



EU- China Investment Relations

Open Innovation versus Open Strategic Autonomy

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Open Innovation
and its limits

01

Open Strategic Autonomy
whatever that means

02

Market Dynamics
and mutual interests

03

Concluding Remarks
grounds for optimism

04

01

Open Innovation

01

Definition

Information age mindset toward innovation that runs counter to the secrecy and silo mentality of traditional corporate research labs.

02

Pedigree

Henry Chesbrough of UC Berkeley coined the term in his 2003 book of the same name.

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Practical Importance

Given the speed at which ideas and knowledge spreads today, its practical importance is hard to overstate.

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GINs to match GVCs

All of the most innovative firms have global R&D footprints that spans the globe

Limits imposed by commercial secrecy

Obviously, companies need to maintain tight secrecy around projects that are likely to be game-changers.

01

Limits imposed by investment barriers

Many countries have investment and other operating restrictions that place practical limits on cooperation.

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Limits imposed by market and other dynamics

Much innovation takes place close to markets and some markets exude unique qualities that only make them attractive to domestic actors.

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The limits of consensual inter-dependance

Innovation and research in dual use or other sensitive technologies are increasingly being decoupled from China and Chinese participation.

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Open Strategic Autonomy

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Definition

Reducing strategic dependencies, protecting EU industries against economic coercion and unfair trade practices, while preserving an open economy.

02

Pedigree

The term was first used in 2013 by the Council, in the context of security and defence policy, when it called for a strengthened European defence industry.

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Practical Importance

Some of the concrete steps proposed under this initiative include diversifying supply chains, increasing state-backed investment in strategic sectors and R&D

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Place in the Rules-Based Multilateral Order

Open Strategic Autonomy attributes a central place to the WTO, calling for its reform in order to restore the organization's centrality in global trade policymaking.

Implications for the Level Playing Field

Some voices have expressed concerns that these efforts will amount to a more interventionist industrial policy and corresponding competitive distortions

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Inherent Contradictions and Trade-Offs

The inherent contradictions are on their face rather obvious, but instead of being mutually exclusive, these objectives appear to require careful trade-offs.

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External and Internal Liabilities

One risk is that this initiative or elements thereof could be negatively perceived by the EU's trading partners as well as pitting member states against each other.

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Proportionality and an Evidence-Based Approach

In order to avoid accusations of protectionism, the EU will have to rely on the balanced application of measures and an evidence-based approach.

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Market Dynamics

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Economic Geography and Factor Endowments

Political leaders and policymakers need to confront the important constraints imposed by reality when contemplating big decisions with costly implications.

02

Follow the Money

Big tech and capital markets continue to show enormous interest in China as the consumer market of the future.

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Proximity to Markets Matters

Being close to your customers is an essential aspect of any company's innovation cycle today as the pressure to constantly improve products becomes relentless.

04

The Benefits of Openness

So many of the things we take for granted are the product of the relatively free flow of goods, people and ideas across borders over many decades.

Complementarities and Win-Wins

The EU and China have many complementarities across a diverse range of product markets, but also in technology.

01

The Rules-Based System Works for Everyone

Despite conventional wisdom, the rules-based system offers enormous benefits to big economic actors with market power as well as smaller countries.

02

The EU as Honest Broker

The EU occupies a unique position as the middle ground between the US and China on a range of issues and needs to exploit this more assertively.

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The Brussels Effect

Has already been influential across several policy areas, (with some notable failures). But the future is bright for the EU to export its regulatory outcomes.

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Concluding Remarks

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More Engagement Post Pandemic

The pandemic has seen many countries retreat into their own little bubbles (particularly China) and this trend needs to be reversed post pandemic.

02

Focus on Mutual Interests

Instead of focusing on the numerous areas of difference, equal if not more attention needs to be paid to those areas of mutual interest.

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Stand-up for Firmly Held Principles and Interests

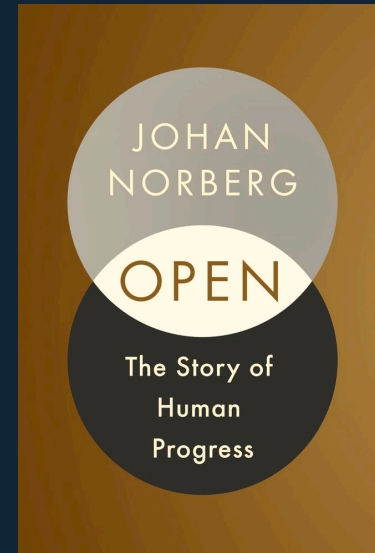
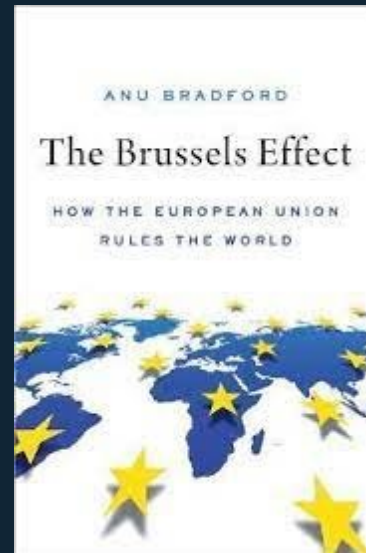
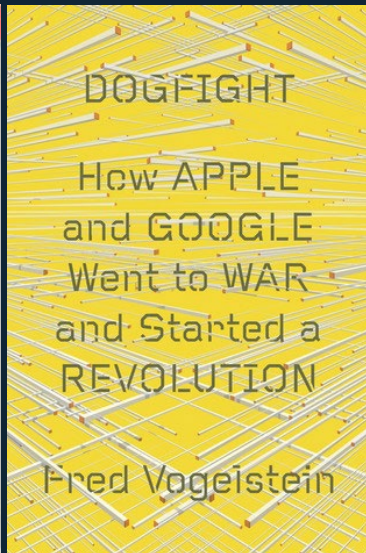
This is not to say the EU should compromise on its core interests and principles, but it must act cautiously, skeptically, and based on evidence.

04

Remember the Many Lessons History Offers

The wars and conflicts of the last century offer many lessons for policymakers today and need to be better heeded, particularly by the EU.

References and Further Reading



**THANK
YOU**



**make
history.**



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