



EASTERN
ECONOMIC
FORUM

VLADIVOSTOK
3-5 SEPTEMBER
2015



PROGRAMME OF THE KEY SESSION

FROM KNOWLEDGE ECONOMY TO KNOWLEDGE SOCIETY





THE PROGRAM WAS DEVELOPED WITH THE PARTICIPATION OF EXPERTS FROM THE
PRIMAKOV INSTITUTE OF WORLD ECONOMY AND INTERNATIONAL RELATIONS.





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THE FUTURE OF THE ASIA-PACIFIC REGION: THE ROLE OF RESEARCH & ANALYSIS AND EDUCATIONAL FACTORS IN THE REGIONAL AND GLOBAL ECONOMY

September 3, 2015 15:30-17:00

(with the possibility of prolongation the session until 18-18:30 in the same room)

Moderator – **Andrey Fursenko**, Assistant to the President of the Russian Federation

Speakers:

Alexander Dynkin – Director of Primakov Institute of World Economy and International Relations (MEMO RAN), Member of the Presidium of the Presidential Council for Science and Education

Lee Jae-Young – Vice President of Korea Institute for International Economic Policy (KIEP)

Mathew Burrows – Strategic Foresight Initiative Director in the Atlantic Council, author and editor of series of report «Global Trends 2030»

Radha Kumar – Director General of the Delhi Policy Group

Sergey Ivanets – President of Far Eastern Federal University

Jianlin Cao – Vice-Minister of Science and Technology of The People's Republic of China



Discussants:

1. **Anatoly Chubais** – ‘ROSNANO’ CEO
2. **Chang Chi Hyeok** – Head of The Korea Academic & Cultural Foundation (KACF)
3. **Viktor Vekselberg** – President of the Skolkovo Foundation
4. **Vasily Belov** – Acting Senior Vice-President for Development and Commercialization, Skolkovo Foundation
5. **Susumu Yoshida** – Honorary Research Fellow the Economic Research Institute for Northeast Asia
6. **Herman Gref** – CEO, Chairman of the Executive Board of Sberbank of Russia
7. **Sok An** – Deputy Prime Minister of Cambodia, Chairman of the Council of Ministers
8. **Vladislav Panchenko** – Chairman of the Board of Russian Foundation for Basic Research
9. **Feodor Voitolovsky** – Deputy Director of Primakov Institute of World Economy and International Relations (IMEMO RAN)
10. **Alexander Bikbov** – Vice-director of Centre for Contemporary Philosophy and Social Sciences at Philosophy Department, Moscow State University; associate fellow of the Maurice Halbwachs research Center (Paris)
11. **Ivan Danilin** – Head of section of Innovative policy in Primakov Institute of World Economy and International Relations (IMEMO RAN)
12. **Artem Lukin** – Deputy Director for science and technology in School of Regional and International Studies, Institute of Oriental Studies
13. **Viktor Larin** – Director of Institute of history, archaeology and ethnography of the peoples of the Far-East of Russian Academy of Sciences (IHAE FEB RAN)
14. **Elena Gafforova** – Director of School of Business and Public Administration Institute of Oriental Studies



Topic 1. Leadership in the framework of economic cooperation and competitiveness, competition of business-models and practices aimed to create new and develop traditional economic sectors

Based on international division of labor, the hierarchy along the “center - periphery” line persists in the world economy, and simultaneously international competition gains momentum. Asia-Pacific (AP) is becoming the center of its new dynamics.

1. Competitive performance of states that used to be on the global economic periphery is now improving, and at the same time rivalry between them is getting sharper. Technological developments and structural changes allow the leading AP countries to take dominant position in the new markets. Much depends on the governance quality in these countries, on the development dynamics and effectiveness of their corporations working on the technological “frontiers”, on their forecasting abilities, and their innovation potential. Historically gained leadership of the Western countries who were the pioneers of modernization and globalization in finance, science, and technologies is still important, but nevertheless their advantages are relatively waning. In the age of dynamically changing landscape of the world economy, the importance of adaptability, readiness to understand and to quickly rethink experience of other nations, to transform it and to use it according to the current challenges is growing. In this perspective Asian countries take the lead.

In “knowledge economy”, the strategic environment, drivers and also leaders might change faster than in traditional industrial economy.

2. Instruments of “development policies” for territories and populations are being revised. New models of competition between states and regions as socio-territorial systems, capable of bringing in investments and fostering innovation are being formed. Comfortable conditions for business imply much more now than just preferential customs treatment and favorable taxes.

