

Analysis of the Causes and Trends of Hong Kong's Industry Transformation

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ABSTRACT

Hong Kong has experienced a series of industrial transformation and industrial structure changes from fishing industry to finance-based tertiary industry since its opening, which is very different from mainland China. This paper studies the process of Hong Kong's industrial transformation, the key factors that promote Hong Kong's industrial transformation and are different from the mainland, and the composition of Hong Kong's industry in the future. Put forward personal opinions for the future industrial development of Hong Kong.

Keywords: industry composition, industrial transformation, development trajectory

1. INTRODUCTION

Hong Kong's century-old industrial change is not only the realization of its own endowment, but also the dividend of the opportunity of the times. Throughout the history of Hong Kong's industrial development, we should not only sum up our experience from a historical perspective, but also analyze and study the bottleneck of Hong Kong's current industrial development from the current perspective, and predict the direction from the perspective of the future [1-2]. Based on the changes of Hong Kong since the opening of the port in the 19th century, this paper studies the internal reasons and external driving forces of Hong Kong's industrial structure in the past, analyzes the present situation of Hong Kong's industry and compares it with the Chinese mainland as a reference, and puts forward a directional strategy for Hong Kong's future industrial development trend.

2. NECESSITY ANALYSIS OF INDUSTRIAL TRANSFORMATION IN HONG KONG

Before the opening of Hong Kong, the largest industry was fishing; after the opening of the port, it was transformed into a transit port; after World War II, Hong Kong has transformed into a manufacturing center, with the four pillar industries mainly in light industry; in the early 1970s, Hong Kong became a service industry. Today, Hong Kong's industry composition is quite different from that of mainland China.

2.1. Re-export Trade

The industrial revolution in the 19th century showed the beginning of global economic integration. With technological advancement and improved traffic conditions, Hong Kong's entrepot trade emerged in such a change. With the "Nanjing Treaty" five ports for trade and the "Tianjin Treaty" opening ports, a number of regional foreign trade centers have emerged in China for the first time. Among them, the development from the initial fishing port to a free international trade re-export port was no less important than the trade center Shanghai at that time.

The opening of ports in the late Qing Dynasty promoted the rise of Sino-foreign trade and created market opportunities for Hong Kong to develop re-export trade [3]. This firstly benefits from Hong Kong's location endowment. The unique geographical location has naturally become a hub between the East and the West; Victoria Harbour, which the sea water is not frozen in all seasons and has a wide harbor and deep water, has become a "golden location" for the development of re-export trade. In addition, in Britain's global dream of an "empire that never sets," Hong Kong's hub value has become a good way to develop its Far East trade. Coupled with its long-term free port policy, colonial Hong Kong has formed an independent and free trade mechanism, which also provides a loose market environment for re-export trade. Taking the opportunity of re-export trade, Hong Kong has also experienced rapid development in urban construction, shipping and shipbuilding and even the development of financial services. The city's economy is gradually prospering and has the unique charm of a free port.

2.2. The Post-War Manufacturing Boom

From the early 1950s to the early 1970s, Hong Kong's industrial structure had its first major change, gradually shifting from a dependent tertiary industry dominated by trade to an autonomous secondary industry centered on manufacturing core structure.

Industrialization is the result of multiple factors. In terms of market, as the overall global economy began to recover after the war, the world market expanded further, making up for and expanding Hong Kong's relatively small local market. In terms of technology, Hong Kong has accumulated a lot of technical experience by relying on the mature trade network and infrastructure accumulated by free port trade, as well as the inheritance of the industrial class that originally engaged in textile printing and dyeing. In terms of capital and labor, the political changes in mainland China in the early post-war period led to the influx of capitalists from Shanghai and Southeast Asia engaged in light industry, and it also provided Hong Kong with abundant capital and labor resources [4-5]. These background conditions have laid the foundation for Hong Kong to develop manufacturing. After falling into difficulties such as post-war losses and trade blockades, Hong Kong found entry points in the textile and printing industries, and began to gradually embark on the road of industrialization, and gradually entered other emerging fields, such as plastic toys, metals, manufacturing clothes etc.

As a result, in the early 1950s, Hong Kong gradually transformed from a re-export port based on international trade to an economy dominated by processing exports, laying a solid foundation for its future economic take-off.

2.3. The Formation of a Diversified Service Industry

In the 1970s, Hong Kong's industrial structure underwent a second major transformation under the guidance of the world market mechanism. The structure of the secondary industry centered on manufacturing has gradually developed into a diversified service-oriented industrial structure.

The evolution of industrial structure has its own laws. The industrial structure of Hong Kong from the 1950s to the

1970s was mainly a labor-intensive manufacturing industry with the textile industry at its core [6-7]. The development momentum was relatively weakened and it was shifting to a mature period. On the other hand, Hong Kong's accumulated capital technology and human experience over the past century must also be applied to the development of new industries.

