

Industrial Strategies and Specialisation

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Specialisation

- All economies are complex, multi-sectoral and multi-industrial
- But they differ in emphasis – most have areas of specialisation, meaning an above-average focus on some activities at the expenses of others
- Specialisation can be in sectors, industries, trade, or research

Let's step backwards – global growth in the long run

- Around 1700 the world economic leaders were India and China
- From 1800, a 'great divergence' – Western Europe took off, followed by the USA and Japan
- World income distribution widened from 1800 to 1950, then stabilised until 1980, then began to narrow as emerging economies grew.

What led to European growth?

- The usual answer has been industrialisation – creation of new energy systems and mechanised production
- This has led to technology-based models of growth – epochs of steam, electric power and vehicles, oil economies, the information economy, etc.
- This has led to a focus on ‘critical technologies’ for growth – in our tie digital, biotech, materials, software etc.
- The worst thing to be focused on is said to be natural resources – the ‘resource curse’.

Is it true?

- Is the 'critical technologies' argument right?
- It has three big problems:
 1. There are economies that are wealthy but largely outside the critical technologies – Switzerland, Belgium, Singapore...
 2. There are resource-based economies that are very wealthy - Norway, Australia, Sweden, Finland, Canada
 3. There are wealthy *regions* that are specialised in 'traditional', 'mature' or low-tech products – Hanover (kitchen furniture), Jura (spectacles), wine regions etc.

How have resource-based or traditional regions become wealthy?

- They increase productivity in resources or traditional industries (usually via automation or scale economies)
- They upgrade product quality for new markets
- They extend to new uses
- They diversify from the original industry – especially upstream and downstream linkages (Finland went from timber to paper to printing machinery...)
- They create knowledge infrastructures behind the specialisation

‘Unorthodox specialisation’

- Successful specialisations can be highly diverse, both nationally and regionally
- Resource-based specialisation can be very successful – six of the top ten WDI countries are resource-based. Six of World Bank top 10 knowledge economies are resource based
- Regional specialisations can also be very diverse – metal products, zips, wine, optical, car engines, tourism, fashion, sunglasses etc

Conclusions

- Successful specialisations can come from almost any product group, and can go in many directions
- It is not necessary to imitate – not necessary to follow the lead of others
- What really matters is the knowledge base – and that can be developed as an advantage in many industries