

BEHIND THE MYTH OF THE NATIONAL BOURGEOISIE: A COMPARATIVE ANALYSIS OF THE DEVELOPMENTALIST STATE IN BRAZIL AND SOUTH KOREA

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Introduction

Developmentalism emerges as a well-theorized post-World War II strategy and political project, becoming common sense among most of the world's political elites. The model is based on coordinating business activities as a means of accelerating progress through elements such as subsidies, protection, state entrepreneurship, and cost socialization. However, these factors do not necessarily promote industrialization, as they require some degree of state capacity, besides being influenced by the geopolitical context of each country. Still, after the Great Depression, there was consensus on the importance of state intervention. The capitalist classes saw an opportunity for state protection and aid that needed economic policy coordination.

Keynesianism emerges in this context, encouraging non-automatic fiscal and monetary policies, with more power to policy makers and state administrators. It is the result of a coalition of economic interests and, thus, of a change in power relations. The process of import substitution and rapid industrialization stem from a common project of coalition between political elites, public administrators, and national capitalists that made up the power

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bloc of the technocratic elite and the industrialists. In the geopolitical context of the Cold War, the developmental state served the dual purpose of allowing the establishment of a national industrial complex and favoring the accumulation of power amidst the scenario of increasing systemic pressure (Medeiros 2011).

The problem in building the developmental state was in the resistance of the national bourgeoisie. This is a naturally complicated and contradictory relationship. The bourgeoisie supports the state when it receives subsidies, but criticizes it when the same state seeks to go further in terms of planning and control policies. For this reason, it is a faltering ally of a development trajectory, as its interests are limited to protection and the highest possible rate of profit.

As anticipated by mentioning the example above, this research assumes the hypothesis that developmental processes occur under the circumstances of the hegemonic project. I make use of this method to study the cases of Brazil and South Korea. Since the 1990s, many analysts have sought to respond to differences in development trajectories between the two countries by pointing to South Korea as an example of success. However, the success of the South Korean model could never be a viable alternative to Brazil, since its unique constitution in the relationship between state and bourgeoisie, due to unique geopolitical and historical factors, does not find similarities with the Brazilian context.

In South Korea, for example, the coalition between the military, technocratic and private sectors had always been more cohesive and homogeneous than in Brazil (Medeiros 1997; 2011; Kohli 2004). In the Asian country, the outward-oriented industrialization model worked because it was inserted into the Asian subcontracting network, nucleated by Japan, in the context of the triad with the United States, and took advantage of geopolitical conditions that led to a more natural regime of incentive and intervention than Brazil. In the imports substitution model, industrialization is not inefficient, but doesn't complete itself, since more planning is needed, which is hindered by the lack of support for a more articulated industry. There is, thus, a rejection to industrial planning, which needs the state's capacity to induce private sector responses, which is more artificial in a resource-rich country. In Brazil, as well as in almost all of Latin America, the limits of this process were due to the success of the developmentalist model, and not to its failure. The developmentalist state falls apart due to its own national business community, which detaches itself from the project and seeks a reconfiguration of alliances, establishing the neoliberal paradigm. The evolution of the industrializing model requires greater coordination and discretion of state intervention, whose

planning and discipline practices go against the interests of the bourgeois class. In this sense, the Brazilian bourgeoisie has never constituted itself as an autonomous, national and intrinsic ally to the developmentalist project, since its interests oscillate between dependence on the state and dependence on global economic and financial centers.

Being a highly industrialized economy focused on international trade, the South Korean case stood out as a formula for overcoming the backwardness of developing countries. However, there is a need for analysis that point to the specificities of the developmental state in South Korea, whose interventionist action was decisive to leverage the country's industrial production in line with domestic business groups, as well as the geopolitical context conducive to outward-looking industrialization. The Brazilian process, in turn, due to the richness of natural resources and the large domestic market, brought a more artificial induction of the state in industrialization, whose policy assumes an element of coercion, induction and control.

This research, therefore, seeks to analyze the specific dimensions of each case, highlighting the role of the state and its relationship with the internal bourgeoisie in the construction of an industrial policy. The trajectories of rise and decline of the Brazilian and South Korean developmental state will be analyzed, including the current crisis of political power reconfiguration that both countries are going through.

Development, industrialization and power relations in Brazil: a historic outlook

This research starts from the hypothesis that the Brazilian capitalist class is defined by its contradiction, which is often translated by being nationalist, but when feels threatened, resorts to the dependence associated with the external elites. In this sense, Bresser-Pereira (2015) classifies the Brazilian internal bourgeoisie from its ambiguous national-dependent character. However, the author states that despite its contradictory characteristic, this bourgeoisie was fundamental to the establishment of the developmental pact that promoted the industrialization of Brazil. Tavares (1999), in turn, analyzes the rise of industrial production in the country as an essentially state project, combined with external capital. In this perspective, national capital would be the "weak leg" of this tripod, given its intrinsically doubly associated formation (to the state and to the external capital). Contrary to Bresser-Pereira's thinking, for Tavares, the Brazilian bourgeoisie could never achieve the status of autonomous bourgeoisie.

The difficulty in consolidating an effectively autonomous bourgeoisie has its origins in the Independence process. Brazil's imperial elite was basically an elite made up of landlords and in large part by senior bureaucrats, with strong ties of cultural subordination to France and England (Bresser-Pereira 2015). For Raymundo Faoro (1975), the Independence marks a change in the nature of power in Brazil, because to the power of the landlords and the great merchants has since then been added the power of a patrimonialist bureaucracy. These transformations impact the external insertion of Brazil.

