

Hong Kong and Singapore: A Tale of Two Cities

Econ 3006 Asia-Pacific Economies



Road Map

- 1 Two supercities sharing many similarities
- 2 Extremes in economic growth models
- 3 Entrepreneurs in Hong Kong and Singapore

Georgraphy



Land area: 1,110.18 km²

Build-up area: 270 km² (25%)

Population (2023): 7,503,100



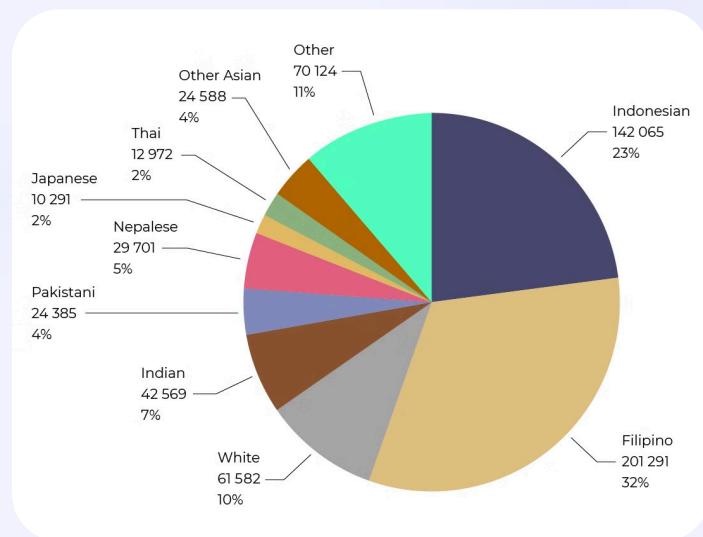
Land area: 734.3km²

Build-up area: 249.7 km² (34%)

Population (Feb. 2024): 6,039,829

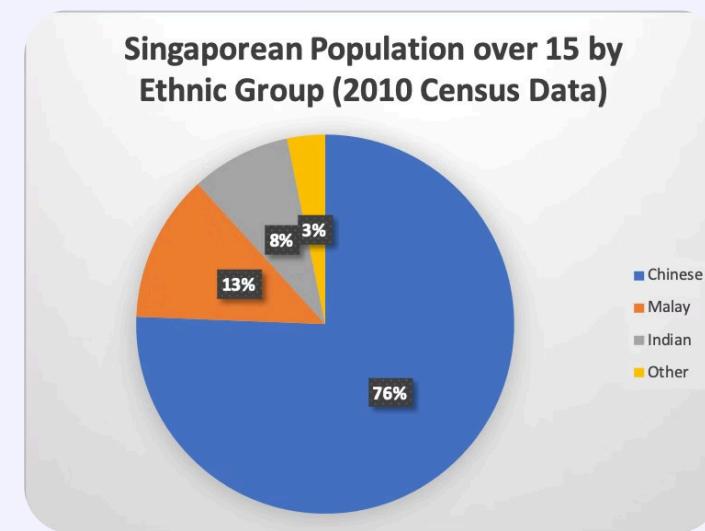
Ethnicity

Hong Kong (92% Chinese)



(2021 Census)

