

Adapting Industrial Policies to a digital world for economic diversification and structural transformation

Dr. Safdar Sohail

Director General National Institute of Management &
Member [Governance], Planning Commission,
Government of Pakistan

Policy Implications of Industrial Revolution 4.0

- Re-shoring, resulting in diminished export opportunities for the third world countries
- Changing nature of demand in big import countries could accelerate the de-industrialisation witnessed in many developing countries export
- ITES and ET Products from more developed countries could dominate the developing countries markets creating balance of payment problems

Policy Implications of Industrial Revolution 4.0

- With growing de-industrialization and ICT enabled selective/class based consumption/integration, could see the exports from the developed countries to developing countries grow
- Those competitors of developing countries, which become better integrated with the Industrial Revolution 4 dominated GVCs, become more competitive and edge out the less developed countries from their traditional export markets
- Jobless growth due to automation

Policy Implications of Industrial Revolution 4.0

- A group of middle income countries start exporting more to the developing countries thus creating concentration in terms of export capacity
- Highly advanced MNCs in Services Sector start dominating the domestic markets in developing countries, creating strong lobbies in importing countries, for such imports

Policy Implications of Industrial Revolution 4.0

- As Services become more important in the post Industrial Revolution 4, the domestic commerce paradigm supplants the international trade as a major creator of value and large countries and homogenously developed regions like EU and ASEAN become inward looking
- Those regional integration initiatives which are low on their focus on the Services Sector integration would be doomed

Unpacking Industrial Revolution 4.0

- **Industrial Technology:** The body of knowledge that is specific to a certain industry and without which that sector or industry can not operate
- **Business Technology:** The formalized processes and procedures that are employed to run an enterprise based on certain industrial technology
- **IT:** The resources used to acquire process, store and disseminate information generated or used by the employed business technologies

Potentially positive role of China in Industrial Revolution 4.0: Key Assumptions

- If the Industrial Revolution 4.0 is nested in RBI investments and trade opportunities and is mediated through a mutually beneficial closer economic integration with China, the member countries may succeed in maximizing the benefits of Industrial Revolution 4.0
- China, at the policy level, could be an enabler of the modernization, including re-industrialization, of the economies of its partners, if it does not exactly mimic the more advanced countries, in its Trade, Investment and Technology policies and does not remain a reluctant development partner.

New Language of Spatial Development through
connectivity/regional integration in RBI

**Resource Integration, Shared Prosperity, Regional
Development, Re-mixing of Regions through**

- **Infrastructure development**
- **Establishment of Industrial Parks, Special Economic Zones, Export Processing Zones, Free Trade Zones, Technology Parks, Logistic Parks with Chinese financing of FDI and relocation of industries**
- **Networks of China destined/dominated logistics**

Something akin to Marshal Plan or Soviet/Russian investment in Eastern Europe and Central Asiaor EU support to new EU members?

Road and Belt Initiative: a new paradigm of Regional Development?

- Focus on advanced technology led deep integration
 - TTIP, TPP, TiSA shaped by trillions of surpluses aiming to transform wealth into power by heralding Industrial Revolution 4 led regional integration blocks and axes
- Chinese plan for industrializing its neighbours
 - China investing in big infrastructure/logistic development & manufacturing, but nudging the reorientation of policy, planning and public investment in the recipient countries
 - China using SEZs as the major tool of regional development

Policy Mix and Sequencing for developing countries

- **Put in place incentives to quickly adopt those elements of industrial revolution 4, which help improve the production**
- **More public investment in ICT infrastructure and quality higher education**
- **Reform and Develop Domestic Commerce with the help of Standards and insights from the Business Technology part of IR 4.0**
- **On the strength of Industrial Technology, re-engage with regional trade**
- **Curb the over-drive in the form of ITES, ETs and E-commerce**