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Introduction: social policy and economic development in late industrializers

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This Supplement in the *International Journal of Social Welfare* presents the main findings of a United Nations Research Institute for Social Development research project on social policy in late industrializers, covering countries in East Asia, Latin America, Middle East and North Africa (MENA), and sub-Saharan Africa, as well as the Nordic countries. One of the findings from the research is that social policy has been used as an integral part of economic development in successful late-industrializing countries. In the MENA region and sub-Saharan Africa, however, social policy was tried for too short a period to be properly implemented and tested. East Asian and Latin American countries started with a narrow-based social policy, but social policy in East Asia was extended to foster social solidarity, bringing people into the mainstream of social change. Such findings suggest that social policy is multifunctional, not only in terms of social protection but also economic development and democratic governance.

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Rethinking social policy in a development context

Social policy aims to protect citizens from social contingencies, poverty, and illness so that they can strive for their own life goals. Social policy is systematic public intervetion to produce desired social outcomes (Fitzpatrick, 2006; Mkandawire, 2004; Ringen, 1987). By this definition, the first-order goal of social policy is protection. The second-order goal is to enhance social justice. Redistribution, which takes place when social policy provides benefits to those in need, enhances social justice since the transfer of assistance – such as income transfer to the poor or healthcare to the ill – takes place from the better-off to the poor and other vulnerable people in society.

But social policy has more functions than just the intrinsic goals of protection and social justice (Mkandawire, 2004). Social policy has been used as a nation-building measure in some countries, whereas in other countries it has been used to strengthen national security by supporting young people so as to produce strong soldiers to defend the nation. Can social policy, then, be conducive to economic development in the developing

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countries? The United Nations Research Institute for Social Development (UNRISD)[1] research project on Social Policy in the Late Industrializers aimed to answer this question through several comparative studies focusing on the five different groups of late-industrializing countries. (For more information on the project, see www.unrisd.org/research/socialpolicy.) The intention of this Supplement is to present a bird's-eye view of the main findings of each comparative study. This introduction draws out the findings of the project and discusses theoretical implications in relation to economic development and social policy from a development perspective. It also reflects on policy implications for social protection and economic advancement for developing countries. The following chapters present findings and implications more specific to the regions under study.

These studies cover East Asia, Latin America, Middle East and North Africa, and sub-Saharan Africa. This extraordinarily large comparative study of social policy undertaken in the development context includes successful late industrializers, such as the Asian tigers in East Asia, as well as some sub-Saharan African countries that have not been able to make significant progress. This contrast will provide an opportunity to examine the main question posed by the project: how is social policy related to economic development?

The inclusion of the Nordic region in a series of comparative studies of this nature was innovative. The idea of bringing Nordic experience into this research was based on the contention that these countries were also late industrializers in the European context, and that an examination of social policy in the region would have useful implications for other current late industrializers. This assumption had not been taken seriously in development studies. Mkandawire (2005) points out that the 'Chinese Wall' (*Jangsung*) that separates development studies and the study of the welfare state has so far prevented them from learning from each other. The series is an effort to bring the mainstream development studies and social policy research together in order to create synergy.

All too often in the literature of economic development social protection has been seen as a trade-off with economic efficiency (Okun, 1975). At the micro level, income support for the poor will, it has been argued, lead to disincentives to work, while spending on social protection will undermine the capacity of economic development at the macro level. This assumption has been seriously contested over the last decades, and there has been a sea change in the thinking on social policy. In many developed countries, social policy is increasingly regarded as a tool of social investment, as Kangas and Palme show in their article on the Nordic region in this volume. New economic and social strategies, such as the Lisbon strategy, have been adapted in order to increase social investment and efficiency (Clasen & Clegg, 2006).