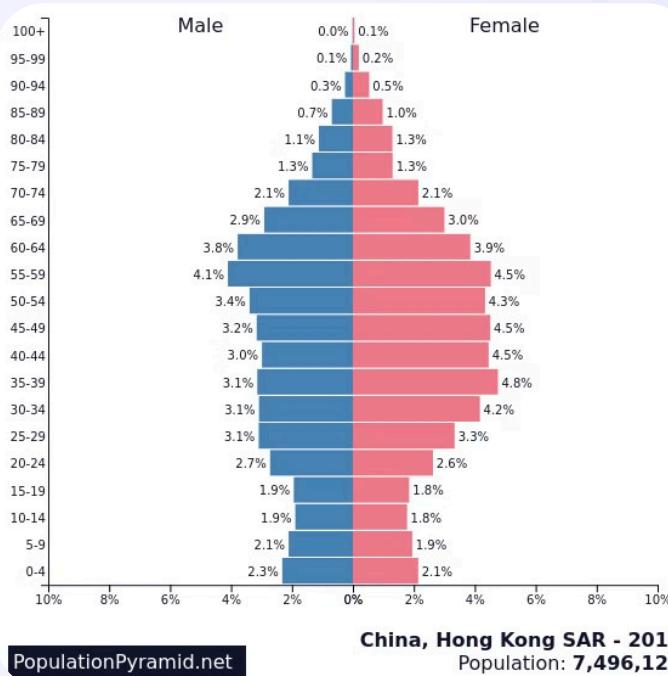
Singapore



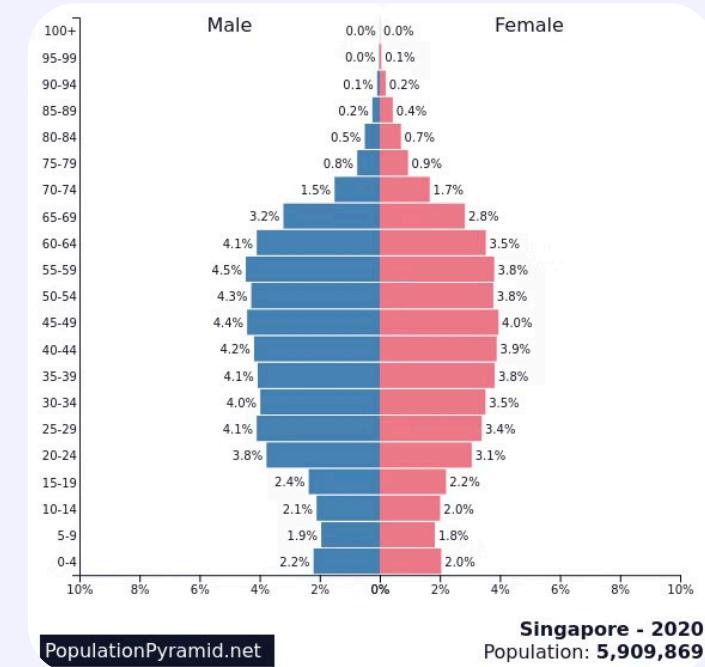
(2010 Census)

Demographic Pyramid

Hong Kong



Singapore



Extrepot Trading Ports



- Hong Kong in 1882 handled 31.02% in value of all Chinese trade
- By 1899, Hong Kong accounted for 40.45% of China's trade
- Singapore stimulated the intra-regional trade of Southeast Asia
- With the opening of the Suez canal (1869), Singapore became the focal point of steamship lines in the Eastern trade

Postwar Economic Growth

GDP per capita (current US\$) - Hong Kong SAR, China, Singapore

World Bank national accounts data, and OECD National Accounts data files.