The concept of “global standards” steps forward in all spheres – in investment and business regulatory regimes, in protecting property rights including those of intellectual property whose importance has grown significantly, as well as in technical, phytosanitary, ecological standards etc. Competition for leadership, search for profitable niches in the changing structure of world and regional economy make the use of political instruments inevitable for implementation of economic strategies and long-term projects. Yet the line between the state and the private, national and transnational in the sphere of property rights, governance and regulation is becoming more and more erosive. Informal norms and relations among economic and political actors are gaining more significance, new sustainable business ethics are being formed and a system of mutual trust based on this ethics evolves.



On the national and international levels new systemic tasks emerge:

- To form and to develop the domestic consumer market, including that of innovative products, as an indispensable prerequisite for leadership in setting of new development standards.
- To elaborate instruments not only for technological innovations, but also for new socio-economic normative standards, as well as for their dissemination in the outside markets.
- To adapt the system of reproduction of skilled labor forces to the needs of emerging sectors and transnational markets.

Investment in human capital is becoming a task of key importance. Technologies and innovations don't work without a "vehicle" – a skilled producer and a competent consumer, both of whom represent the growing middle class.

AP countries develop similar but still different approaches to raising their competitiveness in these spheres.

As interdependence and competition increases simultaneously, the Asian business ethics and system of social relations, which are less formal and more adaptive, often allow to speed up the decision-making process and to see a longer perspective than the Western system does, as it is based on formal norms, rules and institutions.

3. Today, new AP regional powers are dynamically occupying global niches becoming vacant from the predominance of developed countries. Sometimes these niches are being captured, often by means of technological breakthroughs. Region's leading economies turned into "global factories", skilled labor suppliers, logistics and infrastructure centers. Transformational role in these global and regional processes is played by *China*, which combines both market mechanisms and a strong regulatory role of the state. China's rising incomes are giving opportunities for growing structural complexity of its economy and for large-scale infrastructural projects inside and outside the region. Acknowledged leaders of innovation are *Japan* and the *Republic of Korea*, whose influence has already stretched well beyond the AP. In Asia, a new significance is gained by the phenomenon of small-sized states and territories nevertheless playing an important role in transnational economy and finance, in generating and disseminating innovation – *Singapore, Hong Kong* and *Taiwan*.



High-growth economies and markets phenomenon is a key factor of the global development. Asia is a place of its highest concentration.

However high-growth dynamics are not always dependent on socio-political transformations that in the West are considered to be necessary conditions for economic growth.

The most representative examples of Asian economic miracle of last decades – Singapore, Hong Kong and China – illustrate effectiveness of the model based on the combination of conservative political system and flexible innovation-driven economy.

Russia is getting actively involved into regional ties and begins to play the role of integrator of Asian and European cultural and economic space.

4. In AP competition between global and regional corporations is increasing. Globalization of value-added production chains is now irreversible. Manufacturing of complex and high-technology products outside of the global corporate networks has no economic future. This creates new competition fields – for more advantageous position in these structures, for new regional and global consumer markets, for product, technology and social innovations. This competition is taking place, in particular, between corporations that have been on the global market for a long time and new corporate players, from the AP are among them.

The notion of the “nationality” of capital, so important in the 20th century, is losing adequacy. Interstate competition now moves to the field of creating favorable environment for corporate business bound by common interest with a certain country. Not the formal jurisdiction of a company is important but the integral bond to a country’s economy. Territories development policies are becoming impossible without alignment to business strategies. In Asia-Pacific, where big business and state are closely interconnected, and the traditions are honored, this correlation gains special significance.

Shift to “knowledge economy” brings to life new markets, which are being competed by different actors both on international and transnational levels. But the “knowledge economy” itself is driven not only by these markets by social innovation, education and science.



A new tendency, changing the circumstances of global competition, becomes “knowledge society” formation – social environment for innovation development and adaptation. This tendency is pushed forward by adoption of high technology and dissemination of knowledge. In the “knowledge economy” the producer sets high consumer standards and not only forms markets, but also motivates the consumer to gain new skills.

In the “knowledge society” the distinction between the producer and the consumer is being blurred, as highly-experienced consumer can also generate innovation. Competitive performance of an economy depends on the society’s readiness for this change.

