

Introduction: Workshop on the Institutional Foundations of Innovation and Competitiveness in East Asia

Werner Pascha, Cornelia Storz, Markus Taube (eds.)

The workshop series on the role of institutions in East Asian Development tries to make a contribution to the development of theoretical approaches to East Asian Studies. Institutional theory is found to be particularly helpful, as it encompasses a rich variety of approaches that deal with the organisation of socio-economic phenomena in different circumstances. This holds for the different schools of institutional economics, including new institutional economics like property rights, principal-agent, incentive, transaction cost and contract theory, but it also holds for the wider approaches to institutional theory in the social sciences and beyond. The yearly workshops are a gathering of senior and junior scholars who are interested to develop a theory-based view of regional studies and of those interested to apply their institutional knowledge to East Asian phenomena.

Revised papers of the 2007 workshop, held at the Protestant Academy in Tutzing at Lake Starnberg, in view of the Alps in Upper Bavaria, are presented in the present discussion paper. The general subject of the 2007 meeting was an assessment of the institutional foundations of innovation and competitiveness in East Asia. What those foundations are is a key question that scholars outside East Asian studies are interested in, and for which we were looking for contributions from an institutional perspective. Why have the East Asian economies been growing so strongly? More particularly: What are the institutional and organisational conditions under which this success was possible? Will there be change? What does this mean for their further development?

The collected papers approach these issues from various angles. *Joachim Ahrens* and *Patrick Jünemann* (Private University of Applied Sciences, Göttingen, and European Business School, Oestrich Winkel) take up a puzzle of the recent spectacular success of the Chinese economy: Although one might expect, at first glance, that economic growth was due to fully embracing the advantages of a market economy, in the understanding of the authors this was actually not the case. Rather, China made use of “transitional institutions”, as the authors call them. Ahrens and Jünemann analyze them from the viewpoint of the “varieties of capitalism” approach and discuss possible future courses. They conclude that the duality of the economic and the political realm as well as wide-spread bureaucratic behaviour are likely to remain.

Johannes Meuer and *Barbara Krug* (Erasmus University, Rotterdam) take up another key factor that is frequently associated with China’s economic success, namely the presence of network ties that goes beyond the simple distinction of markets and firms. The authors undertake a careful literature survey and identify four approaches to networks, namely Chinese business groups (*qiyejituan*), Overseas Chinese Communities, networks of social relations (*guanxi*), and Network Capitalism as an alternative economic model. Through their theory-focused lens, they identify gaps within the individual approaches that might guide future research. For instance, they argue that “Chinese business groups” and “Overseas Chinese Communities” studies could profit from structuralist research that looks into concrete personal and professional ties.

Dominik Schlossstein (European Business School, Oestrich-Winkel) deals with another East Asian success story: the phenomenal rise of South Korea's economic competitiveness. He applies a national innovation system framework and argues that upstream governance of the innovation system was critically important to bring the economic successes about. On this basis, Schlossstein is particularly concerned about future challenges, namely those of effectiveness, efficiency and efficacy. Generally, he feels that the restructuring of the innovation system from "imitation to innovation" is well under way.

Alexander Müller (Philipps University, Marburg) contributes to a topic that is important for Japan's future economic path, namely for the prospects of convergence or divergence with other advanced economies. A key issue in this field is whether global standards are readily adopted in Japan or not. Müller studies this with respect to the implementation of the widely accepted SAP R/3 Enterprise Resource Planning (ERP) software in the Japanese automotive industry. He notices that SAP R/3 is widely used, but rather as a quality standard signalling best practice than as a compatibility standard, because the complex Japanese supplier system are not easy to integrate in the SAP R/3 standard. This finding sheds a sobering light on the widely held expectations that the spreading of global standards will lead to a convergence of Japanese development patterns with other leading economies.

The contributors shed light on different aspects of innovation and development, and were inspired by different theoretical approaches, such as the concept of varieties of capitalism, network theories or standardisation economics. One heatedly discussed topic of all contributions was the relevance of multiple equilibria, and how differentiated our analysis has to be in order to explain real world phenomena. A further issue was the necessity of considering the role of actors in the development of institutional paths. Summing up, the contributions offer interesting insights into vital aspects of competitiveness and economic progress in East Asia, and are challenging both for regional specialists as for those interested in institutional studies.

The organisers plan to continue the workshop series in cooperation with the Tutzing Protestant Academy (Evangelische Akademie). The next workshop is scheduled for March 2008 and will again take place in conjunction with the Tutzing (German-language) conference series on Normative and Institutional Foundations of Economics. Depending on the submitted papers, the workshop may be held in English too. Those interested in attending or in presenting a paper are invited to get in touch with any of the workshop organisers signing below. For the documentation of earlier workshops see <http://www.vsjf.net/de/aktiv.php?back=ja&aid=1> on the homepage of the German Association for Social Science Research on Japan.

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Prof. Dr. Cornelia Storz (storz@wiwi.uni-frankfurt.de)

Prof. Dr. Werner Pascha (werner.pascha@uni-due.de)

Prof. Dr. Markus Taube (markus.taube@uni-due.de)

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