Import Substitution Industrialization [ISI]: An approach to Global Economic Sustainability

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IMPORT SUBSTITUTION INDUSTRIALIZATION [ISI]: AN APPROACH TO GLOBAL ECONOMIC SUSTAINABILITY

INDUSTRY, INNOVATION & INFRASTRUCTURE (SDG9) - ENCYCLOPEDIA OF THE UN SUSTAINABLE DEVELOPMENT GOALS

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SYNONYMS

- Comparative advantage
- Subsidized industries
- Protectionist policy
- Economic Transformation

DEFINITION(S)

i. Import substitution industrialization (ISI) is an industrial development program based on the protection of local infant industries through protective tariffs, import quotas, exchange rate controls, special preferential licensing for capital goods imports, subsidized loans to local infant industries, etc. (Ogujiuba et al, 2011).

ii. Import substitution industrialization (ISI) is a theory of economics typically adhered to by developing countries or emerging-market nations that seek to decrease their dependence on developed countries (Segal, 2019).

The above definitions have provided some basis on which ISI was developed; this is simply to capacitate means for less developed and emerging market economies to channel ways of becoming self-sufficient in their efforts to harness industrial growth and development. It is a form of self-actualization to enhance prospects in reducing high dependence on the importation of essential goods from the rest of world, thereby creating opportunities through which less favourable and emerging economies can create the capacity to commence industrial production. The focus of this chapter is be broadly aligned to the first highlighted definition going forward, particularly in reference to the '*Applicability of ISI to Africa*'. ISI is an integral part of Sustainable Development Goals Agenda nine (SDG9). Hence, there is a need for economic diversification and structural transformation to be set as a core objective in national / domestic infrastructural growth that favours consumption of locally produced goods and services in the short run (see Cleeve, 2010). At the same time, strategic focus should be dedicated in accommodating an open-economy policy to diversifying industrial capacity, with the motive of increasing export promotion in the long-run as emphasised in an IMF staff discussion paper produced by Fabrizio et al (2015).

INTRODUCTION TO THE CONCEPT OF IMPORT SUBSTITUTION INDUSTRIALIZATION [ISI]

Globalisation has over the years brought about openness, thus creating an inextricable link among countries through various channels, including trade and investment. Consequently, there has been a substantial expansion in trade in goods and services and the flow of foreign direct investment between developed and developing countries. Even though, both have benefitted from this global openness, the balance of benefits is mainly tilted to developed countries, reinforced by the fact that developing countries have been importing more and exporting less to these countries – a reflection of the under-developed state of their industrial sector, which is evident in their export of mainly unrefined or primary products, with little or no value addition taking place. This gives attestation to the presence of an insignificant import substitution-oriented manufacturing activity in such countries, which have rendered them heavily reliant on imports for their survival – by extension making them highly susceptible to external risks and shocks.

This brought about the inception of ISI, which originated from as early as in the 1930s through into the 1960s in Latin America and some parts of Asia and Africa – a notion that was meant to incorporate three stages, namely '*domestic production of previously imported non-durable consumer goods, extension of production to a wide-range of consumer durables and complex manufactured items and finally, exporting of manufactured goods, with the vision of diversifying to multiple range of items*' (Bussell,, n/d).

This was seen as a deliberate attempt by governments in developing and emerging market economies to adopt some form of protectionist approach, with the aim of ensuring infant and emergent firms in the industrial sector were encouraged to expand domestic production (Todaro, 1994: 681). In a bid to advancing such approach to protecting institutions, the role of the public sector is considered very critical, particularly the Department of Trade and Industry, to ensure measures are adequately enforced to promote growth and development of localized industries (Jackson, 2020b). Equally, a successful ISI strategy needs adequate planning; one that requires alternative choices made in terms of diversifying production to accommodate opportunities in the expansion of sectoral activities connected with energy and transport sectors to support the continuation of industrialization processes (Williams, 2015). In other words, proper sequencing should be done as a form of reinforcement to bolster the elevation to industrialization. This will also create opportunities for the expansion of localized development ventures in different sectors of the real economy. According to Hirschman (1958), there was a need for the state to help support the drive for developing a system of national entrepreneurship, not only through its interventionist or protectionist approach, but also ensuring localized industries are adequately supported to stand the time of intense competition or exposure to economies of scale from more established (foreign owned) companies.