5. Elites of leading Asia-Pacific countries are becoming less and less interested in the goals they set in the last century, such as participation in the global coordinated reduction of the trade barriers, formation of a free trade and investments zone in the APEC format, creation of the regional intergovernmental structures for specific economic cooperation aspects.

New initiatives uniting countries of the region are emerging mostly as groups of collective interests:

1) groups, platforms and organizations – aimed to create a new regional economic environment by their own rules and to increase their political weight at the regional international platforms (ASEAN + model);

2) regional projects with key role of the People's Republic of China (PRC), creating the basis for its transnational economic influence growth (ASEAN + PRC format, the RCEP (Regional Comprehensive Economic Partnership) project, Shanghai Cooperation Organization (SCO), the ‘Silk Road Economic Belt’ project, the Asian Infrastructure Investment Bank);

3) trans-regional projects with the US involvement, first of all the Trans-Pacific Partnership (TPP) that is being implemented in conjunction with the Transatlantic Trade and Investment Partnership (NAFTA and the EU). The TPP project reflects the increased interest of American multinationals towards formation of the united and politically controlled economic space, free from administrative barriers to the maximum extent and ensuring effective protection for the international investors and owners as well as the standards and norms unification.



The competition goals between these projects are not limited to the trade regulation sphere. Establishment and dissemination of the production and consumption standards is becoming one of the key areas of competition. The demand for one of the models in the Asia-Pacific Region will determine whose standards and the resulting consumption models would dominate in the region.

ISSUES TO DISCUSS:

- What the correlation between the goals to compete and to cooperate will be in the environment of growing regional and global interdependence and in the face of common challenges and threats?
- Future megatrends in Asia-Pacific Region: will contradictions among different regional economic integration initiatives grow or they will transform to some forms of rapprochement towards collective global leadership?
- What new challenges and threats the development of “knowledge economy” and “knowledge society” will face in the Asia-Pacific?
- Will actors from the Pacific Asia be able to shape global manufacturing and consumer standards similar to those which were established by Spain and Netherlands in XVI – XVII, France in XVIII, Great Britain and Germany in XIX – the beginning of XX, and by USA and USSR in the XX century?



Topic 2. Formation of the “New norm” in the context of global governance and security system, and its impact on intellectual potential of regional development

After the end of the ‘cold war’ Western countries have been dominating the global socio-economic and political concepts market. They have been determining the sets of predominant ideas, norms, principles and institutions for the organization of the global economic and political order and international security.

In the middle of 2000s, the polycentric world order has started to emerge based on the dynamically growing influence of the new regional and global centers of financial, economic, scientific, technological and military power. Globalization processes have entered a new stage – rapidly growing non-western economies have become their active subjects. The development of a polycentric world has highlighted the discrepancies between the approaches that had appeared solely on the basis of the western historical experience and the increasingly complicated structure of the global economy and politics.

There is a growing demand, both on global and regional levels, for ideas and approaches taking into account non-Western political traditions, ethics, principles and business culture.

Regional expertise markets formation has become the first stage in the development of new processes of global competition in terms of ideas on the society, economy, international politics and security. States and business demand for such ideas could not be satisfied with traditional Western resources and recipes.

High economic development pace of Pacific Asia has made the region countries pioneers in the search of new directions of for the optimal socio-economic development models, new balance of interests, values and principles in the foreign policy and regulation of international relations.

In the 2010s the second stage of the competition development on the regional and global political and economic ideas markets has started.



Today an unprecedented diffusion of the ideas regarding the society and its governance is taking place in Asia:

- of Western socio-economic theories transforming according to the regional specifics;
- of the ancient civilizations' historic experience and theories based on national political culture and traditions;
- of economic and political development strategies that were born in order to solve essentially practical tasks (overcoming technological underdevelopment, increasing labor productivity, reducing poverty), but can be used on the wider horizon.

The number of social innovations that have emerged in Asia from the traditional basis is already giving advantages in the new global competition and allows them to receive additional benefits from globalization. For example, active usage of transnational (global) ethnic communities – diasporas and networks by AP countries' economies and politics.

The consequences of global financial and economic crisis and increasing global instability have revealed the limited nature of many of Western economic and political concepts and social organization formulas. Alternative ideas that can serve as a basis for economy and society development models and organization of international relations not only in the countries of their origin but on regional and on the global scale in the future are being formed in Asia Pacific. Russia has become one of the first countries in the region which has been supporting traditional values and consistently defending principles of the polycentric world order.

