

Discussion on the avoidance of the negative effect of industrial policy

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Abstract: The collision of views between Yifu Lin and Weiyang Zhang on industrial policy can be described as a "debate of the century". The two scholars have a heated debate on whether the role of industrial policy is positive or not. As far as China is concerned, the positive and negative effects of industrial policy are very significant. Therefore, the industrial policy should not be abolished. And ways should be found to eliminate their negative effects as far as possible. In order to reduce a series of negative effects brought by industrial policy and maximize the promoting effect of industrial policy on the development of productivity, this paper will design other supporting systems to avoid the negative effects of industrial policy. The negative influence of industrial policy can be effectively avoided by matching industrial policy with industrial development stage, coordinating competition policy with industrial policy and using public power to carry out fair competition review.

1. Review the industrial policy debate between Zhang and Lin

Lin and Zhang launched a heated debate on industrial policy.

Lin believes that industrial policy is the embodiment of the correct actions of the government. Only by combining the market regulation mechanism with the government regulation can it promote economic development. The role of industrial policy is mainly realized through two aspects: one is to create advantages for sunrise industry through incentive means, the other is to promote industrial upgrading through resource inclination, and give examples to demonstrate what kind of industrial policy should be suitable for different types of industries.

But Zhang refuted this view from several perspectives: First of all, the so-called industrial policy is synonymous with planned economy. In essence, industrial policy is the restriction of free competition by the government using public power. Secondly, the so-called stimulating sunrise industries through industrial policies is a false proposition. People's cognition is limited, and it is difficult to predict emerging industries. As a lagging institutional design, policies can not play an incentive role in emerging industries. Thirdly, the uncertainty of industrial policy is too strong. If resources are concentrated to support an industry, once the leaders have cognitive deviation, it will lead to the shortage of resources in other potential emerging industries, and then lead to the stagnation of productivity development; Finally, the responsibility of industrial policy is difficult to implement and will eventually lead to corruption.

As far as I concerned, appropriate industrial policies can promote the development of productive forces. But industrial policy is essentially a universal policy design, too much emphasis on its pertinence will inevitably produce a series of negative effects. However, the government should not give up eating because of choking. It should make the best use of the circumstances and design other supporting systems to make up for this disadvantage, as detailed below.

2. Debate on the definition of industrial policy

Throughout the debate between Zhang and Lin, why the definition of industrial policy runs through the whole debate, and the two scholars have never reached an agreement on this issue. The definition is the basis of the debate. Therefore, discussing my views, the definition of industrial

policy should be clarified.

Lin believes that industrial policy is a policy of the government to help enterprises carry out scientific research and infrastructure construction according to different needs of enterprises. But Zhang believes that industrial policy is a kind of differential and discriminatory treatment against private enterprises. In my opinion, the views of the two scholars are either too extreme or too idealistic. Judging from the current situation of industrial policies, due to the particularity of regional division and jurisdiction in China, industrial policies will show obvious regional differences, which will inevitably lead to certain differences. However, this does not mean that industrial policies are special preferential treatment. As a policy for unspecified majority of enterprises, it is the wind vane of policy making for the industry. Its purpose is to promote the development of productivity rather than supporting or rejecting specific enterprises.

China's industrial policy began with the "Decision of the State Council on the Key Points of Current Industrial Policy" issued by the State Council in 1978. From an objective point of view, industrial policy is an intervention means implemented by the government to regulate all aspects of Industrial Development (including but not limited to production, development and structural change) with the goal of regulating economy and society. It can be further divided into functional industrial policy and selective industrial policy.

The functional industrial policy still emphasizes that the market is the first means of resource allocation. The government can only create an environment to make the market play a better regulatory role by strengthening infrastructure and promoting innovation. This type of industrial policy should implement the principle of non discrimination and ensure the freedom of competition and trade without distorting them. The selective industrial policy advocates to directly support some industries to achieve the effect of catching up and surpassing, and to speed up the development speed and optimize the industrial structure by learning from the existing experience of developed countries. I think Lin's view and China's current industrial policy are closer to the latter.

Selective industrial policy was first practiced in Japan. The Japanese government chose to directly support specific industries. However, no matter what the specific form is, it will not only improve the regulation efficiency, but also reduce the regulation space of the market, which needs to be regulated by supporting systems, which will be described in detail later.

3. Industrial policy should be adapted to the stage of industrial development

3.1 Misunderstandings in the identification of industrial development stages

The most direct way to overcome the disadvantages brought by the uncertainty of industrial policy is to match the industrial policy with the development stage of specific industries, and make the corresponding system design. However, I believe that the traditional identification method of industrial development stage is too mechanical.

First of all, the level of national economic development is not necessarily proportional to the development degree of a specific industry. Even if the country's economic level has entered the ranks of developed countries, a specific industry may still be developing; On the contrary, even if a country is still in the development stage, specific industries may be at the leading level, such as India's software industry. Therefore, the level of economic development can only be used as an auxiliary factor to identify the stage of industrial development, not a direct identification factor.

Secondly, the identification of industrial development stage should not be limited to "leading" or "catching up", but should be viewed from the perspective of development. In the context of economic globalization, there is close transnational cooperation in any industry. 'In this context, the development stage of the industry can not be identified only by the existing development level.[1]' For example, the current semiconductor industry is divided into manufacturing, packaging, material manufacturing, design and other multiple links. Japan is superior to material manufacturing, the United States is ahead of design, and Chinese mainland is better at packaging and testing. In this case, once one link is replaced or surpassed by other countries, the industry of the country will fall into a development crisis, resulting in the backwardness of the development link. Therefore, the

industrial development stage should also be comprehensively identified in combination with future trends, substitutability and other aspects.

