

## Hong Kong - the Technology Marketplace

Hong Kong is a trading hub not only for consumer goods, but also a wide range of high-tech products, dominated by electronics-related items. Hong Kong industries excel in certain technological areas such as innovation, commercialization, application and industrial engineering, which are backed by a technology cluster composed of local and foreign enterprises.

These are the findings of a study conducted by the Trade Development Council (TDC) which quotes industry players as saying that with robust demand from the Chinese mainland for various kinds of technology, Hong Kong's role as a centre for technological cooperation and integration in the region is set to develop further in the medium term.

TDC Chief Economist Edward Leung said that the composition of Hong Kong's external trade has changed gradually over the last few decades. For instance, electronic products, which are of relatively higher technology content, accounted for only 26% of Hong Kong's total exports in 1990. But electronics has now become Hong Kong's major export earner, accounting for 48% of total exports in 2005. Electronic parts and components have overtaken consumer electronics as the major category, accounting for 68% of the total electronic exports in 2005 (in contrast to 37% in 1990).

He also noted that quite a number of Hong Kong companies had raised the technology level of their products and services.

"The meaning of 'technology' can be quite broad. Besides front-end R&D activities, it also covers technological areas like innovation, commercialization, application and industrial engineering," said Mr Leung.

"Hong Kong industries excel in these technological areas. However, laymen have ignored its development because the sector is relatively complicated in technical and conceptual sense," noted Mr Leung.

The research department of HKTDC conducted the study in the past few months, probing the achievements of Hong Kong in the innovative technology area as well as HK as a trading hub for technology and high-tech products.

This research project, based on case studies on 18 companies, focuses on 4 sectors, namely electronic components, electronic manufacturing service (EMS), information technology and environmental protection. The findings revealed that companies in the 4 sectors are cutting edge and strong in their corresponding technology areas.

"The presence of a tech cluster\* (e.g. ICT, electronics) and foreign tech players, HK's proximity to production activities in the Pearl River Delta and its free port status that allows imports of high-tech equipment from, e.g., the US are HK's intrinsic advantages to conduct technology businesses," added Assistant Chief Economist Daniel Poon.

Mr Poon said HK should ride on China's advantages to further develop itself into an international marketing arm of technology as well as a facilitator of technological cooperation and integration in the region.

"HK's proximity to the mainland's huge industrial market, especially Guangdong, its capabilities of utilising mainland's technology & experts and tech companies facilitated by CEPA's opening of mainland's merchandise trade & service markets to Hong Kong have given the SAR a certain edge in the competition," he said.

\*According to a survey conducted by the Census and Statistics Department in 2005, there are

about 4,000 Hong Kong companies (mainly firms with production facilities across the border) undertaking R&D activities. Nearly 16,000 companies engaged in innovation activities and a substantial portion engage in technological cooperation with external partners, particularly with those located in the Pearl River Delta (PRD).

The report quoted industry players as saying that it is likely that there are an increasing number of companies using Hong Kong to conduct technology businesses, and the chance that Hong Kong will lose out to its competitors due to a lack of front-end R&D is low, even in the medium term.