

Reforms and Industrial Policy for Economic Development of North African Countries: A Lesson From Other Global Practices

Vaillet Mgalla Jeremiah

Research Assistant, STBV, P.O. Box 6754 Arusha, Tanzania.

Email: vailletjeremiah65@gmail.com

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Abstract

If the implemented industrial policy is a result of the growth of North African countries economy then inclusive development and institutional reforms is where it stick to, it's not been a guarantee; there are obstacles to deal with but still yet there are reforms to improve sectors for a better integration of inclusive development, the question is what are the obstacles that need to be removed in northern countries and reforms that are needed for industrial policy to integrate into their inclusive development, the study look at the reform within the industrial policy and draw a lesson from other global practices the research use observational analysis and investigate economic development of North African countries. Its observed that there are measures that were taken by ASIAN as global practices on territorialization of industrial policy which justify inclusive development, they are lesson that North African countries should learn from, adapt the coordination and governance of public policy which seem to have shortfalls to incorporate and linked to industrial policy; political disputes and war in neighboring countries are part of what affect the policy implementation of territorialisation of industrial policy but ongoing disputes, terrorisms and manifestation in their territories contributes to challenges of decreasing unemployment favorably and therefore become a challenge to their implementation, enforcement and coordination of public policies and this result in concluding that the dimension has not been taken into account.

Keyword: territorialization, industrial policy, reform, lesson, economic development

1.0 Introduction:

Reform constitute a part of changes in growth and development and conclude the integration of inclusive development, North African countries are privileged with natural resources that support industrialisation and are the main sources of growth of their economy, this does not mean they are at the same pace with other economies in the same region that hold the same resources but have advanced more in removing obstacles and have reformed their institutions and have a good industrial policy governance and have showed good coordination of public policy that is inclusive.(World Bank report 2015, P.24)

There are much evidence that despite all the resources North African countries economic growth does not reflect changes in decreasing unemployment and the natural resources do not generate sufficient employment this is not only observed in the Northern African countries but elsewhere in the sub-Saharan Africa, which means there are much to be done either to ratify or reform their institution in order to integrate inclusiveness; looking at the North African countries economy supported by industrial policy and public policy their growth and development reflect that:

Tunisia has been able to reduce the share of the primary sector in its GDP, which decreased from 2.4% (2013 est.), 2.3% (2014 est.) to 0.8% (2015 est.), while in 2015 the GDP composition by sector of origin reflected that agriculture: 9.9%, industry: 29%, services: 61.2% (2015 est.) with an industrial production growth rate of -0.8% (2015 est.), what the labor force by occupation account for agriculture is 14.8%, industry: 33.2%, services: 51.7% (2014 est.) with unemployment rate of 14.9% (2014 est.) and 15.4% (2015 est.). This is of more critical than it could be expected once the coordination of public policy and industrial policy for inclusive development is well coordinated and are properly governed.

Algeria had an economic challenge that included the diversification of their economy from dependence on hydrocarbon exports attracting foreign investment, bolstering the private sector where it counted a GDP growth rate of 2.8% (2013 est.), 3.8% (2014 est.) where it slightly declined at 3.7% (2015 est.) this has provided adequate jobs for younger ones. Sectors contribution to GDP shows that agriculture: 10.3%, industry: 46%, and services: 43.7% (2015 est.) with an industrial production growth rate of 0.4% (2015 est.), labor force by occupation agriculture account for: 10.8%, 30.9%, industry: 58.4%, 13.4%, services: (2011 EST.) with unemployment rate of 10.6% (2014 est.), and 11% (2015 est.) this shows a little bit significant decrease of rate in 2013 the Minister of industry called for removal of constraints on the economic operators and managers to depreciate industrial production and move forward on growth and production development.

Mauritania economy is dominated by natural resources and agriculture, the GDP is driven by foreign investment in the oil and mining sectors but with a shortage of infrastructure, institutional capacity, and human capital, the GDP composition by sector shows that agriculture is of: 23.2%, industry: 37.4%, and services: 39.4% (2015 est.) this is where their industry is constituted by fish processing, oil production, mining (iron ore, gold, copper) where gypsum deposits have never been exploited with a production growth rate of 9.6% (2015 est.); labor force in agriculture contribution is of: 50%, industry: 2%, services: 48% (2001 est.) and unemployment rate of 31% (2013 est.).

Morocco Industrial development strategies and infrastructure improvements is one of the components that support mostly the growth of it economy, the fact is that the Morocco government is uses it industrial policy to improve it competitiveness but still it suffers from high unemployment rate despite the GDP growth rate of 4.7% (2013 est.), 2.4% (2014 est.), 4.5% (2015 est.) where the GDP composition by sector reflect that agriculture: 13.8%, industry: 29%, services: 57.2% (2015 est.), industrial production growth rate of 4.3% (2015 est.) with labor force by occupation for agriculture: 39.1%, industry: 20.3%, services: 40.5% (2014 est.) and unemployment rate of 9.9% (2014 est.), 9.7% (2015 est.)

