

Startup Capitalism: New Approaches to Innovation Strategies in East Asia



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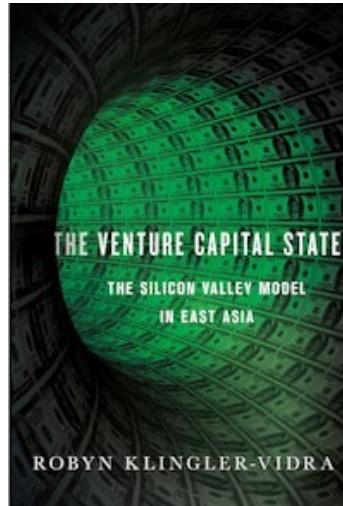
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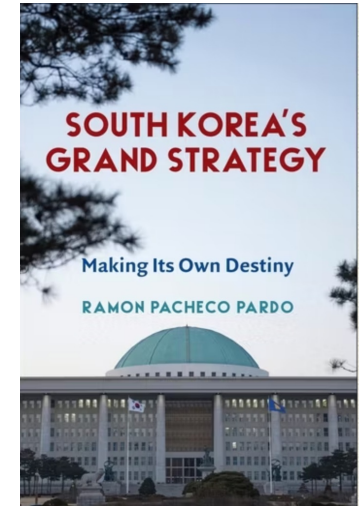
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About us



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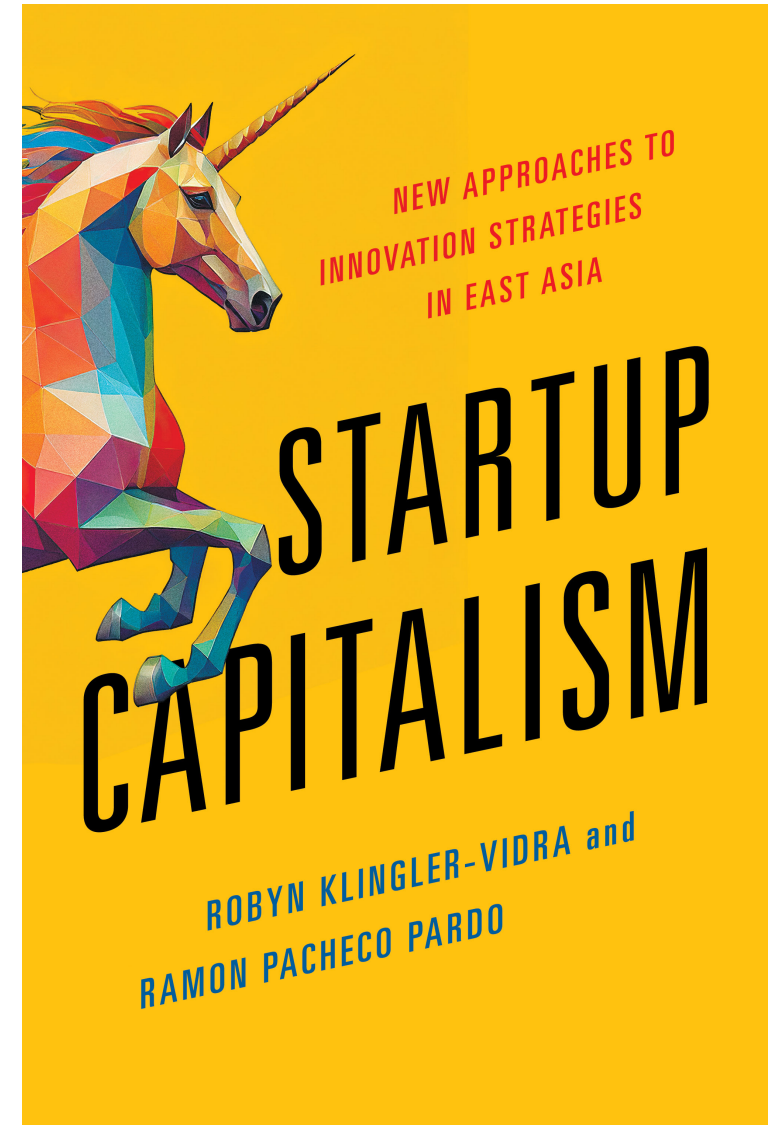
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Startup Capitalism

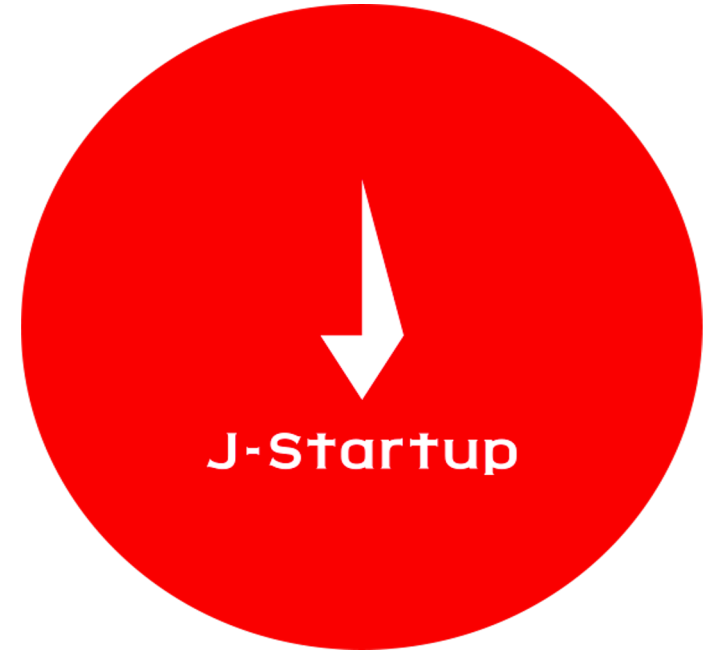
Startup capitalism is “an economic and political system in which startups contribute to employment, innovation, and growth”—and it can take multiple forms. (p. 3)

Startups can be:

1. resources for large firms, rather than disruptors of incumbent firms and technologies (an open innovation version of Schumpeter’s Mark II)
2. creative destruction motors (Schumpeter’s Mark I)

