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POLICY BRIEF

Re-envisioning a sustainable, people's industrialisation

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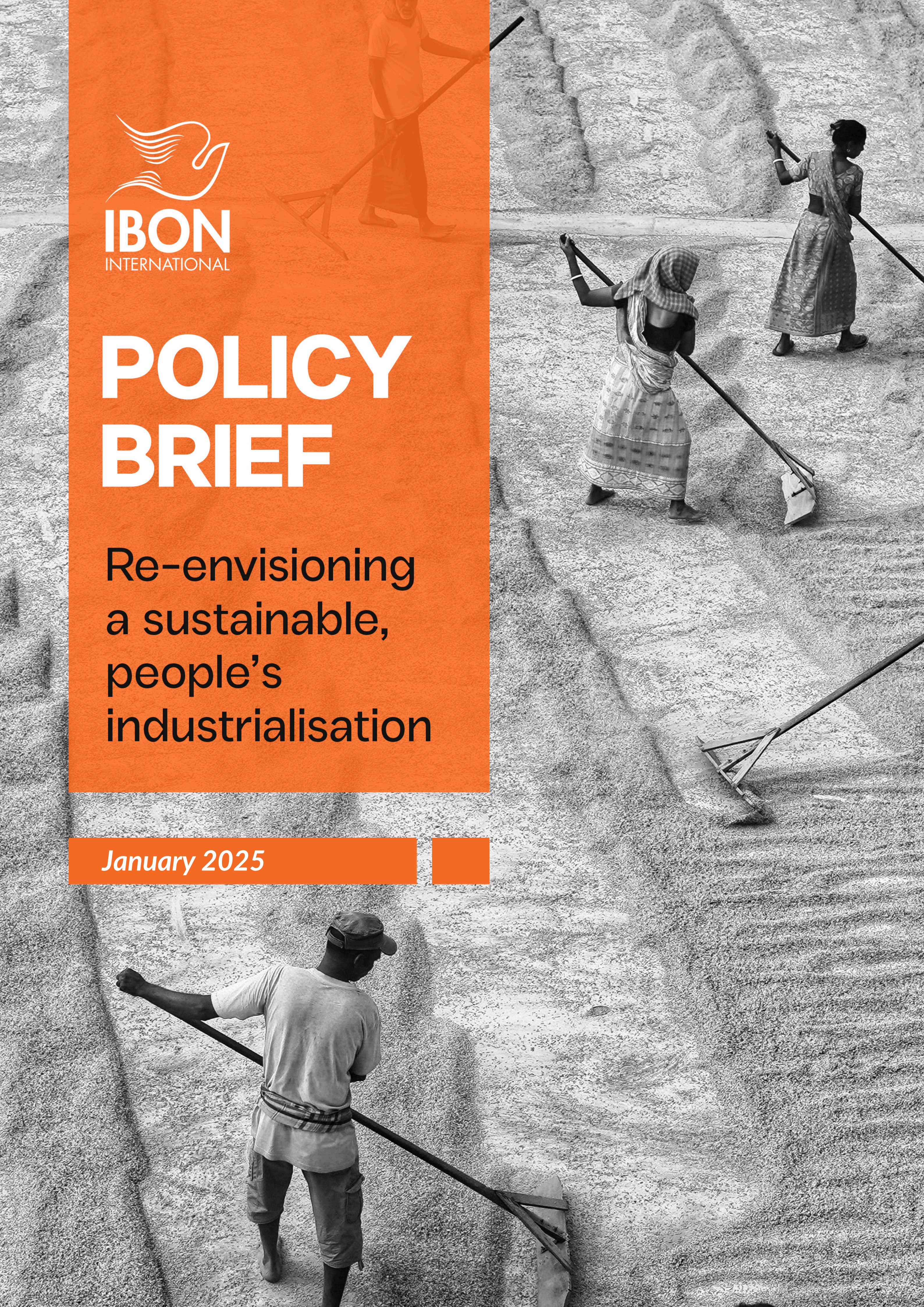

The challenge to sovereign and sustainable industrialisation

Industrialisation refers to the processes wherein industries, the production of goods for consumption as well as equipment to produce goods, are created in countries. The history of the advancement of production was punctuated by "industrial revolutions"—advancing know-how, technologies, and techniques[1] that were nevertheless controlled by the owners of capital and elites. In short, the history of industrialisation processes also involved unequal power over productive resources within societies, and, with the expansion of the world economy and various forms of colonialism, between countries as well.