The finishing touch to Hong Kong's second industrial upgrade was the reform and opening up of Mainland China in the 1980s. On the one hand, in order to seek low-cost dividends from the mainland, Hong Kong's manufacturing industry moved northward, and the proportion of the secondary industry dropped from 31.8% in 1980 to 14.6% in 1997. On the other hand, with the easing of the economic environment, many mainland businessmen have gone south to seek opportunities; at the same time, Hong Kong has also become a transitional bargaining chip for Western countries to enter the Chinese market, contributing to the prosperity of Hong Kong's international industry. Taking this "spring breeze" as an opportunity, the proportion of the service industry in Hong Kong's economy has gradually increased, Hong Kong has gradually transformed into a service economy, and the industrial structure has become lighter. Financial services, tourism, trade and logistics, and other industrial and commercial support services have become Hong Kong's four economic pillars

3. INDUSTRIAL DIFFERENCES BETWEEN HONG KONG AND THE MAINLAND

3.1. Economic Aggregates Comparison

When Hong Kong returned to China, its GDP represented 18.6 per cent of the continent (\$961.604 billion), And in 2019, Hong Kong accounts for only 2.55% of the mainland's (\$14.34 trillion) GDP. Thus, Hong Kong has not kept pace with the mainland. And the proportion of total size, it also represents a great change in growth. Hong Kong's GDP growth rate in 2019 is only about 1.2%, And Shenzhen's GDP growth rate was 7.0 percent. The growth rate of other super-first-tier cities is also greater than 5.



Source: Fast Easy Financial Network

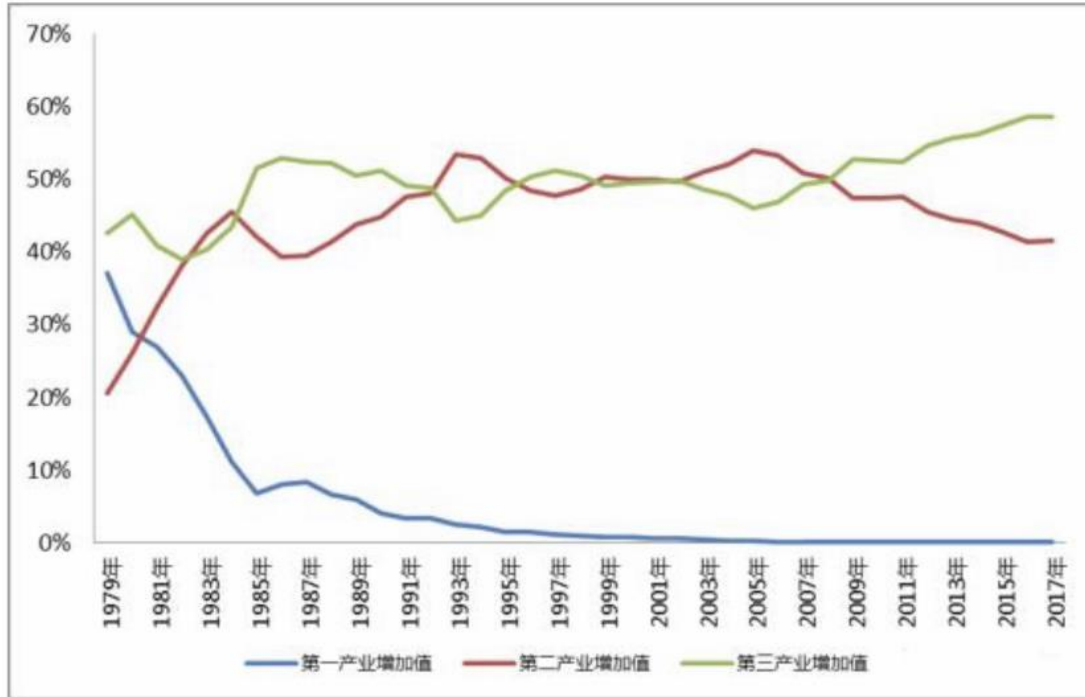
Figure 1 Hong Kong 1997~ GDP 2019

3.2. Industrial Transformation Comparison

Here take Shenzhen as an example, compare with Hong Kong industry structure. Both Hong Kong and Shenzhen experienced two major economic restructuring, from "manufacturing + services" to "single services" and Shenzhen from "agricultural + services" to "industrial + services ". After the financial crisis in 2008, Shenzhen was in a transition period of economic structure. Since ~2008, the financial crisis has caused external demand to slow down and the cost has risen. Under the strategy of "free cage for bird ", Shenzhen has vigorously developed high-tech industries and service industries to stimulate economic growth. With the transformation and upgrading of Shenzhen's industry, GDP growth has increased rapidly.