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Industrial Transformation

Table 3 PRINCIPAL GROWTH INDUSTRIES BY PERIOD

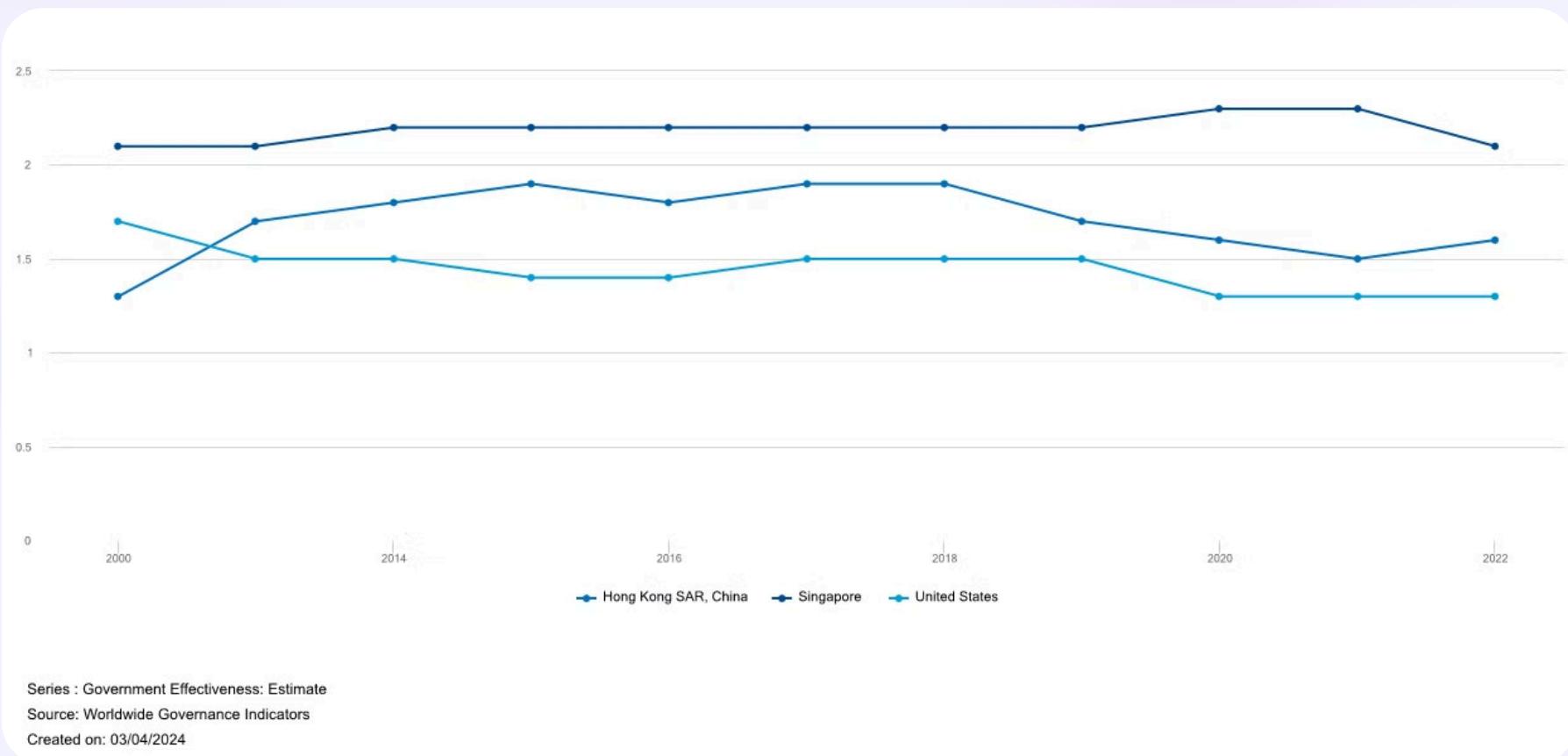
Hong Kong

Early 1950s	Textiles
Late 1950s/early 1960s	Clothing, Plastics (Toys)
Late 1960s/early 1970s	Electronics (Watches)
Late 1970s/1980s	Entrepôt Trade, Banking

Singapore

Early 1960s	Textiles
Late 1960s	Electronics, Refining
Early 1970s	Electronics, Refining, Textiles, Clothing
Late 1970s	Electronics
1980s	Banking, Electronics

Government Effectiveness



(This indicator ranges from -2.5 to 2.5)



