



Taipei as a Creative City in the Cross-border Innovative Networks: Silicon Valley-Taipei-Shanghai Triangular Connection

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Presentation Layout



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- Introduction
- Globalization and Cities, Economic Geography of Creativity, Transnationalism and the City
- the Globalization of the Taipei-Hsinchu Corridor after 1990s
- The Governance Challenge
- Concluding Remarks



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Introduction



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- The key role of urban nodes in the global economic system.
- Particularly, in the last two decades, Chinese transnationalism has become a distinctive domain within the new global capitalism in the Asia-Pacific region, and a worldwide ethnic Chinese network emerged as a key issue in the managing economic development in the great China circle, including Hong Kong, Taiwan and China (Mitchell 2000, Ong & Nonini 1997, Kao 1993).



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Theoretical Framework



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- Globalization and Cities:
 1. The inter-city competition in the global economic system will become fiercer and more direct, as the buffer from the national state will wither.
 2. the role of interactive learning in constructing competitive advantage in the world economy (Hall 2000, Lambooy 2002).



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- Economic Geography of Creativity
- 1.3 T's: Technology, Talent, and Tolerance.
Creative City: the city that is inclusive and diverse to attract creative class and professionals.
 2. codified knowledge becomes ubiquitous, and the creation of unique capabilities and products hinge on the production and use of tacit knowledge.



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3. The key to success in the rapidly-changing market lies in capabilities to identify the right people (know-who), and accordingly fix the right technologies and products (know-how), as more innovations are human-embodied and team-working



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- Transnationalism and the City:
 1. In distinction with the dominant pattern of globalization driven by powerful agents such as capitals and nation states, a transnational movement initiated by grassroots has become a popular form of globalization from below. Glick Schiller et al. (1992) defined transnationalism as “the processes by which immigrants build social fields that link together their country of origin and their country of settlement.”



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2. the international migration of skilled people was identified as the actor in cross-fertilizing both of their sending and hosting cities by travelling back and forth with highly specific knowledge and professional networks.



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3. the transnational ethnic community usually enhanced the flows of information, capital, people, and their embodied knowledge within the “ungrounded empire”. Each locality was re-bounded in the ethnic network, and recombined to create new business firms, new industrial practices, and new economic geographies.



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4. Among the studies of transnationalism, the diaspora Chinese constituted an “ungrounded empire” to connect the different places into a worldwide business network. Within the network, kinship and *guanxi* (or interpersonal relationship) lubricated the trans-border business transactions and rendered the buildup of the empire easy in the turbulent world order.



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5. the city had to, on the one hand, build up close connections with other nodes in the global network, and on the other, enhance its own competitive advantage in absorbing the external resources. In this sense, the “ungrounded empire” became re-grounded in particular cities.



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6. What elements constituted an Transnational city? Three factors were particularly important: firstly, the city should possess complementary assets in order to collaborate with other cities. Secondly, in order to play well in the “middleman” job, the city has to upgrade its own governance capability to coordinate and integrate the production chains. Finally, the key resides not only in the top-down state intervention, but also in the development of bottom-up social networks.



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7. However, as Burt (1992) well illustrated in his arguments about the role of “structural hole” in the network expansion, there is room for the intermediate player to maneuver only in the conditions that there are non-redundant contacts provided by the broker to benefit its connecting parts.



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- in the case of insufficient infrastructures, in both institutional and physical aspects, to support and maintain the connections
- the connection may stifle itself with over-social embeddedness, particularly close ethnic ties. In fact, the vibrant spaces of diverse cities can serve as powerful magnets for the highly skilled workers and investors attracted to the quality of urban life.



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Globalization of Production and City-Regionalization in 1980s



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- The change evolved in two aspects: on the one hand, the government initiated the industrial upgrading process by promoting high-technology industries such as PC (personal computer) and IC (integrated circuit) industries in the Northern Region with the core city of Taipei; on the other hand, it triggered the emigration of Taiwanese capital in search of new cheap production factors.



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- Against the government's will, waves of investors sneaked to the mainland China, firstly South China, and moved gradually to East China, particularly the Shanghai region. This led to over 8,000 Taiwanese companies located in the Shanghai area and between 250,000 and 400,000 Taiwanese, including the families of plant managers and engineers, living in the region. most of them usually traveled back and forth across the Strait and built up "invisible" connections between Taiwan and mainland China.



