

Roadmap

- Introduction
- Internal cause
- External causes
 - ① Return of Hong Kong
 - ② Economic crisis
 - ③ The rise of mainland China
- Conclusion

Introduction

Became a colony \Rightarrow Mainly transit trade \Rightarrow Industrial city
 \Rightarrow Diversification

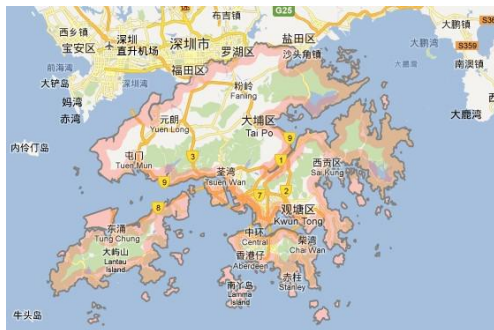


Figure: Hong Kong map

a. The competitiveness analysis of Hong Kong



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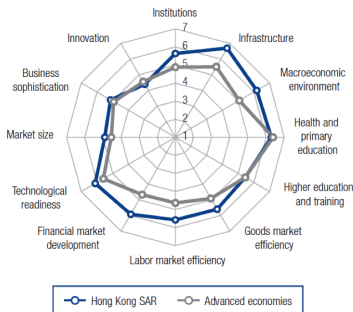
1 Factor driven

Transition 1-2

2 Efficiency driven

Transition 2-3

3 Innovation driven



b. The financial market of Hong Kong

And according to Levine (2000) and Arestis (1997), we use the M2/GDP, Loan/M2, Stock market value/GDP to present the competitiveness of Hong Kong financial market.

Year	Deaths (Estimated)
1997	0.8
1998	1.0
1999	1.2
2000	1.3
2001	1.2
2002	1.2
2003	1.4
2004	1.5
2005	1.4
2006	1.5
2007	1.7
2008	1.8
2009	1.9
2010	1.9
2011	2.1

Financial development indicator:M2/GDP

(Hong Kong Monetary Authority)

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Year	Deaths
1997	3
1998	2.5
1999	4.2
2000	4
2001	3.5
2002	3.2
2003	4.8
2004	5.5
2005	6.2
2006	9.5
2007	13
2008	6.5
2009	11.2
2010	12.2
2011	9.5

(Hong Kong Monetary Authority)

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1999	1.8
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2001	1.3
2002	1.4
2003	1.2
2004	1.0
2005	1.1
2006	1.0
2007	1.0
2008	1.0
2009	1.0
2010	1.2
2011	1.2

Financial development indicator: Loan/GDP

(Hong Kong Monetary Authority)

c. The real estate market saturation of Hong Kong



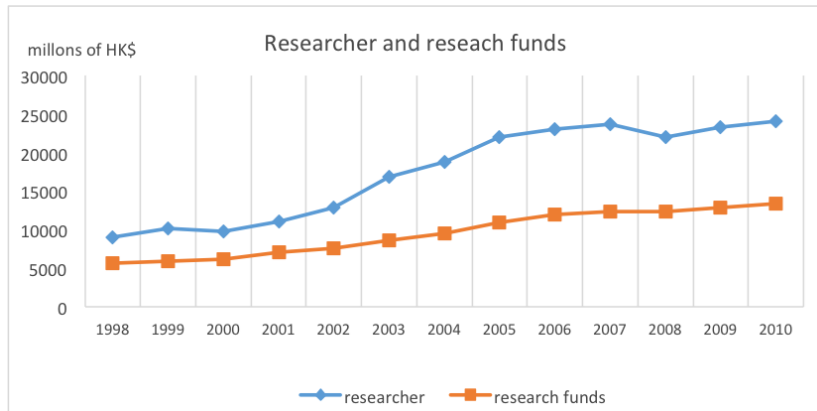
c. The real estate market saturation of Hong Kong



1. *Journal of Management Studies*, 1990, 27, 1, 1-14.

d. The science and technology competitiveness of Hong Kong

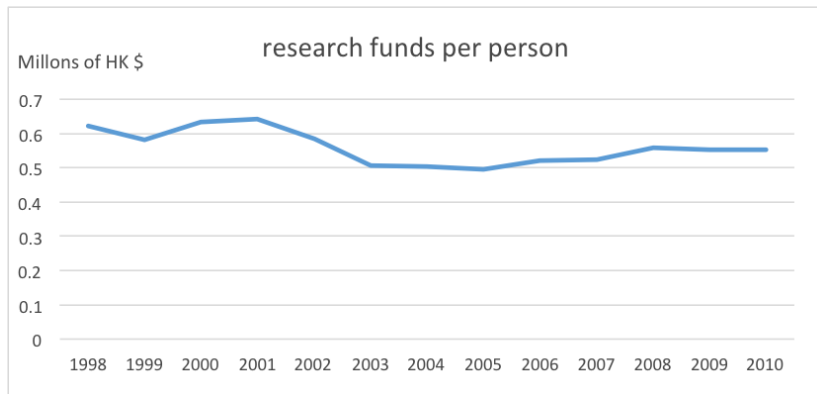
Higher education and training ranks 24. Innovation ranks 26



