

Neomercantilism vs. Neoliberalism: A Comparative Study of Asia and Africa

Leshan Loonena Naisho *

Department of International Political Economy, Claremont Graduate University, 150 East 10th Street, Claremont CA 91711, United States

ABSTRACT

Economic development and economic growth are two concepts usually used interchangeably, however, distinguishing them allows one to understand development and the role economic policy regimes play in attaining development. Neoliberalism and neomercantilism have been effective policy regimes in achieving economic growth as is evidenced by the rise of the African Lions: Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and South Africa under a neoliberal regime and the rise of the Asian tigers under a neomercantilist regime. However, the key difference between both policy regimes is the extent to which they guarantee economic development, this is determined by how either regime influences the role of the state in the economy. This paper posits that it is under a neomercantilist policy regime that economic development can be achieved, using an institutionalist approach to economic development, the paper will compare the economic development of two neoliberal states (Kenya and Ethiopia) and two neomercantilist states (China and South Korea) to determine the success of neomercantilism in achieving economic development.

Keywords: Gross Domestic Income (GDP); Economic growth; Neomercantilism; Neoliberalism

INTRODUCTION

The African continent has experienced significant economic growth in the twenty-first century, during the first decade of the twenty-first century the continent was the world's fastest-growing region economically [1]. Much like the states of East and Southeast Asia, many states in Africa have seen a rapid expansion in their economies and a rise in their Gross Domestic Income (GDP). This Economic growth in Africa has led to the rise of the African Lions: Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and South Africa [2], these six economies have witnessed some of the most significant growth and have become dominant economies in the region. One key difference between the African Lions and the nations of East and Southeast Asia is the type of economic policy regime under which they experienced economic growth and development. African nations' growth is driven by neoliberalism. In contrast, Asian nations' growth was mainly driven by neomercantilism, a policy regime that began in the 1970's as an offshoot of mercantilism in which a state would use its economic policies to safeguard their societies from real and imagined threats [3]. These differing economic policy regimes have resulted in different outcomes in

the economic development of the states. In order to fully grasp the extent to which policy regimes influence the role of the state in the economy it is important to distinguish the difference between economic development and economic growth.

Definitions between economic growth and economic development vary, however, this paper uses the definition C. Michael Henry borrows from "Professor Flammang" in his journal article, economic growth and economic development: A distinction without a difference. Here Henry paraphrases Flammang's definition by suggesting there is a qualitative-quantitative distinction between growth and development. Economic growth can be defined as a quantitative measure as it is merely the increase in economic output of a nation, however, economic is qualitative and is a "process of structural change [4]. Henry counter argues this and provides a more comprehensive definition for development which is "the transformation of the social organization," resulting in a "transformation of the social relations of production". Therefore, economic development is both qualitative and quantitative as it is not only the process of structural change but is also a quantitative phenomenon as it alters the forces of production and the "social relations of

Correspondence to: Leshan Loonena Naisho, Department of International Political Economy, Claremont Graduate University, 150 East 10th Street, Claremont CA 91711, United States; E-mail: leshan.naisho@cgu.edu

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production” leading to changes in the productive capacity of a state. Economic development is reliant on government policy as the state has the power to determine the type of structural changes and social reorganization necessary for increased economic productivity. Such measures include welfare programs, social safety nets, labor laws and regulations which have a direct impact on the quality of life for citizens. Therefore, the development is dependent on the extent to which the state is involved in the economy.

A difference in the economic policy regime will influence the role of the state in development and as a result, affect the extent to which economic growth will lead to economic development as the ethos of the ideology will determine how state actors choose to interact with the economy and trade. Therefore, this paper will compare how the neoliberal policy regime influences the role of the state in the economic development of Kenya and Ethiopia to the neomercantilist policy regime in China and South Korea. Through this comparison, this paper determines to what extent economic development is achieved under both policy regimes and compares the implications of these policy regimes on the state.

By adopting an institutionalist approach, this paper analyzes and compares the power of an economic policy regime on the state apparatus. An institutionalist perspective will allow for a comprehensive look at the state structures, history, policies, and power dynamics of the nations that will be compared. The neoliberal ideology that stresses that markets work best when they are embedded in society and favored a limited state role in the economy [3] took hold of much of the African continent in the 1990's. After the 1980's, a combination of massive external economic shocks: Governance failures: Under-investment in vital social services: Significant macroeconomic imbalances; poor infrastructure; and structural trade deficits led to a period of economic contraction and stagnation. Bretton Woods organizations' such as the IMF and World Bank intervened to address these issues by providing loans and recommending the adoption of austerity measures privatizing parastatal organizations. Their policies on market liberalization, smaller governments, and austerity measures ushered in a period of economic growth in the early twenty-first century. Neoliberalism changed the state's role in ensuring economic development in many African states, this has had many implications despite the modest growth such as an erosion of public institutions. Under a neomercantilism where the state has more influence in the economy, there is more state intervention in the economy and higher levels of economic growth and development. The Asian Tiger nations witnessed faster growth while maintaining strong public institutions and as a result witnessed greater economic development. By comparing how different policy regimes influence the role of the state in the economy, this paper argues that economic growth is attainable under both neomercantilism and neoliberalism, however, it is under a neomercantilist policy regime that economic development more likely to be achieved.

