



**TOWARDS A RETURN OF INDUSTRIAL POLICY?
ARTNeT SYMPOSIUM
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Industrial Policy in Sustainable Development Strategies

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Some Direct Precedents

- Emel Memis and Manuel F. Montes, (2008) Who's Afraid of Industrial Policy. Policy Discussion Paper. UNDP Asia-Pacific Trade and Investment Initiative, Colombo.
- Fu, Xiaoalan (2011) Key Determinants of Technological Capabilities for a Green Economy in Emerging Economies. Background paper for World Economic and Social Survey 2011. New York: UNDESA.
- Gallagher, Kelly, J.R. Siegel, and Aaron Strong (2011) Harnessing Energy-Technology Innovation in Developing Countries to Achieve Sustainable Prosperity. Background paper for World Economic and Social Survey 2011. New York: UNDESA.
- Lewis, Joanna I. (2007) Technology Acquisition and Innovation in the Developing World: Wind Turbine Development in India and China. *Studies in Comparative International Development*, 42, pp. 208-232.
- Reinert, Erik S. (2007) *How Rich Countries Got Rich ... and Why Poor Countries Stay Poor*. London: Constable
- United Nations (2011) *World Economic and Social Survey*. New York: UNDESA.
- Wilson, Charlie and Arnulf Grubler (2011) Lessons from the History of Technology and Global Change for the Emerging Clean Technology Cluster. Background paper for World Economic and Social Survey 2011. New York: UNDESA.

Main Messages

- If nothing else, building green industries and developing green technology potentially good case for industrial policy
- The case for industrial policy stems from uncertainty in private return and limited availability of non-speculative financing in green industries and technologies
- Due to private sector pressures and market imperfections, states already engage in non-purposive industrial policy interventions.
- Industrial policy involves targeting justified from development objectives
- Industrial policy imposes stresses and strains on international trade regime

Plan

- Define industrial policy
- Identify sustainable development sectors
- Elements of industrial policy – illustrate by example
- Discuss some implications for international trade regime

Industrial Policy

- Sectoral, not horizontal, intervention
 - Horizontal: education for all, import surcharge
 - Selective and sectoral: engineering education, cascading tariff structure, selective credit allocation
- State intervention, not sum of private politics
 - Getting prices wrong (compared to current world prices)
 - Purposively justified (eg. incentives for foreign investors)
 - Always the outcome of politics and policy debate, but some countries are better at relating long-term national objectives to programs and policies

Industrial Policy cont.

- Mediates relationship between state and production units (private sector most countries but including public enterprises)
 - IP as economizing on rent-seeking support
 - Redeployment of private capital
 - Trade liberalization as private capital destruction
- Not just in manufacturing
 - Agriculture
 - Services

Industrial Policy cont. 2

- Candidate sectors
 - Higher (labor) productivity
 - Increasing and constant returns to scale
 - Following life and death pattern successful private companies
 - Initial specialization in new, increasing returns to scale sector
 - Firm locks itself into a sector that transitions into a diminishing returns sector
 - Trade liberalization induced specialization concentrated in diminishing returns sectors (Reinert)
 - Sliding down the declining unit cost curve as scale increases
 - Increasing returns to scale obstacle to equilibrium economic models

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ustainable Development
thing concept (UN Rio 1992)
nic and social development consistent
vironmental protection and renewal
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of international negotiations
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