Countries that applied such techniques and adopted the scheme experienced some level of growth – evident in, for example, an upswing in income per capita in Japan and other Asian economies like Malaysia, Thailand and Indonesia after 1973 (Ogujiuba et al, 2011). With the underlying notion of ISI being part of the need to expand job creation and enhancing welfare opportunities, the outcome as seen from some of the Asian economies is an attestation to their progress in ensuring that the expansion of welfare was made an integral part of governments' objectives in supporting further investment in not only capital intensive industrialization processes, but also accommodating transformational competencies capable of replacing or boosting human efforts in a bid to improve productivity at a much faster rate (Saffa and Jabbie, 2020).

Notwithstanding the rationale for practicalising the *economics* concept of ISI, critics have levied concerns around its misuse, particularly with entrepreneurs in some industries (notably textiles) using it as a meal-ticket to extract surplus wealth and income from the state for personal benefits (Williams, 2015). In the case of Latin American countries, ISI was perceived to be short-lived, particularly around the 1960s, owing to concerns around uneven trends in production, which was concentrated in consumer goods as opposed to expansion in high intensive industrial production –

employment rates were also seen to be declining, with escalation of social strife that resulted into internal migration, and increased inequality (Bussell, n/d). The uneven developments witnessed in smaller economies in the Latin American region meant that critiques were being resounded in institutions all around, notably, the Economic Commission for Latin America and at the University of Chile in Santiago, on account of ISI's high dependence on Trans-national Corporations (TNC) and lack of stimulation in addressing democratic development (Bussell, n/d).

Some promoters of free trade felt that the protectionist status of ISI was a hindrance to capital appropriation, hence preventing economies in the developing world from promoting their comparative advantages in the international trade market. It was quite noticeable that the level of protectionist status promoted by governments in many of the Latin America, Asia and Africa economies were not sufficiently comparable to that promoted through market-led developed economies (Williams, 2015).

Even though questions around critiques of ISI remain a concern, more so about its protectionist status and the slow pace of growth in terms of promoting export-led activities, it is still perceived as a way forward for countries to become self-sufficient in sustaining decent living condition for citizens. The implementation ISI is a potential means for addressing problems relating to high dependence on import-led commodities, with surmounting pressures on under-developed economies' capacity to meet high cost of import bills and currency depreciation.

THEORETICAL FOUNDATION OF ISI

From a theoretical perspective, ISI emerged on the backdrop of critiques levied on the international division of labour strategy, which typically meant that less-developed economies only engaged in the export of primary products, while at the same time importing high costly finished manufactured goods, typically produced in Europe and the United States of America (Bussell, n/d). Strategies used by the industrialized economies around Europe and the USA became more untenable during the Second World War, when production was switched away from civilian consumer market goods to military artilleries, notably Tanks and Guns, while at the same time primary commodity prices were declining, more prominently after the war. In that vein, primary producing economies had to export more to balance deficits in trade, while at the same time, prices paid for imported manufactured goods were appreciating in inflationary parlance for these importing economies – an area considered to be linked with the J-Curve concept in economics, but still perceived as controversial according to critics (Bahmani-Oskooee and Ratha, 2004; Magee, 1973). The success stories of ISI in many of the Latin American and Asian countries is an indication to affirm its continued implementation in the global community to support sustained development of weak economies, particularly those in Africa and some parts of Asia that are still struggling to catch up with the rest of the world in terms of self-sufficiency in the production of basic consumer items.

