Electronic Commerce in Hong Kong
Special Administrative Region of the People’s Republic of China

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INTRODUCTION

With 0.1% of the world’s population, the Hong Kong Special Administrative Region (SAR) of the People’s Republic of China (PRC) accounts for more than 3.5% of the total world trade (Cheng 1997: 305). This is not something new, since Hong Kong for centuries has provided the trading spot where ‘East meets West’ and the Pearl River delta has always been an international trading place.

Hong Kong has an excellent transportation infrastructure with the only natural deep seaport south of Shanghai. Hong Kong’s container ports are the busiest in the world and they handle more than 16 million TEU (Twenty-foot Equivalent Units) of cargo a year. The airport is the busiest in the world in regard to international air cargo and the third largest in terms of international passengers. A comprehensive and sophisticated road and rail transportation system covers the former British Crown Colony. It has a world-class telecommunication infrastructure unmatched by most countries world-wide. Besides these ‘tangible’ transportation supporting systems, Hong Kong has a good legal and financial system. Furthermore Hong Kong is also a multicultural society and most of the population is at least bilingual (Cantonese and English and a growing number are learning Mandarin — the official language of the PRC), which creates an international atmosphere.

This impressive infrastructure, combined with more than 80,000 trading companies and numerous other trade supporting services (e.g. banks, insurance companies, freight forwarders, and terminals), forms one of the largest and most efficient trade and transportation hubs in the world, and many regard Hong Kong as the principal trade and transportation hub of Southeast Asia.

However, in the 1990s the importance of providing electronic commerce (e-commerce) services is becoming a key ingredient in the global race between trading hubs (Wrigley, Wagenaar and Clarke 1994). Consequently hubs in the Asia Pacific (e.g. Singapore) are evolving from providing only goods-handling facilities to offering advanced e-commerce services that electronically link different traders, transport companies, financial institutions and various public organizations in a hub (King and Konsynski 1990a, 1990b; Neo, King and Applegate 1993; Knoop, Applegate, Neo and King 1995). A challenge that Hong Kong is taking very seriously at all levels of government and business alike (Damsgaard and Lyytinen 1997; King and Konsynski 1990c; Surmon and Huff 1995).

In this paper we discuss the current status of and existing potential for performing efficient and reliable e-
commerce in one of the principal trade and transportation hubs of Southeast Asia. We provide an overview of a number of components that are all necessary preconditions or prerequisites for e-commerce. These are typically issues that relate to infrastructure or institutional regulation, i.e. beyond the control of individual organizations. We start with outlining the telecommunication infrastructure in Hong Kong. Telecommunications form one necessary building block for e-commerce, as it is imperative to have access to cheap, reliable and modern means of communication. We then turn to describe broadcasting in Hong Kong, where new digital and interactive services (iTV) provide an innovative alternative to Internet-based e-commerce. Thereafter we discuss the Internet situation in the Hong Kong SAR and the rest of China, followed by the existing e-commerce providers already active in the former Crown Colony, and various e-commerce initiatives in Hong Kong. Finally, we analyse the impact of e-commerce on Hong Kong’s international competitiveness. We conclude by assessing the potential and the readiness of the Hong Kong SAR to enter the e-commerce era.

TELECOMMUNICATIONS

Infrastructure. Telecommunications has been one of the major factors behind Hong Kong’s success as a commercial and financial hub in the Far East. Hong Kong was the first major city in the world to have a fully digital network, and the territory now has some 548 mainlines for every 1,000 people (1997). Hong Kong has one of the highest penetration rates in the world of subscribers to radio paging services, and the penetration rate of cellular mobile phone users ranks 1st in Asia and 6th in the world. Moreover, data traffic is increasing by 80% per year.

As the principal operator, Hongkong Telecom’s high-bandwidth state-of-the-art infrastructure is comprised of land, air, and sea connections. Domestically, Hongkong Telecom’s network includes some 300,000 km of fibre-optic cable, and over 1,000 of Hong Kong’s major buildings are linked with fibre-optic cable.

