



The Innovation Blindspot

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LOOKING BEYOND CHINA-US RIVALRY REVEALS ALTERNATIVE MODELS OF TECHNOLOGICAL DEVELOPMENT

The global technology narrative is overly binary. Discussions often frame progress—especially in artificial intelligence—as zero-sum competition between the United States and China. But focusing too much on those two countries’ contest for supremacy across technological domains—from AI foundation models and electric vehicles to biotechnology and renewable energy—obscures important models of innovation elsewhere.

There are better reasons to look at other places than simply an egalitarian desire to democratize technology or include everyone. Alternative approaches can expand our knowledge of what technological progress can look like and show how to improve it.

Ignoring other geographies means ignoring other approaches. There is value in reframing technology competition as a contest between different systems rather than different countries. The Cold War framed global competition as capitalism versus

communism, allowing observers to test the relative merits of different approaches. Today’s discussion about innovation lacks this systemic angle and focuses entirely on tribal competition between only two principal antagonists.

Some see contrasting models: market oriented and state led. But that distinction does not hold for the rivals’ tech industries. The role of Chinese central planning is often overstated. Alibaba, Tencent, and ByteDance are not creations of the state. These companies are as likely to suffer from government intervention as benefit from it. Their success is explained less by state control and more by their use of Silicon Valley’s playbook.

China’s tech sector took off with the arrival of American-style risk capital, which transplanted Silicon Valley’s legal infrastructure wholesale to the Chinese context, as Sebastian Mallaby chronicled in his 2022 book, *The Power Law*. Investments were often structured by US lawyers, with disputes settled under New York state law, and these com-

panies grew by issuing Silicon Valley-style stock options to early employees.

The contest between China and the US in the tech sector is not between different models but different intensities of the same model. China is different politically, but in its tech industry it can be even more market driven than the US. The buzz of a place like Shenzhen can make it feel like Silicon Valley on steroids. The relentless competition among new firms, characterized by Kai-Fu Lee's 2018 book *AI Superpowers* as a "gladiatorial contest" to the death, has made "involution" a dominant theme in Chinese national discourse. Involution can only be described as an intense form of hypercapitalism that would be considered too extreme even in its Western cradle.

Most technological development occurs within similar frameworks. Venture capital, staged funding rounds, rapid scaling, and winner-take-all economics are defining technological change. But many of the most revolutionary ideas in technology—the internet, email, Bitcoin—emerged apart from commercial companies and monetized products. This is where looking for a variety of innovation models beyond the US and China is helpful.

Innovator's dilemma

Take South Korea. The country transformed from one of the world's poorest nations at the end of World War II to one of the richest, largely because of its technology conglomerates like Samsung, Hyundai, and LG. These sprawling companies, known as chaebol, are often discussed in the context of how technology companies aid national development. But an often-overlooked aspect of their success is their unusual longevity amid relentless technological change.

Management students learn of the innovator's dilemma, a term coined by the late Clayton Christensen, a Harvard Business School scholar, to describe the way one era's tech giants are completely blindsided by the next wave in a consistent pattern. Kodak, BlackBerry, and Nokia are often cited as examples. The incumbents, the argument goes, are so invested in protecting the technologies at the core of their business that they see the next big thing as a threat rather than an opportunity.

The natural corollary is that technological progress happens not when existing players innovate but through what the political economist Joseph Schumpeter called creative destruction—when revolutionary new pioneers destroy old industries and occupations and create new ones to take their place. Creative destruction and the innovator's dilemma are rarely questioned and often accepted as economic orthodoxy; they're just a reflection of the way things are.

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Korean companies are an exception. Samsung and Hyundai trace their origins to the early 20th century, like US peers such as General Motors and IBM. But while their US counterparts are well past their prime, the Korean conglomerates remain globally competitive and are entering new frontier industries.

Samsung trailed Nordic and Japanese companies for years after making its first handheld devices in the 1970s, then rose to be the second-largest producer in 2007, when Steve Jobs announced the iPhone. And Samsung went on to thrive as Nokia, Ericsson, Motorola, and BlackBerry stumbled. Within five years it topped Apple as the No. 1 smartphone maker.

Samsung's dominance is more comprehensive than its sales figures suggest. It is also Apple's largest supplier. The Korean company's unusual way of doing business with its rivals helps it make money not just when it sells a product but also when its main competitor sells one.

