

History of HKSAR Industry Composition Development and Future Outlook

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Abstract: From the early 1840s, British Prime Minister, McHiston describe Hong Kong as a deserted island that even a house is difficult to find. Now, it is become an important port. Hong Kong's industry composition is also gradually shifted from trade to shipping, and later involved in the financial and manufacturing industries. Hong Kong backed by the Chinese mainland, facing the sea, act as an junction of sea and land, access to the world. Not only the entrepot for foreign trade with the mainland, but also the important channel of trade between mainland and country abroad. Times change Hong Kong's industry continuously. In order to understand the historical inevitability of industry development of Hong Kong, so as to speculate on the future development. This thesis consulting the literature, official website data, articles, and then predicted that Hong Kong industry will transformed into a upgraded service industry, well-developed financial industry and well-developed high-tech in Manufacturing.

Keywords: History of Hong Kong; Industry Composition in Hong Kong; Development Forecast for Hong Kong; Financial Industry; Trading

1. Introduction

1.1 Background of the selected topic

As time passing by, Hong Kong's economy has been ushering in a climax, moreover, it has become an international financial center in financial industry, while Hong Kong has been called the world's freest economy entity for many years. Oppositely, the hollowing out of the industry and the lack of development momentum is become a series of significant problems. In the above context, we study the problems Hong Kong faced during its development, and look into its future through history, in order to help optimize and upgrade the structure of Hong Kong industry and promote the economic development of Hong Kong.

1.2 Significance of the selected topic

"The historical development and future outlook of the industry structure of Hong Kong SAR" makes more people understand the industry structure of Hong Kong. At the same time, through investigation and research, the article proposes the future development trend of the industry composition which can provide ideas for the development of Hong Kong's industry composition and promote the economic development of Hong Kong.

2. Body of paper

2.1 History of the industry composition development in Hong Kong SAR

Overview of the development of industries in Hong Kong: from early re-export-oriented industries to financial industries

1. Re-export: Due to the Opium War, the Qing government ceded Hong Kong to the British and the British established a free port in Hong Kong. The free trade environment and superior geographical location attracted people from various places to engage in trade

related business here.^[1]

2. Processing: On the one hand, because of the huge demand for trade, the shipping industry and storage terminals emerged, which led to the demand for shipbuilding-the first manufacturing industry formed in Hong Kong. On the other hand, in 1950, due to the embargo imposed by the United States on mainland China, Hong Kong's re-export trade ceased to develop. Thus, Hong Kong could only develop "export-oriented" through Chinese mainland and Southeast Asia. Because of the "export-oriented" type, Hong Kong's manufactured goods accounted for 69.9% of exports in 1959, surpassing entrepot goods for the first time. In the following years, industrial exports accounted for 81% of total exports, making Hong Kong changed from a one-sided entrepot to an industrialized city.

3. Financial: In the early 70s, due to the implementation of economic diversification policy, Hong Kong's service industry developed rapidly.Import and export trade boom urged the rise of banking and insurance, banks provide a variety of financial services while insurance industry provide protection business for shipping trade. On the one hand, mainland enterprises went public in Hong Kong, providing vitality to the financial industry; on the other hand, Hong Kong's manufacturing industry sought cheap labor and land in the mainland, and most of them were transferred to the mainland, all kinds of service industries were fully developed.^[2]At the same time, Hong Kong itself -strategically located,attracting international companies from various countries to make investments, thus realizing the second transformation of manufacturing industry to financial industry.

2.2 Future development trend of the HKSAR

2.2.1 Consolidate the status of modern service industry represented by finance and trade

Hong Kong is one of the highest service industry-led regions in the world, accounting for more than 90% of the GDP year-round, and as much as 93.4% of the GDP in 2020. One of Hong Kong's functions is positioned as an international financial center. By the end of 2019, the total market capitalization of the Hong Kong stock market is about HK\$38.17 trillion, and Hong Kong,which is the world's largest offshore RMB market, the fifth largest stock market and foreign exchange trading center,and the third largest bond market in Asia, has been the world's freest economy for 25 consecutive years.^[3] Meanwhile, Hong Kong's trade sector is growing rapidly, and according to the World Trade Organization, Hong Kong is the world's sixth largest exporter of goods in 2021, the same ranking as last year.

2.2.2 Increase technological innovation and the development of new fields of manufacturing to promote the rationalization of industrial structure

Due to various reasons, Hong Kong's manufacturing sector accounts for a very small share and have a single structure of industrial.According to the data of the Census and Statistics Department, the ratio of manufacturing sector in Hong Kong's GDP dropped from 23.8% in 1980 to 1.1% in 2017, while the share of service sector increased to over 92%, with about 85.3% of the employed population engaged in the service sector. At the same time, as the high-tech industry relies heavily on factors such as the cyclical iterative upgrading of the manufacturing industry, the increasing marginal interests and market-driven, the lack of manufacturing industry has also led to the weakness of Hong Kong's high-tech industry.The current R&D intensity of Hong Kong being only 0.7%, which is 1/3 of Singapore and 1/5 of Shenzhen respectively. At the same time, due to the dematerialization , the economic development momentum of Hong Kong is insufficient, and the hollowing out of the industry is significant.

The HKSAR Government proposed the concept of "re-industrialization" in 2016 and set up a HK\$2 billion "Re-industrialization Funding Scheme" in 2018,points out that "strengthening the protection and application of intellectual property rights, promoting the transformation of scientific and technological achievements, and deepening the reform of regional innovation systems and mechanisms" will promote the fusion of scientific, technological innovation, deep integration of the Internet, big data, block chain, artificial intelligence and other scientific and technological innovation industries with the real economy,which vigorously promote the manufacturing industry upgrading and optimize.^[4] Through the combination of high-tech and the real economy to promote the optimization and upgrading of the manufacturing industry, and then through the iterative upgrading of the manufacturing industry to

promote the development of high-tech industries. To strengthen the foundation of Hong Kong economy and promote the diversified development of Hong Kong economy.

3. Conclusion

Hong Kong industry development has experienced re-export - processing - service type. After investigation and research, Hong Kong's development also has problems such as industrial hollowing out, weak development of high-tech industries and unbalanced industrial development. Looking ahead, Hong Kong should seize the historical opportunity to promote optimization and upgrading of the industry composition. In the future transformation of the industry structure, on the one hand, it is necessary to consolidate and maintain the advantages of the existing modern service industry represented by finance and trade, on the other hand, it is necessary to adjust industrial relations and industrial structure, promote the rationalization of industrial structure, and at the same time need industrial coordination and technological progress to promote the high-quality industrial structure. The transformation of Hong Kong's industry structure should also adhere to the principle of "relying on the motherland and facing the world" and common development of domestic and foreign parties. Only by constantly complementing each other's strengths can we promote the healthy and perfect composition of Hong Kong's industry

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