

# Hong Kong Industry Composition and Forecast of Shifting Trends

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## Abstract

**Abstract:** The prosperity of the Hong Kong economy is closely related to the historical changes of the past century. This article is the reason why the Hong Kong industry is studied from the perspective of historical development and the reasons that the Hong Kong industry is different from the Mainland. Correspondingly, from an innovative perspective, the transition trend of the Hong Kong industry is predicted. The Hong Kong Special Administrative Region should seize the opportunities of the financial development planning of the Guangdong -Hong Kong -Macao Greater Bay Area and the Pearl River Delta, accelerate the application of the "finance +technology" model, further move towards internationalization, strengthen Hong Kong SAR's status in the international financial center.

## Keywords

**Industry Composition; Industrial Structure; Third Industry; Finance.**

## 1. Introduction

Hong Kong has continuously changed the industrial structure in the past 100 years, and has gone through different industry compositions in four historical stages: Hong Kong has mainly developed the fishing industry before opening the port. The rise of the manufacturing industry, the Hong Kong industry has been dominated by the tertiary industry so far since the reform and opening up of the Mainland. In the process of changing the industrial structure, its economy has gone through rapid growth, and has also fallen sharply, which has caused a series of social problems, revealing the shortcomings of the current Hong Kong industry. At present, Hong Kong is in an unfavorable position in international competition. It is necessary for this. It is necessary to need it. Explore the reasons for the formation of different industries at all stages, insufficient summarization, and conceiving innovation development models, thereby predicting the trend of Hong Kong's current industry structure. This article is the reason why the Hong Kong industry is studied from the perspective of historical development, and the corresponding innovation perspective and trend prediction are given. It is of great significance: theoretically, the industry composition reflects the interaction of various economic elements, which directly reflects the laws of economic development. , Better predict the trend of future changes; on the one hand, on the one hand, it can exclude the interference of unfavorable factors and better consolidate the status of Hong Kong's international financial center; on the other hand, in accordance with the trend of the times, the hidden advantages of excavating hidden advantages in areas that have never received special attention are never received. To enhance the development of scientific and technological innovation and creative industries, thereby maintaining a certain regional competitiveness. This has a certain reference value for the Hong Kong government's formulation of industrial structure adjustment policies and entrepreneurs to grasp the economic situation.

## 2. Reasons for Industry Composition

Before opening the port in Hong Kong, due to its narrow area, backward production technology, and on the coast of southern China, and surrounded by the South China Sea on three sides, the development of simple fishing industry was mainly based on the port; Hong Kong has a large and secure natural deep -water port and shipping transportation hubs of shipping transportation hubs and is forced to cut Hong Kong Island to Britain. With the further opening of Hong Kong to the public, foreign -funded foreign banks are stationed here to introduce business to external capital, and excessive fishing in Hong Kong will cause catching. The decline of the fish industry has changed the economic system that originally focused on the fishing industry, making Hong Kong an important re -exported port and promoted the development of the re -export trade. The embargo on the supply of China is the chaotic situation of the Mainland Liberation War that has caused a large number of factories to relocate and the transfer of technical talents. The third is the inherent needs of Hong Kong development and the transformation of the external environment of the Hong Kong industry. Adjust the transfer of labor -intensive enterprises to backward low -cost countries, and the transfer trade is forced to transfer to develop manufacturing. Because Hong Kong's small area cannot be produced in large -scale production, it can only develop light industries such as clothing industry, textile industry, and electronic clocks, so that Hong Kong's first industrial structure is adjusted; soon Hong Kong faces the global economic recession market caused by the world oil crisis. The shrinking and the rise of South Korea, Singapore and Taiwan, have led to fierce competition. As the manufacturing industry continues to develop production costs, the wave of production has gradually increased. Many Hong Kong manufacturing industries choose to transfer to mainland China, reducing costs through cheap labor and land, leading to the decline of Hong Kong's manufacturing. While the manufacturing industry in Hong Kong declined, financial trade with the Mainland and the Mainland seized new development opportunities. And during the period of manufacturing, Hong Kong's private wealth increase, and the era of the Fourth Session laid the foundation for the later development of the financial industry in Hong Kong. Therefore, Hong Kong opened the second industrial structure adjustment. Service -oriented third industry transition.