Two Extremes

1 Anglo-Saxon model

2 Japanese model

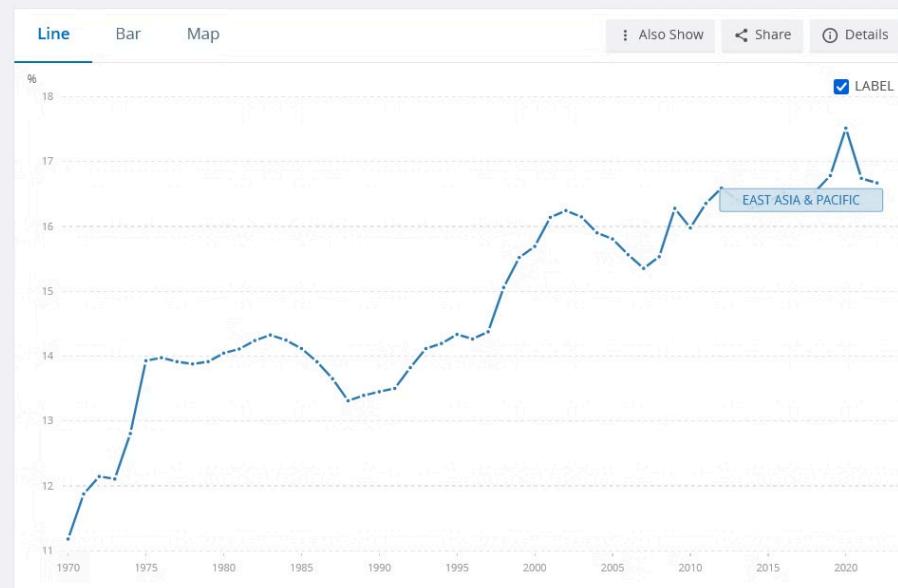
Government Interventions

In Hong Kong, anything not expressly forbidden is permitted, whereas in Singapore, anything not expressly permitted is forbidden—— Lee Hsien Loong (1997)

Governments in all Asia-Pacific economies are increasingly influential in economies

General government final consumption expenditure (% of GDP) - East Asia & Pacific

World Bank national accounts data, and OECD National Accounts data files.
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What are we talking about as "Government Interventions"?

1 Not included:

- Public services
- National security
- Law enforcement
- Infrastructure

2 Included:

- Replacing market provisions
- Distorting market provisions
- Taxes imposed for the purposes above



Industrial
policy
resolution
of 1980



Industrial
policy
resolution
of 1956

Industrial Policies in Asia-Pacific Economies

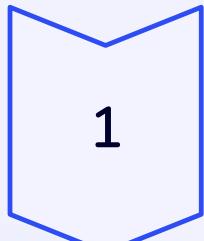


Japan: MITI

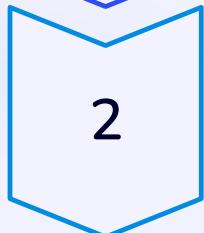
Korea: MTI&EPB

Singapore: EDB

How were Industrial Policies Implemented?



Japan & Korea: close contact and cooperation with Keiretsu and Chaebol



How about Singapore?



Government Linked Companies in Singapore

- DBS Bank
- Seatrium
- Singapore Airlines
- CapitaLand
- ST Engineering
- SP Group
- Singtel
- Mediacorp



Temasek Holdings' Major investments (above 50%)

Industry	Companies	Shareholdings as at 31 March 2017
Financial Services	PT Bank Danamon Indonesia Tbk	67%
Telecommunications, Media & Technology	Singapore Technologies Telemedia Pte Ltd	100%
Telecommunications, Media & Technology	Mediacorp Pte Ltd	100%
Telecommunications, Media & Technology	Singapore Telecommunications Limited	52%
Transportation & Industrials	PSA International Pte Ltd	100%
Transportation & Industrials	Singapore Technologies Engineering Ltd	51%
Transportation & Industrials	Singapore Airlines Limited	56%
Transportation & Industrials	Singapore Power Limited	100%
Transportation & Industrials	SMRT Corporation Ltd	100%
Consumer & Real Estate	Olam International Limited	52%
Consumer & Real Estate	Pulau Indah Ventures Sdn Bhd	50%
Consumer & Real Estate	Surbana Jurong Private Limited	100%
Consumer & Real Estate	Ascendas-Singbridge Pte Ltd	51%
Consumer & Real Estate	Mandai Park Holdings Pte. Ltd.	100%
Consumer & Real Estate	Mapletree Investments Pte Ltd	100%
Energy & Resources	Pavilion Energy Pte Ltd	100%

Source: Temasek Holdings

infogram

- Crony capitalism?
- State-owned firms?

