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# Industrial Policies in the Context of Disputed or Occupied Territories

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**Abstract**
Over the past centuries industrialization has played a relevant role in the development of nations, especially through its contribution to economic growth and, thus, to raising the standards of living. However, industrial development and how it can be influenced by government decisions has been largely ignored in the context of disputed or occupied territories with a problem of sovereignty recognition. This paper aims to contribute to overcoming this gap, through a methodological approach based on a comparative analysis of the industrial policies conducted in four case studies, namely, the experiences of Northern Cyprus, Taiwan, Tibet, and the West Bank (Palestine). This comparative approach intends to explore the lessons we can take from these diverse experiences. On the one hand, from territories that have achieved a significant degree of success in terms of industrial policies, despite suffering on-going disputes, contributing to their evolution from developing to developed territories. On the other hand, from territories where the disputes are more severe, raising several obstacles to their industrial development, and whose effects it is important to debate and discuss. Our study finds that, in disputed or occupied territories, there are some specificities and similarities among the factors that play a significant role in the success/failure of their industrial policies to achieve broader development goals. These seem to be: the level of political stability and autonomy of the local government in defining and pursuing their development goals; the influence of past and current occupations and their strategic orientation (more segregationist or more integrated ones); the protectionist orientation especially during the first stages of industrialization; the ability to attract foreign investment as a means to transfer innovation and technology to the local economy; and the level of openness of the local economy, conjugated with the ability to increase local industrial productivity and competitiveness and thus to increase exports.
**Keywords:** Industrial Development; Industrial Policies; Occupied Territories; Northern Cyprus; Taiwan; Tibet; West Bank

## 1. Introduction

The influence of public policies in supporting and promoting industrial growth is anchored in the essential role played by manufacturing activities to induce development, given their contribution to economic growth, prosperity, and to raising the population's standard of living (Liang and Mei, 2005). This link between development and the industrial sector has been the focus of academic attention over the last few decades. Alexandersson (1967) stated that the process of industrialization plays an important role in the advancement of the countries' economy from recession to prosperity. Moreover, a study carried out by Kuznets (1971) showed that there is a strong relationship between industrialization and economic performance, allowing countries to evolve from being classified as underdeveloped to developed. Also Rostow (1991) specified that industrialization is a prerequisite for growth, and a country's development is linked to the success achieved by its industrialization. These assumptions have collected many political supporters who have looked at industry as an essential sector to achieve the development of countries, especially after the economic success of some territories and the role of the industrial sector in that success.

Even today, after a phase of intense tertiarization of our societies and economies, many still defend the crucial role of industrialization, as a means to strengthen the countries' economies. In this context, we found wide-spread debate on the need for the reindustrialization of current economies (Westkämper and Walter, 2014). In fact, despite a phase where government priorities were especially directed at knowledge-based activities, industrial policies recently returned to a political agenda driven by dynamics of fear and hope (Aiginger, 2014). Fear of globalization because recovery from the recent financial crisis has been especially difficult for countries with a weak manufacturing sector; and hope that these policies could help to increase employment opportunities and mitigate social problems. Also, Aiginger (2014) mentions that the future of industrial policy should be different than it has been in the past, by encouraging competition in a discovery process drawn in a cooperative climate between firms and government. This reindustrialization process should be aligned with the interests of society; therefore, he suggests a redefinition of industrial policy, changing the method of measuring economic performance through the use of a broader set of goals and more comprehensive indicators, beyond GDP goals.

However, if industrial development policies have been consistently a relevant topic of academic research over the past few decades, theoretical insights on industrial development and industrial policy have focused mostly on the most common scenario, countries with a self-running government and no issues of sovereignty recognition. But what about those disputed or occupied territories with long-standing conflicts and political instability, where local institutions and local firms are limited in their action? Are there achievements in industrial development in those territories with sovereignty issues, and have those achievements been contributing effectively to increasing social cohesion and economic growth? Based on these research questions, this study is an attempt to contribute to overcoming this theoretical gap, as industrial development and how it can be influenced by government decisions has been largely ignored in these specific territorial contexts.

To achieve this goal, we will explore four international experiences, specifically, from Northern Cyprus, Taiwan, Tibet, and the West Bank (Palestine). Based on a methodological approach involving a comparative analysis, it will be debated how public policies influence industrial development in disputed or occupied territories with a problem of sovereignty recognition. The main purpose is to learn from these four experiences, intending to move towards more abstract generalizations about the specificities of public policies to favor industrial growth in these specific territories. To achieve this goal, an extensive literature review was conducted in a critical and selective manner, in order to connect this narrow research topic to the broader existing researches. However, it is important to underline that one of the main limitations found in this methodological approach was related with the limited academic attention paid to the industrial sector of some of these territories. This is the case of Northern Cyprus, for example, which meant discussing its industrial development based on the available sources, some of which did not have very updated data.

The article is organized into three sections. A more conceptual and theoretical initial section that focuses on industrial development policies in developing territories. The second and main section examines the learning outcomes from successful and unsuccessful experiences of industrial development in disputed or occupied territories. On the one hand, insights from territories (rare ones) that, in spite of the dispute that characterizes them, have achieved significant success in the field of industrial policies, contributing to their evolution from developing to developed territories. On the other hand, it will be examined territories (more common) where the disputes are more severe, causing several obstacles to their industrial development, whose effects must be debated and discussed. Finally, and based on these case studies, the concluding section will discuss the complex issue of an appropriate definition of industrial policy in the specific context of territories with a problem of sovereignty recognition.

