



Governing the
“governing the market”:
toward a green industrial policy
in emerging economies

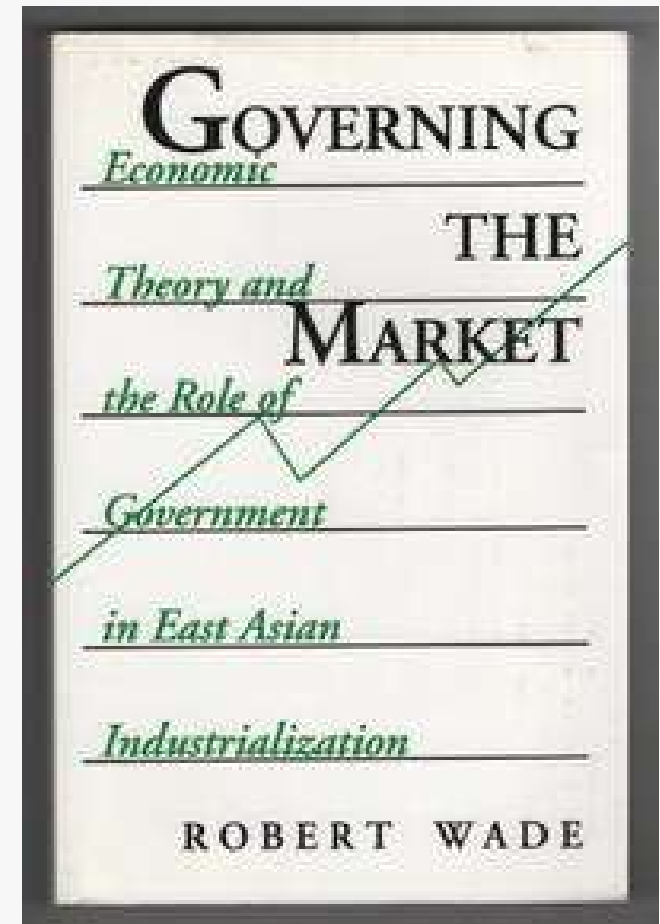
Mario G. Schapiro

NUDEP – Center for Law & Political
Economy

FGV Law School

Governing the “governing the market”

- Starting from the start: industrial policy matters for emerging economies and developing countries
- Lessons from List, Gerschenkron, Amsden, Wade: Catching up processes always depend on the visible hand of government
- Minimalistic view of industrial policy: Rodrik acknowledges government matters to coordinate investments and handle externalities.

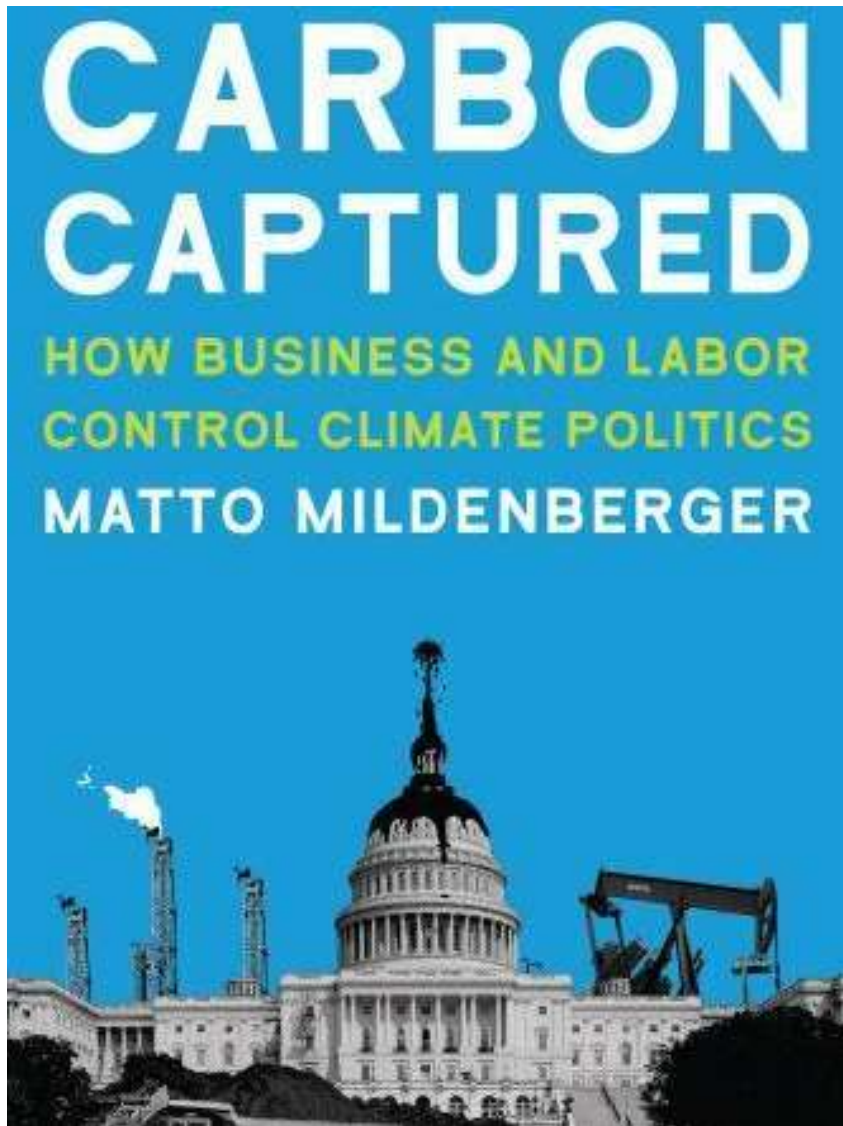


A hand is shown writing the word "performance" on a dark green chalkboard. The word is written in a cursive, chalk-like font. The hand is holding a piece of white chalk and is in the process of writing the letter 'e' at the end of the word. The background is a solid dark green color.

