

Effects of National Industrialization Policy on Economic Growth and Empowerment in Developing Countries

Evelyn Bosire

Abstract: The World's Economies have experienced turbulent tectonic changes in the recent past. Such period of sustained rapid growth has led to the emergencies of industrial sub-sectors, such as highly industrialized, averagely industrialized and non-industrialized nations. Many developing countries particularly those at low levels of income have always depended on foreign investors as prime movers to their economic and technological development. To achieve their goal, they have always tried to formulated policies and reforms to steer and develop their industrial base which have not worked in their favor. UNIDO has grouped industrialization policies and strategy reforms into four categories which are: those related to economic analysis, those for formulation of policies and strategies, those for policy implementation and policy monitoring and assessment. The purpose of this symposium paper was to: Evaluate the effects of industrialization policies on economic development and empowerment by emerging countries especially those from Sub- Sahara. Its objectives were to: to identify the types of industrialization policies applied by these nations, evaluate their effects on economic development and empowerment and recommend any remedial measures to coherently eliminate the anomalies encountered. The study was empirical in nature and it used published literatures such as journals, books, seminar papers, government and non-governmental reports and previous conference symposium written materials to anchor on. The study was qualitative in design and it used case studies, reviewed government and non- governmental repots and experience survey as sources of information. Empirical data was collected, analyzed and conclusions drown. Finding showed that emerging nation's policies and reforms in their industrial sector experienced diverse challenges like lack of; capital accumulation, poor infrastructure, low institutional development, and weak industrial policies which needed a research to assist in overcoming the challenges. This paper is important because it will assist stakeholders, and other future researchers in the area with suggested recommendations to the problems in policies experienced. The study topic is timely owing to the fact that the world is becoming a global village and nations require firm policies and strategies to become globally competitive. So far no researcher has done research on the topic hence the study is justified.

Keywords: industrialization policies, economic development and empowerment, emerging nations.

1. BACKGROUND INFORMATION

Meaning:

Business dictionary defines Industrialization as the process by which traditionally the industrial sector (such as agriculture, education and health) of an economy metamorphoses to become increasingly similar to the manufacturing sector of an economy. Also known as the ideals of industry and economic activity of a previously underdeveloped economically area or country. It can also be, sustained economic development based on factory production, division of labor, concentration of industries and population in certain geographical areas and urbanization. Reports on economic development in the recent past from emerging nations especially those from sub-Saharan countries, show that these

Nations have always lagged far behind in terms of progress for many years now. This is due to the present business environment for industrial policy which is ever hostile.

How can this Emerging Nations industrialize?

Shafeeddin (1998)^[1], notes that, there is no specific theory for trade and industrial policy. Each country has specific conditions and requires specific policies at any particular period. Nevertheless, one can draw some common lessons on the general level from experience of early as well as late industrializers through induction. Historical records show that, apart from Hong Kong, no country has developed its industrial base without prior infant industry and that there are similarities and differences between early and late industrializers in terms of factors contributing to successful industrialization. All industrialized countries used to extend protection and other selective measures to promote and develop these institutions plus the resources needed to support their industrial and technological activities. Such measures gave these industrializers a favorable atmosphere for advancement.

What of developing countries?

In emerging nations' things have always worked in reverse. Though the industrialization policy formulations are rapidly advancing especially in African countries, the type of industrial policies commonly adopted here are: De-regulating industry systems, allowing the industry freedom and flexibility in responding to market forces and providing a policy regime that facilitates and foster growth as a springboard for economic development through empowerment. (Shafeeddin1998), their policy objectives are meant to: maintain sustainable growth in productivity, create jobs, utilize available human resources, and attain international competitiveness and transform a country into a major partner and player in the global market. As policy measures they have liberalized their industrial licensing policy, extended and expanded railway networks, increased alternative sources of energy, introduced an industrial entrepreneur memorandum (IEM), developed policies for small scale industries, developed non –resident industrialization schemes, advanced their electronic hardware technology park and software schemes for foreign direct investments. This is because the industrial policy of a country sometimes also noted as (IP) is its official strategic effort to encourage the development and growth of part or the entire manufacturing sector as well as other sectors of the economy.

