

# Industrial Policy for Economic Growth and for Economic Statecraft

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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 about economic efficiency and comparative advantage
  - Consequences of new targets
3. Industrial policy tilts the landscape of economic activity
  - 3.1 Not interest rate or exchange rate or monetary policy
  - 3.2 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

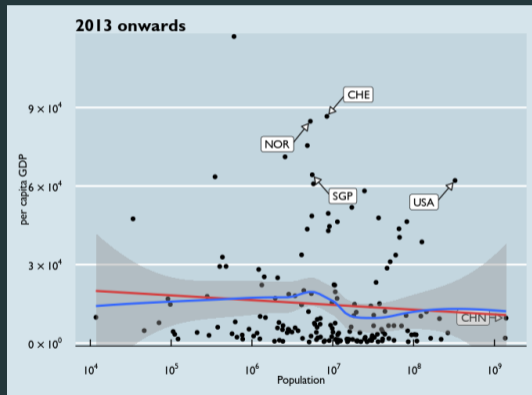
## Economic tools for growth

- Big push for non-conexities
- New industries for the future
- Correct imbalances — comfortable agriculture; under-utilized talent

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

# 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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