## 3. The Industry Composition is Different from the Mainland

The industrial structure of Mainland China is also continuously optimized. The growth of the first industry is steadily and gradually slowed. The second industry has always accounted for more than a certain percentage. The contribution of the tertiary industry to the economy has risen steadily, and it has gradually become the pillar industry in the Mainland. Hong Kong's industrial structure is relatively single, and the financial industry in the tertiary industry occupies an absolute dominant position. This is the largest gap between the economic development of the Mainland.

Historical factors: After the first Opium War made the Hong Kong Island in 1842, British banks began to enter Hong Kong one after another. After the Second Opium War, the Kowloon Peninsula was also cut off. The area of Hong Kong's territory expanded and the population increased. From a small fishing village to an important renewal trading port in the Far East, a large number of foreign banks settled in Hong Kong. At the same time, China -Financial institutions have gradually emerged. Hong Kong's financial industry is prosperous, and its insurance, foreign exchange, gold and silver and other businesses are prosperous. In 1941, the Japanese invaded Hong Kong. Hong Kong was occupied by Japan during this period, and all walks of life declined. After the War of Resistance Against the War, the civil war in the mainland resurrected, the KMT and the Communist Party of China continued to confront the mainland's political situation, and the financial industry in Hong Kong ushered in new prosperity. Many

wealthy people and businessmen in the mainland have relocated to Hong Kong. After the founding of the People's Republic of China, Hong Kong has shrunk on the mainland's trade and foreign exchange business on the mainland. At the same time, Hong Kong's economic structure has begun to transform. Hong Kong's manufacturing and real estate industries have risen rapidly, providing new businesses for the development of the banking industry. After the mid -1950s, the industrialization rapidly advanced, driving the Hong Kong economy. The Hong Kong stock market rising in the 1960s started the financial era, and the disappearance of bubbles later caused a major stock disaster. In the mid -1970s, real estate resumed Hong Kong's prosperity and changed the silence of stocks. At this time, the global "liberalization" wave was ushered in, so that Hong Kong has been on the global economic integrated express train. Freedom port. In 1978, Western Capital, which began to reform and open up, is optimistic about China's economic prospects to enter Hong Kong, hoping to use Hong Kong to open a super market with a large number of demands in China. The state -owned enterprises in mainland China are also willing to set up a stronghold in Hong Kong. They hope to use Hong Kong's geographical advantages to strengthen trade with the Western world. Hong Kong has gradually become the financial and trade center of the Asia -Pacific region. Due to the special historical status and geographical location, Hong Kong has created the difference between Hong Kong and the Mainland in Hong Kong, China, and also lays the foundation for the third change of the future industry structure in Hong Kong.

Legal system factors: Hong Kong follows the British and American ordinary law. The legal system is complete and flexible, so it is conducive to the development of commercial activities. No form of foreign exchange control is written in the Basic Law, which is fully open to the outside world so that global capital can enter Hong Kong smoothly; and the law adopted by the mainland pursues logical strictness, and the extended financial supervision and administrative intervention are stronger. Essence Since reform and opening up, the industrial structure of the Mainland has shifted from the general law from the general rules to the secondary production to the three industries. Unprecedented development, but its financial system is not complete, the financial system structure is unreasonable, and the efficiency is relatively high.

