

The Role of State in Economic Development: Infant Industry Promotion in South Sudan

DR. Christopher Zambakari, B.S., MBA, MIS, LP.D., PHF

CEO of The Zambakari Advisory L.L.C.

Professor in the College of Global Studies, Cambridge Graduate University International
Hartley B. and Ruth B. Barker Endowed Rotary Peace Fellow
Assistant Editor of The Sudans Studies Association Bulletin
Email: c.zambakari@zambakari.org

Introduction

It has been eight years since the Republic of South Sudan became an independent state, following the Comprehensive Peace Agreement (CPA)¹, signed on January 9th, 2005, between the National Congress Party (NCP) and the Sudan People's Liberation Movement/ Army (SPLM/ A). To fulfil the mandate of the CPA, a referendum on self-determination was conducted in January 2011, and 98.83 % of South Sudanese effectively voted to secede from North Sudan. South Sudan thus joined the community of nations as the 193rd member of the United Nations on July 14th, 2011. Less than three years later, in December 2013, South Sudan descended into a civil war.² The war and accompanying political crisis has exacerbated a delicate balance in the country, delayed the process of reconciliation, and cast a shadow over South Sudan's viability as a state. Since December 2013, thousands of civilians have been killed³ and more than 4.2 million people have been displaced both

¹ The Comprehensive Peace Agreement (CPA) Between The Government of The Republic of The Sudan and The Sudan People's Liberation Movement/Sudan People's Liberation Army (2005).

² Mahmood Mamdani, "Who's to Blame in South Sudan?," *Boston Review* (2016); Douglas H. Johnson, "Briefing: The Crisis in South Sudan," *African Affairs* 113, no. 451 (2014); *South Sudan: Post-Independence Dilemmas*, ed. Amir Idris, 1 ed. (London, New York: Routledge, 2018); Peter Adwok Nyaba, *South Sudan: Elites, Ethnicity, Endless Wars and the Stunted State* (Dar es Salaam, Tanzania: Mkuki Na Nyota Publishers, 2019); *The Struggle for South Sudan : Challenges of Security and State Formation*, ed. Luka Biong Deng Kuol and Sarah Logan (London: I. B. Tauris & Company, Limited, 2018); C. Zambakari, ed. *Peacemaking and Peace Agreements in South Sudan*, vol. Spring Issue, Special Issue (Phoenix, AZ. Accessible from <https://www.zambakari.org/special-issue-2019.html>: The Zambakari Advisory, 2019).

³ Olusegun Obasanjo, Akuffo, Sophia A.B, Mamdani, Mahmood, Diop, Bineta, Manirakiza, Pacifique, , "Final Report of the African Union Commission of Inquiry on South Sudan," in *AU Commission of Inquiry on South Sudan* (Addis Ababa, Ethiopia: Peace and Security Council of the African Union (AU). Accessible from <http://www.peaceau.org/uploads/auciss.final.report.pdf>>, 2014).

internally and to neighboring countries as refugees.⁴ Prior to the outbreak of the ongoing conflict in South Sudan, its leaders applied for admission into the East African Community (EAC), a regional intergovernmental organization whose mission is to promote regional peace, security, governance, socio-economic development, and more effective integration in the global economy and society.⁵ However, the application has been deferred on multiple occasions, first in April 2011 and then in November the same year. In early March 2016, the East African Legislative Assembly passed a Resolution approving the ascension of South Sudan, thereby making it the Sixth Partner State, alongside Kenya, Uganda, Tanzania, Rwanda and Burundi.⁶

South Sudan is one of the most diverse countries in East Africa⁷ and covers an area of approximately 644,329 km².⁸ South Sudan, in addition to the currently Disputed Border Regions,⁹ is approximately the combined size of Kenya, Uganda, Rwanda and Burundi.¹⁰ A 2008 census reported an estimated population of 8,260,490,¹¹ although the 2017 UN World Population Prospects Report put the population at over 12.2 million in 2016.¹² More than 72 percent of the population is under the age of 30.¹³ The majority of the population (83 percent) is made up of rural peasants, nomadic communities,

⁴ World Bank, "South Sudan: Overview," The World Bank Group, <http://www.worldbank.org/en/country/southsudan/overview>.

⁵ Frederick Onyango Ogola et al., "A Profile of the East African Community," *Africa Journal of Management* 1, no. 4 (2015).