In the context of developing countries, rethinking the relationship between social and economic development has emerged, but at a hefty cost. In the 1970s and 1980s, structural adjustment programs were carried out on the premise that state intervention in social protection would undermine a country's potential for economic development. Public programs for social protection and education were reduced to minimal levels in many sub-Saharan African countries, as Adésínà's article in this issue explains. In the process, the public institutional structure that would deliver social policies was left undeveloped, and state capability in general declined. As a result, the poor and vulnerable people in many developing countries had to endure hardship (Cornia, Jolly, & Stewart, 1987), and the anticipated economic growth did not occur (Mkandawire, 2001).

Reflecting on such historical experience, policy makers at the national and international levels seem to agree that it is necessary to rethink the relationship between social policy

[1] United Nations Research Institute for Social Development (UNRISD) is an autonomous UN agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. It was founded in 1963.

and economic development. The Copenhagen World Summit for Social Development (1995) and the Millennium Development Declaration (2000) are clear signs of change. Such a rethink should not, however, be carried out in a purely analytical space, but in the historical settings of the policy regimes in which economic and social policies are framed and implemented. For the policy nexus of economic and social policies varies according to its policy regimes. Hall and Soskice's work on *Varieties of Capitalism* emphasizes this point very clearly, contrasting the liberal market economies with coordinated market economies (Hall & Soskice, 2001). Firms coordinate their activities differently depending on the type of market in which they operate. In the liberal market economies, firms interact with each other in the medium of competition, while in the coordinated market economies, firms coordinate their activities with other firms in the market in order to maintain their competitiveness (Hall & Soskice, 2001).

In his studies of social policy, Esping-Andersen has pointed out that there are three different welfare regimes in capitalist economies: social democratic, conservative, and liberal (Esping-Andersen, 1990). Three main components of these regimes – family, market, and the welfare state – share welfare responsibilities in different ways according to the type of welfare regime. The political forces which buttress the prevailing order of these regimes are also different: in the liberal welfare regime, it is the political force for free enterprise that maintains the regime; in the social democratic welfare regime, it is the coalition of the social democratic party and working class; and in the conservative regimes, it is those who want order and stability. In short, the political meaning of social policy differs depending on the welfare regime. What the discussions on regimes and varieties of capitalism suggest is that social policies that work in terms of economic development under a particular type of policy regime might not do so in other regimes. In order to bring about synergy with economic growth, the choice of social policy must be compatible with the overall policy regime.

In rethinking the role of social policy in economic development in the context of developing countries, it is also necessary to place social policy in the broader context of policy regimes. How are the welfare regimes related to developing-country economies? What kind of welfare regimes can complement the late-industrializing economies? Mkandawire succinctly sums up the task of such a problématique: to identify developmental trajectories pointing to the state–society nexus that is economically developmental and socially inclusive (Mkandawire, 2004). It is also necessary to look into the political aspect of the policy regime: whether it is sanctioned by democratic decisions or imposed by authoritarian rule.

One of the best ways to tackle these questions is to look into the historical experiences of social policy of late-industrializing countries with varying degrees of achievement in economic and social development. How did some countries take advantage of their social policies in their pursuit of economic development while others failed to do so?

Welfare developmentalism

In fact, welfare developmentalism, which aims to integrate social policy in the broad context of economic and social development, is not a novel idea. One of the pioneers in this strand of thinking is Bismarck, who effectively exploited the multifunctional character of social policy (Rimlinger, 1971). Bismarck's social policy was to meet the needs of industrial workers in order to facilitate industrialization and, at the same time, to undermine political support for the socialist movement in Prussia. Bismarckian social policy was subordinated to economic and political concerns, rather than placing importance on the concept of social right and equity. This form of welfare developmentalism can be described as selective welfare developmentalism; its main characteristics were productivism, selective orientation, and an authoritarian political background (Kwon, 2005).

Nevertheless, this is not the only way of connecting social policy to economic development. There has been another strand of welfare developmentalism, which incorporates social policy in the process of economic development while placing equal importance on social protection. Gunnar Myrdal highlighted the necessity of a unified approach to social and economic planning in developing countries (Midgley, 1995; UNDESA, 1971). More recently, Sen (1999) made it clear that development should be understood in terms of human freedom as well as economic wellbeing. The second form of welfare developmentalism can be characterized as the inclusive form based on productivism, universal social investment, and democratic governance (Kwon, 2005).