Theoretically, the process of policy instruments applied to create rent-seeking, essentially meant for industrial entrepreneurship as utilised by the Asian tigers and Latin American economies is no different from that implemented in the African economies (Nissanke, 2001). As emphasised by Ogujiuba et al (2011), differences were more in the management of rent-seeking opportunities created by governments in these African economies to promote and protect industrial growth and development. The continued growth and profits from rent-seeking investments devoted by governments in the Asian tiger economies were seen to be more in line with Schumpeter's creative destruction concept, geared towards motivating productive entrepreneurship (Jackson, 2020a). Whereas, in Sub-Saharan Africa, profits were seen to be static despite the pleasure of rent-seeking received from governments. As emphasised from research undertakings (Akyuz et al, 1998; Akuyz and Gore, 2001), such profits were distributed through patronages - shared amongst minority of elites. This also supports the ovation of lack of prudence on the part of people to become transparent in their dealings of effective economic management (Jackson, 2018; Jackson, 2017a; Jackson, 2016a).

Empirical interest on Africa in relation to the problem associated with failed ISI policies could be attributed to the design of the Structural Adjustment Program (SAP) in the 1980s, as well as the mounting debt crisis faced by many economies in the continent (World Bank, 1994). It could be emphasised that the failure of successive governments to adequately manage rent-seeking from protectionist policies were ineffectively managed, hence the need to liberalize such economies, with the ultimate goal of giving way to the creation of a productive private sector, epitomized as a catalyst for economic development (Ogujiuba et al, 2011).

In a bid to addressing failures inherent in ISI's implementation as witnessed in the case with majority of African economies and in some parts of Asia and Latin America, there was a need to focus attention on the neoclassical approach. This suggest that the way forward in narrowing Sub-Saharan Africa's (SSA) development gap with that of its counterpart in Asia is to institute a policy that favours growth of Small and Medium-Sized Enterprises (SMEs) – a highly favoured policy in World Bank's (1989) publication titled '*Sub-Saharan Africa: From Crisis to Sustainable Growth*'. As addressed by Ogujiuba et al (2011: 11), it appeared that the reality in Africa's failed approach to ISI has to do with unproductive entrepreneurship, which as recent as possible is manifested in the continent's high dependence on the export of primary agricultural and mineral commodities as the dominant means of participation in the international division of labour market.

LINKAGES OF ISI IN SUPPORT OF THE SDG AGENDAS

The concept of ISI is still perceived as the way forward in championing sustained level of growth in the world economy, particularly those in the developing world, particularly Africa and some parts of Asia and Latin America that are still lagging behind their counterpart. It is imperative to note that most or nearly all of the seventeen SDGs are highly relevant in supporting the approach to building a resilient infrastructure that promote inclusive and sustained level of industrialization, with the enabling engine to foster innovation (reference to SDG9 – see Jackson, 2020b).

In view of SDGs 1 and 5, which are geared towards ending poverty in all forms and encouraging gender equality, it is vital to re-model the ISI strategy to ensure that government policies particularly in the less developed states of Africa and Asia are molded to cater for human resource development that should be focused on acquiring functional and transformational skills, with the necessary innovations that make it possible to not only rely on primitive means of industrialization, but also modelled around the utilisation of modern technologies (Jackson et al, 2020a; Saffa and Jabbie, 2020; Jabbie, Barrie and Tamuke, 2020). Such approach will make it possible for the human potential to be adequately utilised, indiscriminately in the best interest of incorporating inclusivity, where both men and women are considered as integral part of developmental ventures (Jabbie, Barrie and Tamuke, 2020).

As an economic policy tool, ISI is a means through which economies around the world that are less able to take advantage of normal means of capacity development could utilise available policy instruments like protectionism to capacitate essential structures. In that vein, there is a need to utilise an ISI strategy in addressing the agenda of SDG2 (UNDP, n/d), which is focused on ending hunger, while promoting sustained security in food self-sufficiency through improvement in agricultural technology. The goal of ISI, which seeks to reduce dependency by developing economies through policies formulated in providing rent-seeking opportunities to domestic institutions is considered key in this case – it is believed that with effective management of institutions, the capacity to improve agricultural productivity can be achieved, particularly in ensuring that the high dependence on imported consumer goods is curtailed. Such curtailment will also add value to governments and more so, policy-led institutions like Central Banks in settling high cost of payment by digging through its foreign reserves. The utilization of ISI strategy in support of SDG2 also comes handy as a means of addressing concerns around employment; with the protection of institutions, there is possibility that investments pursued in the area of agricultural expansion will be skewed towards the creation of high employment opportunity for citizens, even though at mediocre level for a start, but with enhanced capacity in the direction of hi-tech training and development. There is the possibility that this will cease to become a concern. There is also a high scope that with such level of investment, which also addresses SDG8 (Decent work and economic development), and SDG3 (promoting healthy living and well-being for all ages), there is a scope for governments to generate high returns from tax contributions, which in turn can be invested in expanding high costly transformational economic activities.