performance

Industrial Policy: don't ask why, ask how.... And mainly ask about governance

- As well as other policies, industrial policies can fail miserably and largely because governance fail
- Most common problems involve flawed cost-benefit assessments in policy design and implementation
- Typical trade-off of industrial policy: disputes around the industrial sector we have versus the industry we plan to have
- In other words....How to handle incumbents and enable new entrants or how to use IP as midwifery and not only as husbandry

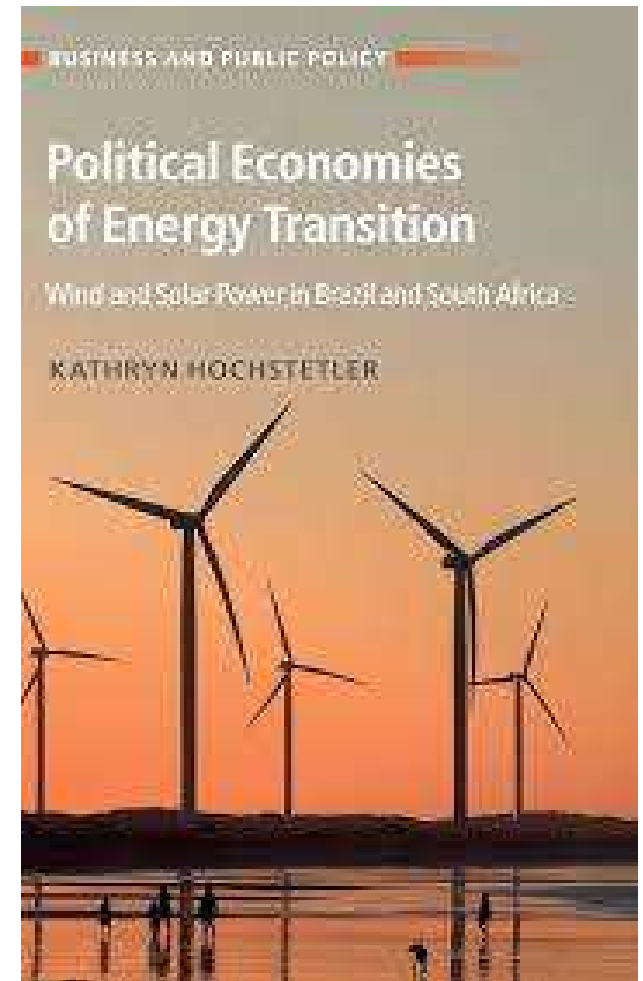


The double challenge of green industrial policy

- Green transition, as well as other economic transitions, require government support, but it brings a double challenge to policymakers;
- First, there is that typical trade-off of industrial policy – benefiting current comparative advantages instead of creating new ones;
- Second, there is the carbon captured effect: carbon-related sectors are overly represented and favored in policy-making circles.
- The question is how to create governance structures capable of designing and implementing transformative green policies that circumvent the incumbents and the carbon-captured effect

Evidence from the Brazilian case

- Although Brazil is not as primarily dependent on carbon energy as South Africa or India, the double challenge also applies to the Brazilian industrial policy
1. The typical IP trade-off: industrial policy succeeded in boosting wind energy (partially supported by existent comparative advantages) but failed to foster solar power energy
 2. Carbon captured effect: the automotive industry and fossil fuel industry are strong domestic players - the previous IP ensured tax incentives for cars but for electric vehicles;



New Industrial Policies: new ideas, old problems

- Lula Government has recently announced a new industrial policy, this time very focused on green transition.
- Despite new ideas, particularly those associated with green transition, old problems still prevail
- Governance of IP historically suffers from the “decision-making cacophony” and overly representation of incumbent sectors:
- Cacophony: too many governmental areas in charge of governing the policy (18 ministries) - it makes the accountability of outcomes more opaque, favoring less game-changing policies;
- Incumbent representation: governance keeps the corporatist model typical for IP but is problematic for representing those not on the table (future industry).



So....

- Green transition is heavily dependent on industrial policy, but....
- Industrial policy is heavily dependent on governance structures - Sectors selected matters as much as the design of policy's governance structures
- Brazil succeeded in creating governance structures for the developmental stage, but it has not yet built competent arrangements to govern contemporary development challenges;
- Figuring out how to better govern industrial policy is crucial for the success of green IP
- In a few words, the less competent the IP governance, the less transformative the IP.