For the first time since the middle of XX century premises for intellectual leadership redistribution from the West to the East in spheres of economy, politics and security have appeared.

Political elites in the AP are more and more acknowledging the role of ideas as a tool of influence and the significance of institutions, which produce and develop political and economic ideas and recipes. The competition between regional initiatives, strategies and integration projects is manifested not only through the competition of countries but also through the race of national systems of expertise, analysis and forecasting.



The clear understanding has emerged in the region: **the one who is creating, distributing and implementing economic and political concepts today will acquire competitive advantages tomorrow, when they become principles, norms, standards and institutions.**

In Asia, following the examples of the US and the EU, an industry producing political and economic ideas, specialized knowledge and expertise is being developed. It consists of three components:

- scientific research structures, think-tanks, universities;
- ideas-dissemination resources – online and print media, blogs and other instruments targeted mostly on special focus groups including decision-makers, politicians, government officials, business management and experts rather than at the general public;
- instruments for intellectual verification of ideas and concepts created in Asia and for Asia – new major international forums, conferences, permanent science and expert communities communication platforms.

Russia is building up its potential in all of three directions: new science and education centers are being created in the region; leading Russian think tanks are paying more and more attention to issues of Pacific Asia; new platforms for expert dialogue are emerging.

The voice of the Asian expert community becomes more prominent at the global market of ideas and knowledge focused on global economy and international relations.

The new pragmatism of Asian experts and politicians is rooted in the logic of going one's own way but not trying to make it universal and 'the right one'. They are not attempting to undermine others' ideas with their own – like it has always been in the case of Eurocentric world: socialism vs. liberalism, market economy vs. planned economy, centralization vs. decentralization.



Asian experts are ready to absorb the best from each other and from the western colleagues and to adapt foreign solutions for their practical tasks. They are ready to learn but they are not yet planning to teach.

ISSUES TO DISCUSS:

- Will China become a new actor in the global ideological and political field or it will remain focused on conceptual foundation for itself?
- Which niches can be occupied by other Asia-Pacific countries in their efforts for intellectual leadership in the region and outside?
- Will in the near future Asian think tanks be able to grade up Western think tanks in the quality and impact of their analysis?
- The role Russia on the Asian market of ideas – what can Russian scientists and experts learn from Asian experience, and what they can suggest?



Topic 3. Science & Technology, and educational potential and leadership of Asia-Pacific region

China and other emerging economies of the AP are becoming actively engaged into the creation of scientific innovations.

In 2000-2014, the leading countries of the region kept increasing their R&D budgets as well as the research intensity of their GDPs. China now spends more on research and development than Japan and most of European countries, second only to the EU as a whole and the United States. Russia, which has significantly increased its spending on science and technology and country's general scope of funding research and development, is now ranked ninth in the world.

Asian countries now produce more than 15% of world's scientific publications, which is a clear indicator of the increasing quality of economic development.

The most tangible result of the region's countries technological advancement is the rapid increase of their share in the world's export as well as the share of the value added of their products. China's share in added value of its hi-tech goods has increased by 8 times since 1997 and now reaches 25% of the world total. India has increased its share more than twice (up to 1%) and the Republic of Korea has reached 3,5-3,8%.

The growth of high-tech manufacturing and other related indicators is now not only a consequence of direct foreign investment made by leading American and European companies in the 1980s - 1990s., but also a result of the expansion of innovative and technological capabilities in the region.

In addition to Asian multinationals which have become global leaders, large regional companies have emerged as manufacturers of high-tech components and subsystems. They have replaced similar companies from developed countries in some sectors. Following the migration of basic industries, the subcontractors of major high-tech corporations formed the so-called ecosystem of innovations, which is crucial for long-term innovation and technological growth.



The proportion of added value generated by emerging Asian economies in the field of knowledge-intensive services by all means is not so great (less than 15%) due to the structure of the competitive advantages of Asian countries, which encouraged rapid growth of material production. However, sector of services for «high-tech» production is currently the fastest growing in the region. The share of services in the value of «high-tech» product reaches up to 50% with the prospect of further growth.

Asia-Pacific countries and the associated corporations are willing to develop those industries where environmental and other costs for Western businesses become excessive.

Pacific Asia is becoming a home for growing local centers of scientific and technological competence. The Region accounted for more than one-third in the development of semiconductor products by the mid-2000s, and this share has increased over the years. Similar trends are observed in transport engineering, pharmaceutical, biotechnological sector, in robotics and others. The process is enhanced by increasing FDI levels by multinationals into research and development units established in the region. This is not the localization of products but the use of local competencies in specialized areas.