The national elites were therefore efficient in consolidating the territorial integration of the country, but failed to constitute a true nation-state, as there was no idea of nationality. "If the Brazilian integrity was successful, it was rather by its own conservative sense - expressed in the interests of the elites to perpetuate strongly rooted social, ethnic and racial hierarchies - rather than the consolidation of a sense of national identity" (Silva 2006: 411). The colonial inferiority complex that marks the essence of our elites since Independence, therefore, can be verified from two interrelated traits: the desire to "be European", that is, not to identify themselves as Brazilian citizens responsible and belonging to the development of the country; associated with the fact that there was no anti-imperialist sentiment in these elites, which is often part of the process of building late-developing nations. Thus, the main mark that has accompanied national economic elites since its oligarchic and dependent formation is that "these elites did not realize that industrial or modern imperialism limited the development of the country, among other reasons, because it persuaded them not to pursue industrialization". (Bresser-Pereira 2015: 63).

In the view proposed in this research, the result of this process was soon verified from the unconditioned association with the hegemonic power of the time. The "diplomacy of the treaties" in this sense demonstrates how the politics of recognition at all costs added to the lack of resistance of the national elites, who for the most part was in favor of the partnership with England, for predominantly ideological reasons. Moreover, the maintenance of rivalries with neighboring countries itself is part of this process. Although it is mostly inherited from the colonial situation, this non-Latin American feeling that marks the formation of Brazilian elites, which, therefore, do not militate for a closer approach that could lead to economic and commercial benefits, contributes to this remoteness.

From the Proclamation of the Republic onwards there is the strengthening of regional oligarchies, as well as the nascent immigrant bourgeoisie, which will later be responsible for the industrial formation of Brazil in association with foreign capital and the coffee complex (Mamigonian 1976; Bress-

er-Pereira 2015). Moreover, “the eagerness to match the liberal political-economic ideals of the English ruling power with a peripheral and late version of the Enlightenment of the French and American Revolutions led us to a proclaimed republic without political or bourgeois revolution” (Tavares 1999: 451). The Old Republic model, in this sense, maintains the conduct of the imperial period, which Bresser-Pereira (2015) defines as the “State Cycle and Territorial Integration” (1822-1930), led by the Oligarchic Pact.

The arrival of Vargas in power in 1930 represents the consolidation of the pact between national economic elites and political power. The Bourgeois Capitalist Revolution in Brazil was thus only possible due to the association between national elites and the patrimonialist bureaucracy, urban workers and the traditional oligarchy (Fernandes 1975). The effects of the international economic crisis since 1929 resulted in the accountability of state power as regulator of the economy; this phenomenon is observed in almost every region of the globe. The decline in world trade in the interwar period, marked by the 1929 crisis, markedly reduced the import capacity of agro-exporting countries. According to Tavares (1975), in addition to the exported quantum, the price obtained by exports, and the price paid for the imports made, there is the concept of external bottlenecks, that is, the demand for imports grows more than the capacity to import. The deterioration of the terms of trade led to the need to gradually replace imports with domestic production. Consequently, internally, the Brazilian elites take a new orientation, defending the state as agent for the organization of the economy and society. It is not possible, however, to say that from 1930 there was a transformation in the ideological vision of the national economic elites, but that there was in fact a significant increase in the pragmatism that began to drive the actions of this bourgeoisie. In this sense, the association with the state to consolidate capitalism in Brazil had a predominantly utilitarian bias, in view of the inauguration of a state policy to support industrialization and simultaneously support the maintenance of the coffee oligarchy in crisis. According to Fiori (1995: 127):

In such a way the so far predominantly agrarian and conservative elites positioned themselves in favor of a public policy that is less and less in line with the liberal desideratu and ever closer to what, later in the 1950s, would take the form of the so-called developmental project. It was this new thought that Bolivar Lamounier (1977) called the *ideology of state*, responsible for the legitimation of the agro-export defense policy in the face of the international crisis of 1929, whose industrializing effects cannot yet be considered as the result of intentional developmental action.

This process did not occur as a natural evolution of the capitalist development of these nations, but rather as a deliberate action on the part of the state apparatus to promote public policies that acted countercyclically against the economic conjuncture. This phenomenon of diversification of the national productive apparatus occurred predominantly in the last stages of production, through activities that produce durable consumer goods. That is, internalized production still required import capacity, but now with a new profile: parts, raw materials and components.

The incentive to national production by the Brazilian state occurred through the adoption of exchange control policies and the increase of customs tariffs, making imports more expensive. The fact that a certain accumulation of industrial structure and an expanding domestic market already existed also contributed. According to Furtado (1997), the first measure involving the adoption of the import substitution model was the purchase and burning of coffee stocks by the government, which allowed the maintenance of the farmers' income and the level of domestic demand. The use of idle capacity of some industries was stimulated, starting a more autonomous process of industrialization. In addition, Vargas needed the support of the oligarchic class to carry out a new domination pact to redirect the productive bases of the national economy (Cervo and Bueno 2011).

Throughout the Kubitschek government (1956-1961), the import substitution process was consolidated in Brazil, strengthening the policies inaugurated in the Vargas period. "By the early 1950s ideological and institutional conditions were ripe for the state to take on the ideology of industrializing developmentalism" (Fiori 1995: 128). It is from then on that foreign capital starts to play a decisive role for Brazilian industry, which makes room for association with national private capital (especially in technological-productive complementarity), which gradually moves away from dependence on the state.

The Independent Foreign Policy (PEI), launched by the governments of Jânio Quadros (1961) and João Goulart (1961-1964), sought through the diversification of external partnerships the support to overcome Brazilian underdevelopment. However, during this period, there is a crisis in the developmentalist pact, especially due to the decline of the import substitution model, as well as the consolidation of the industrial policy. Regarding this last point, it is noteworthy that the approval of the Tariff Law in 1958 caused structural changes in the Brazilian policy, seen that previously the protection of the national industry was performed through administrative instruments.

With the passing of the law, however, nationalism achieved a great victo-

ry. Protection of national industry was no longer eventual and provisional. Now a law, not a simple administrative act, ensured Brazilian industrial development. However, as this victory was achieved, as industrial entrepreneurs became confident of their acquired positions, the greater motivation behind their nationalism was lost, at least nationalism as they understood it. (Bresser-Pereira 2015: 170).