LITERATURE REVIEW

The paper explores the relationship between economic policy regimes and economic development by comparing the

differences in the role of the state under a neoliberal regime and a neomercantilist regime by observing Kenya and Ethiopia's institutional differences with that of South Korea and China. To understand how economic policy influences development this paper will first look at how the unique histories and the role of external powers in influencing the role of the state, and the type of economic policy adopted. Secondly, the paper will compare the effects of policy regimes on the economic development of the case studies by evaluating statistics on economic growth, human development, and quality of life. Lastly, this paper will compare the implications of the economic policy regimes adopted by looking at the effects of different political and economic policies adopted over the last four decades and evaluate the sustainability of economic growth and development under these different economic policy regimes.

What's in a state?

The state as it exists today is an amalgamation of institutions sanctioned to manage numerous aspects of modern-day life. These constituent institutions—the political system, the bureaucracy, the fiscal system, the welfare state, the institutions for industrial policy, and so on serve multiple functions and exist to enforce policies, laws or regulations enacted by the state. The state is dependent on existing institutions in order to ensure its survival and therefore it is the state's priority to ensure that existing institutions continue to serve their core functions.

One core function of the state is the management of the domestic economy which it manages through a variety of institutions that the state uses to pursue economic development through a series of policies and regulations. Some of these institutions include the fiscal and monetary systems as well as an effective tax system, trade and commerce laws and institutions which manage the implementation of these systems, and policies like a central bank. Ha Joon Chang argues that institutions have some key functions in promoting economic development including coordination and distribution, learning and innovation, income distribution and social cohesion and encouraging investment. Institutions are essential for economic development and function as conduits for the policies enacted by the state, the efficacy of a state to manage the economy is dependent on the institutional capacity of the institutions tasked with overseeing the economy.

Methodology

This study employs a comparative case study approach to analyze the economic development trajectories of four countries—Kenya, Ethiopia, China, and South Korea—under different economic policy regimes of neoliberalism and neomercantilism. The case selection was based on the following criteria: Firstly, regional diversity was a factor, with cases chosen from both Africa and Asia to account for potential regional variations. Secondly, the cases were selected based on their adoption of different institutional ideologies, with Kenya and Ethiopia representing neoliberal approaches, while China and South Korea exemplify neomercantilist policies. Thirdly, the cases encompass countries at varying levels of economic development, ranging from lower-income nations like Kenya and Ethiopia to upper-middle and

high-income economies such as China and South Korea. This diversity allows for an assessment of how policy regimes impact development across different economic contexts.

The comparative analysis draws upon a qualitative examination of the historical, political, and institutional factors that shaped the implementation of these policy regimes in each case study. This approach facilitates a nuanced understanding of the complex interplay between economic policies, state capacity, and development outcomes. Particular attention is paid to the role of state institutions, bureaucratic structures, and the degree of centralization or decentralization in policy implementation. The analysis also considers the influence of external factors, such as international organizations and foreign investment, on the economic trajectories of the case studies.

By adopting a comparative lens and delving into the contextual specificities of each case, this study aims to elucidate the nuances and complexities inherent in the relationship between economic policy regimes and development processes. Through this methodological approach, a holistic evaluation of the factors that contribute to or hinder sustainable economic development under different policy frameworks can be undertaken.

The history and economic realities

The adoption of a policy regime is dependent on the realities of a state's economy and of the global economy. Neoliberalism and neomercantilism, although distinct in their approach to state intervention in the economy, parallel each other in their development and adoption. Both policy regimes stem from older ideologies, neoliberalism is a distinct variation of economic liberalism which like its predecessor favors "minimally fettered" capitalism where the state's role in the economy is limited and view state intervention as a fundamental threat to individual liberty. Neoliberalism gained popularity in the 1970's as a solution to the years of stagflation which Keynesian policies had failed to resolve in Western Europe. Neomercantilism similarly stems from a classical ideology as according to Balaam and Dillman classical mercantilism was a policy in which trade surpluses were pursued to strengthen a nation's economy, thereby contributing to its security.

Neomercantilism like neoliberalism began in the 1970's as a policy regime which would reduce the vulnerability of states to international business and competition without undermining a commitment to freer trade under the General Agreement on Tariffs and Trade (GATT). Both policy regimes were the result of reactionary measures to threats on the domestic economy with neoliberalism coming out of fears of stagflation inhibiting economic stability and potential growth. Neomercantilism came about as a way to achieve economic development for the developing world after the success of Japan's "developmental state" strategy, which was adopted by the Asian Tigers (South Korea, Hong Kong, Singapore, and Taiwan and China).

The economic realities of China and South Korea favored the adoption of a neomercantilist policy regime as these nations are strong states with an established network of institutions which were more capable of supporting industrialization. According to the World Bank, the economic miracle in East Asia can be

attributed to "strong well-organized bureaucracies which wield considerable power". Ha Joon Chang makes the case for the importance of a bureaucracy to exist to ensure that they are 'insulated from the day-to-day political interference', although Chang acknowledges that there is some ambiguity when it comes to bureaucracies and the amount of political interference. The well-established bureaucracy that exists in China and South Korea provides a basis for state intervention in the economy as it provides the state with an efficient conduit to execute its policies and exert its influence over the economy and trade.

A strong bureaucracy and the adoption of a neomercantilist policy regime were some of the key factors which contributed to the Miracle on the Han River in South Korea, and the rapid development in China. South Korea and China both adopted central planning as a way to ensure there was economic development which fell in line with the state's ethos and plan for the nation.

