Preface

It is often assumed that East Asia has enjoyed superior institutions to drive rapid growth and structural change while the dismal growth rates recorded by sub-Saharan African (SSA) economies have been caused by inferior institutions. This image falls apart when a careful sectoral assessment is made of the critical institutions and organizations driving learning and innovation in the two geographical regions. Among the countries examined in this book only Taiwan and to some extent China enjoy superior institutions to drive industrial upgrading. While Malaysia has succeeded in stimulating a significant rise in per capita income and enjoys strong basic infrastructure and promotional institutions, the country lags behind Taiwan and China when it comes to high-tech institutions. Indonesia and SSA face a wider set of institutional support problems – though the basic infrastructure in many parts of South Africa is superior to that of a number of East Asian economies. Malaysia, Indonesia and SSA also lag behind in terms of knowledge accumulated due to a lack of commitment to invest in the right kinds of knowledge-stimulating and knowledge-appropriating institutions.

More importantly there is a huge gap in the speed and adjustment capabilities to adopt the right kinds of policies to promote and audit institutions between Malaysia, Indonesia and SSA. Among other things, this book shows that underlying the deep divide between the selected East Asian and SSA economies has been the consequences of the wide lag in policy competences of governments. Also, these divergent outcomes did not result from a lack of planning but from the quality of planning and the depth of commitment to identify which sectors best promote overall economic growth and development. Lastly, there was early recognition in Taiwan and China that change to existing structures of production and distribution was an imperative, and that this would require a Schumpeterian–Nelsonian type of institutional change to transform society. Richard Nelson and Sydney Winter’s learning and innovation emphasis through institutional change is the central instrument of analysis in this book to examine the different paths taken by the economies selected. The commitment to experiment and put resources behind technological and institutional innovation in specific sectors in particularly Taiwan and China was markedly different to what we observed in Malaysia, Indonesia and SSA. Information hardware (IH) has been identified among strategic industries for promotion, but the
lack of institutional support to drive learning and innovation has stalled upgrading in the industry in Malaysia. In Indonesia and SSA economies the IH sector has been treated as homogenous and technological change has been taken as parametric. The twin evils of progress – namely ignorance and poor commitment to action – have been complicated by the lack of confidence to take autonomous decisions on the part of the Indonesian and African governments. Whereas ambitious governments lacking in a clear institutional focus tended to be responsible for failed industrial projects, the IH industry only received tax incentives to relocate operations in Indonesia, and in addition tax incentives for relocating and stimulating R&D operations in Malaysia.

The focus of this book is therefore on what can be learned in the complex processes of industrial, technological and organizational change in a sectoral system of IH across countries in East Asia and SSA. The IH innovation system is deliberately chosen to illustrate how sectors act as seeds of economic progress.

We carried out detailed firm-level studies in seven countries, three in Africa (Nigeria, Mauritius and South Africa) and four in Asia (China, Taiwan, Malaysia and Indonesia). Rajah Rasiah coordinated the studies in Malaysia, Taiwan and Indonesia, Xinxin Kong in China, Erika Mbula-Kraemer in South Africa, Sawkut Rojid in Mauritius and Banji Oyelaran-Oyeyinka in Nigeria in addition to overall project coordination. The data coordinated by Rajah Rasiah for Taiwan and Indonesia was collected by W.W. Chu, Yeo Lin and himself, and Ari Kuncoro respectively and funded by the Asian Development Bank. We would like to thank Brahm Prakash and Rajiv Kumar for allowing us to use the data on Taiwan and Indonesia. The project was conceived and conceptualized while we were both still with the United Nations University – UNU-MERIT, Maastricht, the Netherlands, which provided intellectual as well as financial support. The success of the project was due in large part to a network of colleagues as well as the different actors in firms, government offices and private organizations who spared time to be interviewed and to fill in questionnaires in the different countries. We are deeply grateful to them all. Erika Moran did a superb job in collecting background data on IH for different countries and worked hard to put the different chapters into a useable form. Finally, we want to acknowledge the invaluable role of our families, their patience and support, in the course of writing this book. Without their tolerance the job would have been much harder.

If there are any shortcomings, of course the usual caveat applies; we take full responsibility for any inadequacies of this book.