The Economic Competitiveness of Hong Kong

d. The science and technology competitivness of Hong Kong

Higher education and training ranks 24. Innovation ranks 26



Return of Hong Kong

- Brain drain and capital flight
- Confliction between Hong Kong and mainland

Return of Hong Kong

Brain Drain and Capital Flight

Definition

Brain drain: a mass emigration of technically skilled people from a country or a region to another country.

Capital flight: assets or money rapidly flow out of a country or a region, due to an event of economic consequence.

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Return of Hong Kong

Why?

- 1 Uncertainty.
- 2 Better life in other countries.

Return of Hong Kong

Effect

$$Y = A \cdot K^a \cdot L^{1-a}$$



Economic Downturn

The Influence of Economic Crisis on Hong Kong

- Back ground
- Data
- Explanation

The Influence of Economic Crisis on Hong Kong

Background

On July 2, 1997, Thailand gave up Fixed Exchange Rates which marked the beginning of Financial Crisis.

The Influence of Economic Crisis on Hong Kong

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On July 2, 1997, Thailand gave up Fixed Exchange Rates which marked the beginning of Financial Crisis.

In 2008, Subprime mortgage crisis in America spread to the whole world which resulted from lending too much to those in poor credit.

Do they have influence on Hong Kong?

The Influence of Economic Crisis on Hong Kong

Data comes from Hong Kong SAR Government Census and Statistics Department.

Series name	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP (% real change pa)	%	2.37	4.26	5.10	-5.88	2.51	7.66	0.56	1.66	3.06	8.70	7.39	7.03	6.47	2.13	-2.46	6.77	4.82
Real GDP (US\$ at)	bil USD	129.70	135.20	142.10	133.80	137.10	147.60	148.50	150.90	155.50	169.10	181.60	194.30	206.90	211.30	206.10	220.00	230.60

Figure: Data

The Influence of Economic Crisis on Hong Kong

The real GDP from 1995 to 2011.

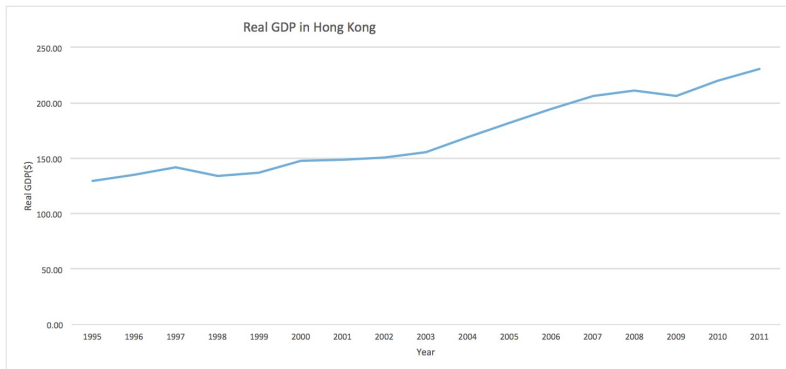


Figure: The real GDP

The Influence of Economic Crisis on Hong Kong

GDP growth rate from 1995 to 2011 in Hong Kong.



Figure: GDP growth rate

The Influence of Economic Crisis on Hong Kong

Explanation

Financial Crisis in 1997

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Financial Crisis in 1997

- i International speculators have two attacks in Hong Kong.

The Influence of Economic Crisis on Hong Kong

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- i International speculators have two attacks in Hong Kong.
- ii Use USD to change for Hong Kong dollar, increase exchange rate, change back.

The Influence of Economic Crisis on Hong Kong

Explanation

Financial Crisis in 1997

- i International speculators have two attacks in Hong Kong.
- ii Use USD to change for Hong Kong dollar, increase exchange rate, change back.
- iii A panic in Financial market and less investment, less GDP.

The Influence of Economic Crisis on Hong Kong

Explanation

Financial Crisis in 1997

- I The poor credit borrow money to buy houses.

The Influence of Economic Crisis on Hong Kong

Explanation

Financial Crisis in 1997

I The poor credit borrow money to buy houses.

II Price of houses falls. Unable to pay back.

The Influence of Economic Crisis on Hong Kong

Explanation

Financial Crisis in 1997

- I The poor credit borrow money to buy houses.
- II Price of houses falls. Unable to pay back.
- III Banks are less willing to lend. World economy came into recession.