If we set this discussion more explicitly in the context of late industrializers, welfare developmentalism is all the more evident. As Gerschenkron (1962) made clear, late industrializers could see the path of industrialization made by the front-running countries and adapt extra policy measures in order to catch up with them in a short period of time. A typical example of the development strategy followed by late industrializers is that of the developmental state. In this case, the state plays a strategic role in economic development with a bureaucracy that is given sufficient scope to take initiatives and operate effectively (Johnson, 1999; Woo-Cumings, 1999). Kwon's article deals with late industrializers in East Asia and shows how social policy has been utilized in the process of rapid economic development in the region. Social policy was part of the overall economic strategy in many countries in East Asia, but only a subordinated aspect, as in Bismarckian thinking.

The East Asian experience demonstrates the (subordinate) integration of social policy into overall economic development, and the dynamic nature of the link between social and economic policies. This link can be captured by the conception of the developmental welfare state. A hypothesis that can be drawn from the conception is that social policy responses to economic risks are dependent on the kind of economic strategy for development pursued by the country (Kwon, 2005). In respect of the Republic of Korea and Taiwan Province of China, the overall strategy for economic growth has been to construct vertically integrated economies that could stand on a par with front-running developed countries. They exported competitive goods produced by manufacturing firms employing industrial workers. Such export-oriented and manufacturing strategies required a mass of well-trained industrial workers who were skilled but prepared to work for low wages. Social policy programs, centered on large-scale companies, were introduced for these workers, leaving the weaker section of the population outside the welfare state. Because of this selectivity, these programs were largely financed by the companies instead of through public expenditure; the state played the role of regulator in such a strategy.

Welfare developmentalism is not, however, a unique phenomenon witnessed only in East Asia. In this issue Riesco contends that social policy was also an integral part of the state-led development process in Latin America. He maintains that the state was the major actor in efforts to modernize the Latin American countries (Riesco, 2007). He also believes that the term "developmental welfare state" is an instructive concept that can capture the nature of the state in Latin America for the best part of the 20th century. The building of the developmental welfare state in Latin American countries started in the wake of the world economic recession in the 1930s, although some countries like Argentina, Mexico, and Uruguay introduced social programs earlier. Public education has been central to the welfare state in Mexico and some other countries since independence. Pension programs for unionized workers and urban residents in Argentina and Uruguay started in the late 19th century, and labor legislation, e.g. on working conditions and child-labor protection, was introduced. The reason these workers were protected by social policy while the majority of the population was excluded was that they worked for state-financed development projects such as railroad construction and mining. Riesco says that the notion of the Latin American developmental welfare state provides an alternative perspective of economic and social development in Latin America to the neoliberal interpretation.

While welfare developmentalism in East Asia and Latin America took the selective form in the process of building the welfare state, the Nordic experience presented the inclusive form of welfare developmentalism. According to Kangas and Palme (2005), Nordic countries also took advantage of social policy programs' potentials for economic development. A good example is the Finnish pension program. Compared with the other Nordic countries, Finland was a late industrializer in terms of economic development, and it needed to catch up with its neighbors. This meant building national infrastructure for economic development, for which it was hard to obtain the necessary capital. One of its options to mobilize capital was a public pension fund. In the 1950s, Finland used the national pension program fund for infrastructure, building power stations, and establishing a national electronic network. In Sweden in the post-war period, the public pension fund financed the housing program for the newly growing urban population.

