

**National Innovative Capacity in East Asia:
Determinants and Evidence from Five Countries, and Particularly
from Taiwan**

By

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**A thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy (PhD)**

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May 2004

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Table of Contents

	Page
Title Page	i
Table of Contents	ii
Certification	vii
Acknowledgements	viii
Abstract	x
List of Figures	xi
List of Tables	xiii
List of Abbreviations	xv
Chapter 1 Introduction	1
1.1 Overview and Motivation	1
1.2 Objectives of the Research	5
1.3 Research Methodology	7
1.4 Outline of the Research	8
Chapter 2 International Patenting Experience: Worldwide and the Five East Asian Countries	11
2.1 Worldwide International Patenting Activity	11
2.2 International Patenting Experience of the Five East Asian Countries	12
2.3 The Significant Position in International Patenting Activity: the Five East Asian Countries	21
2.4 Conclusion	24
Chapter 3 Literature Review: National Innovative Capacity and its Context	26
3.1 Introduction	26
3.1.1 <i>Endogenous Growth Theory</i>	26
3.1.2 <i>Evolutionary Theory</i>	28
3.2 Catch-up Strategy	29
3.2.1 <i>External Technology Acquisition and Technology Diffusion</i>	29
3.2.2 <i>Absorptive Capacity</i>	32
3.2.3 <i>State Intervention</i>	32
3.2.4 <i>Related Incentives</i>	35

3.3	Beyond Catch-up: Ways to Innovation	36
3.4	National Innovation System	40
3.4.1	<i>Endogenous Growth Theory: Knowledge Production and Accumulation</i>	40
3.4.2	<i>Technological System of Innovation Functions</i>	41
3.4.3	<i>Factor Interactions of National Advantage</i>	42
3.5	National Innovative Capacity in the OECD Countries	44
3.5.1	<i>Common Innovation Infrastructure</i>	45
3.5.2	<i>Environments for Innovation in Industrial Cluster</i>	47
3.5.3	<i>The Linkages between Innovative Infrastructure and Cluster-specific Innovation</i>	48
3.5.4	<i>Downstream Contributors and Related Outcome Factors</i>	49
3.6	National Innovative Capacity in the East Asian Countries	51
3.7	Use of Patent Statistics as Indicators of Innovation	53
3.8	Patenting Strategy	54
3.8.1	<i>Cause or Effect?</i>	55
3.8.2	<i>Country-specific Patenting Strategy</i>	57
3.8.3	<i>Firm-specific Patenting Strategy</i>	59
3.9	Conclusion – an Analytical Framework to Guide the Study	66
Chapter 4	Methodology	70
4.1	Introduction	70
4.2	Research Limitations and Caveats	71
4.3	Qualitative Analysis	74
4.4	Modelling the National Innovative Capacity	75
4.5	Quantitative Analytical Techniques	78
4.6	Justification of the Variables	80
4.6.1	<i>Innovation Output: International Patents Granted</i>	81
4.6.2	<i>Common Innovation Infrastructure</i>	82
4.6.3	<i>Environments for Innovation in Industrial Cluster</i>	88
4.6.4	<i>The Linkages between Innovative Infrastructure and Cluster-specific Innovation</i>	91
4.6.5	<i>Downstream Contributors and Related Outcome Factors</i>	92
4.7	Conclusion	94