Development factors: The development of the second industry requires a complete infrastructure construction and a large amount of energy consumption, while Hong Kong has no energy resources, and must be fully dependent on imports. Hong Kong's power energy is limited. The development of the industry will bring higher costs, and it is not conducive to the development of the manufacturing industry. And usually the development of manufacturing requires a relatively complete industrial chain, and its required land area is large, and the needs of continuous expansion must be met. In cheap labor, with the continuous improvement of Hong Kong's living standards and the rise in prices, Hong Kong's wage level is much higher than the mainland at that time. With the gradual opening up of the Mainland, compared with the comparison, the Mainland has a cheaper labor force and can reduce a large part of production costs. Therefore, Hong Kong's manufacturing industry has gradually relocated to the Mainland. The tertiary industry is the service industry. The development of its financial industry requires high -quality financial talents as the carrier of each single transaction, each set of procedures, and each loan. Compared with the Mainland, Hong Kong has higher salary and lower taxes that can attract the world's top financial practitioners.

## 4. Analysis Conclusion

### 4.1. The Problem Caused by the Current Industry Composition of Hong Kong

Excessive dependence on the traditional economy leads to functional solidification: Over the years, Hong Kong's industrial structure with traditional third industries such as service industry and real estate has restricted the development of Hong Kong to a certain extent,

leading to excessive dependence on the financial and real estate industry. In the 21st century, the global economy proposed a new economic concept. Hong Kong's desire to support innovative technology companies, but due to its own development pattern, it is difficult to break through the existing economic scale, space, and resource allocation. scale.

The weak economic system and industrial foundation leads to hollowization: The proportion of service industries in Hong Kong is too high, on the one hand, it reflects the maturity of the service industry, and on the other hand, it also reflects the obvious industrial structure problems in the economic development of Hong Kong. Excessive dependence from the financial speculation and asset appreciation that the Hong Kong government began to be implemented by the Hong Kong government in the 1980s, and most of the physical manufacturing industries that maintain stable economic growth have moved to the Mainland. The focus of the manufacturing industry is to create supply to generate demand, absorb social labor, promote industrial upgrading, and develop the economy to have a firm economic foundation, and to continue independent economic entities. Manufacturing is the decisive factor of economic competitiveness.

Limited scientific and technological innovation content: The backwardness of the Hong Kong science and technology industry is first from the lack of innovation awareness. Excessive relying on the traditional economy without stress and motivation to scientific and technological innovation. A large amount of funds are used to speculate in real estate and buy stocks, but they have not flowed into the real economy, and they cannot flow into groups of innovation and entrepreneurship. The size of the local market in Hong Kong is small and is not attractive to investors. For example, Hong Kong universities can produce world -class scientific and technological achievements, but they are unwilling to follow up. Capital is unwilling to risk the coldness of Hong Kong's science and technology industry. In addition, high real estate prices also have a suppression of the development of high -tech. Rental costs occupy most of the R & D investment costs, making most of the college students who just graduated choose to enter investment banks, banks, etc. Large -scale development.

Political activities impact economic and social stability: Political activities directly impact the normal order of economic activities and reduce the economic operation efficiency of Hong Kong. The biggest feature of Hong Kong's economy is to improve its competitiveness with the efficiency of various economic elements, including the circulation of capital, information, flow of people, and logistics. The stable positive impression affects the judgment of the market. For example, in 2019, the Hong Kong violent attacking police incident caused the entire Hong Kong traffic paralysis, severely damaging the overall situation of Hong Kong's prosperity and stability. Normal activities in various industries were stagnant and challenged Hong Kong's rule of law and social order market.

Lack of government regulation and control caused by non-interventionism: Since the HKSAR government pursues a completely free and competitive market economy and implements the "active non-intervention" policy, Hong Kong has passively adapted to the international economic environment, which is manifested in the ups and downs of Hong Kong's economy. In the later stage, there is a lack of institutional and policy breakthroughs and guidance conducive to scientific and technological innovation and industrial development. The Hong Kong government is not active enough to support industrial transformation when implementing this policy, and Hong Kong should adopt reasonable industrial policies to guide the development of industrial structure.

