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ASIA'S "SILICON VALLEYS"

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

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ASIA'S "SILICON VALLEYS" COME IN VARIOUS SHADES

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

**Examples**

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

**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, Shangl
- Top-down policies

**MSC**
- Hard & soft Infrastructure
- "Flagship" applications
- Reach-out to MNCs
- Top-down policies
- Dedicated agency (MDC)
- Linked to Putrajaya development

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

➤ Networking of large parts of the world

➤ Globalisation of physical production and information 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

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IN ADDITION, RIVALRY THAT IS BENEFICIAL TO 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 of 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

Current Phase

Phase I (“Incubate”)
- Create MSC
- Attract core group of world-class companies
- Launch 7 flagship applications
- Establish Cyberjaya and Putrajaya
- Enact cyberlaws

Phase II (“Link”)
- Link MSC to other cyber cities in Malaysia and the world
- Create a web of corridors
- Set up global standards in flagship applications
- Champion cyber laws within the global society
- Establish a number of intelligent globally-linked cities

Phase III (“Lead”)
- Malaysia transformed into knowledge-based society
- Global test-bed for new multimedia and IT applications
- Cradle for multimedia companies
- Cluster of intelligent cities linked to the global information super highway
- Platform for the International Cyber Court of Justice

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IN SUMMARY, PIONEERS OF “DECONTRACTING” IN ASIA SHOULD SUPPORT CREATIVE RIVALS AND EXPLOIT COMPLEMENTARITY.

Support creative rivals.
Ensuring Level Playing Field.

- Open access for knowledge workers, capital, information (contents).
- Protect property rights
  - Intellectual property
  - Company/asset ownership
- Enforce clear, transparent, fair regulatory frameworks.

Exploit Opportunities For Complementarity

- Exploit physicals and logically in comms, transportation networks
- Search, development, production collaboration
- Specialize and differentiate based on unique competencies, skills
- Share best practices.

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Thank you for your attention.

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

David Flint
Mark Levy