Industrial Policies in Hong Kong?

Maximum support but minimum intervention

The government has **Not** selected any strategic industry for development and has therefore played a minimal role in allocating resources

The public sector has had very limited direct involvement in R&D and it has provided minimal support for private-sector R&D activities

Exceptions:

Cyberport; Chinese medicine centre; Disney theme park

Main forms of industrial policies in Hong Kong?

Investment Rates

Gross capital formation (% of GDP) - Hong Kong SAR, China, Singapore

World Bank national accounts data, and OECD National Accounts data files.

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Tax Policies

Singapore

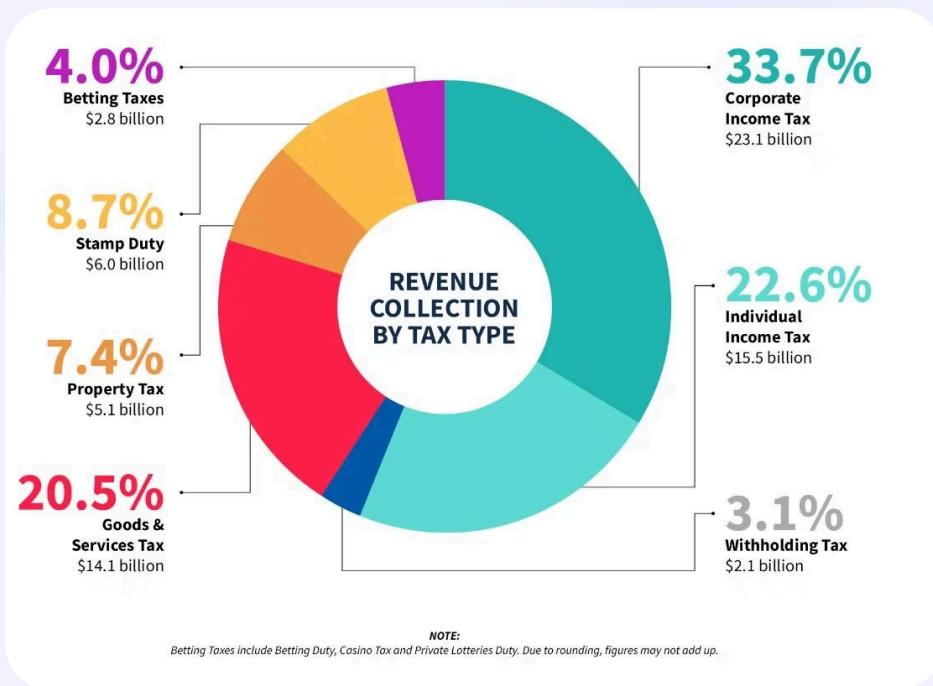
- Corporate tax:
 - 17%
 - Partial Tax Exemption (PTE)
 - Industry-specific tax incentives
- Goods and services tax: 7%
- Foreign-sourced income tax: taxed
- Employment income tax: 2% to 22%