Liberalization of the telecommunications market. The rapid growth of Hong Kong’s telecommunications is attributed to the Government’s determination to make Hong Kong a pre-eminent telecommunications hub in the Asia Pacific region. Reflecting this determination, the Government reached an agreement with Hong Kong Telecom International Limited (HKTI), in March 1998, to end the exclusive licence for international fixed-line network and voice telephony. (The franchise was originally due on 30 September 2006.) Following on from the July 1995 introduction of four Fixed Network Telecommunication Service (FTNS) licences, this will make Hong Kong one of the most competitive telecommunication markets in the Asia-Pacific.

Radio paging services. Radio paging was very popular in Hong Kong in the 1980s. However, with the rise of the cellular phone market, offering a variety of low-price services and handsets, paging has begun to lose its popularity. The number of paging subscribers rose from 376,843 in 1987, to its peak in 1994 of about 1,356,177 subscribers, before beginning to decline gradually. In 1997, there were about 932,854 paging customers. Though the paging market has been declining, the 28 remaining paging providers in Hong Kong are trying to increase their competitiveness by using high speed technology to improve transmission speed, the capacity of customers in a paging channel, and the range of services they are able to offer. Some paging companies, for example, now offer innovative services such as e-mail paging to attract customers. Subscribers to the e-mail paging services are thus able to check e-mail through their pagers.

Mobile services. Mobile services have been available in Hong Kong since 1984. As of April 1998, there were eight mobile network operators providing public mobile radiotelephone services to about 1,362,861 customers. The mobile phone market is expected to grow by another 50% by the end of 2002.

Both digital and analogue networks operate in Hong Kong. Digital networks are more popular than analogue because they offer greater security — data and audio sounds can be encrypted and transmitted between handsets and base stations. Given the same bandwidth, a digital system also allows data to be transmitted in a greater capacity than an analogue system.

The introduction of PCS networks in September 1996 has intensified the competition of the mobile phone market. Six companies have been awarded the licences to operate these networks. PCS networks are implemented with GSM technology but operated at a higher frequency band. The entry of PCS operators has led to a fall in prices of services and handsets, attracting more consumers to use mobile phones. And, like other mobile operators, PCS operators are subject to certain regulations. For example, they are required to interconnect with Hong Kong Telecom, the dominant fixed network operator, to complete phone calls that do not originate or terminate on the mobile networks.

As the number of mobile operators and consumers grows, there is a growing demand and genuine need for promoting mobile number portability (MNP). With MNP, consumers can retain their telephone numbers even if they change mobile operators. It also creates the possibility for supplementary and value-added services to be used in an identical way to other subscribers to the new network. Mobile operators, however, have expressed different views concerning MNP. New PCS entrants are very supportive of the new idea because MNP allows a consumer to change operators without changing her telephone number, thereby lowering the consumer’s cost for switching to the
services offered by the new entrants. However, the established operators are more hesitant to embrace the idea.

**BROADCASTING**

In Hong Kong, there are 45 domestic and regional television channels. These comprise four free-to-air commercial channels funded by advertising, 37 pay TV channels funded by subscriptions, and a variety of free-to-air satellite channels. Almost all of Hong Kong’s population of nearly 6.5 million is able to receive the free-to-air broadcasts.

iTV. In March 1998, Hong Kong Telecom officially launched the world’s first commercially available interactive television service (iTV). With the launch of this innovative service, over 90% of local households are able to experience the future of information and entertainment at their own homes. The variety of interactive services, made possible by an advanced broadband telecommunication network, is expected to usher in a revolutionary era of entertainment and provide unprecedented convenience to customers.