Finally, there are differences in different industrial types, and the identification methods of industrial development stages should also be different. Generally speaking, the most obvious difference at present lies in the distinction between high-tech industry and traditional industry. Traditional industry has a relatively stable development process, while high-tech industry faces the problems of slow development process, long cycle and low investment return ratio. Therefore, the identification of its industrial development stage should also be treated differently.

3.2 Adaptation of industrial policies to different industrial stages

When an industry as a whole belongs to a relatively backward catch-up stage, the general direction can be determined according to the existing industrial policy template according to Lin's point of view. As Alexander Gershenkelon said, 'The more backward a country is, the more inclined it is to pay attention to enterprise scale and provide centralized guidance and support. Therefore, the scale effect of industrial policy in the catch-up stage is more obvious.[2]'

When an industry is in a relatively advanced but not leading stage, if the industrial chain is short and involves few fields, the focus of industrial policy should be on occupying market share and enhancing competitiveness, such as providing tax incentives, building industrial parks, etc. However, if the industrial chain is long, all links have the risk of being replaced. Industrial policies should focus on stimulating innovation, expanding competitive advantage and reducing replaceable aspects.

When an industry is in the leading stage in the world, we should first confirm whether the industry is worthy of continuous investment in resource development to determine whether industrial policies need to be formulated or implemented for the industry. If the industry has real value, it should focus on the transformation of achievements and the protection of knowledge achievements in order to continue its competitive advantage.

To sum up, the adaptation of industrial policy to the industrial development stage is bound to significantly reduce the uncertainty of its effect and the corresponding negative impact.

4. The relation between competition policy, fair competition review and industrial policy

4.1 Coordination between competition policy and industrial policy

The basic position of competition policy is manifested in its dominance and priority. Dominance emphasizes that competition policy plays a major or key role in the economic policy system. 'And take this as the premise and basis to build an economic policy system and deal with the relationship between other economic policies and competition policies.[3]' Priority emphasizes that when competition policy conflicts with other economic policies, competition policy should be followed and applied preferentially. And industrial policy and other economic policies should not replace the priority of competition policy.

Competition policy is a kind of policy aimed at restricting various behaviors that restrict competition and may lead to market monopoly, so as to promote and maintain market competition. Industrial policy and competition policy have certain similarities in purpose and theoretical source, which are supplementary means to the deficiencies of market regulation in different directions. To some extent, competition policy can make up for the restrictive effect of industrial policy on market competition, so as to achieve coordinated regulation and reduce the negative effect of industrial policy.

Nowadays, China's industrial policy is still a selective industrial policy to a great extent. As a developing country, in order to catch up with and surpass developed countries in the short term, China has to use its limited resources to support specific industries and enterprises that the state gives priority to. Although selective industrial policies have played an important role in promoting China's transformation to a market economic system, there are still some local governments' industrial policies that tend to support local industries or exclude or restrict foreign

operators based on the needs of protecting local industries and developing local economy. This industrial policy above competition policy may exclude and restrict the fair and free competition of a certain industry. Therefore, We need to coordinate the relationship between industrial policy and competition policy. 'Make the implementation of industrial policy integrated into the market mechanism dominated by competition policy, and realize the transparency, coordination and consistency of the implementation of industrial policy and competition policy. [4]'

'At present, China has initially formed a series of competition policy toolbox through legislation and policies.[5]' Relevant laws include "Law of the People's Republic of China Against unfair competition", "Pricing Law of the People's Republic of China", "Anti-monopoly Law of the People's Republic of China". Policies include "Decision of the CPC Central Committee on deepening the reform of Party and state institutions", "Decision of the CPC Central Committee on several major issues concerning upholding and improving the socialist system with Chinese characteristics and promoting the modernization of the national governance system and governance capacity", and "Opinions of the CPC Central Committee and the State Council on accelerating the improvement of the socialist market economic system in the new era" provide a legal basis for the implementation of the competition policy.

4.2 Conduct fair competition review

Fair competition review aims to use public power to maintain the order of market competition and make the market mechanism operate efficiently. Through fair competition review, we can ensure that the concept and requirements of fair competition can run through the formulation and implementation of industrial policies, reflect the basic status of competition policies, and accelerate the transformation of industrial policies from selectivity to inclusiveness and functionality, which is the direction of industrial policies. In this way, industrial policy can play a better role in promoting economic growth, so that competition policy and industrial policy can coordinate to promote the sustainable and healthy development of China's economy.

In 2016, the State Council of China issued "Opinions on establishing a fair competition review system in the construction of market system", requiring a fair competition review of normative documents and relevant policies related to the public activities of market subjects. "Optimizing the business environment ordinance" in 2019 and "Detailed rules for the implementation of fair competition review system" in 2021 provide a clear legal basis for this.

According to the case search results, from 2018 to 2021, the Anti-Monopoly Bureau disclosed more than 40 punishment cases of abusing administrative power to exclude and restrict competition. It shows that ensuring the orderly development of fair competition review through public power can effectively curb the negative effects of excluding competition brought by local industrial policies.

5. Summary

The positive and negative effects of industrial policy are very significant. From an objective point of view, although industrial policies have negative effects, they should not give up eating because of choking. Through the identification and coordination of industrial development stage, combined with the competition policy with the nature of public power and fair competition review, the promotion effect brought by local industrial policy will effectively promote industrial and economic development.

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