As witnessed in the Asian and Latin American model, promotion of ISI as a means of supporting self-sustaining economies in the global community can also manifest itself through improved quality of education, which is linked to SDG4 (Jackson and Jackson, 2020; Saffa and Jabbie, 2020). Given the focus of ISI to address food self-sufficiency, efforts in making education an all-inclusive venture in the global economy have made it possible to expand curriculum provision like Agriculture to as early as in primary education sector (Jackson, Jackson and Jackson, 2020). Equally, training in the subject area is continuously been innovated to accommodate high level of technology transformation and supported by its combination with subjects like Economics and Business to improve management and the marketing of finished products.

Despite the original focus of ISI in the direction of promoting protectionism, there is a scope that with the right level of management of resources, institutions will become very much competitive in expanding innovatively to address concerns around SDG7, which seeks to promote affordable, reliable, sustainable and modern energy for use in the global community. Liberalisation of the ISI would be needed to ensure institutions are adequately capacitated through partnership with the private sector to ensure high costly investments connected with renewable energy, for example solar power installation are shared. The ultimate goal is to support the agenda of ensuring affordable and efficient energy supply is produced, while also building capacity for those in developing economies to gain access to affordable means of energy.

Most important in this chapter is its link with SDG9, which addresses the potential of building resilient infrastructure, promoting inclusive and sustainable industrialization, while also fostering innovation. Despite critiques raised around the lack of capacity to expand in the area of ISI protectionist policies, the proof of the pudding is quite evident from experience of the Asian and Latin American economies, which up till recent, are seen as the eye-ball of innovation through transformative technology and industrial growth. As emphasised by Ogujiuba et al (2011), effective management of rent-seeking opportunities avail through government investments to capacitate industrial growth should be judiciously utilised to support resilient institutions, with the enabling capacity in sustaining industrial activities. Masterminded acts of greed promoted by TNAs have been seen to blight efforts in countries, which are planning to pursue ISI strategy as a means of becoming self-reliant, while reducing their susceptible to external shock – mostly attributable to events occurring in the global economy. In this case, governments around the world and more so in developing economies around Africa, Asia and Latin America in particular must seek to encourage and foster innovative ideas from citizens as a way of championing self-reliant objectives, while also being able to negotiate their way into competitive trade internationally. Such creativity will make it possible for economies to become competitive, with demand for locally produced goods also challenging the status-quo of imported items.

ISI strategy is also a means of supporting SDG10 (reducing inequality amongst nations) and 11 (making human settlement in cities inclusive and safe for everyone) agendas; the drive to become self-sustaining in terms of reducing high level of dependence on another nation as a means of sustaining lives through consumption of essential commodities, can be a thing of the past with the support of government prudent efforts. To ensure high level of safety is maintained in cities, governments in individual economies should seek to address equitable level of investments in all cities, and where possible in rural communities. This will inevitably reduce burden on over-crowded cities, which ultimately will give rise to high scope of minimising crime rates. Where investments earmarked through ISI strategies are distributed equitably, there is less tendency or need for high mobility to be the norm for citizens, unless in the case where preference is skewed towards a particular field of professional work schedule.

Despite that the effort of ISI is geared towards increasing domestic productivity in a bid to reducing high dependence on imports, it is still possible that its link with SDG12 (promoting sustainable consumption and production pattern) will also spur the capacity to think outwardly. In this regard, where there is a sense of over-production in a particular area of industrial activity, effective management of operational system should be created to facilitate export promotion venture in areas where over-produced goods and services are in high demand.

