

# Ecuador's Buen Vivir: a Developmental State in the Andes?

**El Buen Vivir: ¿un estado desarrollista  
en los Andes?**

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## **Resumen**

Japón y su economía resultaron devastadas como consecuencia de la Segunda Guerra Mundial. Su poder industrial se redujo a escombros, mientras que millones de personas se vieron obligadas a vivir en condiciones precarias. Sin embargo, en cuestión de pocos años, la economía japonesa empezó a recuperarse de forma impresionante. Las compañías japonesas se convirtieron en corporaciones multinacionales y miles de productos 'Made in Japan' empezaron a inundar el mercado occidental. Para la sorpresa de economistas, investigadores y políticos occidentales, Japón se volvió un país competitivo sin necesidad de implementar políticas de libre mercado al estilo angloestadounidense; pero tampoco implementaron un manejo central de la economía al estilo soviético. Esta fue la obra del 'Estado desarrollista', compuesto por un conjunto de políticas económicas orientadas hacia el desarrollo y protección de la industria local. Otros países como Corea del Sur consiguieron implementar políticas industriales similares de forma exitosa. ¿Pero es el éxito del Estado desarrollista un fenómeno exclusivamente asiático? Mientras que existieron Estados desarrollistas en América Latina durante la posguerra, durante el gobierno del expresidente ecuatoriano Rafael Correa se elaboró una propuesta similar bajo una perspectiva posneoliberal y con énfasis en el medio ambiente. El propósito de este artículo es comparar los planes nacionales de desarrollo en Ecuador entre 2007 y 2017, y las metas del Estado desarrollista japonés y surcoreano.

### **Palabras claves:**

desarrollismo, Sumak Kawsay, Japón, Corea del Sur, Ecuador, política industrial.

## Abstract

After the Second World War, Japan and its economy were crippled. The industrial power it once had was reduced to rubble, with millions of people left to live in precarious conditions. However, in just a matter of years, the Japanese economy began to re-emerge; local companies became multi-national corporations, and hundreds of high-quality 'Made in Japan' products began flocking Western markets. To the surprise of Western economists, researchers, and politicians alike, Japan began rivaling mature economies without implementing either pure Anglo-American *laissez-faire* or Soviet-style central planning. This was the work of the “developmental state”, a set of regulatory economic policies oriented towards developing and protecting local industry. Other countries such as South Korea successfully implemented similar industrial policies during the Cold War. But is the “developmental state” success story an Asia-only phenomenon? In Latin America, former Ecuadorian President Rafael Correa envisioned a similar plan to develop and modernize the country according to his own, post-neoliberal and environmentally-centered concept of development. The purpose of this article is to compare Ecuador’s national development plans from 2007 until 2017 and the policy goals of the Japanese and Korean developmental states.

## Keywords:

Developmentalism, *Sumak Kawsay*, Japan, South Korea, Ecuador, Industrial Policy.

In 2006, former Minister of Economy and Finance Rafael Correa was elected president of Ecuador under the promise to transform the country after years of economic and political instability. Correa's new left-wing government quickly started carrying out radical reforms and paving the way towards the establishment of a Constituent Assembly to replace the 1998 Constitution. This Constitution was seen as illegitimate because, according to Correa and his government aides, it established a neoliberal economic structure and a weak state that only served the interests of the big businesses and advanced economies like that of the United States.

In 2007, a year before the scheduled constitutional referendum to ratify or reject the new Constitution drafted by the Constituent Assembly (also established in 2007), the Correa administration expanded the attributions of the National Secretariat for Planning and Development (Secretaría Nacional de Planificación y Desarrollo – SENPLADES). SENPLADES was established in 2004 as a technical body in charge of public planning and guiding national development initiatives. Correa strengthened this office, turning it into a “major tool for control and change in the administration and reconstitution of the state” (Fontaine and Fuentes 2011, 260). SENPLADES assumed its new functions by releasing the National Plan for Development (2007-2010), a plan that was meant to state how this office was going to guide government policy throughout Correa's first term in office.

