

The Role of Hong Kong in the Development of the Nation: Past, Present and Future

Lawrence J. Lau 劉遵義

Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong
And

Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University

Democratic Alliance for the Betterment and Progress of Hong Kong
Hong Kong, 29 April 2017

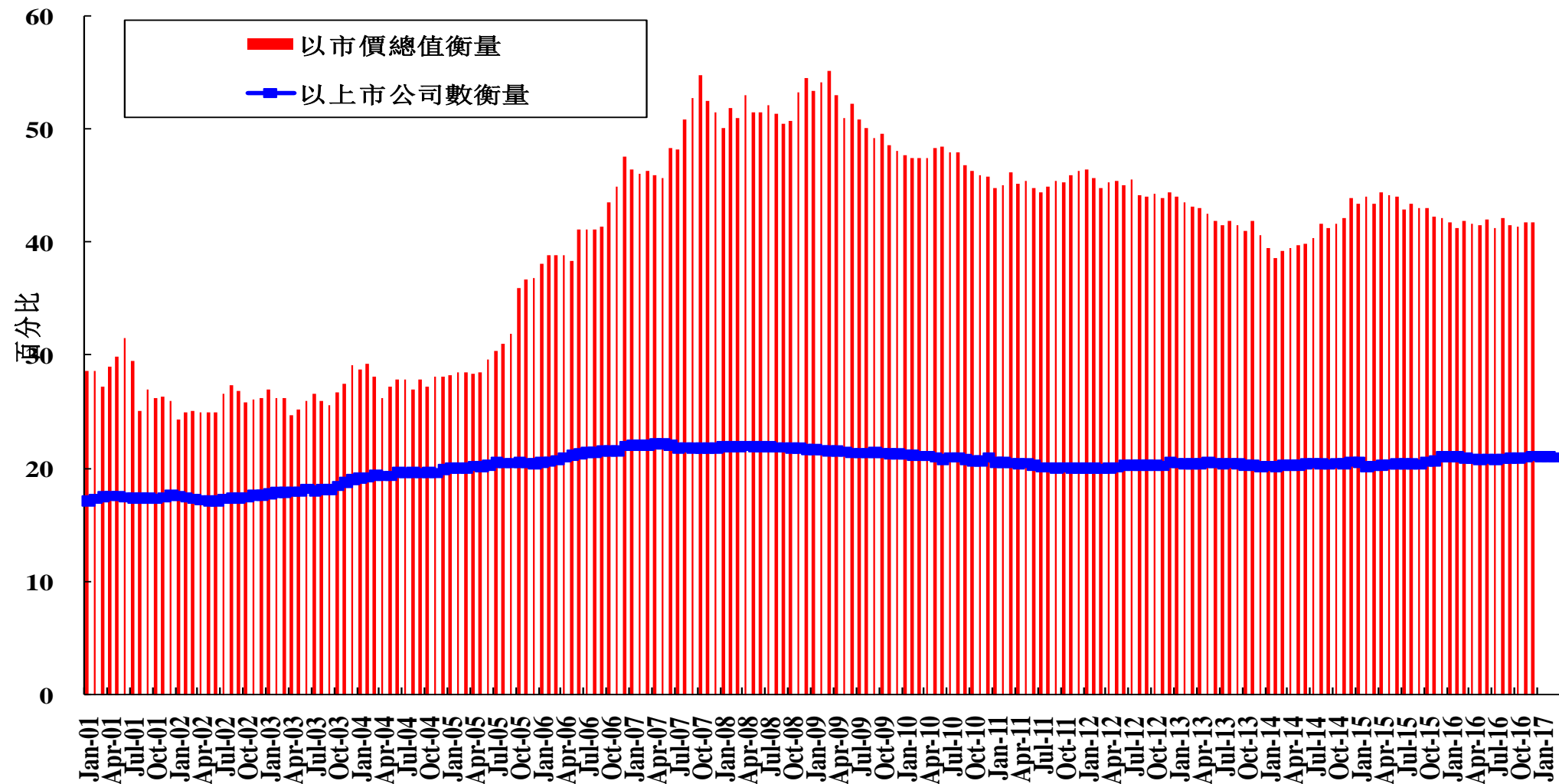
Tel: +852 3943 1611; Fax: +852 2603 5230

Email: lawrence@lawrencejlau.hk; WebPages: www.igef.cuhk.edu.hk/ljl

*All opinions expressed herein are the author's own and do not necessarily reflect the views of any of the organisations with which the author is affiliated.

