

recorded high growth rates and became middle-income countries subsequently slowed down and have remained in middle income levels for decades. Today, there are very few countries in the world which enjoy high income and the rest of the countries are trapped in low or middle income levels.

Getting out of and low- and middle-income traps and participating in international trade more fairly are quite related to each other through successful industrialization. Manufacturing is the engine of growth; thus, successful industrialization is what can take countries out of both traps. Nations succeed by manufacturing and participate more fairly in global trade. That is, industrialization reduces trade deficits of low- and middle-income countries.

#### And, why is that?

Because global trade consists primarily of manufactured products. Three quarters of world merchandise exports comprise manufactured goods and most of them originate from a few developed (industrialized) countries. Poorer countries export almost entirely basic, unprocessed agricultural or mining products including



energy products (so called primary products). In turn, they mostly import manufactured products (from developed countries) which carry much higher value added compared to primary products.

Industrialization would allow the poorer countries record – much desired – higher growth rates (as it is the engine of growth) and at the same time reduce their trade deficits. That is what the Korean miracle is all about. A small country that does not have any significant natural resource has become a high income country with a trade surplus through successful industrialization.

#### MURAT YÜLEK Ph.D.

Murat Yulek is the Director of the Centre for Industrial Policy and Development at Istanbul Commerce University and a partner at PGlobal Global Advisory and Training Services, an international advisory company. He has taught at Georgetown University and is a former IMF economist and corporate and banking executive. He has had responsibilities in economic development, corporate finance and macroeconomic policy in various countries. He advises governments, international institutions and corporations.

#### Coming back to How Nations Succeed; what is the secret of successful economic Development?

Nations succeed by successful industrialization. Manufacturing and industrialization is necessary to get rich but it does not happen by accident. No country has industrialized by mere coincidence but through the appropriate industrial policies. Since the 19th century, some prominent example to that are the USA, Germany, Japan, Sweden or South Korea. The details are in the book.

#### What is successful industrialization?

Successful industrialization is a capacity building process (of the state and firms) rather than a lot of factory buildings. These two are often mixed with each other. In today's world, the Apple is the largest industrial company without a factory. In 2018 its market capitalization reached one trillion dollars before falling. Industrialization and manufacturing nowadays is 'servicified' which means it encompasses a lot of value adding services such as R&D, branding and even marketing and sales.



Pony is considered as South Korea's first local car. A result of successful industrial policy in the 1970s, Pony pioneered Korea's car exports also. Today, South Korea is among the world's largest automobile producers and exporters.

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