Hong Kong

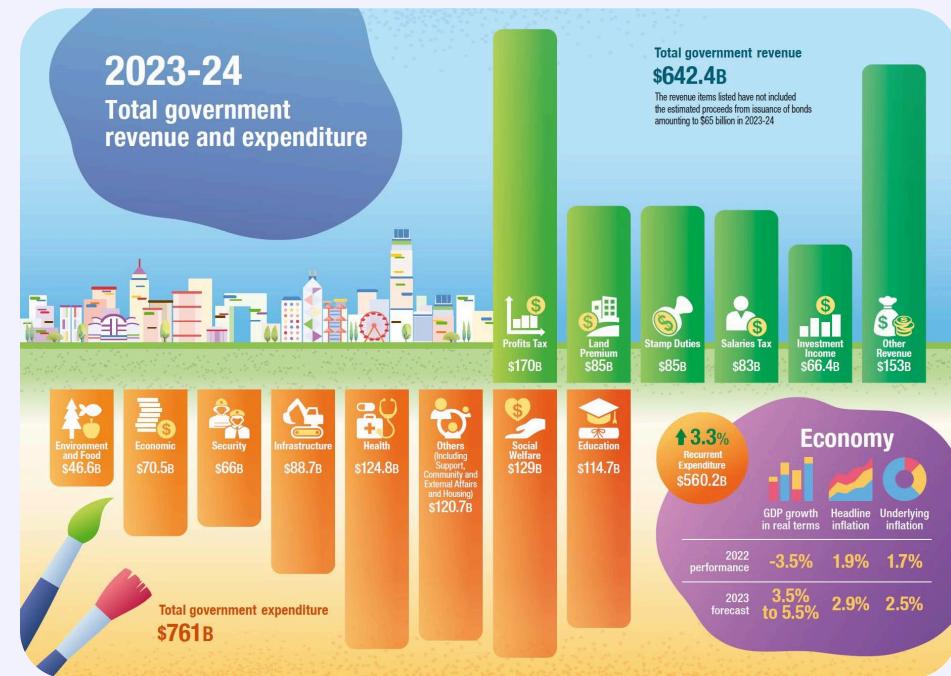
- Corporate tax:
 - 16.5%
 - The first HK\$ 2 million of profits: 8.25%
- Goods and services tax: none
- Foreign-sourced income tax: exemption with offshore status
- Employment income tax: 2% to 16%

Tax Revenues

Singapore



Hong Kong





Housing

Every government intervenes the housing market. Why?

Singapore

- Price-to-income ratio (WPR): 15.7
- As of 2020, **78.7%** of Singapore residents live in public housing

Hong Kong

- Price-to-income ratio (WPR): 42.1
- As of 2022, about **2.16 million people** (about 30% of the population) lived in PRH flats

Example: Texas Instruments (TI) in Asia

- Morris Chang's biography: TI planned to build factories in Asia in 1968
 - Motivation: low production costs
- Location choices:
 - Japan: Joint venture with Sony → High quality
 - Hong Kong: business city + land scarcity
 - Taiwan: IP protection and factory site
 - Singapore: full supports from the government



Why did Singapore and Hong Kong go to two extremes?



Initial Human Capital

Table 1 EDUCATIONAL ATTAINMENT OF THE WORKING POPULATION

	Singapore (%)			Hong Kong (%)		
	1947	1966	1970	1961	1966	1971
None	>75	55.1	53.4	20.1	19.2	16.2
Primary	<25	28.2	30.4	52.7	53.6	51.4
Secondary ¹	*	13.2	13.8	24.3	24.7	29.9
Tertiary ²	*	3.6	2.4	2.9	2.5	2.5

Notes: (*) Included under primary. ¹For Hong Kong, includes postsecondary nondegree courses; ²fluctuations in this category probably reflect sampling error or migration of educated British expatriates.
Sources: Computed from Hong Kong, 1961, 1966, and 1971 Censuses, and By-Censuses; Singapore, 1947 Social Survey; 1966 Household Survey; 1970 Census.

Initial Human Capital

Table 2 DISTRIBUTION OF HEADS OF HOUSEHOLDS ACCORDING TO EDUCATION RECEIVED (HONG KONG–JUNE 1954)

Type of education	Hong Kong born	Prewar immigrants	Postwar immigrants
None	28.6%	23.8%	8.6%
Primary	50.3%	55.3%	34.1%
Secondary	17.8%	14.0%	39.1%
Higher	3.3%	6.9%	18.2%
Total	100.0%	100.0%	100.0%

Note: Of the population of 2.25 million, 600,000 were in Hong Kong-born families, 750,000 in prewar immigrant families, and 900,000 in postwar immigrant families. Some 750,000 refugees from the Sino Japanese War entered Hong Kong between 1937 and 1941, only to leave during the Japanese occupation of the colony. (Davis 1977, pp. 92–94). Thus, most of those classified as prewar immigrants are likely to have arrived during the 1937–1941 period.