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- By the end of 1999, over US\$ 14.5 billion (or above 45% of the total Taiwanese outward investment) was invested in China by Taiwanese investors, according to Taiwanese government report, which was inclined to underestimate the amount.
- In the cross-border investments, Shanghai City and its neighboring region hosted most of the Taiwanese high technology investors



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- On the one hand, the Taipei-Hsinchu corridor benefited from the interdependencies between it and the world technology hub, Silicon Valley of California, by a community of US-educated Taiwanese engineers, who coordinated a decentralized process of reciprocal industrial upgrading by transferring capital, skill, and know-how to Taiwan and by facilitating collaborations between specialist producers in the two regions (Saxenian & Hsu 2001).



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- Taipei became the leading actor in handling the economic growth of the city-region, and headquartered over 70% of Taiwan's top 50 informatics firms (See Fig.), and more than 60% of the industrial patents were created in the Taipei-Hsinchu Region
- Taipei city had to upgrade its producer service provision. the share of product value of producer service industries, such as marketing, logistics, advertising, issuance, legal service and trading service, in the total value produced in Taipei increased from 19.8 % in 1981 to 29.0% in 1996.



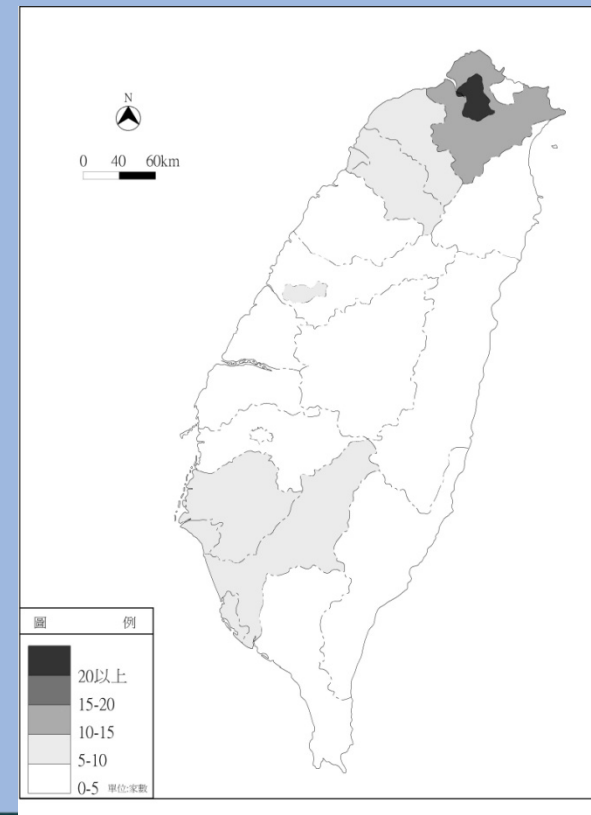
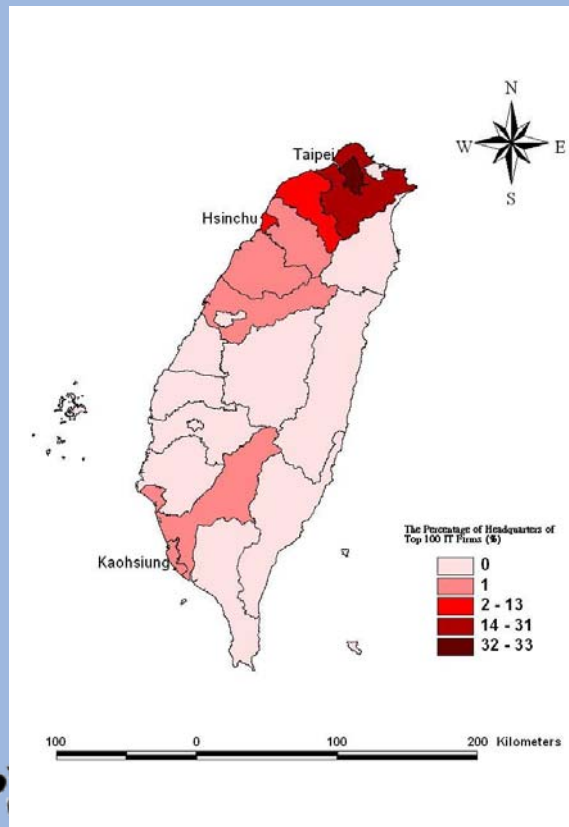
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The Technological Dynamics of the Hsinchu-Taipei Corridor



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- Over 70% IT headquarters
- BioTech





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- The Taipei-Hsinchu Corridor acted as a node to connect with technology hub in Silicon Valley, and extended the high technology investment across the strait. It exploited the advantage of dense technical communities and complementary industrial structure with Silicon Valley and accumulated knowledge base in more than two decades of technological learning.