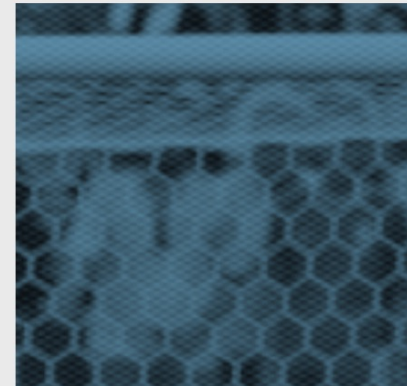
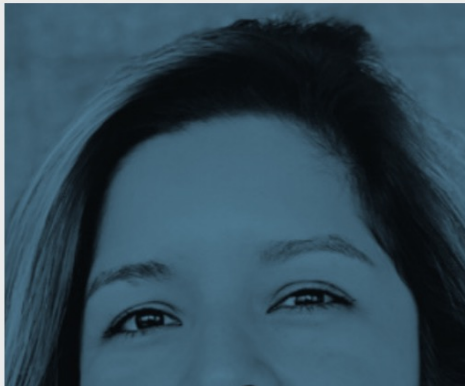
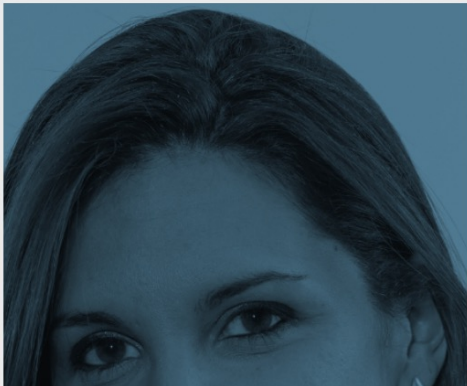


Some examples

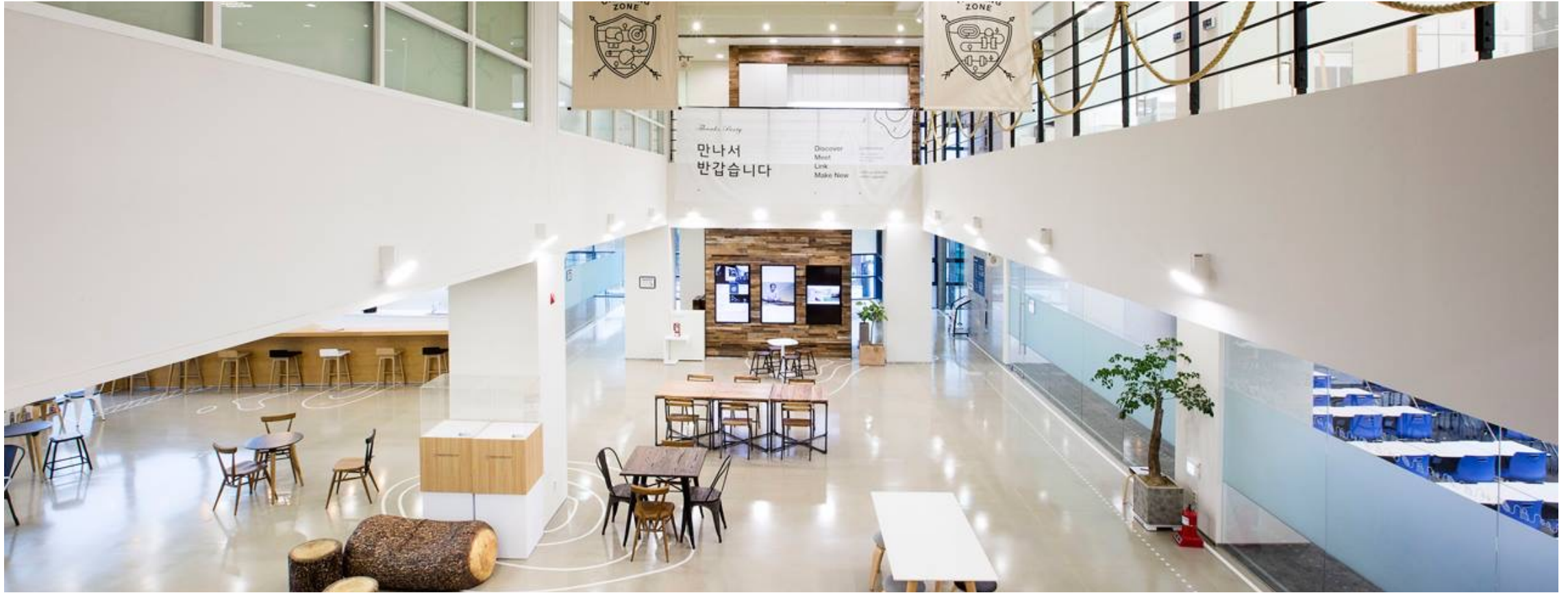


**WE EMPOWER FOUNDERS AND
THEIR STARTUPS TO GENERATE
IMPACT FROM CHILE TO THE
WORLD, REGARDLESS OF THEIR
STAGE OF DEVELOPMENT.**

ST>RT-UPCHILE
by **CORFO**



Korea's Centers for Creative Economy & Innovation



We set out to systematically analyze

How East Asian
governments
engage **startups**,
and why.

To what extent
this represents
continuity or
change.



Startup

- A “new entrant”, in Schumpeterian terms.
- A startup is a new, high-growth, and often technologically-oriented firm.
- For Schumpeter, these new entrants drive creative destruction—and thus capitalism—as they radically transform the industry, such that incumbent firms and technologies are made obsolete.



