Mass flourishing in an age of stagnation

2014 GES Taipei Workshop

—Promoting Innovation and Entrepreneurship toward Knowledge-based Economy

Taipei, May 15, 2014

We may still live in the aftermath of the global financial crisis that started six years ago. The world order has been changing, and the existing development models can no longer deal with new challenges, let along create economic and environmental sustainability.

The Global Economic Symposium (GES), first held in 2008 right before the collapse of Lehman Brothers, aims to find solutions to global problems. Prior to the 2014 Symposium in Kuala Lumpur with the theme of "Restructuring Economies, Transforming Societies", the Germany-based Kiel Institute for the World Economy and the Taiwan-based Industrial Technology Research Institute (ITRI) jointly hosted the GES Taipei Workshop on May 15th to deal with issues regarding economic transitions. The Workshop invited distinguished scholars and representatives from both the public and the private sectors in the world to share their insights and experiences for ways toward the knowledge-based economy—a formula that would lead us to walk out of secular stagnation, to meet the demand from the emerging middle class and to create mass flourishing.

Innovation-based Growth

All participants agreed on the need to move toward innovation-based growth in an age of stagnation, a huge challenge pointed out by Dr. Dennis J. Snower in his opening remarks. Chairman Matthew F. C. Miau of the MiTac-Synnex Group gave an example of how the ICT industry in Taiwan to disintegrate the vertical supply chain for efficiency and to turn to utilize horizontal integration for innovation. Prof. Willy C. Shih of Harvard Business School talked about that Japan, South Korea, Taiwan and China have been shifting from an imitation to an innovation phase for the past decades. Dr. Rong Ping Mu of Chinese Academy of Sciences confirmed China's strategies to create a comprehensive base for innovation to meet current and future challenges.

In particular, Prof. Shih emphasized basic science research as the foundation of innovation. Innovation in biotech, for example, is not possible without solid base in life science. REDISA CEO Hermann Erdmann shared South Africa's experience of establishing its recycling industry from waste tyres, and stressed that thinking out of the box was the key to turn waste into commodities. In a world where raw materials are decreasing and the prices increasing, the story has an implication for all countries.

Participants on the floor echoed the view, and suggested to shift the recycling responsibility from consumers to producers, which may further give an impulse for product re-designs.

Complementary Institutions

Indeed, innovation is essential to sustainable growth. But as said by Chairman Ching-Yen Tsay of ITRI, it also needs collaboration from the government and the private sectors. Chairman Miau, Prof. Reiko Aoki, Prof. Erik Baark and Prof. Tain-Jy Chen all touched upon the issue. Innovation must be supported by complementary institutions, including laws and regulations, market mechanism and education systems. Although some countries do not like government interference, there's consensus in the Workshop that the governments' role is very important. Prof. Reiko Aoki of Hitotsubashi University expressed the need for an innovation platform or system that involved all stakeholders. She illustrated that many innovative products may not come to the market without the corresponding legal system, price mechanism and delivery system.

The government's enabling role in fostering innovation was addressed by many. KIET vice president Jin-Keun Yu shared South Korean government's efforts in R&D and deregulation. TMI CEO Lucas Wang, a young entrepreneur, appreciated the freedom and government support in Taiwan. Chairman Miau, as a representative from the business world, urged a more friendly government, more predictive regulations and more liberalization.

Medium for innovation

Network, communication, integration and education make innovation flourish because they let us know what others are doing and create positive feedback loops. Prof. Baark of Hong Kong University of Science and Technology laid special stress on the importance of communication. He urged people to pay more attention to the diffusion of knowledge, promoting the use of knowledge through good communication. Mr. Wang further showed the power of online networks, which brings new possibilities for innovation. His company is a good example that creates an online platform to connect startups with players in the supply chain, potential markets and professional services.

The importance of education could not be stressed more by the speakers. Deputy Minister Chien-Liang Chen from Taiwan's National Development Council expressed his concern about the over-expansion of Taiwan's higher education and the brain drain faced by many industries. Showcasing his company's projects in Vietnam, Mr. Albert Ting of CX Technology Corp. highlighted the central role of education in

knowledge-based urban development. Prof Shih, when underlining the need for basic science research, stated that investments must be made in education because human capital infrastructure was like a platform for basic sciences.

Size matters

Innovation is not a privilege for large companies. Small and medium enterprises (SMEs) are usually engines for innovation and growth in many countries. SMEs led Taiwan's economic growth. In Germany, 99% of the country's enterprises are SMEs. Prof. Michael Woywode of the University of Mannheim shared with the participants how Germany's hidden champion companies (Mittelstand), despite their relatively small sizes, were all important players in the international market, investors in R&D and creators of jobs and opportunities.

Dr. Thierry Malleret of GES expressed that innovation often occurs in small countries that do not have rich resources, such as Estonia, Taiwan, Singapore and Switzerland. Many examples were mentioned in the Workshop. Mr. Wang talked about the Estonian government to encourage foreign start-ups to go there for incubation. In countries like Sweden, Estonia, and Slovenia, people are good at designing new things because they don't have the legacy of old industries. Without the endowment or burden of traditional models, they are allowed to be daring. However, there's no one-size-fit-all solution as Dr. Malleret added.

Conclusion

GES Taipei Workshop started with the hope of ITRI Chairman Tsay that the participants with different backgrounds and countries would exchange views. He noted the issues raised here are especially important to Asian economies that have just emerged onto the world's stage and are now facing the need to upgrade their industries and the changes in the global supply chain. After a day's heated debates and fruitful discussions, the Workshop ended on a positive note. While having complimented all the participants on showing the true spirit of GES and welcomed everyone's entry into the GES community, Dr. Snower and Dr. Malleret expressed they were heartened to see that consensus was made in the Workshop and solutions proposed. In addition to particular suggestions to the local host, four solution proposals that benefit the world were generated. These include: (1) government support to finance Internet-related start-ups; (2) high skill and high quality urban development, covering all facilities from manufacturing, service to education through complementary public and private funding; (3) charging producers for recycling their products; and (4) reforming all levels of education toward curiosity and innovatorship.