Nuzenade (2011)^[2] conducted a research on industrial policy in a historical perspective. In his paper, he provides a historical overview of European industrial policy during post world war II Era which was extended up to (1990s). In the paper, he outlines most important characteristics of European industrial policy in a comparative and transitional perspective in order to come up with policy impacts. The paper narrates historical policy impacts, historical policy continuities and national policy convergence by looking at changing historical settings especially in transitional periods. He asks how this historical lesson could be fruitful for further research on future effective political action. He says that industrial policy was not a novel phenomenon of the post war era. But it was part of whole and can be considered in any economic culture of every country. He further says that; national, traditional, historical legacies and path dependencies never played an important role and may be used to explain environment difference between nations and regions in Europe when they had to face similar challenges.

Policy brief (2013)^[3], challenges and emerging paradigms have turned industrialization and industrial policies into one of the most highly debated and interpreting issues of early twenty – first century. In their book UNV_WIDER pathways to industrialization in the twenty first century published by oxford university press, they address a number of policies and relevant issues in this regard. Some of the issues raised are: the need for industrialization in general and in specific of the manufacturing sector. They echo industrialization as not only being a prime mover of economic growth and means for structural changes and catch-up, but a receiver and decider. From 1950 to 2005, the pattern of industrialization has closely reflected changes in global patterns of development. He argues that over this period the share of manufacturing in gross domestic product (GDP) in the rising economies of Asia has doubled while those from Latin America and Sub- Saharan Africa have been stagnant. These global patterns change suggests that manufacturing continues to be a protective engine for economic growth.

Nyerere (2009)^[4] conducted a Higher Education Research, Science and Technology Transfer: the purpose of the study was to look at the policy strides made in East Africa. In his conclusion, he says that science and technology is and has always been important for development but the unprecedented pace of advancement of scientific technology in creating

new opportunities threatens the development of high special opportunities for reaping economies of scale, engaging in technological progress and having profiting from spillovers to outlet sectors and to create job opportunities for various skilled levels of labor.

Question: Do emerging nations have the same concepts?

Republic of Uganda (2009)^[5], argues that, to create, access, adapt, consume and disseminate knowledge has become critical for national development. Hence the integrating science, technology and higher education as a national knowledge development strategy for a sustained and meaningful social and economic transformation are gaining according to him. But he fails to say that in most cases most developing countries are largely unprepared to deal with the change that science and technology advancement brings. Nyerere(2011)^[6] further argues that there is necessity to link institutions with industry as one of the ways through which their funding can be diversified. This two goals could be achieved through the participation of industry in enhancing science and teaching in institutions of higher learning and smooth transfer of their technological advancement to the industry for development which is becoming increasingly important in the modern world.

2. PROBLEM STATEMENT

Rising nations have made a number of initiatives towards the development and growth of the industrial sector but have still experienced many socio- economic problems such as low earnings, unemployment, and long hours of work under inhuman conditions and with no-promising job security in the informal sector in the recent past. In these regions, poverty remains a real threat for majority of workforce despite rapid economic growth that has been witnessed by many nations for over a decade now. To develop their industry sector, countries have tried to come up with policies and reforms with existing institutions with no hopes. Recent world financial crises have brought in damaging effects on the available resources for spending by governments and citizens which has negatively affected people's living standards and in the end can result into macro- economic instability. High inflation, huge debt levels and volatility in exchange rates characterized by unstable financial markets has culminated to mass job losses and increased poverty index levels. Such has imbedded many countries' progress toward achieving the (MDGs) which scenario has raised many questions in the minds of many as to whether they can overcome the bottlenecks. Economic planners have tried to come up with new policies but still the journey looks rough. Weak institutional support for the development and growth of local micro, small and medium enterprises which have the potential for employment and wealth creation has resulted into slow industrial growth. (The national industrial policy, 2017), hence focus of the paper.

