

# *Research on the causes of industry composition and development forecast trend in Hong Kong*

Mi Ziyu\*

*Faculty of Economics and Management, Taiyuan University of Science and Technology, Taiyuan, China*

*\*Corresponding author: 1454089678@qq.com*

**Keywords:** industry structure, industry transformation, scientific and technological innovation

**Abstract:** Due to the obvious loopholes in the later stage of Hong Kong's "export-oriented" economic development, new situations and new problems emerge accordingly. It is difficult for Hong Kong's industry to adapt to this changing environment. Industry transformation is a major problem for Hong Kong to adapt to the new development. Based on the four pillar industries in Hong Kong and the basic situation of Hong Kong reality, this paper analyzes the problems of Hong Kong's industry structure and describes the existing problems, independently considers the great significance of Hong Kong's industry transformation, and then puts forward specific methods and suggestions for Hong Kong's industry transformation.

## 1. Introduction

Hong Kong is a highly prosperous international metropolis, a place of exchange between Chinese and Western culture, and enjoys a high reputation in the world. Long rely on financial services, tourism, trade and logistics, professional and industrial and commercial support services, the development of four industries, since the 1980s, Hong Kong financial industry began to develop, after Hong Kong relying on trade-economic model, economic growth, at the same time some local manufacturing industry gradually slack, gradually transferred to foreign countries, this model is a double-edged sword, although Hong Kong financial trade has developed, but hit the rise of Hong Kong scientific and technological innovation. Facing the impact of COVID-19 in 2020, Hong Kong, supported by an "export-oriented" economy, realized the importance of its transformation and development. This paper explores the reasons for the development of the Hong Kong industry and the possibility of Hong Kong on the basic situation of Hong Kong.

## 2. Reasons for the composition of the Hong Kong industry

### 2.1 Conception analysis of the industry composition

The industry refers to a group of companies that provide similar types and closely replace goods or services, which refers to the organization system of economic activities such as national production

and service, with a similar concept to the industry, but strictly speaking, the scope of the industry is larger than that of the industry, and an industry can contain several industries.

## **2.2 Main contents of the four pillar industries in Hong Kong**

As a free economy, Hong Kong has led its four pillar industries and four major industries, including financial services, tourism, trade and logistics, professional and industrial and commercial support services. These four industries develop together, promoting the development of Hong Kong's economy and improving Hong Kong's international status.

### **2.2.1 Financial services**

During the First Opium War, after the British occupation of Hong Kong Island, the headquarters of Jardine, Taikoo and Hedon were moved from Guangzhou to Hong Kong. Thus, the influx of capital and management talents provided opportunities for the development of Hong Kong's financial industry. After the establishment of the Republic of China government in 1912, the financial industry began to improve again, and many industries emerged. In the late 1950s, the labor-intensive light industry began to relinquish to the Asian Tigers. After the founding of the People's Republic of China, Hong Kong had a large amount of labor force, and the number of factories soared. In 1978, Hong Kong achieved freedom of import and export, Hong Kong became a veritable "free port". With the reform and opening up of mainland China, Hong Kong export trade is booming, Hong Kong financial services extended to the mainland. Since the 21st century, in addition to constantly improving the capacity of the financial industry, deepening cooperation with mainland China is also a measure for Hong Kong to constantly absorb "nutrition" to consolidate its position.

### **2.2.2 Professional and industrial and commercial volunteer services**

Justice workers are a common vocabulary and easy behavior in Hong Kong, because both the port leaders and ordinary staff will participate in volunteer activities. In Hong Kong, volunteer service work has a perfect operation mechanism and a variety of volunteer activities. Every year, it has different volunteer service themes. Hong Kong is not only a place full of opportunities and challenges, but also a place with human interest, which is also the reason for the charm of Hong Kong.

### **2.2.3 Travel**

Tourism, as one of Hong Kong's four pillar industries, accounts for 5% of GDP, plays an irreplaceable importance. Throughout the history of Hong Kong tourism, it can be divided into four stages

(1) Early infancy (1841-1954) negotiated trade services for incoming reception. In the 19th century, British merchants came to Hong Kong for the opium trade in exchange for Chinese silk, spices and other supplies.

(2) initial stage (1955-1970) general business tourism and vacation. To enhance Hong Kong's popularity and increase its economy, the local government established the Hong Kong Tourism Development Bureau in 1957 under the Hong Kong Tourism Association Regulations.

(3) Stage of Rapid Development (1971-1997) Tourism serves universal development. Chinese mainland implemented the opening policy, tourism spring breeze blowing to Hong Kong, Hong Kong and inland visits are more recognized, tourism has been developed,

(4) Spans the stage of development (1998-present) golden stage of tourism. The return of Hong Kong on 1 July 1991 was an important development for the development of Hong Kong's tourism industry, making a qualitative leap in tourism both in terms of reception scale and tourism services.