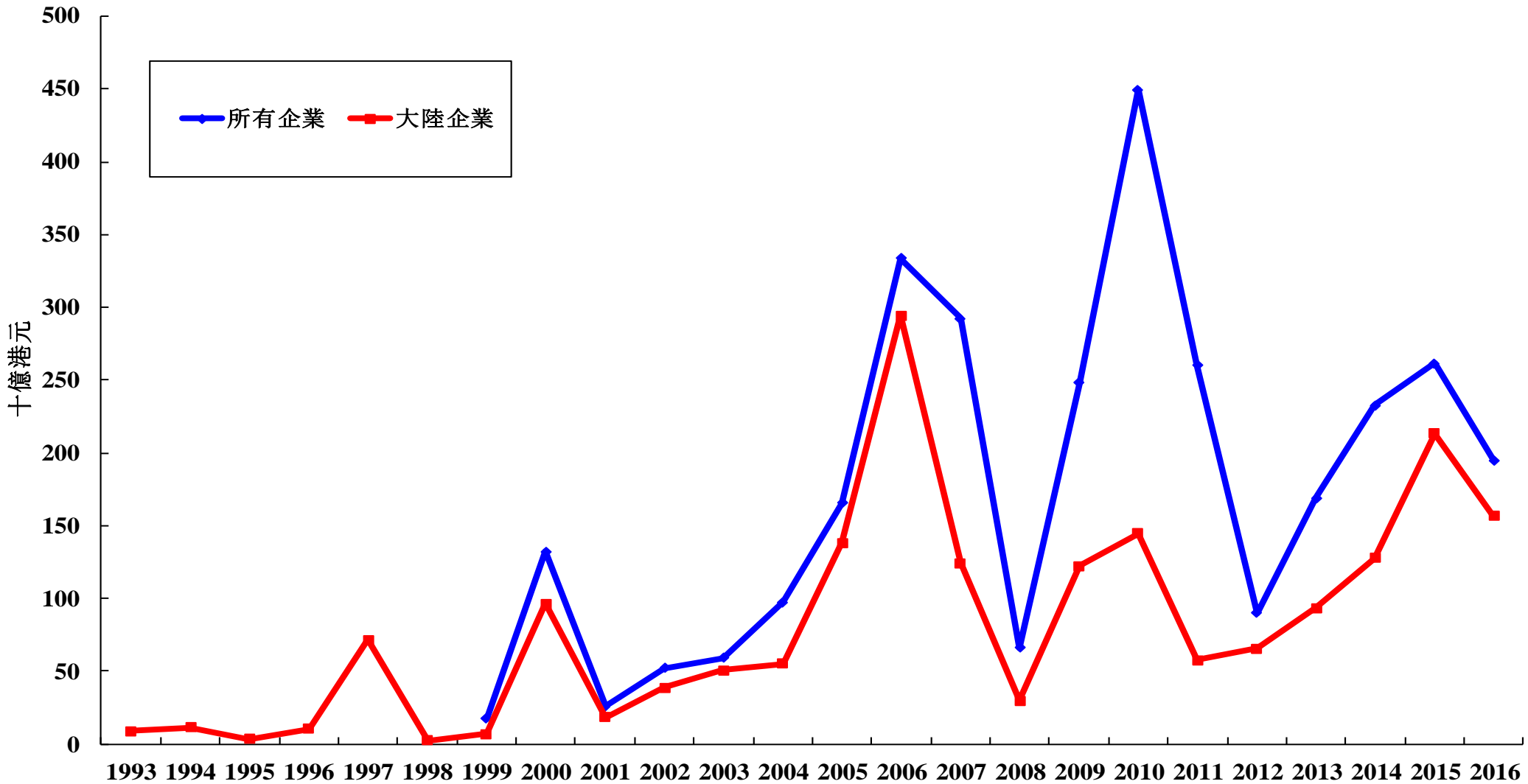
港交所中大陸公司的比重

港交所中大陸公司的比重



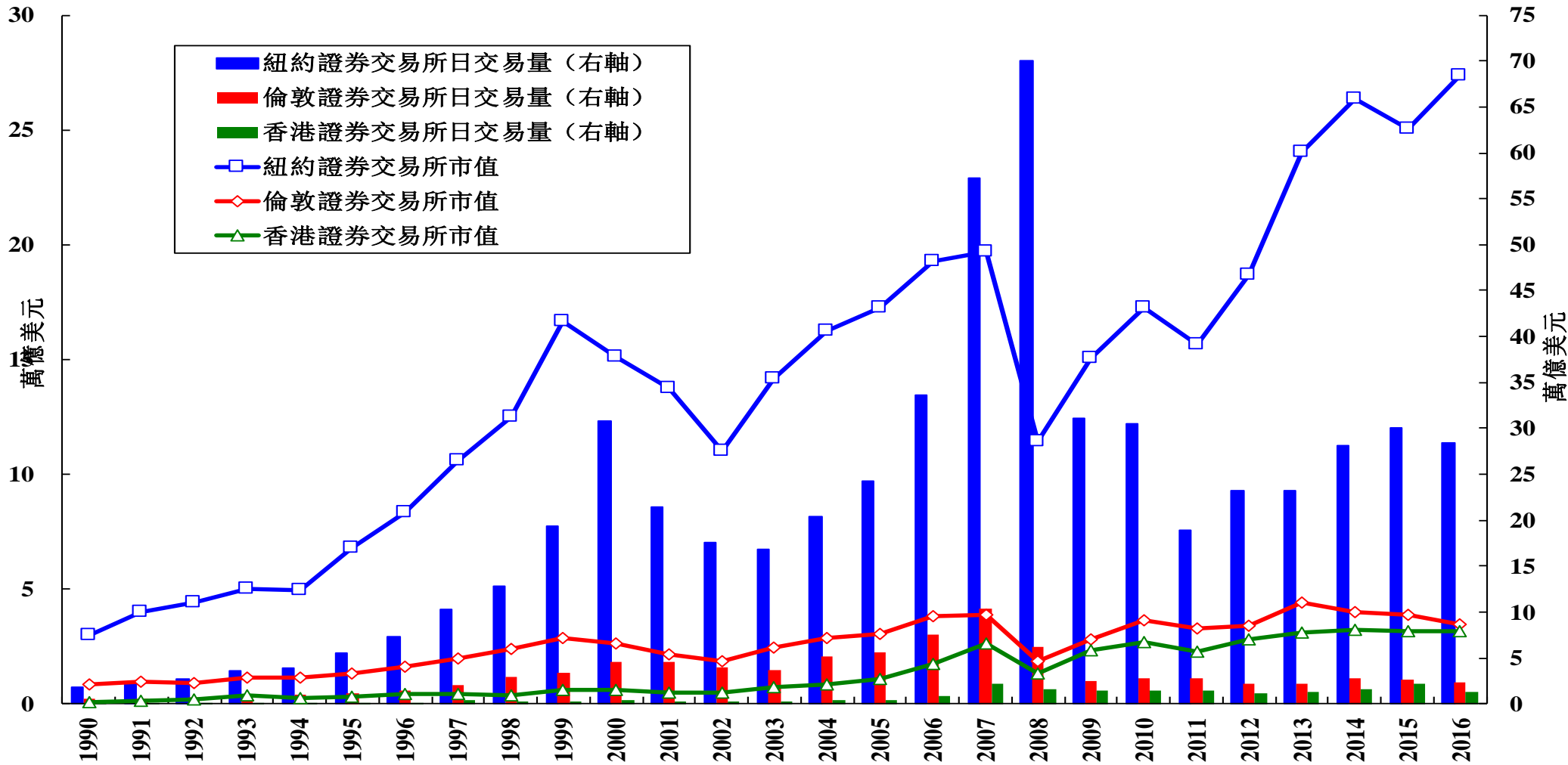
每年大陸企業和所有企業在港交所首次公開募股總額