The utilisation of ISI strategy can equally be promoted to harness creative means of sustaining life below water (SDG14) and life on land (SDG15). Critiques in the area of the limited scope of ISI can be challenged through various ways, and more so innovatively by promoting a country’s natural habitation, which also helps in the expansion of employment opportunities, be it on seasonal basis or throughout the year, depending on a nation's ability to utilise competitive advantage to generate wealth for the good of present and future generations.

To wrap up the discourse about the linkages of SDG agendas with ISI strategy, SDG16 (promoting peaceful and inclusive society, with access to justice) and 17 (partnership with goals) are considered vitally important in supporting a country's agenda of sustained growth and development. The scope of SDG16 can become very powerful and inclusive when legislative powers are effectively managed, through manifestation of prudence from those in authority to ensure that the essence of promoting ISI is to develop a nation's capacity for growth and self-sustenance. In this vein, efforts should be made to empower citizens through relevant and diversified skills development in a bid to making it possible to become overly self-sustaining, with opportunities of empowering people through sustained level of employment. Equally, the need to ensure continued partnership is fostered between all the respective SDGs (17th agenda) is very much welcoming in the global community.

APPLICABILITY OF ISI WITH REFERENCE TO AFRICA

The drive towards adopting ISI is a laudable strategy, especially where economies are addressing serious structural and economic bottlenecks relating to trade imbalances, and more so, issues concerned with targeting high unemployment and slow growth rate. Success stories in the Latin America and Asian economies did not come easily, as sacrifices were made with the determination to become self-reliant in areas connected with basic food consumption, while also turning attention in light-weight ~~essential~~ industrial productive activities.

In the African continent, similar ventures were also adopted by many economies, but at a much slower pace given factors like lack of prudence on the part of leaders to make it worthwhile for growth to be made an integral part of their developmental focus (Jackson and Jabbie, 2020b; Jackson and Jabbie, 2019; Jackson, 2018). While many of the economies in the Latin America and Asian blocs were utilising resources for the good of all, those in the African continent were selfishly siphoning resources for personal use and thereby, rendering efforts worthless, and thus resulting in situations of sluggish growth, with noticeable trade deficits and the influence of parallel market domination - still seen to be undermining genuine efforts of institutions like Central Banks to address policies that are meant to support growth and development (Jackson and Jabbie, 2019; Jackson and Jabbie, 2020b).

The level of productive inefficiency in LDCs is a significant shortcoming that has contributed tremendously in stalling their elevation to industrialization. It is evident that a fundamental prerequisite for a successful industrialization is the attainment of economies of scale – in other words, efficient production (Ogujiuba, Nwogwugwu and Dike, 2011). Because of the presence of several structural rigidities such as; market size, low per capita income, price distortions and skills gap, manufacturing companies find it very difficult to make the necessary cost savings to attain economies of scale – and this is reflected in the precarious state of their industrialization drive (Ogujiuba et al, 2011). For instance, given the long period of unproductive real sector operations in many of the African economies in catalysing growth potential, many of them recorded substantially low rate of industrial development, even with the rise of global trade liberalisaiton policies as indicated in empirical studies around 2010-2017 (Warburton, 2012; Elhiraika and Mbate, 2014; Guisan and Exposito, 2016; Guisan, 2017; Aka and Guisan, 2017). As addressed by Segal (2019), such liberalization processes were championed by the IMF and World Bank, notably the Structural Adjustment Programs (SAP). Structuralists' school of economic thought would attest to the vagaries of structural issues faced by these African economies in particular. To name a few, political, social and institutional factors, which were not so well sourced by the immediate remedial measures of the SAP as instituted by the Bretton Woods institutions (Segal, 2019). The continued lack of governments' direction in many of the African economies to address remedial measures for economic growth and particularly one that is focused on food self-sufficiency, more or less worsen the situation with their slow-paced growth (Jackson and Jabbie, 2019).