**2. Industrial policies and political stability**

The World Bank (1993) considers industrial policies as government efforts to change a country's industrial structure in order to promote its productivity and growth. In a broader perspective, for the UNCTAD (1998) industrial policies are seen as more concerted and conscious efforts on the part of governments to encourage and diversify their economies as a whole. This view was previously defended by Rodrick (1995), who stated that industrial policy is not only about industry, but it must also target agricultural activities and modern services, which are also relevant to raise the efficiency and competitiveness of a country's industry. According to the author, industrial policy is the only way to provide real economic growth and development, by inducing structural change, meaning a shift from traditional activities to the production of new services and goods with more added value. To achieve this goal, governments have an important role in promoting the structural changes that will favor industrial growth, by improving infrastructures, encourage innovation, support technological development, and improve human resources development with investments in the education sector (Kniivilä, 2002).

According to Rowden (2011), developing territories will never be rid of aid assistance and dependency as long as they are unable to use industrial policies to transform their domestic industries by enhancing their productive capacities, diversifying their economies, and building their own tax system over time. Adelman (2000) suggested some measures to bolster the industrial policy of developing countries, such as reducing monopoly privileges for specific industries, increasing investment in education and scientific research, using targeted subsidies and tax breaks to encourage domestic and foreign direct investment, and investing in physical infrastructure. The author further proposed that those governments should impose a protection system for emergent industries.

Razzaque (1997) also stated that an important aspect of industrial policy is not only infrastructure, but that those physical investments must be accompanied by parallel improvements, such as political stability, which is critical in some developing territories. Taking Bangladesh as an example, the author showed that the presence of an unstable political environment was not conducive to development efforts, having thus failed to plan and follow-up on any of its long-term national economy agendas. The general elections of 1996 put an end to years of political stalemate and brought back a degree of political stability to the country, which has reflected on its development. The same opinion is shared by Mankiw (1995) when he said that there are several variables affecting investment and economic growth in developing countries, but the most important of all these variables is political stability, as in several countries growth regression is attributed to phases of political instability. Altenburg (2011) also mentioned that one of the main obstacles to industrial growth in developing countries is of a political order.

Unstable political systems build on favoritism and a lack of political checks and balances reflects directly on industrial policies and negatively affects industrial growth.

Regarding the relevance of governmental immaterial investments, studies have also confirmed the importance of human capital as an engine of economic growth. Hanushek (2013) mentioned that developing territories find it difficult to improve economic performance in the long term if they do not improve the quality of education. According to Lanjouw and Lanjouw and Lanjouw (2001), when industry becomes increasingly more dependent on capital-intensive activities and technologies, rather than labor-intensive ones, this will lead to an increase in income inequality and poverty rates, especially when its human capital shows low levels of education.

Focusing still on the potential of government policies to promote industrial competitiveness in developing territories, Lazzarini (2015) proposed the support-adjusted sustainable competitive advantage model (SASCA), based on the links between industrial policy and competitive advantages. The author stated that the relationship between industrial policy and sustainable competitive advantages requires a dynamic process of accumulation and relocation of flexible and specialized resources, through the government's capacity to integrate its industry in global production networks and to promote and enhance geographical specificities. In this model, Lazzarini explicitly believes that competitive advantage depends on policy-making capabilities. In fact, it is acknowledged that the success of industrial policies depends on the relevance of political stability, which favors the government's ability to direct public efforts towards management and exploitation of resources. This is achieved through programs and plans, and through the government's evaluation of whether its policies are effective or not, so as to determine the required policy readjustments in the future. Therefore, government officials should be qualified (based on skilled technical staff with superior analytical capabilities) and prepared to analyze global and local trends, anticipate and influence change, and take the right decisions (Lazzarini, 2012, 2015). They should also be able to determine the private sector's needs, differentiating legitimate needs from unjustified demands, in order to reduce the risk of policy capture by private interests.

## 3. Industrialization in an uncommon reality: disputed or occupied territories

In this section, we will discuss how industrial development has occurred in geographical contexts with problems of political stability, specifically, disputed or occupied territories. For this purpose, four case studies were selected, all considered by Staff (2011) as in the top-ranking of the most relevant regions that globally have on-going territorial disputes and political controversy:

- Northern Cyprus corresponds to the portion of the island of Cyprus occupied by Turkey, where it maintains a large military force. The territory is only recognized as a country by Turkey, whereas the international community considers it to be part of the Republic of Cyprus.
- Taiwan is a disputed territory whose independence is not formally recognized by the majority of world countries (it is not a member of the United Nations), as China has consistently claimed sovereignty over this island.
- Tibet is an occupied territory that pursues sovereignty and independence from China. With a huge number of refugees spread across the world, it faces significant migration from Chinese people who have been encouraged to settle in Tibet as an occupation strategy.
- The West Bank is a territory where the Palestinian National Authority only has limited autonomy and control over some specific locations within its boundaries, as it is under the effective sovereignty and foreign power of Israeli occupation.

### *3.1 The Northern Cyprus experience*

Cyprus is a small island in the Mediterranean Sea, where there has been an historical identity dispute between Turkey and Greece: Greek Cypriots and Turkish Cypriots (UPEI, 2007). In 1974, Turkey occupied the northern part of the island of Cyprus and, subsequently, Cyprus was divided into two parts: the Republic of Cyprus, which is a legitimate member of the United Nations and of the European Union, and Northern Cyprus, which occupies 35% of the island and whose independence legitimacy is only recognized by Turkey (Abdel-Ati, 2008). This island still faces today a political conflict between the two main segments of the island's population. The Turkish army keeps a large military force in Northern Cyprus which the Republic of Cyprus regards as an occupation force, present on the island since 1974, when around 160 thousand people (amounting to one third of the Greek Cypriot population) were expelled from the occupied northern part of the island, losing their homes, businesses, lands and other possessions (MFA, 2016).