The Military Coup, therefore, was supported by national elites who no longer depended on government policies for their own preservation, especially the industrial bourgeoisie, since industrializing ideology had become predominant in national thought. Afraid of the social reforms proposed by João Goulart, this class faction joins its former opponents - the rural exporting oligarchy, the high commerce and foreign companies - in supporting the military for the overthrow of the democratic government. "The untouchability of the land structure was part of the agreement that vetoed any type of land reform in Brazil and enthroned the protection of agrarian-mercantile interests as a condition of the industrializing pact" (Fiori 1995: 134). It can be perceived, thus, the essentially utilitarian and dependent character of the Brazilian elites, which are sometimes associated with the state and sometimes with foreign capital, though never constituting an autonomous bourgeoisie capable of conducting national development.

In particular, since the Medici government (1969-1974), the association between the patrimonial bureaucracy and the national bourgeoisie is resumed. The difference from the Vargas period is that, in the civil-military dictatorship, workers and the poorer population are excluded from the development process, in which the "civil" part that supports the regime is constituted by national economic elites. The "Brazil Great Power Project" and later the II National Development Plan (PND) are part of a process of great economic growth in the country; however, it was accompanied by an increase in social and income inequalities, as well as dependence on external financing. During this period, this autonomist foreign policy no longer frightened national elites, given the weakening of the international communist movement, the stabilization of the Cold War, and the growing gains of the bourgeoisie from Brazilian external partnerships, especially the large national contractors (Campos 2015).

The support of national economic elites to the military regime was therefore an essential element for the stability of the regime. However, since 1977, in the midst of the economic crisis with the release of the April Package³, the authoritarian-modernizing alliance between the military regime and,

3 The April Package consisted of economic tightening measures. In addition, among other

especially, the industrial bourgeoisie began to break down. Hence, a new cycle that would culminate in the “Diretas Já” campaign and democratic transition begins. In addition, international pressures for the end of the military regime emerge, especially due to human rights violations. The United States leads this selective pressure, using international backing to weaken Brazil’s developmental and nationalist policies as a newly industrialized middle power (Sennes 2003).

According to Bresser-Pereira (2015), this new “Popular- Democratic” pact interested all classes except the speculative mercantile bourgeoisie “formed by the old agrarian-mercantile bourgeoisie and the new great bourgeoisie directly dependent on state orders and subsidies, remained authoritarian, along with the small civil and military technobureaucracy in power and minority fractions of all classes ”(Bresser-Pereira 2015: 242). Especially for the economic elites, detachment from the military dictatorship was essential to their new project of power, as they identified that it could only be effective within the framework of a democratic regime. Thus, a new “consensus” emerged in the Brazilian society, based on the maintenance of capitalism, the reduction of economic inequality and the resumption of development. The Citizen Constitution of 1988 is a symbol of this process.

The effects of the successive oil crises (1973 and 1979) and the rise in interest rates in the United States compromised the resumption of development and the reduction of inequalities in Brazil. The Brazilian banking elite, associated and dependent, was not held responsible for the process. From the late 1970s, therefore, the imports substitution model begins to find its limits. The attempts to establish a process of export substitution, seeking greater competitive insertion in the international trade, are interrupted by the advent of neoliberal policies imposed by the hegemonic international financial centers (Silva 2004). With the end of the Cold War, neoliberalism is implemented in Brazil, and more than in any other region of the globe, the Washington Consensus guidelines are very orthodoxly absorbed in Latin American countries. Thus, the neoliberal or “normal⁴” paradigm is marked by the diminishing role of the state, deregulation, loss of universalization and privatization, with profound impacts on national economies to date. The double crisis - high inflation and foreign debt - culminated in successive plans aimed at stabilizing

measures, it restricted congressional action and instituted bionic senators, chosen directly by the government and who would occupy a third of congressional seats.

4 “We want to be normal ”, said Domingo Cavallo, Minister of Foreign Affairs of Argentina’s Menem government, whose “normality” would come from compliance with the instructions to eliminate the entrepreneurial state, to privatize foreign enterprises, and to adapt institutions and legislation in such a way as to produce this new regulatory framework (Cervo 2008: 78).

the country, but without counteracting the financial nature of the crisis. Thus, in the 1980s, the prevailing view was that the crisis had been the result of excessive state intervention in the economy. This perspective was in the context of Ronald Reagan's US-led conservative reaction with the support of Margaret Thatcher's United Kingdom, whose implications were gravely manifested in the peripheral countries and the developmental model (Medeiros 2011).

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From the 1990s onwards, Brazil inaugurates a new policy aligned with the globalizing interests of neoliberalism. Under the 1991 agreement with the International Monetary Fund (IMF), the country was bound by the Washington Consensus, further opened its economy to foreign capital inflows, lost control of the exchange rate, and pursued neoliberal reforms that had until then been considered unthinkable for Brazil. The government of Fernando Henrique Cardoso (1995-2002) had as its main objective the monetary stability of the country, maintaining the neoliberal perspective, through markets, without state interference in the economy. According to Deitos (2012), there is a process of "politicization" of the Brazilian foreign policy from the 1990s, which made room for more direct action by interest groups. A decision-making process common to public policies emerged (subject to the participation of actors, organs and institutions). At the same time, there was a process of "internationalization" of Brazilian foreign policy, due to the need to adapt its mechanisms (especially commercial ones) to the norms of international institutions. In this sense, globalization dilutes the distinction between decisions at the internal or external level as to the effects they generate on interest groups and national elites.

National economic elites, especially industrial and corporate, were severely hampered by this political reorientation. However, it is noteworthy that most of them did not oppose neoliberal displacement due to the ideological belief that they were part of a globalist international movement that would lead to equitable development between nations through markets without state interference in the economy.