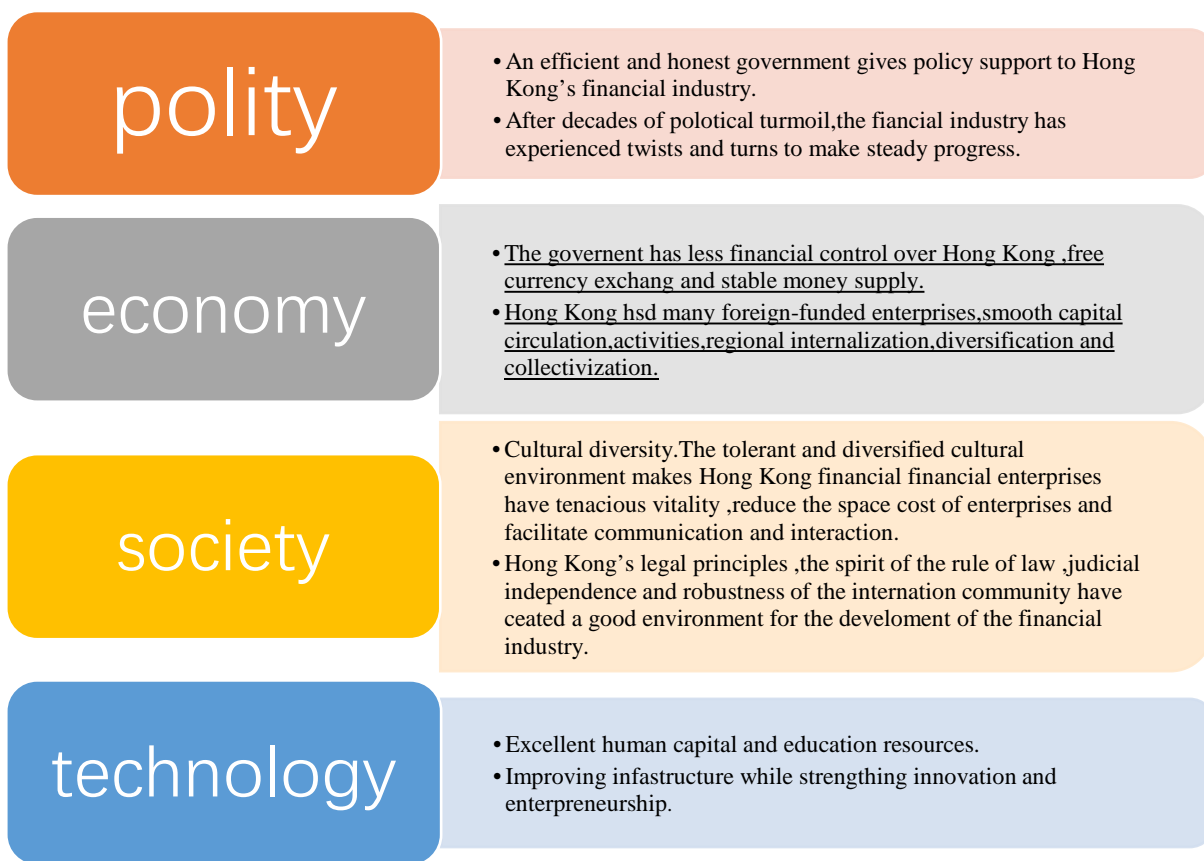


Fig.1 PEST Analysis of the Hong Kong industry

The Fig.1 is based on the characteristics and business needs of the four pillar industries in Hong Kong, and in the four aspects of politics, economy, society, and technology, it can be seen that after decades of turbulence in Hong Kong, various industries have tenacious vitality, and it has great potential in economic, social, and technological aspects

### 2.2.4 Trade and logistics

(1) Excellent geographical location. Hong Kong is backed by the mainland, facing the sea, across the sea from Macao, adjacent to Shenzhen, Zhuhai, and the major maritime transportation route of Japan, Southeast Asia, Oceania, and the Pacific coast. The unique geographical location determines the development of its trade logistics.

(2) The logistics equipment is excellent. Hong Kong is one of the regional hubs in Asia, with Hong Kong International Airport being the world's busiest cargo hub, operating more than 120 airlines, offering about 1,100 flights daily, and traveling to about 220 locations worldwide.

(3) Protection of national policies. It is well known that Hong Kong is a famous free trade port, which cannot be separated from the support of tariff policy and trade policy.