Rising unemployment: There are two main reasons, Hong Kong is an export-oriented economy, economic conditions are affected by the global economy, the 1997 Asian financial turmoil, the 2007 subprime mortgage crisis, the 2019 new crown pneumonia epidemic, the 2022 Russia-Ukraine conflict, etc. have all affected Hong Kong's export trade, entrepreneurs in order to reduce public expenditure by extending working hours and reducing wages to lay off

employees in disguise; The relocation of Hong Kong's manufacturing industry to the mainland during the transition of Hong Kong's economy has caused structural unemployment of manufacturing employees, which cannot be solved in a short period of time.

#### **4.2. Prediction of the Transformation of the Hong Kong Industry**

Consolidate the international financial center: grasp a series of financial policies and measures issued by the government to support Hong Kong's development, support the construction of Hong Kong's offshore RMB center, promote the interconnection of financial markets between Hong Kong and the mainland, actively participate in the construction of the Belt and Road Initiative, deepen financial cooperation between Hong Kong and the mainland, and maintain Hong Kong's stable status as an international financial center.

Finance + Technology: In the future, the traditional financial services of the HKSAR will be transformed into fintech services. The HKSAR Government should increase its support for financial technology, develop technological R&D innovation and introduce talents, encourage Hong Kong universities to stay and develop in Hong Kong, and upgrade the industrial structure on the one hand. To promote the interconnection of financial markets, Hong Kong should work closely with the mainland to develop high-tech manufacturing in the future, focusing on long-term investment cooperation with mainland scientific research institutions and R&D enterprises in the development and application of innovative products and technologies, so as to break through the shortage of technological innovation resources in Hong Kong and form complementary advantages between the two parties. Further expand its influence, expand the scale of the financial market through differentiated development paths, make it possible for strategic emerging industries to continue to be listed in Hong Kong, and introduce high-tech technology to drive industrial intelligence.

Guangdong-Hong Kong-Macao Greater Bay Area and Pearl River Delta: In terms of the financial sector, the HKSAR should seize the opportunity of the Guangdong-Hong Kong-Macao Greater Bay Area financial development plan, further internationalize, and strengthen the HKSAR's position as an international financial centre. In the GBA, capital can circulate freely, which can promote the construction of financing platforms, make up for the shortcomings in financial technology, and solve the problem of small hinterland for the development of traditional finance in the HKSAR. Build a financial center circle in the Pearl River Delta.

In the logistics industry, we should seize the opportunity of the construction of the Greater Bay Area, rely on the original infrastructure to cooperate with the mainland's huge market, technology commercialization capabilities and advanced manufacturing capabilities, promote the construction of logistics cooperation in the Greater Bay Area, and expand the economic hinterland. Further cooperate with ports in Guangdong Province to form the overall advantages of the Greater Bay Area, vigorously develop the port economy, and accelerate the development from low-value-added business to high-value-added business. Accelerate the construction of logistics information platforms and accelerate the transformation to "smart ports".

In terms of tourism, the HKSAR should innovate its approach to attracting tourists, develop innovative routes, and develop cultural, heritage, green and creative tourism. First of all, with convenient transportation, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge communicating with the Mainland have been opened one after another, and a number of new international and Mainland destinations have been added to Hong Kong International Airport in China, and new runways have been built as planned to enhance the airport's carrying capacity, which will increase the population flow of the HKSAR and facilitate people from more countries and regions to travel to Hong Kong. The Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative provide policy support for the development of the HKSAR's tourism industry, while the population along the route will also become potential visitors to Hong Kong. Strengthen

tourism co-operation between Guangdong, Hong Kong and Macao and build them into a world-class leisure centre.

### 4.3. Conclusion

In view of the historical changes and transformation dilemma of Hong Kong, China, which is analyzed in this paper, the choice of development path lies in the need for Hong Kong to stand at the strategic height of economic globalization in the future, improve the manufacturing industry in the direction of high-tech innovation, consolidate Hong Kong's status as an international financial center, stabilize the advantages of the traditional financial industry, unite science and technology to take the road of higher value-added service industry, and strengthen the interaction and cooperation with the mainland Guangdong-Hong Kong-Macao Greater Bay Area and the Pearl River Delta in the three aspects, so as to provide a certain degree of support for the financial industry.

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