In its proposal for the regulation of VOD programme services (1996), the Hong Kong Government suggested that VOD and other multimedia services had a potential to gain popularity among a majority of households and that there was a need to regulate the content or other non-carryage aspects of VOD programme services. According to the Government, the television programmes transmitted to the public should meet ‘the basic standards of taste and public decency, which the community expect’.

The full range of services made available to iTV subscribers aims at providing a ‘total lifestyle solution’ that caters to their needs in entertainment, learning, shopping and banking. These include Video-On-Demand (VOD) on a pay-per-view basis, Music-On-Demand (MOD), Home Shopping and a free Racing-On-Demand (ROD) service; later services to be added will include Broadband Internet and Home Banking, Network Games, infomercial and ‘edutainment’ programmes. Hong Kong Telecom, through its IMS subsidiary, has invested around HK$1.3 billion over the last three years in the development of these services. The company plans to invest another HK$10 billion during the next decade.

**THE INTERNET**

In Hong Kong. There are approximately 650,000 Internet users in Hong Kong, and the number is rapidly increasing. By the year 2000 it is expected to grow to around one million. The Internet’s share of overall IT budget among Hong Kong companies is expected to increase 15% annually. About 46% of medium and large companies are expected to have an Intranet by the end of 1998 and some 23% were investing in an Extranet to hook up customers and business partners around the world.

According to a report published by Cyberspace Centre in 1997, about 66% of companies in Hong Kong had Internet access, and the Internet activities commonly performed by the companies included e-mailing, file transferring, database accessing, and information searching. All these findings suggest that companies in Hong Kong are aware of the importance of the Internet.

In the rest of PRC. The Internet market seems to be well established in the Hong Kong SAR. However, in 1997 only about 10% of households in the PRC’s principal cities of Beijing, Guangzhou and Shanghai had computers. According to a report published by China Internet Network Information Centre (CNNIC) in July 1998, only 54.2 million computers in China were equipped with Internet access. Several factors that affect the Internet usage in China are:

- **Education** — the Internet was initially a privilege of a small group of scientists and researchers in China. It is only in the last few years that ordinary Chinese have begun to enjoy access to the Internet. Computer-literate people form only a small part of China’s population, though the number has been growing.
- **Income level** — access to the Internet is too expensive for an average user. For instance, a scholar who earns US$50 a month cannot afford a computer which costs about US$1000.
- **Technology** — incompatible hardware and software systems, and frequent power outages are barriers to telecommunications in China.
- **Government control** — although the Chinese Government has encouraged the development of the Internet, it has sought to restrict its citizens from logging on to sensitive content that contains pornography and dissenting opinions. For example, the Starr report on President Clinton was banned.
- **Language** — a large number of people in China are not familiar with English, which is the common language of the Internet. According to CNNIC’s report, 45.5% of China’s Internet users felt that the Internet had too little information in Chinese.

Despite the constraints mentioned above, China’s Internet market has been growing quickly. According to the CNNIC statistics, the number of registered Internet users reached 117.5 million by the end of June 1998, almost twice the number of December 1997. Of all registered hosts in China 70% are from the commercial sector. It means that China has a market for e-commerce. Foreign companies such as Microsoft and IBM have begun to explore the Chinese market and set up offices in China. Hong Kong, as the Special Administrative Region of China, has been playing an active role in bringing e-commerce into China.
E-COMMERCE SERVICES

Electronic Data Interchange (EDI) is playing an important role in fostering and sustaining e-commerce. Finding a common EDI standard has been one goal of the industries in Hong Kong to provide solutions that can be used in any cross-company, cross-industry and cross-country communication. This, however, should be seen as a long-term plan because of the deeply rooted industry standards in some industries such as banking and air cargo (see also Damsgaard and Lyttinen 1997).