In South Korea, this was done through the Economic Planning Board (EPB) which set out five-year plans with a focus on industrializing the state. South Korea's incentives to industrialize were motivated by the expansion of capitalism in the mid-twentieth century which prompted the state to adopt a new economic strategy that would make South Korea become a major exporting nation [5]. The Korean president at the time Park Chung-Hee and his administration realized the lucrative opportunity in investing in an export-oriented economy and were enacting policies which restructured the state apparatus to accommodate an export-oriented industry.

The most significant reform was resuming the Financial Stabilization Program (FSP) which had the power to set the interest and exchange rates, the FSP became a catalyst for change in other fields as it influenced the national budget and finance policy. The Korean economy also experienced trade liberalization though limited as the state sought to defend export promotion through controlled incremental import expansion. The EFB and FSP sought to make the Korean economy more flexible and ensure the nation was competitive which was done through reform that liberalized the economy for the benefit of its export industry while ensuring there was still state intervention through state planning and the state's alliance with the uniquely Korean conglomerate entities known as chaebols. Directly translated chaebol means 'financial clique,' however, the term is used to describe the large private conglomerates which dominate many sectors of the Korean economy. The alliance between Chaebols and the South Korean government allowed chaebols to grow as they became crucial drivers of industrial growth in South Korea.

China, unlike South Korea, did not begin to see rapid industrialization until the latter part of the twentieth century; this is due to the state's history as a centrally planned economy which was essentially isolated from the global capitalist economy during the Mao Period. During this time China only traded with other communist states, it was after the death of Mao and under the leadership of Deng Xiaoping that China began its transition from a centrally planned economy to a mixed market economy [6]. After the death of Mao, China transitioned from a centrally planned state to a mixed market economy, Chinese

growth has been state-led and the state's involvement in the nation's economic development is significant. The central government and regional governments are heavily intertwined with some of the largest corporations in China and the world. Furthermore, economic growth in China has been heavily dictated by the government through the use of five-year plans which dictate the trajectory of the nation's economic development.

Chenggang Xu argues that in China the government "is deeply involved" in business as "there is no clear separation between government and business," this gives the state much influence in the economy and gives Chinese corporations immense power. However because of the "decentralized authoritarian system" it is China's subnational governments and not the central government which are intertwined with business. The decentralized nature of the post-Mao Chinese government led to the creation of subnational governments which during Deng's reform period developed state corporations to promote economic growth. Competition among these regional governments has led to the development of nonstate firms such as FDI and township-village enterprises which have become the most important engine of China's economic growth since the mid-1980's [6]. Subnational regions in China began to witness economic development because many of these firms are publicly owned and the profits earned were re-invested back into the local community in the form of public infrastructure, dividends, social amenities such as schools, wage increases etc.

The Chinese government like South Korea favors and encouraged the development of an export-oriented industry although now it is increasingly turning inward to capitalize on its large internal market. China is a best-case example of a neomercantilist state as the state is centralized, controls capital movements, discourages imports and encourages exports. From these exports, China builds up enormous foreign reserves, which gives the government extra power in monetary and fiscal policies. China's neomercantilist policy regime can be seen at work through the Belt and Road Initiative (BRI, a political and economic policy which seeks to establish a link among nations in Asia, Africa and Europe with China through an infrastructure plan that will see the construction of ports, railroads, highways. The BRI is China's attempt at ensuring the continued growth of the economy which has begun to slow down in recent years, coupled with the production overcapacity experienced by key economic sectors like steel, cement, and coal has created an impetus for the state to pursue a foreign policy which ensures there is a guaranteed global market for Chinese exports.

The neoliberal wave in Africa began in the 1980's and 1990's as part of a series of structural adjustments. Bretton Woods organizations like the World Bank imposed these structural adjustments on various African states as part of their loan packages. However, it is important to acknowledge the social and political diversity of the continent, not all states experienced institutional adjustments due to Bretton Woods organizations. Some states experienced institutional change as a result of a change in political ideology, Ethiopia is one such state. After the end of the Cold War and the dissolution of the United Socialist

Soviet Republics (USSR), the authoritarian regime of Mengistu Haile Maryam was overthrown as a result of a civil war. Maryam was the last chairman of the Marxist-Leninist military junta known as the Derg or the Provisional Military Administrative Council (PMAC). The Derg, which means council or committee in Amharic, was the successor to the Ethiopian Government of Emperor Haile-Selassie after overthrowing him in 1974, PMAC ruled Ethiopia until 1991 [7]. The Derg was replaced by a new political regime which abandoned the old ideologies of the Derg period that championed socialism and ideologies of the imperial period legitimized itself by basing itself on the Semitic legacy of Queen Sheba [8]. The post-Derg government, known as the Ethiopian People's Revolutionary Democratic Front (EPRDF) coalition established a multi-party democracy and transformed the national economy from a centrally planned economy to a neoliberal economy with the nation adopting market liberalization and a reconfiguration of its (EPRDF Coalition) intervention in the spheres of economy and development [9]. The role of the Ethiopian state in the economy is nevertheless still present as much of the development is state-directed, however, the adoption of neoliberalism has led to a restructuring of the state institutions involved and privatized many sectors of the economy.

