

Industrial Policy for Economic Growth and for Economic Statecraft

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Mon 17 Nov 2025

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GOOD AND BAD INDUSTRIAL POLICY

1. New game in town: Large states, advanced economies. Fragmenting multilateralism, fraying globalization
2. Rethink basic assumptions
 - No longer economic efficiency and comparative advantage
 - Consequences of new targets
3. Industrial policy is policy that tilts the landscape of economic activity
 - Not interest rate or exchange rate or monetary policy
 - East Asia's experience: both good and bad

INDUSTRIAL POLICY AND ECONOMIC STATECRAFT

Economic tools for foreign policy

- Not “the dustbin of bad economics”
- Once considered embarrassing, but now...?
- Resilience and security, like risk-adjusted returns

Economic tools for growth

- Big push for non-convexities
- New industries for the future
- Correct historical or inertial imbalances — comfortable agriculture; under-utilized talent

What works for economic statecraft differs from what works for economic growth and development. The stumbling block is not cost, it's goals.

Case study: Grudging but successful industrial policy



INDUSTRIAL POLICY, ECONOMIC STATECRAFT, AND SMALL STATES

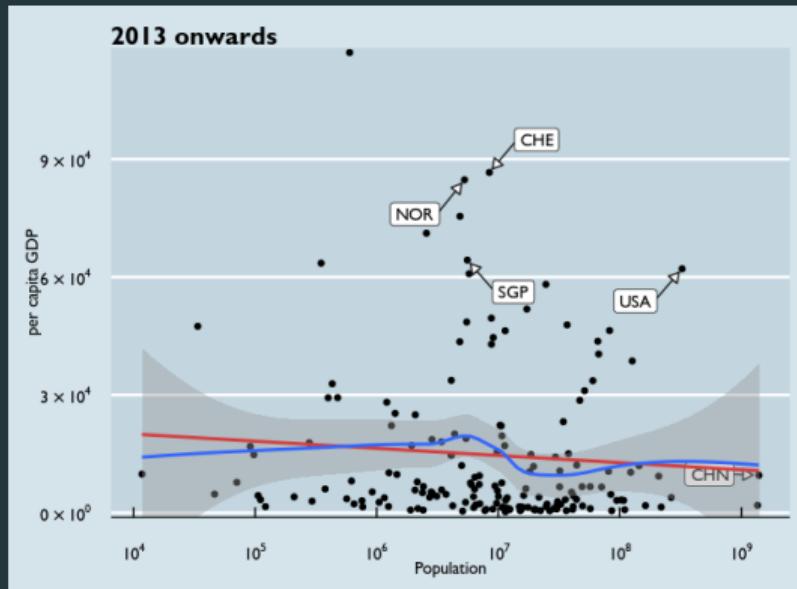


Figure 1: Of the world's nine richest nations, eight taken together have an average population of only 4mn, i.e., smaller than Singapore. The US is the world's only large rich nation.

Level playing fields

1. Historically, the level playing field has allowed small nations to succeed
2. ... but no longer
3. Modest industrial policy. But outsized rewiring:
 - Coalitions of the willing
 - Pathfinder multilateralism

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