每年大陸企業和所有企業在港交所首次公開募股總額



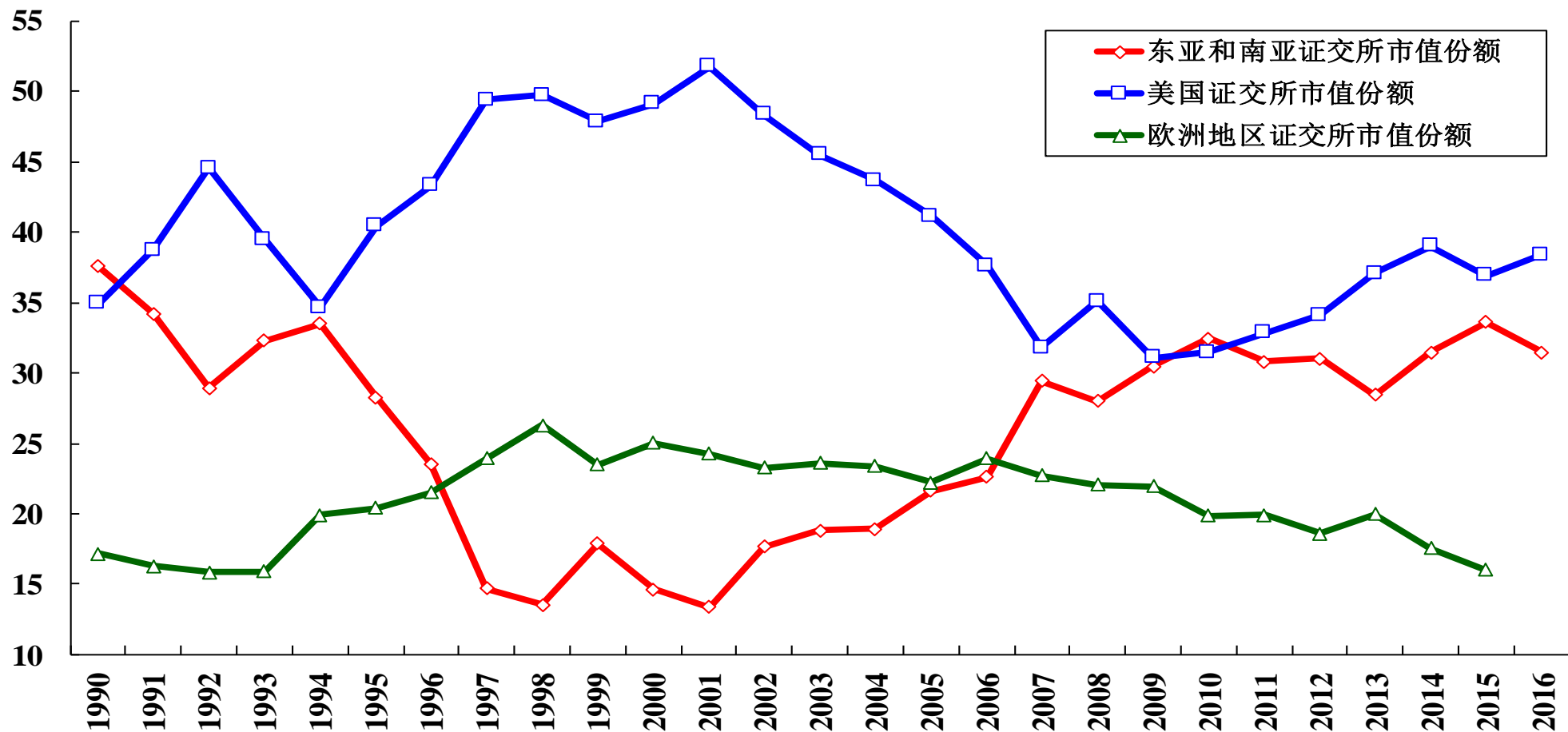
紐約、倫敦和香港交易所的市值與日交易 易量，萬億美元

紐約、倫敦和香港證券交易所的市值與日交易量，萬億美元