In 2008, the draft Constitution was ratified by an astonishing 63% of voters. This triggered a new presidential election for the following year, an election that Correa won with 52% of the popular vote (Consejo Nacional Electoral 2009). One of the core principles that inspired the 2008 Constitution is the principle of *Buen Vivir/Sumak Kawsay* (roughly translated as ‘Good Living’). In economic terms, *Buen*

*Vivir* was oriented towards expanding social programs and increasing the state's capacity to regulate and control the market, effectively changing the dynamics in government-business sector relations (Grugel and Riggirozzi 2012, 2-4). A new term under a new Constitution meant that the SENPLADES had to release another development plan for the next 4 years. The National Plan for Development was re-branded as the *Plan Nacional para el Buen Vivir* (*National Plan for Buen Vivir*) and it included minor reforms to the twelve original 2007-2010 development objectives. Another National Plan for Buen Vivir was released after Correa's re-election in 2013, and —on this occasion— major reforms were done for the sake of consolidating the policies implemented in his first two terms in office.

Every National Development Plan had 12 different development objectives. In summary, those objectives were as follows: 1) Strong territorial integration, 2) promoting active citizenship, 3) improving living standards, 4) improving life expectancy, 5) protecting the environment and its rights, 6) promoting Latin American integration and multiculturalism, 7) improving working conditions, 8) establishing and promoting gathering places, 9) guaranteeing human rights and equal access to justice, 10) protecting territorial and economic national sovereignty, 11) reforming the economic system and 12) reforming the State (SENPLADES 2007, 2009, 2013).

The idea of a government office serving as a referee for all macro-economic and industrial activities was far from new. After the destruction and perils caused by the Second World War, Japan established a similar government agency that was responsible for reforming Japan's Post-War state and economic system. The Ministry of International Trade and Industry (MITI) was a powerful ministry that established the rules for the entire Japanese economy and the institutions related

to its functioning. It is worth mentioning that, although a new concept, the Japanese “developmental state” was established over socio-economic structures that dated from almost two decades before the onset of hostilities in the Pacific (Johnson 1999, 37).

Similar structures could be found in Japanese-occupied Korea. Authors such as Kohli and Cumings argue that the colonial administration in Korea shaped bureaucracy and the polity in accordance with Japanese laws and standards (Kohli 1999, 129). As a result, during the government of Park Chung-hee (1962-1979), South Korea was able to carry out economic reforms that resembled the state-led industrial development policies of Japan. In this case, the South Korean developmental state was overseen by not one but four different government agencies that competed against each other (Kwon 2021, 2). Despite their differences, both developmental states meant that the state was oriented towards development through rapid industrialization, increased productivity, steady economic growth and integration to the international market.

Other developmental-like reforms were carried out in the Republic of China and in Latin America. Countries like Mexico, Argentina and even Ecuador itself also developed *desarrollista*<sup>1</sup> plans engineered by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), but they were not as effective and successful as the Japanese developmental state. Briefly speaking, researchers have suggested that Latin American’s *desarrollismo* failed due to factors such as the implementation of policies oriented towards Import-Substitution-Industrialization (Amsden 2015, 364).

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1 Spanish for ‘developmental’.

Ecuador and Japan are two countries that are not only distant in terms of geography, but in terms of culture, history and economics as well. Additionally, we should not downplay the fact that Japan received full economic support from the United States after the Second World War. So why should we try to draw comparisons between the two countries? Both MITI and SENPLADES were envisioned as highly technocratic government offices that -in theory- had the goal of achieving high levels of socioeconomic development without having to resort to pure Anglo-American *laissez-faire* or Soviet-style central planning. However, is it fair to consider Correa's plan for *Buen Vivir* as some sort of Andean reinterpretation of the Asian/ECLAC developmental state? To answer this question, a brief summary of the main principles and nature of the Japanese developmental state is presented. Then, an analysis on the national development plans drawn by the SENPLADES during the three terms of the Correa administration is going to be made. Finally, both developmental projects are going to be compared in order to look for similarities and differences.

### **The Asian Developmental State: Japan and South Korea in Comparison**

The Second World War left Japan in a state of complete destruction. Japan lost one-third of its wealth; standards of living plummeted, disproportionately affecting rural areas; 3-4% of its population was killed; more than half of all buildings in industrial cities such as Osaka, Nagoya, Yokohama, and Tokyo were destroyed due to the intense Allied bombing; homelessness, starvation and unemployment were rampant (Dower 2013, 40). It would be an understatement to say that the war shattered the social fabric of Japanese society, and that the re-building of Japan was to be a colossal task. This issue was

heavily discussed by the occupying American military administration and the local civil administration.