Source: Hambro (1955, Table 39).

Lee Kuan Yew's Headache

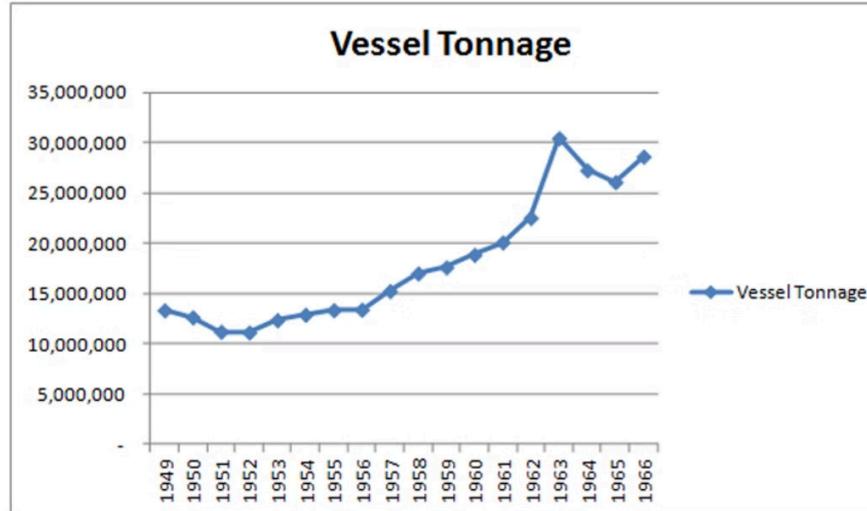
I concluded an island city-state in Southeast Asia could not be ordinary if it was to survive. We had to make extraordinary efforts to become a tightly knit, rugged, and adaptable people who could do things better and cheaper than our neighbors.... We had to be different.

By nature and experience, we were not enamored of theories. What we were interested in were real solutions to our problems.



Prime Minister, Republic of Singapore (1965–1990)

International Environment



(Statistics from Marine Department's Annual Departmental Reports, 1949-1966)

Vessel Tonnage growth in Hong Kong

After Singapore's independence in 1965

- Nationalist Malaysia wanted to develop its own commerce, and due to a political dispute, Indonesia was cutting off its usual trade with Singapore
- There would be no more imports of such raw materials from Malaysia and Indonesia — Lee Kuan Yew (1965)

Lee Kuan Yew's Deviation from the Japanese model

Unlike in Japan and Korea, Singapore's bureaucrats did not focus as much on nurturing Singaporean firms run by local entrepreneurs.

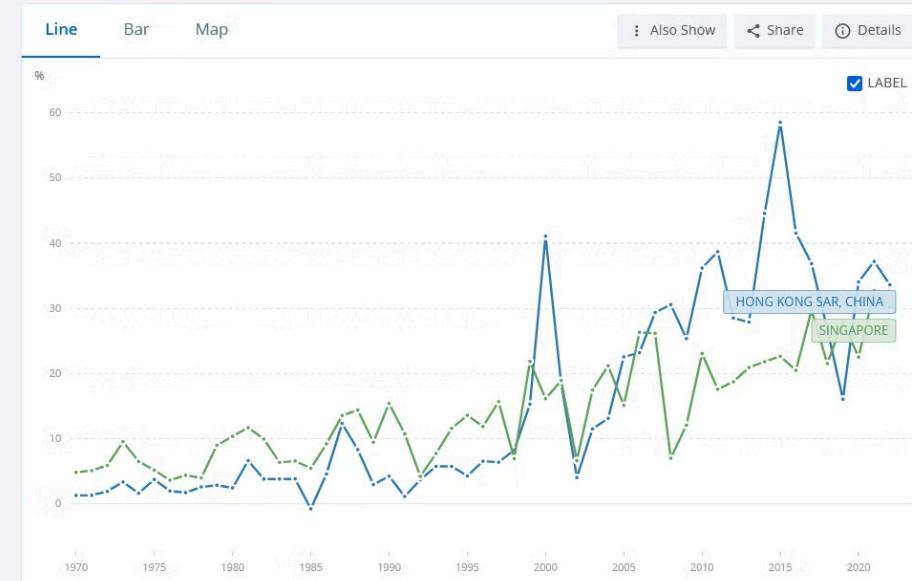
When Lee and his team wished to enter into a new business, the state often undertook the venture directly.