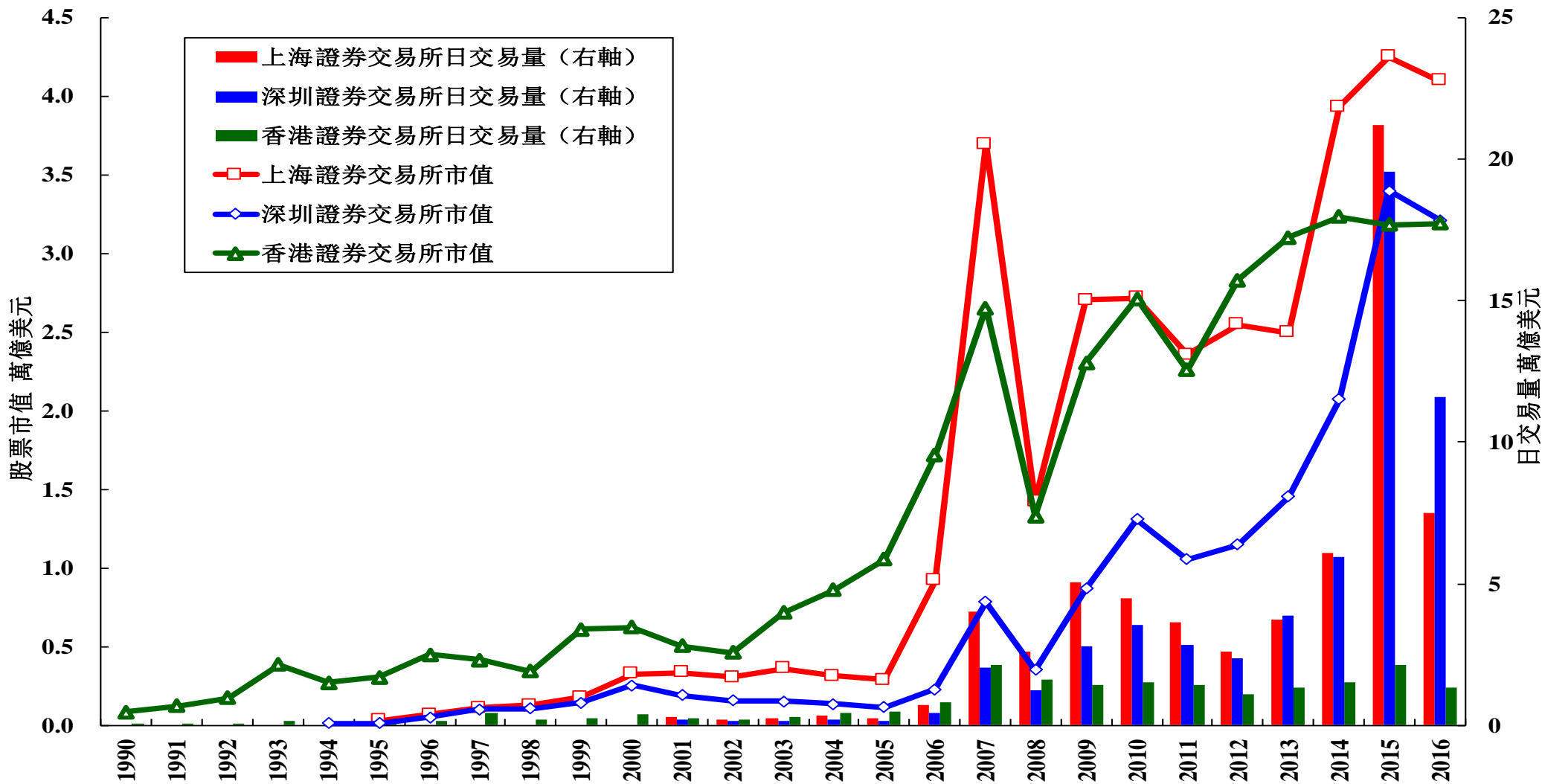
全球主要經濟體證券市場的市值份額變化

全球主要经济体证券市场的市值份额变化



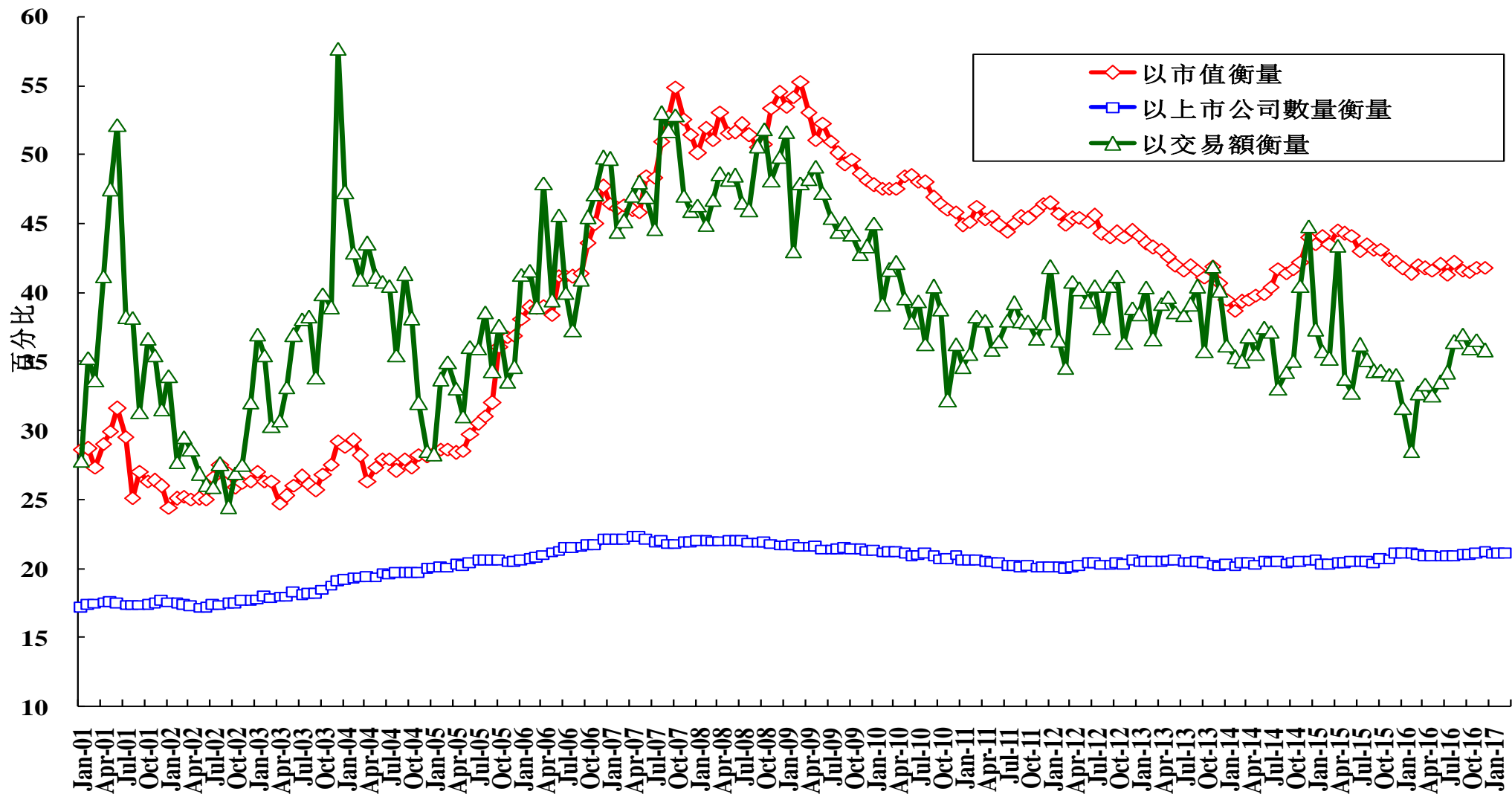
中國證券市場市值與日交易量，萬億美元