After independence in the 1950s and 1960s, many countries in sub-Saharan Africa also adopted policies that could be interpreted as pursuing welfare developmentalism. This period coincided roughly with the UN's first Development Decade, which emphasized the integration of the social and economic aspects of development. As Adésínà, in this issue, illustrates, the economic performance of many sub-Saharan countries was better in the 1960s than in the 1980s, when they were forced to adopt structural adjustment programs. Why was welfare developmentalism in sub-Saharan African so short-lived and why did it not result in sustained economic development? Why did welfare developmentalism give way to neoliberalism, which separated social policy from economic policy? These questions are also relevant in the Latin American context. If social policy was, as Riesco (2007) argues, an integral part of economic development in post-war Latin America, why then did late industrializers in Latin America resort to neoliberalism in the 1980s?

The developmental state and social solidarity

The essential feature of welfare developmentalism, notwithstanding its different forms, is a strategic policy choice which aims to utilize social policy's potential for economic development. This is different from the characteristics of social policy described by the logic of industrialization. For example, one of the theorists of this school, Wilensky (1975), sees economic growth and demographic transition as the cause of the development of the welfare state. In other words, social policy is a spontaneous and natural response to industrialization, which brings about new social risks to society. According to another strand of thinking, social policy is a choice made with strategic intention from the perspective of welfare developmentalism. Hort and Kuhnle (2000) argue that countries adopting welfare developmentalism tend to introduce social policy earlier than other countries in the timeframe of industrialization. For example, they show that East Asian countries introduced social policy, such as industrial accident insurance, long before they reached the level of industrialization at which European countries had introduced such programs.

The key is not, however, the timing itself but the strategic policy choice. In this policy logic, the essential actor is the developmental state. The policy makers of the developmental state prioritize economic development and introduce social policy as an instrument to achieve the overall economic aims. As a policy outcome, the developmental welfare tends to be selective rather than inclusive in its coverage for social protection. In the Nordic region, the state bureaucracy played a strategic role in the implementation of economic and social policy programs. In contrast to East Asia and Latin America, the developmental state in the Nordic experience could pursue broad-based rather than exclusive social policy: the class coalition between social democratic and agrarian parties produced a welfare state which was conducive to economic development while maintaining its inclusive nature (Kangas & Palme, 2005).

A more typical example of the developmental state and its social policy output can be found in the East Asian and Latin American experiences. For example, the Park Chung Hee government in the Republic of Korea and the Vargas government in Brazil share several characteristics of the developmental state. The state bureaucracy played a key role in planning and implementing the industrialization plan. It started to establish the welfare state as a part of an industrialization project. Originally, the welfare states in Korea and Brazil were like a selective form of the developmental welfare state. The ensuing experiences, however, diverged. Despite the political ups and downs, the developmental state in Korea was successful in industrializing with the selective form of the developmental welfare state, while its Brazilian counterpart experienced both partial success and failure. According to Kohli (2004), Brazil's import-substitution industrialization was dependent on foreign capital; this made the country vulnerable to external economic fluctuations, while Korea moved successfully from import-substitution to export-oriented industrialization.

It is important to note that there was also an increasing gap between Korea and Brazil in terms of social development. With similar developmental welfare states, the two countries showed different outcomes of social development. It is worth pointing out that there was an initial difference in income inequality between the two countries (Rodrik, 1995). It is true that Korea carried out land reform after independence in 1945, which created smallholding farmers and led to the collapse of the landowning class. Nevertheless, the agricultural sector was not the engine of economic development in the following period in Korea; increased productivity of the agricultural sector was not high enough to account for the country's economic growth. The impact of the land reform was, first, to undermine the old social order and create opportunities for social mobility for the majority of people. Poor peasant families were able to send their children to schools, and young people went to cities to find new jobs. They were able not only to play an important part in industrialization by supplying labor, but also to enter the mainstream of social change. Second, the developmental state, particularly under the leadership of Park Chung Hee, was able to exercise autonomy in policy because of the absence of powerful social classes with vested interests, such as landlords and big business. Instead, the developmental state was the creator and sponsor of big business through the allocation of business opportunities, often with monopoly status, and cheaper credit. In this context the state was able to forge a developmental relationship with domestic big business.