Kenya's turn to neoliberalism is more in line with most other African states, with the nation's colonial history greatly influencing the ambitions of the state in the post-independence era. In this period, like many developing states Kenya had nationalist aspirations for development and industrialization as the state sought to restructure and transform its economy away from a periphery economy to a semi-periphery or core economy. However, the legacy of the nation's colonial history still affected the nation as Kenya's economy was still built to benefit Great Britain. Author Miatta Fahnbulleh highlights two factors which led to the nation's failure to industrialize in the post-independence period: The weak socio-economic base on which the colonial economy was built upon and the mercantilist policy regime the state inherited which had failed to develop the institutional infrastructure to support industrialization. The new government pursued a mercantilist economic policy which sought to create the foundations for industrialization by investing in infrastructure, social capital and providing financial incentives and imposing trade tariffs and import substitution policies to protect the private sector [10]. The economic turmoil of the 1970's had a negative impact on the state of the Kenyan economy as it slowed down the growth of the economy. An economic crisis ensued as a result which led to greater state intervention and government expenditure in the economy as the government sought to alleviate the social implications of an economic crisis, sparking an economic decline and eventual stagnation.

The economic realities of Kenya and Ethiopia prior to the adoption of a neoliberal policy regime pushed both states to adopt neoliberalism as both states sought to achieve economic growth after witnessing periods of economic decline and stagnation under a developmental state in the case of Kenya and a statist regime in Ethiopia. The history of colonialism in Kenya and the type of institutions and policies the new government inherited were incapable of supporting the type of economic

policy regime the state tried to pursue. Kenya attempted to follow a similar policy regime as the Asian Tigers in which state protection and intervention provided the basis for industrialization, like the Asian Tigers, Kenya sought to achieve economic independence, however, the legacy of its colonial economy made this transition unlikely. Ethiopia's statist regime failed to achieve economic development; however, it was under the Derg period in which the foundations for the current economy were established. As noted by Stepho Bellucci, using a Marxist framework, the Derg government eliminated the rentier landlord class and, in the process, empowered the state apparatuses to intervene in the economy and to act as agents and promoters of accumulation, and by thoroughly subjugating labor, the revolution created a social structure conducive to capitalist development and capitalist growth. Thereby creating a modern petit bourgeois group to the command positions of the state apparatuses and of the economy, by creating an internal market out of the freed peasantry, the Derg enhanced and deepened the relative autonomy of the state [11].

Successes

Economic development under neoliberalism and neomercantilism has been varied, both policy regimes have resulted in positive economic growth and overall improvements in quality of life for citizens. However, this success is contingent on the state and its institutional capacity, the overall development of a state relies on how effective state institutions are at not only managing the economy but also ensuring that there is cohesion among the economic and social sectors of society. The success of a policy regime is not only determined by the ability of a policy regime to provide a state with economic growth but a path to economic development as the economy and society exist in a symbiotic relationship in which both benefit from one another.

Therefore, it is important to evaluate the successes of neoliberalism and neomercantilism respectively by looking at how effective they have been at economic growth and economic development. Ethiopia and Kenya are currently witnessing rapid economic growth and decent economic development albeit at a much slower pace than that of the Asian Tiger nations. While China and South Korea witnessed much more pronounced economic development under neomercantilism. Although South Korea and China's positions as high-income and upper-middle income states respectively means that they are more economically developed than Kenya and Ethiopia, it is important to observe their successes based on their rate of economic development during their periods of most economic growth.

South Korea

South Korea benefitted from neomercantilism as the nation transformed from a poor, agrarian economy to one of the world's richest industrial nations. South Korea has seen income inequality and poverty rates reduce significantly, according to Ha Joon Chang the nation has seen the per capita income grow 14 times in a forty-year period between 1963 and 2003 [12]. Through the power of the EPB and FSP, South Korea was able

to liberalize the economy while effectively managing its trajectory and ensuring the state could take advantage of the growing export-oriented industry. The state was able to achieve significant economic development through government mandates and programs which helped lay the groundwork for structural change and economic growth. These government mandates included extensive land distribution under the Rhee government which saw the government purchase land, compensating landowners with government bonds, and redistributing the land which had a strong wealth redistribution effect [13].

Under the Park government, South Korea pursued five-year economic development plans which integrated fiscal, exchange rate, inflation, employment, industrial, education and technology policies as part of creating long-term development by mobilizing and allocating resources towards productive investment. Centralized planning, strong government intervention, and alliances with chaebols ensured jobs were being created and domestic income was being generated, furthermore, companies' dependency on the support of state institutions also reduced the threat of (and actual) capital flight and brain drain. Through this, the government ensured human capital was being developed locally and used to benefit the nation's economy.

The efforts of the Korean government paid off as not only did South Korea experience economic growth averaging 7.3 percent annually between 1960 and 2019 [14]. There was also economic development resulting in significant social transformation in four and a half decades as the government enacted policies which ensured wealth redistribution. In most indicators of quality-of-life South Korea has seen a noted improvement, "(Koreans born in 2007) live 24 years longer than someone born in the early 1960's (77 years instead of 53 years). Instead of 78 babies out of 1,000, only five babies will die within a year of birth. South Korea's society has transformed into a mostly urban, middle-class society and the middle class in South Korea benefits from redistribution policies since the early 2000's due to public-transfer policies [15].

The South Korean government ensured redistribution was integrated into its industrial policies, this guaranteed that all sectors of the nation benefitted from industrialization. Rural populations benefitted from government programs and initiatives which sought to invest the wealth derived from industrialization in improving rural regions, the most prominent example of this was the Saemaul Undong which was successful in reducing extreme poverty and greatly improved rural infrastructure. The state also invested in improving social institutions such as education and healthcare where the government regulates and organizes both the private and public factions of these sectors to ensure there is universal service and coverage.