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- In addition, the ethnic tie and cultural affinity between Taiwan and China enabled the cross-border investment and exploring the market in China relatively easy.
- Both connections were imperative for each other, as the technology advantage rendered Taiwanese high-technology FDI profitable, and the cultural advantage attracted more Silicon Valley firms to collaborate with Taiwanese to enter China's market.



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- The case of Acorn Campus is particularly illustrative here. The Campus was mainly established by a team of successful Taiwanese venture capitalists and engineers based in Silicon Valley. It plans to introduce the incubator model to Shanghai and focuses on semiconductor design, wireless infrastructure, and system and software development.



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- “the best business model in the ICT industries today is to combine the locational advantages of the three regions: while the Silicon Valley is good at innovation in business and management model, product design and technology frontier, Taiwan can collect funding from the booming capital market, commercialize the product and improve the production very quickly by a well-trained engineer teams. Finally, you can go to China to find the huge amount of cheap engineers and workers and a rapidly rising market to get the final products done.”



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The Governance Issue



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- the key to enhancing Taipei's advantage would hinge on preparing infrastructure and more importantly, operating networks at the global, national, regional and local scales, gathering knowledge via social interaction. The difficulty arose in the process of building up collective order in the networking.



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- the inward looking of the developmental state created the barriers for the cross-border connection. Particularly, the political tension between Taiwan and mainland China brought about the interference from the central government in the cross-strait investments.



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- Worst of all, the inconvenience incurred by Taiwanese government's hesitation to allow the three direct linkages had cost the Corridor to lose its advantages gradually. It usually took almost a day to travel from Taipei, via Hong Kong or Macau, to Shanghai, otherwise less than 4 hours to fly directly.



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The Challenge of the Corridor



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- The central weakness of the Corridor came from its peril of locking in the homogenous ethnic circle. Less than 780 foreign engineers worked in Taipei until the end of 2005.
- According to the report of the Bureau of Industry (BOI 2002), among the 105 multinationals to set up Asian corporate headquarters, only one came from a non-local source, and the rest of them were domestic companies.



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- It was believed more than thousands of Taiwanese engineers and skilled labor worked in China. However, the cumulated number of mainland Chinese high technology workers had gone to Taiwan reached to 980 by the end of September 2005. The difficulty in the free exchange of talented people would hurt the corridor to take advantage of the brokering the triangle connection.



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- The government funded in technology development, including IC, LCD and Biotech.
- However, the lack of tolerance and diverse sources of talent, and led to the underdevelopment of cultural industry, and design-intensive sectors.