⁶ East African Legislative Assembly, "Eala Congratulates South Sudan Following Its Admission into Bloc," East African Community, <http://www.eac.int/news-and-media/press-releases/20160309/eala-congratulates-south-sudan-following-its-admission-bloc>.

⁷ D.H. Johnson, *South Sudan: A New History for a New Nation* (Athens: Ohio University Press, 2016).

⁸ NBS, "Key Indicators for South Sudan," (Juba, South Sudan: National Bureau of Statistics (NBS). Available at <<http://ssnbs.org/publications/key-indicators-for-south-sudan.html>>, 2012), 1.

⁹ According to a Statement issued to the Press at the UN Security Council Media Stakeout by Ambassador Agnes Adlino Orifa Oswaha, in addition to Abyei, Blue Nile and Southern Kordofan States that are recognized in the CPA, other contested regions includes: Kafia Kingi and Hofrat en Nahas, Panthou/ Heglig, Kaka, Jordah /Winthou), Megenis and Munro-Wheatley Agnes Adlino Orifa Oswaha, "Remarks to the Press at the Un Security Council Media Stakeout by Ambassador Agnes Adlino Orifa Oswaha," (New York, NY.: Permanent Mission of the Republic of South Sudan to the United Nations., 2012).

¹⁰ John Garang De Mabior, "Text: Garang's Speech at the Signing Ceremony of S. Sudan Peace Deal," Sudan Tribune, <http://www.sudantribune.com/TEXT-Garang-s-speech-at-the,7476>; WFP, "Wfp Appeals for Funds for Demining and Road Repairs in South Sudan," World Food Programme, <http://www.wfp.org/news/news-release/wfp-appeals-funds-demining-and-road-repairs-south-sudan>.

¹¹ See NBS. for key indicators on South Sudan.

¹² UN DESA, "World Population Prospects: The 2017 Revision," in *Working Paper No. ESA/P/WP.250* (New York: Department of Economic and Social Affairs, Population Division. Accessible from <https://esa.un.org/unpd/wpp/Download/Standard/Population/>, 2017), 21.

¹³ NBS.

pastoralists and farmers. The majority of the population depends on farming and animal husbandry for livelihood.¹⁴ A UNESCO report states that only 38 percent of adults in South Sudan are literate,¹⁵ although a report by the South Sudan National Bureau of Statistics puts the literacy level even lower, estimated at 27 percent.¹⁶ Among women, the illiteracy rate stands at a whopping 92 percent. In 2014, the country's growth domestic product (GDP) per capita was \$1,111, but this had dropped to less than \$200 in 2017 due to the instability in the country, which included severe inflation. Livelihoods are concentrated in low productivity, diminished return activities, and unpaid agriculture and pastoralist work.

In this article I focus on economic development based on the theory of infant industry promotion.¹⁷ Infant industry promotion is a term that refers to a state policy that for a period of time shields domestic industries in order to prepare them for competition with more established firms. Infant industry promotion as a state policy is credited to Alexander Hamilton, U.S. first treasury secretary. The concept was picked up by two other nineteenth century economists: Daniel Raymond in the United States¹⁸ and Friedrich List, the 19th century German political economist, who saw the state as the main instrument for economic progress. Recently two other economists, Ha-Joon Chang and Erik S. Reinert, have popularized the term and developed the term further.¹⁹ Infant industry promotion is characterized by a series of policies designed to nurture domestic industry until those

¹⁴ Ibid.

¹⁵ UNESCO, "Why Education Will Foster Stability in an Independent South Sudan," (Paris, France – Buenos Aires, Argentina: United Nations Educational, Scientific and Cultural Organization, 2011).

¹⁶ NBS.

¹⁷ Margaret Esther Hirst, *Life of Friedrich List and Selections from His Writings* (New York: AM Kelley Bookseller, 1965); Friedrich List, *The National System of Political Economy* (with an Introduction by J. Shield Nicholson), trans. Sampson S. Lloyd (London: Longmans, Green and Co. (Retrieved 10/25/2019 from the World Wide Web: <https://oll.libertyfund.org/titles/315>, 1909).

¹⁸ Cited in Ha-Joon Chang, "Kicking Away the Ladder: Infant Industry Promotion in Historical Perspective," *Oxford Development Studies* 31, no. 1 (2003): 25.