Today, many countries in the global South face multiple crises amid long-standing injustices in the relationship with states of the global North. Many countries in the global South face a dependence[2] on commodity exports, growing demand for extraction[34] of critical minerals, and a prevalence of land concentration.[5] People reel from rising inequalities,[6] and harsh effects of climate and ecological crises. Women's unpaid care work subsidises the world economy. Workers in the global South face low-waged and resource-intensive production[7] within global value chains (GVC), with the supposed transformational benefits of GVC integration untrue. Some countries have not undergone economic transformation; for others, "premature de-industrialisation."[8] Corporate capture also marks climate negotiation spaces, with conversations on just transition a contested terrain[9] over who benefits and loses.

These have deeper roots in the neo-colonial integration of the global South in today's financialised monopoly capitalism (corporate and finance giants exporting capital in search of greater profits), with the global South barred from pursuing economic and development alternatives. Southern peoples and countries face (a) the eroded developmental role of the state – its supposed active role in regulation, domestic subsidies, development planning, ensuring social se rvices, among others; and (b) the unfulfilled and unrealised peoples' right to shape their economic and development paths.

1 For instance, the steam engine and textile manufacturing were key in Great Britain's industrialisation (the first industrial revolution). This was followed by the development of electrification, steel production, and the factory "assembly line" in the so-called second industrial revolution in the era of monopoly capitalism; and the invention of the internet and the rise of information technologies in the 20th century third industrial revolution

2 UN Trade and Development. "The state of commodity dependence." https://unctad.org/topic/commodities/state-of-commodity-dependence

3 International Energy Agency. 2024. "Global Critical Minerals Outlook 2024." https://www.iea.org/reports/global-critical-minerals-outlook2024-/market-review

4 IBON International. 2023. "Can development close Southeast Asia's open veins?" https://iboninternational.org/19/04/2023/can-development-close-southeast-asias-open-veins/

5 International Panel of Experts on Sustainable Food Systems. 2024. "Land squeeze: What is driving unprecedented pressures on farmland and what can be done to achieve equitable access to land?" https://ipes-food.org/wp-content/uploads/05/2024/LandSqueeze.pdf

6 Oxfam International. 2024. "World's top %1 own more wealth than %95 of humanity, as "the shadow of global oligarchy hangs over UN General Assembly," says Oxfam." September 24. https://www.oxfam.org/en/press-releases/worlds-top-1-own-more-wealth-95-humanity-shadow-global-oligarchy-hangs-over-un

7 IBON International. 2023. "Can development close Southeast Asia's open veins?"

8 Rodrik, Dani. 2016. "Premature deindustrialization." Journal of Economic Growth 33-1 :21. DOI 10.1007/s3-9122-015-10887

9 IBON International. Trajectories of Climate Justice: Charting the Path of People-Powered Climate Action. https://iboninternational.org/download/trajectories-of-climate-justice/

Historically, these problems developed through the promotion of an export-oriented, extractive economic model. The export-oriented, extractive economy limited Southern policy space, hollowed out domestic production, privatised and made social services inaccessible. It also created economic and financial relationships of plunder in the South for the gains of the North[10] – which came with a reliance on external markets and finance[11] (e.g., debt and private finance), balance of payment deficits, and finance capital compromising[12] the development of the domestic real economy.

Industrial policy in the global South: A brief detour

Industrial policy, which could be defined as "targeted efforts to change the production structure of an economy in order to accelerate economic development,"[13] has also gained new prominence today in policy-making circles. This is in the context of intensifying great power competition, such as between the United States against China and Russia, and the search for new resources and markets to gain the upper hand in the 21st century international order.