Indeed, the model of ISI is still a considered remedy for Africa in particular to be on the necessary growth pathway, despite critiques levied about its protectionist approach. The current issue of economic backwardness, mainly epitomized by high fiscal and current account deficit and also disturbances in exchange rate depreciation (highly controlled by influences of parallel market operations) can be addressed through prudent manifestation of state actors in many of the African economies (Jackson, 2016a). With the natural wealth endowment capacity in many of the African economies, the willingness of state actors to set policies similar to that of ISI's successes in Asia and Latin America would make it worthwhile for growth to be realised, with the ultimate outcome of improving employment opportunities – there is also hope of addressing issues around high fiscal deficit and exchange rate crisis, which is mainly rooted from an almost inactive real sector.

Diverting attention in areas pertaining to protectionist policies can be thought of as necessary evil in making it possible for African economies to realize their full potential, given their resource wealth capacity (Jackson, 2016b), which can be easily harnessed through capacitating human development in areas concerned with transformative innovation. Such innovations should be supported by high level technology, but more essentially, the need to become self-sufficient in the production of basic and essential commodities (Jackson, Jackson and Jackson2020; Saffa and Jabbie, 2020).

Africa, and particularly south of the Sahara is still lagging behind the rest of the world, with high dependence on import of essential commodity items to address consumption needs. There is need for a re-modelling of ISI strategy in addressing the backward delusive state of majority of the economies located in the continent. In as much as protectionism is still a considered answer to supporting the growth potential of infant industries and institutions, there is also the need for prudence to be manifested by those in the management of state institutions, to work in the best interest of utilising resources for the good of present and future generations (Jackson, 2017a). As addressed by Ogujiuba et al (2011), there is too much of abuse of rent-seeking privileges, which seem to be one of the reasons for the disparity between Africa's progress on ISI approach when compared to that of its counterparts in Asia and Latin America.

Privileges accorded by the state to institutions are mostly utilised in the wrong way, which to an extent can be blamed on the inefficient management of public service institutions like the judiciary to act swiftly in addressing anomalies connected with abuse of public goods, supposedly meant to support economic growth and well-being of citizens as addressed in a recent study on rent-seeking by Jackson (2019a). Efficient institutional management of the public service is an essential ingredient for nations to the SDG agendas (Jackson, 2020b), and in particular SDG9 (building resilient infrastructure) as emphasised in this chapter. Most important in this case is the Department of Trade and Industry in individual African countries, which should focus attention in identifying policies to strengthen industrial opportunities for institutions to improve their productive capacity in minimising over-reliance on imported commodity items. Such policies should be backed by government support through subsidies, tied with the condition of improving competitive production and affordable pricing of finished produce, while also addressing capacity for inclusive employment (Jabbie, Barrie and Tamuke, 2020). There is also high scope for specific targets to be addressed in nurturing shortages of vocational skills-set (that which is connected with modern and renewable technologies) in a bid to ensuring countries lagging behind in the region are capable of building capacity in reducing their reliance on the importation of essential commodities from the developed economies (Jackson, Jackson and Jackson, 2020).

The most notable and earlier successes of ISI approach in the African continent was that of the old Rhodesia, now popularly known as Zimbabwe, which could be traced back to 1930 - which witnessed an expansion in the country’s manufacturing sector, giving room for diversification in different areas of economic activities associated with high value-added in Agriculture (foodstuffs), Chemical and Medical production (Riddell, 1988). The need to capacitate localized development through innovation in transforming national wealth capacity was considered paramount for the country to develop an inward approach towards building industrial capability. The model approach used in the case with Zimbabwe as emphasised by Riddle (1988: 72) facilitated the need for inter-linkages in industrial capacity, which therefore meant that the analogy of ‘Input-Output analysis’ concept as applied in economics was very much relevant in ensuring the focus of an inward approach was continuously backed in streamlining the country towards becoming fully industrialized. The drive towards the ISI approach was spearheaded at a time when the capacity of primary exporting sectors to earn more foreign exchange from exports were being constrained to a fall in global commodity prices. The uniqueness of the ISI model expansion in Zimbabwe’s case is historically founded, more so on account of high Foreign Direct Investment (FDI) inflows, which was backed by the presence of migration of technocrats in almost all sectors to forge the country’s open policy approach towards industrialization. It is saddened to note that the authoritarian approach of the late Robert Mugabe as illustrated in a stylised empirical model by Kosterina (2017) typify a case of the derailment of Zimbabwe’s ISI focus, which would have made the country one of the most admirable in the African continent, and more so at a comparable status with those of the Asian Tiger nations.