Creation of intellectual property is another sign of Asia's growing technological capacity. From a formal point of view, the share of China and other Asian countries in the most valuable patents of the US, EU and Japan is not more than 8%. Here we must take into account the region countries' low starting positions, as well as the role of accumulation of competencies and knowledge to the expected transition for a new quality of development.

Markets of China, Singapore, South Korea have experienced rapid growth in patenting, reflecting among other issues the development of an innovation culture.

Leading US and European venture foundations have been already widely developed activities in the region. In addition, there is a redirection of flows to Asia and the growth of local centers of venture capital financing. In 2014, China's venture capital investments amounted to about 5.3 billion, Singapore - over 2.4 billion, India - about 4 billion dollars. This is a high proportion compared to 32-35 billion dollars globally.



Also, investments and the accumulated amount of intangible assets in the region are growing in such spheres as infrastructure and human capital, databases, brands. The corresponding rates of AP countries are significantly inferior to the ones of developed countries, but their rapid improvement takes place through:

- rotational educational migration into the United States and the European Union (China and India are particularly active);
- transfer of practices and competencies through partnerships, joint ventures and acquisitions of foreign assets – investments in US and European companies;
- establishing of subsidiaries in the field of R&D, design and other functions to create technologies and products in developed countries.

Besides widely known global companies and brands from the region (Sony, Mitsubishi, Toyota, Nissan, Hyundai, Samsung, LG), appearing new multinationals based in Asia Pacific (Lenovo, Huawei, ZTE, Alibaba, Great Wall, Tata, Mittal, etc.) is a sign of rapidly growing organizational and brand equity, the improving ability to create them and the rise of the workforce quality.

The innovation-driven growth sets entirely new requirements for development of the education system.

The number of graduated Chinese engineers and technical specialists already exceeds the joint quantity of such specialists of the majority of developed countries. The Republic of Korea and several countries of South-East Asia have reached a rapid growth of scientific and engineering workforce. The quality of only a part of these workers satisfies the Western standards. Nevertheless, their qualification is improving and even the existing capital fulfills the necessities of the manufacturers.

Asia is becoming a supplier of human resources for the most laborious high-tech industries with heavy-load conditions. The competition in these industries is lower and it is easier to gain advantages and rare valuable skills.



For example, Asian engineers are already beyond competition in developing batteries and memory blocks. Specialists from the Asia-Pacific region globally participate in R&D systems, such as material science, technology of storage and transportation of energy.

The system of reproduction of skilled labor forces, being formed in the Pacific Asia, has a certain advantage – it is focused on tackling social-economic issues and it can be relatively easily adapted to solving the new ones.

According to The Primakov Institute of World Economy and International Relations (IMEMO) RAS forecasts, Asia not including Japan, will eventually reach the level of advanced countries in the next 10-15 years in terms of innovation associated with production of goods in a wide range of areas (except for the aerospace and machine tool production). In case Russia involves in regional and sectoral integration more actively, the capacity of Pacific Asia will significantly increase, for example, in the aerospace industry and nuclear energy.

AP countries will remain behind the developed economies in the field of knowledge-intensive services, however, they will quickly build up their capacity.

It's impossible for Asia-Pacific countries to set their own standards of innovation and form the basis of technological leadership without the construction of an integrated, self-sustaining system of «knowledge societies», which includes:

- scientific knowledge generating system in different subject areas – hard and soft sciences;
- an enhanced reproduction system of the intellectual potential;
- advanced mechanisms for scientific, technological, socio-economic and political expertise; innovation system and the environment for its development with the view to rapidly and effectively commercialize technologies.



Russia's groundwork and potential in the field of fundamental sciences may be one of the key drivers for technological development throughout the Asia Pacific.

ISSUES TO DISCUSS:

- Which measures can regional countries take to coordinate and cooperate in their efforts to develop national centers of technological competence and excellence, as well as in the practices to create regional centers and clusters without significant detriment to their national interests?
- Priorities for global innovation-driven growth were mostly shaped by the West. Are these priorities final as major trends of economic and technological development or there are any other opportunities for Asian countries to lead in this sphere on the global level?
- Will the innovation sector of Asia-Pacific economies follow Western models or its development will take an alternative path?
- What are Russian perspectives in the development of scientific knowledge and innovation systems in the region?



For more information about this session please contact

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