### 3. Transformation forecast analysis of the Hong Kong industry

The COVID-19 outbreak in 2020 had a huge impact on the export-oriented Hong Kong economy, with GDP totaling down 7.5% in the first three quarters of 2020. With the control of the epidemic effectively in the mainland and the orderly resumption of work and production, the national economy has gradually moved from backward to backward, and the Hong Kong economy has also recovered. Hong Kong fell 3.5% year-on-year in the third quarter of 2020, a significantly narrower decline from

9.1% and 9.0% in the second quarter, and seasonally adjusted GDP rose 2.8% in the third quarter from the second quarter, ending a five-quarter recession.<sup>[1]</sup>In the industry structure of Hong Kong, for many years has been the financial service industry, tourism industry, trade and logistics industry, professional services and other industrial and commercial support service industry the four pillar industries as the pillar, the four pillar industries have obvious dependence characteristics, when the world economic downturn and COVID-19 outbreak this crisis, it is difficult to deal with.

### **3.1 Advantages of scientific and technological innovation in Hong Kong**

The economic foundation determines the superstructure and develops innovative technology. Hong Kong is proud of and headache. In recent years, the state has paid more and more attention to scientific and technological innovation, and the financial government has given more and more support for scientific and technological innovation. The scientific and technological innovation in Beijing, Shanghai, Guangzhou and Shenzhen is in full swing. In contrast, Hong Kong's scientific and technological innovation is "tepid". On the one hand, scientific research investment is less than 1% of local GDP, and innovation research funds and talents; on the other hand, the transformation of scientific research achievements lacks the support of the industrial system, and scientific and technological innovation is too little. Hong Kong is not easy to improve its technological innovation ability. It needs to overcome difficulties with long planning and perseverance.

#### **3.1.1 Environmental advantages**

Hong Kong has a unique geographical location, developed sea transportation, superior transportation conditions, and since Hong Kong returns, the economic cooperation with the mainland has become closer. As a special Administrative Region, Hong Kong enjoys more preferential conditions than the mainland, and the national policy support has created the world financial center that can be known as London and New York. At the same time, Hong Kong has a high degree of law, high integrity and social stability. Hong Kong has been recognized by the international community and enjoys a high international reputation.<sup>[2]</sup>

#### **3.1.2 Four industries" to support**

Hong Kong has a solid and sound financial system and its tourism development can drive the dissemination of technological products and exhibitions to attract interested people to visit and its trade and logistics industries and professional and commercial volunteer services can reduce the additional cost of scientific and technological innovation.

#### **3.1.3 Has a solid scientific research strength**

It is gratifying that Hong Kong's scientific and technological innovation activities have never stopped. For example, in 2017, the Guangdong-Hong Kong-Macao Greater Bay Area had over 170,000 invention patent applications, the "Pilot Plan" was launched in 2018, and technological innovation activities no less than five times every month in 2019. In 2020, Hong Kong universities won 14 National Excellent Scientific Research Outstanding Achievement Awards.....<sup>[3]</sup>

### **3.2 Scientific and technological innovation and development in Hong Kong**

Back to the past twenty years, Hong Kong's economic system gradually mature, but how to use economic development to improve innovation and development to accelerate the transformation is an

increasingly focused topic, with the world into the era of the knowledge economy, while relying on the development of four industries, Hong Kong also explores the possibility of other industries, to seek the development of other industries, scientific and technological innovation is particularly important, we should overcome the difficulties brought by scientific and technological innovation, to meet its challenges.

### **3.2.1 Scientific and technological innovation investment accounted for a small proportion**

Hong Kong for science and technology innovation, innovation of Hong Kong SAR government innovation and technology bureau and Hong Kong institute was established in November and December 2015, Hong Kong innovation and science and technology in relatively backward pursuit, already limited public resources were allocated to multiple research categories, leading to scientific and technological innovation capital distress, scientific and technological innovation product is difficult to have long-term development.<sup>[4]</sup>

### **3.2.2 Talent drain in scientific and technological innovation**

Hong Kong's scientific and technological talents are mostly a well-known fact, but those unable to retain scientific and technological innovation are another headache. This structural problem is mainly due to the lack of generally low jobs and salaries, and there are also the problems of high risk, small short-term returns and unstable work. The golden age of people in scientific and technological innovation is 20~30 years old. In this golden period, we also face a series of social problems such as family and work. If the country does not have a perfect policy, scientific and technological innovation talents will be bound to jump to a post with a high salary and a good salary, and the road of scientific and technological innovation will become narrower and narrower.

### **3.2.3 Technology innovation enterprises have A small scale and financing difficulties**

Hong Kong has the world's first-class securities trading, settlement, financial infrastructure, abundant, however, on the one hand, enterprise consciousness of science and technology innovation did not form, did not realize the fact that science and technology innovation is the first productivity, on the other hand, science and technology innovation, long timeline, a large enterprise can make a short-term investment in innovation projects, but in the long term is a little powerless, science and technology innovation projects often halfway, this is not only the consumption of capital, or the blow to scientific and technological talents.

