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To: Communications and Technology Branch
Commerce, Industry and Technology Bureau
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Subject: Response to Public Consultation Paper on 2004 Digital 21 Strategy

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In the past six years, the SAR Government has set very high goals in aiming to be a leading IT hub in the global arena. Our IT achievements, however, have fell short of expectations, despite the heavy investment and intensive programme initiated by the Government. In short, we have overpromised and underdelivered.

I would like to focus on two issues in particular in response to the Public Consultation Paper on 2004 Digital 21 Strategy:

1. Has the Government played its part in fostering a vibrant IT industry?

For an industry to stay vibrant and sustain that vibrancy, there must be the creation of jobs, which in turn means there is money to be made for the industry to flourish. Unfortunately the population employed by the IT industry has shrunk from over 200,000 before 2000 to the current figure of slightly over 60,000. Wages are also coming down, and university graduates are making no more than that of a security guard.

Under the current policy, the Government has outsourced the bulk of its IT jobs. Major projects are also open to tender. However, the average SMEs do not benefit from these contracts, which are almost always granted to multinationals or subsidized statutory bodies such as HKPC. When the prime contractor further subcontracts to the local SMEs, the margins are either cut-throat or there's no margin at all.

SMEs do not ask for favouritism, but their limited resources means that they cannot bid for big projects. It is important and critical that Government actively makes available opportunities for our local IT industry to compete on a level arena. Big projects can be split up into smaller modules that fit the resources of our SMEs. It's quite common elsewhere that foreign governments provide an environment that's really conducive to the local industry, and there's no reason why our SMEs are left out in the local jobs.

2. **Why has e-commerce in Hong Kong not flourished even though our infrastructure is second to South Korea?**

In the last few years, our Government has done a lot to promote e-commerce awareness. Indeed, Hong Kong ranks quite high globally in terms of our IT and telecommunications infrastructure, IT adoption, e-readiness, usage of PC and Internet, as well as our wireless penetration. Various organizations and trade bodies have also been active in organizing workshops, training courses, and e-commerce awareness campaigns in fostering Hong Kong's e-business environment.

Nevertheless, our numbers in terms of using the Net for commerce are very disappointing. Our B2C e-commerce has yet to kick off, and we are behind our neighbours such as South Korea, Singapore, and Taiwan in adopting online shopping. Even for B2B commerce which is widely adopted by multinational trading firms and major corporations, our SMEs are not active participants unless they deal with those multinationals.

It's time the industry and our government re-examined our e-policy and e-strategy closely, and discovered ways where our SMEs and business community can gather pace in the e-commerce arena. Without a meaningful rate of e-commerce adoption, Hong Kong will fall behind, and our competitiveness will lose.

One argument about Hong Kong's low rate of e-commerce adoption is scale. The domestic market is very small in absolute terms, and it may take a long time for investment in e-commerce infrastructure to be recouped. Without critical mass, there's little incentive to invest. On top of that, there's a lot of skepticism about online security and piracy of proprietary information. These concerns are not to be underestimated. In fact, our Government can respond pro-actively in helping to address both issues.

As far as scale is concerned, we cannot afford to be too self-centred by focusing on our home territory alone. We must market Hong Kong as part of the bigger Pearl River Delta for both business integration and active collaboration. Hong Kong goods are not targeted at HK consumers alone; they also find a market in the Mainland. Our IT systems do not stand on their own, but form part of the bigger architecture linking Hong Kong and China. The leverage on a huge domestic market in China gives us economy of scale, and therefore a competitive edge.

In terms of protection of intellectual property, Hong Kong is highly regarded in the global arena. Sharing a similar culture with our mainland counterparts, Hong Kong businessmen and our citizens in general are best positioned to instill a sense of corporate governance and respect for IP into the mainland. If our rule of law governing e-commerce is clear and transparent, and our SMEs know precisely what they are committing to and investing in, the level of skepticism will gradually decline and will eventually be replaced by confidence.

Once confidence in e-commerce adoption is established and there is optimism that the market potential is way beyond our physical borders, both of which initiatives can be led by the SAR Government, our SMEs will be willing to invest and establish links with their business partners and the different players along the e-supply chain.

The Consultation Paper is well intentioned, but it must be beefed up with concrete actions and measurable milestones of achievements. We look forward to seeing an investment environment facilitated by appropriate policies which is conducive in terms of creating employment for our IT professionals and graduates, as well as in instilling confidence in our SMEs to make appropriate investment in achieving e-commerce readiness.

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