Competition and industrial policy

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Markets are far from competitive...

- State ownership
- Government relationship / intervention
- Anti-competitive practices
- Regulation
- Trade / FDI barriers
- Industrial policy
- Poor investment climate deters entry
Relationship between government and business

- Government influence over business
  - through ownership, corruption, or intervention
- Types of intervention:
  - prices, discounts, output, employment, services
- Different potential motives:
  - Political objectives, (maximising development contribution, winning votes, tax take), rent seeking
- Enforcement mechanisms
  - arbitrary regulation, licensing, customs barriers, protection from competition
Roles for government / industrial policy

• Proactively courting foreign entrants
• Offering some degree of protection as a way to attract new entrants
• Targeted approach to tackling investment climate problems
Thank you

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