Foreword

There has been a great deal of research recently on technological capabilities and their implications for industrialisation in developing countries. There has also been considerable work on the impact of foreign direct investment (FDI) for poor host economies, with a new branch of research emerging on the growth of global production networks and the ‘fragmentation’ of production in developing countries. For the most part, however, the two lines of research have proceeded independently, using different methodologies, data and approaches. In the context of technology, the FDI analysis has mainly focused on the transfer of technology and spillovers to local firms, with relatively little attention to capability development within foreign affiliates.

The technology capability literature has also not pursued in any great depth the differences between foreign and local firms. One of the fundamental problems with this literature has been that it is very difficult to quantify capabilities in a way that allows comparisons between companies. Attempts have been made to find meaningful measures of capabilities but clearly much more remains to be done. Progress in this is important for development policy: with growing disillusionment towards neoliberal approaches of simply ‘letting in the market’, countries feel the need to understand what capabilities are, how they develop and how to develop them.

This book by Rajah Rasiah and colleagues is a major step forward in this direction. It bases the analysis of foreign and local firms in a range of developing countries squarely on measuring and comparing technological capabilities. This is a significant advance in methodological terms. It also yields very interesting results. What adds to the interest is the range of countries covered, from industrially advanced nations like Brazil, South Africa and Malaysia, to relatively backward ones such as Kenya and Uganda. The book is thoroughly researched, rigorous in its analysis and comprehensive in its coverage of the literature.

The results offer interesting insights into how local and foreign firms differ in their technological competence, and, more interestingly, into what influences their technological activity. It appears that foreign firms have better skills and technological capabilities in most countries, but this is not uniform. In the more advanced economies, local firms are relatively strong.

The book will be of wide interest. It will inform the debate on the role of FDI in industrial and technological development, offering a balanced and original analysis of the behaviour and strengths of foreign affiliates in a range of countries. It will be an important contribution to the technological capability literature, showing how the rather amorphous concept of 'capabilities' can be made more tractable and measurable. It will illustrate why industrial development has succeeded in some countries and failed in others. It will clarify the context in which technology development takes place, and so offer insights to policy makers on how to improve that context. It is a major credit to the main author, Rajah Rasiah, who is already known in the development community as a major analyst.

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