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## Zhang sees high-tech future for HK

By Naubahar Sharif

During his recent visit to Hong Kong, National People's Congress Standing Committee Chairman Zhang Dejiang visited the Hong Kong Science Park to learn more about Hong Kong's progress in developing innovation and technology.



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Zhang's visit to the Science Park was both substantive and symbolic. First, it legitimized recent measures undertaken by Chief Executive Leung Chun-ying to promote innovation and technology locally. Second, it reinforced the importance that State leaders have recently accorded to innovation and technology — as compared with, say, trade, tourism or property development.

In terms of the first issue Leung has strengthened Hong Kong's innovation and technology ecosystem like none of his predecessors.

This is even more remarkable given Leung's promotion of innovation and technology has been playing out against a backdrop of relative economic and financial calm in the territory. This stands in contrast to measures undertaken by Leung's predecessor, Tung Chee-hwa, that, while entirely commendable, were to a certain degree forced upon him by the havoc that the Asian financial crisis wreaked on Hong Kong's economy and finance industry beginning in late 1997.

Overcoming strong and long-standing opposition, Leung successfully established the Innovation and Technology Bureau in November 2015 and installed Nicholas Yang Wei-hsiung as its first secretary. And, as indicated in January's 2016 Policy Address and February's 2016-17 Budget, several additional measures for promoting innovation and technology development are on the way.

These upcoming measures include funding commitments (HK\$2 billion earmarked to encourage government-funded universities to carry out more mid-stream applied research and another HK\$2 billion Innovation and Technology Venture Fund), infrastructure development (expansion of the Science Park by 2020 to provide an additional 70,000 square meters for startups and other technology companies by 2020; smart city development in Kowloon Bay and Kwun Tong), and regulatory changes (introducing policies to support developing Hong Kong into a financial technology hub).

In terms of the second issue, Hong Kong's incremental innovation and technology achievements must be understood against the backdrop of the Chinese mainland's remarkable progress toward helping its innovation ecosystem mature. Despite starting from a lower base than Hong Kong, the commitment demonstrated by its leaders as far back as the 1990s to developing its innovation ecosystem has enabled it to outpace Hong Kong by a wide margin in this respect (its much larger size notwithstanding).

In contrast, the development of Hong Kong's innovation ecosystem has been both halting and piecemeal. While Hong Kong's traditional four pillar industries (financial services, trading and logistics, tourism, and producer and professional services) have served it well in the past, we must recognize that these industries may not continue to yield prosperity forever, globalization will continue to shape our economic development and our own landscape is changing in some dramatic ways. Indeed, Hong Kong's status as a dominant financial center is already threatened by the ascent of financial centers on the mainland (Shanghai, Qianhai, etc).

The national leaders of China realized early on in the game that the advantages its traditional low factor input prices provided would eventually erode (which in itself was commendable foresight for a nation that had just begun moving along its latest path to development). Hong Kong's leaders, save for Tung Chee-hwa, have not, unfortunately, been as prescient. As a result, we have failed to devote robust and consistent attention to broadening Hong Kong's

economic base through investments in innovation and technology.

What we are witnessing in Hong Kong is, as a result, a somewhat anomalous situation whereby we have a highly developed economy with an underdeveloped innovation ecosystem. The lack of coherence and coordination between the various actors within the innovation ecosystem — including policymakers, financiers, operators, facilitators and commercialization agents — leads to some undesirable outcomes. For instance, most graduates in science and engineering from Hong Kong's universities are forced to look for jobs in industries that are irrelevant to their major degrees.

There are some who argue that Hong Kong has already missed the boat in terms of innovation and technology development, having been overtaken by even the likes of Shenzhen. However, Hong Kong has been extraordinarily lucky insofar as its geography is concerned. Sitting on the mainland's doorstep has brought considerable economic success to us in the past, and the same may yet be true in terms of future innovation and technology development. Yet such a scenario can emerge only with greater coordination with the mainland. We can only hope that Zhang Dejiang and Hong Kong's local leaders discussed this question fruitfully and have developed an approach that will enable Hong Kong and the mainland to move forward in a mutually complementary fashion together.

*The author is an associate professor of social science at the Hong Kong University of Science and Technology.*