

# Chapter 6

# Summary and

# Conclusion

**I**n this report, we examined the theories, historical cases, and the changing global environment of industrial policy, with a view to suggesting useful lessons for industrial policy-makers in Africa.

Before going into the main arguments, we first discussed the contrasting but equally simplistic discourses of ‘African growth tragedy’ and ‘Africa rising’ that have dominated the discussion of Africa’s development in the last two decades (Chapter 2). We showed that both these discourses are based on factual misrepresentations about Africa, flawed understanding of other countries’ histories, and flawed theories of how economies develop. On the bases of these critical examinations, we argued that Africa is neither structurally destined for under-development nor has it suddenly entered a new golden age. This means that a lot of Africa’s future prospect will depend on what policies, especially industrial policies, are adopted for what purposes.

In Chapter 3, we explored the key theoretical issues relating to industrial policy, including implementation issues. The mainstream view is that there are few theoretical justifications for industrial policy, but this is wrong – there are many respectable theories justifying it. Of course, these justifications are not enough to guarantee the success of industrial policy, as there are many practical (which does not mean ‘less fundamental’) issues involved in the policy implementation process, such as politics, administrative capabilities, coordination, and development planning, all of which need to be taken seriously. Finally, we argued that, in order to develop a good understanding of industrial policy, we need to learn a range of theories for and against it and synthesise them.

In Chapter 4, we discussed the industrial policy experiences of different countries in different eras. Four groups of countries were discussed: (i) the rich countries in the post-WWII period; (ii) the rich countries when they were developing countries themselves in between the late 18th and the early 20th century; (iii) the more advanced developing countries in the 20th century; (iv) and the poorer developing countries (including two African countries, Ethiopia and Rwanda) in the last few decades. With regard to the developing countries, we presented number of detailed industry-level case studies, showing how those countries have managed to achieve some notable successes in industrial policy, despite the widespread belief that industrial policies in the developing countries have mostly been failures. By deliberately discussing wide ranges of countries, industries, and policy measures, we showed that there are diverse ways to achieve success in industrial policy, hoping to help liberate the ‘policy imagination’ of African industrial policy-makers.

In Chapter 5, we discussed two recent changes to the global industrial policy environment that are supposed to have completely changed the way in which developing countries can construct and implement industrial policy – namely, the re-writing of global economic rules and the rise of the so-called global value chains (GVCs). We argued that the recent changes in the global rules of trade and investment have certainly shrunk the ‘space’ for industrial policy by developing countries, but that there is still a considerable amount of space that

can be, and has to be, utilized by ‘smart’ industrial policies. In relation to the GVCs, we agreed that their rise has, on the whole, constrained industrial policy options for developing countries, although it has also created new opportunities. However, more importantly, we emphasised that the constraints cannot be overcome and the opportunities cannot be fully utilized without the help of ‘smart’ industrial policy.

Being fully aware that the exact lessons that can be drawn from the report depends on the values, goals, and ambitions that each country (and indeed each policy-maker) has – as well as the economic, political, and administrative conditions that it (he/she) operates under – we draw the following broad lessons for the industrial policy-makers of the African countries.

First, the importance of productive capability-building in economic development cannot be emphasised too much. If a policy limits the possibilities of building productive capabilities in the long run – as policies like free trade or unconditional participation in GVCs are likely to do – it should not be adopted or, at least, adopted with a deliberate plan to phase it out as soon as possible (as Korea and Taiwan did with their EPZs).

Second, economic theories are necessarily limited in representing the full complexity of the real world, but industrial policy-makers need to clearly understand the key theories behind arguments for and against industrial policy, if they are to make informed policy decisions. The report could only offer a very general review of those theories, but it is hoped that the review can offer some useful signposts for policy-makers in navigating the varied and often obscure theoretical terrain of the industrial policy debate.

Third, industrial policy-makers need to acquaint themselves with a range of industrial policy experiences, if they are to design policies with the greatest possible effectiveness. It is said that life is stranger than fiction, and this holds true when it comes to industrial policy. As shown by many of our examples, real-life cases of industrial policy often cross theoretical boundaries that are supposed to be water-tight – even sacrosanct. Without knowing such cases, policy-makers will be bound by theoretical demarcations and cannot fully exercise their ‘policy imagination’. In order to help them in this endeavour, in this report we have offered a wide range of country and industry experiences.

Fourth, contrary to the conventional wisdom, the recent changes in global industrial policy environment – the shrinkage in ‘policy space’ and the rise of GVCs – have not made industrial policy irrelevant. If anything, they have made it even more important for developing country industrial policy-makers to be ‘smarter’ than before. Unless they know exactly what are possible (and not) under the new global economic rules, developing country industrial policy-makers are not going to use all the policies they can. Unless they fully understand the costs and the benefits of joining a GVC in a particular industry, those policy-makers cannot develop policies that will allow their countries to maximise the long-term net gains from the GVC in question.

Finally, as they say, knowledge is power. In the last few decades, developing country policy-makers have too readily adopted 'standard' free-market, free-trade policies because they are not aware of alternatives and, even if they do, they are not intellectually and politically confident enough to adopt alternative policies. This is not because those policy-makers are less intelligent or less well educated in the conventional sense. It is because developing country policy-makers have to spread themselves far more thinly and work under much greater pressure than do their rich country counterparts, due to the meagre financial and human resources that they command. However, as shown by the examples of Korea and Taiwan in the past and of Ethiopia or Uzbekistan today, good industrial policy can be run in difficult circumstances – if the policy-makers have decent theoretical and empirical knowledge about industrial policy and, more importantly, if they have the self-confidence to defy the conventional wisdom. This report is meant as a tool to help them acquire such knowledge and self-confidence.