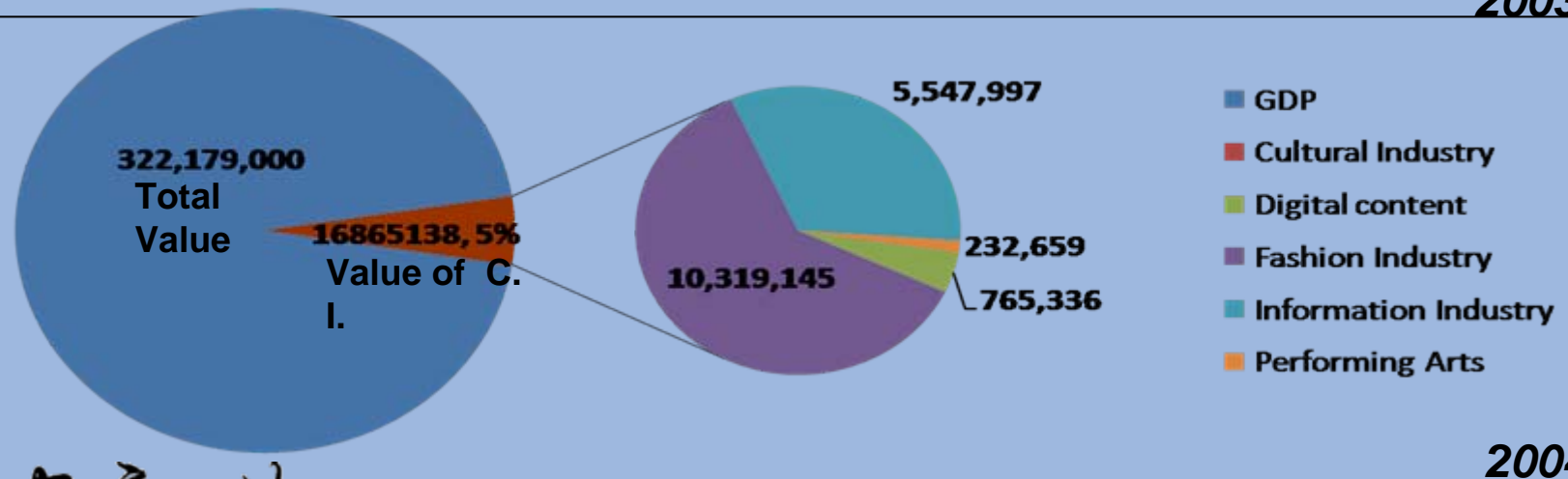
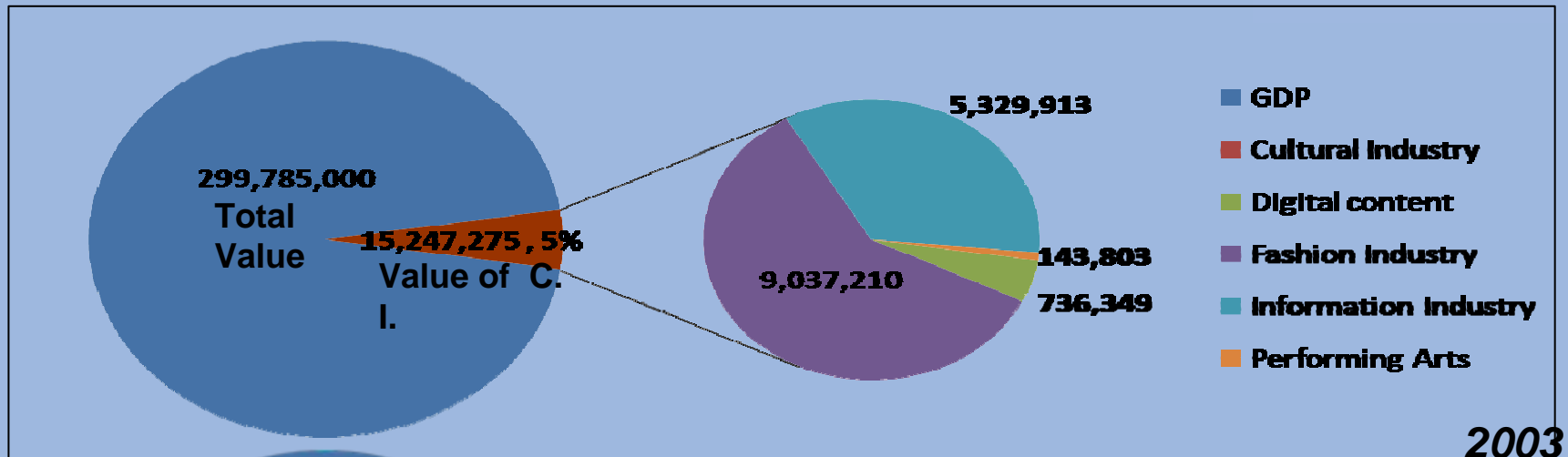


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Value of Cultural Industry in GDP