The Ministry of International Trade and Industry (MITI) was established in 1949 in order to coordinate Japan's new trade policy; however, the MITI ended up becoming one of the most powerful and influential government offices in the land. In the midst of the growing tensions between the West and the Soviet Union, some may assume that a country under American occupation would have decided to adopt Western-style economic liberalism to guide their own new industrial policy. This was not the case of Japan. After studying Japan's economy throughout history, Ronald Dore came up with the conclusion that the Japanese were not that fond of the 'invisible hand of the market' (Dore 1986, 1). The government was heavily involved in the daily operations of most corporations and businesses way before the Meiji era; and, to top it off, the economic policies of the late 1920s and early 1930s have been described as being Keynesian "without a Keynes" (Johnson 1982, 6).

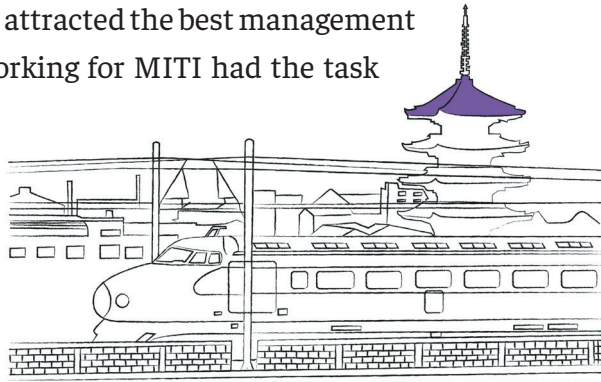
Chalmers Johnson, the most renowned Western author on the developmental state, suggests that the basic principles of what we know today as the 'Japanese economic miracle' can be traced back to the 1920s. During this period of time, Japan set economic development as the main priority; even its imperialistic and aggressive foreign policy was motivated by this goal. The government had a strong bureaucratic apparatus centered around the idea of development and rapid industrialization, and some of its core structures and principles remained intact after the Second World War.

Johnson suggests that there are four key elements of the Japanese developmental state. First, the existence of a government office to



control industrial policy and to oversee government-business relations; this became known as the Ministry of International Trade and Industry. Second, a small, inexpensive but well-trained state bureaucracy that attracted the best management talent. Bureaucrats working for MITI had the task

of choosing which industries were to be exploited, developed and promoted in international markets; they also supervised competition between com-



panies to make sure they remained competitive and effective. Third, a flexible political system in which bureaucrats enjoyed enough freedom to operate effectively without excessive legislative and judicial interference. Fourth, the government provided large tax incentives to strategic sectors, invited bureaucrats and businesspeople to exchange thoughts on industrial policies, created well-crafted plans for the entire economy, and also assigned some of its functions to private and semiprivate industrial associations (Johnson 1982, 314-319).

The Japanese alternative to *laissez-faire* capitalism appealed to war-torn South Korea. After the Korean War (1950-53), the government of president Syngman Rhee (1948-1960) was sympathetic to the concept of state-led capitalist developmentalism. During his time in office, he implemented a series of development plans that combined import-substitution industrialization and dependency on US foreign aid (Kwon 2021, 74). Despite the support from local capitalists and the political elites to a developmental state, the Rhee administration

was not entirely committed to economic development and the South Korean government lacked the necessary bureaucracy to carry out a Japanese-like developmental strategy.

In 1960, Syngman Rhee was forced to resign after a series of mass demonstrations. Yun Posun, Rhee's successor, was also forced out of office in 1962 after a military coup led by Major General Park Chung-hee. Park was a staunch anti-communist and a former officer of the Manchukuo Imperial Army, the ground force of the Japanese puppet state of Manchukuo (China). The military government continued with the import-substitution policies of its predecessors; however, this was later reversed in favor of an export-oriented developmental state similar to that of Japan.

The Economic Planning Board (EPB) was South Korea's MITI. The EPB was established in 1961 and it had the power to conceive development plans, to supervise their implementation and to select the industries that were going to be boosted by the government. Additionally, it worked alongside other government agencies like the Ministry of Finance, the Ministry of industry and the Ministry of Information and Communications (Kwon 2021, 2). However, in contrast to the Japanese developmental state, the EPB had to compete against those ministries in order to set up the economic reforms; the high labor turnover in the EPB also meant that the Korean developmental state was more decentralized than its Japanese counterpart.

Import-substitution strategies were abandoned in 1964. Instead, the EPB championed a series of industrial and economic objectives that were identical to the goals of the Japanese MITI. First, the EPB favored a high exchange rate policy in order to reduce labor costs and to increase the competitiveness of South Korean exports. Second, the interest rate

for the export-dependent industries was reduced to half of the interest rate paid by other institutions and individuals. Third, those industries received generous tax benefits such as reduction of tariffs of intermediate goods and other production-related taxes. Fourth, it established trade associations and other organizations that trained workers and corporate managers as well as promoted Korean businesses and their products in overseas markets. As in the case of Japan, the main sectors that were benefited by these measures were steel, shipbuilding, chemical and electronics companies (Kim 2020, 82-87).

