1952 to 7.7 percent in 1980. By 1999, this figure had declined further to only 2.6 percent. Today, it is estimated to be about 2.5 percent (CEPD, 2000: 52). Closely related to the decline in the importance of agriculture is the rapid expansion of the higher value-added industrial and services sectors. The share of industry (liberally defined to include manufacturing, construction, and electricity, gas and water) more than doubled from 19.7 percent in 1952 to 45.7 percent in 1980. This figure reached an all-time high of 47.1 percent in 1987 and thereafter declined consistently to 41 percent in 1990 and 33 percent in 1999 (CEPD, 2000: Table 3-8b, p. 52). Two issues are worth emphasising. One is that the bulk of industrial expansion took place in the higher value-added "manufacturing" sub-sector (rather electricity, gas and water, and construction). The share of manufacturing in total GDP increased from 12.9 percent in 1952 to 36 percent in 1980. It reached a peak of nearly 40 percent in 1986 and gradually declined to 33.2 percent in 1990 and 26.4 percent in 1999 (Kiiza, 2002, Table 5.2). Second, the relative fall in the importance of the industrial sector after 1987 is closely associated with the substantial expansion of the services sector. Between 1987 and 1999, as the relative importance of industry fell, that of the services sector increased from 48 percent to 64.3 percent. In short, beginning with the second half of the 1980s, Taiwan acquired the symptoms of a mature developed economy with a hi-tech industrial sector whose significance was, nevertheless, being replaced by high quality services. It is this type of Taiwan that embarked on "structural" adjustment in 1988. Taiwan's new economic ideology was consistent with the changing priorities of economic nationalism rather than the external pressures of the global political economy.

In the case of Uganda, the share of agriculture in total GDP declined marginally from 53.4% in 1963 to 51.7 percent in 1980 (MOFPED, 2000: A12). By 1985, it had *increased* again to 54.8%. Between 1990 and 2000, agriculture's share declined gradually from 53.5%to about 42%. Over the same period, the share of "manufacturing" (defined generically to include the low value-added processing activities) oscillated between 7.8 percent in 1963 to 8.7 percent in 1970. Thereafter, it declined to 4.4 percent in 1980, and gradually increased to nearly 10 percent in 1999 (a level that is lower than Taiwan's 12.9 percent in 1952). This underscores a substantial distinction between Taiwan and Uganda. Taiwan implemented some form of liberalisation in the late 1980s *after* it had attained industrialised-nation status. By contrast, Uganda's globally integrated liberalisation in the 1980s and 1990s took place in a predominantly Ricardian *agricultural* economy with a low value-added industrial sector. Uganda's liberalisation, it seems, was premature. It was, in effect, an exposure of the local embryonic firms to the competitive pressures of the global marketplace. This is antithetical to the logic of durable economic nationalism.

Share of High Value-Added Products in Total Exports

The share of high value-added manufactured products in total exports is a useful proxy of *the value* that is exported by the national economy into the competitive world markets. In Taiwan, the share of "processed" agricultural products in total visible exports declined substantially from about 70 percent in 1952 to 5.6 percent in 1980 (CEPD, Various Issues). The value of unprocessed agricultural exports increased from 22.4 percent in 1952 to the all-time high level of 27.6 percent in 1955. It then declined remarkably to 3.6 percent in 1980. By 1999, agricultural exports (0.3 percent) and processed agricultural products (1.3 percent) were insignificant in Taiwan's export basket. What had happened?[xvi]

The share of industrial products increased from less than 10 percent in 1952 to 50.5 percent in 1962 (Uganda's year of independence). By 1980, the industrial products accounted for 90.8 percent of Taiwan's exports, a figure that expanded further to 98.4 percent in 1999 (CEPD, 2000: 208). This suggests that Taiwan's international competitiveness has substantially increased since the 1950s.

In Uganda, the no-value-added "food and live animals" sub-sector accounted for 64 percent of the net domestic exports in 1968. By 1974, the share of this sub-sector in total domestic exports had *increased* to nearly 80 percent, with coffee and tea accounting for 78 percent of total domestic exports. By the 1990s, no structural change had taken place. The share of coffee exports oscillated between 64.2 percent in 1991, 74.6 percent in 1994, and 55.1 percent in 1998 (UBS, 1999: 86). Over the same period, the share of the traditional exports (coffee, cotton, tea and tobacco) fluctuated between 76.4 percent in 1991, 80 percent in 1994 and 65.9 percent in 1998. In comparison with Taiwan, and with the sole exception of 1995 and 1996, Uganda's traditional exports have been fetching less dollar values than Taiwan's *agricultural* exports in the 1980s and 1990s. It also important to note that Uganda's export basket has no *industrial* products. The competitiveness of Uganda's primary/commodity exports in the global markets is therefore highly suspect.

