



Hong Kong General Chamber of Commerce
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The Hon Jimmy NG Wing-ka, BBS, JP
Chairman of the Panel on Commerce and Industry
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

(By Email and Post)

Dear Mr Ng,

Development of Innovation and Technology, and Re-industrialisation in Hong Kong

The Hong Kong General Chamber of Commerce is grateful for the opportunity to share our views on creating an environment in Hong Kong that facilitates innovation, digital transformation, and re-industrialisation.

Although it is unclear what the post-Covid world will look like, it is obvious that the pandemic has had a disruptive effect across all sectors and has accelerated technology trends as communities find ways to fight the outbreak while maintaining critical services. As Hong Kong contemplates how to become more resilient, we believe that the government should actively pursue a policy of nurturing innovation and technology, whether as an enabler for other commercial and industrial activities or as an industry in its own right.

In the above regard, please find attached our thoughts on what should be done to progress innovation and technology development and re-industrialization in Hong Kong.

Thank you.

Yours sincerely



George Leung
CEO

Encl.

**Submission to the Legislative Council Panel on Commerce and Industry on the
Development of Innovation and Technology, and Re-industrialisation in Hong Kong
Response by the Hong Kong General Chamber of Commerce**

1. The coronavirus pandemic has pushed the world into uncharted territory — and in some industries, that's leading to an automation boom as robots and machines fill gaps that have previously been filled by human labour. Automation trends that were already on the horizon will happen faster now. Such a shift is also expected to take place in Hong Kong although the depth and breadth could vary depending on local circumstances.
2. Hong Kong provides an ideal place for tech companies and startups given its intrinsic advantages such as a low tax regime, strong and independent legal system, and proximity to the second largest economy in the world.
3. Despite all of the above, Hong Kong is still considered an innovation and technology laggard. Whether or not such a label is justified, Hong Kong's aspirations to develop a new growth engine could be thwarted should geopolitical developments such as US-China relationships take a turn for the worse.
4. External developments aside, there is still plenty of room for Hong Kong to grow as an innovation and technology hub. The key is to formulate appropriate policies to support the development of innovation and technology, as well as re-industrialisation in Hong Kong.

Funding

5. As private sector funding dries up as a result of Covid-19, there is even greater need for support from government. Notably, venture capital deals, which nearly tripled between 2010 and 2019, are expected to experience a slowdown, at least in the near term, as the effects of and uncertainty surrounding the coronavirus pandemic continues to linger.
6. In this connection, we would like to reiterate our recommendation to the last (2019/20) Policy Address on the need for a major review of the various government funding schemes. This concerns the considerable difficulties associated with the application process due to the need to ensure that taxpayers' money is well-spent as a matter of principle. Although this is understandable, the

inability of such funds to fulfil their intended purpose also gives rise to the question of whether there should be a rethink of existing application and vetting procedures. To address this, we have suggested that government recast its funding programmes as matching funds, and defer screening responsibilities to its partners in the private sector. This arrangement has the advantage of addressing government's perceived unfamiliarity with sectors and industries, and the consequent overly conservative attitude towards the disbursement of funds.

7. If it is the Government's policy intent to replicate Silicon Valley's success in Hong Kong, it should be prepared to assume a bolder mindset and accept that failure is part and parcel of success. Fostering an ecology of risk-taking that provides critical support to often novel and unpredictable start-ups would provide much needed impetus to transforming Hong Kong into the next Silicon Valley.
8. Innovation and technology should not be undertaken merely for the sake of academic research but should also address citizens' interests and welfare in such areas as ageing and healthcare, among other things. This would provide direction and clarity in the formulation of relevant government policies, which should be aligned with the needs of while promoting buy-in from the general community. It is also important that research and development activities would ultimately be commercialized thereby creating employment opportunities. We also suggest that the scope and definition of government funding, as well as the policy intent behind such funding schemes be expanded to include social innovation projects. Although, there are government schemes such as the Social Inclusion Fund, these are regarded as ad-hoc and fragmented with no policy drive behind them. Consideration should be given to aligning smart technologies (such as 5G) with social needs.

Regulatory Certainty

9. The Chief Executive undertook to "*review existing legislation and regulations, so as to remove outdated provisions that impede the development of innovation and technology*" in her maiden Policy Address and again in 2018 when she stated that *The PICO (Policy and Innovation Coordination Office) is now reviewing existing legislation and regulations, so as to remove outdated provisions that impede the development of I&T (Innovation and Technology).*" We support the efforts of PICO in this regard and look forward to its findings, which we hope will be made available soon.