The results of both state-led capitalist developmental projects were remarkable.

**Table 1 – Evolution of GDP per capita (in USD) and Human Development Index for Japan (1950-1990)**

	1950	1960	1970	1980	1990
GDP per capita	\$3,062	\$,6354	\$15,484	\$21,404	\$29,949
HDI	0.36	0.45	0.52	0.60	0.66

Source: Maddison Project Database (2020) and Prados de la Escosura (2018)

**Table 2 – Evolution of GDP per capita (in USD) and Human Development Index for South Korea (1950-1990)**

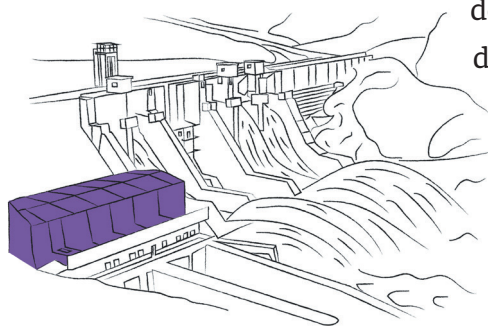
	1950	1960	1970	1980	1990
GDP per capita	\$998	\$1,548	\$2,975	\$6,064	\$13,874
HDI	0.19	0.25	0.32	0.40	0.51

Source: Maddison Project Database (2020) and Prados de la Escosura (2018)

In 1950, South Korea had a similar Human Development Index than communist China and a lower GDP *per capita* than the average for Sub-Saharan Africa. Three decades later, the HDI doubled and the GDP *per capita* increased by 6 times. Under a developmental state, South Korea went from being an underdeveloped country suffering from the consequences of two successive wars (WW2 and the Korean War), to being an economic powerhouse in Southeast Asia. The same can be said about Japan. The size of the Japanese economy increased by seven times and the HDI almost doubled.

### **Industrial Policy during the Correa administration (2007-2017)**

After the discovery of large oil fields in the Amazon region, Ecuador showed signs of rapid economic growth and development. The military government (1972-1976) took advantage of high oil prices in the international market to build infrastructure and attract foreign investment; however, the bonanza came to a sudden end once prices went



down. Ecuador's economy heavily depended on oil, and, after the return to democracy in 1979, the country went through a period of instability and crisis. From 1979 to 2007, the average time a president remained in office was 2.34 years. All presidents had to

deal with inflation, unstable oil prices, lack of legislative support, corruption scandals, worker strikes, mass mobilizations and unrest caused by unpopular economic reforms.

In 2006, left-wing economist and former Minister of Economy and Finance Rafael Correa won the presidency and assumed it a year

later. Rafael Correa's message was strongly anti-establishment and critical of "neoliberalism", arguing that the 1998 Constitution allowed his predecessors to rule according to the interests of the wealthy elites and international financial organizations. This is why one of the first measures he took after taking office was to begin the process of establishing a Constituent Assembly to draft a new Constitution that suited his needs. In 2008, the draft Constitution was ratified through a referendum. According to Correa, this marked the beginning of a period of "re-establishment" of the country.

The National Secretariat for Planning and Development (SENPLADES), established in 2004 but restructured in 2007, was the government office in charge of guiding political, institutional and industrial policy. Their main goal was to design national development plans for each presidential term and to coordinate the efforts to fulfil its goals. This meant that this approach towards developmentalism was more decentralized than the MITI-oriented Japanese developmental state and more in line with the South Korean proposal. However, the Ecuadorian developmentalist strategy not only relied on the decentralization on the state level, but also in the territorial-administrative one. The three national development plans designed during the Correa administration highlight the importance of coordinating economic and industrial policy with local governments. For example, the 2007-2010 project proposes the establishment of a system of decentralized policy planning that—in the two following development plans—was known as *Sistema Nacional Descentralizado de Planificación Participativa*.

