<u>**Submission by Stephenson Harwood & Lo**</u>

Dear Sirs,

<u>**Public Consultation Paper on 2004 Digital 21 Strategy**</u>

I have read, with much interest, the Government's paper on 2004 Digital 21 Strategy, particularly what we have achieve so far and how the Government sees its future directions.

As far as accolades are concerned, I think the Government has, indeed, done a commendable job in promoting digital adoption in Hong Kong.

Moving forward, I wonder the Government's vision on promoting the "vibrant, competitive and innovation driven IT industry" is, in itself, sufficiently innovative. Is there too much emphasis on closer integration with mainland China and closer participation with players there - even though the mainland's IT industry is still very much catered to domestic consumption? Realistically, will Hong Kong IT companies, with its relatively higher costs base and being "foreign", truly penetrate the mainland IT market? Anecdotal evidence from discussions with practitioners suggests that the market is very much geared to domestic consumption and is highly competitive.

A few hours' flight from Hong Kong (westward) is India, increasingly an IT software powerhouse. India is Hong Kong's 14th largest trading partner but, as far as IT is concerned, trading has been negligible (data from India's Trade Promotion Organisation). Is this because there is nothing that India can offer Hong Kong to increase our global competitiveness or is it because of ignorance about how the Hong Kong IT industry can collaborate and work with India's IT industry?

I assume there is little that our IT industry can sell to the Indian IT industry at the moment. However, could Hong Kong's IT companies be made more effective (both costs and technologically) by harnessing   the capabilities of India's software industry? For example, it is a viable option for them to harness India's software development capability to help to upgrade the capabilities of many OEM manufacturers in Hong Kong and mainland China into higher value added manufacturers? It would appear that the ultimate win-win for Hong Kong's IT industry would be if it is able to harness the best of both China (for hardware) and India (for software).

Given the current lack of trade between Hong Kong and India in this field, it may well be that there is little synergy between the IT industries of these two nations. Nevetheless, unless this option is explored this further, we will never find out. Therefore, I would like to suggest to the Government that its 2004 Digital 21 Strategy devote greater resources on increasing our awareness of India, its capabilities, what it can offer to the IT industry in Hong Kong and how we can harness what it has to offer. Should you like to discuss this further, please feel free to contact the undersigned.

Your faithfully,
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