Due to its lack of sovereignty recognition, Northern Cyprus is strongly dependent on Turkey, not only for military and political support, but also in its economy. Since the Turkish occupation, Northern Cyprus's economy is weak due to limited access to natural resources, but especially because of the international embargo imposed by the Republic of Cyprus and the United Nations member states. Consequently, Northern Cyprus is prevented from developing political and economic relations with countries other than Turkey (Katircioglu, 2006), preventing it from entering in global production networks and, therefore, from participating in and benefiting from the challenges of economic globalization.

However, and according to the World Bank (2006) and to Katircioglu, Arasli and Ekiz (2007), despite the constraints imposed by the lack of international recognition, Northern Cyprus has achieved a degree of growth in terms of GDP, with a real average of 3% per year over the period from 1977 to 2004. This economic growth is divided into four periods. The first period faced stagnant growth between 1977 and 1981, with GDP growth around 0.8% per year. The second phase experienced relatively rapid growth, between 1981 and 1991, with GDP growth around 5.3% per year. The third phase, between 1991 and 2001, experienced moderate growth. In the fourth phase, after 2002, there was rapid recovery from recession with GDP growth above 10% per year (World Bank, 2006). This evolution is closely related with Turkey's economic performance, and the relative stability of the Turkish Lira, as Northern Cyprus uses this currency, strongly linking its economy to that of Turkey's. Hence, Northern Cyprus is clearly heavily dependent on the Turkish economy, not to mention that it is still dependent on monetary transfers from the Turkish government.

According to SPO (2002), Northern Cyprus's workforce reached 43.7% of the total population, of which 19.6 % belonged to the service sector; 15.8% to agriculture sector; 15.3% to construction and 11.4% to the tourism and trade sectors. While the industrial sector accounted for just around 9.6% of the total workforce, composed mainly of food, textile and clothing manufacturing goods, to be consumed in the local market. Northern Cyprus has been unable to improve its industry production due to its political isolation, and most consumption goods are imported from other countries. In fact, after the occupation, Northern Cyprus's economy, dominated by the services sector, experienced a change from production-oriented toward an import-based economy (Katircioglu, 2006).

In terms of the trade, Gunçavdi and Kucukcifci (2009) mentioned that if there is an embargo constraint on exports from Northern Cyprus, there are less restrictive policies on imports from Turkey, and from other foreign countries. In fact, the difference between import expenditures and export earnings have been expanding enormously with a huge increase in imports, specifically after 2001, benefiting from the GDP growth rates recorded in the Northern Cypriot economy. The ratio of imports to exports was approximately 18:1 in 2007 (Pelagidis, Theophanous, and Tirkides, 2008), as a direct result of trade restrictions, which caused an isolation of Northern Cyprus from global markets with the sole exception of commercial relations with Turkey.

As mentioned previously, in terms of economic activities, Northern Cyprus's economy has clearly shifted from agriculture and manufacturing activities to the service sector, such as tourism, transportation, education and telecommunications. It is relevant to note that revenues in the manufacturing sector decreased from 13.4% in 1980 to 9% in 2006, and the percentage of manufacturing in total output decreased from 18.4% in 1980 to 8.5% in 2006 (Pelagidis, Theophanous, and Tirkides, 2008). In addition, Safakli (2011) stated that the ratio of bank loans in terms of fixed capital investment regarding the industry sector, declined from 30.7% in 2002 to around 4% in 2007. In this context, a shrinking industrial sector is, according to the World Bank (2006), a consequence of the weak investment climate in Northern Cyprus, caused by its political instability, responsible for trade restrictions on Northern Cypriot goods in the global markets. In fact, according to Safakli (2011), the main obstacle preventing industrial sector development in Northern Cyprus is precisely the lack of economic and political stability, which is responsible for investor behavior, shifting from risk in the industrial sector to service activities, such as hotel management and the restaurant chain business.

It is important to add that the weak development of the industrial sector is also a consequence of the increasing role of the public sector in the local economy. As the government policy regarding expansion of employment and high wages in the public sector, a consequence of spending a large share of the financial aid from Turkey on public administration since 1974 (Katircioglu, 2006), led to distortions in the labor market, which had a negative impact on the industrial investment climate in Northern Cyprus. Other obstacles to industrial sector competitiveness are related with a small local market, around 280 thousand inhabitants (the small scale of the domestic market), which is not attractive to new investments (World Bank, 2006). According to Safakli (2011), it is also important to underline fund raising problems faced by private enterprises, which is responsible for the lack of new investment, or innovative technical development, as most factories use obsolete or antiquated machinery in comparison with their competitors, resulting in the decline of the quality standards of their industrial goods (Katircioglu, 2006). Additionally, the underdeveloped infrastructure should also be mentioned, namely in power supply, responsible for the high cost of electricity, twice higher than in Southern Cyprus (World Bank, 2006). All these constraints mean that, in terms of competition, manufacturing in Northern Cyprus has limited competitive advantage, especially as a result of its low productivity level and the international embargo.

### *3.2 The Taiwan experience*

Taiwan is highly ranked globally in terms of economic growth and export volume, and it also stands out as one of the world's fastest rising territories in terms of living standards (Cheng, 2014). The unusually rapid and prolonged growth of exports in the four Asian tigers (Taiwan, South Korea, Hong Kong and Singapore) has led many economists to analyze the secret of its success. An example is the study by Young (1993), who provided evidence on the economic and development success of these economies. They have jumped several positions in GDP per capita, raised real earnings and lowered their rates of poverty, and whose achievements are far ahead of those of other developing countries with more available natural resources. Wade (1990) concluded that the industrial transformation achieved by these countries had taken much less time in comparison to some developed countries earlier, stating that Taiwan had achieved in 15 years that which took Japan 25 years. According to Rodrick (1995), Taiwan experienced average increases of 6.2% in per-capita income between 1960 and 1989, mainly because it adopted industrial policies of production for export in the early nineteen sixties. The export/GDP ratio rose from around 10% in 1952 to over 50% in the mid-1980s, which led to a rise in income, savings, productivity and investment. During this period and as a consequence of the rising standards of living, the population increased from 7.5 million in 1950 to 20 million in 1990, and it reached 23 million in 2012 (UN, 2014).

