

Transformative Industrial Policy for Africa

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- Chapter 1. Introduction
- Chapter 2. From ‘African growth tragedy’ to ‘Africa rising’ - Debunking the myths
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Chapter 2

- We critically examined 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.
- We argue that Africa is neither structurally destined for under-development nor has it suddenly entered a new golden age.
- We point out that this implies that policies, including industrial policy, will make big differences to the continent’s future prospect.

Chapter 3

- We discuss various theories arguing why developing countries need to use industrial policy that mainly (although not exclusively) target the manufacturing sector.
- We show that there are a lot more economic theories that justify industrial policy than what even many supporters of industrial policy acknowledge.
- We examine theories that caution against, or even denigrate, industrial policy and show how some of these theories have flimsy bases while even the more robust of them are often applied in an exaggerated way.

Chapter 4-1

- We provide empirical evidence demonstrating that virtually in all cases of successful economic development – both economy-wide and at the industry level – an active industrial policy has played an important (and often decisive) role.
- We show this by examining the historical experiences of today's developed countries not just in the recent past (since World War II) but also when they faced similar challenges to the ones faced by African countries today.

Chapter 4-2

- We also examine the role of industrial policy in developing country that has had some success with it.
- A broad range of cases will be examined – not just the more developed developing countries (China, Brazil, Chile, Malaysia, and the United Arab Emirates) but also the less developed ones (Ethiopia, Rwanda, Vietnam, and Uzbekistan).
- We look at not just the manufacturing sector (e.g., electronics, aluminium smelting, and shipbuilding) but also primary sectors (e.g., soybean, salmon, palm oil, horticulture) and services (e.g., tourism).

Chapter 5-1

- Chapter 5 examines two changes in the global economic environment that are supposed to have made it impossible for today's poor countries, including the African ones, to draw lessons from the nationalist industrial policy experiences of the more economically advanced countries in the past.
 - The shrinkage in 'policy space' due to the establishment of the WTO and the proliferation of bilateral (and some regional) trade and investment agreements, which make nationalistic policies illegal.
 - The proliferation and the strengthening of global value chains (GVCs) controlled by giant global corporations.

Chapter 5-2

- We argue that, while they have changed what industrial policy measures can be used and which are the most effective ones, these changes have not invalidated all types of industrial policy.
- Moreover, if anything, these changes have made it even more necessary for developing country industrial policy-makers to be ‘smart’ about devising development strategy and designing industrial policy measures.

Lessons I

- 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).

Lessons II

- **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.

Lessons III

- **Industrial policy-makers need to acquaint themselves with a range of industrial policy experiences.**
- Real-life cases of industrial policy often cross theoretical boundaries that are supposed to be water-tight – even sacrosanct (“**Life is stranger than fiction.**”).
- Without knowing such cases, policy-makers will be bound by theoretical demarcations and cannot fully exercise their ‘**policy imagination**’.

Lessons IV

- 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’.
- Unless they know exactly what is possible (and not) under the new global economic rules, 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, they cannot develop policies that will maximise the long-term net gains from the GVC in question.

Lessons V-1

- 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.

Lessons V-2

- 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.
- 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 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.