When elected in 2002, Lula da Silva launches the Letter to the Brazilian People in response to the fear of foreign investors and the hegemonic

internal bourgeoisie, stating that he would maintain the objectives of the macroeconomic tripod launched from the neoliberal prescription in the Cardoso government (1995-2002). Hence, the maintenance of fiscal surplus, floating exchange rate and controlled inflation targets supported the interests of financial capital through high interest rates and appreciated exchange rates, especially in the first term of the Lula administration (Pochmann 2016; Conti 2015). Added to the macroeconomic tripod are the effects of the Brazilian tax system and the tax evasion equivalent to 25% of the country's GDP as central elements for understanding the dynamics of income inequality and hegemony of financial capital in Brazil (Dowbor 2015).

The conjuncture of rising commodity prices together with rising Chinese demand has allowed the Lula government to give incentives to the exporting fraction (mainly the agricultural business, steel and mining sectors) and allowed for high rates of economic growth despite fiscal austerity measures (Bastos and Lara 2015). In this sense, there is a symbiosis based on the alliance between the interests of Brazilian foreign policy in South American integration, as a platform for a specific project of international insertion of the country, and the interests of the "national champions" companies, which were directed as agents of this foreign policy, while influencing it through lobbying for public tenders. In summary, especially between 2006 and 2010, there was on the one hand a macroeconomic policy aimed at calming financial capital through the macroeconomic tripod, which was compensated, on the other hand, by encouraging productive capital in accordance with a foreign policy that prioritized regional relations.

From 2011, the effects of the international financial crisis started to be felt in Brazil, as in other emerging countries. It ends the period of boom in commodity prices, whose impact on the economy directly affects investments and government subsidies to large national companies. Regarding industry, in particular, the shocks are deeper due to the decrease in credit and in the incentive to domestic consumption (Pochmann 2016). Thus, the growth of Brazilian GDP now occupies a place below the world average for the first time since 2005. The popular manifestations that began in June 2013 are the product of this process, mainly guided by young people from a new middle class wishing to maintain their pace of economic and social progress that had been taking place in the first decade of the 21st century, with incentives for consumption and investment in social programs for access to housing and university (Chauí 2013). However, this social phenomenon (which was initially rejected by the traditional media) is quickly appropriated by a rapidly (re)rising conservative class that no longer felt that their interests were being served by a purported center-left government. It is important to emphasize

here that this is a very complex and unfinished debate within the Brazilian society, since the interests of the dominant economic class never ceased to be allied with the interests of the state, as they mingle and interchange in the shaping of hegemonic capital. However, the ideological aspect of a bourgeoisie that never constituted itself as autonomous and national led to the rejection of Dilma Rousseff's government, mainly because its interests could no longer be met in the same way as in the previous period.

It is therefore assumed that Brazilian economic elites are contradictory, which translates into many moments because they are nationalistic, but when threatened, they resort to the dependence associated with external elites. Thus, to the extent that Brazilian economic elites advocate for greater insertion into the world hegemonic nucleus, the same tends to occur with the international insertion process, even though national governments have more progressive foreign policies, as occurred during the mandates of Dilma Rousseff (2011-2016). The same holds true for situations in which these elites demand greater state support with protective measures, as well as for the internationalization of their capitals and conquest of markets - a process that was observed at the end of the Cardoso government (1995-2002), transforming the course of the country's external operations, allowing the inauguration of a more autonomous road.

South Korea's Development Model: Geopolitics, State and Development

South Korea was founded in 1948, three years after the beginning of the occupation of the peninsula by the forces of the United States and the Soviet Union at the end of World War II. The division of the peninsula that was established since this period reflected the geopolitical developments of the end of World War II and nascent rivalry between the US and the USSR. The formation of the South Korean state then proceeded from an external impulse that uniquely links Seoul with the United States.

The Korean Peninsula was colonized by Japan from 1910. Thus, to a large extent, it is due to the anticolonial struggle against Japan that the factors that shape the establishment of division on the Peninsula and the profile of state formation that emerges in 1948 arise. That said, Japanese influence was decisive for the relationship model between the state and the economic elites. The Japanese experience, that established a development model inspired by the Prussian model of industrialization and centered on family conglomerates, *zaibatsus*, served as the basis for the South Korean model, that would

consolidate itself especially from the 1960s on. It should be noted that the main aspect of this model is the oligopolistic profile of these companies and the close relations of these elites with the empire.

The Korean War (1950-1953) served as a space for strategic dispute between superpowers and a kind of rehearsal on how to construct boundaries and constraints on disputes between the USSR and the US. Moreover, the impacts on Korean society in both the South and the North have been devastating and may have been the cornerstone of their societies ever since. It is worth noting that the level of social degradation that the Korean society was facing was increasing during Japanese colonization and reached a peak with the outbreak of war in 1950. The high mortality rate, the sharp increase in migratory flows, the fall in birth rates and the infrastructural devastation were all combined effects of this process (Shin 2001). Added to this is the fact that Japanese colonization structured a contentious society under a strong state, introducing bureaucratic elements imported from the Japanese Empire. The introduction of these elements into Korean society occurred abruptly, as well as the transition to the post-Japanese occupation period.

That is, there was no postcolonial transition, no decolonization from a material point of view, although it did take place formally. In this process, the formation of an independent National State in the Peninsula did not occur. The National Revolution, in this context, was thwarted by the post-World War II systemic imposition and the simultaneous processes of decolonization and national liberation were incorporated into the Cold War dynamics. Thus, state-building in the Korean Peninsula was structured in militarization, from the material point of view, and from the ideological point of view, in the denial of identity between South and North (Scobell 2005).

Shortly after the armistice was determined in 1953, the two Koreas entered a phase of reconstruction. In South Korea, Syngman Rhee remained in power being reelected in 1952 after a wave of repression against his opponents. The United States had taken a rather blatant stance towards South Korea, taking responsibility for national security, operational control, military training, and military supplies (Lee 2006). U.S. support transcended military issues, spilling over into economic and political issues. This was eventually consolidated by the mutual defense treaty, which in addition to keeping Rhee under its umbrella, placed South Korea at the center of its doctrine of containing communism in the region. According to Lee (2006), U.S. financial support to South Korea from 1953–61 amounted to USD 4 billion (USD 2.5 billion in economic assistance and USD 1.5 billion in military aid). This strategic alliance was primarily intended to ensure post-war South Korea's stability by empowering the state so that a weakened government would not be over-

thrown by internal forces or attacked by North Korea.

