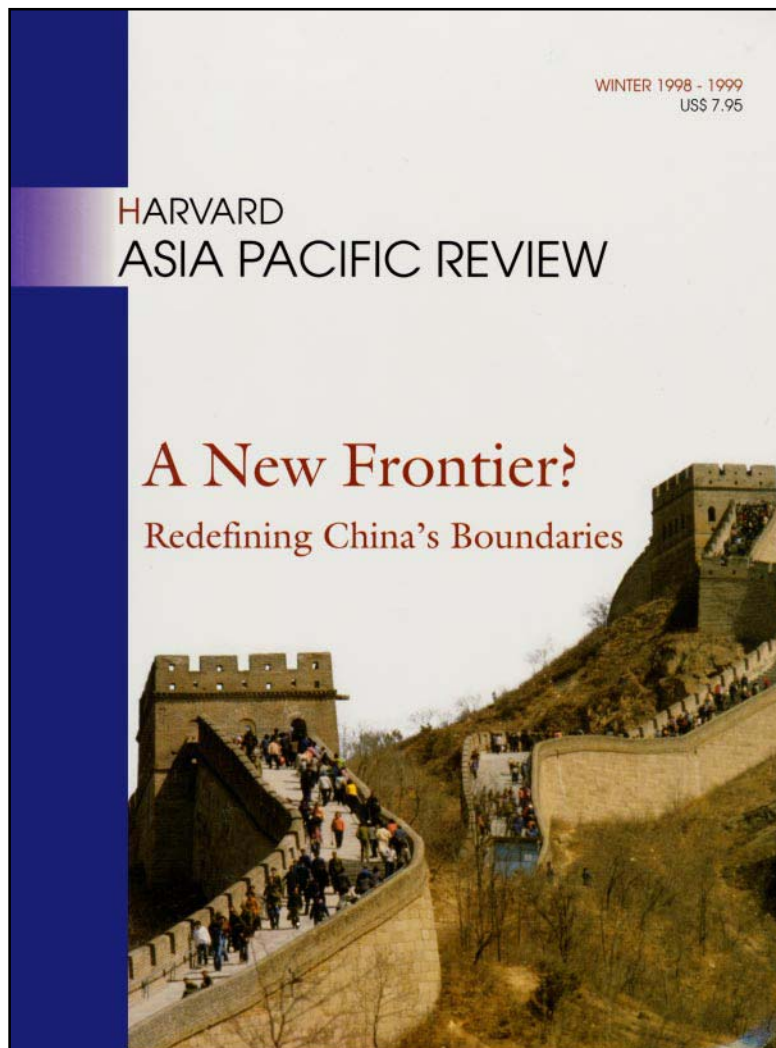


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Grasping the Technology Challenge

Developing a Silicon Valley Culture in Hong Kong and China

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ASIA'S ECONOMIC FUTURE IS AT A crossroads. Gone are the days of a booming economy based on cheap labor. In a rapidly changing world, where new opportunities for economic development and revenue generation are developing, both Hong Kong and China must grasp the opportunities that these new developments offer in order to ensure a strong economic presence on the world stage.

As we embrace the rapid developments of the new media age, competitiveness in the field of Internet and computer technology becomes an increasingly crucial factor in the creation of new jobs, businesses, and industry in the region. Accelerating advancements in new media, the Internet, software, and computer technologies offer new commercial opportunities and sources of economic revenue.

In fact, the Internet industry is set to become the next growth engine for revitalizing Hong Kong's economy. According to a recent survey conducted by International Data Corporation (IDC), China is set to become the largest market for Internet use in Asia, excluding Japan, with an estimated 9.4 million Internet users by 2002.

Hong Kong must look not only to developments in well-founded technology economies such as the US, but also to more recent developments in Asian countries closer to home, such as Singapore, Taiwan, and Malaysia. Here technology-based cultures have been introduced with considerable success.

Certain competitive advantages are already inherent to Hong Kong, since the region is blessed

with a strong and modern telecommunications infrastructure, a well-educated and vibrant workforce, and the ability to quickly adopt and adapt to new technologies.

The Recipe for Success

There are certain key factors that become apparent in the criteria for success when one studies the implementation of technology-based cultures into the economies of other Asian countries. Firstly, strong governmental support and sponsorship have proved to be a key factor in the successful development of Internet and technology-based industry. Government backing in the form of legislative support, tax incentives, and economic subsidies (in terms of land and rental incentives) has done much to stimulate entrepreneurial activity in the new technology field.

