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The Greatest Rise in the Hong Kong Economy

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ABSTRACT

The breakthrough of Hong Kong came about through its rapid industrialization and developmental policies making the Asian miracle a reality. This dissertation tries to portray the economic variables contributing to the rise of the Hong Kong economy from mid-1950 and how they managed to transform themselves as an after effect of the subsequent occurrence of downfall in comparison to Singapore.

Keywords: *Industrialization, Dissertation, Development, Financial, Downfall, Variables, Transform, Aftereffect, Occurrence, Variables.*

1. INTRODUCTION

This dissertation explores the determinants of economic growth of Hong Kong in comparison to the other Asian dragon being Singapore. More specifically, it portrays economic growth to be the result of the interrelation of several variables. Around a century ago, the dragons encountered rapid industrialization starting with Hong Kong having its very first textile industry in the 1960's, with succession to export-oriented industrialization in Lee Kuan's Singapore. As a result of which from the 1960s to 1990s, the dragons enjoyed high growth rates which put them in the right place at the right time further supplementing the implementation of the right growth choices. However, the 1997 Asian financial crisis affected both the economies equally. Adding to it was the beginning of 1997, which marked the fall in the stock market in Hong Kong subsequently affecting Singapore at the same time shouldering losses of at least 60% of dollars. However, the two dragons recovered from the 1997 crisis faster than other countries due to various economic advantages including their high savings rate and their openness to trade.

2. OBJECTIVES

This paper investigates the comparison of variables of growth between two among the four Asian dragons, namely Hong Kong and Singapore and endeavors the:

- Economic variables that made benefited the Hong Kong economy in the mid 1950s
- Consequent downfall of Hong Kong economy in correlation with Singapore

3. LITERATURE REVIEW

3.1 The Four Little Dragons: The Spread of Industrialization in East Asia

It talks about the "little dragons"-Taiwan, South Korea, Hong Kong and Singapore-which together constitute less than 4% of the world's population and has also become with Europe and North America one of the three pillars of the modern industrial world order as a result of rapid industrialization. (Ezra F. Vogel, 1992).

3.2 The Extraordinary Growth of the Four Asian Tigers

The paper to which we referred in developing the regression is that of Lee J.W., Radelet S. and Sachs J.D, Economic Growth in Asia. The authors have considered a consistent amount of explanatory variables, twelve, which they have mainly divided into four categories: initial conditions, natural resources and geography, policy variables and demographic variables (Barro and Lee, 1994).

3.3 The Story behind the four Asian tigers

This article talks about the “four Asian dragons” that rose through the way of emerging technology and globalization and how they have held onto their position as economic leaders ever since beginning from 1960’s. (Kathryn Gaw, 2016).

3.4 Hong Kong economy grows at fastest pace in six years

This article shows how the expansion in the economy came about and further led to the boost by the buoyant stock market, increased trade, a hot property sector, robust employment and an encouraging global economic outlook as put forth by the government and experts. Also, the overall performance was well above the 3.7 per cent average forecast by analysts (South China Morning Post, 2017).

3.5 Frenemy cities: a look at Hong Kong, Singapore's rivalry and partnership as Lion City

It shows the competition between the two Asian tigers over the past half century has been a topic of much discussion by pundits which came about when Singapore was cast out on its own after being asked to leave the Federation of Malaya in 1965, the city's GDP per capita was just US\$516, which paled in comparison to Hong Kong's

US\$679. But since then, Singapore's GDP per capita has caught up with Hong Kong's and surpassed it in 2003. (Gary Cheung, 2015).

3.6 Can Hong Kong be the envy of Singapore once more?

He says Hong Kong has fallen a long way from its lofty perch in the 1970s when it was held in high esteem by many Singaporeans. It should aim not just to catch up, but try to leapfrog Singapore in the major international rankings. (Tony Kwok, 2017).

3.7 Hong Kong economy strengthens in the year 2017

According to the latest forecasts by the International Monetary Fund (IMF), the global economic growth is expected to accelerate by 0.4 percentage point to 3.5% in 2017, one-tenth higher than its projection in January 2017 (Choi Wing Hung {Senior Economist}, 2017).

3.8 Hong Kong GDP growth slows but benefits from global upturn

Economic growth in Hong Kong slowed over the third quarter but remained strong enough for the territory to predict full-year expansion will be around the top end of its forecasts as it benefits from the global uptick in growth. Hong Kong's gross domestic product expanded 0.5 per cent between July and September, less than half the rate recorded in the second quarter. (Nicholas Megaw, 2017).

3.9 Hong Kong vs. Singapore

Global investors who seek high returns or who wish to diversify by investing in the Far East often consider placing capital in Hong Kong or Singapore due to higher market transparency and governmental regulation than other Asian economies. Although the two markets do have many similarities, understanding the growth factors of each market will help foreign investors be better informed as to which of the two robust markets is more aligned with their investment strategy. (John B. Strand, 2008).

3.10 Economic development

Singapore and Hong Kong have achieved similar economic success but through very different economic approaches. Also, their path of economic development diverged after World War II has had similar experience under British colonial rule and divergent political development after WWII with variant economic models after 1960s (Tzu-Yu Chin, 2004).

4. RESULTS

The economic growth of Hong Kong is the result of the interrelation of several variables. The rapid industrialization was the onset of the economic growth the Asian dragon. The industrialization of Hong Kong dated back in the 1950s. The effects of industrialization on Hong Kong were as follows:

- Hong Kong had been occupied by refugees, entrepreneurs. These were majorly immigrants from Shanghai who facilitated the establishment of cotton spinning industry. The Hong Kong industries initially started with the textile sector and gradually diversified into other industries like plastic, clothing, electronics etc with an export motive.
- The industrialization of Hong Kong led to a massive increase in the number of small and medium- sized enterprises (MSEs) rather than consolidating and working together. In the year 1955, 91% of these enterprises employed only about 100 workers and the proportion gradually increased.
- With the government's ambition of public education, public housing, land reclamation and infrastructure development, they built houses for immigrants and attempted to provide them employment.
- Hong Kong emerged as a textile and garment exporter with led to trade friction and export restraints with the United Kingdom.
- Low taxes, lax employment laws, the absence of government debt were an integral part of Hong Kong's economic development.

5. CURRENT SITUATION

Hong Kong and Singapore economies have similarities in terms of their economic sizes, composition and GDP performance. Despite these similarities, there exist numerous differences as well. The Hong Kong economy is majorly influenced by the Chinese economy whereas Singaporean economy is influenced by the world economy.

Singapore majorly relies on foreign labor and is also heavily owned by foreigners. For every 1 dollar that Singaporeans invest abroad, the foreigners invest 2 dollars in Singapore. The situation of the Hong Kong economy is not very different from that of Singapore. The ratio is roughly the same but in favor of Hong Kong.

It can be seen that 40 years ago, Hong Kong and Singapore had the same level of expenditure on personal consumption as a part of the GDP. But, since then the figures accelerated for Hong Kong to 66% but collapsed for Singapore to 36%.

The Hong Kong economy is growing at rapid rate. Research suggests that *“People in Hong Kong on average have US\$29,000 each a year to spend on themselves while Singaporeans have only US\$19,000, and the margin is growing rapidly in Hong Kong’s favor.”* The economies of the two Asian dragons are functioning well but when compares it can be inferred that the Hong Kong economy in the present day is sounder than that of Singapore.

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