

## Realizing Hong Kong's Knowledge-based Economy Potential as Part of a Rising China

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By the end of this decade, four out of every 10 of the world's young graduates are going to come from just two countries— China and India.<sup>1</sup> This fact has significant consequences for China which is projected to create 29% of new graduates in the world by the year 2020.

We live in a time of growing importance of the knowledge rich economy to business and to daily life. As knowledge becomes more and more an important factor of production within the traditional land, labour, enterprise and capital framework, significant changes to the way business is conducted result. The intangible nature of knowledge means that: i) the same knowledge can be used in various applications simultaneously, and ii) the same knowledge will have a different value in use depending on the context of its application.

The knowledge rich economy places a more demanding environment on companies and this is at least in part driven by the fact that consumers, with improved access to information, are more discerning. We in fact are moving from an era in which businesses sought to maximize their product and service offerings into an era in which businesses seek to maximize the value streams they can create, and to do so in a socially responsible way.

A rude awaking awaits Hong Kong if we continue to ignore this globalized trend and no new economic development initiative is introduced in the next few years. It is true that Hong Kong does not have all the success factors needed or any experience in building a "Silicon Valley" type of Knowledge-based Economy, but inertia is not the answer either.<sup>2</sup> While we don't seem to recognize our unique position and economic potential in the context of Hong Kong as part of China that operates under a different legal and administrative system because of our own inexperience, there is wide community consensus that economic diversification is needed in Hong Kong.

This paper seeks to explore the growth of a knowledge corridor spanning Beijing, Guangdong and Hong Kong. It seeks to highlight some progress already made and seeks to explore future opportunities. It also seeks to point out the danger of inaction that needs to be avoided for Hong Kong as a community and to show how companies, especially SME companies, can be helped to help themselves become more and more successful in this new globalized knowledge-based business environment.

Somehow, a strong and credible argument that does not contradict Hong Kong's tradition, economic philosophy, social and political values that will enable us to build

stronger economic links with mainland China has yet to emerge. Some solid and practical proposals that have potential to win support from a broad sector of the business community and consensus from the Hong Kong community as a whole are needed. Hong Kong needs to move forward and not be left behind as mainland China and the rest of Asia continues to develop.

### Development and Prospects of Hong Kong as a Knowledge-based Economy

The Global Financial Crisis of 2008 will have far reaching effects. The damage to the world's financial sector is still unfolding. Unemployment in the USA is now at 7.8%: there are 10 million unemployed each in Europe and the USA. Economists now predict that the world economy will have very "gentle growth," a slow recovery that may take six to seven years or more. As a smaller export-dependent economy, Hong Kong is already affected. In the next five to ten years, we would be wise to begin to look into our own unique advantages, to seek other high value-added and sustainable economic activities, to rely less on the traditional "Pillar Industries" and to try to be more innovative in what we do. Hong Kong is a high cost economy and should focus on more high value-added economic activities, regardless of whether they belong to the "Service Sector" or "Industrial Sector." Some call this a "Knowledge-based Economy" strategy. Others call this "Innovation and Technology". What you call it is not important. The important thing is that we have a vision and a strategy that could bring sustainable economic development, job creation and upward mobility amongst us.

#### *The rise of China and finding a new role for Hong Kong*

Hong Kong is unique as we are part of China under "One Country, Two Systems." Yet Hong Kong is seamlessly connected to the world economies. In the next five to ten years, winners and losers will emerge from the financial crisis. Those regions and countries which put their money where their mouth is will prosper more than those which do not overcome the inertia and conservatism which inhibits change. Hong Kong's economic diversification process is not an easy one. Hong Kong needs a solid strategy and practical measures that can be turned into action on the ground. Hong Kong must get ahead and stay ahead of the innovation and technology game or risk becoming irrelevant to China and to the rest of the world as China continues to rise.