Chapter 5 Empirical Results	96
5.1 Determinants of National Innovative Capacity	97
5.1.1 <i>GDP Per Capita as Knowledge Stock</i>	98
5.1.2 <i>Patent Stock as Knowledge Stock</i>	101
5.2 Public Sector R&D: Extension of the OECD-based Framework and its Application to East Asian Countries	103
5.3 The Sources of Dispersion in International Patenting	108
5.4 Robustness Checks	111
5.5 The Impact of National Innovative Capacity on Downstream Competitiveness Measures	113
5.6 Trends in Predicted vs. Actual Innovative Output in Latecomer Countries	117
5.7 Summary of the Findings	122
 Chapter 6 Case Study: Taiwan's Patenting Strategy	 125
6.1 Introduction	125
6.2 Taiwan's IP Development	126
6.2.1 <i>Innovation Leaders</i>	128
6.2.2 <i>Domestic Patenting Activity</i>	131
6.3 Evolution of Taiwan's Patenting Strategy in the Private Sector	134
6.3.1 <i>Taiwan Semiconductor Manufacturing Corporation</i>	135
6.3.2 <i>Winbond Electronics Corporation</i>	137
6.3.3 <i>Vanguard International Semiconductor Corporation</i>	138
6.3.4 <i>Utilisation of IP Management</i>	140
6.4 The Role of IP in the Public Sector	143
6.4.1 <i>ITRI</i>	144
6.4.2 <i>Benchmarks of Utilising and Integrating Patent Portfolio</i>	149
6.4.3 <i>The Public IP Promotion Institute</i>	151
6.5 Quantity and Quality of Taiwan's International Patenting Activity	153
6.6 Conclusion	157
 Chapter 7 Conclusions and Matters for Further Discussion	 160
7.1 Conclusions	160
7.2 Matters for Further Discussion	163
7.2.1 <i>Why IP is not a Significant Factor in Latecomer Countries' Innovative Capacity</i>	163

7.2.2	<i>The Role of Public R&D Funding and Taiwan's Leverage Effect</i>	168
7.2.3	<i>The Role of Government Intervention and Singapore's Lagging Innovative Performance</i>	172
7.2.4	<i>The Changing IP Strategy in Taiwan: from Quantity to Quality</i>	174
7.3	Contributions to the Literature	177
Appendices		182
Appendix A-1	Population in Asian Countries	182
Appendix A-2	Full-time Equivalent Scientists and Engineers (FTE S&T) Personnel Engaged in R&D Activities	183
Appendix A-3	R&D Expenditure	184
Appendix A-4	GDP Per Capita	185
Appendix A-5	Openness to International Trade and Investment	186
Appendix A-6	Intellectual Property Protection	186
Appendix A-7	Antitrust Policy	187
Appendix A-8	Expense on Higher Education	188
Appendix A-9	Public R&D Funding	189
Appendix A-10	Private R&D Expenditure	190
Appendix A-11	Classes and sub-classes of Chemical, Electrical and Mechanical Classifications	191
Appendix A-12	Patents Granted from the USPTO in Chemical Classification	192
Appendix A-13	Patents Granted from the USPTO in Electrical Classification	193
Appendix A-14	Patents Granted from the USPTO in Mechanical Classification	194
Appendix A-15	R&D Expenditure by University	195
Appendix A-16	Venture Capital Availability	196
Appendix A-17	Scientific Publications in East Asia	196
Appendix A-18	GDP in Asian Countries	197
Appendix A-19	Labour Force in Asian Countries	198
Appendix A-20	Non-residential Capital Stock	199
Appendix A-21	Share of Export in High-tech Industries	200
Appendix A-22	Share of Export in Aerospace Industry	200
Appendix A-23	Share of Export in Computers and Office Machinery Industry	201
Appendix A-24	Share of Export in Communications Equipment Industry	202
Appendix A-25	Share of Export in Pharmaceuticals Industry	203
Appendix B	Person Correlations	204

Appendix C-1	Interview Questions for the Public Sector	206
Appendix C-2	Interview Questions for the Private Sector	208
Appendix D-1	ITRI: Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	210
Appendix D-2	National Science Council (NSC): Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	214
Appendix D-3	Taiwan Semiconductor Manufacturing Corporation (TSMC): Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	216
Appendix D-4	United Microelectronics Corporation (UMC): Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	217
Appendix D-5	Winbond Electronics: Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	218
Appendix D-6	Vanguard International Semiconductor Corporation (VISC): Patent Awarded by Classification in Taiwan Intellectual Property Office – 1990 to 2001	219
References		220

Certification

This thesis is submitted in fulfilment of the requirements of the degree of PhD, in the Graduate School of Management, Macquarie University. This represents the original work and contribution of the author, except as acknowledged by general and specific references.