In a bid to championing ISI approach to building capacity in the African continent, Mengistae and Pattillo (2004) made use of structural econometric model to emphasize the importance of firm capacity in three named countries (Ethiopia, Ghana and Kenya) in pursuing a long-run export-led promotion. The model noted that productivity premium of exporters for the three countries was at a high of 17% - firms concentrating production for export were 10% higher in growth terms compared to those that focused production for domestic consumption only. The policy recommendation from the study highlighted the relevance of open trade policy in the environment of ISI, which is very good to improve firms' international competitiveness, particularly with regard to export-led promotion strategy.

On a positive note, recent research endeavours have noted the relevance of ISI policy as noted by Adewale (2017), with specific reference to the case of the BRICS economies. The BRICS acronym as used in this chapter refers to a group of countries deemed to be developing by categorization, but whose development are at a similar stage similar to that of the already established industrialized western economies – countries in this category include "Brazil, Russia, India / Indonesia, China and South Africa". The research methodology for the study adopted fixed and random effect methods of Panel Data, while Hausman test finally suggested the use of General method of Moments (GMM) and System Generalized Method of Moments (SGMM) as the appropriate methods in a bid to control for endogeneity (Adewale, 2017: 146-147). With particular reference to South Africa as the topical application of ISI in the African continent, the econometric model clearly articulate the strategic importance of ISI macroeconomic policy as a catalytic tool for catapulting economies out of high dependence on importation of basic commodity items (Adewale, 2017: 156; Shafaeddin and Pizarro, 2007; Magubane, 2002). Such model application have demonstrated the relevance of ISI approach, despite critics voices raised about its retrogressive approach in preventing open competition (Lawanson, 2007) – on the whole, the study also highlighted capacity building through expansion in infrastructural development as a way of supporting industrial expansion, which is much needed in stimulating export promotion in the long run. Although the model as applied in the case with South Africa was fraught with the incidence of Apartheid control, but transition into a non-racial democratic system in 1994 then made it possible for the benefit of ISI approach to become more realistic given South Africa's role in supporting growth pathway in the Southern African Development Community (SADC) bloc (Nattrass and Terreblanche, 1990).

Additionally, with the on-going plans of the African Union (AU) to support regional integration, there is high hope that such approach / strategy will help address embargo in trade barriers, while also harnessing competitive advantages, currently enjoyed by developed economies located in the Northern Hemisphere. The issue of currency depreciation and inflationary pressures as currently faced by many of the developing economies, attributable to supply-side problems, will be minimised (Jackson and Jabbie, 2020b; Jackson, Tamuke and Jabbie, 2019) - this is on the backdrop that through efficient utilisation of ISI protectionist strategy, economies will firstly concentrate in capacitating their productive-base through effective protectionist policies, while at the same time addressing strategies in utilising competitive advantage through trade agreements. Concerns around market failure will become a thing of the past as institutional capacity and most importantly, prudence in the manifestation of state actors will seek to work in the interest of supporting (industrial) state-building and sustained development of individual economies (Jackson and Jabbie, 2019).

CONCLUSION AND RECOMMENDATION FOR SUCCESSFUL APPLICATION

Despite the acclamation of critics (Lawanson, 2007; Ogujiuba et al, 2011) about the failure of ISI as an economic policy instrument utilised in the past by many of the present Asian Tigers and Latin American nations in transforming the fabrics of their economies, discourse from this chapter have highlighted salient points for its continued utilisation by (under-developed) economies around the world in transforming and limiting their dependence, specifically on supply-side driven commodities.