To transform Hong Kong's economy, a multilateral and multidisciplinary approach is needed. Hong Kong has many commercial talents and many specialists, but probably there are not enough people who have a good overview of Hong Kong, of China and of the world. China does not want to remain a low and mid end "assembler" of goods that other people design and they know Hong Kong can help them. Hong Kong has always thrived on new ideas, not on money or machinery alone. Hong Kong's success was based on "... new ways of thinking and doing" not on hanging onto past success. Hong Kong should be thinking of integrating our "Scientific Innovation," business and professional knowhow and creativity of our people to solve problems. Hong Kong should brand itself as a "Knowledge-based Economy".

*"Knowledge-based Economy" is not the same as central economic planning*

No one is suggesting that Hong Kong should adopt central economic planning. Hong Kong is a free market and the Government has no direct control over Hong Kong economic activities, so central economic planning is simply not feasible. But I believe the Government should have a strategy and should assist business and industry to adapt to the fast changing world around us. Some have said that Hong Kong has no natural advantage as we do not have the manpower to become a major R&D and technology exchange hub. I tend to disagree with this sentiment as I believe Hong Kong is uniquely placed to make best use of the research outputs from mainland China and turn them into commercial opportunities. In the next five to ten years, there needs to be further collaboration between universities, business and government.

Some have said that spending 0.73% of GDP on R&D is not enough and we should spend more. Hong Kong should support spending more and much more if we knew how to get those investments back. This is why other than focusing on investing in "hard technology" alone, we will need to teach Hong Kong enterprises about the "soft" or business side of "Scientific Innovation," that is, how to build brand names, how to build up their "Knowledge Assets" through R&D, how to acquire technologies and turn them into commercial value and how to get our R&D investment back.

*Hong Kong's unique role as bridge and gateway*

Hong Kong can look back on a highly successful past which can be the springboard to a future rich in new developments bringing increased prosperity to all its citizens. Our world changes rapidly around us presenting us with new challenges which require strong and intelligent actions in order to meet these challenges and to seize the opportunities which they present. We are in an excellent position to prosper under this environment if we capitalize on our natural advantages and empower each of our citizens to give of their best talents.

We live in a networked world where knowledge becomes an increasingly important part of business and daily life. We live in a time in which direct action is required to build on the clear advantages of Hong Kong, but this is also a time in which some, perhaps through fear of the unknown, prefer inactivity to action. We should not adopt the risky path of watching as the world passes us by but should look into the future, and ask ourselves what actions could and should Hong Kong be taking to build on its strengths in this new world situation. We have skills that have been developed over time. Skills used to build, among others, the real estate, services, financial services and tangible goods trading sectors in the Hong Kong economy are well suited to become transferrable skills to develop knowledge-based economy activities as well.

We have a Networked Economy which presents opportunities for Hong Kong to act as a bridge between China and The Rest of the World. The reasons why both China and the Rest of the World trust Hong Kong are well known and based on our common heritage as part of China and our experience over the years trading in partnership with

China and with The Rest of the World. In this context, the Networked Economy presents specific opportunities for Hong Kong. Our liberal environment and well developed ICT industry in Hong Kong can spur the Creative Industries to grow and flourish. In fact, we should remember that all industries are creative and we would do well to create an environment in which everyone can follow a path of lifelong learning suited to their ambitions, motivation and abilities. In this way, we maximize the pool of skills available in Hong Kong while opening a path for each individual who has the desire to develop new skills, knowledge and experience. All these are already happening but can and should be greatly accelerated and augmented with a clear strategy translated into clearly defined policy measures led by government. A few special new skills and experience borrowed from Europe and other territories that are more experienced in knowledge-based economy implementation will also be required.