Taiwan is considered an important strategic location as it dominates the sea passages that link Northeast Asia to Southeast Asia (Polin, 2011), a feature that had long drawn the attention of Japan. Taiwan was part of the Chinese empire until the Chinese-Japanese war in 1894-1895 (Pastreich, 2003), after which Taiwan was occupied by the Japanese until 1945. Japan's occupation for half a century had a positive impact on the development of Taiwan. According to Nafziger (1995), it was responsible for the rehabilitation of Taiwan's agriculture and the improvement of irrigation systems, which contributed to an increase in production and, consequently, to tax increases. This tax revenue was later used in the establishment of industrial projects and spent on education and health. Japanese colonization further improved and expanded the infrastructure of road transportation, services, telecommunications, marketing services, and the provision of basic education for farmers. This latter aspect particularly provided them with management skills, which was important to raise their willingness to accept technological changes in agriculture, which in turn contributed to raising the degree of local economic/social progress. Goldstein (2001) considered that all this organizational and administrative discipline created a community ready to receive manufacturing development in the following years. In addition, it is important to highlight that the Japanese used a large part of the agricultural production surplus in the establishment of many factories in Taiwan, especially in the food industry, which multiplied the number of factories seven-fold during the period from 1915 to 1940, and the industrial labor force six-fold during the same period (Nafziger, 1995). Thus, Taiwan was under Japanese domination in its economic take-off stage, and benefited from it by gaining financial, technical and technological assistance, which was not the case of many other developing countries under occupation regimes. As Schafferer (2016: 74) states "Japanese colonialism in Taiwan not only benefitted Imperial Japan, it also improved the economic and social conditions of the Taiwanese, significantly changed the social structure of Taiwanese society, brought about an efficient state bureaucracy, and laid the foundation for Taiwan postwar economic success story".

Following the Japanese surrender to the Allies in 1945 and Taiwan's separation from Communist China in 1949, Taiwan became fully self-governing. However, China has consistently claimed sovereignty over Taiwan and has threatened the use of military force in response to any formal declaration of independence by Taiwan, as well as refusing diplomatic relations with any country that recognizes Taiwan as an independent state. Consequently, Taiwan is not a member of the United Nations and only a few smaller nations recognize it.

According to Young (1993), it was already under the politically unstable but fully self-governing phase in the early 1950s that Taiwan began the most important phase of its industrial development, which can be divided into two stages (Mathews, 2005). The first stage extended from the end of the Chinese Civil War in 1949 to the late 1950s, when the Taiwanese government imposed restrictions on imports in order to encourage the local industry, and also focused on support for small and medium-sized manufacturing industries. During this stage, the land reform program was launched, enabling tenant farmers to own agricultural land, with the aim of increasing productivity. This measure also increased the yield surplus, which would revert in favor of the state, to be used in the industrial development process in Taiwan. Those policies that relied on nurturing industry with agriculture and developing agriculture with industry, contributed, according to Fei (1979), to laying the foundation for rapid industrial development in Taiwan. Consequently, the composition of exports changed from 85% in agricultural goods in 1955 to more than 90% in industrial goods in 1980 (Wade, 1990).

The second stage started during the nineteen sixties and seventies, in which Taiwan shifted from an import substitution strategy towards an export promotion strategy, establishing subcontract arrangements with large industrial firms in the USA and Europe. In addition, it rescinded the restrictions on imports in order to facilitate the import of raw materials and machinery (Mathews, 2005). Moreover, the government of Taiwan established special industrial zones, with modern facilities served by high-quality infrastructural networks (such as roads, railways, airports, ports, power plants, telecommunications, etc.) and by research institutions and technological centers, which aimed to attract foreign industrial investments, as well as absorb foreign industrial technologies as a means to transfer innovation to the local economy (Noland and Pack, 2003). Based on this export promotion strategy, Taiwan encouraged the establishment of more sophisticated industries, such as the steel industry, petrochemicals, and electronic equipment. This integrated strategy allowed the Taiwanese industries to grow, evolve and become more competitive in international markets, as well as to satisfy the needs of the local market.

As a result of these industrial policies, Taiwan experienced a marked increase in its exports; while manufactured goods accounted for less than 8% of total exports in 1955, it had reached more than 91% by 1976 (Liang and Mei, 2005). Several additional and complementary factors contributed to this successful experience. Taiwan as an island has many coastlines and many important commercial ports located on the global trade routes in Southeast Asia, which provides ease of access to the raw materials needed for its industry, as well as to the shipment of its industrial products. Taiwan also had an abundance of skilled and cheap labor (especially female), and an absence of labor regulations that did not specify a minimum wage, which provided a suitable investment environment to attract foreign investment, especially from multinational companies to take advantage of these features.

According to Liang and Mei (2005), Taiwan's economic growth was based on the dramatic growth of its industry, especially when Taiwan shifted towards capital-intensive and high-tech production instead of labor-intensive manufacturing. The government adopted a policy of identifying and promoting strategic industries. In the 1980s, it embarked on a development program designed to shift the economy from reliance on labor-intensive industries towards the development of technology-intensive products. As a result, the technology industry increasingly became the paramount engine of economic growth in Taiwan (Shin-Horng and Wen, 2007). In fact, Taiwan's government is considered to have acted as a continuous facilitator of industrial growth in response to the pressures of technological upgrading (Smith, 1997), through human resources development and the funding of research centers and universities, which contributed to the strength of Taiwan's IT (information technology) sector. Taiwan passed laws to encourage scientific research and established a number of offices and agencies to coordinate research. Furthermore, both the private and public sector spent relevant funds to bridge the gap which separated Taiwan from the developed countries in terms of technology and innovation (Wade, 2000). These systems and policies as a whole helped to attract foreign investment to Taiwan, apart from the advantages offered to the investors, such as exemption of customs fees, taxes and preferential funding treatment, storage and transportation services, and facilitated access to industrial sites (Rodrik, 1995). In addition, according to Yu (2001), Taiwanese IT companies also adopted policies based on encouraging employees by offering them bonuses and benefits which helped to increase the efficiency of production, encouraged competition and innovation among employees, as well as strengthened loyalty and devotion to the company. As a result, Mathews (2005) stated that Taiwan had grown to become the world's third largest producer, behind the USA and Japan, in IT products.