3.3. Industrial Structure Comparison

In the process of industrialization in Hong Kong, its manufacturing industry is mainly inclined to light industry, including clothing, textile, paper products and so on. It is a labor-intensive industry with relatively low added value, as shown in figure 4. During the 1980s and 1990s, manufacturing was squeezed by costs, labor-intensive manufacturing shifted to the mainland, and knowledge-intensive high-tech industries were not established. Hong Kong accounted for 23% of manufacturing from 1980 to 2019 GDP of less than 1%. Industry is rapidly hollowing out.



Source: Shenzhen Statistical Bulletin

Figure 2 Three Industrial Structures GDP Shenzhen

3.4. Reasons for the Differences between Hong Kong and Mainland Industries

According to the above comparison, the development of Hong Kong's manufacturing industry has gradually become hollow, undergoing the transformation from "manufacturing + service industry" to "single service industry". The service industry associated with wholesale, retail and import and export trade has become the main force of Hong Kong's economic development, while the economic stability supported by a single service industry is relatively weak. The industrialization of Shenzhen has realized the process from "primary worker" to "senior worker" and from "senior worker" to "entrepreneur". The dual development of industry and service industry makes Shenzhen economy develop at high speed and high quality.

4. TREND ANALYSIS OF INDUSTRIAL TRANSFORMATION IN HONG KONG

4.1. Rebuilding Hong Kong's High-tech and New Sector Real Economy

The trend of Hong Kong's future industrial system is mainly focused on reshaping the physical competitiveness of high-tech and new industries. First of all, we should allocate the essential resources of Hong Kong's real economy development from a global perspective,

including Hong Kong's superior capital, global industrial information, and innovative resources in the mainland and the world. High-tech and new concept technology industry potential enterprises or entrepreneurs. In addition, Hong Kong should take the upgrading of domestic industrial parks as an opportunity to develop the real economy such as "Hong Kong Science and Technology City" and "Hong Kong emerging Technology Industrial Park" to consolidate Hong Kong's economic and industrial foundation.

At the same time, Hong Kong should also strengthen policy to support and investment in the following industries: one is new materials, biomedicine, mobile communications, 3D printing, high-tech, intelligent manufacturing, data analysis, Internet of things technology and other new fields representing the development direction of advanced industries in the world, so as to promote industrial diversification, thus enhancing the proportion of Hong Kong's manufacturing industry in the economic structure and making "re-industrialization" a new economic growth point in Hong Kong; The other is to strengthen the research and development of innovative technologies such as artificial intelligence, mobile communications, Internet of things, block links, etc. in the region, accelerate the innovative transformation of the science and technology industry, promote the coordination of industrial relations and structures between high-tech and new fields, and optimize the internal structural reform of Hong Kong's sophisticated industries. Reshaping the transformation direction of Hong Kong's emerging industries and high-tech and new real economy.

4.2. Development of Hong Kong Industry and Mainland Cooperation

With the release of the "Hong Kong-Macao Greater Bay Area Development Plan ", Guangzhou, Hong Kong and Macao will form closer ties in mutual benefit and mutual interconnection, and build a "iron triangle" development model based on geographical advantages. Hong Kong should make use of the policy dividend to cut into the mainland industry, form a new service economy and enhance its competitiveness. On the one hand, setting up international professional standards for industrial development in relevant industries and fostering the rules, systems, mechanisms, laws and commercial culture of the modern service economy in line with international standards in order to upgrade the quality of the mainland's economic development; on the other hand, the mainland economy is in the transitional stage of industrialization and backward industrialization and has sufficient economic volume and capacity. In the future, it is also a comprehensive business of the new economy of professional service industry and development.

4.3. Injection of Innovation in Hong Kong

Innovation will become the core driving force of the national economy, combining Hong Kong's capital with the mainland's abundant innovation resources, focusing on the market-oriented development and application of innovative products and technologies, promoting the development of Guangdong-Hong Kong-Macao Greater Bay Area industry and breaking the "lack of technology in the mainland" by means of venture capital, project cooperation, intellectual property cooperation, technology resource sharing and other innovative resource subjects such as mainland research institutions, universities, R & D enterprises, overseas R & D teams and individuals, The industrial development dilemma of "Hong Kong and Macao lack of market" promotes sharing, communication and cooperation, forms a joint force of development, breaks the location restriction and multiplies the competitiveness of the industry in the process of optimizing and integrating the overall resources of Hong Kong and Macao Bay area.

5. CONCLUSION

The transformation of Hong Kong is related to the core position of Hong Kong in the global industrial chains and the competitiveness of the international market. It is also a major issue affecting the sustainable development of Hong Kong's social economy in the next stage. Based on the international and regional economic pattern, Hong Kong should re-emphasize its own shortcomings in the sharp areas and the real economy, better integrate with the global competitive trend, realize deep cooperation with various industries in the mainland, make use of its comparative

advantages and constraints in economic development, and clarify the direction of its own industry transformation.

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