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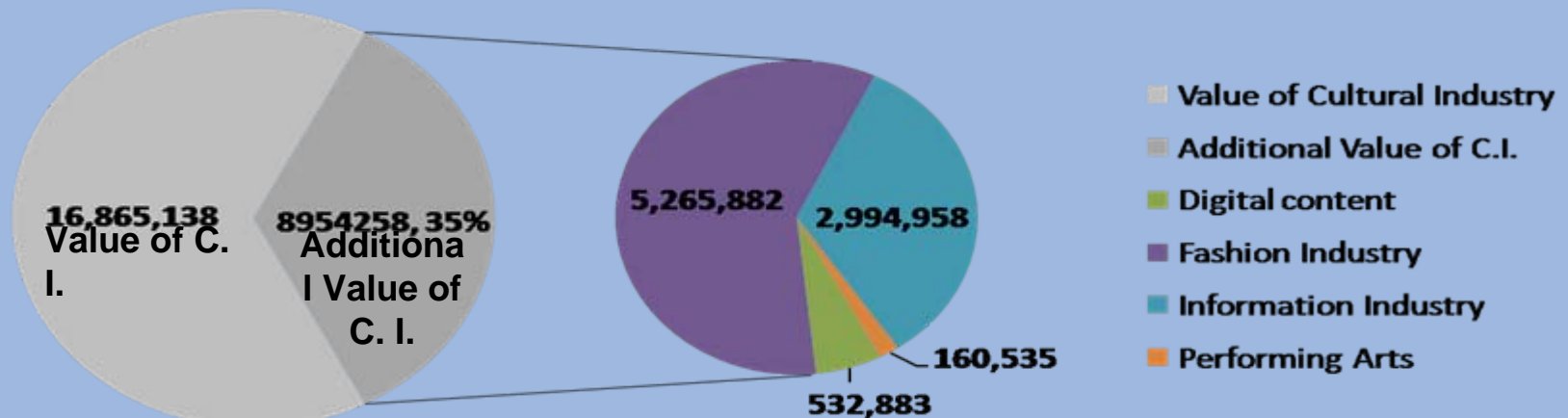
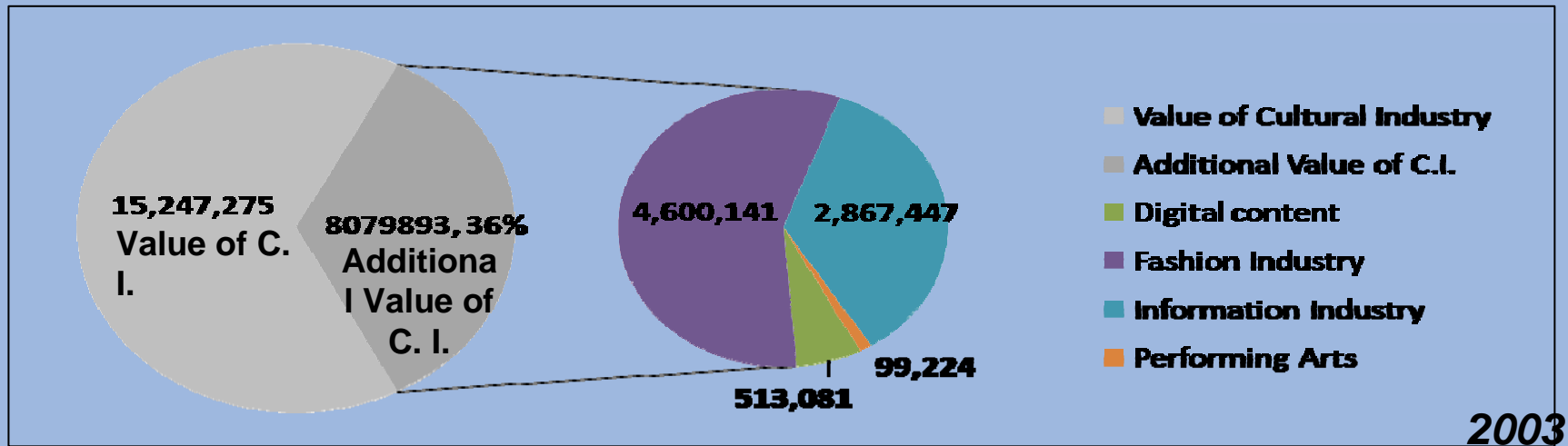
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Added Value of Cultural Industry



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Conclusion



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- Back to the issues of 3 T's: Technological dynamics have been created by the SV-Hsinchu-Shanghai connection.
- But, political intolerance led to the lack of free exchange of talent.
- The weakness of Creative industries.



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**Thank you for listening.
Comments are quite welcome!**



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