Conclusion

This paper set out to examine the link between mercantilism and the struggle for late industrialization in the current era of globalization. Comparative historical evidence strongly suggests that no country – early or late industrializer – has ever developed in the context of free "global" markets. Virtually all effective developers have used domestic institutions, particularly the state, to mediate the external political economy pressures and govern the national economy *in the national interest*. On the basis of concrete historical evidence, it seems reasonable to conclude, with Dani Rodrick (2001) that there is "no convincing evidence" that globalization boosts late industrialization. Global market integration is *no* recipe for late economic transformation. This is not to deny the potential benefits of 'global' information flows, technological diffusion, and FDI flows for late development. The point, rather, is that effective late industrialization is unlikely unless a developing country participates in the world economy on its own terms, not the terms dictated by the external political economy pressures.

The WTO rules and the now ubiquitous free trade agreements (FTAs) have undoubtedly changed the context of late industrialization. However, serious developing countries still have room for manoeuvre. For example, the use of regional integration as an avenue for late industrialization is still permissible under the WTO rules. Second, neither the WTO rules nor the FTAs can uproot innovative industrial policies. The struggle for late industrialization now needs to be launched more shrewdly in the domestic economy – via high quality education; scientific and technological innovation; the establishment of development-enhancing institutions (such as Export Processing Zones); and innovative industrial policies (such as tax holidays for priority industries).

Evidence suggests, thirdly, that developing countries *voluntarily* accept the restrictive WTO and FTA rules. This is not to downplay the subtle economic diplomacy of the advanced countries. The Economic Partnership Agreements (EPAs) between the EU and the African, Caribbean and Pacific (ACP) countries are a case in point. The EU is offering Euro22 billion to the ACP countries over the period 2008 and 2013 an 'incentive' for signing the FTAs with the EU. The official rhetoric is that this money would help ACP countries 'prepare new structural reforms and trade policies …' (Monitor, 07 Jan 2008). What is not explicitly stated is that the 'aid-for-trade' is meant to make ACP countries WTO compliant, that is, adopting freer trade with the ultra-competitive economies in the North and in Asia. Nor is it explicitly stated that the EU is reintroducing (via the FTAs) the key elements of the 'Singapore Issues' that were resisted by developing countries in the WTO framework. My fundamental point, however, is that developing countries are not as helpless as they often claim. Rather than blindly endorsing the WTO rules and FTAs, developing countries need to do their homework. Rather than endlessly blaming the EU for using subtle diplomacy to advance their *national* interests, developing countries need to strengthen the team that negotiates with foreign officials. We need to recruit the best and brightest national skills to take charge of our national developmental affairs. We also need to reclaim the state from neo-liberal state elites and transform government into a key strategic player in the economy. The ultimate goal is to attain the two-pronged objective of economic mercantilism – strengthening the state and enriching the nation. The struggle is difficult but no impossible.

The overall conclusion of this study is simple. Globalisation is not the polar opposite of economic mercantilism. It is *a distinctive form of economic nationalism* – that of the dominant industrial economies. From a developing country perspective, strategic state intervention in the national economy makes a difference. Economic nationalism matters. Catch-up industrializers like Taiwan that politically construct national competitive advantages deliver more substantial economic outcomes than nation-states (like Uganda) that place their hopes on neo-liberal globalism.

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[i] The WTO Agreements have been described as "Unequal Treaties," *unequal* in the sense that they disproportionately favour the powerful OECD economies at the expense of the less industrialised countries (cf. Das, 1998: viii; 1-9; Khor, 2000: 27-39; Chang, 2001: 289). Developing countries are legally bound to change their national policies "in such diverse areas as services, agriculture, intellectual property and investment measures" (Khor, 2000: 32). The aim is to "harmonise" their economic policies with the WTO regime. This implies "rolling back" infant industry protection and other national strategies of economic governance. Such initiatives are likely to undermine the economic performance of countries (like Uganda) that have competitive disadvantages in value-added industrial and information activities.

[ii] The earliest use of the term mercantile system appears in Victor Riquetti's (1763) *Philosophie Rurale,* in which he talks of the "Absurd inconsistency of the mercantile system" *(systeme mercantile)* p. 329. This was an attack on the view that a nation benefits from the importation of money, an earlier theoretical perspective that understood mercantilism as that "system of economic dictrine … based on the principle that money alone is wealth" *Oxford English Dictionery*, quoted in Coleman, 1969: 1).

[iii] Dobb, 1946: 209 quoted in Coleman, 1969: 7. I hasten to point out, though, that mercantilism does not figure much in Karl Marx's treatment of history.

[iv] Spain for example declared the export of gold and silver punishable by death in the early 16th century. France declared the export of gold and silver illegal in 1506, 1540, 1548 and 1574 (Frieden and Lake, 1987: 67).