At that time, the political environment was quite unstable. The death of the main opposition candidate, Chough Pyong Ok⁵, has increased the country's political instability. Thus violent protests against the Rhee administration arose across the country⁶. Given the instability, the U.S. government chose to put pressure on the South Korean regime. Thus, as the situation worsened, internally and externally, Rhee eventually resigned in April 1960, ending the first Korean republic. Following new elections, a constitutional change instituted a parliamentary system. This period, called the Second Republic, lasted a short time. In 1961, the country suffered a coup supported by the U.S.

This coup established General Park Chung Hee as the new president. Shortly after dissolving the National Assembly, he reaffirmed his commitment to the anti-communist flag and announced a five-year economic development program that would make Korea an export platform. He even created the Federation of Korean Industries and provided a low-cost lending system to foster industrialization. This process began the rapid industrialization and South Korean development of the 1960s, and also marked the rise of *chaebols*⁷. Similar to the Japanese *zaibatsus*, they were characterized by large corporate conglomerates controlled by some families and strongly supported by the government (Haggard, Lee and Maxfield 1993). A symbiotic relationship was formed between the state and the economic elites in which the state acts by protecting the country's economy, creating a market reserve and stimulating these companies through government procurement.

This process of industrialization can be defined as the process of National Revolution, with the endogenization of the Decision Center. According to Furtado (1962), the Decision Center is the ability to manage one's own development. When decisions regarding the process of economic development originate externally, the state does not have full sovereignty. In this sense, the enthronement of the economic decision-making process is also a process of strengthening the state (Martins 2008; Furtado 1962). Therefore, the process of industrialization and economic empowerment implemented by Park Chung Hee can be considered a National Revolution. Importantly, the geopolitical context in Asia was favorable for Seoul to adopt a developmental model. Two main aspects favored the consolidation of this model. On the one hand, the rapprochement with the Japanese economy and the establishment of joint

5 Chough Pyong Ok was the leader of the opposition democratic party that led the protests against Rhee.

6 These protests that would culminate in the fall of Rhee are known as the April Revolution.

7 *Chaebols* are species of large industrial conglomerates with diversified businesses.

ventures to enter the U.S. market; on the other, the United States' permissiveness towards this Asian model of development, because of the need for containment of the USSR in the Far East.

It was the beginning of South Korea's economic sovereignty acquisition. The establishment of large national conglomerates and state leadership during this process were the main constraints of the First National Revolution. The Western differentiation between public and private helps little to understand the nature of *chaebols*, since on many occasions the typical functions performed by the state are performed by the conglomerates. In this sense, state and chaebol mix and exchange functions, which characterizes their gestational uniqueness. Although they are subject to private law, they are greatly influenced by state's actions. Here is manifested this homogeneity among the different elites, the military, the political-bureaucratic and the economic-financial elite (Medeiros 2011). This influence derives mainly from the use of public financing through commercial banks that were nationalized by Park. In this way, a kind of industrial leverage was established. If, on the one hand, *chaebols* have easy access to credit, on the other they become more sensitive to government demands. That is, a symbiosis is established between the state and the large conglomerates. From this, Chung Hee adopted a rigorous industrial policy backed by tariff protection and control of foreign direct investment. This hybrid model of associated management of the economy was the basis of the country's heavy industrialization in the 1970s.

This model of fostering and protecting industry is a typification of Asian exceptionalism: a strong, protectionist state leveraging national industrialization⁸. Thus, the partnership model between the state and the *chaebols* is the essence of the pact between elites to control the country's wealth, especially given the family character of these companies (Martins 2008: 146). Park Chung Hee determined a native-style "National Security" doctrine that criminalized all forms of contestation or opposition to the military dictatorship. Even private actions of individuals within private companies could be considered homeland crimes. According to Martins (2008):

The construction of the *chaebols* was done in accordance with the prevailing criteria in public life then: political personalities and their families were in charge of contracts involving government spending. The personalist style

⁸ Visentini (2012) affirms that this model of economic management, based on state strength and accelerated industrialization financed through protectionism, marked the so-called "Asian exceptionalism". With the end of the Cold War, this permissiveness that the U.S. gave its allies in the region ended. Thus, economic liberalization policies were stimulated, which would eventually lead to the Asian crisis of 1997.

of state management was incorporated into companies that mitigated official national security ideology with family values and beliefs. The *chaebols* have acted as an oligarchic organization, but made on a capitalist and entrepreneurial basis. It was basically an agreement between the big landowners to share the country's wealth, controlling its labor and its natural resources. The *chaebol* took the name of the family that ran them and built a layered subcontracting system analogous to the Japanese, with one important difference. In the *chaebols*, affiliated companies belonged to members of the same family and transactions between the various conglomerate companies were decided on these family and patriarchal bases. (Martins 2008: 146).

From the early 1970s, U.S. foreign policy for the region was readjusted. The Nixon Doctrine established greater autonomy for U.S. regional allies. Against the political backdrop of the Vietnam War, the United States promoted a policy of fostering local war industries. Thus, the Allies would play a leading role in ensuring regional defense and security (Nixon 1969). This change in U.S. foreign and security policy for the region has led to the emergence of the formation of a defense industrial complex in South Korea. It is worth noting that this new outlook has allowed some of the government's demands for weapons (assault rifles, howitzers, etc.) to be passed on to the *chaebols*. This denotes the importance of military purchases for the consolidation of conglomerates. For the United States, in strategic terms, it was important to establish a regional security plan that unites South Korea and Japan. In this sense, Park Chung Hee became viable, since he finally pushed foreign policy away from the anti-Japanese standard. Thus, in 1965, both countries signed the Treaty of Basic Relations. This treaty established diplomatic relations between the two countries and foresaw cooperation in the economic area.