¹⁹ For more on the concept see S. Reinert Erik, "The Role of the State in Economic Growth," *Journal of economic studies* (Bradford) 26, no. 4/5 (1999); HA-JOON CHANG, "Institutions and Economic Development: Theory, Policy and History," *Journal of Institutional Economics* 7, no. 04 (2011); Hirst; List.

industries develop “productive powers”²⁰ and are able to compete with counterpart, established industries in other countries.²¹

As a new country, one of the big questions that the government of South Sudan faces is how to build a functioning developing state that is equipped to spearhead economic development for the benefit of the South Sudanese people. This paper presents the case for infant industry promotion in South Sudan and calls for an active role by the new Republic in economic development. South Sudan needs to prioritize certain industries and selective economic activities and develop the productive powers of those industries while protecting the infant industries from external competition. It further recommends that South Sudan make a distinction between rent that is the product of constant flow in innovation (increasing return) and rent that is extracted by firms that focus on diminishing return activities. According to Erik Reinert,²² diminishing returns occurs in economic activities where “one factor of production is held constant, while the other factors of production are expanded. As a consequence of the one factor being held constant, the increased input of the other factors yields less and less benefit.”²³ With diminishing returns, specialization increases unit costs. However, specialization in activities with increasing returns decreases unit cost as volume increases, increases labor productivity and per capita income. Diminishing return activities place an emphasis on perfect competition and the pursuit for market equilibrium. Increasing return activities emphasize the dynamic of imperfect competition that leads to growth. What then is the role of the state in this whole process?

²⁰ M.E. Brown, S.M. Lynn-Jones, and S.E. Miller, *The Perils of Anarchy: Contemporary Realism and International Security* (Cambridge, MA: MIT Press, 1995), 54; A Hamilton, "Report on Manufactures," (Washington, DC: United States. Dept. of the Treasury (Govt. Print. Off.). Available at <<http://memory.loc.gov/cgi-bin/ampage?collId=llsp&fileName=009/llsp009.db&Page=123>>, 1791); Erik S Reinert, "Diminishing Returns and Economic Sustainability: The Dilemma of Resource-Based Economies under a Free Trade Regime," in *International Trade Regulation, National Development Strategies and the Environment: Towards Sustainable Development?*, ed. Hansen; Jan Stein, Hesselberg & Helge, Hveem (Oslo, Norway: Centre for Development and the Environment, University of Oslo, 1996).

²¹ Christopher Zambakari, "Underdevelopment and Economic Theory of Growth: Case for Infant Industry Promotion," *Consilience - The Journal Of Sustainable Development* 8, no. 1 (2012).

²² Erik Reinert is a professor at Tallinn University of Technology, Estonia, and Senior Research Fellow at the Norwegian Institute of Strategic Studies in Oslo.

²³ Reinert.

The Role of the State in Economic Development

Given that economic growth plays a critical role in development, the goals of economic reforms should be defined in terms of sustainability and asymmetrical or uneven growth. This is for the simple reason that economic growth by its nature is an uneven process.²⁴ The institutions that are responsible for ushering in and encouraging economic development are many, but as this paper shows, none exceeds the state. The global economic crisis in 2008 in the United States and Europe bore witness to the power of the state in intervening when other available alternatives failed. The responsibility of moving the world in a positive direction, of preserving integrity of the human race, and protecting the environment, captured in the United Nations Millennium Declaration²⁵, was assigned to nation-states. A survey of economic literature reveals the important role that a state plays in economic development.²⁶ The state as an institution plays three critical roles: institution builder, conflict manager, and entrepreneur. As a general rule,²⁷ the state is the only institution vested with the power to legalize and enforce property rights, regulate markets, levy taxes, and issue currency. This makes the state the ultimate institution in an international system dominated by nation-states.

Friedrich List, the 19th century German political economist, saw the state as the main instrument for economic progress.²⁸ Through tariffs, subsidies, quotas, import bans on key raw materials, and rebates on industrial inputs, the state could provide enough coverage for domestic industries to develop their competitiveness. In a study that was presented at the High-Level United Nations

²⁴ "Development and Social Goals: Balancing Aid and Development to Prevent 'Welfare Colonialism' (Paper Prepared for the High-Level United Nations Development Conference on Millennium Development Goals, New York, March 14 and 15, 2005)," (Oslo, Norway & Tallinn, Estonia 2005), 11.