Startup policy

	Entrepreneurship policy	Startup policy	Industrial policy
Aim	Remove barriers to entrepreneurship and increase the rate of new business formation	Fuel startup activity in technology-centric industries in order to bolster innovation capacity in specific sectors and technologies	Boost economic competitiveness, export activity, and innovation capacity in specific sectors and technologies
Target beneficiaries	Would-be founders and founders of new firms	Would-be and fledgling founders of high-growth, technology-oriented firms; incumbent firms	Large incumbent firms
Industrial focus	Horizontal; not sector-specific	Vertical; select strategic sectors and technologies	Vertical; select strategic sectors and technologies
Instruments used	<ul style="list-style-type: none"> • Funding: grants and loans • Tax incentives, and subsidies • Regulatory reforms • Education and training 	<ul style="list-style-type: none"> • Funding: equity investment, grants and loans • Tax incentives and subsidies • Regulatory reforms • Education and Training • Clusters, networks, and institutes (e.g., accelerators and incubators) • Stock market access • Attracting talent and investment • Technology infrastructure and public procurement 	<ul style="list-style-type: none"> • Funding: loans and working capital • Tax incentives and subsidies • Import and export controls

Startup policy

Funding

Taxation

Regulation

**Clusters,
Networks and
Institutes**

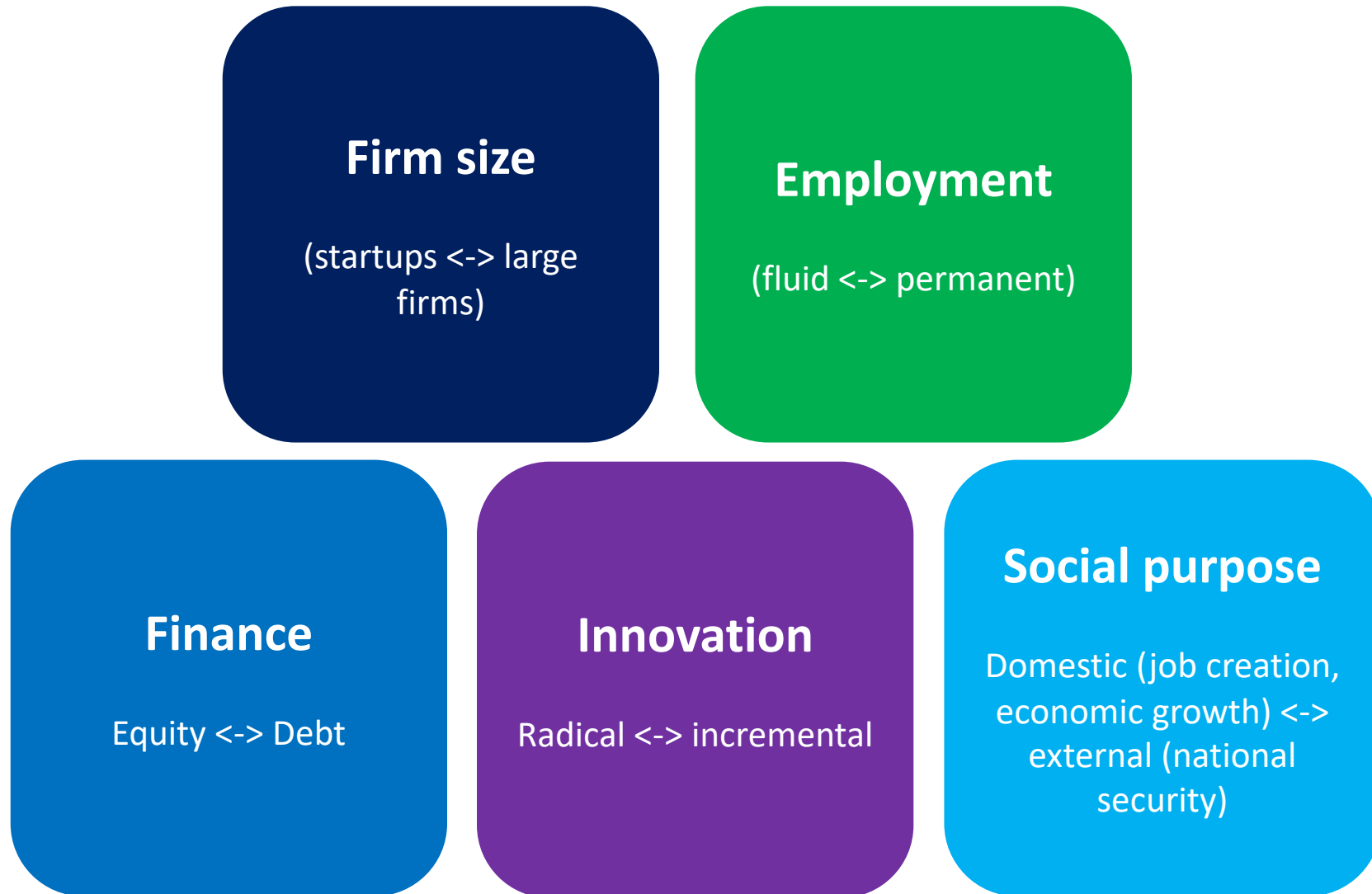
**Attracting Talent
and Investment**

**Technology
Infrastructure
and Government
Procurement**

**Stock Market
Access**

**Education and
Training**

Analytical framework



Schumpeter: Mark I and II

	Mark 1	Mark 2
Publication articulating the industrial dynamic	<i>The Theory of Economic Development (1934)</i>	<i>Capitalism, Socialism and Democracy (1942)</i>
Market structure	Competitive	Oligopolistic
Barriers to entry	Low	High
Firm to drive innovation	New entrants (startups)	Large incumbent firms
Core expectation	Creative destruction, driven by new entrants, transforms techno-industrial paradigm	Well-resourced incumbents leverage their resources to deliver transformative innovation

