

# Foreword

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I am delighted to see this volume on modern industrial policy. The 13 chapters that it contains provide a cogent account of the *how* of industrial policy. This is done by addressing key issues in industrial policy and by discussing a wide variety of current country experiences.

Modern industrial policy tries to go beyond the old industrial policy debates around the role of government in the economy, in particular on the thorny question of whether governments should choose between sectors (that is, pick winners). Instead, today there is widespread acknowledgement that governments *should* and *can* select sectors. By now we have sufficient evidence that not all activities in the economy have the same consequences for development (for example, traditional agriculture versus modern manufacturing and services). We also know that development tends to be a slow and path-dependent process and, therefore, that the government has the natural desire and the ability to expedite it, especially if its industrial policy is based on collaboration between the private and the public sectors. The question today is how to select sectors and nurture them appropriately. In this regard, I welcome the insights that the Product Space and the Growth Identification and Facilitation Framework can provide, both extensively discussed in this volume.

The present volume is built around five key questions that all industrial policymakers ask constantly: who selects the sectors? What is the rationale for sector selection? What are the main tools used to promote sectors? How can industrial policies support innovation and human capital development? How should industrial policies be monitored and evaluated?

The conclusions of the analysis are very clear. First, development is ultimately about the transformation of the structure of the economy, both in terms of the diversification of the production and export baskets and the increase in the levels of sophistication and uniqueness of individual products. Second, progress along these two dimensions of transformation is not automatic, in the sense that if a country simply follows its (static) comparative advantage and ‘leaves it to the market,’ it will not get very far. Third, developing countries suffer from serious coordination and information failures and lack organizational capabilities. Fourth, and as a consequence of the previous three points, developing countries need to implement industrial policies that allow them, if not to leapfrog to the

most complex products along the spectrum, at least to jump into sectors that offer significant chances of development, that is, to diversify and to upgrade the economy. Fifth, developed countries used industrial policies in the past and continue to do so today, although under different names, as the volume shows in a wide variety of contexts.

For the reasons discussed in this volume, the twenty-first century is not going to be easy for most developing countries. Therefore, governments need to weigh their options carefully. They need to understand that, without a sound industrial policy, their countries' economic development will be very slow and that many of them may be condemned to remain in limbo for a long time.

This volume will serve as a very useful guide to both industrial policy-makers and development practitioners all around the developing world.

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