²⁵ United Nations, "United Nations Millennium Declaration: Resolution Adopted by the General Assembly at the Fifty-Fifth Session(a/Res/55/2)," (New York, NY: Available at <<http://www.un.org/millennium/declaration/ares552e.pdf>>, 2005).

²⁶ Erik S Reinert, "The Role of the State in Economic Growth," *Journal of economic studies (Bradford)* 26, no. 4/5 (1999); Joseph Stiglitz, "Redefining the Role of the State: What Should It Do? How Should It Do It? And How Should These Decisions Be Made? (Presented on the Tenth Anniversary of Miti Research Institute in Tokyo, March 1998)," in *The Rebel Within: Joseph Stiglitz and the World Bank*, ed. H.J. Chang (New York, NY/London, UK: Anthem Press, 2001); Ha-Joon Chang, *Globalisation, Economic Development, and the Role of the State*. (New York, NY: Zed Books, 2003).

²⁷ There are some exceptions to the primacy of the state. Within the European Union, for example, some powers to regulate various markets and to issue currency is pooled to varying degrees at, respectively, a European Union and Eurozone level.

²⁸ David Levi-Faur, "Friedrich List and the Political Economy of the Nation-State," *Review of International Political Economy* 4, no. 1 (1997); List.

Development Conference on Millennium Development Goals, Reinert noted that since the Renaissance “one very important task of the state has been to create well-functioning markets by providing a legal framework, standards, credit, physical infrastructure and if necessary to function temporarily as an entrepreneur of last resort.”²⁹ The antagonism that is commonly reported in economic literature between the state and the private sector is rather a 20th century phenomenon.

The new country of South Sudan is endowed with vast arable land, forest, oil, minerals, and wildlife. For some in the region and around the world, the expectation for African states is that they should be able to interact with other states on a so-called “equal playing field.” Yet this field is far from being equal with countries having to compete from positions of considerably varying degrees of development.³⁰ A survey of the history of development shows³¹ that countries do not do well *vis-à-vis* what Alfred Marshall called the dynamic of diminishing returns.³² Successful cases of catch-up in the past have been achieved through a series of protective measures and a selective policy favoring increasing return activities while taxing diminishing return activities. The Russian-born economist, Alexander Gerschenkron, once noted that for countries that are catching up from behind, there are increasing disadvantages in developing late.³³ For the U.S. economist Moses Abramowitz, the ideas of ‘catching-up,’ ‘forging ahead,’ and ‘falling behind’³⁴ involve a principle of emulation involving specific

²⁹ Reinert, "The Role of the State in Economic Growth," 268.

³⁰ Major markets like the European Union (EU) and the United States have preferential agreements in place that are designed to help low-income countries or regions join global supply chains, by selling more products to importers – such as the US and EU. There is however a problem with how this preferential treatment should work and the precise form for these requirements can have quite a large impact on trade Jaime de Melo and Alberto Portugal-Perez, "Preferential Market Access Design: Evidence and Lessons from African Apparel Exports to the United States and the European Union," *The World Bank Economic Review* 28, no. 1 (2013).. Portugal-Perez and de Melo found that minor relaxation of requirements under the African Growth and Opportunity Act (AGOA) regime between the United States and some African countries, “led to a significant change in apparel exports from African countries: exports to the US took off, while exports to the EU did not” "Make Preferential Treatment Real for Africa: Relax Rules of Origin," The World Bank Group, <https://blogs.worldbank.org/trade/make-preferential-treatment-real-for-africa-relax-rules-of-origin>.

³¹ Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (Anthem, 2002); Erik Reinert, "Emulation Versus Comparative Advantage: Competing and Complementary Principles in the History of Economic Policy," in *Industrial Policy and Development : The Political Economy of Capabilities Accumulation*, ed. Mario Cimoli, Giovanni Dosi, and Joseph E. Stiglitz (Oxford, Toronto: Oxford University Press, 2009).

³² Alfred Marshall, *Principles of Economics* (London, UK: Macmillan, 1890).

³³ GERSCHENKRON, A. 1962. *Economic backwardness in historical perspective; a book of essays*, New York, Praeger.