OBJECTIVES OF THE STUDY:

The objectives were to:

- Identify the current industrialization policies available in emerging countries.
- Evaluate effects of the policies to national industrialization, and empowerment.
- Recommend remedial measures to cohere any problem for balanced development and growth.

Research questions;

- Do developing nations have well formulated policies?
- Industrialization policies in emerging nations do not affect their national goals attainment?
- There is no remedial measure to existing policies for equitable development?

Significance of the study:

This study was very significant because it was able to identify current industrialization policies practiced by emerging nations and consequently brought out the effects of national industrialization on economic development and empowerment. It was able to come up with remedial measures to challenges experienced to overcome weaknesses identified in current policies to foster industrialization process for balanced growth.

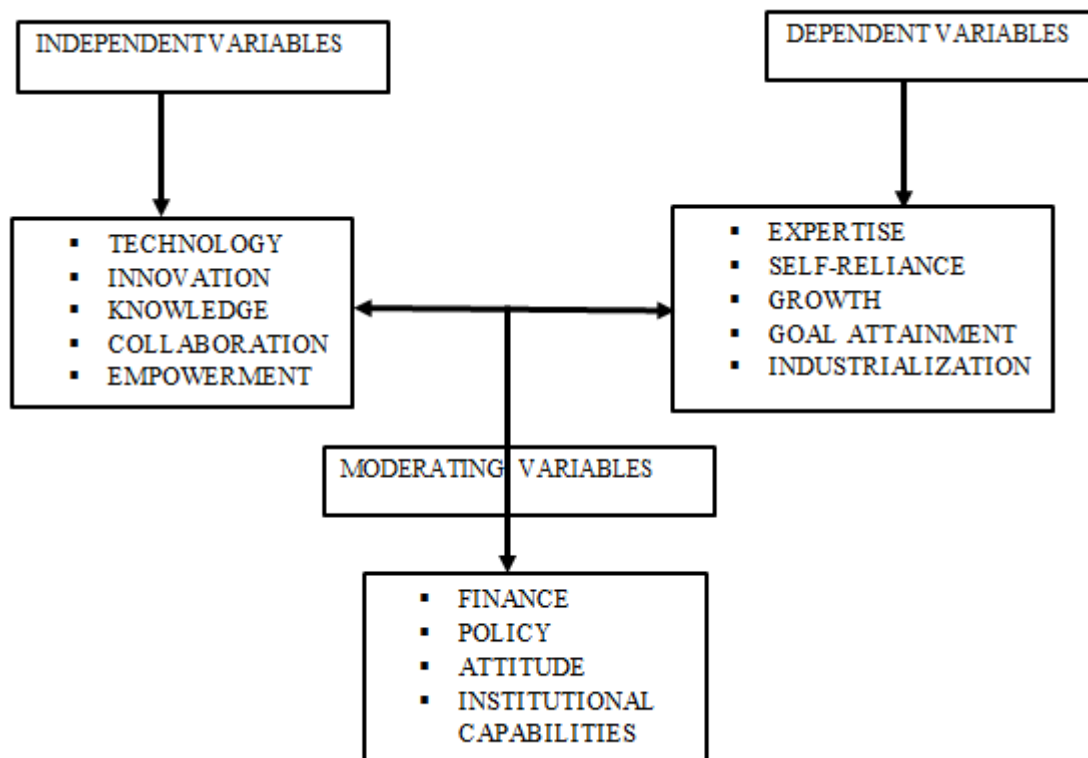
Justification of the study:

The paper is timely considering the present business climatic conditions for industrialization and effects experienced out of weaknesses in polices currently applied. Currently nations are struggling to improve their economic status to assist solve socio-economic problems experienced in their daily capital development approach development styles. Even though many writers have written on industrialization and policy, no one has considered writing on the topic effects on national industrialization policy on economic development and empowerment by emerging nations which made the researcher feel justified to research on the area.

Assumptions of the study:

The study worked on the following assumptions; that industrialization policies in developing countries are strong, that their strength have positively influenced to their national, industrialization development growth. That current policies do not need urgent remedial measure and that the measures can only be achieved through research like this.