Cooperative competition

Samsung's longevity may look like an exceptional stroke of good fortune—except it has endured across several markets, from televisions to semiconductors and appliances. This shows that the company's competence at staying one step ahead of the innovator's dilemma is systematic, an attribute it shares with its Korean peers.

Hyundai, founded as a construction company in 1947, now competes in many industries, including robotics and batteries, and is one of the largest makers of electric vehicles. It and other chaebol have long outgrown state direction, and successive Korean governments have tried to curb the conglomerates' economic influence. It's largely because of these efforts that Korea's internet-era platforms, like Kakao, Naver, and Coupang, sprang up outside chaebol control. And yet despite a

three-decade push to shift the economy's center of gravity away from the old conglomerates, these firms have aggressively entered new sectors and are now the core of the country's AI and semiconductor strategy.

Korea offers a useful counterpoint to Silicon Valley's celebrated disruption. Disruption is so associated with technological progress that its negative connotations are often overlooked. Creative destruction can drive industries, but its costs are often borne by workers and communities in the form of job losses and deindustrialization.

Korea's model also has drawbacks. The expansive role that its conglomerates play in national affairs is a central political theme. But they underscore that evolution can be as powerful as revolution, and that large companies can offer stability and maintain relevance while adapting to technological change.

Alternative innovation

Singapore also provides an interesting case study for alternative innovation—specifically, that it does not occur only in start-ups or even the private sector. Singapore, as founding Prime Minister Lee Kuan Yew put it, became “a first world oasis in a third world region” within a generation. But unlike in South Korea, its growth was propelled and shepherded by its government.

Singapore is perceived to be technologically capable, yet it has fewer globally dominant tech platforms than its peers. It does enjoy more private equity and venture capital assets under management than all Southeast Asia's other major economies combined. Much of this lead is the consequence of long-term planning by the government, which built the industry from scratch in the 1990s through the Technopreneurship Investment Fund.

The fund allocated \$1 billion as a limited partner in foreign venture capital funds to attract them to Singapore, allowing the government to rapidly build its own expertise. Singapore's government-linked venture funds then became early investors in Alibaba, Baidu, and BYD.

GovTech

Singapore is also recognized as a model for government use of new technologies to improve the efficiency of their operations and services. Unlike in the US and China, where discussion of the most exciting tech innovation often begins and ends with fast-growing start-ups, it's important to look at what happens in the city-state's offices.

The government's digital capabilities are housed in an agency called GovTech, which attracts

the country's best of brightest technical talent, like an in-house Google. GovTech operates very differently from a traditional government outfit, with the culture of a tech start-up.

Singapore, unlike most governments that outsource, built GovTech to foster deep tech capabilities in-house. The agency employs more than a thousand developers. Notable initiatives include Singpass, a digital ID citizens use to access thousands of services, from health care to housing. It's one of the world's most widely adopted digital ID systems.

The Singapore example challenges the assumption that meaningful innovation emerges only from private enterprise. The public sector can also drive technological change if appropriately structured and directed.

More possibilities

Innovation need not follow a single model. Some of the most consequential technologies of the past 50 years were not built by companies at all. They emerged as protocols and open standards but reshaped the world as much as any commercial product, which presents the strongest evidence that the dominant frame—venture-capital-backed companies racing to monetize a new product—is a choice, not necessity.

There have been small steps in this direction. DeepMind, an AI laboratory owned by Google, explored becoming a public interest company, a corporate structure without shareholders sometimes used by nonprofits. Twitter cofounder Jack Dorsey has argued that the company should have been built as a protocol, something more like email than a commercial social network. And OpenAI began as a nonprofit before becoming a more conventional company. But there is little evidence that a radical alternative, acting as a foil for the current model of doing tech, is emerging in either of the two main markets.

As reservations increase about letting commercial motives determine the trajectory of powerful new technologies like AI, the case for exploring alternatives rises. The goal should not be more technology from more places but fundamentally different approaches to how society develops and deploys technology. Only by examining alternative approaches can we appreciate what the current ones miss and what other possibilities there are. Looking beyond the US-China rivalry reveals how technology can evolve differently. It's time we paid attention. **F&D**

MEHRAN GUL is the author of *The New Geography of Innovation*, which the Financial Times selected as one of the best books of 2025.