Lee Kuan Yew's use of foreign investment to generate rapid growth

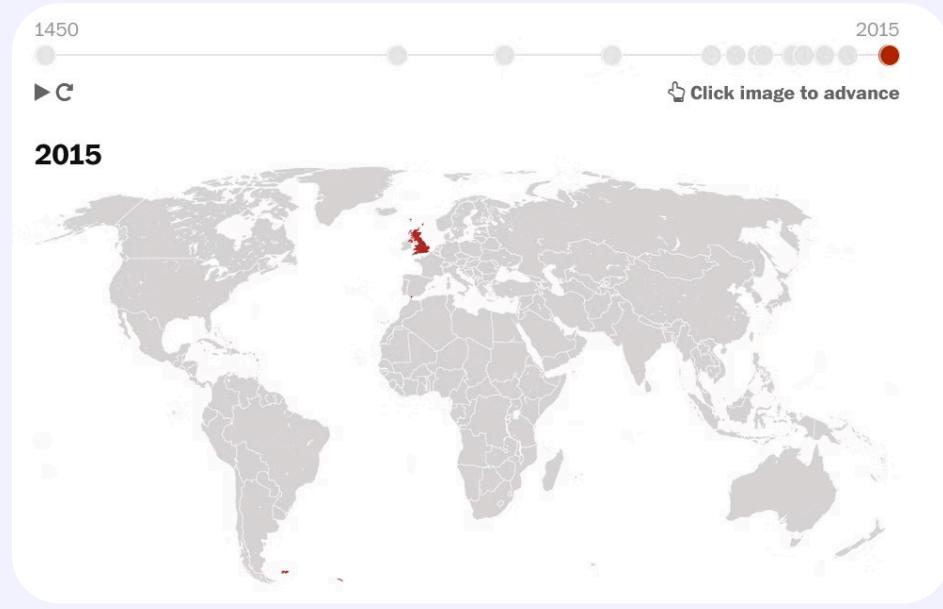
Foreign direct investment, net inflows (% of GDP) - Hong Kong SAR, China, Singapore

International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates.

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Colonial heritage



Entrepreneurs in Hong Kong

- Former production workers/managers

- Use personal savings to open up their own business

Li Ka-shing



Lui Che-woo



Francis Choi



Albert Yeung



Entrepreneurs in Singapore

RANK ^	NAME	NET WORTH	INDUSTRY
1	Eduardo Saverin	16 B	Technology
2	Robert & Philip Ng	14.8 B	Real Estate
3	Li Xiting	14 B	Healthcare
4	Goh Cheng Liang	12.3 B	Manufacturing
5	Kwek Leng Beng & family	11 B	Real Estate
6	Zhang Yong & Shu Ping	9.7 B	Food & Beverage
7	Khoo family	8.5 B	Real Estate
8	Wee Cho Yaw	7.1 B	Finance & Investments
9	Leo Koguan	6.5 B	Technology
10	Kwee brothers	6.3 B	Real Estate

(Singapore's 10 Richest 2023 Forbes)

Summary

- 1 Two supercities sharing many similarities
- 2 Two extreme economic models: What and Why
- 3 Entrepreneurs in Hong Kong and Singapore