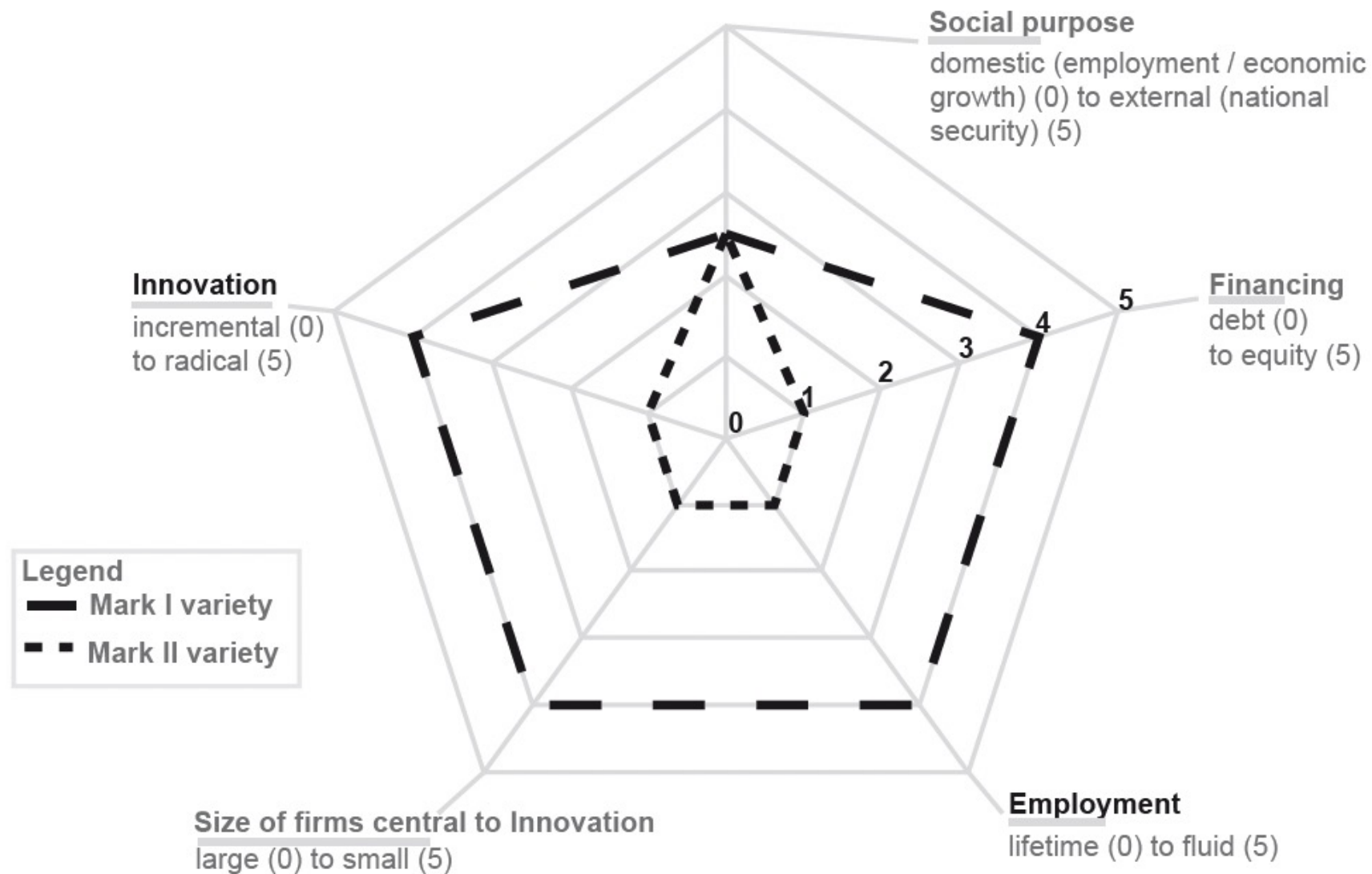


FIGURE 1.1. Startup capitalism: Mark I and II varieties

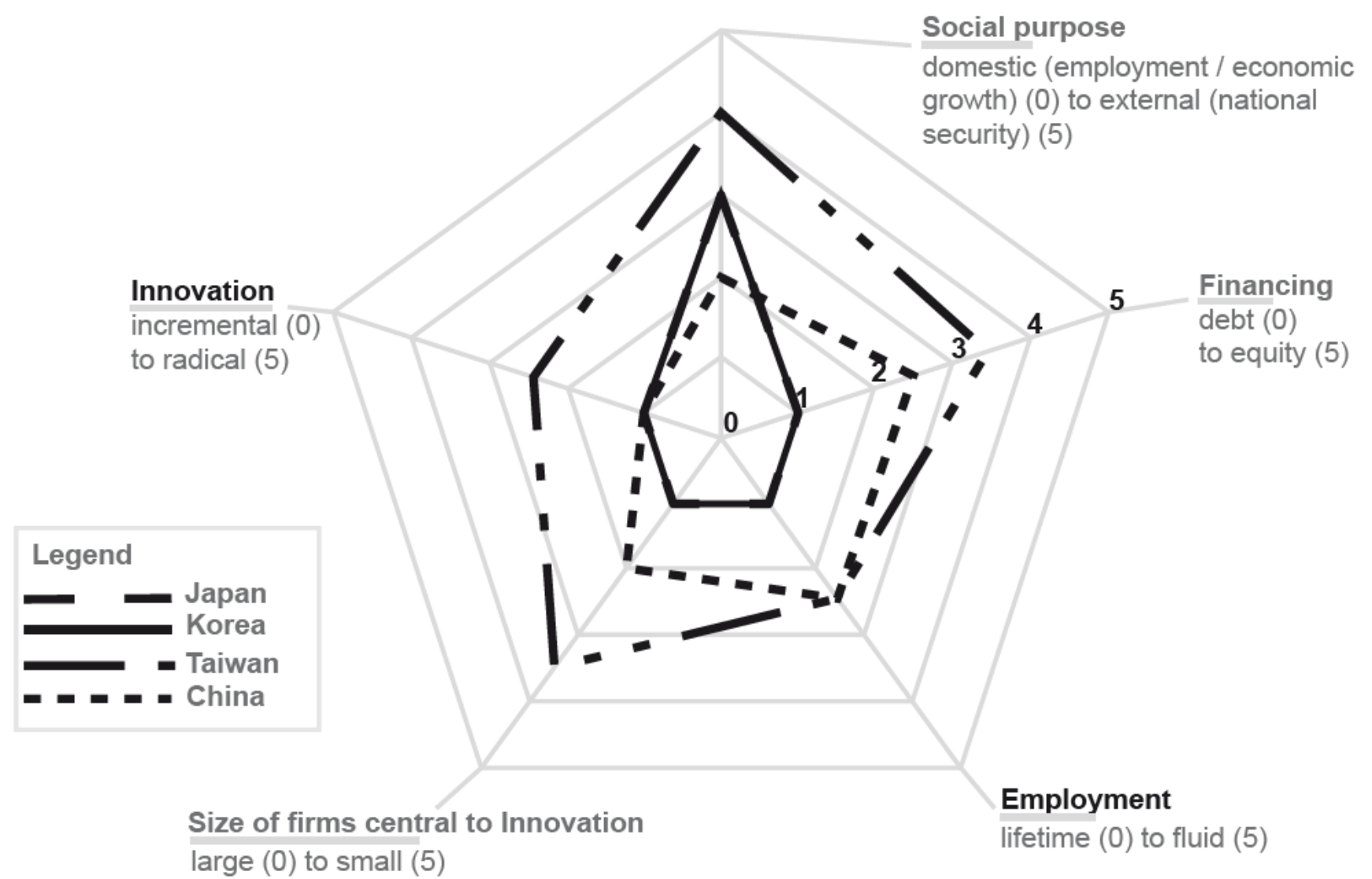


FIGURE 6.1. Antecedents in Japan, Korea, Taiwan, and China

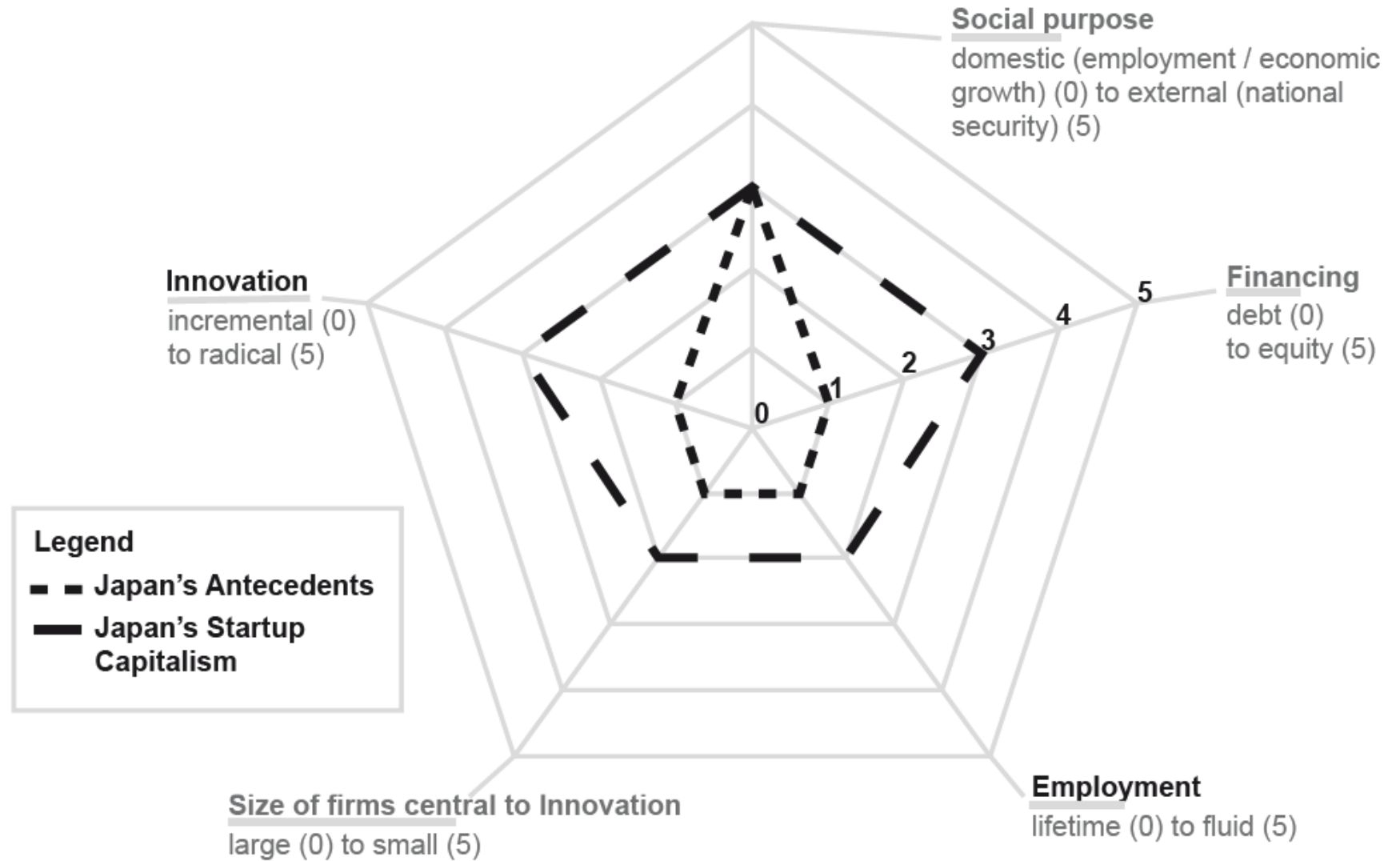







FIGURE 2.1. Analyzing Japan's institutional evolution: antecedents to startup capitalism



Japan is home to a majority of the most active CVCs

By number of companies backed, Q4'23

	Investor	Company count	Country
1	 MUFG Mitsubishi UFJ Capital	22	Japan
2	 SMBC SMBCベンチャーキャピタル	18	Japan
3	 MIZUHO みずほキャピタル	15	Japan
4		14	United States
5	 KB KB인베스트먼트	11	South Korea
5		11	United States
7	 SBI Investment	10	Japan
8	 MS&AD 三井住友海上キャピタル株式会社	8	Japan
8	 国投创业 SDIC VENTURE CAPITAL	8	China

