

China looks west for help building its own Silicon Valley

June 15 2012, By John Boudreau

Now at a critical juncture in its quest to become a superpower, China is turning to Western regions like the Silicon Valley for help with its next technical leap forward.

China has been the land of me-too companies - startups that copy ideas hatched in the West - as it has emerged as the global leader in manufacturing of computer and [electronic gadgets](#). But now, with its booming economy, bountiful reserves of cash, increasing technological infrastructure, laser-like focus on fostering innovation and the world's largest [number of Internet users](#) and [mobile-phone subscribers](#), China is raising the bar in hopes of becoming a technological giant.

"It's a thorough, aggressive and strategic strategy to have China move from manufacturing to the lab," said Marguerite Gong Hancock, associate director of the Stanford Program on Regions of Innovation and Entrepreneurship. "There is a very dense network of venture capital and entrepreneurship in Beijing that has evolved over the last 10 years that is very similar to what happened in [Silicon Valley](#)."

Leaders of this nation of 1.3 billion believe it is critical to create a knowledge-based economy if the country is to expand its influence on the global stage and even challenge the United States. In a speech last fall at Tsinghua University, President Hu Jintao invoked "innovation" 35 times, recalled Ta-lin Hsu, founder and chairman of Palo Alto, Calif.-based H&Q Asia Pacific, who was in the audience.

"The key to whether China eventually becomes a world superpower - competing with the United States and Europe - is innovation," said Hsu, a decades-long investor in Asia with ties to the country's tech and government sectors. "It is my belief, and that of many people, that if China can have indigenous innovation, be an innovative society, then there is a future for it to be a very strong power."

So Chinese leaders are looking west to help its national innovation business model. And many are racking up a lot of frequent-flier miles in their drive to move up the technology ladder. Chinese government and company delegations frequently take tours up and down California's Highway 101 to wheel and deal with prominent Silicon Valley tech firms. They are looking for commercial and research partnerships, as well as companies to invest in.

"We want to have a close collaboration with U.S. universities, U.S. firms," said Cindy Xiao Shiato, an executive with the Suzhou Industrial Park Administrative Committee.

Suzhou Industrial Park, one of China's many technology zones, is setting up an investment office on Sand Hill Road in Menlo Park, Calif., home to the world's most potent cluster of venture capitalists. In July, the prestigious College of Engineering at the University of California-Berkeley is scheduled to open a research and teaching facility in Shanghai's sprawling Zhangjiang High-Tech Park, which is building a 50,000-square-foot building for the university at no cost. It is also raising at least \$10 million a year for five years to finance research between the engineering school and Chinese institutions.

Meanwhile, a recent study by the Stanford Program on Regions of Innovation and Entrepreneurship found that many of the investors who helped create some of Silicon Valley's most important companies are now doing the same thing in China. That's what Frank Wang, a seasoned

entrepreneur, did. After a successful career in the San Francisco Bay Area, Wang launched a [startup](#) in Beijing that has created software that enables mobile devices to quickly transfer video and share games. Beyond building his company, Dew Mobile, he and thousands of others like him are teaching Silicon Valley 101 to a new generation of Chinese engineers.

"The raw talent is here. In the last five, six years, they've really improved," he said.

When teamed with local managers who understand the Chinese market, the returnees have created some of the country's most important tech companies, such as China's search engine giant Baidu, said Wang Delu, president of Great Wall Strategy Consultants, an expert on the evolution of China's tech sector.

"They come back here and create startups," he said. "They become angel investors and venture capitalists."

While the San Francisco area can benefit from these increasing cross-Pacific networks, Richard Suttmeier, a University of Oregon expert on Chinese science policy, worries about whether America is giving away too much.

"When you think about the nature of our interactions with China in the high-tech fields - it's very broad," he said. "It's commercial. It's academic. It's governmental. I think the Chinese have a pretty good strategy on how to take advantage of all of this."

At the very least, Suttmeier said, the U.S. government should monitor this activity to have a better understanding of how much information is flowing east. He worries that the U.S. government is not keeping a close eye on the exchange of information, and should do more to make sure

America benefits from it - and doesn't lose its intellectual property or competitive edge. "I don't think there is much of a coordinated effort to put the big pieces together," Suttmeier added.

China's quickly expanding middle class and wealth creation is a strong lure to institutions and companies. Indeed, Chinese officials, flush with cash, have more than handshakes and business cards to give potential partners. "The bottom line is, if there are resources in China, we would be foolish not to go there," said Tsu-Jae King Liu, associate dean for research at UC-Berkeley's College of Engineering.

To foster home-grown innovation, China has also invested in hundreds of government-sponsored tech parks and thousands of technology "clusters" across the country, which often include offers of free land, incubators, subsidies and other funding sources, noted Daniel Quon, Beijing-based managing director of Asia for Silicon Valley Bank's Financial Group.

"Overall, it's a good thing for entrepreneurs," he said. "But I don't think a science park could ever replicate Silicon Valley."

For all the cross-Pacific networking, it remains unclear how quickly China can replicate what has made the San Francisco Bay Area a technological and life sciences global leader.

"I can't tell you the number of times we get questions from Chinese delegates - government officials and others - such as, 'How does the government decide what the apartment rents will be?' or, 'How does it decide the appropriate subsidies for research office space and manufacturing facilities?' " said Eric Openshaw, who hosts dozens of Chinese delegations a year as a Bay Area-based executive with consultant Deloitte, who specializes in technology and communications.

To looks of befuddlement, he tells them, " 'We don't know because we don't do that here.' "

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