**Developing the "Guangzhou-Hong Kong Knowledge Corridor" and Extending It beyond Guangdong**

In the globalised Knowledge Economy, the battle for competitiveness amongst nations is linked to Intellectual Property Rights and how skilled nations are in managing their intangible "Soft infrastructure." This concept goes beyond "IPR Protection" which is well understood by HKSAR Government officials, and looks at how to make best use of IPR within efficient and effective economic infrastructures, a concept understood by relatively few people in Hong Kong. While Mainland China has considerable strengths in scientific and technology research, the Mainland can best make use of Hong Kong's intangible competitive advantages which are often referred to as "soft power" by Mainland academic: efficient institutions, freest economy in the world, corruption free government, freedom of speech and free flow of information.

The key concept of this unique competitive advantage Hong Kong has is that Hong Kong already has all of the "Soft Power" which Mainland China is still trying to develop. With the small addition of a strategy, more coordinated government policies, and cooperation from the regional economies in Europe that have strong wishes and commitment to work with China in a globalised Knowledge Economy, Hong Kong has everything it needs to turn itself into a world class Knowledge Economy. At the same time, Hong Kong can reap very substantial economic benefit by positioning itself as the Centre of Excellence for technology commercialization for China as a whole. Hong Kong is well placed to transform itself from a traditional "Trading Hub" to become as well a "Knowledge Hub" and a key player in the globalised Knowledge Economy.

*Lessons to be learnt from the Oresund Region<sup>3</sup>*

The Danish-Swedish cross-border region has strong historical relations. The Swedish and the Danes always had strong cultural links and the region had switched "nationality" many times since the 15th century. Today, the region has a population of 3.6 million and accounts for 26% of the combined GDP of the two countries. It has 14 universities and a workforce of 1.9 million. In 1991, the governments of Denmark and Sweden agreed to build the Oresund Bridge, linking Copenhagen of Denmark and

Malmö of Sweden. The bridge was opened in 2000 but a 1999 report titled "Oresund: the Creation of a Region" concluded that the greatest barrier to integration in the region is lack of communication between citizens, businesses and government administrations. In 2003, a publicly funded newspaper and television programme was launched to facilitate integration. Other public discussion forums involving citizens of both territories were also launched. Today, the Oresund region is a territory that is poised to move from traditional to knowledge-based industries of the 21st century, and is already recognized as a world hub of excellence in life sciences.

#### *Building presences and capacities in Hong Kong and the Pearl River Delta*

There are many other regional knowledge-based economy development examples in Europe and in North America. One major characteristic of this type of economic development is that they are often based on historical economic and cultural ties and they happen gradually over time, but often with some degree of government facilitation. Guangzhou, Hong Kong and the surrounding region is one country, the components of which have a "hard border" between them. It also has strong cultural ties and many similarities with the Oresund Region. A high-speed rail will link Guangzhou and Hong Kong in about one hour. The Guangdong Government also has specific plan to develop Nansha, an area the size of Singapore that is only one hour away from Hong Kong by high-speed ferry. The Pearl River Delta area is also blessed with having a highly educated population and a network of universities, science parks and companies developing leading edge technology and products: the proposed "Guangzhou-Hong Kong Knowledge Corridor" has the potential to become one of the major knowledge regions in the world, similar to Silicon Valley in California or the Oresund Science Region in Scandinavia.

#### *Expanding the concept to form the "Beijing-Guangdong-Hong Kong Knowledge Corridor"*

How could this transformation and the accompanying increase in quality of life be achieved? In the mixed economy environment of Guangdong-Hong Kong, it clearly needs coordination at the Governmental level and counseling at individual company level to help companies realize the opportunities afforded to them by their presence in a unique region at a unique time in history. Significant learning can be found from the development of other knowledge regions, but in the final analysis a great deal of work on the ground will need to be done within Hong Kong first.