International institutions like the IMF are very reluctant in their research findings to attest the truth about there being a need for weaker economies in the world to engage in ISI protectionist strategy, which is meant to reduce their reliance on basic commodity imports. It is certain from empirical economic studies that such high dependence on imports is the primary reason for the backward state of economies located in Africa (Jackson and Jabbie, 2020b; Jackson, Tamuke and Jabbie, 2019; Jabbie and Jackson, forthcoming), and in some of the Asia and Latin American economies alike, where too much is needed from outside to sustain lives.

In fact as identified above, the dominance of supply-side driven factors, which is based on high dependence on imports (notably, Crude Oil products and staple items like rice), attributable to weak domestic institutional setup is certainly to be blamed for the uncontrolled state of high inflation and continued depreciation of domestic currencies experienced in many of these economies (Jabbie and Jackson, forthcoming; Jackson, 2020; Jackson et al 2020b; Jackson, Tamuke and Jabbie, 2019). Critics' voices will continue to be dominant about the failure of ISI, given the fact that experiences from protectionist measure implemented in many of the African and Latin American economies in particular have demonstrated poor outcomes – notably on account of the dominance of political patronization, which seem to have over-shadowed many of the economies in Africa, certainly in complete contrast to the experience of the Asian Tiger and some of the Latin American economies (Akyuz and Gore, 2001; Akyuz et al, 1998).

It is believed that where economies are prepared to take advantage of ISI, there is high prospects that the enabling efforts to capacitate industrial base through protectionist approach will itself be a root for fostering Foreign Direct Investment (FDI). Many of the derogatory nomenclatures (under-developed, third-world, dark-economies, etc.) ascribed to economies found in SSA, Latin America and some parts of Asia are naturally endowed. Hence, prudent implementation of ISI will steer the way forward for capacity development, which in most cases can be engineered through private sector or Public Private Partnership (PPP) arrangements.

In a bid to ensuring ISI continue to be an admirable success as manifested by the Asian Tiger economies and their counterparts in Latin America, economies in which the project is branded as a failure needs to adopt a more focused approach, with consideration given to the recommended points as identified below:

- There is a need to promote Research and Development (R&D) to address capacity that will ensure continued self-sufficiency in basic commodity production, while at the same time building the necessary engine for transformative technologies geared towards meeting demands for hi-tech industrialised production in the postmodern era (Saffa and Jabbie, 2020).

- There is a need to step-up support for regional integration that seeks to nurture competitive advantages amongst economies that are making efforts to build capacity by reducing their dependence on import of basic consumer produce. This has the benefit of curtailing pressures exerted in meeting high supply for foreign currencies to settle import bills and the possible devaluation of local currencies. There is also scope for improving employment opportunities for nationals, while creating an enabling inclusive society that empower citizens, irrespective of gender or other forms of human characterization – a possible hope in the direction of achieving several of the SDG goals, for example, SDG1, SDG2, SDG5, SDG8 and SDG9. (Jackson and Jackson, 2020; Jackson and Jabbie, 2020a).

- Effort must be made to steer stable political environments in a bid to attract Foreign Direct Investment (FDI) by institutions or private investors whose interest is to take advantage of favourable investment climate in some of the so-called branded under-developed and failed ISI nations. As in the case with the bitter experience of Mugabe's nationalization of industries and also brutality inflicted on white farmers, a remodelling approach on the way forward for African economies must seek to provide sound legal protection (Jackson, 2020b) for both domestic and import-led firms whose focus is to capacitating short-term venture in self-sufficiency towards food and essential production – such approach must be spearheaded through the public service wing of governments in individual economies seeking to utilise ISI as a means to capacitating self-sufficiency. At the same time, relevant government-led policies must also be geared towards building capacity by which export promotion should be enhanced in a bid to improve the overall terms of trade of the country, which seemingly works in the direction of the J-Curve approach (Kamwi, 2011; Bangura et al, 2013; Tyopev, 2019).

CROSS-REFERENCES

- Decent Work and Economic Growth (SDG8)
- Quality Education (SDG4)
- Reducing inequality within and amongst nations (SDG10)

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