10. To address the conundrum of regulating emerging and fast-paced developments in the innovation and technology industries, we suggest that consideration be given to adopting a Fast-Pass programme modelled on the regulatory sandbox approach implemented by financial service regulators for the testing of nascent fintech solutions. Notably, the Transport Department is considering legislative amendments to allow the private sector to conduct trials of innovative technologies through a regulatory sandbox approach. We believe that such an arrangement could be replicated across the relevant government agencies in the interest of fostering an environment that is conducive to innovation and technology development in Hong Kong.

Data

11. Given that data is intrinsic to technology advancement, there is a pressing need to address any concerns the public may have on how information is collected, stored and used. We note that there are plans to review the Personal Data (Privacy) Ordinance and would urge the Government to seize this opportunity to allay public concerns while also accommodating industry needs. There should be hands-on government policies to manage the rollout of new technologies and as such, there should be efforts to pursue inclusiveness through public consultations while addressing potential skepticism over privacy issues to enable consumers to confidently and securely share their data with the Government in exchange for better service.
12. Failure to obtain a social license to operate could lead to unfortunate outcomes as in the case of Google's recent abandonment of a futuristic waterfront project in Toronto and the toppling of smart lamp posts in Kwun Tong in August 2019.

Re-industrialisation

13. The pandemic has brought into sharp relief the urgent need for re-industrialisation in Hong Kong. As such, priority should be given to (re-)instituting industries that are in the public interest.
14. There should be a step-by-step approach to re-industrialisation wherein the Government should begin by identifying sectors that lend themselves to re-industrialisation and could contribute to Hong Kong's development as a whole.

The process of shortlisting appropriate sectors would therefore be helpful to the Government in formulating policies and allocating resources that are conducive to supporting and nurturing such industries.

15. From a planning and development perspective, the current approach to land use should be reviewed and revamped as necessary to ensure that zoning regulations are capable of supporting and sustaining re-industrialisation.
16. Access to affordable real estate is a recurring challenge for existing and incipient businesses including those from the innovation and technology sectors. This would especially be the case for companies considering the establishment of high value-added production lines in Hong Kong as the availability of industrial stock gradually declines. To facilitate re-industrialisation, consideration should also be given to re-assessing dated legislation that could dampen and frustrate such investments, which could help diversify Hong Kong's economic base and create jobs beyond the service sector.

Smart Government

17. For all its efforts in pursuing innovation and digital transformation in the community, the Government should also be leading by example by investing in its capabilities in this regard. In its latest advisory report on updating Hong Kong's Smart City Blueprint, the Smart City Consortium (SCC) in conjunction with the Chamber and Polytechnic University, have fleshed out a number of recommendations¹ for consideration by the Government if it is to achieve "smartness."
18. As a supplement to these recommendations, we suggest that there should be a wholesale undertaking to digitise the delivery of public services wherever possible. An obvious example would be to migrate from archaic paper-based systems in favour of electronic means, which would be in step with developments in the local community and around the world.

Talent

19. In our 2017 submission to the then-incoming Administration on policy priorities, we called for a rethink of our immigration policies to ensure that these are

¹ https://smartcity.org.hk/upload/articles_lv1/0/20200427021602_156.pdf

“sufficiently accommodating, inclusive and welcoming to lure technicians, engineers and scientists from around the world.” We are therefore pleased to note the implementation of the Technology Talent Admission Scheme (TechTAS) in 2018 followed by enhancements earlier this year that expands coverage to include a wider scope of technologies and companies beyond Hong Kong Science Park and Cyberport.

20. We believe this is an important and encouraging policy development based on the Silicon Valley’s experience in diversity – it boasts a thriving immigrant population with more than half of its innovators being foreign-born. We suggest that TechTAS be reviewed regularly with the option of raising the ceiling on existing quotas so that Hong Kong can better compete worldwide for talent.
21. Grooming local talent should also be a linchpin in the Government’s overall policy-setting approach to ensuring that there is a stable pool of skilled workers to draw from. We believe that a public-private partnership approach represents the optimal approach to satisfying employers’ evolving demands. As suggested in the SCC’s recent smart city advisory report, one possible means of doing so is for the Government to underwrite internship costs in SMEs.

Greater Bay Area (GBA)

22. As suggested in our submission to the 2017/18 Policy Address, the GBA could serve as a centre and driver for innovation and technology by leveraging on the innate strengths of the eastern and western regions through the specialisation of advanced IT industries and advanced equipment manufacturing respectively, with Hong Kong responsible mainly for providing financial backing and professional services, while also incubating start-ups.
23. To test the viability of this division of labour approach, a pilot scheme could be introduced in the Lok Ma Chau Loop wherein research funding sourced from GBA cities could be made available to institutes located in the Loop. The Loop could also provide a launch-pad for promoting awareness of and respect for Intellectual Property Rights within the GBA.

*HKGCC Secretariat
June 2020*