Conversations on industrial policy today have been connected with discussions of reforming the international financial architecture, system change, colonialism, and its past and present dynamics. For instance, UNCTAD asserts that "[m]eaningful reforms" in the international financial architecture should mean "reliable access to long-term finance…that reinforces their [developing countries'] industrial capacities, clean energy production and ability to create jobs."[14]

In the 20th century, efforts of socialist models put primacy on planned economies through a combination of communist party leaderships and mass mobilisation to transform economies, in contexts of competing with the capitalist model and the Cold War. The Soviet Union implemented planning to focus on heavy industries and productivity; China advanced a path of collectivisation in agriculture and agrarian transformation together with developing industries. With the rise of the "Third World", both state intervention in transforming economies were part of strategies in Africa (Algeria, Tanzania), Asia (Vietnam, India, Indonesia), and Latin America (Cuba) in contexts of victorious anti-colonial struggles and national liberation movements. Import substitution industrialisation (ISI) was also applied in regions such as Latin America, or the Philippines in Asia, which commonly included designations of strategic industries together with protectionist measures such as tariffs, to varying success. The "newly industrialising countries" such as East Asian

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10 Harcourt, Sara, Rivera, Jorge and David McNair. 2024. «Net finance flows to developing countries turned negative in 2023.» ONE Campaign. https://data.one.org/data-dives/net-finance-flows-to-developing-countries/

11 IBON International. 2022. "Dependence and debt distress: How the IMF got us here." https://iboninternational.org/22/07/2022/dependence-and-debt-distress-how-the-imf-got-us-here/

12 Bain, Robert. 2024. "The Bretton Woods Institutions at 80: Driving financialisation in the Global South, perpetuating the economic dominance of the Global North." A Peoples' History of the IMF-World Bank. https://peopleshistoryimfwb.iboninternational.org/05/08/2024/the-bretton-woods-institutions-at-80-driving-financialisation-in-the-global-south-perpetuating-the-economic-dominance-of-the-global-north/

13 Wade, Robert. 2015. "The Role of Industrial Policy in Developing Countries." UN Trade and Development. https://unctad.org/system/files/official-document/gdsmdp20151wade_en.pdf

14 UN Trade and Development. 2023. "Trade and Development Report 2023: Growth, debt, and climate: Realigning the global financial architecture." https://unctad.org/publication/trade-and-development-report2023-

countries of South Korea, and Taiwan, featured state actors that worked closely with elites with industrialist ambitions, while at the same time suppressing social movements.

The common feature of state intervention in restructuring the economy for industrial development was undone by the onset of neoliberalism from the late 1970s onwards. State roles in the global South were re-oriented towards creating markets and better business environments. The IMF-World Bank and World Trade Organization's long-running push for privatisation, de-regulation, and liberalisation has been integral in this. Their policy impositions led to a private sector- and private finance-first approach;[15] increase in resource extraction; the reshaping of the state in reducing investment "risks" for capital while eroding the power to subsidise Southern agriculture, services, and industry. At the same time, the WTO entrenched Northern oligopolies over key sectors such as agriculture and technology.

The re-emergence of industrial policy in the 21st century has raised the questions of what should be the role of the state today. Contemporary conversations tackle "green industrial policy" with concerns on the use of renewable energy and climate financing amid climate and ecological crises. Industrial policy today also exists as national discourse: social movement articulations of such an agenda have existed for decades (e.g., Philippines' notion of national industrialisation)[16] [17] as well as contemporary state proposals (e.g., Brazil's re-industrialisation policy,[18] Malaysia's New Industrial Master Plan). In contemporary state proposals, current visions of state-led industrial policy are yet to be founded on peoples' participation in shaping economic and ecological shifts.

Re-orienting the public and private today

There is no one-size-fits-all industrial policy, and thus always requires adaptation to national conditions. Today, industrial policy should recognise the systemic roots of current multiple crises, to which its priorities should respond. It also needs to affirm the foundational character of such a policy agenda as a transformation away from the system of corporate-led production and volatile markets under which the global South economies are still subsumed.