By reviewing the Taiwanese industrial development experience, it is clear that there are many circumstances that made it unique, proving the good results of long-term planning and good usage of resources. Despite the political dispute over this territory, the local government benefited from full autonomy to define an industrial development and economic growth strategy and was able to pursue it fully.

### *3.3 The Tibet experience*

Tibet is the highest region on Earth, located in the Tibetan Plateau in Asia, with borders with China, India, Burma, Nepal and Bhutan. It is under Chinese occupation since 1950 (CPIRC, 1991). Its population in 2011 reached 3 million inhabitants, 90% of whom are Tibetan Buddhists, and the rest are immigrants, especially from Chinese regions (Guanqun, 2011). The conflict with China is mainly due to ethnic and religious reasons, as the Chinese government oppresses all the religious group movements which may convert to political movements, considering the Tibetan Buddhists one of them (Stokes, 2010).

According to Davis (2009), the Tibetan government in exile argues that Tibet is an independent nation with roots in a strong empire in the past, and the Chinese government exerts illegal control since 1950. Over time this position has received several relevant supporters, namely the United States, whose international policy during the Bush administrations encouraged Tibet to be independent and to put an end to Chinese control, in an attempt to weaken and destabilize the Chinese position (Dickinson, 2009). For its part, the Chinese government argues that Tibet's failure to establish itself as a recognized and modernized nation in the first half of the 20th century, and its failure to play a role in the international community, are reasons enough to keep Tibet under Chinese authority (Davis, 2009). Moreover, there are Chinese concerns about its sovereignty and control over Tibet, as if the Chinese government allow Tibet any level of independence, it could encourage other regions, such as Inner Mongolia or Xinjiang, to also demand their independence from China, which could affect Chinese control over these important borders provinces.

In relation to the Tibetan economy, Goldscheider (1995) mentioned that for many centuries the major economic activities were traditional agriculture and animal production, as nearly 70% of Tibet is grassland. But in the 1980s, new economic policies were launched for Tibet's modernization and economic development, focusing particularly on the agricultural and industrial sector. The agricultural sector started using chemical fertilizers, machinery and modern technology to increase production in rural areas. Furthermore, the alliance between the central government in China and the local government in Tibet played a significant role in industrial sector growth, as the Chinese government supported and helped the Tibetan industrial sector to improve its productivity, not only by increasing expenditures on the creation of industrial units (government expenditures on industrial units increased from 220 thousand CNY in 1952 to 182.39 million in 1995); but also through industrial production subsidies and price subsidies over industrial goods (SBT, 1996). This support to the industrial sector was also accompanied by improved transportation conditions and special conditions to facilitate the acquisition of new machinery and modern technology.

This industrial development in Tibet after the 1980s enhanced trade movements, not only within Tibet but especially between Tibet and neighboring Chinese regions. Not so relevant, but increasing, are trade relations with other countries. In fact, if in 1956, the proportion of Tibetan industrial production sold outside Tibet was 2.3% and in 1990 it was 10.4% (SBT, 1989, 1996). This trend indicates that Tibet's industrial production is still mainly for domestic consumption. However, economic relations between Tibet and Chinese regions are becoming more intense, at the same time as Tibet has also started to take part in economic globalization processes and benefited from international trade relations with other countries, which is enabling its industrial sector development.

According to Fish (2010), the good results in industrial production occurred because the Chinese government helped Tibetan economic growth, in a first phase, by strongly investing in its infrastructures and in the modernization of the remote parts of Tibet. In a second phase, after 2006, the Chinese government changed its development policy from funding infrastructure projects to several programs aiming to achieve greater and broader benefits for the Tibetan inhabitants. But from the Tibetan point of view, the Chinese immigrants in Tibet have been the first beneficiaries of these investments (Karan, 2004), as the Chinese government has given incentives for massive Chinese migration to Tibet, in a strategy to promote its cultural assimilation (the sinicization of Tibet). The government of Tibet in exile claims that all these investments are mainly an attempt to cause the disappearance of elements of the Tibetan culture, causing what can be called a cultural genocide (Dawa, 2001). From this perspective, a range of economic, social, cultural and political reforms have been introduced in Tibet by the Chinese government intended above all to make Tibet resemble Chinese society and, in this way, control the desire for Tibetan self-determination.

Mingqing (2010) studied the impact of these reforms and openness policy on the characteristics of Tibet's industrial structure, which has becoming driven by modern and large-size enterprises, especially in mining and quarrying, building materials and the agro-food industry, concluding that the modification of Tibet's industrial structure has played an important role in its economic growth. In part derived from Tibet's fast-growing modern industry, the average annual growth rate of GDP increased by 9.21% over the period from 2006 to 2014, which is related with an annual growth rate of Tibet's industry output of around 15.2% from 2006 to 2014 (Yang and Shi, 2016). Tibet has revealed a better performance over time in its industrial labor productivity, a consequence particularly of government investments over the past three decades, when Tibet started to develop and upgrade its industrial structure, by creating several technological development centers, such as the Nagqu Logistics Center and Technological Development, as well as several industrial zones with different functions, such as the Nyingchi Biotechnology Industrial zone (Dolma, 2016).