The late 1960s were marked by the U.S. crisis in Vietnam and the onset of an economic crisis that would culminate in the end of the gold standard in 1971. This global outlook had destabilizing effects on the relationship between the two Koreas and their main allies. With the arrival of Richard Nixon (1969-1974) in power in the United States and the adoption of the Guam Doctrine⁹ - which established an American disengagement in Asia - the systemic pressures that restricted the approach between Asian countries eased dramatically. Given this new context, they expanded investment in regional

⁹ The Guam Doctrine or Nixon Doctrine was launched in 1969 by then President Richard Nixon. In his speech, Nixon argued for U.S. regional allies to take a more active role in funding their own defense. Thus, the U.S. gave up its role as security provider for its allies. In this context, regional allies expanded their ability to develop their own war industries, as U.S. companies were meeting demands from the armed forces operating in Vietnam.

initiatives that eventually reshaped the configuration of the Asian interstate system. The Nixon doctrine sought to establish a regional architecture that would grant more power to U.S. allies. Thus, U.S. responsibility for providing the defense would diminish and the U.S. would have lower maintenance costs than those of the 1960s containment doctrine. This new outlook has dampened the dizzying growth of the South Korean economy as it now had to bear the costs of its own defense. This was reflected in the 1971 elections, in which South Korean President Park Chung Hee did not win as significant a victory as he had in the previous elections.

Carter's election to the U.S. presidency brought some challenges to Park Chung Hee's government. Firstly, he announced the withdrawal of U.S. troops from South Korea and increased pressure for investigations into the "Koreagate" case¹⁰ for measures to combat political mischief and human rights abuses. Increasing U.S. pressure on Korea came from the need to bring South Korea closer to China. In addition, it was a clear reaction to the nationalization process of war production and the nuclear program developed by Park Chung Hee. External pressures for greater transparency and human rights are part of the Carter administration's stance of not allowing the allied political regimes to be exceptional. It is noteworthy that the launch of the Nixon doctrine gave greater autonomy to the allies. South Korea adopted an ambitious military program, including the development of a nuclear program. With the changing global geopolitical context, dictatorial regimes that took a more nationalistic stance, such as South Korea, came under pressure through allegations of human rights violations. In this sense, the United States has used human rights as a means to pressure Asian Allied governments (a similar process occurred in Latin America) to move away from the chauvinistic path and abandon national development programs. With increasing external pressure, resistance movements to the dictatorial regime of South Korea began to emerge. This led Park to enact martial law in October 1972 - marking the beginning of the fourth South Korean republic¹¹. The concessions, however, did not prevent the country's political situation from escalating. Thus, in 1979, President Park was assassinated¹².

¹⁰ The Koreagate case is a scandal involving South Korean politicians who allegedly bribed U.S. lawmakers to vote in favor of Korean interests. This was one of the causes of the non-withdrawal of U.S. troops from South Korea during the Nixon administration.

¹¹ This period is also known as Yushin.

¹² There are indications that the assassination of President Park may have been committed by a South Korean intelligence agent in collaboration with the United States. However, there is no definitive proof of this link (Hyung-A 2004).

Following the assassination of Park Chung Hee, a coup led to power Chun Doo Hwan¹³; which practically maintained Park's most aggressive policy - martial law was maintained, and he continued to harass political opponents. However, it was taken a growth resumption stance based on stricter monetary laws and lower interest rates that have contributed to price stability and the emergence of a new economic boom. This boom took place especially in the semiconductor, electronics and auto industries. These industries were able to grow thanks to international loans and the cheap labor they used. It should be noted that the monetarist policy sacrificed the basic industry, especially the steel and petrochemical industries. In addition, the South Korean country begun the process of political redemocratization. Protests increased over the decade, and the risk of escalating repressive violence concerned mainly the United States. Even economic growth rates were not enough to cool discontent with the authoritarian regime that had been perpetuating since Park Chung Hee's rule. In this context, Reagan appeared as an interlocutor between the Chun government and the main opposition leaders. Following a sequence of political developments, the opposition split, the government managed to control the electoral process and elected a candidate for the situation: Roh Tae Woo (Pike 2010).

This political transformation in South Korea in the late 1980s had two implications: the pressure for democratization and liberalization of the country's economy. It is noted here that the Cold War's disruption allowed the United States to pressure its Asian allies to determine the end of the exceptional development model that had allowed the region to consolidate itself as a new dynamic core of the world economy. Inserted in this context, Roh Tae Woo's government (1988-1993) adopted austerity measures. Thus, as in the Brazilian case, South Korea sought to adapt to the neoliberal prescription and implemented deregulatory and liberalizing measures. However, the geopolitical context at that time limited Seoul's ability to maintain an autonomist strategy. In this regard, factors limiting this strategy were Japan's economic stagnation and international pressure on China.

The policy of economic liberalization was revised after the drastic effects of the 1997 Asian crisis. Kim Dae Jung (1998-2003) was the first opposition South Korean president to take office since the country's formation. Jung had to resort to the IMF to seek to stabilize South Korea's faltering economy, and eventually adopted restrictive measures that could curb the breakdown of the *chaebol*-led economy.

¹³ Chun Doo Hwan was a South Korean army general with strong U.S. support. His government was strongly committed to the overhaul of the industrializing project promoted by former president Park.

In 1996, South Korea was included in the list of member countries of the Organization for Economic Cooperation and Development (OECD). This was a glimpse of the economic strength experienced by the country, reached after two economic miracles. However, the 1997 crisis eventually highlighted some remaining bottlenecks in the economy, such as the inefficiency of the financial and banking system and the lack of dynamism of the *chaebols*. This scenario eventually alienated foreign direct investment, which was the basis for the annual development of about 7% (Noland 2007). More than that, complete liberalization has made the country vulnerable to speculative attacks.