State of CVC: 2023 recap

Source: CB Insights

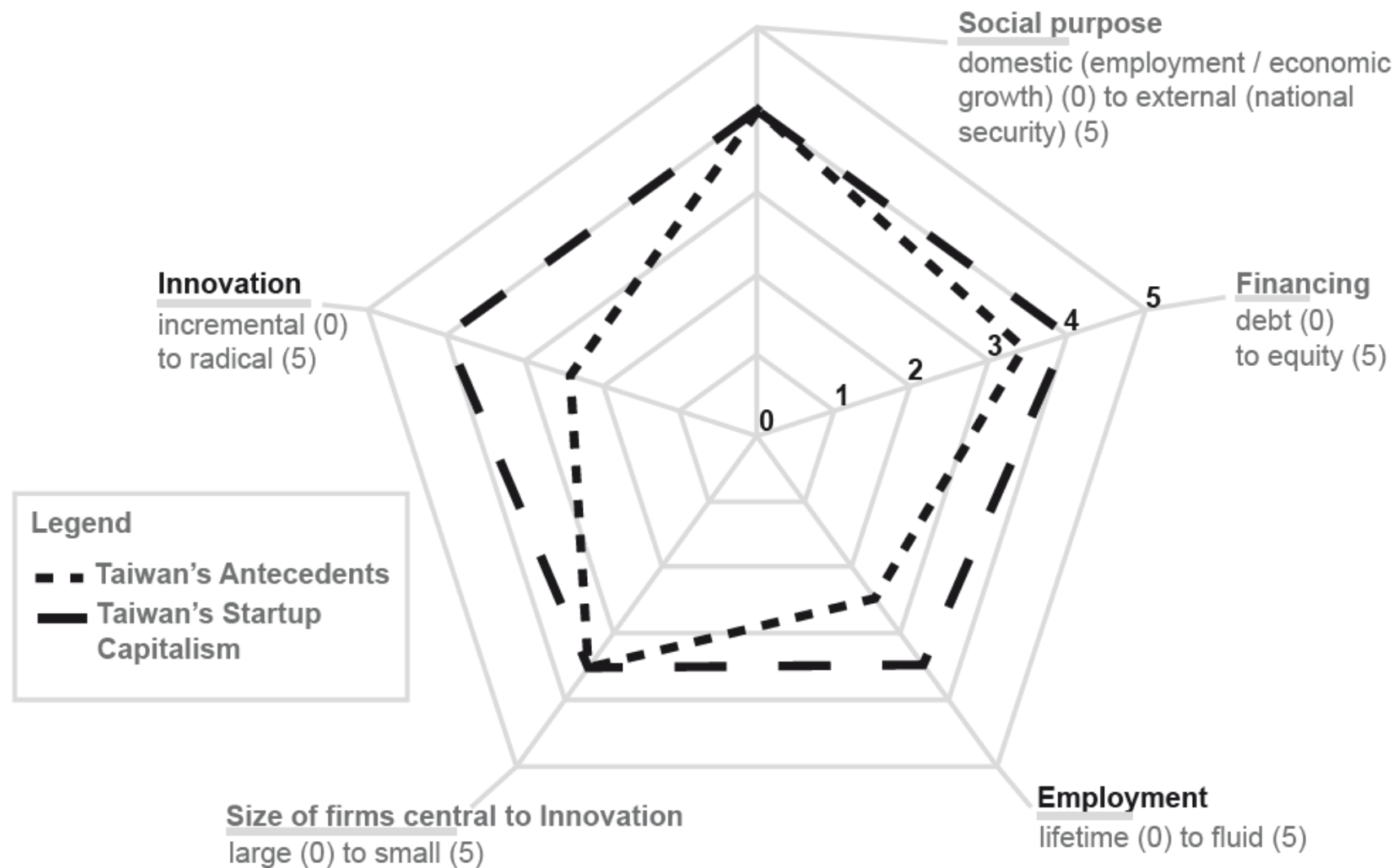


FIGURE 4.1. Analyzing Taiwan's institutional evolution: antecedents to startup capitalism



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Wed, Oct 04, 2017 page3

President Tsai responds to Morris Chang criticism

RETORT: Chang said the responsibility of government is to build infrastructure, but Tsai disagreed with how he characterized the ‘five plus two’ industrial initiative

Staff writer, with CNA



President Tsai Ing-wen (蔡英文) said her administration’s “five plus two” industrial innovation development program is aimed at strengthening the nation’s entire industrial base and does not represent excessive government involvement in the economy.