Despite this industrial development, the Tibetan Buddhists still feel that they are oppressed in their own land as a result of the government-sponsored migration of a large number of Han Chinese (an ethnic group native to East Asia) to the Tibetan Region, as a major component of Tibet sinicization. In fact, there is a Han monopoly in industrial jobs, making it difficult for Tibetan Buddhists to get those employment opportunities (Wong, 2009). Moreover, Bhattacharya (2007) found that 85% of Tibet's population lives in absolute poverty and only 15% of the population benefits from the Chinese government's economic projects. So, Tibet as an occupied territory is facing industrial development with good results but with no social justice, as it is characterized by ethnic segregation in the benefits brought from this industrial development.

### *3.4 The West Bank (Palestine) experience*

Following the 1948 Arab-Israeli war, the Jewish state increased its surface by nearly 6428 sq. km in comparison with the land approved in the United Nation's Partition Plan of 1947. Therefore, the Jewish territories expanded into the equivalent of 76.9% of the total land area of former Palestine (Ennab, 1979). This meant the Arabs were only able to keep 23.1% of the total area "spread over the West Bank with 5876 sq. km and the Gaza Strip with 363 sq. km" (Ennab, 1979, p. 8). Later, the 1967 'Six Days War' resulted in Israel's invasion of the Gaza Strip and the West Bank (Kersel, 2008). The West Bank corresponds generally to the central mountains of former Palestine, consisting of a high plateau featuring some plains enclosed between the mountains of Nablus in the north, and the mountains of Jerusalem and Hebron in the south (Al-Khatib, 2005). In comparison to Israeli territory, the West Bank is much less fertile, with poor natural resources and with low quality road infrastructures due to the rough terrain. Despite that, many Israeli colonies were established on mountain tops to exploit the water springs and to facilitate control and monitoring of the Palestinian cities. At the end of 2013, there were registered 148 colonies in the West Bank, home of around 580 thousand Jews (PCBS, 2013).

Following the 1967 War, the Israeli authorities worked in various ways, through a series of military and administrative procedures, to weaken the Palestinian economy in general and the Palestinian industry in particular, damaging its ability to keep pace with the industrial developments that were occurring in neighboring countries. Several studies (Roy, 1989, 1991; Abu Ashokr et al., 1991; Barakat, 2015, Aburaida, 2017) have analyzed the most relevant constraints imposed by Israeli occupation to weaken the West Bank's industry, namely:

- the imposition on Palestinian industrial firms of several taxes and fees to cover the expenses of the occupation, and transfer of the surplus to the treasury of the Israeli government, a political decision that has promoted unfair competition as it has increased the costs of production and, consequently, the final price of Palestinian industrial goods;
- The control and exploration of the most relevant Palestinian natural resources (land confiscation and control of water resources) reducing their contribution to the West Bank economic growth.
- The depletion of the West Bank's human resources, as during this period Israel absorbed part of the local workforce with the opening of the Israeli industrial colonies (inside the West Bank), which became much more attractive to Palestinian workers (due to well-paid wages) and caused negative repercussions on the local economy, namely with the depletion of the more skilled workforce.
- The disinvestment in local infrastructures, as Israel has neglected any investment programs to improve Palestinian mobility infrastructure in the West Bank, except those whose purpose it is to serve the Israeli colonies located in those occupied territories.
- The creation of obstacles to international trade between the occupied territories and neighboring Arab countries, as a way to maintain the West Bank isolated from external influences and limit the growth of its industries.

As a result of the negative influences of these actions on the social and economic life of the Palestinians, the First Intifada against Israel lasted for six years and ended in 1993. Although the Oslo Accords of 1993, a peace treaty promoted by the United Nations, formally ended the Israeli invasion with the establishment of the Palestinian National Authority (Naqib, 2003), the presence of the Israeli army has been maintained to the present day, throughout the West Bank, even in those territories (mainly West Bank cities) where the Palestinian Authority is supposed to have full administrative control (PCHR, 2016). In fact, Israel still does not recognize the Palestinian National Authority's sovereignty over its territory, even after the United Nations (UN) changed Palestine's status to a 'non-member observer state' in 2012 and decided that the designation of the 'State of Palestine' should be used in all official UN documents (UN, 2012), and even though 136 in a total of 193 UN member states have already recognized the State of Palestine.

More recently, and in the aftermath of the Second Intifada, Israel built a long wall which has isolated the West Bank. Moreover, several Israeli checkpoints were created that have isolated towns and villages in the West Bank in order to impose control directly on the ground and prevent the movement of citizens and goods. These political decisions have contributed to the destruction of economic and social life on several levels, such as, for instance, preventing access of farmers to their lands, restricting the movement of citizens, creating obstacles to the transport of raw materials and manufacturing goods, as well as agricultural products. These constraints also arise from the Palestinian National Authority's lack of control over its borders, which creates several obstacles to its industry, which have been summarized by Aburaida (2017). First, obstacles to importing/acquiring raw materials, as more than 87% of the West Bank industries are totally dependent on imported raw materials. This increases local production costs as those firms need to support high taxes to use Israeli ports and harbors to import raw materials. Second, obstacles to selling West Bank goods in local and foreign markets, as more than 83% of its industrial production is sold only inside the West Bank. The reduced export share of the West Bank economy is a direct consequence of Israeli control over West Bank international trade, as the Palestinian exports must go through Israeli ports to get to other foreign markets. Here, the Standards Institution of Israel (SII) imposes high standards specifications on Palestinian products in order for them to be accepted to be exported to Israel and to international markets. Moreover, the Protocol on Economic Relations (or Paris Protocol), which was an imposition by Israel to sign the Oslo Peace Agreement, is a regulative protection against Arab products and a means to keep the Palestinian market mostly open to Israeli products. So, it has created the opportunity for Israeli products to invade the Palestinian market and, moreover, it prevents Palestinian products from entering the Israeli market. As a consequence, the Palestinian economy annually imports 5.5 billion US dollars' worth of products, 4 billion of which are spent on importing products from Israel, while the Palestinian export volume does not exceed 800 million US dollars. Thus, the Palestinian economy loses at least 4 billion US dollars a year (Walwil, 2014), a deficit that causes damage at several levels of the local economy and severely affects employment opportunities. In addition, not only are local firms conditioned to sell almost all their production inside the West Bank, but a large majority only explores the geographical market around the firm's location (Aburaida, 2017), a consequence of the checkpoints between villages and cities, which impedes business owners from selling their products in more distant cities in the West Bank.