In order to take advantage of the large pool of hard-working people, the developmental state in Korea placed a strong emphasis on public education and skill training. In particular, vocational schools established in the 1960s at the secondary level were intended to produce skilled workers (Yi & Lee, 2004). From the 1970s, the Korean government started a new training drive and strongly encouraged large companies to establish in-plant training in order to meet the demand for skilled manpower as the government began to build chemical and other heavy industries as a new vehicle of industrialization. This human development policy not only took care of the labor demand of growing industries, but also maintained income inequality at a low level despite rapid economic growth in the 1970s and 1980s.

By contrast, the developmental state in Latin America, and Brazil in particular, was surrounded by vested social interests, such as the landowning class and multinational companies, and was not able to push through significant social reforms such as land reform, even if there had been a political will. The social mobility brought about by industrialization in Brazil was limited since it was narrowly based, tapping resources from only a small part of the population. The vast majority of people did not have the opportunity to participate in social change, which resulted in the extreme inequality in the society (Kohli, 2004). As Draibe (2007) shows, the developmental welfare state served the social need of the newly emerged industrial class but its social base remained very narrow. In short, the sluggish development of Brazil in the 1970s and 1980s was not because of the populist social policy, but because the developmental welfare state had such a narrow social base that it could not help the Brazilian economy withstand fluctuations of the world economy. The developmental welfare state, however, produced a new class of state bureaucrats and professionals who turned their back on developmentalism and resorted to the neoliberal paradigm.

The characteristics of social policy in the Middle East and North Africa present a clear contrast to those within the developmental welfare state. Social spending on education and health in the MENA countries has been higher than in other countries with a similar level of income (Karshenas & Moghadam, 2005). Nevertheless, social policy has not been effectively exploited as a policy instrument for economic development in this region. Instead, social policy has been used as a political measure to secure political support for the ruling regime. For this reason, the patriarchal relationship of power was the main rationale of the welfare state, rather than either welfare developmentalism or social citizenship. The main beneficiaries of social policy were state employees and a small section of urban residents who were critical of the political elite's hold on power. Although education was emphasized, it was never effectively connected to human resource management within the overall economic development plan in most MENA countries, with the notable exception of Tunisia (Romdhane, 2006).

In fact, however, some of the MENA countries had tried various kinds of state-led economic development while seeking to integrate social policy into the process, but they were not able to sustain such strategies long enough for them to bear results. For example, the Egyptian government, led by Gamal Abdel Nasser, launched a social and economic development strategy in the name of the Socialist Charter (*Al-Mithag*) in the early 1960s. Healthcare, universal education, and housing programs were introduced, and a professional class was created through university education in order to spearhead the development process (Bayat, 2006). Egypt could not maintain this economic and social development policy because of slumped economic growth and the war with Israel in the late 1960s. The subsequent government, led by Anwar Sadat, resorted to the private sector and foreign investment for economic development. Social policy programs deteriorated while private welfare services in education, healthcare, and housing catered to the high-income class. President Hosni Mubarak's government implemented structural adjustment programs to control public finance but could not cut social subsidies, such as subsidies for food, because of a fear of social unrest.

In the development experience of sub-Saharan Africa, the role of the state in economic and social development presents an oscillating trajectory over the last four decades. The role of the state in the development process in many countries in the region has been kept to the minimum since the 1980s, when structural adjustment policies were implemented. Further, as Adésínà points out (2007), the capacity of the administration disintegrated after the many years of structural adjustment. The rationale for structural adjustment was based on the neoliberal theory of economic development, which saw market-driven economic development as the best policy for sub-Saharan Africa. As has been clear, however, sub-Saharan African countries' economic performance during the

1980s and 1990s did not improve – in fact, it even worsened – compared with the preceding period.