中國證券市場市值與日交易量，萬億美元



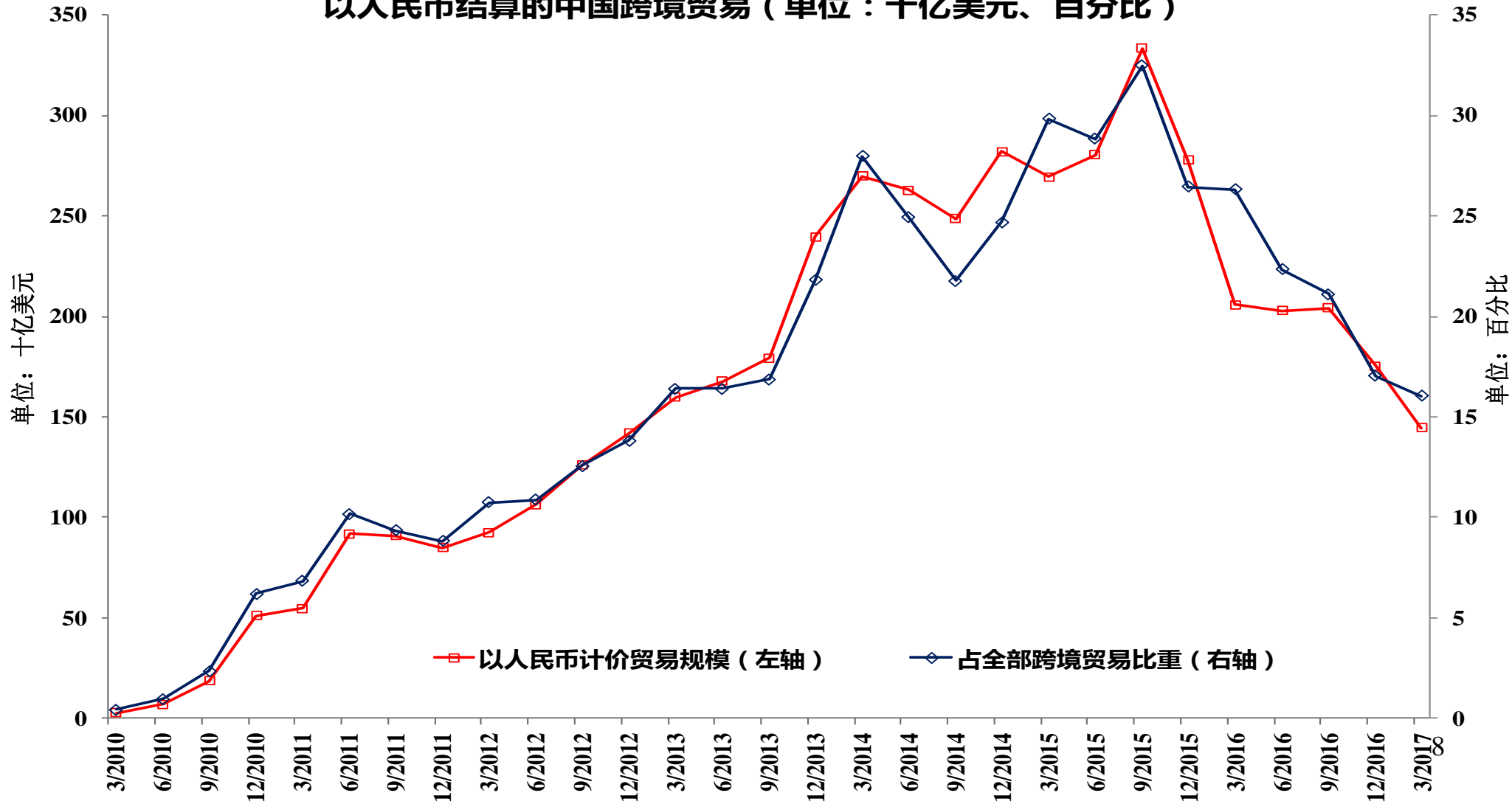
在港交所上市的大陸企業的比重

在港交所上市的大陸企業的比重，分別以市值，交易額，公司數量來衡量



