

New Economic Areas

To put Hong Kong back on the long-term path of growth, the Chief Executive announced in April that the Task Force on Economic Challenges would study how to further develop the following six “economic areas”: testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services. The cautious wording of the Chief Executive’s statement - “there is a need to ascertain whether these economic areas would present new opportunities and what the government could do to help them take off” - betrays the tentative and uncertain nature of the government’s plan to re-launch Hong Kong’s economy.

By all accounts, it is a weak statement in response to an anxious economy looking for leadership and directions. It sounds as though, after decades of practicing the doctrine of “positive non-interventionism”, our government’s ability to re-engineer and re-charge our economy has atrophied.

The Financial Secretary’s more extensive reply to a written question from legislator Tanya Chan in late April added little to the Chief Executive’s earlier statement, whether by way of economic data or longer-term, strategic considerations. To date, certain fundamental questions remain unanswered. It is mind-boggling how “innovation and technology”, which cuts across all sectors, can be put forward as an “economic area” in itself. From providers of services to producers of traditional manufactured goods or trendier, tech products, everybody needs to make greater use of innovation and technology to create more value.

The government should have said emphatically from the outset that it has decided to set new directions for Hong Kong by picking winners against the following strategic considerations: whether the sectors could create more wealth for Hong Kong either by enhancing Hong Kong’s “hub” functions, or by enhancing Hong Kong’s exports of goods and services. They should be sectors which sit well with Hong Kong’s comparative and competitive advantages, and which have a promising potential of growth having regard to world economic development generally and China’s development specifically.

Against these considerations, it would not make sense to develop any sectors which require a lot of land or cheap labour within Hong Kong, as we have neither in abundance. It would make sense to put more emphasis on innovation and technology in everything we do, as global economic development in the past few decades has proven beyond doubt that knowledge - including the creation of intellectual capital - creates the greatest value.

It would make sense for Hong Kong to put more emphasis on information and communication technology (ICT), as Hong Kong has good telecommunications infrastructure and has been a good user of ICT. While Hong Kong’s acute shortage of land, high labor costs, and shallow pool of

engineers would make it well-nigh impossible to replicate the success of mainland Chinese telecom giants like Hua Wei or ZTE, Hong Kong is well placed to partner with mainland Chinese companies in software development, digital entertainment, on-line games and internet-based services, just to name a few possibilities. Although Hong Kong cannot boast a ready supply of armies of hard-working engineers and programmers, or young women patiently inputting data, Hong Kong managers continue to have an edge in showing better understanding of the international markets. Hong Kong also remains attractive to the Chinese diaspora, by virtue of its unique combination of western and Chinese features in the city's lifestyles.

Sight should not be lost of two key facts about today's economy: the line between manufacturing and services is becoming increasingly blurred and it does not make sense to dismiss technology just because manufacturing has become extinct within Hong Kong. Services require technology for upgrading as much as technology-based industries. Secondly, it would be much more productive to think in terms of the value chain, rather than in terms of stand-alone sectors or clusters. As advances in ICT enable producers to spread the production process around the globe, Hong Kong should look to locate within Hong Kong processes which would best enable it to partner with mainland or overseas companies.

It would be hard to predict precisely what sort of products would be in the hottest demand in 2010 - when the new land on the boundary would be ready for development. But to leverage the likely ascent of China as a technology-driven economy, it would make sense to reserve room for open and flexible "knowledge factories": the ones that will cater for the knowledge-based economy of the future rather than remain hostage to past glory.