I hereby certify that this has not been submitted for a higher degree to any other university or institution.

A handwritten signature in black ink, appearing to read 'Amir' or 'Mei-Chih', with a stylized, cursive script.

Mei-Chih Hu

May 2004

Acknowledgements

My deepest gratitude goes to my supervisor, Professor John A. Mathews, who suggested the topic in the first place and followed up with invaluable advice, enthusiasm, and encouragement. I thank him especially for his outstanding supervision and scholarly inspiration. Without his critical comments, this thesis would not have come into being.

I would also like to acknowledge the financial support I received from Macquarie University in 2003. This funding enabled me to conduct further field research in Taiwan.

The final stage of the research, exploring Taiwan's patenting strategy, was carried out in Taiwan's public and private sectors. My sincere thanks go to Dr Mung-Chung Wu at National Chiao-Tung University for supporting my contact with the Technology Transfer and Service Centre of Industrial Technology Research Institute (ITRI), where I received great assistance from the Director, Sao-Cheng Chiou, for gaining insight into patenting strategy in Taiwan's public institutions.

I would also like to express my deep appreciation to those interviewees from R&D and Intellectual Property Departments in Taiwan Semiconductor manufacturing Corporation (TSMC), Winbond Electronics Corporation and Vanguard International Semiconductor (VIS) whose help made this research possible (although they remain unnamed to protect their identities).

Special thanks to the Chairman of the Institute for Information Industry (III), Dr Ferng-Ching Lin, for providing me an opportunity for discussion with the managers in the Science & Technology Law Centre, and the President of the Industrial Technology Research Institute (ITRI), Dr Johnsee Lee, allowed me to meet with the managers in the Open Laboratory and Market Intelligence Centre.

My husband Ching-Yan Wu has been a great 'househusband' during my conduct of this research project. He has allowed me to spend time on my study rather than on tedious housework. Without his generous helping hand, this thesis would have been buried in dust.

Our daughters, Jenny and Sharon, are my joy and, in fact, also an inspiration for me to finish this thesis as quickly as possible so that I can spend more time with them. My mother

Jin-Yun Hu, with unfailing encouragement, has always believed in my ability to achieve something. It took me more than three decades to present her with this small reward. I dedicate this thesis to her.

Abstract

The innovative capacity of a country is the basic driving force behind its economic performance. In 2002, Furman, Porter & Stern (FP&S) developed a methodology for assessing innovative capacity in terms of the national factors that influence the rate of patenting by the country in the United States Patent and Trademark Office (USPTO). They are the first to provide an integrated framework for the measurement of national innovative capacity, which they apply to a panel of 17 OECD countries over the 25 years from 1973 to 1996. My study extends the FP&S approach by applying it to five “latecomer” countries from East Asia, none of which was included in the FP&S study. In this way, this study weights the distinctive contribution of each driver on innovative activity and provides a basis for comparing innovative capacity of the OECD countries with the mechanism of innovation in the East Asian countries (particularly the *Tiger* countries).

First, this study adopts the FP&S methodology in relation to the five East Asian countries, by gathering comparable data over a comparable time period. The results here replicate those of FP&S, with some important differences: it is found that fewer national factors influence the rate of patenting in countries that have become innovative only recently, and that their patenting performance is diverging (as opposed to the convergence demonstrated by FP&S).

Second, this study extends the framework to encompass variables not considered by FP&S, in particular the impact of public sector Research & Development (R&D); the results show that this variable has exerted a significant effect on patenting rates, which reinforces its claim to be considered as part of the innovative capacity of a latecomer country.

Third, this study provides some empirical and case study evidence of current patenting trends in one of the five countries, namely Taiwan, to illustrate the depth of strategising involved in raising the level of the country’s innovative performance and the indispensable role played by the public sector. In these ways, this study sheds light on the process through which a latecomer country is able to close the gap with the more developed countries, by channelling resources towards the raising of its innovative capacity.

