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<th>Asia's Silicon valleys are they competing or complementing each other?</th>
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Paper No. 28
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, “Aufbruchsstimmung”
  • 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

**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

**Intelligent Island**
- Broadband infrastructure (Singapore ONE)
- Commercial, educational & entertainment applications/content
- MNC hub in analogy to SIN port, Shanghai
- Top-down policies
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.
- 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.
IN ADDITION, RIVALRY IS OFTEN BENEFICIAL IF THE PLAYING FIELD IS LEVEL

Insights

• London vs. New York (finance)

• Hong Kong vs. Singapore (trading)

• Paris vs. Milan (fashion)

• Silicon Valley vs. Seattle (software)

• Oxford vs. Cambridge (education)

• Stuttgart vs. Munich (performance cars)

• Geographical and/or cultural closeness is not necessarily an issue: healthy and/or cultural closeness can increase creative rivalry

• 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 PLAN

**MSC 20-YEAR DEVELOPMENT PLAN**

**Current Phase**

- **Phase I (Incubate)**
  - Create MSC
  - Launch 1 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 global standards in flagship applications
- Champion cyber laws within the global society
- Establish a number of intelligent globally-linked cities
- Create a web of corridors
- Create world-class companies
- Missions and targets

**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
IN SUMMARY, PIONEERS "IN ASIA SHOULD SUPPORT CREATIVE RIVALS" "OPEN ACCESS IN VARIOUS CONTENTS" IN ASIA SHOULD SUPPORT CREATIVE RIVALS

Support creative rivalry
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 Opportunities For Complementarity
  - Compete physically and logically
  - Comms, transportation networks
  - Research, 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