CONCEPTUAL FRAMEWORK



The framework includes independent, and intervening variables. Intervening variables have components like; knowledge, technology, innovation, empowerment and collaboration. Dependent variables include; expertise, self -reliance, cost reduction, goal attainment, growth and industrialization, on the other hand, intervening variables include; policy, attitude, finances and institutional capability which can directly influence industrial development in emerging nations. Diagram (2) below explains the concept.

3. REVIEW OF LITERATURE

According to United Nations’ (UN) task report (2015) [7], many developing nations in the recent past have experienced many social economic problems such as; low earnings, unemployment, under employment, long hours of work under inhuman conditions and with non-promising job security in the informal sector. In this regions, poverty remains a real threat for majority of workers despite the rapid economic growth that has been characterized in many regions for over a decade now. Productivity and permanent employment is the most important source of income security. To generate good jobs, countries have turned to reforms and made policies geared towards reformation. But recent financial crisis has

shown a damaging impact on the available resources for spend by government and citizens which has negatively affected living standards of many which the end results can result to macro-economic instability, high inflation, increased debt levels and volatility in exchange rates and their unstable financial markets have contributed to mass job losses and increasing poverty index level. The scenario has raised many questions to development planners who have always come up with policies to tame the situation but in vain.

Sing and Kaur (2013)^[8] in their paper 'China, India and industrial policy for inclusive growth' have argued for and against industrial policy in the context of globalization including evolution of multilateral rules of the paper the sight for the Chinese and Indian economies exploring in particular their past experience with vibrant industrial policies. The similarities of the 'China model' to past Asian experience are explored, while in contrast, India's development and the distinction between liberalization and reform are examined. The two major country's cases form the basis for a consolidation of recent conceptual ideas where effective and successive industrial policy is reviewed as part of a social contract, creating a path way to inclusive growth.

What is industrial policy?

Pack and Saggy (2006)^[9] defines industrial policy as; 'Any type of selective government intervention or policy that attempts to alter the structure of production in favor of sectors that are to offer better prospects for economic growth in a way that would not occur in the absence of such intervention in the market equilibrium' Chang (2009) adds that industrialization policy can be and has often been used to mean, any policy decision that affects the industry. Chang's definition is contrasted with the kind of definition given by Pack and Saggy (2006) which he terms 'selective industrial policy' or 'targeting policy' he goes on further to discuss the possibility that 'general' targeting policy, focusses on interventions in education, innovation and infrastructure which can be distinguished in a sharp manner from the selective or 'sectoral' kind. He adds that targeted policy is inevitable and has to be well implemented.

What are the components of industrial policy?

Chang (2009)^[10] offers a list of components of industrial policy that extends beyond subsidies and trade restrictions they include: Coordination of complementary investment, policies to ensure economies of scale, regulation of technology import, regulation of foreign direct investment, mandatory worker training for firms above a certain size, state incubating high-tech firms, export promotion and government allocation of foreign exchange.

Rodrick (2004)^[11] argues that while industrial policy is a response to market failures the precise location and the extent of these deviations from optimality is acknowledged to be 'highly uncertain' 'These leads Rodrick to reframe industrial policy as a collaboration between the public and the private sectors, in a joint discovery process. Such denotation hence turns the nature of implementation process as an integral part of the definition of industrial policy.

Robinson (2009)^[12] in his paper industrial policy and development a political economy perspective, discusses the role of industrial policy in development where he comes up with five arguments that: first one should believe that industrial policy in theoretical sense has good grounds for playing an important role in promoting development and that certainly there are examples where industrial policy has played this role, that for such example, there are other areas where industrial policy has been a failure and may even have impeded development that the difference between the second and third cases rests in politics of policy. He says that industrial policy has been successful when those with political power who have implemented the policy have either wished for industrialization to succeed, or been forced to act in this way by the incentives generated by political institutions. This argument simply suggests that we need to stop thinking of normative industrial policy and instead begin to develop a satisfactory positive approach if we are ever ready to help our poor countries to industrialize.

But can industrialization work policy real work?

