The successful late industrialization and economic catch-up of Northeast Asian states in the second half of the 20th century have influenced economic policy making in Southeast Asia. Indonesia and Malaysia have attempted to imitate the institutional structure of the industrial policy associated with ‘developmental states’ that led to the accumulation of industrial and technological capabilities in countries like Japan and South Korea. But the same institutional set up that facilitated the remarkable economic growth in Northeast Asia appeared to fail in the Southeast Asian context.

Currently, Indonesian and Malaysian companies competitiveness can be described as sluggish, which results in a state of dependency on foreign direct investments (FDIs), as well as foreign multinational corporations (MNCs). Despite considerable economic growth in Indonesia and Malaysia during the last decades, the political goal of generating a class of domestic industrial entrepreneurs has not been achieved. It is rather the case, that Southeast Asian firms in the manufacturing sector are characterized by inefficiency and technological backwardness.

The inability of the state to develop the economy has inspired Kunio Yoshihara’s classical notion of Southeast Asian ‘ersatz capitalism’. Due to internal and external political blockades, the Southeast Asian alternative to the ‘developmental state’ is merely an inferior duplicate, respectively ersatz, of the Northeast Asian model. While crony capitalism and ethnic affirmative action policies constrain the internal capacity of the state, international political blockades and restricted technological access act as external factors favoring the ersatz character of Southeast Asian capitalism.

My research project aims to deliver an explanation of these circumstances by concentrating on the political economy of Southeast Asian nations. The conceptualization of state capacity serves as the framework for evaluating specific industrial policy measures. This approach facilitates an explanation for the phenomenon of most Southeast Asian firms playing an inferior role in the world market. As a result of low state capacity, Southeast Asian government interventions in the economy are often driven by issues of interethnic redistribution and the promotion of patronage networks.

I apply the theory of industrial policy, development studies, international political economy, and the institutionalism approach of political science in order to theoretically and empirically analyze nation specific frameworks of state capacity that appear to be crucial for the outcomes of industrial policy in Indonesia and Malaysia. In order to depict and evaluate the specific character of these policy measures, I undertake policy analyses of technology intensive industries.