An economic *Greenhouse* or protected *Technology Zone* is required to encourage both home-grown technology initiatives in Hong Kong and China's fledgling technology industries. Hong Kong needs the political impetus to develop an *Asian Silicon Valley*, which would provide an appropriate environment for the research and development of products and services; this in turn would produce the trade and revenues for the future.

Plans for an Applied Science and Technology Research Institute have been announced by the Hong Kong Government. This Institute will provide the means and the impetus to link basic scientific research to its commercial applications and provide start-up support, such as low-cost office rent and access to international re-

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search facilities.

Another Hong Kong Government initiative is the establishment of a US\$5 billion Innovation and Technology Fund to finance projects which will contribute to technical innovation in Hong Kong. A US\$5 billion Quality Education Fund has also been created to raise school standards through innovation and to facilitate technological collaboration between academic institutions and the business community.

Secondly, the availability of venture capital and government support helps generate development of a new technology industry.

These funding initiatives create the foundation for economic success. Strong financing provides the leverage for research and development and secures the stability for venture partnerships, which will in turn attract foreign investment and expertise into local markets.

Hong Kong is now poised to become the powerhouse of the e-commerce industry. The proposed Hongkong.com Studio would leverage Hong Kong's core strengths in commerce and communication, stimulate job creation and wealth creation opportunities, and energize the large numbers of "infopreneur" investment partners in both Hong Kong and China.

Thirdly, the establishment of secondary stock exchange listings will support technology-based companies. Dedicated financial trading opportunities would provide Hong Kong technology ventures with investment revenues and help provide the financial platform for developing a strong industry capable of driving Hong Kong's economy in the 21st century.

Fourthly, partnerships with leading US technology companies will import the expertise, resources, and technologies required to drive a new technology economy. Hong Kong and China's competitiveness in the field of Internet and computer technology is firmly based on global partnerships. As a major international center, Hong Kong is an ideal springboard to China and the rest of Asia. In the past, this has been the case for other businesses; the technology industry should be no different.

Exposure to working practices, expertise, and



A powerful partnership

overseas training programs would dramatically increase the new technology skills base of a local workforce—skills that would have future development benefits for home-grown industry expansion and entrepreneurial activity.

A proposed Hongkong.com Studio would enable the training of Hong Kong workers into knowledge workers, act as a platform for entrepreneurs looking to invest in Internet content and commerce start-up companies, and promote distribution of content through global players such as AOL, Netscape, and 24/7 Media network. The Hong Kong government should foster such a Studio initiative as a support program, with Hong Kong and China "infopreneurs" providing innovation and investment and global partners AOL and Netscape providing know-how, expertise, and training.

A survey of US-trained Hong Kong technology students in recent years has revealed that in the United States there are no fewer than 10 major, successful, new technology companies led by Hong Kong entrepreneurs. It is therefore clear that the Hong Kong and Chinese people have the ability to build and operate high technology



Learning experience

companies given the necessary conditions to encourage development.

The criteria outlined above are all components of an already tried and trusted formula that has brought, and is bringing, technology-related economic success to a number of Asian countries.

Leading the Way

This new technology strategy appears promising because it is one area where there is a near-perfect match between the inclinations and aspirations of the leadership in Hong Kong and China. China already has formidable research and development facilities to support these initiatives. China has also stated that if it could only avoid succumbing to the current Asian financial crisis, it could boost the technological content of its products. At the same time, China recognizes the need to ensure that Hong Kong's new technology pro-

gram does not impair its tradition of a free economy.

In Hong Kong, private initiatives are already working along these broad lines of development. China Information Technology Infrastructure (CITI), which developed as a result of a major new infrastructure partnership between China Internet Corporation and New World Infrastructure, is just one such initiative. CITI is actively seeking, aggregating, and partnering with the world's biggest online technology companies to introduce cutting-edge technology, expertise, and training to drive the new industry, both in Hong Kong and China.

Future initiative and the equation for economic success in the new technology field in Hong Kong and

China now require governmental support and incentives—an introduction of essential supporting factors necessary to create the environment for future economic success. There is a growing need for additional government involvement in the birth of a new technology economy—the establishment of seed venture-funds and the opening of capital for high technology initiatives, and economic incentives to create a nurturing environment that stimulates future development.

The evolution of a sympathetic and sustaining political environment must quickly develop to provide active support for domestic ventures. These ventures may attract the expertise and resources of the world's leading new technology companies, and may convince them to center their headquarters and initiate Asian technology development from locations in Hong Kong and China. ■