Egypt is among the Mediterranean countries that have achieved certain degree of structural transformation over time moving from agriculture to industrial sector, the GDP of 2.1% (2013 est.), 2.2% (2014 est.), 4.2% (2015 est.) shows a significant growth; GDP composition by sector where agriculture contribute: 14.3%, industry: 39.6%, services: 46.1% (2015 est.) and industrial production growth rate of 3.3% (2015 est.); labor force by occupation shows that agriculture: 29.2%, industry: 23.5%, and services: 47.3% (2013 est.); a significant decrease of rate of unemployment of 13% (2014 est.) and of 12.8% (2015 est.), this shows how Industrial production rate is critical in most north African countries, little decrease of 0.5% on unemployment and below annually is not significant and does not show significance of inclusive development where sectors contribution to the GDP are increasing their growth but similar to industrial production growth rate. Unemployment increased from the past three years it means there is no adequate response from government on poverty reduction, inequality reduction which means there are obstacles and need for reforms, there are demand to structure the Industrial policy governance and coordination of public policies to integrate inclusive development;

Research Objective

Look at the reform of Northern African countries within the industrial policy whether favourable and draw a lesson from other global practices.

Research Question

What are the obstacles that need to be removed and reforms that are needed for industrial policy to integrate into inclusive development.

Methodology/Approach

To observe the reform and development of North African countries with their industrial policy compared to global practices, the observational analysis involved both qualitative and quantitative data and investigate their economic development.

Findings

The lesson successfully familiarized researchers with model-based reasoning. Three main focal points were formulated: (1) make sure that it support the research question that the researchers bring into the cycle, (2) it has been taken into account that the lesson is supposed to answer the research question that might cause extra and (3) statement on the role of both researchers and readers clearly at the beginning of the cycle.

Result

1.0 Territorialization of Industrial policy and public policy state of the Art knowledge:

The industrial policy of North African countries differs in their aspect of support of industrial sectors but mostly have the purpose to transform industrial sector, support and sustain the sector to be modern, competitive and dynamic. With that, wider range of goods is traded to a greater number of trading partners (export is diversified). In some cases in Mauritania, Morocco and Egypt labor market has not been helpful to the population, unemployment dropped by 0.2 percent from 2014-2015 this may be caused by political disputes, this shows how there are shortfalls on public policy and they may need a review or ratification of industrial policy link with public policy that should be coordinated by Team from Ministry of industry and stakeholders from different sectors, the coordination team assures the policy is implemented in support with the public policy; along with that Northern African countries understand the meaning, what is Territorialisation of industrial policy and public policy in this context?

Territorialization is constructed in response to sectorial public policies, it corresponds to a certain notion of autonomy (Faure and Douillet (2005) (Faure, 2007), to the community of interests of its members, this autonomy is witnessed in the ability of territories to de-compartmentalize public action in order to foster cross-sectional steering capacity (Faure 2007). Territorialization stands in contrast with what other people qualify as networks or spaces of flows (Badie, 1995) (Castells, 1996). The construction of territorial institutions cannot be seen as any sort of affirmation of the autonomy of territories, but rather as a necessary condition of globalized capitalism (Brenner, 2004, p. 260 and following)

The movement of the *territorialization of industrial policy*, seek to use the concept as a privilege for expansion for dynamic, competitive and modern industrial sector implemented for socioeconomic and for decentralization processes in governmental industrial activities in relations between state and investors in the society, who play a significant role in the development of industrial sector which begun in the high performance Asian economies (HPAEs) Taiwan, Hong Kong, Malaysia, Indonesia..., they were able to achieve more than 10% of GDP growth rate per year in the 1970's and 1980's and this created more employment and continue to decrease poverty among many (World Bank report 2015 p.20)

Generally territorialization industrial policy approach he's been implemented in quite a number of countries from one or two perspectives, one is from the perspective of territorial reordering that seeks to update traditional regional industrial development policies, ranging from an emphasis that prioritizes the large administrative regions of the country, to another one that emphasizes the relevance of a less encompassing scale, there is also a perspective that emphasizes the territorialization of specific objectives of industrial policy, usually with a sector-based, differentiated or with universal focus, with the aim of achieving greater growth, for efficient industrial sector by its effectiveness during the implementation and it decentralization (2007), Bebbington (1999), Ortega and Mendonça (2007) and Veiga (1999).

Public policy can be defined as a system of laws, regulatory measures; courses of action and funding priorities concerning a given topic promulgated by a governmental entity or its representation (G.Patrick). There are challenges of regionalization of public policy in northern African countries (as cited above) but this study points out the attitude of weak implementation of public policy and its enforcement (*each country profile and result on implementation of public policy*), the regional harmonized public policy as are violated by other states as a matter of protection to personal interest and development; the design and management of public policies at the national and territorial level are not reflecting to the environment and life condition of the population; institutional structures are not relevant to the present and future needs of the government and population they need reform; they don't totally respond to the need of inclusive development; the Coordination of public policies includes part of sectors which are now not able to be managed and enforced at all levels; governance issues includes personal interest involvement in business, none respect of human right to be considered, rule of law to be carried for the favor every one, and long term measure to be considered to enhance capacity on industrial skills; then there are more need for northern African countries to know and understand about the performance of ASIAN countries in coordination of public policy and link with the industrial policy territorialisation (ASEAN Investment Report, 2015).

