

## Forgone Has the Chance of Industrial Catch-up on Taiwan? A Perspective of Path Dependence and World System

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In the Greater China Era, the manufacturing sector on Taiwan has been concentrating towards the IT and heavy industries. Although many regard this restructuring as industrial catch-up, when gauged by indicators of international competitiveness (value-added, capability of innovations, and growth momentum etc.), evidence suggests a much lesser sanguine picture – in particular when set against the obvious success of South Korea in climbing up the technological ladder in the 21st century.

For those who are suspicious of the economic effect of cross-Strait integration, the industrial “hollowing-out” on the Taiwan side is to be blamed for. However, this article – based upon an historical and institutional perspective - argues that the China factor alone cannot be the sufficient condition for the stagnant performance of the Taiwanese industry; rather, impact of historical legacy on its national innovation system and retreat of the state from the economy in the 1990s are the two co-evolving forces in fostering the industrial decline on Taiwan.

These two forces have been systematically overlooked and thus not properly addressed by the Lee Teng-hui administration (1987-2000) and the DPP era (2000-2008) – despite their efforts in wishing to diminish the China impact and to upgrade the Taiwan industry. The succeeding Ma Ying-jeou government (2008-) took a U-turn on the cross-Strait integration, but may have mistakenly treated it as a panacea to the ailing economy, placing Taiwan’s innovation system and social integrity at peril.