With the emergence of the Palestinian National Authority, the West Bank's industrial sector faced a new opportunity for development. However, Nasr (1997) argued that the Oslo Accords and the establishment of the Palestinian Authority did not cause the expected development of the Palestinian industrial sector. Awdi and Ahmed (2008) also argued that some of the most important obstacles to the West Bank industry are due to a lack of coordination, follow-up and supervision from the official authorities, the lack of expenditure on infrastructural projects by the Palestinian Authority, the total dependence on donor countries to finance new investments, in addition to bureaucratic complexities that restrict the funding of local infrastructure. In fact, not all obstacles faced by the West Bank's firms arise from external influence. It is also important to underline the lack of support from the Palestinian National Authority for the local industry. There is, nevertheless, an Investment Promotion Law that regulates the process of granting public incentives to attract new industrial investments, yet it is especially target at supporting relatively large investments, which are not common in the West Bank economy (Odah and Ahmed, 2008). Another obstacle is related with the absence of industrial parks and difficult access to property by firm owners/managers to invest in more appropriate facilities. It is important to remember that, under the Oslo Agreement, the area defined as fully controlled by the Palestinian National Authority represents only 3% of the West Bank's total area. In a reality where the majority of the local firms are located in residential areas (half of them in buildings that combine industrial and residential functions), the land problem raises difficulties to industrial development (Aburaida, 2017). The local government has not invested in the creation of adequate, conveniently planned industrial parks, where industrial owners could build their facilities with better infrastructural conditions, as well as better conditions to incorporate more modern and efficient production technologies. It should be noted that the land problem is one of the most relevant reasons behind firm owners' decisions to not invest in more modern and technologically sophisticated machinery, as they believe that those technological investments are not feasible with the poor, inappropriate factory facilities where their firms are installed.

To sum up, over the course of the long-standing dispute between the occupiers and the occupied, Israel turned the West Bank into both a source of cheap labor and a trade arena for its products. In addition, Israel imposed major restraints on Palestinian economic activities, specifically industrial ones, which are still today retracting its growth and competitiveness (Epstein, 2002). The economic problems that were created by this occupation have been intensified by depleting Palestinian financial resources, through a forced and oppressive tax policy both on individuals and industrial plants (Aburaida, 2017). Consequently, all these practices have resulted in weak opportunities for developing the Palestinian production base, specifically its industrial sector, which does not even have the possibility to benefit from its more qualified workforce, as they have been drawn to firms located in Israel or in the Israeli colonies inside the West Bank.

## 4. Conclusion

Industrial development and how it can be influenced by government decisions has received scant attention in those territories where governments are limited in their actions, namely disputed or occupied territories, suffering on-going conflicts and political instability. The absence of a broader reflection on the specificities of this particular context provided the opportunity to look at some international cases and their industrial policies. From this comparative analysis, it can be stated that in disputed or occupied territories there are some specificities and similarities between the factors that play a significant role in the success/failure of their industrial policies with regard to broader development goals. Those factors seem to be: the level of political stability and autonomy of the local government in defining and pursuing development goals; the influence of past and current occupations and their strategic orientation: more segregationist or more integrated; the influence of protectionist orientations especially during the first stages of industrialization, as well as of the agricultural investments with benefits in the external balance of payments; the ability to attract foreign investment as a means to transfer innovation and technology to the local economy; and the level of openness of the local economy conjugated with the ability to increase local industrial productivity and competitiveness and, thus, increase exports.

If Taiwan was able to successfully implement industrial policies and promote its industrial competitiveness, that is related with the past period of occupation by Japan, having taken a different approach from many other cases of occupation worldwide. Japan invested massive funds in the island with a positive impact on its development. For instance, the Japanese rehabilitation of Taiwanese agriculture and the related revenues, as well as infrastructural and educational improvements, were both crucial for later investments in industrial projects. Also, Taiwanese firm owners' willingness to accept technological changes came from management practices introduced during the Japanese colonization. Thus, the strategic orientation of the occupation seemed to have had a significant influence on the success of industrial policies later. The policies launched after the beginning of sovereignty problems with China, were, in a first stage, based on an import substitution strategy, which imposed restrictions on imports to encourage and nurture the local industry. In a second stage, Taiwan shifted towards an export promotion strategy, first by establishing subcontract arrangements with foreign firms; and later, after investments in high-quality industrial parks, infrastructures, research and technological development centers, Taiwan started to attract relevant foreign investment as a means to transfer innovation and technology to the local economy, which promoted a marked increase in its exports, initially in capital and labor-intensive industries. These good results were used later by the government to support a policy of promoting competitive advantages in strategic industries, allowing the economy to shift from reliance on labor-intensive industries to the development of technology-intensive products (IT and electronic equipment industry). This strategic guidance was supported by complementary political measures that tried to increase productivity and competitiveness, by encouraging and pushing companies to raise their performances: through human resources development and motivation; through innovative management consulting services; or through a system of incentives to encourage research and development. This integrated strategy allowed Taiwanese industries to grow, evolve and become amongst the most competitive in international markets.