The most internationally well-known e-commerce supplier in Hong Kong is Tradelink (Damsgaard and Lyttinen 1997; Farhoomand, Law, Ng, and Damsgaard 1998; King and Konsynski 1990c; Surmon and Huff 1995). However, there are a number of other e-commerce service suppliers operating in Hong Kong (see Damsgaard 1998a; 1998b; Damsgaard and Farhoomand 1998a, 1998b). They are all rooted in some specific segment of the international trade and transportation industry, but each has a declared goal of providing an overall e-commerce infrastructure for the common benefit of their customers in specific and of Hong Kong in general.

Tradelink. Tradelink Electronic Commerce Ltd⁹ was established in 1988 as a private company. The current shareholders are a mix of government, trade and industry associations and private companies. They are all key players in the international trade cycle in Hong Kong, either directly or as representative organizations.

Tradelink’s mission is to enhance the productivity and competitiveness of Hong Kong’s import/export trading community by making available a range of value-added e-commerce services. The initial focus in the mid-1990s was on automating commonly used government trade transactions to speed up the transportation and trading cycles in Hong Kong. Tradelink is franchised to provide the electronic gateway for the Hong Kong trade and transportation community and the Government of the Hong Kong SAR. The franchise was granted in 1992 on which occasion the Government also became the largest shareholder of Tradelink.

Tradelink’s first service was an electronic submission facility for Restrained Textile Export License applications. The service began operation in January 1997, followed in April 1997 by an electronic lodgement facility for Import and Export Declarations (Trade Declarations). The two services were marketed as the core ingredients of two wider e-commerce services called SilkNet and ValueNet.

To further speed up the diffusion of e-commerce the Hong Kong Government has committed to phase out manual lodgements of trade declarations by the end of March 2000, ‘obliging’ the trade and transportation community to adopt e-commerce. Tradelink thus has a unique challenge to move some 70,000 Hong Kong traders from paper based commerce to e-commerce within a two-year time frame. However, of the 70,000 traders more than 90% are small to medium-sized enterprises (SME).

Tradelink is very successful: in its first year of marketing its first service, it has succeeded in attracting more than 9,000 customers (March 1998). Tradelink’s vision is that with the initial task completed Hong Kong has the world’s largest base of e-commerce users. This in turn provides a platform for the adoption of many other advanced e-commerce applications, helping to ensure that Hong Kong stays in the forefront as a centre of international trade and transportation.

CargoNet. CargoNet Transportation Community Network Limited¹⁰ was established in 1994 with the aim of developing e-commerce services tailored to the trade and transport community in Hong Kong and Southern China. The company’s initial target was to launch an Electronic Data Interchange (EDI) service that met the needs of small- to medium-sized enterprises, typical of the Hong Kong economy, as well as catering for the large local and multinational companies involved in sea cargo. CargoNet became operational in September 1995. Its first focus was to provide e-commerce support for sea cargo related information among carriers, terminals, and freight forwarders in the Hong Kong hub.

In January 1997, CargoNet signed a contract with the Hong Kong Productivity Council (HKPC) to jointly develop and promote e-commerce services for Hong Kong-based businesses and improve e-commerce links with the rest of China. HKPC is responsible for forging links between CargoNet and EDI service providers in PRC; and CargoNet is to support automated translation of standard EDI documents between Chinese and English.

Traxon. Formed in the beginning of 1991 by Cathay Pacific, Air France, Lufthansa, and Japan Airlines Traxon¹¹ is an international electronic network for coordinating transactions between freight forwarders, air cargo terminals, and airlines. Traxon thus aims primarily at providing e-commerce services to the air cargo industry.

After its first years of operation Traxon’s Hong Kong branch was able to enlarge and sustain its position as the dominant electronic trading network provider in Hong Kong’s air cargo community. As of January 1998 there were 187 freight forwarding agents connected to the system resulting in more than 8.8 million messages per year (1997).