To remedy the situation, Kim opted for a restructuring of the *chaebols* to streamline the axis of the South Korean economy. This restructuring was based on increasing the transparency of conglomerate management, increasing the capital structure of firms and expanding accountability in administrative control. In addition, the reform sought to prohibit financial capital from dominating industry, to suppress circular investment and illegal transactions between conglomerate affiliates, and to prevent illegal “inheritance” for *chaebol* heirs (Yanagimachi 2004). These changes reached the heart of the South Korean economy as well as one of the major groups of political influence. The conglomerate crisis, which had been the basis of the previous economic booms, stemmed from the concentrated and non-dynamic management of family businesses. Table 1 shows the largest companies by sector in the late 1990s and the family concentration that existed in that country’s economy.

Table 1 - Largest Companies by Economy Sector of South Korea in the late 1990s

Economy Sector	Companies
Oil Refinery	Hyundai Oil Refinery
Semiconductors	Hyundai Electronics
Train Production	Hyundai Mobis
Aerospace	Samsung Aerospace, Daewoo Industries and Hyundai Space & Aircraft
Energy Generation	Samsung Heavy Industries and Hyundai Heavy Industries
Marine Engines	Samsung Heavy Industries
Petrochemical	Samsung General Chemicals and Hyundai Petrochemicals
Automotive and Electronics	Hyundai Co., Samsung Motors, Daewoo Electronics and LG Electronics

Source: Adaptation of Kim (2004).

Given the importance of conglomerates, Kim Dae Jung sought to leverage the country's economy by resuming government procurement. In this phase, the South Korean government established a kind of military Keynesianism, aimed at reheating the country's productive capacity on the one hand and, on the other, ensuring dissuasive capabilities at the regional level.

In the 2007 elections, the Lee Myung-Bak government (2008-2013) won popular approval to grant him legitimacy to conduct Korean politics under his party's program. It was the fall of the model established by the government of Kim Dae Jung. Economically, Lee proposed a package of reforms that would make Korea the seventh most powerful economy on the planet, adopted measures to stabilize social welfare, and create economic robustness to address potential global crisis¹⁴. To this end, it sought to strengthen South Korean relations with various partners around the world, beginning to establish policies of bilateral cooperation and free trade agreements. Thus, agreements with Australia, Indonesia, Iraq¹⁵ were signed, as well as others such as the European Union and the United States. The policy of bilateral agreements was aimed at expanding the range of opportunities for South Korean conglomerates. It was the resumption of the quest for uncontested alignment with the United States and the abandonment of military Keynesianism responsible for leveraging economic growth in the late 1990s.

The 2009 year brought the reflexes of the world crisis started in the previous year. Lee's government responded by drastically cutting interest rates to evade the economic downturn prognosis – which hadn't happened for ten years - that haunted the South Korean economy. The U.S. Free Trade Agreement with South Korea is the largest of its kind ever signed by the U.S. - and would bring the countries' trade to about USD 11 billion (Cha 2012). In addition to the economic implications, the agreement has strategic impacts as it broadens the scope of relations between the two countries - significantly crossing the boundaries of the military alliance of more than half a century.

The Saenuri Party's election of Park Geun-Hye in 2012 represented a change in the globalist policy adopted by its predecessor Lee Myung-Bak (2008-2013), whose government was marked by undisputed alignment with the U.S. Although belonging to the same party as her predecessor, the president has adopted a new profile of international insertion, based on the view that there is an "Asian Paradox". This paradox concerns the growing econom-

¹⁴ This Lee economic plan, known as the "747 Plan", sought to achieve annual economic growth of 7% and a per capita income of USD 40.000 (Joo 2008).

¹⁵ The deal with Iraq provided for the USD 3 billion flow in exchange for gas and oil supplies (Moon 2009).

ic interdependence between the countries of the region and the growing distrust and rivalries at the political-security level (Snyder 2016).

The president, who is the daughter of former President Park Chung-Hee, aimed to regain the competitive ability of the *chaebols*. Therefore, a foreign policy aimed at opening markets was adopted. At the regional level, competitiveness with Japan led the country to tighten regional relations. Once again, the symbiosis between the *chaebols* and the state helped determine the direction of foreign policy as well. Symbol of this process is Park's quest to get closer to China, a strategic market in the Samsung-Apple competition.

Since 2015, the president began to face increasing pressure from the United States and allegations of corruption. The political crisis has also had an effect on the *chaebols*. Samsung, one of the leading and most significant companies within the Korean conglomerates, has been hit hard by having its vice president involved in this corruption scandal. The company, which in 2015 had revenues of USD 177.355 billion (equivalent to 12.6% of South Korea's GDP that year), had four executives besides vice president Lee Jae-Yong, indicted for corruption (Forbes 2017). Following the announcement that the *chaebols* vice president and heir had been arrested for taking part in the scandal, the South Korean giant's share price closed at a steep low (Ians 2017; McCurry 2017). In addition, due to their involvement in the corruption scandal, *chaebols* are now facing serious difficulties, which, combined with the competitiveness of world trade, presents a scenario that is not conducive to growth in exports and, consequently, to GDP growth (Fendos 2016). Thus, the global economic crisis affected, as in the Brazilian case, the resumption of the economy of the Asian country.

The involvement of the daughter of one of the country's leading economic modernization leaders, as well as the companies that rose with the South Korean rapid industrialization and development process, puts this development project proposed in the 1960s in check. Koreans expect greater transparency to be seen within the *chaebols* as much of the public outrage that went to the streets clamoring for Park's impeachment was channeled directly to the conglomerates (Manning 2017). This disruption, which directly affects the pillars of the alliance between the government and the South Korean conglomerates, is a cause for concern and uncertainty about the future of South Korea. Especially when looking at this internal panorama from the perspective of the current regional situation. Thus, it is observed that the impetus for the crisis of the state-centered development model is mostly external. In comparative terms, it can be said that the role of South Korean national elites in the disruption of the Keynesian model was reduced compared to Brazil. To a large extent, in South Korea, the industrial-financial elites were the state,

whose relations were forged in the construction of the postwar Korean development model. The colonial past cemented different relations of alignment to the hegemonic center than those built over more than three centuries in Brazil.

