



Can Hong Kong reinvent itself as an innovation-driven economy?

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Innovation

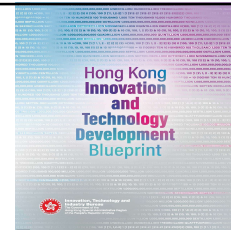
"Innovation policy: what, why, and how", by Jakob Edler & Jan Fagerberg, *Oxford Review of Economic Policy*, Vol. 33, No. 1, 2017

- Innovation is not primarily about generation of new ideas, the traditional focus of science and research policies, but trying **to exploit such ideas in practice** in order to enhance **competitiveness** and respond to problems or challenges that arise.
- To **transform** economies and cope with societal challenges through innovation, policymakers may need to **adjust their instrumentation**.
- An effective innovation policy needs to place **emphasis on supporting experimentation, implementation, and exploitation [i.e., start-ups]**, particularly at an early stage, while at the same time allowing different approaches to the solution of a problem **to co-evolve and compete**.
- Innovation is not only relevant in a narrow range of science-based (or high-tech) activities or in manufacturing industry but may be a **potent force of change in all parts of society** including, e.g., services industries, creative industries, and the public sector, or in the form of social innovation.

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2022 I&T Development Blueprint

Mission: A diversified economy, quality jobs, quality of life, national needs



4 broad directions

Enhance the **I&T ecosystem** and promote 'new industrialisation'

Enlarge the **I&T talent pool**

Promote **digital economy** development and develop Hong Kong into a **smart city**

Proactively **integrate into overall development of nation [China]** and consolidate role as a bridge connecting Mainland and the world

8 Major Strategies

- ❑ To enhance the **I&T ecosystem** and promote interactive development of the upstream, midstream and downstream sector
- ❑ To promote technology industry development and achieve '**new industrialisation**' in Hong Kong
- ❑ To diversify **venture financing channels** and support the development of start-ups and industries
- ❑ To promote **I&T culture** for all and enhance the overall I&T atmosphere in the community
- ❑ To enrich **I&T talent resources** and develop an international talent hub
- ❑ To accelerate the development of **digital economy and smart city** to enhance citizens' quality of life
- ❑ To **deepen I&T co-operation with Mainland** for better integration into the overall national development
- ❑ To leverage Hong Kong's advantages as an international city to foster **global I&T collaboration**

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HK's hub advantage

- As a **global financial centre**, HK is not short of entrepreneurs and capital.
- As a **hub of world-class universities**, it is not short of top-notch researchers in science and technology.
- Yet, as of now, HK faces a **bottleneck** in the three principal factors of supply: Labour, Land, and Capital.
- HK businesses have excelled more in trading, real estate and finance in the past. There lacks a tradition of science & technology-based industries. Hence **need to re-industrialize**.
- HK presently faces the challenge of **adverse geopolitics**, including escalating US-China conflict resulting in sanctions / restrictions and constrained opportunities.
- A 'blessing in disguise', ironically, is the **relocation of Chinese scientists & researchers** from a less-welcoming US to HK.

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New Policy Packages

- Policy packages have been rolled out by the current administration to lure external investment, attract foreign and mainland talent, and enlarge labour imports.
- Ambitious plans abound for new infrastructure, reclamation and a new Northern Metropolis, as well as expanding STEM education to support and nurture an innovation and technology hub.

Questions:

1. Are we **attracting the right talent** worldwide?
2. Are we doing enough to **retain talent** and halt the brain drain?
3. Are we grooming **the right productivity** through education and training?



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Why is HK lagging behind other hub cities?

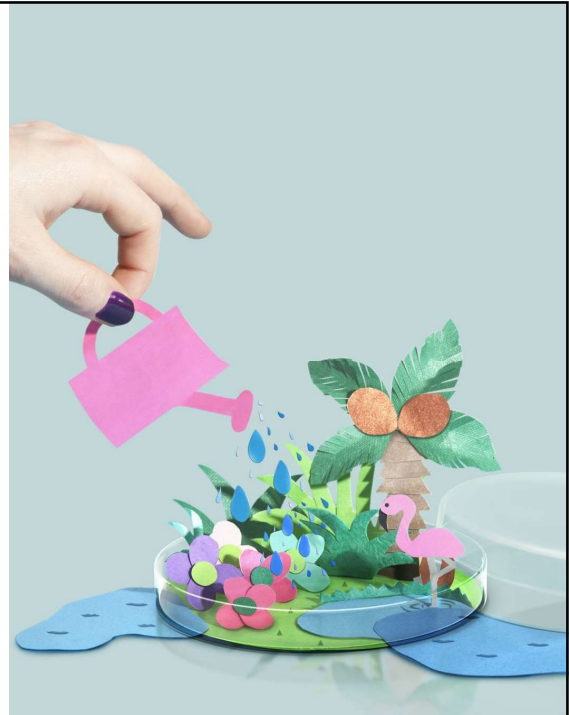
(HKUST-led SPPR findings, 2022)

- HK's universities have not been delivering comparable results to research universities active in R&D and KT in hubs elsewhere, despite ranking among the world's top 50 and excelling in basic research.
- **Should Public Research Universities in HK take up a pioneer/driving role** in accelerating the development of a global I&T hub in the GBA?
- **If so, how?** (a) University-specific support & rewards, (b) government policy directions, (c) reshaping and restructuring the eco-system
- **Building a vibrant innovation ecosystem** - universities are vital but need a strong **G-I-U (官產學) collaborative regime. Re-envision and Reconnect!**
- **Government** to invest in R&D and education + **Major private sector initiatives**. Pooling of risks?

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- What has been lacking is a vibrant **innovation ecosystem** that provides conducive space for creativity and the right incentives.
- The **market force** is still primary. The question is whether **private firms** see promising prospect in innovation investments.
- The 'collective' (and risk pooling) nature of innovation requires **government** to play a more proactive role in R&D and education



Innovation is not just about promoting science & technology



A 'smart city' is not just a digital city. Innovation also entails social renewal and transformation.



We need a new generation of talent with critical thinking and strong adaptability in a fast-changing world.



The creative capacity to groom innovation calls for breaking boundaries and challenging paradigms and orthodoxies.



An eco-system that is intellectually uptight and does not tolerate failures is not conducive to innovation.