The result is that 94% of the air cargo volume lifted out of Hong Kong is coordinated through Traxon’s network. The rest (6%) accounts for unusual shipments. For example, flying racchorses is big business in Hong Kong that is worth US$millions a year. Traxon is extending its activities throughout Asia. Traxon also provided information distribution to 60% of the Japanese airfreight market. As of December 1996 there were more than 2,000 freight forwarders in about 5,000 offices connected to the Traxon system world-wide.
EZ*Trade. Hong Kong Article Numbering Association (HKANA) offers an e-commerce service called EZ*Trade. The service is primarily aimed at serving local manufacturing, trade and retail sector companies. HKANA was established by the Hong Kong Chamber of Commerce in 1989 as an independent, international, non-profit organization, and envisioned as the local industry support body to promote and advise local industries on the use of the international EAN standards and associated technologies for global supply chain management. HKANA sees it as its mission to promote and facilitate efficient trade practices, and to contribute towards the continued global competitiveness of Hong Kong companies. HKANA as such acts as an industry support body for the implementation of enabling technologies and the EAN standards.

EZ*Trade is designed to automate the flow of paperwork between trading partners, and it is promoted as being ideal for retailers, distributors, traders, and manufacturers doing business locally in the Hong Kong hub or internationally. The intention is to provide a comprehensive e-commerce infrastructure to keep Hong Kong ahead of its competitors.

**IMPACT OF E-COMMERCE ON HONG KONG’S INTERNATIONAL COMPETITIVENESS**

E-commerce has been widely recognized as a key driver of the world economy over the next decade and beyond. International Data Corporation (IDC) estimated that by 2002 the world e-commerce revenue would reach US$425.7 billion. The figure for the Asia-Pacific region was projected as US$34.5 billion. E-commerce lowers the cost of doing business by minimizing transaction costs and expediting operational processes. Companies are able to cut the cost of purchasing, manage supplier relationships, streamline logistics and inventory tracking, plan production, and reach new and existing customers more effectively. Beside cost savings, e-commerce allows an increase of consumer choices and an improvement of consumer convenience in the sale of physical goods and in the digital delivery of goods and services via the Internet. In short, e-commerce allows firms and consumers to tap new and bigger markets around the world, which in turn can help the growth of a country’s national income. Seeing the potential for e-commerce to contribute to the economy, many countries in Asia have begun to put the development of the information infrastructure at the top of their development agendas. Countries such as Singapore have already started ‘informatizing’ their economies by developing their information infrastructures. In light of aggressive promotion of e-commerce in some neighbouring countries, Hong Kong’s status as an international trade and financial centre may be in jeopardy. Can e-commerce be used to leverage the existing strengths in the physical structure and locational advantages of Hong Kong? Or, will e-commerce dwarf the traditional advantages of Hong Kong?

**Existing Advantages of Hong Kong**

Lying at the tip of southeastern China — in the centre of East Asia — Hong Kong is readily accessible as a trade thoroughfare. With excellent transportation, financial and legal systems, Hong Kong has earned a reputation of being the world’s freest economy. Given these locational and facilities advantages, along with one of the world’s most advanced telecommunications infrastructures, Hong Kong has become an international trade and financial hub. Hong Kong has long been an important entrepot. Over 800 sailings, 100 flights, 35 trains and 26,000 vehicles travel across the Hong Kong–China border daily. It is also the third busiest telecommunications traffic border in the world. Furthermore, approximately half of mainland China’s exports are handled by Hong Kong. As of August 1998, 95% of Hong Kong’s total re-exports either originated from or were destined for China.

As a strategic gateway into China, Hong Kong has attracted a substantial amount of foreign investment. In addition, many multinational companies (MNCs) have established their base — be they regional or Greater China — in Hong Kong. The geographical and infrastructural advantages of Hong Kong have been the principal driving force behind such regional headquarters selections.