[v] In the fifteenth century, the Hohenzollern dynasty ruled over the Electorate of Bradenburg, whose capital city was Berlin. These rulers expanded and eventually brought Eastern Prussia under their control in 1618. Beginning with the rise of Frederick William, the "Great Elector" in 1640, these rulers were effective mercantilists. They built Brandenburg-Prussia into one of the most powerful nations in Europe. It is this Prussia that is described by historians as the precursor to modern Germany. The strategies that were used include some of the standard mercantilist policies – protective tariffs, grants of monopoly and subsidies to industry, and attracting skilled entrepreneurs and artisans to migrate and settle in their territory. More important was the internal organisation of the state. Prussia's rulers centralised their administration, hired corps of professional civil servants, and demanded that their bureaucrats meet high standards of accountability. They deepened their tax-collection infrastructure, and were frugal in revenue expenditure, compared to the luxury and splendour of Spain, for example. In short, Prussia "created an efficient state mechanism that was quite exceptional in the Europe of its day" (Cameron, 1989: 143).

[vi] For a growing but still limited body of scholarship that attempts to "reinvent" economic history, see Hobsbawn, 1968; Weiss and Hobson, 1995; Reinert, 1999; and Chang, 2002.

[vii] The G8 summit that recently took place in Genoa, Italy (20-22 July 2001) is a case in point. Prime Minister Tony Blair of UK, like President George Bush of America, criticised the "anti-globalisation" riots of individuals and groups that appear to be threatened by global economic integration. Tony Blair, like the American President, argued that an increase in free trade is the best way to go (BBC News, "G8 leaders focus on world poverty," http://newsvote.bbc.co.uk/hi/english/business/newsid_1448000/1448241.stm, accessed 29 July 2001.A notable exception to this unquestioning "followership" position is the Kyoto protocol of March 2001. George Bush rejected the protocol arguing that controlling green gas emissions/global warming was antithetical to America's *national* (read "business") interests. Tony Blair and other G8 leaders have objected to this.

[viii] In a key speech to the World Bank prior to the G8 summit in Genoa (20-22 July 2001), President George Bush asserted: "[T]hose who protest free trade are no friends of the poor… What some call globalisation is in fact the triumph of human liberty stretching across national borders" (see BBC News, "Bush's agenda for Genoa" on http://newsvote.bbc.co.uk/hi/english/business/newsid_1448000/1448241.stm, accessed 29 July 2001.

[ix] These elements of the developmental state are under review in the light of Japan's economic troubles (since 1992), the unemployment crisis that hit "a post-war high of 5 per cent" (*The Sydney Morning Herald, 6 September 2001)*, and other challenges facing the national economy. The transformation of Japan's post-war super-ministry MITI into METI (Ministry of Economy, Trade and Industry) was itself precipitated by the need to address "not the reform of individual policies and systems," but rather planning a "Major transformation of the entire post-war Japanese socio-economic system" (Takeo Hiranuma, Minister of Economy, Trade and Industry, on http://www.meti.go.jp/english/topic/data/eMETIStarte.html, accessed 3 September 2001.

[x] Indeed, while Chiang initiated massive land reforms thereby removing a major institutional fetter to increased agricultural productivity, Museveni *restored* the monarchy in Uganda (in 1993). In effect, Uganda's president gave a "thumbs up" to the institution of landlordism. The aim, it would seem, was to build political capital in Buganda where the monarchy is supported by a substantial number of people.

[xi] For a discussion of other alternatives to the "willing-seller, willing-buyer" principle (eg land taxes on unused land designed to encourage productive land use) see Mazibuko Jara 2001: RDP [the Reconstruction and Development Program of South Africa] Gave Land Remedy, in *The Sowetan*, (Johannesberg) http://allafrica.com/stories/printable/200107130248.html, accessed 10 September 2001.

[xii] Ddumba-Ssentamu, 2001: The Privatisation Process and Its Impact on Society, cited in *The Monitor*, 14 March 2001 on http://www.monitor.co.ug/news).

[xiii] Taiwan's unfaltering commitment to economic nationalism was also shaped by two crucial geo-political factors: USA's interest in Taiwan (for ideological and strategic reasons) and the perennial threat of invasion from Mainland China. Uganda has had no overwhelming national crisis to trigger long-term institutional reforms.

[xiv] The actual economic outcomes favoured Taiwan, not America.

[xv] Other crucial variables have been omitted because of limited space. They include: the sectoral distribution of employment; the relative trends and levels of per capita GDP; the structure of foreign trade; the value of imports and exports; plus the institutions (the developmental state in Taiwan and the "predatory" state in Uganda) underpinning the Taiwan-Uganda variations in economic performance. For a detailed analysis, see Kiiza, 2002.

[xvi] It is worth footnoting that the value of Taiwan's agricultural exports was actually *higher* in the 1980s and 1990s than it was in the 1950s and 1960s. It is the *share* of these products in total exports that had substantially fallen, relative to the high value-added manufactured exports.