

# Opinion

## Time to rethink our innovation policies

China's leaders believe mastering novel-product innovation is the key to securing economic growth and enhancing national welfare and power. Yet their drive to boost innovative capacity is founded on two myths. The first myth holds that innovation, defined as the creation of new technologies, is the holy grail of economic growth. The second is that China must imitate the innovation model of Silicon Valley or face economic stagnation.

In truth, China is already a world leader in second-generation and process innovation. Because of changes in global production, these types of innovation will continue to provide China with a long-term economic advantage, one that drives job creation and lays the groundwork for other types of innovation.

China's companies are better at developing and improving existing products (or indigenizing them) than at inventing new ones. They develop products and businesses quickly enough to remain at the cusp of the global technology frontier without advancing it. Thanks to their position at the center of fragmented global manufacturing, many Chinese companies excel in a wide array of secondary innovative activities that create significant economic value. For example, China's firms have excelled in "design for production." By mastering this skill, they ensure a continued advantage in manufacturing, unrelated to low-cost labor or government subsidies.

If we measure successful innovation as the creation of novel innovations based on the ownership of core intellectual property, then China has largely failed. Observers are hard-pressed to name one significant wholly Chinese novel development. It is

therefore easy to dismiss China and argue it does not innovate.

Furthermore, it is argued that the country is heading for the middle income trap: too expensive to compete in labor-intensive industries but lacking the capability to innovate for high-technology industries. Such predictions do not consider China's strengths or the tectonic changes in the ways in which innovation takes place worldwide.



**VIEWPOINT**  
Dan Breznitz



Michael Murphree

To understand China's high-technology economy, we must understand the major shift over the last few decades away from vertical integration of firms and productive activities and toward the global fragmentation of production.

Information technologies have enabled companies to standardize productive activities into discrete modules that can be outsourced or off-shored. A firm need not master all stages of production in order to participate in a given industry.

Today a would-be integrated circuit firm need not raise billions of dollars to build a modern fabrication facility. A small team of designers can plan out the chips and have them produced in dedicated facilities using photomasks and equipment from specialized producers, and assembled and tested by other specialists. Each of these activities is increasingly concentrated in different countries such as photomasks in Japan or fabrication in Taiwan.

Different regions specialize in particular stages of production within industries. Novel products are produced without being made in their "home" country as there are

dedicated producers, with highly developed production, sourcing, logistics and project management skills that can perform these tasks far more efficiently and cheaply than a new inventor without such skills. As a result, there are many modes of innovation in which to create sustainable national economic growth.

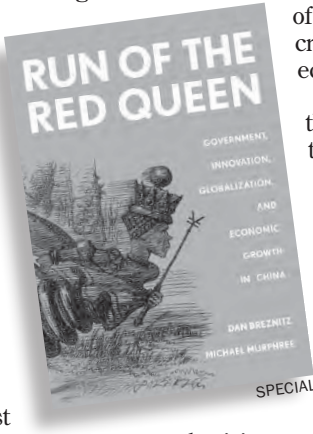
Since China suggests there are in fact multiple types of innovation in which an economy can specialize, the corollary is that policy makers need to rethink what innovation means and adjust national indigenous innovation strategies accordingly.

Where the goal is national economic growth and job creation, emphasizing novelty may not be the best strategy.

As Atlanta faces the challenges of the 21st century, looking back on our impressive and rapid growth, the growing number of Fortune 1000 businesses headquartered here, our national leadership in research investment and higher education, our wealth of human capital, and our competitive advantage as a major international hub, it is time to rethink our innovation policies to better fit Atlanta into the new world of globally fragmented production.

China's story suggests that Atlanta should feel confident to chart its own unique path; our region's strengths and capabilities are such that we should boldly aim to set the path, not take it.

**Breznitz and Murphree** are authors of "Run Of The Red Queen," recently published by Yale University Press. Breznitz is an associate professor at the Sam Nunn School of International Affairs and the College of Management at Georgia Tech. Murphree is a project coordinator at the Sam Nunn School of International Affairs at Georgia Tech.



## Drop in on Sept. 10 to prevent dropouts

Georgia suffers from a dismal school dropout epidemic. Each dropout worsens the talent pool for those hiring in Georgia, making our state less competitive. If we are to survive and thrive in a slow-growth economy, we need to address this problem with an innovative solution.

And we need to find credible ambassadors to speak to the importance of staying in school. Thankfully, we don't have to look too far. University students exemplify the importance and benefits of staying in school. University students serve as role models to younger students.

Atlanta-based Campus Community Partnership Foundation will address the dropout crisis by organizing the inaugural "Carolyn Young Mentor Walk" on Saturday, Sept. 10 from 8 a.m. to 1 p.m. at Agnes Scott College. Local elementary school students (with their parents) will be paired with "near peer" university students and other adults and encouraged to talk about the future of their education.

We ask everyone to join the walk, and spark a conversation with a young student which may have a lasting impact on them. Indeed, our goal is to motivate children to graduate high school, attend college, find a



**Mentors:** Carolyn Young, for whom the Mentor Walk is named, left; and Kashi Sehgal, vice president and director of special projects, Campus Community Partnership Foundation.

mentor, and develop skills for success. There are many revelatory studies that show young students who engage in an ongoing mentorship dialogue are less likely to dropout.

School-based mentoring is one of the fastest-growing forms of mentoring today. What may be a simple piece of advice could shape a young mind for years to come.

Because the Mentor Walk addresses a pressing problem, our state leaders have lent their support: in attendance will be U.S. Sen. Johnny Isakson, Lt. Gov. Casey Cagle, Mayor Kasim Reed, Carolyn Young, Ambassador Andrew Young, U.S. Rep.

Hank Johnson, state House Minority Leader Stacey Abrams, state Rep. Jason Carter, and Agnes Scott College President Elizabeth Kiss. The Coca-Cola Co. and Northside Hospital are major sponsors. All Georgia employers should consider this walk an investment in their future earnings. With more skilled labor, Georgia can achieve a significant competitive advantage.

The walk is named after Carolyn Young, who has taught in Atlanta Public Schools and has been recognized with several awards and honors for her outstanding teaching career. To sign up, please visit us at [www.mentorwalk.org](http://www.mentorwalk.org).

*Campus Community Partnership Foundation ([www.c2pf.org](http://www.c2pf.org)) recognizes best practices of campus community partnerships and excellence in academic service learning. It develops social responsibility in students by encouraging them and their faculty to solve community problems with innovative, entrepreneurial and sustainable solutions linked to their academic disciplines. The program, in Georgia since 2000, has received support from the Anne E. Casey Foundation, The W.K. Kellogg Foundation, Coca-Cola, the Robert W. Woodruff Foundation and others.*

**Sehgal** is founder and president of Campus Community Partnership Foundation.



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