Industrial policy requires a redefinition of current roles of the public and private sector, on the basis of responding to peoples' needs. This re-definition of the public and private roles means a) breaking from colonial and neocolonial investment patterns, where private investment merely serves resource extraction, infrastructure for commodity exports, and

15 IBON International. 2024. "World Bank "Evolution" and the need for systemic accountability: 80 years since the Bretton Woods Conference." https://iboninternational.org/download/world-bank-evolution-and-the-need-for-systemic-accountability-80-years-since-the-bretton-woods-conference/

16 IBON Foundation. 2016. "Promote national industrialization for national development." https://www.ibon.org/wp-content/uploads/06/2016/IBON-NI-for-peoples-summit-Jun-16-v.2.pdf

17 Araullo, Carol. 2016. "National industrialization — change we want." Bulatlat, September 24. https://www.bulatlat.com/24/09/2016/national-industrialization-change-want/

18 Rosati, Andrew and Simone Iglesias. 2024. "Lula Unveils 60$ Billion Plan to Revitalize Brazilian Industry." Bloomberg, January 23. https://www.bloomberg.com/news/articles/22-01-2024/lula-unveils-60-billion-plan-to-revitalize-brazilian-industry

financial markets tied to speculative capital; as well as b) (re)building domestic economies after decades of maldevelopment on the basis of democratic ownership and reconnecting "finance" with the "real economy," with domestic private sector's contributions oriented to support domestic dynamism.

Key sectors that can be covered by such premises could include: industry and agriculture (as the foundations of the economy), technology (including research and development), energy, social services, food and medicine, in relation to a broader industrialisation strategy that includes related finance and trade policy (see policy options in Table).
The "de-risker" state is misaligned with such an agenda. A bare minimum should be the principle of the "developmental role" of the state. In short, a re-orientation of the state is required, from being primarily an enabler of foreign investment and of integration into corporate-led global production networks, towards fulfilling a public agenda for development, people's rights, and sovereign economic transformation. Especially in the global South, the domestic private sector can have roles to play in economic activity that responds to domestic needs (e.g., reviving national-level production, distribution, and exchange within the framework of national development plans).

Re-envisioning industrialisation strategy: Some potential principles

Redefining the roles of the public and the private sector, and defining strategic economic sectors, form part of bigger conversations on other policy tools conducive for industrialisation processes that address people's needs. Redefining the roles of the public and private also requires strengthening the power of people's organisations and social movements as the foundation of the "public."

It requires a foundation on people's rights – civil and political, economic, social, and cultural rights, as well as the right to self-determination and to development – and also people's sovereignty – a decisive role of working peoples' organisations and social movements in agenda-setting, decision-making, and setting overall economic goals. Certain principles of a new industrial policy could therefore include other premises such as:

Economic redistribution

Economic transformation requires recovering and reclaiming the key productive resources that, due to their uneven distribution today, are at the root of inequalities within and between countries (e.g., the concentration of land, equipment, capital into a few private actors, domestic and international elites). It also means primarily addressing domestic demand and needs, based on a principle of self-reliance, not the compulsions of global markets.

Policy sovereignty, expansive civic spaces

Long overdue is the review and reversal of the decades-long prescriptions of the IMF-World Bank and the WTO, which eroded the policy space in the global South to advance their own economic strategies. Such a review and reversal is an enabling condition for formulating and implementing industrial policy in a country's and peoples' own terms, that is, on the basis of context-specific social and economic conditions, as well as extents of domestic needs. Expansive civic spaces and assertions and defense of civil-political rights (to assemble, organise, speech) are essential to exercise peoples' sovereignty.

Democratised development planning

New processes that allow full participation of workers, farmers, women, Indigenous Peoples, and impoverished social classes are necessary. It allows discussions to answer questions such as: How can a country's resources be utilised, and for what goals and priorities, with what types of economic sectors, and how to finance them?

Minimising ecological harm

The process of industrialisation in the global South today need not mirror the emissions-heavy and unsustainable patterns of prior Northern industrialisation. Southern industrial policy could advance a more balanced relationship between industrial development and agricultural transformation, including land use. Industrial policy can allow more sustainable directions in reversing imperatives of commercial land-use conversion, plantation economies, mining plunder, and corporate overfishing. Industrial development need not constitute reliance on urban-based economic centres as a one-size-fits-all solution.