This specific geographical context has benefited from a highly autonomous government to define industrial development and economic growth strategy from the inside, which is not the most common circumstance in disputed territories. On the contrary, the case of Tibet is an example of an industrial policy defined from the outside. China has made huge investments in Tibet's economy, but the main purpose is not to increase its economic growth and promote social cohesion, but rather as a tool of a broader strategy to oppress its cultural identity. The Chinese government has given incentives for massive Chinese migration to Tibet, in a strategy to promote its cultural assimilation (the sinicization of Tibet), and these new Chinese residents are the ones who have benefited the most from the industrial job creation. The Chinese government initially devoted more attention to increasing the productivity of the agricultural sector (similarly to the Taiwanese case), with the application of new farming procedures and technologies. At the same time, a number of protectionists measures were applied to favor the development of local industries (also similar to Taiwan), through public funds to support the creation of new industrial units, and through industrial production subsidies and price subsidies over industrial goods. Investments were also directed at improving local infrastructures and the technological development of firms. Concurrently, incentives appeared to increase trade relations beyond the local market and especially with Chinese regions, which was a relevant driver for Tibet's industrial sector development. As a consequence, Tibet has revealed a better performance over time in its industrial labor productivity, with a positive impact on the average annual growth rate of GDP, but with criticized results in what concerns its impact on a social and cultural approach of development.

In the case of Northern Cyprus, the industrial sector has also benefited from investments from the occupiers. However, in this case, the social and cultural impact on the population has not been negative (as in the case of Tibet), as there is a cultural proximity between the occupier and the majority of the current inhabitants: Turkish Cypriots. But this has only occurred because thousands of Greek Cypriots were expelled from the occupied northern part of the island during the invasion, losing their homes, lands and possessions. Northern Cyprus, under political and economic isolation, has been unable to improve its industrial production. In fact, a shrinking industrial sector is the result of the weak investment climate in Northern Cyprus, caused by political instability, and responsible for trade restrictions on Northern Cypriot goods in the global market, which impede its exports. On the other hand, government policy regarding expansion of employment in the public sector has led to distortions in the labor market, which has a negative impact on the industrial investment climate in Northern Cyprus. Currently, Northern Cyprus is a closed economy that does not benefit from all the challenges of economic globalization, similar to the case of the West Bank, but motivated by different causes. Northern Cyprus suffers from an international embargo, which means it is only able to establish international trade relations with Turkey. But in this case (as with Tibet), the occupier is not trying to explore the weaker economy unfairly, as is the case of trade relations between the West Bank and Israel.

In the specific context of the West Bank, local firms face a closed, blockade economy, resulting from restrictions on imports of raw materials from other countries than Israel, difficulties in importing machinery and technologies; difficulties in exporting to Israel and to other destinations; difficulties in attracting foreign direct investment; and difficulties in exploring the local market by selling local production in the all West Bank. Furthermore, the West Bank is still under Israeli occupation, and the Palestinian National Authority has limited power on the ground to fight against the unfair competition felt by local products, as a result of the increase in its production costs due to all the limitations imposed by the Israeli occupation. Thus, being a closed economy under the influence of unfair competition, local firms expect a favorable economic policy from the Palestinian Authority that could protect local production. In fact, in the West Bank, there are a number of problems that hinder local industrial performance, which could be mitigated by a public policy designed to help improve these firms' performance. According to Aburaida (2017), the high priority of this public policy, from the firm owners/managers' perspective, should be related to political measures to help integrate these firms in international trade, in order to finally allow entry of the West Bank's industry into the globalized economy. For instance, measures to help expand the market for Palestinian goods, with international promotion actions and other complementary measures that could facilitate the export of local production. It should not be forgotten that exportation is currently absent from more than 98% of West Bank firms, if we exclude the Israel market. Furthermore, industrial owners/managers feel government support should give top priority to the qualification of local human resources, which is considered crucial by firm owners to improve production processes and increase the competitiveness of local industry. Finally, infrastructural political measures were identified as essential to help firms expand/modernize their facilities, or to assist firm owners to acquire land in order to build new and more appropriate facilities. This obstacle is related with the absence of high-quality industrial zones, which restricts access to appropriate facilities which could allow local firms to conveniently perform their production processes, as well as to invest in adequate technology, and therefore enhance industrial competitiveness.

It is important to emphasize that disputed and occupied territories are not homogenous entities in reacting to prescribed polices. Besides differences between being disputed territory or being occupied, with clear repercussions in the level of autonomy over its industrial policy, also the territory size, geographic location, initial economic conditions, the type of political relation with the occupier, and a host of other factors (history, demography, if the occupiers have the same or a different cultural background, the possibilities for trade, etc.) play a significant role in the success or failure of industrial polices, as this study amply shows. Nevertheless, despite the heterogeneity of the four industrialization experiences analyzed, it can be suggested, as a hypothesis for further debate in future studies, that disputed or occupied territories that aim to create a dynamic and competitive industrial sector, with potential to contribute to economic and social development, should in a first stage consider the implementation of protectionist measures with restrictions on imports to encourage and nurture the local industry. However, and depending on the specificities of each case, those protectionist measures should be more or less intense according to the level of openness of the occupied territory's economy, and also proportional to the level of autonomy and sovereignty of the local governments. Concurrently, these protectionist measures should be applied at the same time as multiple efforts are made to create an attractive environment for foreign investors and to move towards an export orientation strategy. From the international experiences analyzed, it seems that an appropriate government strategy intended to achieve industrial growth in these specific geographical contexts, must pay special attention to the policy of import substitution, combined with political efforts intended to develop the local industry in order to be able to compete abroad in the globalized economy.

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