Editorial

A YEAR AGO, the Cambridge economist Ha-Joon Chang (2007) argued that much of the reform agenda that has been taken up by developing countries since the 1990s at the behest of institutions like the World Bank is not only proving to be unsuccessful, but also bears no relation to the policies that were adopted historically in Britain, much of Europe, Japan and the United States. Trade protection, he argues, is what enabled the United States to change from an importer of industrialized products from Britain in the nineteenth century, to being a successful exporter in the twentieth. By comparison, many of the countries of Latin America and Africa that adopted liberalization policies and abandoned tariffs, subsidies, public enterprises and the regulation of foreign investment in the 1980s and 1990s are now suffering from declining GNP per capita, or at least a diminished growth in GNP.

Of course, many factors must influence a country's rising or falling GNP. Are India and China's dramatic growth rates caused more by trade policies or by stable governments? Both these countries have partially liberalized, but is their success attributable to their having allowed some liberalization, or to the fact that they have retained some protection? The authors of the Crossfire debate 'Does Africa need industrial and innovation policies to protect its 'young' industries against the competition of foreign trade?' also allude to the difficulties of attributing economic growth or decline to one cause. Their discussion focuses around the aim of going beyond the comparative advantages of sectors that are favoured by a country's climate and natural resources to the competitive advantages that a highly skilled labour force and industrial processes can bestow on a sector.

Our journal takes as its focus the businesses that can add value to primary production and perhaps achieve a competitive advantage. In this edition, whose theme is 'Getting the business environment right in Africa', most of the articles examine not so much trade policies, but the regulatory environment, and how that can be made more supportive to such businesses. Dismantling cumbersome regulations would seem to be an uncontroversial step in the right direction, and this is the aim of the World Bank's *Doing Business* Reports, which measure the regulatory requirements faced by typical businesses in different countries for the purposes of international comparison. Altenburg and von Drachenfels argue, however, that an optimal rather than minimal amount of regulation is good for business, and anyway that it takes more than reducing registration procedures to turn informal businesses into growth-oriented, formal-sector firms.

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Different industries are likely to identify different obstacles to their growth, and Kaufmann and Krause describe surveys carried out in Mozambique that tried to identify which constraints were most important for different sectors in different regions. For example, in one region a lack of infrastructure was hampering development, in another, excessive bureaucracy and corruption was seen to be the greatest hindrance. They argue that only by providing disaggregated data can targeted reforms be identified which will have the most benefit.

It is well known that gender plays a part in holding back business development, but it is less obvious that reforms to the business environment may create more problems for women than for men. Hampel and Frickenstein examine the effects of reforms in Africa such as the privatization of land and land titling, and find that women who used to have customary rights to untitled land have now lost the use of the land upon property registration to the male head of the household. Women have not generally had land titles registered in their names, and this has had an effect on their access to formal credit, since they cannot use land as collateral.

These articles persuade us that a reform agenda should be pursued with a wary eye on its effects on different groups and different sectors, and with a willingness to adjust and amend rather than follow a doctrine. Returning to trade policy, it seems that neither a blind adherence to free trade nor to trade protectionism holds all the answers. Gifted leaders who know when to use either instrument are surely what is needed.

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Clare Tawney, Editor

Reference

Chang, Ha-Joon (2007) *Bad Samaritans – Rich Nations, Poor Policies, and the Threat to the Developing World*, Random House Business Books.