³⁴ Reinert.

measures explicitly aimed to acquire knowledge in increasing returns activities while moving away from those that encourage diminishing return activities.³⁵

Economic history carries the lesson that in order to break free from the bondage of underdevelopment, the state in countries such as South Sudan needs to prioritize certain industries by being selective about and in the economic activities that the state singles out for investment, protection, and support. For South Sudan, the starting point is agriculture while an infant manufacturing sector is nurtured and protected. This would be followed by a strategic focus on industries that are more capital and technology-intensive. In the long-term emphasis can be placed on manufacturing and service industries, allowing decreasing dependence on agriculture and natural resources for economic growth.

The history of developed countries illustrates that a country cannot progress, develop and become rich, without developing the productive powers of its domestic industries and protecting infant industries from external competition.³⁶ Given the lack of infrastructure in the country, the state in South Sudan will have to work with the situation it faces and invest in areas to assist what it has rather than what it does not have. This means investing in human capital, good infrastructure and agriculture, in particular. Agriculture offers South Sudan one of its best opportunities. To cite but one example, one can turn to the study by John Garang de Mabior,³⁷ who completed as his Ph.D. dissertation at Iowa State University, entitled "*Identifying, selecting, and implementing rural development strategies for socio-economic development in the Jonglei Projects area, Southern Region, Sudan.*"³⁸ In estimating the whole of Sudan to have more than 207,600,000 acres of viable agricultural land,³⁹ Garang noted that Sudan has the potential to become the "Breadbasket" of Africa and the Middle East and a "major granary of the world."⁴⁰ The region Garang was concerned with is located today in South Sudan. A

³⁵ Ibid.

³⁶ Chang, "Kicking Away the Ladder: Infant Industry Promotion in Historical Perspective."; Erik S Reinert, *How Rich Countries Got Rich and Why Poor Countries Stay Poor* (New York, NY: Carroll & Graf, 2007); List.

³⁷ John Garang de Mabior was a Sudanese politician and revolutionary leader who led the Sudan People's Liberation Movement/ Army (SPLM/ A) from 1983 to 2005. He served briefly as the First Vice President of Sudan his death in a helicopter crash on 30 July 2005.

³⁸ John Garang De Mabior, "Identifying, Selecting, and Implementing Rural Development Strategies for Socio-Economic Development in the Jonglei Projects Area, Southern Region, Sudan" (Ph.D., Iowa State University, 1981).

³⁹ Ibid., 259.

⁴⁰ Ibid., 219.

good investment in agriculture could diversify the sources of income for the government and decrease its dependency on oil revenue.⁴¹

Despite talks about building an alternative oil pipeline to reduce South Sudan's dependence on Sudan's oil infrastructure in the north, a focus on oil alone without diversification of South Sudan's economy will have detrimental effect on the country's economy.⁴² According to the World Bank, South Sudan is "the most oil-dependent country in the world," with oil accounting for "almost the totality of exports, and around 60% of its GDP."⁴³ Two experts at The Brookings Institution noted that "the financial and logistical implications of this project are daunting, especially since China, the U.S., the EU, India and Japan, among others, have not committed to provide any financing which increases pressure on Juba to come up with the resources."⁴⁴ Before any further progress was made, South Sudan disintegrated into a violent civil war which has ranged on and off since.⁴⁵

The economics of committing to the pipeline and prioritizing oil over other sectors such as agriculture are based on South Sudan's theoretical proven reserves and the price of oil in the international market.⁴⁶ With a volatile commodity like oil whose price can fluctuate widely, and whose global production volume is controlled by dominant market players, the demand for South Sudan's oil can be undermined if another provider can produce high quality oil at a lower cost per barrel e.g. Nigeria, Algeria, Angola, Chad, Republic of Congo, Libya or Saudi Arabia.ⁱ

⁴¹ It is estimated that 98 percent of the Government of South Sudan's expenditure comes from oil revenue. See A. Natsios and M. Abramowitz, "Sudan's Secession Crisis: Can the South Part from the North without War?," *Foreign Affairs* 90, no. 1 (2011): 26; Jill Shankleman, "Oil and State Building in South Sudan: New Country, Old Industry," in *USIP Special Report 282* (Washington, DC: United States Institute of Peace, 2011), 10.