## **4. Suggestions on Hong Kong's technological innovation and development in Hong Kong**

Hong Kong has long been supported by the four industries not only because it has made a long profit, but also because other industries are extremely small in front of the four industries, and have missed the industrial transformation and upgrading.

Seeing Hong Kong's scientific and technological innovation, not thinking as vigorous as the four industries, also not completely disappeared, Hong Kong's infrastructure is perfect and advanced, education is also in line with internationalization, and the development of scientific and technological innovation is around the corner.

### **4.1 Make advantage of its advantages to build an international science and technology center**

Hong Kong's financial services, tourism, trade and logistics, professional and industrial and commercial support services, It is both difficult and simple to broaden its field, Existing industries

can be supported based on technological innovation industries, But it is also a difficult choice to abandon some old industries to new ones, Hong Kong transform and develops scientific and technological innovation, Both of the current economic development needs of Hong Kong, It is also the need of national development, Hong Kong cannot sit into the sky, Should be on the basis of existing achievements, On the one hand, Scientific and technological innovation products involve three aspects: knowledge innovation, technological innovation and management innovation, Each aspect will involve technology, information, resource allocation and other huge knowledge system, Relying on the four major industries to develop scientific and technological innovation and development, Can drive new breakthroughs in Hong Kong; On the other hand, The Active Capital Market in Hong Kong, Free trade exports, It will give Hong Kong irreplaceable conditions for it to develop scientific and technological innovation.<sup>[5]</sup>

#### 4.2 Accelerate the introduction of talents and improve the environment for scientific and technological innovation

Hong Kong has advanced higher education and a leading international level, In the 2021 World University discipline rankings, Comparing the performance of 13,883 university disciplines in 1,440 universities worldwide, In 51 disciplines and 5 major academic fields (Arts and Humanities, Engineering and Technology, Life Sciences and Medicine, Natural Sciences, Social Sciences and Management).

Table 1 QS World University Rankings of universities in Hong Kong from 2019 to 2021

College	2021	2020	2019
The University of Hong Kong	22	25	25
The Hong Kong University of Science and Technology	27	32	37
The Chinese University of Hong Kong	43	46	49
City University of Hong Kong	48	52	55
The Hong Kong Polytechnic University	75	91	106
Hong Kong Baptist University	264	261	277
Lingnan University	571~580	591~600	601~650

The table 1 shows the figure for different universities in Hong Kong in QS World University Rankings from 2019 to 2021. In this ranking, The University of Hong Kong rose from 25th to 22nd, The Hong Kong University of Technology rose from 32nd to 27th, The Chinese University of Hong Kong rose from 46th to 48th, Hong Kong Polytechnic was promoted from 91st to 75th.<sup>[6]</sup>Scientific and technological talents are the most important step in science and innovation. In this 14th Five-Year Plan, the state once again stressed the need to build Hong Kong into a center of science and technological innovation. With national support and the introduction of talents, Hong Kong will shine on the road of scientific and technological innovation. We will layout and build various key laboratories, engineering research centers and industrial innovation centers, to create an in-situ atmosphere for scientific and technological innovation and foster an atmosphere of scientific and technological innovation.

#### 4.3 Strengthen the dominant position of enterprise innovation and become a bridge between the country and talents

Enterprises are the front line of productive forces and play a pivotal role in the development of scientific and technological innovation. Enterprises should give full play to their vitality, actively practice the national policies, attract a large number of outstanding scientific and technological talents,

and become a bridge between the country and talents. Participate in the local innovative science and technology, provide suitable positions for scientific and technological innovation talents, formulate appropriate salaries, attract talents from all over the world to stay in Hong Kong, and contribute to the cause of scientific and technological innovation in Hong Kong.

## 5. Conclusion

It is of great significance to Hong Kong's economic development for Hong Kong and even the whole country.

Based on existing research, the analysis and predict the trend. Then collect relevant data and data, and analyze the data and data. It has been concluded that a series of problems, such as the small proportion of scientific and technological investment, the small loss of scientific and technological innovation talents, the slow development of scientific and technological innovation enterprises and the financing difficulties. This paper finally some countermeasures and suggestions for developing technological innovation in Hong Kong. To better develop Hong Kong's scientific and technological innovation, we must accelerate the introduction of talents and improve the environment for scientific and technological innovation, and strengthen the dominant position of enterprise innovation and become a bridge between the country and talents.

## References

- [1] *Industrial Development Research Network* <http://www.chinaidr.com/tradenews/2021-03/170219.html>
- [2] *Hong Kong and Macao Studies* — Issue 2, 2017
- [3], *the Office of the Central People's Government in the Hong Kong Special Administrative Region*, <http://www.locpg.gov.cn/index.htm>
- [4], *Proceedings of the Chinese Academy of Sciences*, — 2020, Issue 3
- [5] *Communist Party News Network* <http://cpc.people.com.cn/>
- [6] *Thames World University Ranking*