**Competition Faced by Hong Kong**

Singapore. Although Hong Kong has long enjoyed its status as Asia’s major trading centre, it faces challenges from its neighbours. In terms of competitiveness, for example, Hong Kong has recently been ranked behind Singapore. One of the reasons being that Singapore offers a more comprehensive e-commerce policy. Singapore was the first country in Asia — and one of the first in the world — to formulate a vision for its national information infrastructure (NII). Following the success of its National IT Plan (NITP) formulated in 1985, the Singapore Government introduced an initiative called ‘IT2000 — Vision for an Intelligent Island’ in 1992. The aim was to prepare Singapore to exploit the opportunities created by information technology so as to secure the country’s role as the trading, financial, management, telecommunications, manufacturing and broadcasting hub in Asia-Pacific. As part of the IT2000 master plan, a nationwide broadband fibre-optic network was built to interconnect every home, office, school and Government agency, making Singapore an ‘intelligent’ island. By early 1997, 100% of business premises in the central business districts were served with broadband backbone connectivity. And, on 5 November 1998, the Singapore Government launched a
$9 million programme to help local enterprises to integrate e-commerce into their business operations. The aim of the pilot project was to ‘seed’ the culture for the mass adoption of e-commerce among local enterprises. Singapore’s e-commerce initiatives and sophisticated telecommunication infrastructure have attracted a large amount of business and foreign investment, providing Hong Kong with serious competition. In response, Hong Government has, perhaps belatedly, but decisively embarked on a comprehensive NII initiative (Farhoomand and Ng 1998).

China. Hong Kong has long been China’s strategic partner. Since the initiation of China’s programme of economic reform and opening up to the world in 1978, Hong Kong has been playing an important role as a trade facilitator, introducing foreign business contacts, modern technology and investment to China. This role has resulted largely from Hong Kong’s location, as it is situated next to the Pearl River Delta. It has also benefited from the exodus of traders and merchants from the mainland through times of turmoil, acting as a port of refuge, and has consequently benefited as the centre of the successful Chinese diaspora. In 1997, 90% of the goods produced in Southern China were exported through Hong Kong. However, Hong Kong’s position as the number one entrepot for China is now under challenge because China itself has also identified the potential of e-commerce. Since the early 1990s, the Chinese Government has launched a series of ‘Golden Projects’ which aim to modernize the country’s information technology infrastructure by creating an economic information and data communications network for public and private use. The ‘Golden Projects’ are China’s attempt to use e-commerce to improve its transportation and distribution bottlenecks. Although China has been aggressive in promoting its e-commerce initiatives, its telecommunications and information infrastructures still lag significantly behind Hong Kong’s. It will take many years before the outdated infrastructure and legacy systems have been adequately dealt with. However, China’s determination to develop its NII poses a threat to Hong Kong’s role as the mainland’s trade facilitator. The successful adoption of e-commerce could provide traders the opportunity to ‘move’ directly to China without going through Hong Kong. Since Hong Kong’s trade is largely reliant on China, should Hong Kong fail to maintain its role as a trade facilitator to China its economy could be severely jeopardized. In other words, e-commerce allows the potential for Hong Kong’s traditional role to be eliminated.

Weaknesses of Hong Kong’s Telecommunications and IT Industries

Hong Kong has an excellent telecommunications infrastructure whose advantages, however, are not fully exploited. The major use of the network has been largely limited to phone communications. Electronic data interchange (EDI), which uses the network to transmit electronic documents, is popular to a few large companies such as Tradelink and Traxon. But many small and medium enterprises (SMEs) are still employing traditional trade methods because of the lack of funds for IT research and development.

Although Hong Kong has earned the reputation of being the freest economy in the world because of its adoption of a laissez-faire policy, most e-commerce initiatives seem to be initiated and coordinated by the Government. This demonstrates a general lack of support of e-commerce from the private sector.

