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<th>Title</th>
<th>Asia's Silicon valleys are they competing or complementing each other?</th>
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<tr>
<td>Author(s)</td>
<td>Goertz, Matthias</td>
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Paper No. 28
Are They Competing Or Complementing Each Other?

AMIC 7th Annual Conference
Bangkok, May 23, 1998

by Matthias Goertz
Booz Allen & Hamilton, Inc.
AGENDA

- What are they?
- Will they compete?
- Will they complement each other?
- Implications?
"SILICON VALLEYS" DEFINED ... (ATTEMPT)

➤ Physical location (boundaries ...)

➤ Hard & soft infrastructure
   • Hard: transportation, communication, residential, office, recreation, education
   • Soft: regulatory and policy frameworks

➤ Hub of a virtual community
   • "Servers" within national, regional, or global networks
   • Marketplace for exchange of ideas, information, services

➤ State of mind (... but no limits)
   • Entrepreneurialism, innovation and experimentation
   • Optimism, "Aufbruchstimmung"
   • Interaction, openness
ASIA'S "SILICON VALLEYS" COME IN VARIOUS SHADES

- Some "top down", some "bottom up"
- Some "prepragmatic", some "pragmatic"
- Some "indigenous entrepreneurs", some "MNCs"

Media Valley, Inchon
- Largely "traditional" industrial parks
- IT and MM focus
- Linked to large Inchon infrastructure development
- Private initiative

Science Parks, Taiwan
- Largely "traditional" industrial parks
- IT manufacturing/development focus
- Indigenous entrepreneurs
- Top-down "kick-off", then largely bottom-up

Bangalore
- Large supply of engineers, mathematicians
- Indigenous entrepreneurs
- Largely bottom-up

Intelligent Island
- Broadband Infrastructure (Singapore ONE)
- Commercial, educational & entertainment applications/content
- MNC hub in analogy to SIN port, Shangh
ASIA'S "SILICON VALLEYS" WILL COMPETE...

➤ For Customers/Users
  - MNCs need only limited number of hubs/sites
  - End-users can increasingly be supplied/serviced from anywhere, so national "captive" users disappear

➤ For Resources
  - "Limited supply of knowledge workers, who are increasingly mobile"
  - Limited supply of international capital, which is very mobile

... AND COMPETITION WILL INTENSIFY AS THEY MUSHROOM
HOWEVER, THE "PLAYGROUND" IS CHANGING RAPIDLY ...

- Networking of large parts of the world creates opportunity...

- Globalisation of physical production and innovation flows creates "level playing field"

- Growth of international middle class of consumers drives demand

- Growing diversity and depth of markets for capital and information provides deeper reservoir of resources

... AND THERE SHOULD BE AMPLE ROOM FOR MANY HUBS/CONCEPTS
IN ADDITION, RIVALRY WILL BE BENEFICIAL IF THE PLAYING FIELD IS LEVEL

Insights

- London vs. New York (finance)
- Hong Kong vs. Singapore (trade)
- Paris vs. Milan (fashion)
- Silicon Valley vs. Seattle (software)
- Oxford vs. Cambridge (education)
- Stuttgart vs. Munich (performance cars)

Rivals can survive and prosper if they differentiate enough but at the same time capitalise on cross-utilisation. The playing field must be level for the rivalry to be beneficial to all rivals, e.g.,

similar access to talent
similar regulatory environment;
same demanding clients

Note: (1) Examples for 3 or more rivals can also be found.

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DESPITE THEIR RIVALRY, ASIAN "SILICON VALLEYS" WILL COMPLEMENT AND BENEFIT EACH OTHER, IF THE RIGHT CONDITIONS PREVAIL

- **Division of Labour Benefits** due to specialisation and differentiation in the production of knowledge and services provided that efficient markets for knowledge and services exist.

- **Positive Network Externalities** for users/customers if individual hubs are networked. The externalities increase with every addition to the network.

- **Gains from Cross-fertilisation and Cumulativeness of Knowledge** if mechanisms are in place to share and broker knowledge and ideas.

- **Benefits from Critical Mass** in undertaking/attracting larger projects if "Silicon Valleys" collaborate.

- **Diversification of Risk** will lower acceptance hurdles for customers, investors.
For example, the MSC's MDC has recognised the potential benefits of complementarity and has made linkage to other hubs a cornerstone of its development.

### MSC 20-Year Development Plan

<table>
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<tr>
<th>Phase I (&quot;Incubate&quot;)</th>
<th>Phase II (&quot;Link&quot;)</th>
<th>Phase III (&quot;Lead&quot;)</th>
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<tbody>
<tr>
<td>- Create MSC</td>
<td>- Link MSC to other cyber cities in Malaysia and the world</td>
<td>- Malaysia transformed into knowledge-based society</td>
</tr>
<tr>
<td>- Attract core group of world-class companies</td>
<td>- Create a web of corridors</td>
<td>- Global test-bed for new multimedia and IT applications</td>
</tr>
<tr>
<td>- Launch 7 flagship applications</td>
<td>- Set global standards in flagship applications</td>
<td>- Cradle for multimedia companies</td>
</tr>
<tr>
<td>- Enact cyberlaws</td>
<td>- Champion cyber laws within the global society</td>
<td>- Cluster of intelligent cities linked to the global information super highway</td>
</tr>
<tr>
<td>- Establish Cyberjaya and Putrajaya</td>
<td>- Establish a number of intelligent globally-linked cities</td>
<td>- Platform for the International Cyber Court of Justice</td>
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**Current Phase**

**Source:** MDC

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IN SUMMARY, PIONEERS SUPPORT CREATIVITY AND COMPLEMENTARITY.

- Exploit opportunities for complementarity
- Ensure access for knowledge workers, capital, information (contents)
- Protect property rights, intellectual property, company/asset ownership
- Enforce clear, transparent, fair regulatory frameworks
- Specialize and differentiate based on unique competencies, skills
- Share best practices
Thank you for your attention.

Questions?
Censorship vs Free Flow: Regulation vs. Deregulation In Converging Industries

David Flint
Mark Levy