Industrial policy can work but may also not work. The difference lies in the objectives and functioning of the institutions implementing the policies and such are determined by the political systems. This statement looks to be a more important source of variation in the success and failure than other factors, such as differences in binding constraints or in ideas about what to do. To explain the success or failure, we need to go through various political regimes.

International Journal of Novel Research in Humanity and Social Sciences

Vol. 4, Issue 6, pp: (51-58), Month: November-December 2017, Available at: www.noveltyjournals.com

Acemoglu and Robinson (2006)^[13] distinguishes two political components of power. De jure (Institutional) and De facto (political) power. De jure political power here refers to all types of power that originates from the institutions in the society. Political institutions determine the constraints on and the incentives as key actors in the political sphere. Examples of such are democracy Vs dictatorship or autocracy, and the extent of constraints on politicians and political elites. The composition of de facto and de jure power in the society determines the actual power of a group or set of interests all which will determine which economic policies will arise. The above statement implies that those with power now should take decisions not just to maximize their income today but also to maintain their grip on power reason being that economic policies which increases the income of the Elite today increases the income of the opponents even more, thus influencing the future distribution of de facto power.

But what should be the main features or indicators of industrial policy?

They are to; develop and maintain a sustained growth, provide gainful employment. Achieve optimal utilization of human resources, attain inter nation competitiveness and finally transform a country into a major partner and player in the global arena. The policies should base their focus on; deregulating country's industry, allow industry freedom and flexibility to market forces and provide policy regimes that can facilitate growth of a countries industry.

What are the approaches to African development?

Nzau (2010)^[14] in early years of independence the approach that was popular amongst developing countries (Africa inclusive) was that of modern industrialization. Modernization presented to Africa the thinking that the industrialization they were yearning for had already been achieved by countries of North America and their former colonial powers in Western Europe. African countries did not need to re- discover the wheel' but rather to follow an already set path towards industrialization taking after the industrialized states of the north. This was to be measured through indices such as Gross Domestic Product (GDP and annual economic growth rate. The other approach that was open for the African continent was that presented by the Neo- Marxists, who believed that modernization approach was going to mislead the African process of industrialization because the western economies took place under totally different circumstances. They further argued that the industrialization process in Western Europe and North America had itself interfered with the natural course of industrialization through slavery, colonialism, and neo colonial control. In other words, African countries could never industrialize in a world economy that was already controlled by economic powers that historically under developed them and one in which they were already inferior to, dependent and unequal players. This was the only option at hand for industrialization. Under such conditions was for African economies to degrade the modernization path and adopt the socialistic path to industrialize. while these two approaches informed Africa's industrialization, consequently none of them either tried to find a middle level ground between the two alternatives all together. Such are the liberal and populist approach. Such models were keen to point out that both modernization and dependency paradigms were not tackling problems facing African populations and what they could do at the village level as well as within the informal sector among others engendered economic growth and wealth creation.

Eric and Nyangito (2000)^[15] in their review paper, industrialization policy in Kenya, points that the goal of Kenya's industrialization was a way to transform the structure of the economy. The current industrialization strategy aims to change the economy into that of newly industrialized country by year (2020). The strategy emphasizes selective encouragement of industries to produce for export and the process increase the employment potential The strategy, however, is different from the past strategies because of two innovations; first, industry is for the first time taken to be the leading sector in economic development, and second that specific industries are far from the first earn marked for government support. In strategy the government removed structural bottlenecks and improved information flow, thus removing the coordination failure that characterized the private sector activities in developing countries. It seeks to provide incentives, improve capabilities and provide appropriate framework that will enhance industrialization process led by private sector.

www.law.com Indian economy by JU's (2015)^[16] outlines the Indian industrial Policy. For example its industrial policy resolution (1948) declared, India as a mixed economy where by small scale industries and cottage industries were given importance. The government imposed restrictions on foreign investment, and its industrial policy (1956) laid down a framework of industrial policy. The policy was named the economic constitution of India. It is classified into three sectors

International Journal of Novel Research in Humanity and Social SciencesVol. 4, Issue 6, pp: (51-58), Month: November-December 2017, Available at: www.noveltyjournals.com

known as schedules. Schedule A- covers public sector industries. Schedule B-mixed sector- public and private industries. Schedule C-only private industries