⁴² This section draw from a forthcoming book chapter on South Sudan's recent ascension into the East African Community see Christopher Zambakari, "South Sudan in the East African Community: Prospects and Challenges for a Monetary Union and Political Federation " in *Palgrave Handbook of Africa's Economic Sectors, Contemporary Opportunities, and Sustainable Development*, ed. Evelyn Wamboye, Simplice Asongu, and Bichaka Fayissa (New York: Palgrave Macmillan, 2020).

⁴³ World Bank.

⁴⁴ Anne W. Kamau, Schneidman, Witney, "South Sudan: Resolving the Oil Dispute," The Brookings Institution, [https://www.brookings.edu/opinions/south-sudan-resolving-the-oil-dispute/..](https://www.brookings.edu/opinions/south-sudan-resolving-the-oil-dispute/)

⁴⁵ Zambakari; Johnson; Alex de Waal and Abdul Mohammed, "Breakdown in South Sudan: What Went Wrong -- and How to Fix It " *Foreign Affairs*, <http://www.foreignaffairs.com/articles/140617/alex-de-waal-and-abdul-mohammed/breakdown-in-south-sudan>; Luka Biong D. Kuol, "South Sudan: The Elusive Quest for a Resilient Social Contract?," *Journal of Intervention and Statebuilding* (2019).

⁴⁶ Zambakari, "South Sudan in the East African Community: Prospects and Challenges for a Monetary Union and Political Federation ".

Despite the signing of non-binding agreements with Ethiopia and Kenya for two prospective pipelines that would connect South Sudan to two ports (Djibouti and Lamu),⁴⁷ some analysts are not convinced that this project can be achieved in the near future.⁴⁸ Luke Patey noted that the plan is contingent on new discoveries since the current reservoirs will quickly decline within the next five years: unless new discoveries are made, investment in the alternative pipeline does not make economic sense.⁴⁹ This is why a focus on agriculture offers South Sudan one way to finance its economic growth while contributing to the development of an emergent industrial base. This priority also allows the country to mobilize its existing population who are mainly rural peasants, nomadic communities, pastoralists and farmers. Revenue from agriculture can then be used to accumulate foreign reserves that can be used to purchase and transfer technology back to South Sudan in order to build other industries or to further invest in infrastructure.⁵⁰

The state has to play all three roles – institution builder, conflict manager, and entrepreneur – and lead the way by building strong institutions, managing ethnic conflict, and creating the conditions that will give rise to a class of entrepreneurs. South Sudan can learn from a country that transformed itself from backwardness to the most powerful country in the world, the United States. When the U.S. was developing its infant industries, it benefited from the combined regime of protectionism of domestic industries, massive subsidies, and relentless government intervention in the market.⁵¹ In doing so, the United States gave time for domestic infant industries to develop their productive

⁴⁷ EIA, "Sudan and South Sudan: Background," in *Country Analysis Briefs* (Washington, DC The U.S. Energy Information Administration (EIA). Available at <<http://www.eia.gov/EMEUCABS/Sudan/pdf.pdf>>, 2012), 2; Sudan Tribune, "South Sudan and Kenya Sign Memorandum on Construction of Oil Pipeline," Sudan Tribune,, <http://www.sudantribune.com/South-Sudan-and-Kenya-sign,41394>.

⁴⁸ Luke A. Patey, "Pipe-Dreaming over Oil in South Sudan " African Arguments, <http://africanarguments.org/2012/02/06/pipe-dreaming-over-oil-in-south-sudan-%E2%80%93-by-luke-patey/>; Zambakari, "South Sudan in the East African Community: Prospects and Challenges for a Monetary Union and Political Federation " ..

⁴⁹ Patey.

⁵⁰ For more on South Sudan's economic challenges and its place within the East African Community Market see Zambakari, "South Sudan in the East African Community: Prospects and Challenges for a Monetary Union and Political Federation " ; Laura Nyantung Beny and Matthew Snyder, "South Sudan and the East African Community: Pros, Cons and Strategic Considerations " South Sudan News Agency, <http://www.southsudannewsagency.com/opinion/articles/south-sudan-and-the-east-african-community-pros-cons-and-strategic-considerations>; Christopher Zambakari, "South Sudan's Entry into the East African Community: Prospects and Challenges," *Africa Policy Journal* 8 (2012).