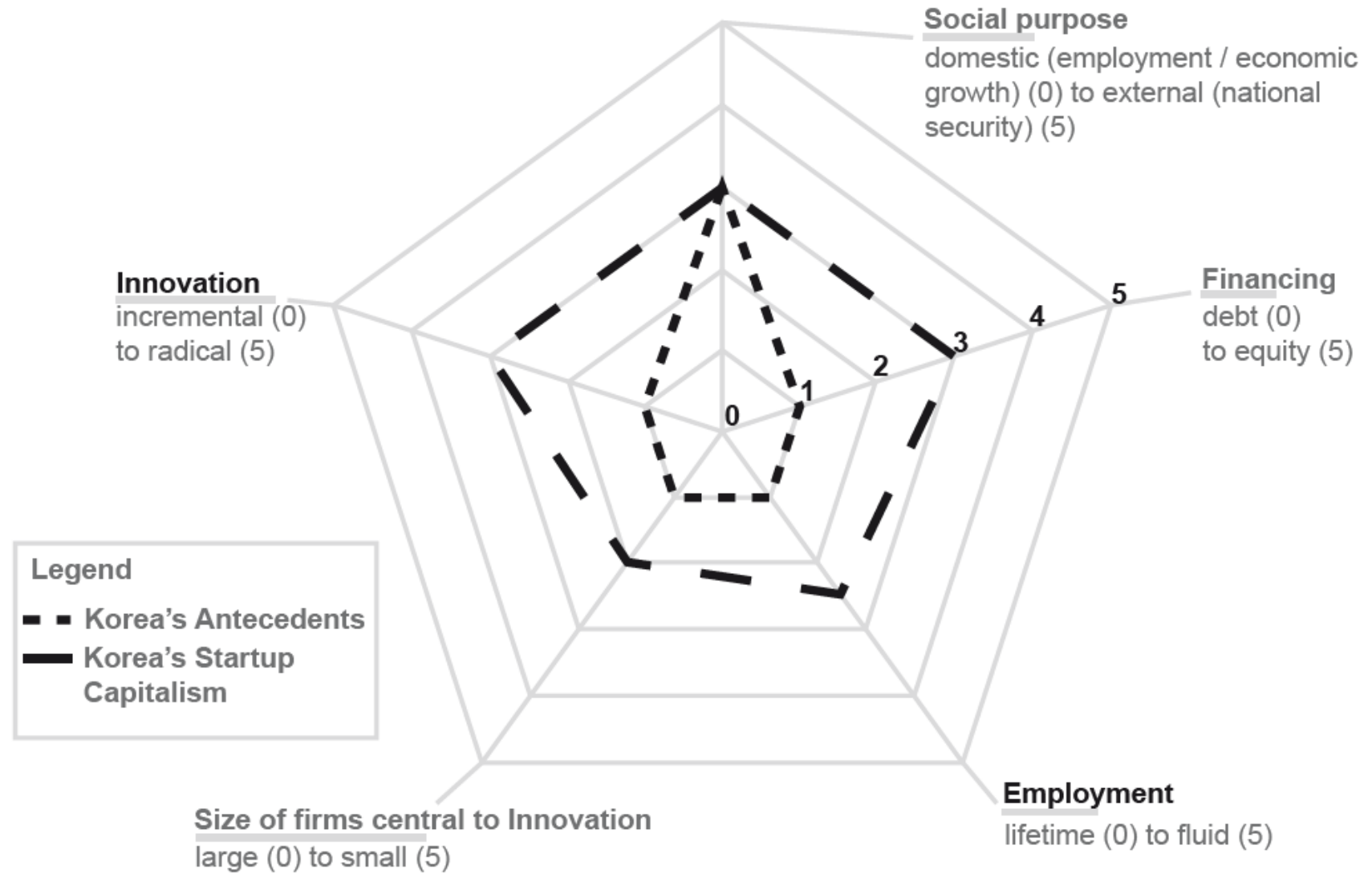


FIGURE 3.1. Analyzing Korea's institutional evolution: antecedents to startup capitalism



The Korea Times

South Korea > Society

Gov't to accept applications for new global startup entrepreneurial visa

Listen

Aa



SMEs Minister Oh Young-ju speaks during a meeting in Dubai, in this picture provided by the Ministry of SMEs and Startups, Nov. 4. Yonhap

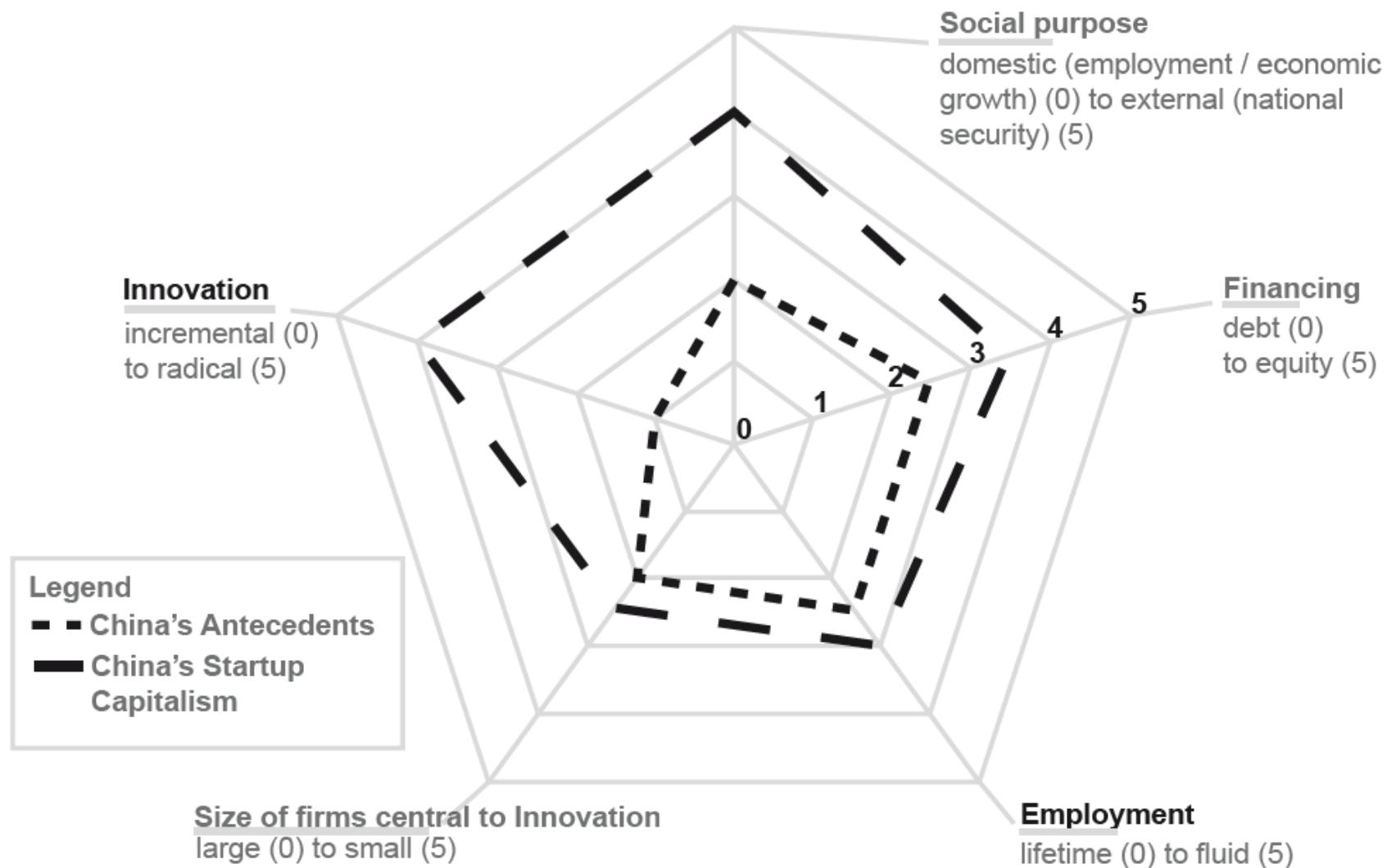


FIGURE 5.1. Analyzing China's institutional evolution: antecedents to startup capitalism

TECH

Alibaba shares soar after Chinese tech giant unveils new DeepSeek rival

PUBLISHED THU, MAR 6 2025 6:54 AM EST | UPDATED THU, MAR 6 2025 4:14 PM EST

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KEY POINTS

- Chinese tech giant Alibaba said its latest AI reasoning model, e.g., DeepSeek-R1.
- Both established and emerging AI players around the world are developing more efficient and higher-performance models.
- Optimism surrounding AI developments could lead to larger gains and set the company's earnings "on a more upwardly-progressive path," analysts said.

China sets up third fund with \$47.5 bln to boost semiconductor sector

By Reuters

May 27, 2024 8:12 AM GMT+1 · Updated 10 months ago



A Chinese flag is displayed next to a "Made in China" sign seen on a printed circuit board with semiconductor chips, in this illustration picture taken February 17, 2023. REUTERS/Florence Lo/Illustration [Purchase Licensing Rights](#)

BEIJING, May 27 (Reuters) - China has set up its third planned state-backed investment fund to boost its semiconductor industry, with a registered capital of 344 billion yuan (\$47.5 billion), according to a filing with a government-run companies registry.