In the case of Hong Kong, it is the only territory of China that is at "Stage 3" of economic development, along with Japan, Singapore and South Korea in Asia,<sup>4</sup> Hong Kong ranks as the 9th most competitive economy in the world. It ranks third in the world in terms of meeting "Basic Requirement" (institution, infrastructure, macroeconomic environment, health and primary education) and "Efficiency Enhancers" (of which Hong Kong ranks number one in the world in terms of "Financial Market Development)". According to the World Economic Forum and OECD, this type of economy is "Innovation Driven." Unfortunately, Hong Kong only ranks 22 in the

world in terms of "Innovation and Sophistication Factors" which is among the bottom third amongst OECD countries.

Why Hong Kong is doing so poorly in terms of its innovation factor is difficult to explain. One reason could be the lack of industrial and economic development experience. At a philosophical level, Hong Kong industrial development policy has also remained unresolved. While, Hong Kong's Free Market Economy, Rule of Law, Freedom of Information and the fact that it operates under a government and administration system that is separate from that of mainland China is acknowledged, Hong Kong does not seem to know how to turn those unique advantages into economic and job opportunities for the benefit of Hong Kong and mainland China.

Other than trying to make best use of Hong Kong's uniqueness under "One Country, Two Systems", Hong Kong should also try to maximize Hong Kong's external economy of scale by making best use of Guangdong's strong manufacturing capacity (37% of China's high-tech exports) and Beijing's strong R&D capacity (5% of Beijing GDP— a rate which is four times the national average) and very dominant position in technology transfer (50% of China's capacity).<sup>5</sup> As the capital city of China, the very dominant position of Beijing as a political and administrative centre of China is difficult to ignore. And since R&D, technology transfer and technology commercialization is a business of transferring of ideas, close proximity to Hong Kong is not a critical factor and Hong Kong could do well by extending the "Guangzhou-Hong Kong Knowledge Corridor" idea to include Beijing from the start.

### **Innovation is more than R&D**

There is growing recognition that innovation encompasses a wide range of activities in addition to R&D, such as organizational changes, training, testing, marketing and design. The latest (third) edition of the Oslo Manual defines innovation as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.

By definition, all innovation must contain a degree of novelty. The Oslo Manual<sup>6</sup> distinguishes three types of novelty: an innovation can be new to the firm, new to the market or new to the world. The first concept covers the diffusion of an existing innovation to a firm — the innovation may have already been implemented by other firms, but it is new to the firm. Innovations are new to the market when the firm is the first to introduce the innovation on its market. An innovation is new to the world when the firm is the first to introduce the innovation for all markets and industries.

Innovation, thus defined, is clearly a much broader notion than R&D and is therefore influenced by a wide range of factors, some of which can be influenced by policy. Innovation can occur in any sector of the economy, including government services such as health or education. However, the current measurement framework applies to business innovation, even though innovation is also important for the public

sector. In Europe, but not yet in Hong Kong, consideration is being given to extending the methodology to public sector innovation and innovation for social goals.

*Should HKSAR Government facilitate innovation as an economic development tool?*

Even though the World Economic Forum reminded us that Hong Kong's economic activities ought to be "Innovation Driven" and more sophisticated business and professional capacities are very much needed in Hong Kong, the message somehow is missed, not understood or ignored. To a very senior civil servant, we suggested that Hong Kong should perhaps look at "Soft Infrastructure" building. We said that the knowhow and systems needed is somewhat like building a road that takes traffic from A) to B). The response was "... It is not so easy to see where this Knowledge-based Economy Road leads to." The intangible connections between "soft" capacity building and further economic development in Hong Kong is not as straightforward to HKSAR Government officials as it seems to people we talked to in Mainland China and around the world.