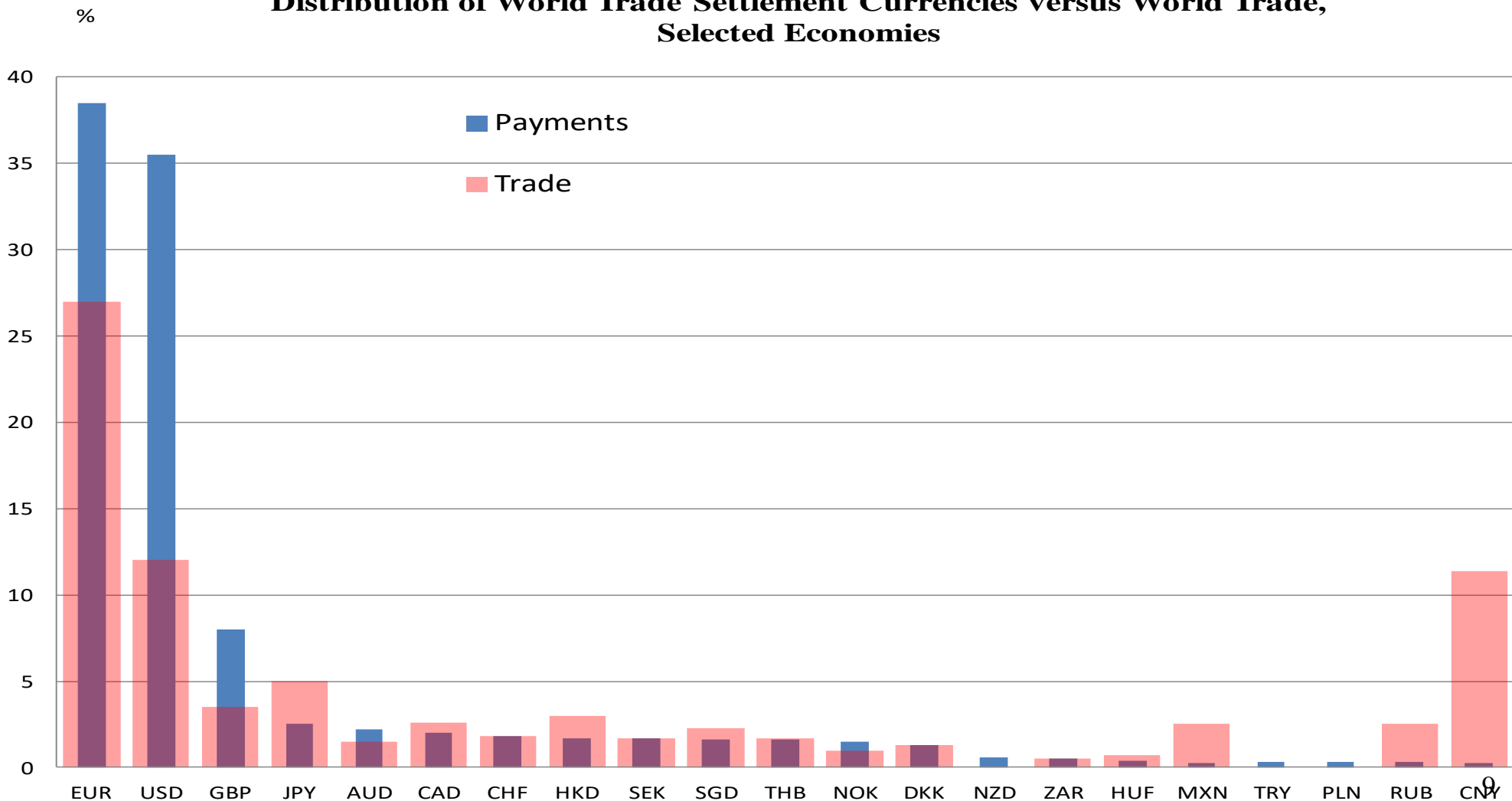
以人民币结算的中国跨境贸易（单位：十亿美元、百分比）

以人民币结算的中国跨境贸易（单位：十亿美元、百分比）



Distribution of World Trade Settlement