The hundreds of billions of yuan invested in the sector puts into perspective President Xi Jinping's drive to achieve self-sufficiency for China in semiconductors.



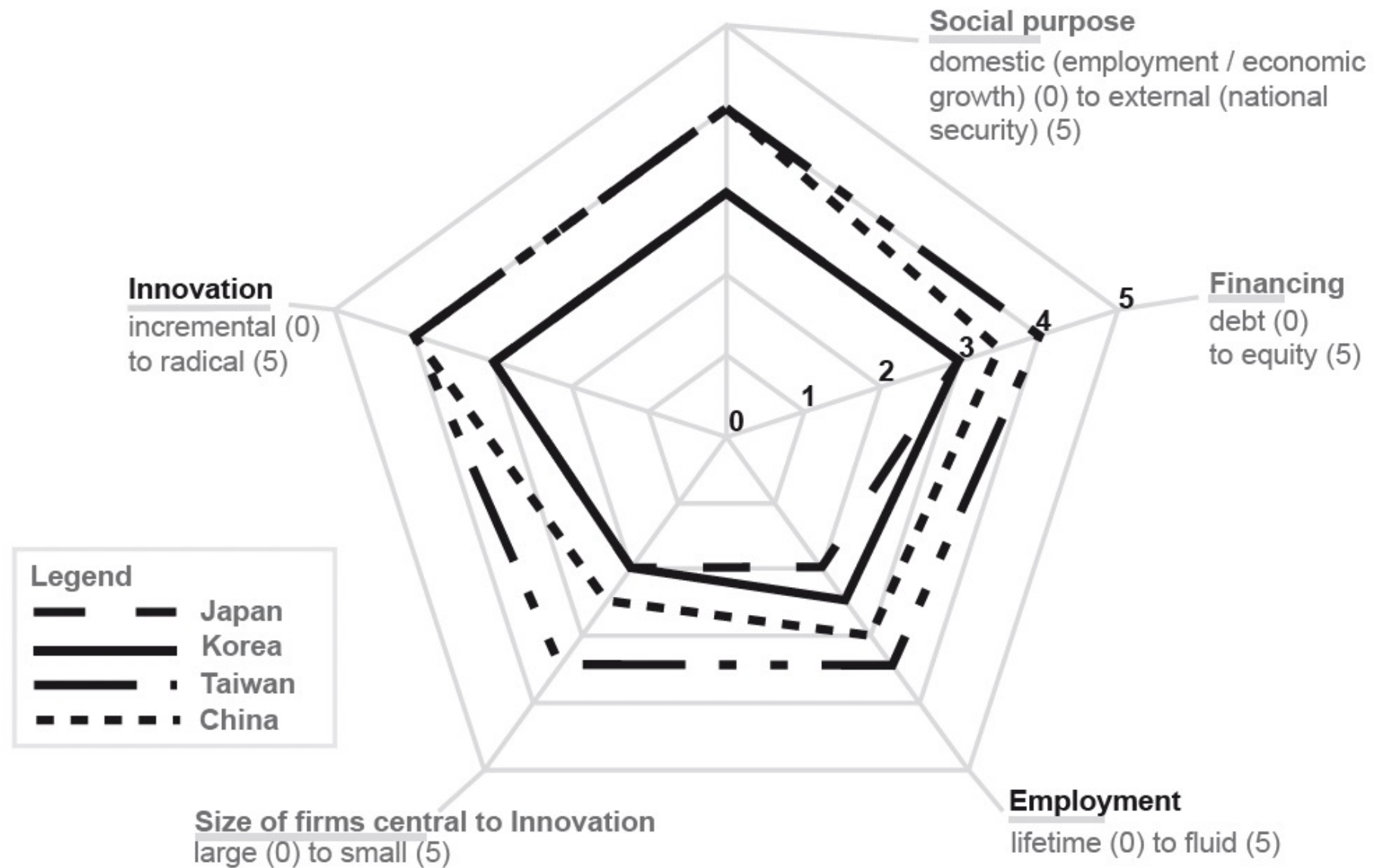


FIGURE 6.2. Startup capitalism in Japan, Korea, Taiwan, and China

Startups offer “innovative DNA”

- The nature of technology and the economy in the 21st century means that firms no longer innovate through internal R&D, leveraging in-house talent and resources (Chesbrough, 2003).
- Governments contribute by encouraging incumbent competitiveness through engagement with startups (judges, secondments, mentorship schemes, licensing agreement KPIs).



Contextually rationale approaches

Governments engage a wider spectrum of firms to compete in global (technology) markets in the 21st century.

Each country takes its own path, based on its institutions, competitive strengths, and technologies involved.



Thank you.



Startup Capitalism

New Approaches to Innovation Strategies in East Asia

Robyn Klingler-Vidra and Ramon Pacheco Pardo

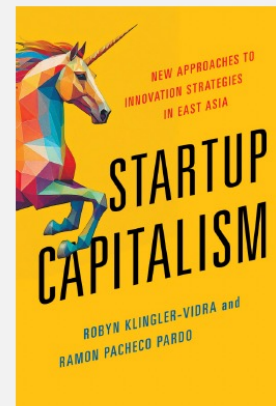
April 2025 | 9781501781391 | £20.99* | PB | 252pp

*price subject to change

In *Startup Capitalism*, Robyn Klingler-Vidra and Ramon Pacheco Pardo explore the place of startups in contemporary East Asian economies.

The last few decades have seen East Asian governments provide increasing support for startups—new, high-growth, technologically oriented firms. Yet, as the authors observe, such initiatives do not necessarily benefit the growth of startups as challengers to large, established firms. Rather, they often enable startups to function as boosters for the competitiveness of these firms. Startups, in short, are both disruptors to and resources for big businesses.

Klingler-Vidra and Pacheco Pardo demonstrate this dual role by examining the evolution of startup-centric policies in Japan, South Korea, Taiwan, and China. They show that in the region, what they call startup capitalism—an economic and political system in which startups contribute to employment, innovation, and growth—can take multiple forms. Rich with empirical detail, *Startup Capitalism* reveals how and why startups can end up working with—or even for—large firms to drive a country's technological capabilities.



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