Final Remarks

The tendency from the 1980s onwards was to attribute to state intervention the failure of developmentalism. The South Korean case demystifies this consensus. What really changes is the quality of the interventionist state, not its existence (which was common to developing countries). South Korea has induced the local industry with great efficiency and productivity, having made a similar kind of intervention for the same purposes as the other developmental countries. Despite the same orientation towards industrialization, there were significant differences in capacity. Internal consistency and the ability to derive private sector performance - not only by granting subsidies but also by setting standards, monitoring and influencing investments - is what set South Korea apart. However, the success of the state-*chaebol* alliance in South Korea and the building of greater state and institutional capacity - which led to the success of a cohesive developmental state - was only possible due to the geopolitical conjuncture and internal factors that make this model a singular case. The very context of the birth of the country as a result of war determines its further development. The strategic geographical position, the lack of natural resources and the size of the country are geopolitical elements that add to the foreign aid (United States and Japan) and the establishment of an authoritarian regime as factors that encourage industrialization. The export-led model, in this sense, was crucial to the very survival of a state of war that could induce industrialization more sustainably than other developing countries. In this sense, it is the fortune of the Korean state that determines the virtù of its development process.

The failure to promote the developmental state in Brazil was due to the lack of state capacity to discipline domestic enterprises, making the state itself a victim of neoliberal pressure. For Chibber (2003), conflicts in building state capacity do not occur within the state, but between the state and social actors, especially the bourgeoisie. Thus, managing state's agenda in Brazil was thwarted by a well-organized offensive undertaken by national capitalists, while South Korea managed to protect itself from this process through the symbiosis between the developmental state and the bourgeois class, which faced the export of industrialized goods as the only way to survive in the geopolitical context. The South Korean process has led to greater autonomy for

the creation of political and economic institutions for the same development project, while Brazil has always had to deal with further fragmentation of interests of a multi-class society.

The first U.S. measure following the creation of the South Korean state was to encourage land reform in the Asian country. Thus, the power of the agrarian class is dissolved, generating greater internal cohesion through a block of interests hegemonized by productive capital. The structure of property determines political power, not production. In Brazil, developmentalism maintained the traditional primary-export structures, retaining decentralized political power and greater heterogeneity of interests. In this sense, the difference from the South Korean case is that industrialization proceeds from an organized state based on the affirmation of industrial groups. A cohesive capitalist state assumes that pre-existing non-industrial ruling classes lose power and influence because their assets are expropriated. However, this inertia of the state can only be broken through factors of violence, such as wars, revolutions and major crises, which generate significant distributive change or the collapse of the state itself. A break is needed for profound institutional changes, and the 1930 Revolution in Brazil was the closest the country has come to this phenomenon. However, due to the maintenance of traditional power structures, it has never been possible to match the South Korean model, whose state-bourgeois relationship has displaced the process of industrial development.

The state-building project is critically mediated by the nature of state-capitalist relations, which, in turn, are conditioned by the development model adopted. In the import substitution model, the capitalist class resists any attempt at discipline, unlike export-led industrialization, which is more dependent on state intervention. This process did not occur automatically, as an unintentional evolution in the value added level of the production base. Since the process of capitalist development stems from innovation; political, economic and institutional conditions that demand state action are required. The state, in this sense, is the bearer of a project that does not yet exist in the constituted interests. In other words, in capitalist dynamics, there is no spontaneous bias for innovation, and only for profit (Hobsbawm 2010). The State is the actor able to create the circumstances that induce non-existent or unconsolidated strategic sectors, otherwise the tendency is to maintain the productive order, as the agrarian-oligarchic sector in the Brazilian case. However, the state is an arena of constant dispute, not an autonomous unit that embodies a national interest. Therefore, in order to induce a process of social transformation, political support and the establishment of a new pact of domination are required.

The recent political transformations experienced by South Korea and Brazil, once again, bring together the trajectories of the two countries, in spite of the distinctions presented here. President Park Geun-Hye's and President Dilma Rousseff's impeachment processes include both countries in the list of geopolitical changes that have been deepening in the world over the past decade. Interestingly, the two processes directly affect the development model of both countries, centered on major national champion companies - in Brazil, the oil complex and the contractors; in South Korea, the *chaebols*. If in South Korea this movement is unprecedented, at least in magnitude, in Brazil, it reflects a historical process of dispute over the economic model.

Finally, it should be noted that the analysis of South Korean development has been a reference for the Brazilian experience. However, although there are similarities, especially in the contemporary context, the differences stand out. The geopolitical context was decisive for the evolution of each of the models. More than that, it is important to highlight the effects of the colonization model on the state profile that was consolidated after the independence of each country. The elite pact and the social pact signed in each state were shaped in totally different contexts. The experience of the South Korean state, in the context of U.S. strategy, could not fail. Therefore, there was greater permissiveness to the development model and external support to the country. Thus, what stands out from the South Korean experience in relation to the Brazilian case is the importance of the state as a demiurge of a process of national revolution and of leveraging the development process.

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ABSTRACT

Since the 1990s, many analysts have sought to explain the differences in development paths between Brazil and South Korea, the latter often being pointed as an example of success. As a highly industrialized economy focused on international trade, the South Korean case stood out as a way of overcoming the backwardness of developing countries. However, there is a need for analysis that point to the specificities of the developmental state in South Korea, whose interventionist action was decisive in leveraging the country's industrial production in accordance with internal business groups, as well as the geopolitical context favorable to outward-oriented industrialization. The Brazilian process, in turn, due to the wealth of natural resources and the large domestic market, has made the induction of the state in industrialization more artificial, whose policy supposes an element of coercion, induction and control. This research, therefore, seeks to analyze the specific dimensions of each case, highlighting the role of the state and its relationship with the internal bourgeoisie in the construction of an industrial policy. The trajectories of rise and decline of Brazilian and South Korean developmental state will be analyzed, including the current crisis of reconfiguration of political power that both countries are going through.

KEYWORDS

Brazil; South Korea; Developmentalism.

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