Democratising science and technology

Promotion of strategic economic sectors require a) the reversal of the current, corporate monopolistic control over industrial technology (e.g., know-how, patents, equipment, production techniques) and b) state support for existing domestic knowledge apt for countries' realities and needs (e.g., the peasantry and Indigenous Peoples' principles, knowledge, and techniques in farming, soil regeneration, resource use, seed exchange, etc). Development plans should also adequately account for domestic contexts, addressing problems such as the "implanting" of technologies (e.g., equipment which can be operated only through know-how of foreign private firms).

The path to sovereign industrialisation as a break from neocolonialism

Industrial policy, as a policy agenda that could steer industrialisation processes, has arguably reached a comeback in global policymakers' attention. For peoples in the global South, this policy agenda could be framed as a political one – by advocating for a reconstruction of national economies, it intervenes in countries' power structures while also altering economic relationships with other countries.

The bigger conversation, the process of sovereign industrialisation, constitutes economic overhaul. It offers a path, when premised on democratic ownership, that could create economic and social conditions for self-reliance. Self-reliance, in this context, differs from so-called economic isolation. It means developing domestic capacities to address people's needs; stopping the hemorrhage of resources from dependence on external finance; and disentangling from privatisation, liberalisation, and deregulation that serves the exploitative "integration" into monopoly capitalism. Sovereign industrialisation offers a democratic ownership of development in the 21st century.

Industrial policy and related policy tools: Some directions and options

Global options: Breaking from neocolonial trade, investment, financial, and ecological patterns	National options: (Re)building domestic economies with roles for domestic private sector
1. Investment regulation a. Designation of sectors as public ownership-only (e.g., social services & sectors, raw materials) b. Reviewing foreign investment incentives (e.g., in mining laws, special economic zones, etc) c. Explicit requirements for technological transfers and human rights measures in FDI-allowed sectors d. Moratorium on profit repatriation 2. Re-nationalisation of key sectors (e.g., Spain's nationalisation of hospitals during the pandemic) 3. Binding international and national rules for TNC accountability for harmful activities (e.g., extractives)	1. Designating strategic industries (e.g., energy, pharmaceuticals, food) 2. Genuine agrarian reform (breaking corporate/elite land concentration) to raise sustainable agricultural production and increase rural purchasing power; strong protections on the right to self-determination of Indigenous Peoples over land and resources a. Crop diversification, transitions away from pesticide-reliant agriculture, cooperativisation, based on needs-assessment and development planning 3. Active labour market regulations (e.g., laws on living wages, full and secure employment) and democratisation of workplaces a. Establishment of workers' councils in enterprises

4. Steering global climate discourse towards realising justice and historical responsibility (e.g., reparations for ecological debt as well as losses and damages; climate fair shares and a Northern real zero in emissions; Southern peoples' sovereignty over just transitions; rejecting corporate false "solutions" in emissions mitigation, carbon markets, and land use)

5. Binding banking regulation, including of "shadow banking"

6. Capital controls, such as taxes on financial transactions and speculative flows, along with global rules to curb illicit financial flows

7. Suspending and abolishing TRIPS to fight patent monopoly of technologies, including and especially on renewable energy tech

8. Moratorium on current Public-Private Partnerships esp. in infrastructure

9. Reviewing bilateral/multilateral investment treaties, gov't membership in IMF-WB, WTO

10. Multilateral cooperation based on mutual aid and non-interference

11. Untied aid as non-debt creating support in financing, debt cancellations

4. Adoption and expansive use of renewables, including of indigenous and community-based energy systems (e.g., micro-hydro and micro-grids), while maintaining policy space

5. Supporting people-led sustainable production and consumption patterns and social innovations (e.g., agroecology, Indigenous Peoples' farming techniques, community self-management of resources, etc.)

6. Promote domestic processing of raw materials, production chains and reinvestment

    a. Public subsidies, state investment, and other incentives for MSMEs as part of national dev't plans

7. Public ownership, support and financing of health, water, childcare, maternity services, education, social protection, and other public services

8. Increasing taxes on wealth, inheritance, TNCs

9. Re-orienting public development banks to finance infrastructure according to dev't plans

10. Ensuring public accountability of Central Banks to support greater regulation