China

Similar to South Korea, China has seen a great transformation from one of the world's poorest nations to an economic powerhouse. The nation witnessed annual economic growth of 9.5 percent between 1979 and 2018 [16]. This economic growth

was accompanied by rapid economic development resulting in a rapid reduction in the poverty rate and improvement in income inequality as more than 850 million people have been uplifted from poverty since the start of the nation's economic reform [17]. The economic reforms during the Deng era led to a decentralization of the economy from an economy controlled and planned by the central government to one in which the regional governments and the private sector are allowed to thrive. Neomercantilism has enabled the Chinese government to pursue a form of capitalism in which the state is still able to influence and control sectors of the economy.

The Chinese people have benefitted from development under neomercantilism as in all indicators of socioeconomic development China has shown marked improvement as a result of economic development. However, one issue that still persists is inequality, particularly income and regional inequality as the benefits of rapid economic growth and industrialization have not been uniform across socioeconomic status and regions. Nevertheless, social mobility in China has increased as a direct result of economic reforms and industrialization under neomercantilism. Today China has the world's largest middle-class population and as a result is a major market for consumer goods.

However, the Chinese economy has begun to suffer from its own success, years of rapid industrial growth has led to overcapacity in certain industrial sectors which have now become too big to fail and essential to the nation's economy. This coupled with the hemorrhaging of capital by local investors prompted the government to pursue more neomercantilist policies such as the Belt and Road Initiative (BRI) and stricter controls on capital flows. The BRI hopes to expand the market and maintain demand for Chinese industrial goods by creating a network of nations to increase China's market.

Kenya

Kenya has had periods of growth throughout its post-colonial history, however, the most recent economic growth has greatly contributed to the socioeconomic development of the nation. The nation has been ranked a lower middle-income nation since 2014 [18] and has seen GDP growth averaging 5 percent in the last decade (Moody's Analytics). Kenya is considered a regional powerhouse being the fourth largest economy in Sub-Saharan Africa [19], and is the manufacturing and financial center of the region as well as an increasingly important center for regional offices for many international corporations. Under neoliberalism, Kenya's private sector which has played an important role in the economy since the nation's independence [10] has seen continued growth. The nation's middle class is one of the largest and most significant in the region accounting for 44.9 percent of the population according to definitions by the African Development Bank translating in higher consumer spending and making the nation one of the largest consumer markets in Africa in 2013 [20].

In terms of socioeconomic development, the nation has been able to meet several of the millennium development goals with reduced child mortality, a high literacy rate and reduced gender gaps in education enrollment. The nation has also seen

improved healthcare, longer life expectancy and lower mortality rates due to a universal healthcare system and free maternal healthcare [18]. Unemployment, particularly youth unemployment, remains a big issue in the nation as the economy has failed to create enough jobs to meet the ever-increasing demand for jobs. A thriving informal sector developed in the process which employs nearly 15 million Kenyans, according to 2018 estimates, compared to the 2.9 million who work in the formal sector. Inequality continues to persist in Kenya as a result of inadequate opportunities for formal employment.

Much of Kenya's recent economic growth can be attributed to the liberalization of the economy in the 1990's and 1980's which increased foreign investment from international corporations and bilateral government agreements that the state has with other states like the United States, China, and India. Chinese investment in Kenya like Ethiopia is most evident in infrastructure projects as part of China's Belt and Road Initiative (BRI). However, in recent years these projects have faced resistance as concerns over rising public debt with China owning 72 percent of Kenya's external debt, environmental concerns due to some of these projects' threats to Kenya's ecosystem such as the now cancelled plan to build a Coal Plant, as well as concerns over the economic viability of these infrastructure projects.

The Kenyan government launched the Vision 2030 project in 2009, the program seeks to create a globally competitive and prosperous nation with a high quality of life by 2030. This is being done through institutional reforms to create the basis for industrialization while improving social institutions such as education, healthcare, public housing and food security. The successes of the Vision 2030 program have seen institutional reform in state sectors like agriculture, industry and trade while increasing investment in infrastructure and social services. This has resulted in an overall improvement in the quality of life as access to healthcare, sanitation and food has improved.

Ethiopia

Under a neoliberal economic policy regime Ethiopia has witnessed a significant expansion of the economy as seen an average growth rate of 9.8 percent annually between 2008 and 2019 [21]. This economic growth has also come with some benefits for the people of Ethiopia and as a result, the nation is said to be experiencing a "renaissance", which the Ethiopian government has now adopted as a propaganda tool to construct the idea of building a strong state on the basis of a grand tradition. The Ethiopian government actively uses the word 'renaissance' as a name for many of the grand infrastructure projects it has built in the last 10 years like the Grand Ethiopian Renaissance Dam on the Blue Nile.

Economic growth has come with positive trends in poverty reduction as the share of the population living below the poverty line has decreased to 24 percent as of 2016. This reduction falls in line with the state's national development agenda which focuses on broad-based development and achieving the Millennium and Sustainable Development Goals [22]. By focusing on broad-based development, the state has met most of

the Millennium Development Goals which has led to improved health, higher levels of literacy and a reduction in mortality rates. Food security has improved as a result of state-led investment in infrastructure as well as institutional reform in the agricultural sector, and property rights have led to an increase in food production. As a result, malnutrition in Ethiopia has seen an overall decline. Ethiopia still faces numerous challenges, nevertheless, in most metrics of economic development, the state has witnessed a positive improvement.

