The Role of the Globalized China Special Development Bank in Structural Transformation: A Country Comparison Based on BRICS Countries

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Global Research Consortium on Economic Structural Transformation

Hou Xiaochen, *Fudan University*
Email: *houxiaochen@fudan.edu.cn*

Development banks, as important industrial policy instruments that provide long-term financing for the industrial sector, are particularly important in the development of late-developing countries. In the post-neoliberal reform era of globalization, the role of development banks has changed as the openness of late-developing countries has expanded and the sources of financing for a country's development and the adjustment of its industrial structure have inevitably been influenced to a greater extent by foreign factors. Why has the role of development banks increased in some countries and diminished in others, despite the same neoliberal reforms? Why did the structural transformation of the economy of some countries fail to materialize despite the increase in development bank lending in some countries? This paper compares the country development banks of BRICS countries in terms of their capacity and autonomy, and explores whether they have the capacity to contribute to the structural transformation and adjustment of their economies and promote their sustainable development in the context of globalization. This study focuses on a comparative analysis of the BRICS countries, especially Brazil, India, and South Africa, through statistical compilation and comparative case analysis, and a comparison of the changes in the industrial composition of their three major industrial sectors, especially the manufacturing sector, and the investment of development bank loans, to explore the role of development banks in the structural transformation of their economies and the important factors affecting their role. Most of the existing literature analyzes and compares the role of development banks in a more macroscopic manner, but does not analyze and explore the role of their countries in the structural transformation of the economy in depth. This paper will fill this discussion and shed light on how development banks can effectively contribute to the structural transformation of their countries' economies in practice.

The objectives and research questions

Why has the role of development banks increased in some countries and diminished in others, despite the same neoliberal reforms? Why did the structural transformation of the economy of some countries fail to materialize despite the increase in development bank lending in some countries?

The methods

This study focuses on a comparative analysis of the BRICS countries, especially Brazil, India, and South Africa, through statistical compilation and comparative case analysis, and a comparison of the changes in the industrial composition of their three major industrial sectors, especially the manufacturing sector, and the investment of development bank loans, to explore the role of development banks in the structural transformation of their economies and the important factors affecting their role.

The main results

Whether a country's industrialization can meet its long-term development strategy and achieve structural transformation depends on whether it has a coherent industrial policy system to guide the development of industrial sectors and whether development banks, as industrial policy instruments, are capable of facilitating such structural transformation in an open environment.

The analysis of the financing capacity and autonomy of the main development finance institutions for industrial development in the three countries shows that the development banks in the three countries have failed to contribute strongly to the structural transformation of their industries and to achieve their industrialization goals, due to their limited sources of financing and autonomy.

The main policy recommendations

The financial capability and autonomy of development banks as industrial policy instruments, and the existence of a coherent and consistent set of industrial policies are key to the country's ability to achieve industrial structural transformation. The national development bank should have sustainable and strong financial capability to collect financial resources for country's development, and it should also keep enough autonomy to invest into the strategic sectors. More importantly, the country should have a coherent system of industry policies to development strategic sectors and accomplish the structural transformation with better using foreign financial resources and national development banks playing better role.

The present one-pager is based on the working paper entitled "The Role of the Globalized China Special Development Bank in Structural Transformation: A Country Comparison Based on BRICS Countries".