The rise of China's Economy

Structure

- Hong Kong's special economic status for China
- The rise of China's economy
- The impact on Hong Kong's economic status

The rise of China's Economy

The Special Economic Status of Hong Kong

- The leading economic zone: Dragon's Head .

The rise of China's Economy

The Special Economic Status of Hong Kong

- The leading economic zone: Dragon's Head .
- The mediation role on investment, capital introduction and the processing trade.

The rise of China's Economy

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- The financial center: provide offshore financial services.

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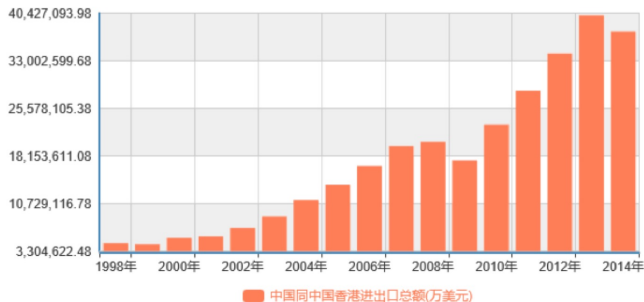
The Special Economic Status of Hong Kong

- The leading economic zone: Dragon's Head .
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The rise of China's Economy

The Close Economic Relationship

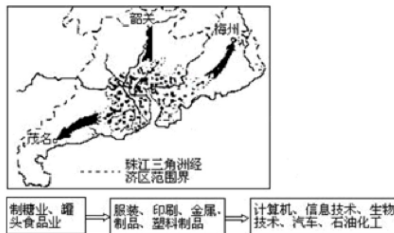
The economic return runs before the political return.



The rise of China's Economy

The Close Economic Relationship

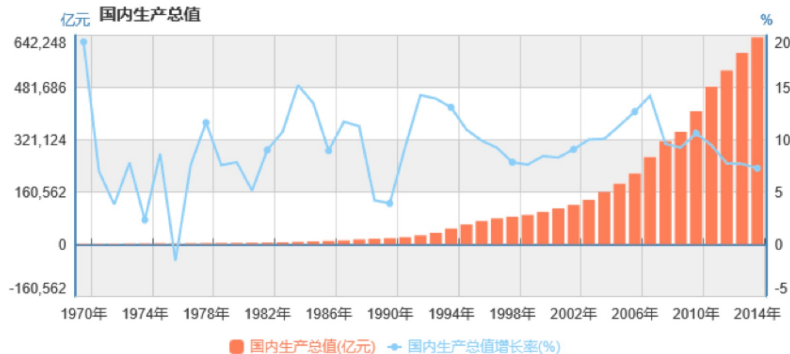
Case: In 1980s, the north movement of manufacture industries contributed to the economic development of Guangdong.



The rise of China's Economy

The rise of China's Economy

An economic miracle.



The rise of China's Economy

The impact on Hong Kong's economic status

From the perspective of the background of Hong Kong's rise

Shanghai financial center went to the weak \implies the rise of Shanghai, Beijing and Shenzhen

The economic autarky situation, the planned economy \implies
The more open economy, the market economy.

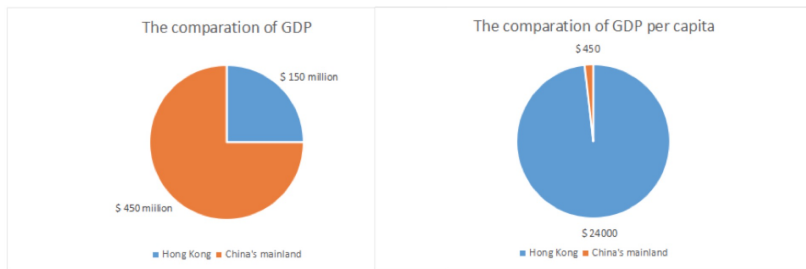
The lack of bridge between China and foreign countries \implies
The second largest international trade country.

Shanghai financial center went to the weak \Rightarrow the rise of Shanghai, Beijing and Shenzhen

The rise of China's Economy

The high economic density \implies the fast development of China.

In 1978



Shanghai \$3000

The rise of China's Economy

In 2014

The Comparison of GDP

\$209.9 billion



\$10.35trillion

■ Hong Kong ■ China's mainland

The Comparison of GDP per capita

\$3862.9



\$34222.4

■ Hong Kong ■ China's mainland

The rise of China's Economy

The impact on Hong Kong's economic status

From the perspective of the institutinal reasons

- Government's policy change.
- Political institutional contradiction.
- Different economy system on tax, trade, accounting policy.

Conclusion

Now, we can draw the conclusion that the reasons which lead to the fall of Hong Kong's economy are internal cause: **the economic competitiveness of Hong Kong** and the external causes: **the return of Hong Kong, the economic crisis and the rise of mainland China.**

Thank
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