In spite of the positive economic growth, Ethiopia's economic development is yet to be fully realized as the state still maintains comparably higher levels of poverty, inequality, and unemployment. Inequality remains a major challenge even as the country is witnessing a decrease in formal unemployment to 2.79 percent in 2020 [21], as most indicators of economic development and unemployment fail to account for the informal sector. Income inequality as per the GINI coefficient stands at 35 (World Bank which is lower than the 42.5 average of low-income states in Africa, but still high and reflects the nation's inequality issue. Ethiopia's middle class has expanded, increasing domestic demand for goods and services, and helping to drive continued growth.

Much of Ethiopia's economic growth has been a result of market liberalization, although state-led infrastructure projects have also contributed to the nation's overall economic performance. The private sector has grown as local consumption has driven growth, furthermore, foreign investment has increased the presence of service and manufacturing industries in Ethiopia. Another major contribution to the nation's recent economic growth is investment from China, this is part of a regional trend as Chinese investment in Africa has spurred economic growth. Chinese investment includes many big infrastructure projects with 70 percent of road construction being done by Chinese companies in 2010 [23], China also established a special economic zone outside Addis Ababa in 2008 and invested in mining as well as constructing affordable housing in Addis Ababa [24]. Chinese investment has however come with issues of debt repayment and skepticism from Western powers, nevertheless, Ethiopia has also seen increased foreign investment from other nations such as South Korea and the European Union.

Implications

Both neomercantilism and neoliberalism can be used as effective policy regimes to achieve economic growth. However, of the two, neomercantilism is more likely to bring about broad-based economic development as compared to neoliberalism. Nevertheless, both systems have their disadvantages, with some of these including their ability to withstand economic crises, corruption, and the effectiveness of their social safety nets.

One negative implication that plagues both systems is corruption, both neoliberalism and neomercantilism are prone to corruption which all the case study states are affected by. However, the key difference is the nature of corruption, Nicholas Thompson and Scott Thompson make a great analogy for the two different types of corruption that exist in Africa and East Asia, the Baobab, and the mango tree. Corruption in

African states is similar to a baobab in that it "swallows, to consume, to obstruct, to stick its branches aggressively in the air and thrust its roots through the ground, sucking up every available resource" [25], thereby leading to "certain destruction." This type of corruption is destructive, with deep roots and has a top-down approach, and the actors involved usually act out of self-interest rather than state interest. The nature of corruption in East Asia is like the Mango tree modestly and fruitfully from its bourgeois middle, which "leads to qualified success, if you do everything else right too". This type of corruption is not as destructive and is usually in line with state interests and the state's development. Thompson and Thompson state that "East Asian leaders have gripped Adam Smith's invisible hand, while for forty years African leaders tried to cut it off", and as a result, the nature of corruption in East Asia works in tandem with capitalism and the state interests while corruption in Africa is based on self-interests. As a result, corruption is more detrimental to African economies.

According to the Transparency Index, in 2020 China ranked 78th with a score of 42, Ethiopia ranked 94th with a score of 38, Kenya ranked 124th with a score of 31 and South Korea ranked 33rd with a score of 61. The nature of corruption has an impact on the corruption score of a state as the form of corruption found in Kenya and Ethiopia is more visible, because of the normalization of the "baobab" style of corruption. While Corruption in Asia is less visible due to attitudes around corruption and the "mango tree" style of corruption which is less obvious and tends to be more discrete, nevertheless, East Asian states are not immune to corruption scandals. Privatization has been linked with increased rates of corruption, the privatization of public or state enterprises creates situations whereby individuals can use this process to benefit themselves [26]. African states that underwent a transition into neoliberalism also witnessed a spike in corruption levels, Kenya and Ethiopia are no different as both states witnessed this phenomenon. Furthermore, the transition to neoliberalism in Kenya and the lack of a strong, independent, and transparent bureaucracy created an opportunity for corruption to take hold and entrench itself. China and South Korea are also prone to corruption as evidenced by their Transparency Index score; however, corruption in these East Asian states is different; in China, "mango tree" style corruption is an endemic issue which has plagued China for most of its history and has been further exacerbated by the current political system's failure to follow through on the promise of anticorruption laws. As a result, the process of market liberalization and privatization exacerbated the issue of corruption. Furthermore, like Kenya, a lack of a transparent and independent bureaucracy made it easy for political and other external influences to infiltrate. South Korea benefits from having a strong bureaucracy which is generally independent from political influence, this current system is a result of democratic movements in the 1980's which called for institutional reforms and transparency in the state apparatus. Nevertheless, the state is still prone to corruption and scandals involving high-ranking government officials are not rare, however, the type of corruption seen in South Korea does not impede economic development and in the past actually worked in favor of the nation's development policies.

Economic policy regimes can have implications for a state's social welfare system, the capacity of a state's social welfare system can be influenced by the ethos of the economic policy regime they adopt. Neoliberalism is built on the notion of small government and relies on the free market to allocate resources. As a result, the adoption of neoliberalism leads to the privatization of social welfare, healthcare, and other social institutions. Therefore, the state institutions involved with social welfare are usually underfunded or privatized which results in inequality in access to social services. Neomercantilism's emphasis on state strength being linked to the economy promotes the notion of collective action which neoliberalism is opposed to. Therefore, under a neomercantilist state institutions associated with social welfare are necessary in order to ensure the labor force has the necessary needs to ensure the state is collectively strong and capable of withstanding external threats to the domestic economy from international competition. As a result, neomercantilist states have stronger social institutions and more state capacity for the citizens' social needs.