The 1977 industrial policy statement focused on decentralization. It gave priority to small scale industries. It created a new unit called 'tiny unit' and imposed restrictions on multilateral companies. 1980 industrialization policy's statement focus was on selective liberalization. Monopolies restrictive trade practices (FERA) Act- foreign exchange regulation Act 1973 was introduced. The objectives were to liberalize industrial sector to increase industrial productivity and competitiveness of the industrial sector. New role industrial policy 1991 intended to provide large role to market forces and to increase efficiency. L- Liberalization (reduction) of government control. P-Privatization (increase the role and scope of private control) G-Globalization integration of the Indian economy with world economy. In the policy the government allowed domestic firms to import better technologies so as to improve efficiency and to have better technology. Foreign investment promotion zone was established foreign technology transfer arrangement was allowed under automatic route.

Naik (2008) ^[17] in his industrial policy hand book and statistics topic set up entrepreneurship and human resource development's aims which were to; help and coordinate with the financial institutions, develop entrepreneurship cell in the state investment promotion board for maximum and optimum utilization of human resources creating interest among the young and give them training related to self -employment plans. Technical information relating to establishment of industries and government schemes was made available to entrepreneurs by effective media. Availability of administrative technical, skilled worker training facilities in the state was to be examined and a special cell was established to deal with technical education

www.law.commission group industrial policy (2011) ^[18] Nepal government being in a dilemma framed the industrial policy (1993) whose objectives were to accelerate the industrial sector. This was because their industries were performing dismally even with very good policies. Industrialization was progressing worldwide. Even in neighboring countries was doing so but their country was not moving any step towards industrialization. This gave rise to industrial policy (2011) which was meant to bring a positive change in the overall economic and social sectors of the country by means of rapid industrial development doing away with the weaknesses of the past. By so doing it expected rapid industrial development, creation of many jobs, improve level of income of people

To achieve 1993 industrial objectives, it was necessary to transform the economy which was substantially relying on agriculture to industrial economy It made efforts which were concentrated into industrial development towards that direction. Industrial enterprises Act 1993 enacted as directed by the industrial policy 1993, created legal basis for development of industries by making available additional facilities and concessions such as income tax, sale tax and excise duties to the prescribed industries of various classes and located in various regions having them classified and prioritized with a view to move forward industrial development with high priority

4. DISCUSSION

Modern industrialization was the major goal of every developing country after independence. During post- independence era, each nation took its own pathway to industrialize itself even with varied results. Through policy formulation, each country had tried to enhance rapid industrialization. Countries especially those from Asia seemed to succeed while those from Latin America and Africa did not. This is due turbulent tectonic business changes in recent past which have brought in immense effects to their business plans. Even though it is the duty of every country to set a roadmap to industrialization through policy formulation and reformulations, technological, and innovation, through knowledge transfer systems like, training, incubations, universities and colleges education acquisition also exist. They should flex their policies to accommodate changes in case of failure. This is because Industrial policies need special approaches for their success. Apart from Beautiful paper work policies, they should set mechanisms to ensure proper policy implementation, monitoring, evaluations, analysis, and regular-adjustment for conformity and success.

5. CONCLUSION

From the above literature its evident that industrialization deeply depends on various industrial policies. That policies can fail but that is not the end of the road. Countries can formulate policies and re-formulate them till they conform to their

International Journal of Novel Research in Humanity and Social Sciences

Vol. 4, Issue 6, pp: (51-58), Month: November-December 2017, Available at: www.noveltyjournals.com

economic needs. That when policies have been rolled, there is needs to monitor, evaluate and change them for this is the only way to attain MDG goals of industrialization. This is due to weaknesses in policies employed by them which are immense. The Nations require firm foundations which can regulate their policy system, establish industrial regimes, separate industrialization from Ministry of industry; develop industrial culture continuity, and sustainability, link industry with higher learning institutions, and enhance knowledge and technology transfer mechanisms though training and empowerment. In this, they can industrialize.

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