It does not seem that the "Knowledge-based Economy" as a reciprocal "win-win" strategy was considered as part of Hong Kong's overall economic development strategy by Hong Kong. The *Greater Pearl River Delta Business Council Report*<sup>7</sup> probably reflects many thoughts of the Hong Kong establishment and therefore the official thinking of the HKSAR Government. The Council had correctly observed the "reciprocity" nature of the relationship between Hong Kong and mainland China—what is good for Hong Kong must also bring benefit to Mainland China. However, the rest of the Report is mostly about enhancing the existing economic strengths (i.e. in logistics, finance and trading and the "Six New Industries" proposed by the HKSAR Government)—not the new economic potential of Hong Kong. The Report recognizes Hong Kong's potential as the regional headquarter for mainland enterprise and their bridge to North and South Asia. The need for some structural change and the need to find new growth engines for Hong Kong were also recognized. However, no specific strategies were offered by the HKSAR Government or the Council.

#### *Lessons from OECD*

Economists in the OECD are also continuing to search for other key ingredients for economic growth. They have found that the focus has been shifting from the traditional "factors of production"—capital, labor, raw material and energy, to "intangible factors"—particularly knowledge and technological change. OECD recognizes that the "diminishing return of capital" in the classical production model can be compensated for by a flow of "knowledge." The OECD embraces the Intellectual Capital Management (ICM) view of "Know-what", "Know-how", "Know-why" and "Know-who", but the most significant observations of OECD are:

1. The link between Knowledge-based economy and the creation of high-wage and high-quality employment;
2. Productivity of developed economies is largely determined by the rate of

knowledge accumulation and technical progress;

3. A new emphasis in government policies and support systems is needed, particularly in science and technology, industry, education, knowledge production, knowledge transfer and university/industry collaborations.

The Knowledge Economy is not just about creating or pushing back the frontier of knowledge. It is also about the creation of wealth through commercialization of knowledge. The OECD defined "Knowledge-based Economies" as *economies that are directly based on the production, distribution and use of knowledge and information*. It was estimated that more than 50% of GDP in the major OECD economies is "Knowledge-based." There is a higher demand for highly skilled workers in Knowledge Economies and correspondingly a higher unemployment rate for those with lower secondary education. While OECD countries have been losing jobs in the manufacturing industries, employment is growing in the high technology, high skilled sectors such as computers and pharmaceuticals.

Moving Hong Kong towards knowledge-based production is not a sharp break from the past, nor is it a "sector-based" support strategy as misunderstood by some opponents after hearing "Knowledge-based Economy" or "Innovation and Technology." Facilitation from HKSAR Government is probably necessary. Such a move should not be equated to Hong Kong abandoning the "Free Market" principle. A coordinated policy and some facilitation would support creative and scientific start-ups, R&D outputs from Mainland China and in Hong Kong and would absorb the supply of young university graduates effectively.

#### *A coherent intellectual framework needed*

Whether laissez-faire still has a role in Hong Kong's future development is not a black-and-white argument. As a developed and high-cost economy, Hong Kong does not have much choice other than to follow the examples of OECD and EU in climbing up the economic ladder. Hong Kong needs to find a role and a market niche within the context of China's 12th and 13th Five Year Plan and amongst the developed economies and developing economies of the world.

Researcher that looked into innovation systems around the world, including the Taiwan example, has identified the "Macro-Meso-Micro-economic Framework."<sup>8</sup> Innovation systems around the world are increasingly seen as a system of organization and institutions that deploy resource and therefore capacity to produce new knowledge and drive economic development.

Such systems are closely linked to economic planning and the political economy—how government chooses to use public resource to drive economic development for the benefit of business and the community as a whole. How countries and territories envision their own future and how resources are deployed in a systematic way is clearly a political choice. In a democratic society such as Hong Kong, a strong argument backed by a coherent intellectual framework is needed to push forward such a vision.

The fact is, although Hong Kong has all the fundamental factors needed to transform itself into a world class knowledge-based economy, a strong argument and a coherent intellectual framework that favor deployment of more public resource to assist Hong Kong's next level of economic development is still missing. In the absence of such an intellectually sound argument and the political leadership needed to build consensus amongst the community as a whole, inertia or doing nothing is still the dominant mode of operation with regard to transforming Hong Kong's innovation system and the public policy needed to transform Hong Kong into a world-class knowledge-based economy.