⁵¹ "Underdevelopment and Economic Theory of Growth: Case for Infant Industry Promotion."

powers.⁵² This enabled them to grow strong enough to compete globally, notably with British, French and German companies in the nineteenth and early twentieth centuries, and from there to develop into the global companies they are today.

To understand the most famous argument in American history about the benefits of trade restriction, quotas, and import substitution, one has to turn to the first U.S. Secretary of the Treasury, Alexander Hamilton, who developed the theory of infant industry promotion.⁵³ Hamilton presented the case for the establishment and protection of American industries from mostly European firms. He outlined 11 protections that were necessary if the U.S. was to emerge as a dominant force capable of challenging European hegemony. This included “protecting duties – or duties on those foreign articles that compete with the domestic ones. The latter needed to be encouraged and nurtured through prohibitions of rival articles, prohibitions of the exportation of the materials of manufactures, pecuniary bounties, the exemption of the materials of manufactures from duty, premiums, drawbacks of the duties which are imposed on the materials of manufactures.”⁵⁴ It was with this set of recommendations that Hamilton convinced the U.S. to put in place protective measures, tariffs, subsidies, quotas, import bans on key raw materials, rebates on industrial inputs, regulations, product standards, and patents, all designed to protect American infant industries from external competition. Throughout the 18th, 19th, and 20th centuries, the U.S. had one of the highest industrial trade restrictions on imported goods among developed countries.⁵⁵ Had it not been for the vision of Hamilton, it is hard to see how the United States could have turned into an economic powerhouse.

As stated, South Sudan needs to prioritize certain industries and selective economic activities and develop the productive powers of those industries while protecting infant industries from external competition. Sudanese leaders need to make a distinction between rent that is the product of a constant flow in innovation and rent that is extracted by firms that focus on diminishing return activities. Reinert has referred to the former, rent-seekers who produce under increasing returns, as Schumpeterian

⁵² List.

⁵³ Hamilton.

⁵⁴ *Ibid.*, 1008-17.

⁵⁵ Ha-Joon Chang, "Kicking Away the Ladder: An Unofficial History of Capitalism, Especially in Britain and the United States," *Challenge* 45, no. 5 (2002).

cronies while those who produce under decreasing returns are referred to as Malthusian cronies.⁵⁶ Priority should be given to the former with the latter being discouraged by active government taxation and regulations.

Sustainable economic development requires first knowing the society in which one lives and knowing oneself as a people.⁵⁷ It demands that research institutions within South Sudan generate the needed knowledge to solve local problems and that the solutions be sought from within the parameters of the problems within the country. The reduction of industrial tariffs and the liberalization of the economy in South Sudan needs to be strongly resisted and actively discouraged until domestic industries have developed their productive powers and their capacity to handle regional and international competition.

About the Author

Christopher Zambakari is a Doctor of Law and Policy, the Chief Executive Officer of [The Zambakari Advisory, L.L.C](#), Hartley B. and Ruth B. Barker Endowed Rotary Peace Fellow, and the Assistant Editor of The Bulletin of the Sudan Studies Association. His area of research and expertise is international law and security, political reform and economic development, governance and democracy, conflict management and prevention, nation and state-building processes in Africa and in the Middle East. His work has been published in law, economic, and public policy journals.

⁵⁶ Reinert, "Development and Social Goals: Balancing Aid and Development to Prevent 'Welfare Colonialism' (Paper Prepared for the High-Level United Nations Development Conference on Millennium Development Goals, New York, March 14 and 15, 2005)," 10.

⁵⁷ Zambakari, "Underdevelopment and Economic Theory of Growth: Case for Infant Industry Promotion.;" "Africa and the Poverty in Knowledge Production," *PAMBAZUKA NEWS: Issue 556 (November 03, 2011)*, no. 556 (2011); Paulin Hountondji, "Knowledge of Africa, Knowledge by Africans: Two Perspectives on African Studies," *RCCS Annual Review 1*, no. September 2009: African Centre for Advanced Studies, Porto-Novo (2009).

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ⁱ See "BP Statistical Review" for the leading producers and countries with highest estimated oil reserve, British Petroleum (BP), "Bp Statistical Review of World Energy June 2012," in *BP Statistical Review of World Energy* (London, United Kingdom: British Petroleum. Available at http://www.bp.com/assets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2012.pdf), 2012).