Nevertheless, a neomercantilist state can have weak social institutions such as China where liberalization came with the introduction of private, nonstate actors filling in the gaps in social welfare. Neoliberal states can and do have social welfare systems, however, their welfare systems tend to be weak and in most cases are under capacity, a social welfare program in a neoliberal state will only be effective if there is demand from the general population to provide the service. Overall neoliberalism does not favor an effective social welfare system as this takes away the opportunity for the market to allocate this service as a commodified good.

It is important to consider the policy regime's susceptibility to financial crises and its response to them as well as their potential to be long-term and sustainable. Both neomercantilism and neoliberalism are prone to financial crises, in the case of neoliberalism this is most evident with the 2008 Financial Crisis and the 2020 Pandemic, while for neomercantilism the Asian Financial Crisis of 1997 and the Japanese Lost Decade. However, it is important to note that many of these financial crises affected both neomercantilist and neoliberal states, this makes it important to evaluate the ability of these regimes to respond to these crises. In the case of South Korea, it is first important to note that since the early 1990's the state has transitioned away from an export-oriented economy and as a result has ended some overtly neomercantilist policies like the EPB program in 1994 to comply with American interests [27]. Therefore, South Korea's modern economy has elements of both neomercantilist and neoliberalism, Ethiopia and China also fall within this spectrum as both states are neither overtly neomercantilist nor neoliberal but adopt policies which reflect both regimes. Although China leans more neomercantilist, while Ethiopia leans more neoliberal, Kenya is more overtly neoliberal as the state transitioned to this as a result of austerity measures and structural adjustments made in the 1990's to comply with loan requirements from the World Bank.

Neomercantilist states are more resilient to the effects of a financial crisis and are able to recover much faster than neoliberal states according to Chalmers Johnson, this is based

on observations made during the 1997 Financial Crisis. Johnson noted that the crisis was a result of under-regulation of the financial market in East Asia and attributed South Korea's swift recovery to effective regulation and state intervention. This habit of state intervention was noted again by political economist Shalendra D. Sharma who attributed South Korea's recovery after the 2008 Financial Crisis to "effective regulation and supervision of financial institutions and better management of foreign exchange reserves" [28]. Neoliberal states on the other hand due to the neoliberal ideology on limited state intervention strongly discourage regulation of financial institutions which in the past has resulted in financial or economic crises as a lack of government oversight and management makes the impacts of these crises more damaging.

DISCUSSION

Nuances and complexities of economic policy regimes

The analysis reveals that both neoliberalism and neomercantilism are not monolithic, binary systems but rather exist on a spectrum with varying degrees of state intervention and market liberalization. Even within the case studies examined, there are nuances in how these policy regimes have been implemented and adapted over time. Economic institutions will implement a blend of both ideologies according to external factors influenced by the unique socio-political history of the state and goals of political actors. For instance, while Kenya has largely embraced neoliberal policies, the state has recently attempted to exert more control through initiatives like Vision 2030 spearheaded by former President the Late Mwai Kibaki, which aims to promote industrialization and socio-economic development. Conversely, China, despite its strong neomercantilist leanings, has gradually opened up segments of its economy to market forces and foreign investment as part of its reform agenda which was an undertaking of Deng Xiaoping [29].

These nuances underscore the complex interplay between ideology, pragmatism, and local contexts in shaping economic policies. Policy regimes are not static but rather evolve in response to changing global dynamics, domestic pressures, and political shifts, leading to hybrid models that blend elements of different approaches. Moreover, the success of these regimes is contingent on the institutional capacity of the state, the strength of its bureaucracy, and the ability to effectively coordinate and implement policies across various sectors. Well-established institutions and a capable bureaucracy, as seen in South Korea and China, can facilitate smoother execution of economic strategies, while weaker institutions, as observed in Kenya and Ethiopia, may hamper policy implementation and lead to unintended consequences [30].

This nuanced understanding of how policy regimes are implemented and adapted is enabled by adopting an institutionalist perspective. The institutionalist framework permits an analysis grounded in the specific contexts, histories, and power dynamics within each state that shape their economic policies and institutions. As previously observed, the variations

between the case studies in terms of bureaucratic capacity, state-business relations, and decentralization of authority all stemmed from their distinct institutional trajectories. The institutionalist lens illuminates how policy regimes do not exist in a vacuum but are intrinsically tied to a nation's institutional architecture [31].

Long-term sustainability and potential challenges

While both neoliberalism and neomercantilism have demonstrated their potential to spur economic growth, their long-term sustainability and ability to foster broad-based, inclusive development remain open questions. Neoliberal policies, with their emphasis on market forces and limited state intervention, may struggle to address persistent inequalities, environmental degradation, and the provision of public goods essential for human development. The privatization of social services and erosion of public institutions, as observed in some neoliberal contexts, could exacerbate disparities and undermine long-term progress [32].

Conversely, neomercantilist approaches, while promoting economic development through state intervention, may face challenges in adapting to rapidly evolving global markets and technological disruptions. Excessive state control and protectionism could stifle innovation, hamper competition, and ultimately hinder long-term economic dynamism. Both policy regimes must also grapple with the complexities of corruption, which can undermine the effectiveness of institutions and distort the allocation of resources. While the nature of corruption may differ between neoliberal and neomercantilist systems, addressing this persistent challenge is crucial for sustainable development [33].