List of Figures

		Page
Figure 2.1	International Patents Granted	17
Figure 2.2	International Patents Per Million Persons	17
Figure 2.3	International Patents Per 10,000 Full-time Scientists and Engineers	18
Figure 2.4	International Patents Per Unit of R&D Expenditure	18
Figure 3.1	Porter's Diamond of National Advantage	43
Figure 3.2	The Conceptual Framework of National Innovative Capacity	67
Figure 4.1	Composition of USPTO Patent Granted by Technological Class, 1995	89
Figure 5.1	Export Value in High-tech Industries	116
Figure 5.2	Trends in National Innovative Capacity	119
Figure 5.3	Actual Patents Per Million Persons	119
Figure 5.4	Comparison of Predicted and Real Patents Per Capita – Taiwan 1985-2000	120
Figure 5.5	Comparison of Predicted and Real Patents Per Capita – South Korea 1985-2000	120
Figure 5.6	Comparison of Predicted and Real Patents Per Capita – Singapore 1985-2000	121
Figure 5.7	Comparison of Predicted and Real Patents Per Capita – Hong Kong 1985-2000	121
Figure 5.8	Comparison of Predicted and Real Patents Per Capita – China 1985-2000	122
Figure 6.1	The Number of Patent Applications and Approvals in Taiwan from 1951 to 2001	131
Figure 6.2	Domestic and Foreign Patent Granted in the Taiwan's IPO – Invention Type	133
Figure 6.3	Domestic and Foreign Patent Granted in the Taiwan's IPO – Utility and New Model Types	134
Figure 6.4	TSMC's R&D Expenditure and Innovation Performance – 1995 to 2002	136
Figure 6.5	Winbond's R&D Expenditure and Innovation Performance – 1995 to 2002	138

Figure 6.6	Vanguard’s R&D Expenditure and Innovation Performance – 1995 to 2002	139
Figure 6.7	Destinations of Personnel Dissemination from ITRI	145
Figure 6.8	Personnel Dissemination from ITRI to Industries	145
Figure 6.9	ITRI’s R&D Expenditure and Innovation Performance – 1995 to 2002	146
Figure 7.1	Trends of Actual Innovation Outputs and Technology Purchasing in Taiwan	164
Figure 7.2	Countries from which Taiwan Purchased Technologies, 1988 – 2000	165

List of Tables

	Page
Table 2.1	Worldwide Patents Demand 12
Table 2.2	U.S. Patents Granted, by Residence of Inventors (Utility Patents Only) 16
Table 2.3	Top Three Technology Classes in the Five East Asian Countries 19
Table 2.4	Top Patenting Firms and Institutions: Taiwan, Korea, Singapore, and China, 1997-2001 20
Table 2.5	Top 12 Innovative Countries: USPTO 1975-2001 22
Table 2.6	Country Statistics: Averages for 5- and 30-year periods (Utility Patent Only) 23
Table 2.7	Top 12 Patenting Organisations in the USPTO, 1997-2001 24
Table 3.1	Primary Channels of Foreign Technology Acquisition 30
Table 3.2	Summary of the Literature Review 63
Table 4.1	Data Sources of Variables and Measures 73
Table 4.2	Doctoral S&T Degrees Earned in Origin and the US Universities 85
Table 4.3	Venture Capital in Industrialising East Asia 92
Table 5.1	Descriptive Statistics – Five East Asian Countries from 1975-2000 96
Table 5.2	Simple Regression on Scale-dependent Measures 97
Table 5.3	Determinants of National Innovative Capacity (GDP/POP as Knowledge Stock) 99
Table 5.4	Determinants of National Innovative Capacity (Patent Stock as Knowledge Stock) 102
Table 5.5	Extension of the OECD-based Framework to East Asian Countries 104
Table 5.6 (a)	The Comparisons of Determinants of National Innovative Capacity between OECD and Latecomer Countries (GDP/POP as Knowledge Stock) 107
Table 5.6 (b)	The Comparisons of Determinants of National Innovative Capacity between OECD and Latecomer Countries (Patent Stock as Knowledge Stock) 108
Table 5.7	Exploring the Sources of Dispersion in International Patenting 110
Table 5.8	Exploring Robustness 112
Table 5.9	Exploring Relationship to GDP and International Trade 114
Table 6.1	Top 10 Taiwanese Patentees in the USPTO – 1990 to 2002 129