### *Strategies of Innovation<sup>9</sup>*

A common misunderstanding amongst opponents of developing the "Knowledge-based Economy" or "Innovation and Technology" capacity in Hong Kong is that the economic development strategy is sector-specific and involves heavy government investment in R&D that are often wasted. Yes, it is true that one of the "Innovation Strategies" is "Eureka", discovery of new frontiers of knowledge which are often sporadic and difficult to predict. However, mainland China is already investing a huge amount of money and people into original scientific discovery. We are not suggesting that this is the only innovation strategy that Hong Kong should pursue.

Facebook and the early smart phones adopted a "Battle for Architecture" strategy giving away services for free in exchange for market dominance. "System Breakthrough", "New and Improved", "Mass Customization" and "Pushing the Envelope" are other strategies Hong Kong could learn to pick these up eventually. However, innovation strategies that focus on assisting SMEs, including knowledge intensive SME start-ups, is the one that will gain support from Government and from the community. At a practical level, innovation involving SMEs does not involve "Battle for Architecture" and domination of markets. SMEs, however, see their market niche clearly and can benefit from facilitation from governments to make use of existing innovative process or technologies that are readily available. SMEs are particularly good at the "New and Improved" game and at their very specific market niche or local market. With very specific help, such as assisting Hong Kong SMEs to network with and acquire knowledge and knowhow from existing owners of technologies in Europe through Hong Kong's trusted intellectual property platform, we could assist important improvements in the SME sector within Hong Kong's overall economic structure.

### **Practical Plans and Measures**

Some argue that Hong Kong is already a Knowledge Economy and nothing more needs to be done. Yet, businessmen and businesswomen have found that while Hong Kong has good capacity to develop technology in university laboratories, Hong Kong does not have a meaningful critical mass that would allow it to become a technology hub. Hong Kong has made some progress in technology but seems to have fallen into the same trap as Scotland did. Even though Hong Kong should have been better than any cities in China to develop commercialization knowhow, such a capacity cannot be

found in Hong Kong. As a result, university-based researchers keep using government money to invent and develop technologies and end up selling the results cheaply to mainland and international companies. Businesses also take Hong Kong's R&D outputs to have them commercialize elsewhere.

Others have also argued that Hong Kong does not need "technology" but do acknowledge that the capacity to commercialized technology is needed. These sentiments are largely correct, but they do not point Hong Kong towards a useful economic strategy nor do they prescribe the magic key to unlock Hong Kong's economic potentials. The harsh fact is that Hong Kong's economic development has been standing still for a long time. Hong Kong must now focus on developing more high-value added knowledge-based economic activities, regardless of whether these activities are: service, technology, manufacturing, finance or trading to catch up with the rest of the developed world.

### *"Free Market" versus "Economic Planning"*

Prof. Lau Siu-kai, former head of the Central Policy Unit, said that the HKSAR Government is unlikely to be dogmatic on these two subjects and will neither take on a "Free Market Economy" or "Planned Economy" stance on the subject.<sup>10</sup> But as Hong Kong moves forward, HKSARG's role must and will become more and more active. The Government's role in economic development has been changing since the "Laissez-faire" days of Sir John Cowperthwaite and Sir Philip Haddon Cave of the 1960s and 1970s. Prof. Lau said in the past ten years Government's thinking is changing as well, particularly in the development of the "New Industries" and the "Creative Industries." Prof. Lau believes that people are unlikely to oppose HKSARG's economic development initiative; instead they are more likely to say that the HKSARG is not doing enough.

