

# 10 Things Learnt about the Implementation of Industrial Policy

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By

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# Thing 1\*

- The case for Industrial Policy needs to be widely understood and accepted in society at large and recognised by government as a priority development programme.

\*shamelessly “borrowed” from Ha Joon Chang’s *23 Things They Don’t Tell You about Capitalism*

# Thing 2

- Industrial Policy actions need to be the product of extensive consultations and discussions with industrialists and organised labour in relevant sectors, as well as draw on appropriate research input. However, it is important also to recognise that government/state needs to lead and take responsibility for strategic direction of IP and not simply accede to each and every demand of industrialists (some of which may be short term, rent seeking in nature or in conflict with needs of other industrialists).

# Thing 3

- Industrial Policy needs to be recognised as a process of learning by doing, with a willingness to constantly monitor and review measures implemented.

# Thing 4

- Incentives must have a clear *quid pro quo* (investment, competitiveness, employment, procurement) and there must be a willingness to withdraw incentives if these are not delivered on.

# Thing 5

- Industrial Policy must be recognised as a cross cutting national priority that requires coordinated actions by several state (and other) actors. It cannot just be one in an extensive list of programmes (if everything is a priority, then nothing is a priority). Nor can it be left to individual entities operating in silos to decide on the extent to which they will (or will not) act to support IP. Some mechanism with appropriate authority must be established to manage coordination of the range of actions required.

# Thing 6

- There must be alignment between Industrial Policy and all other aspects of economic policy – i.e. industrial policy must shape and influence decisions on macro-economic policy, procurement policy, infrastructure, skills development among others

# Thing 7

- Successful IP depends on taming rampant financialisation and transforming financial institutions to serve needs of productive sectors;
- In SA financial services grew from around 4% of GDP in 1994 to over 20% by mid-2010s. Reflected not just sectoral growth but financialisation - “The increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies” (Gerald Epstein’s now classical definition);
- Impacted not just on financial sector companies but also actions of industrial capital as well;
- Immediately this reality requires building and strengthening of dfis.

# Thing 8

- There must be a clear understanding of market for value added products, particularly as exporting is widely recognised as key in building competitiveness. For African countries now, no real prospects of following Asia by producing finished manufactured products for export to the developed world. Digitisation is also reducing prospects of competing for low wage basic manufacturing. With domestic markets too small to support deep industrialisation, best prospect is a more integrated African market, AfCFTA.

# Thing 9

- AfCFTA cannot be approached simply as an “opportunity” for a few slightly more industrialised countries to offload finished consumer goods. Nor can it be just an opportunity for “screwdriver” type assembly of products whose main value added comes from outside the continent. Best prospects lie in a more inclusive development of regional value chains and a greater trade in intermediate products – this now a real opportunity as it is the direction supported by Secretariat of AfCFTA

# Thing 10

- We must be willing to defend our use of Industrial Policy tools against claims of extra-regional “trading partners”. This means designing our own rules to give real priority in AfCFTA to products with value addition on continent.
- It also means fighting against proposals for multi-lateral trade and other rules that would undermine industrial policy space e.g. the WTO Optional Protocol on Transparency in Government Procurement would eliminate localisation as would proposed “digital two dozen” and trade in environmental goods trade rules. TRIPS plus proposals and much of TRIPS are more than reward for innovation – a licence for monopoly conduct by multi-nationals. How we define these issues in relation to AfCFTA as well as how we position ourselves in WTO and bilateral relations will be critical.