Social development in sub-Saharan Africa in the post-independence period up to the beginning of the 1980s was comparable to other developing nations. In respect to economic growth in the 1970s, sub-Saharan African countries such as Botswana, Cote d'Ivoire, and Gabon were among the well-performing developing countries, on a par with East Asian countries such as Malaysia, the Republic of Korea, and Singapore (Mkandawire, 2001). Some African countries could be qualified as developmental states in terms of economic and social development. It is also true that other countries failed to pursue economic and social development effectively during this period. Some political leaders were more keen on personal and ethnic gains than on national development, while an efficient bureaucratic system, which would have played a pivotal role in economic development, failed to emerge. The state was increasingly seen as one of the major obstacles to development and was described in a derogatory manner: as a rentier, predatory, or patrimonial state (Kohli, 2004).

Here, however, it is necessary to put the disappointing performance of African states in a comparative perspective. First, it would be unrealistic to expect states in post-colonial societies to perform as impressively as the developmental states in East Asia in the 1970s and 1980s. Indeed, Korea and Taiwan were not like typical developmental states in the immediate post-colonial period in the 1940s and 1950s. They were accused of corruption and inefficiency earlier in the post-colonial period, but by setting a clear development goal and mobilizing political support, the state began to function effectively. There was, however, a clear difference worth noting between East Asia and sub-Saharan Africa: the bureaucratic structure and personnel to operate it were already in place – albeit somewhat inadequate – in East Asia, while African countries needed to build it almost from scratch. The earlier national projects in some sub-Saharan African countries were aimed at strengthening the institutional and human-resource requirements to launch development projects (Chachage, 2007). The states in the sub-Saharan African region also differed in the performance of economic development in the post-colonial period. As Mkandawire noted (2001), some countries such as Botswana and Cote d'Ivoire did well while others did not. Because of this diversity in strategy and performance, it would be inaccurate to say that the developmental state in sub-Saharan Africa was not viable.

The 1980s, however, witnessed a massive implementation of structural adjustment in sub-Saharan Africa without taking into account differences among the sub-Saharan countries. Instead of building the public administrative system for economic and social development, structural adjustment reduced the role of the state in economic development, arguing that the market would bring about economic growth. In the area of social protection, social policy was allowed to play only a residual role, leaving basic human needs to be met by the market. As already pointed out, such policy orientation broke down state capacity to deliver public policy for economic development, which meant that the poor and vulnerable were left without social protection.

Toward a social policy that is developmental and inclusive?

The findings of this comparative research indicate that the developmental state strategy has been tried in most late-industrializing countries, although with varying degrees of success. In the MENA region and sub-Saharan Africa, it was tried for such a short period that the outcome is unclear. To implement a development strategy effectively, it is necessary to build an effective administrative capability and institutional framework. In the other regions such as the Nordic countries, Latin America, and East Asia, the countries with a strong state capacity had a successful developmental state strategy. In most cases, social policy was used as a policy instrument for the overall strategy of economic development, which resulted in the developmental welfare state. At the initial stage, most developmental welfare states, including the Nordic ones, were selective in terms of coverage because of the emphasis on economic development.

In contrast to the Nordic countries, where social policy soon became couched in universalism and democratic governance, East Asian and Latin American countries maintained the selective nature of the developmental state during the industrialization period. Nevertheless, there was a clear difference between them. In Korea and Taiwan, a structure of social equality was conducive to social solidarity, while Latin American countries such as Brazil and Argentina had a solid structure of social exclusion. Furthermore, social policy in East Asia aspired to universalism, which was useful in bringing people into the mainstream of social change through education and training.

It is true that one cannot explain economic success and failure in the late-industrializing countries only through social policy and its impact on economic development. Nevertheless, it is fair to say that taking advantage of the instrumental nature of social policy in economic development, while enhancing social solidarity by providing social protection and making economic development more broad-based, is certainly one of the important factors to incorporate in the development strategy: the developmental welfare state aiming toward social inclusion.