Hong Kong has been participating in China's Five Year Planning cycle since the "11<sup>th</sup> Five Year Plan" (2006-2010). Hong Kong is now formally written in to the "12<sup>th</sup> Five Year Plan" (2011-2015) and some people are even demanding that Hong Kong should have its own 12<sup>th</sup> Five Year Plan. This change is unlikely to be feasible as Hong Kong is fundamentally a free market economy and HKSARG does not have direct control over Hong Kong economic activities. Even though Hong Kong cannot become a planned economy, Hong Kong's participation in the 12<sup>th</sup> Five Year Plan is important. Hong Kong needs to do well in this area, otherwise the HKSAR Government fears that Hong Kong may not be invited to participate in the "13<sup>th</sup> Five Year Plan" (2016-2020). Under these perspectives, Prof. Lau believes that the HKSAR Government's participation in economic activities is likely to increase, as in the case of support given to the "Creative Industries."

### *Enterprise Europe Network working with Europe and Mainland China*

A fast track approach to fulfill China's desire to participate fully in the global transaction of IP and technology as part of its innovation push can be realized by

creating an "Enterprise China Network" modeled on a variant of "Enterprise Europe Network." As China is still very much a socialist country, it is more likely to follow the more "socialist", public sector driven approach to economic development than to follow the pure private sector approach as practiced in the USA.

There are many organizations involved in IP and technology across the world today and in order to have access to all the available technology it is important to network with each of these organizations. As we understand it, government units at the Central Government and Provincial Government levels have been pumping resources into this area following exchanges between Premier Wen Jiabao and his counterparts in various European Countries. Many of the required skills do not exist in mainland China or in Hong Kong today. Access to the organizational skills and service approach of Enterprise Europe Network can in a relatively short timescale provide China and Hong Kong with a powerful and functioning inward and outward facing IP and Technology Transfer capability which can network with the rest of the world.

In this respect unity is strength and one central organization representing China would possess the critical mass to interact with all the existing IP and Technology Transfer world centres: this would be a world first that would place China and hopefully Hong Kong included in an advantaged role.

#### *Hong Kong's role and the way forward*

There is no question that China can occupy an advantaged position if it is represented in the world IP and Technology Transfer arena by one organization—the proposed Enterprise China Network (ECN). There is also no question that many in the developed economies of the West still distrust the way in which IP is treated in China and fear loss of technology. These two situations provide a unique opportunity for Hong Kong (or even Taiwan if Hong Kong could help resolve the political difference) to play a key role in this aspect of the growth of China. Hong Kong is a market place trusted all over the world for its fairness and for its rule of law and is ideally suited to become a hub of the IP and Technology Transfer business in China.

In order to achieve this, Hong Kong must first come to agreement internally, and then with the relevant government units within the Central Government in Beijing on the role which Hong Kong will play and ideally be given the charter to become the entry node for IP and Technology Transfer on behalf of China. As one of the key nodes of ECN within China, Hong Kong could then coordinate with the other key nodes of Enterprise Europe Network, various IP and Tech-Transfer agencies in the Mainland and in the Rest of the World. Thereafter it is simply an implementation matter and the requirement to assemble the resources, the needed skills and to activate a world class IP and Technology Transfer Centre in Hong Kong in close collaboration with corresponding units in Mainland China.

We in APICC have taken the step of building links with the International Technology Transfer Network (ITTN) in Beijing and officers of the European Union in

Hong Kong and Europe, including the very specific tasks of: Assisting ITTN to build the Enterprise China Network (ECN) with full assistance from the European Union and Enterprise Europe Network (EEN); Linking ITTN to the "soft technology" (business and commercialization know how) from around the world through the APICC's "China Network."

The Enterprise China Network (ECN) project as proposed to ITTN is a very practical project that will eventually link various innovation and technology units throughout China to Europe and to the rest of the world. Hong Kong's participation will help bridge many cultural and business practice differences between China and the West. It has potential to form the foundation capacity to put the "Open Innovation" concept into practice and Hong Kong will also benefit enormously should it decide to participate. Such an approach, however, will require full support from the HKSAR Government even in the absence of the proposed Innovation and Technology Bureau.

#### Notes

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