Table 6.2	Taiwan's Top 10 Patentees in the TIPO – 1990 to 2002	132
Table 6.3	Domestic and Foreign Patent Granted in the Taiwan's IPO	133
Table 6.4	TSMC: the Operational Facts from 1995 to 2002	136
Table 6.5	Winbond: the Operational Facts from 1995 to 2002	137
Table 6.6	VIS: the Operational Facts from 1995 to 2002	139
Table 6.7	ITRI: the Operational Facts from 1995 to 2002	146
Table 6.8	Taiwan's US Patents Performance in the CHI's 30 Technology Areas (Utility Patents Only)	155
Table 7.1	Summary of the Empirical Study	162
Table 7.2	Price and Royalty Fluctuations of CD-R for Taiwanese Firms	166
Table 7.3	Import Value of Technology by Industry	167
Table 7.4	Government Ownership in Singapore	172
Table 7.5	U.S. Patents Granted to Singapore Organisations: 1997- 2001	174

List of Abbreviations

APEC	Asia Pacific Economic Cooperation
APIPA	Asia Pacific Intellectual Property Association
CAFC	Court of Appeals for the Federal Circuit
CD-R	Compact Disk-Read Only Memory
CII	Current Impact Index
CPU	Central Processing Unit
DVD	Digital Video Disk
ED SHARE	Share of GDP spent on higher education
E-G	Ellison-Glaeser specialisation formulation in mechanical, chemical, and electrical classes
EPO	European Patent Office
ESOP	Employee Stock Option Program
EU	European Union
FDI	Foreign Direct Investment
FP&S	Furman, Porter and Stern
FTE S&T	Full-time Equivalent Scientists and Engineers
IC	Integrated Circuit
IDT	Integrated Device Technology
III	Institute for Information Industry
IMD	International Institute for Management Development
IP	Intellectual Property
IPRs	Intellectual Property Rights
IT	Information Technology
ITRI	Industrial Technology Research Institute
JPO	Japan Patent Office
LC	Legal Centre
LED	Light Emitting Diode
LICs	Late Industrialising Countries
MNCs	Multinational Corporations
MOEA	Ministry of Economic Affairs
MOS	Metal-Oxide Silicon
NBER	National Bureau of Economic Research

NI	National Semiconductor Incorporated
NICs	Newly Industrialised Countries
NSC	National Science Council
NSEL	National Systems of Economic Learning
ODM	Original Design Manufacturing
OEM	Original Equipment Manufacturing
PC	Personal Computer
POP	Population
PPP	Purchasing Power Parity
PWT	Penn World Table
R&D	Research and Development
RTA	Relative Technological Advantage
S.D.	Standard Deviation
S&E	Scientists and Engineers
SIA	Semiconductor Industry Association
SMEs	Small-Medium Size Enterprises
SOC	Systems-On-a-Chip
S&T	Science and Technology
STLC	Science and Technology Law Centre
TFT-LCD	Thin Film Transistor - Liquid Crystal Display
TDP	Technology Diffusion Project
TI	Texas Instrument Incorporated
TIPO	Taiwan Intellectual Property Office
TSMC	Taiwan Semiconductor Manufacturing Corporation
TTLA	Taiwan's TFT-LCD Association
TTSC	Technology Transfer and Service Centre
TWTM	Taiwan's Technology Marketplace
UMC	United Microelectronics Corporation
UNIDO	United Nations Industrial Development Organisation
USPTO	United State Patent and Trademark Office
USTR	United State Trade Representative
VC	Venture Capital
VISC	Vanguard International Semiconductor Corporation
WIPO	World Intellectual Property Organisation