What has also clearly emerged from the studies in the project on Social Policy in the Late Industrializers is that policy orientation in many late industrializers has begun to point toward such a strategy: the social nexus in which social policy plays a role that is economically developmental and social inclusive. '**Jimí Adésínà** (South Africa), in his contribution to this Supplement, describes how in sub-Saharan Africa the idea of the state playing a pivotal role in development is gaining political support among policy makers at regional and international levels. Regional agencies have tried to mobilize resources to achieve the Millennium Development Goals. The World Bank and International Monetary Fund have also emphasized poverty reduction for some time. Nevertheless, social policy remains a residual response to social contingencies within the policy paradigm of the international financial institutions (IFIs). According to this paradigm, targeting is the rationale of poverty reduction, although the role of the state remains minimal. However, targeting without the necessary administrative capacity seems to be self-defeating. This indicates that the sub-Saharan countries and the IFIs have not yet come up with a policy strategy that can integrate social policy. The studies in this project argue that state administrative capacity should be strengthened and that the policy autonomy of the governments in the region should be respected. Development strategies that would guide the development process in sub-Saharan Africa should come from the governments in the region rather than from outside.

Welfare reform in East Asia after the Asian economic crisis of 1997–1998 was a clear contrast, as **Huck-ju Kwon** (Republic of Korea) describes in this Supplement. The latent weaknesses of the developmental welfare state (based on a narrowly growth-focused state system combined with a heavy reliance on family or informal support networks) were painfully exposed during the economic crisis. A fall in output and incomes was accompanied by massive job losses and bankruptcies, a sharp rise in open unemployment and underemployment, falling wages and rising prices of essential goods and services. All these factors severely affected people's livelihoods, and especially the lives of the poor, with poverty rates increasing across the region. In the wake of the crisis, East Asian countries have subsequently strengthened their welfare states and expanded their social protection interventions. It was also, particularly in Korea and Taiwan, a response to labor market reform, which made job security more precarious.[2] In this respect, strengthening the welfare state does not necessarily mean more economic security.

In Latin America, another tectonic change is taking place, which **Manuel Riesco** (Chile) discusses in his article. A new developmental strategy which recognizes social policy as a central tenet of economic development has emerged since the turn of the millennium. Such change has coincided with political transitions in many Latin American countries. Also in this Supplement, Riesco (Chile) maintains that the renewed emphasis on social policy is not a return to the old developmental strategy. Rather, it reflects the successive experiences of economic strategies: developmentalism and neoliberal orientation. As a result, Latin America is witnessing a new developmental welfare state, which makes an alliance with private business while the state plays a pivotal role in economic and social development.

Turning to the MENA region and the article by **Massoud Karshenas** (UK) and **Valentine M. Moghadam** (USA), political leadership in the secular MENA countries has come to recognize the necessity to reform the welfare state so that it can be more inclusive and cover the wider population. Some civil society organizations play active roles in delivering social services to areas where the state has neglected its responsibilities, while others call for more state action for social protection. It is particularly worth noting that, given the popular disenchantment with the secular political leadership in the wake of the war in Iraq, many Islamist civil society organizations have gained political support through their roles in social provisioning to the weak sections of society. Securing social protection has become an increasingly important litmus test for state legitimacy.

The recent strong economic performance in the Nordic countries clearly shows the weakness of the argument that the welfare state would be an obstacle to sustained economic growth in the globalizing world. On the contrary, the Nordic countries, with their comprehensive welfare states, have maintained their economic competitiveness, as the article by **Olli Kangas** (Finland) and **Joakim Palme** (Sweden) shows. In the light of East Asian welfare reform, political changes in Latin American, and the Nordic experience, we may reject the hypothesis that globalization would render social policy less significant (Ohmae, 1995). The concept of social rights has slowly but surely been institutionalized in many late-industrializing countries. For these countries, the state needs to play a strategic role not only to facilitate economic and social development, but also to weather social challenges arising from intense global competition and to provide social protection to the victims of globalization.

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[2] It is worth noting, however, that other East Asian countries responded differently to the economic crisis in terms of welfare reforms, although they all tried to maintain the developmental credentials of the welfare states. Singapore and Hong Kong maintained the basic structure of the welfare state.

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