Furthermore, the long-term viability of these regimes will be tested by their ability to address emerging global challenges, such as climate change, resource scarcity, and demographic shifts. Adapting economic policies to foster environmentally sustainable and socially inclusive growth will be a critical consideration for policymakers in the coming decades. In light of these complexities and potential challenges, it is essential to acknowledge that there is no "one-size-fits-all" solution to economic development. Rather, policymakers must carefully consider their specific contexts, institutional capacities, and long-term development goals when crafting economic policies. Hybrid approaches that combine elements of different regimes, coupled with strong institutions and effective governance, may offer promising pathways to sustainable and inclusive economic development [34].

Ultimately, assessing the long-term viability and developmental impacts of neoliberalism and neomercantilism requires a deep understanding of institutional factors. An institutionalist approach highlights the strength and autonomy of state bureaucracies, the coherence of policy implementation across various arms of government, and the ability to adapt institutions to changing circumstances. The likelihood of sustainably addressing issues like inequality, corruption, and environmental pressures hinges on the institutional capacities underpinning each regime type [35].

As this analysis has demonstrated, neomercantilist states like South Korea and China benefited from their legacy of strong, insulated bureaucracies that could strategically guide economic transformation. In contrast, the institutional landscape in Kenya and Ethiopia rendered full policy implementation more challenging. Moving forward, bolstering institutional resilience and credibility will be pivotal, regardless of whether nations pursue liberalization or continued state oversight of markets. By firmly grounding our examination in an institutionalist framework, we can better account for the contextual complexities that enable or constrain different economic policy regimes. This institutionalist perspective proves to be an indispensable analytical lens for evaluating the multifaceted pathways towards sustainable economic development [36].

LIMITATIONS AND FUTURE RESEARCH

While this thesis offers valuable insights into the nexus between economic policy regimes and economic development, it is crucial to acknowledge certain limitations that present opportunities for future research endeavors. Firstly, the analysis is confined to four case studies, which may limit the generalizability of the findings to other contexts. Future research could expand the scope of analysis to include a larger sample of countries from diverse regions, thereby enhancing the external validity of the conclusions drawn [37-39].

Secondly, the thesis primarily focuses on the role of economic policy regimes in shaping development outcomes. However, economic development is a multifaceted process influenced by various factors beyond policy regimes, such as historical legacies, political systems, and socio-cultural dynamics. Future research could adopt a more holistic approach by incorporating these additional factors into the analytical framework, providing a more comprehensive understanding of the development process [40].

Finally, as the global economic landscape continues to evolve, it would be valuable to conduct longitudinal studies that track the long-term implications of different economic policy regimes on sustainable development. Such studies could provide insights into the dynamic nature of development processes and inform policy decisions aimed at fostering inclusive and equitable economic growth over extended periods. Despite these limitations, this thesis contributes to the ongoing discourse on economic development strategies and highlights the importance of considering the role of economic policy regimes in shaping development outcomes. It is hoped that this research will inspire further inquiries and debates, ultimately leading to more informed and effective policymaking in pursuit of sustainable economic development for nations worldwide [41,42].

CONCLUSION

Ultimately neoliberalism and neomercantilism are effective policy regimes in achieving economic growth through different means, with neomercantilism it is through strong government institutions and effective development policies that states can achieve economic development. While with neoliberalism it is

through the free market and weak government institutions that a state can supposedly attain economic development. Both regime types were adopted as a result of the economic realities of the case study states, there was a general desire for all these states to achieve economic development. A state's economic policy regime is also influenced by external factors, for African states it was the need to comply with the ideologies of Bretton Wood organizations which prompted them to adopt neoliberalism. Neomercantilism was seen as a way to enable states to engage in international trade without having international business threaten their domestic corporations.

The effectiveness of either policy regime in attaining economic development is evident as neomercantilism has proven effective in not only achieving rapid economic growth but also significant economic development. States which adopted neomercantilism like South Korea and China have seen more economic development than Kenya and Ethiopia which adopted neoliberalism. It seems a more neomercantilist system is more beneficial to states that want rapid economic growth as well as economic development. Neoliberalism does not have the same impact on economic development as its emphasis on limited government intervention prevents the state from enacting development policies, intervening in the economy and implementing wealth distribution measures.

Furthermore, the state's ability to withstand financial and economic crises is dependent on the type of economic regime policy it adopts. Adopting a more neomercantilist policy regime means a state will be able to better withstand financial crises because they have regulated the financial industry. Neoliberal states on the other hand are more vulnerable to the impacts of a financial crisis as they underregulate their financial industries and therefore may lack the institutional capacity to mitigate the impacts and insulate the domestic economy from these harmful effects. For this reason, the capacity of a state is crucial not only for managing crises but the economy as a whole. The institutional capacity of a state is determined by the policy regime, neomercantilism encourages the development of a strong bureaucracy and advocates for greater state intervention and regulation of the economy while neoliberalism calls for less intervention and more for unfettered capitalism. Therefore, a neomercantilist state is more influential and is more likely to have the state more engaged in economic development, in particular, a state with a well-established bureaucracy as this gives the state the capacity to enact economic policies more proactively. Neoliberalism allows states with poorly established bureaucracies to pursue economic growth but limited economic development.

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