

East Asian development is often deemed to have occurred through the catching up of its latecomer firms with first movers or global lead firms in advanced industrialized economies. This catching up process took place not because of the right mix of market-based economic incentives, but rather through state-led efforts comprising financial inducement and, sometimes, market-distorting coercions and picking national champions (known as sectoral industrial policy). In a world of global production networks, how does this developmentalist role play out among national firms in East Asia? In this issue, we look at the comparative experience of South Korea, Taiwan, and Singapore.

Globalizing East Asian development

by [Henry Wai-chung Yeung](#)

My recent work points to the diminishing effectiveness of direct state discipline or interventions in a world of complex global production networks where the true discipline for domestic firms and national champions comes from intense inter-firm competition for spatial, organizational, and market fixes. These competitive dynamics have reduced the scale and scope of the state's developmental roles in transforming the national economy. They call into action firm-specific initiatives in completing the process of industrial transformation first induced by the developmental state.

Let me illustrate with the Apple-Samsung-Hon Hai case. For Samsung to be a core

supplier of semiconductor chips to Apple's iPhone, it must have developed extremely strong and dominant market leadership in such a specialized intermediate industry as semiconductors. But this is not an industry that can be easily developed in any latecomer economy. The state-led "big push" is necessary to overcome the initial obstacles of high costs and technological sophistication. Even in the United States, the development of its semiconductor and, more broadly, computer industry owes much to the federal state and its continuous military procurement. While its initial foray into semiconductors was clearly induced by state-led initiatives and sectoral policy directives, Samsung's emergence as one of the world's leading producers of semiconductors in the 2000s owes less to the state's disciplining action than to its firm-specific technological and organizational innovations. In the case of Taiwan's Hon Hai Precision (operating under the name Foxconn in China), its emergence as the world's largest electronics manufacturing service (EMS) provider and the dedicated assembler of over 500 million iPhones has virtually nothing to do with state-inducement in its formative years, except that the state's sectoral industrial policy would have promoted the broader industrial ecosystem and cluster advantages in Taiwan's thriving electronics industry. The intensive growth and innovation led by both Samsung and Hon Hai have provided much impetus to a dynamic form of industrial transformation in South Korea and Taiwan. But this phenomenal success of both latecomer firms would not have happened without their strategic coupling with different global lead firms (e.g. Apple Inc. and others) and their own firm-specific initiatives. This

story has also occurred in a much wider range of sectors and industries in these East Asian economies.

In particular, I have identified three firm-specific mechanisms of strategic coupling that underpin industrial transformation in South Korea, Taiwan, and Singapore since the 2000s: strategic partnership, industrial specialization and market leadership, and (re)positioning as global lead firms. Each of these mechanisms is driven by different sets of competitive dynamics and facilitated by a range of favourable structural conditions applicable to different industries. In personal computers and consumer electronics, *strategic partnership* with global lead firms represents a common coupling mechanism for East Asian firms to emerge as the world's leading providers of original design manufacturing (e.g. Taiwan's Quanta and Compal) and EMS (e.g. Hon Hai and Singapore's Venture Corp).

In more capital-intensive industries, such as shipbuilding and marine engineering and semiconductors, strategic partnership is not an effective coupling mechanism because East Asian firms in these industries manufacture intermediate goods for other lead firm end users to produce final goods or services in different global industries. Instead of highly tacit inter-firm production organization in strategic partnership, technological and product specificities are the more critical considerations in this mechanism of inter-firm coupling relationship. *Industrial market leadership* becomes the more effective firm-specific mechanism for a number of East Asian firms to couple with their industrial customers. In these industries, massive investment and scale economies were necessary to achieve second-mover advantages for latecomer

catching-up. Through specialization in industrial products and niche markets in both industries, East Asian industrial leaders, such as South Korea's Samsung Heavy Industries, Singapore's Keppel Corp, and Taiwan's TSMC, have developed new product and process technologies to manufacture market-leading ships and chips.

Of the three firm-specific coupling mechanisms, *(re)positioning as a global lead firm* epitomizes the most enduring challenge to East Asian development. My empirical analysis has shown that the kinds of learning and risks associated with developing global brand names, a necessary precondition for such a market positioning, are much greater than the other two coupling mechanisms. Indeed, only a small number of East Asian firms (Acer and Samsung in ICT, Hyundai in automobile, and Singapore Airlines in civil aviation) have succeeded in market control and product definition – the key attribute of a global lead firm managing their own products and markets and coordinating their own global production networks.

As a whole, my work has pointed to the usefulness of an international political economy perspective on latecomer industrialization that incorporates the state, national firms, and their global production networks. As state-firm relations evolve over time in favour of the disembedding of domestic firms from state inducement, a dynamic process of industrial transformation occurs through the above strategic coupling of domestic firms in diverse global industries. This shift from state-firm relations to inter-firm global production networks represents one of the most significant transformative changes in the trajectories of East Asian development.