On the other hand, SENPLADES also understood the importance of diversifying Ecuador's export basket. Throughout the three different

developmental plans designed during the Correa administration, SENPLADES emphasized on providing tax incentives to infant industries in the manufacturing, chemical, electronics and agricultural sector<sup>2</sup> (SENPLADES 2007, 2009 & 2013). South Korea and Japan also planned their developmental strategies based on boosting those specific industries; however, both countries usually provided incentives to companies that were already well-established or those that belonged to more mature sectors of each industry. Another difference with Asian developmentalism is that SENPLADES and the Correa administration were concerned with environmental sustainability and protection. For example, the 2009-2013 National Development Plan states that all investment projects had to be assigned a certain level of priority according to four different criteria: job creation, equality among regions, systemic productivity and eco-systemic sustainability (SENPLADES 2009, 407). This is one of the most interesting innovations of the Ecuadorian developmentalist experiment.

Professionalizing the civil service was one of the main goals of the Correa administration, and this was reflected on all three of SENPLADES' development plans. In 1972, through the establishment of the *Instituto de Altos Estudios Nacionales* (IAEN - National Institute of Higher-Education), Ecuador already attempted to professionalize its civil servants. However, SENPLADES recommended creating a national network of civil servants as well as restructuring the IAEN to focus on academic fields like governance, security and development (SENPLADES 2009, 360). This is an example of how diverse and multifaceted SENPLADES was in comparison to MITI and the South

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<sup>2</sup> See pages 61, 406 and 420 of the 2007-2010, 2009-2013 and 2013-2017 National Development Plans respectively.

Korean developmental government agencies. Unlike its Ecuadorian counterpart, both MITI and the Economic Planning Board of South Korea had no powers to enforce policies regarding the professionalization of the civil service.

Finally, SENPLADES did not operate under a flexible political system that helped it enforce its own suggestions. The Correa administration has been widely criticized for its authoritarian nature and for trespassing the limits of its constitutional authority (Polga-Hecimovich 2019, 35). However, this did not mean that he granted SENPLADES an all-powerful mandate like, for example, the Japanese MITI. In 1950, after consulting the most influential conglomerates and companies, the MITI pressured the Japanese Parliament to enact the *Foreign Capital Law*. This law forced foreign investors to be constantly scrutinized by the government as a requisite to invest in Japan; it also suppressed the imports of finished goods that represented a risk to local products but supported lifting the restrictions on importing modern technology. The legislative and judicial branches knew that all MITI-sponsored laws were for the sake of national development, so they generally rallied behind them. In Ecuador, SENPLADES was more like an advisory body for other government ministries and did not have a predominant role in the political system.

### **Analysis and Conclusion**

To summarize, the Asian developmental states and the 2007-2017 Ecuadorian developmentalist project shared certain similarities. The three countries had specific government ministries that controlled economic and industrial policy for the sake of development. However, SENPLADES exerted a more indirect and advisory role than the all-powerful MITI and the decentralized Korean developmental

agencies. The different political systems in the two countries consolidated those differences. Both Japan and Ecuador understood the importance of the professionalization of the civil service as a tool for development, but the main difference is that policy recommendations in this area were also a responsibility of SENPLADES. Tax incentives were tolerated by SENPLADES, MITI and the government of Park Chung-hee alike; nonetheless, socialism and partnering with big business to make public policy is incompatible. Opposite to what happened in post-war Japan and South Korea, the representatives of large corporations did not have a seat at SENPLADES' table and did not have a considerable influence in government decisions.

Based on the main policies of the Japanese and Korean developmental states, it is clear that the Correa administration shared a lot of ideas with the architects of what would become the two most impressive economic miracles in modern history. However, they also had two extremely divergent differences. SENPLADES was the mastermind behind all developmental policies during the Correa administration, but it was nothing more than an advisory body. For example, they stated which industries deserved more foreign investment and tax incentives, but it was up to the central government to decide whether it followed those recommendations or not. In Japan and South Korea, the developmental government agencies had the power to enforce public policy in certain instances. Ideology and past grievances between Rafael Correa and the local economic elites may help explain this difference, but the fact that corporations such as *Toyota*, *Mitsubishi*, *Hyundai* and *Daewoo* worked side by side with their respective national governments to elaborate developmental policies is a key part to understand the dynamics of the Asian developmental state.



In conclusion, was Ecuador a developmental state during the Correa administration? The government was certainly technocratic, development-oriented and had an idea of how to achieve it, but the state and corporations did not live under a state of relative symbiosis as in the case of Japan, South Korea or other Asian countries that also had developmental states like the Republic of China. In other words, just taking in consideration the theoretical side of the Ecuadorian developmental project does not guarantee there is enough evidence to sustain the claim that Ecuador had an Asian-style developmental state. However, SENPLADES and the Correa administration proposed a new perspective on how economic and industrial development had to be carried out.

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