2.0 Industrial policy in the high performance Asian economies as part of global perspective

High performance Asian economies such as Taiwan, Hong-Kong, India, Malaysia and Indonesia are doing very well after implementing their industrial policy, the coordination of public policy linked with the industrial policy governance resulted in dynamic, competitiveness and modern industrial sector which today count a high GDP growth rate decrease in unemployment, accessibility of labor market and poverty reduction, industrial production growth rate and the industrial policy is an inclusive development (WB report 2016 p19). Obstacles were removed and reforms were conducted and taken into consideration in various institutions to capitalize the system through better measures of coordination of public policy and governance of industrial policy. the development of infrastructure has supported economic growth, increased competitiveness, it has improved quality of life of their population and ensured a universal access (WIR 2014), there is also an evidence that industrialisation policy and better coordination has helped along with the provision of adequate infrastructure in services such as electricity, telecommunication and transportation this has helped boost the GDP and contribution of all sectors to GDP.

Reforms and improvement of policies in the High Asian countries included: ratification of regulation which contain lists of business fields that are closed for investment and business fields that are conditionally open, for investment", which aims to provide clearer, more transparent and more certain investment policies; they issued notification to amend the classification of types of economic activities; economic activities requiring environmental impact assessment, investment businesses that will be granted or not granted exemption and tax relief; they issued their negative lists as per period starting the date of reform to reflect the changes in its List A (sectors in which foreign ownership is limited by mandate of the constitution and specific laws). The list provides clarity on which professional practices are open to foreigners, subject to reciprocity; they amended the Companies Act to reduce the regulatory burden on companies, provide for greater business flexibility and improve the corporate governance landscape in the country; they made announcements to promote more high-value industries and eco-friendly production in the country; they amended their Investment Law and Enterprise Law; the amendment took the new law guarantees the freedom of doing business in their countries; they updated and improved their industrial policy and investment policies to update the law that was adopted in 1994 and amended in 2003. They worked on merging their citizens Investment Law and the Foreign Investment Law into a single law, as well as updating the century-old countries companies Acts, they have also announced efforts to align investment policies with their national economic or industrial development policy. What kind of reform should North African countries account for as a decision to integrate inclusive development:

3.0 Reforms in North Africa and integration of inclusive development.

Successful implementation and coordination of policy result in inclusive development plus availability of resources, High Asian economies are examples and have showed routes for successful implementation of industrial policy implementation and territorialisation of industrial policy based on growth of their economy and inclusive development despite their increase in population, they were able to achieve 10% per year as growth rate in the 1980's the facts about their growth included High savings rate, rapid improvement in public education, they had incentives that promoted domestic economic development and worked hard on their industrial policies from tariff to the government support of research and development that favour industries. This study observe that obstacles and reforms needed to support the industrial policy and implementation of territorialization of industrial policy and suggest that obstacles be removed and reform to proceed. There is no integration of labour market, there are still huge gap in inequality, rate of poverty is high and unemployment rate increases from time to time, based on that obstacles that need to be removed includes: the difficulty that exist to ease the access to finances, combat corruption, problem of Inadequate supply of infrastructure, problem of Inadequate educated workforce, Insufficient capacity to innovate, review of restrictive labor regulations. Among other reform that north African countries need include: plan and organize with Financial institutions to support the process to review the implementation of industrial policy, territorialisation of industrial policy, build infrastructures to respond to demand for inclusiveness, reform education system that will provide quality of education to support the industrialisation process, reform institutions to support innovative capacity with an innovative fund. It may not limit on these by follow the example of high Asian countries.

4.0 Lesson from other global practices and North African countries

ASIAN countries are the best example in territorialisation of industrial policy, it's one of the lesson that Northern African countries should learn from, but with northern African countries we have learn that northern African countries such as Algeria and Tunisia among others have not enhanced more effort and enough resources to remove obstacles and reform their institution including linking the investment policy with industrial policy, have more transparent and certain investment policy, a well-coordinated public policy and have good governance of public policy to support the inclusive development, have not initiated properly the territorialization of industrial policy to integrate young and adult people into the labor market, equity and improvement of their life condition.

The international best practice in public policy and inclusive development shows how the inclusion is taken into account by linking the industrial policy with the investment policy, ratifying the industrial policy and accommodate it to territorialization of industrial policy; the territorial dimension role is open, practicable, its manageable, can be well coordinated, easier it support the entity, it increases the presence of industry and activities, it increases the presence of industry in all sectors; the governance support the initiation of inclusive development, look at overall challenges of population and sort out.

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