Hong Kong’s Opportunities

E-commerce can be used to leverage off the existing advantages of Hong Kong, be they in physical infrastructure or locality. The key is for Hong Kong to use e-commerce as a competitive weapon. Hong Kong needs to act proactively in promoting the use of e-commerce. The first step is to create and cultivate e-commerce initiatives. The private sector should lead the way because the development of e-commerce should be market-driven but not government-regulated. The private sector should be responsible for the continued design, deployment and operation of the Information Superhighway that can enhance and improve business opportunities. The Hong Kong Government should play a supportive role to ensure a legal environment for e-commerce. With the convergence of information technology and services, telecommunications and broadcasting, existing laws and regulations should be reviewed and revised to reflect the needs of the digital age. The Government and private sector must work together to facilitate the growth of e-commerce.

To attract businesses and foreign investment, Hong Kong needs to fully exploit its telecommunication infrastructure which is a vital ingredient for the development of e-commerce. Apart from voice telephony services (e.g. local and international telephone services, voice mail, call conferencing), international private circuits and networks, mobile communications services, EDI, and integrated service digital network (ISDN), Hong Kong can consider developing broadband integrated service digital network (B-ISDN) in order to improve the quality of the services. This can help spark a new wave of entrepreneurship and innovation. Moreover, Hong Kong needs to recognize the importance of the IT industry in enabling e-commerce. The performance of the industry provides an indication of the potential size and the growth of e-commerce. The IT industry in Hong Kong is currently dominated by large companies such as Hong Kong Telecom. To boost the growth of the IT industry, the Government could provide financial support to local small and medium-sized IT firms to aid their research and development.
To maintain its role as a trade facilitator, Hong Kong can act as China’s strategic partner by participating in the mainland’s IT projects. Hong Kong has an advantage of being a bilingual society where English and Chinese are commonly used in communications. In China, a large number of people are not familiar with English, the common language of the Internet. Software developers and IT professionals in Hong Kong can develop systems and applications that are appropriate for the Chinese platform (e.g. software that translates English into Chinese and vice versa). In other words, Hong Kong has the capacity to act as a digital intermediary linking China with the rest of the world. It has a potential to become a ‘role model of IT’ for the other cities in China. Indeed, Hong Kong needs to be a leader as well as a facilitator in IT and e-commerce in order to maintain its position as an international trade and financial hub.

CONCLUSION

In this paper we have described and discussed some of the key components of the emergent e-commerce infrastructure in Hong Kong. We believe that it is the increasing resources that are not under the control of a single organization that defines e-commerce possibilities and limitations. This is evident in the case of Hong Kong. The major explanatory factor for the favourable state of the e-commerce infrastructure in Hong Kong is the government’s commitment to provide a favourable environment for e-commerce to take foothold in Hong Kong. It has done so through several measures, some are regulatory (e.g. mandating electronic submissions of trade declarations, and franchising and liberalizing various services as appropriate), but also more indirectly by financially supporting e-commerce-related initiatives (e.g. it is the major shareholder in Tradelink) (see Andersen 1998; Damsgaard and Lyttinen 1998 for a detailed discussion of government action in relation to especially EDI issues).

The liberalization of the telecommunications market has triggered the development of high-capacity digital networks in Hong Kong, which is a necessary platform for the development of value-added services such as broadband Internet or iTV. The Government has also recognized the strategic importance of e-commerce to Hong Kong as a trade and transportation hub, and it has therefore been playing an active role in promoting Tradelink and securing Tradelink a stable and regulated environment to operate in. Through these combined efforts of the Government and private sectors, Hong Kong is already one of the most pre-eminent potential e-commerce hubs in the Asia Pacific region.

All this indicates that the necessary technical infrastructure is well established in Hong Kong, what is lacking is a demand for e-commerce services. The current financial crisis in Asia may stall a large-scale migration to e-commerce for both business and consumers, but this lack of demand is not unique to Hong Kong, it is the norm throughout the world. However, Hong Kong is well prepared.

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Notes

3 By giving up its monopoly, HKTI was compensated with a sum of HK$6.7 billion (net of tax).
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10 http://www.cargonet.net
11 http://www.traxcon.com
12 http://www.hkana.org
13 http://www.ean.be
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