Currencies versus World Trade, 2010

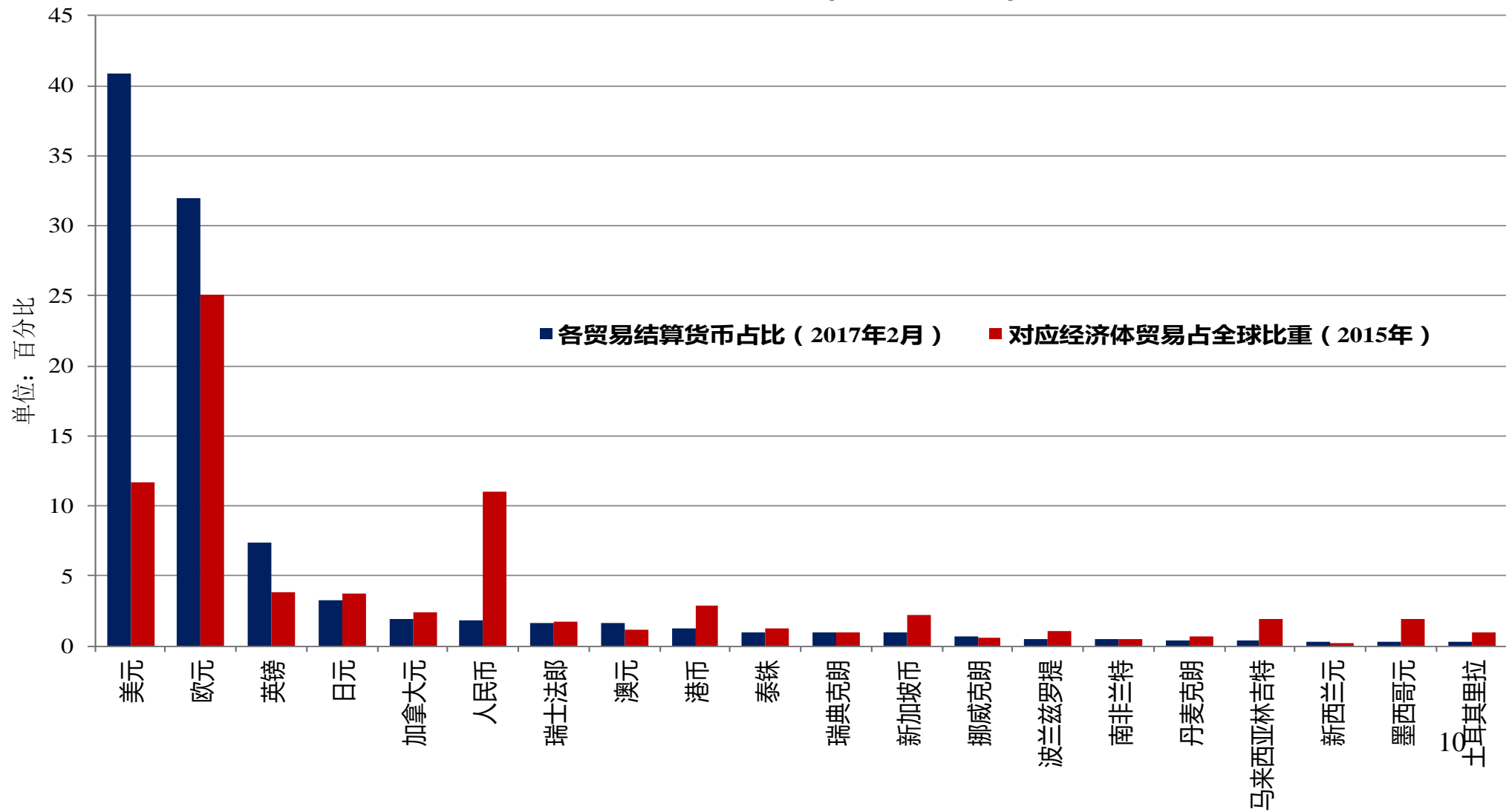
Distribution of World Trade Settlement Currencies versus World Trade, Selected Economies



Source: SWIFT Value Analyser. Trade (import/export) 2010, in value., WTO working paper, Daiwa

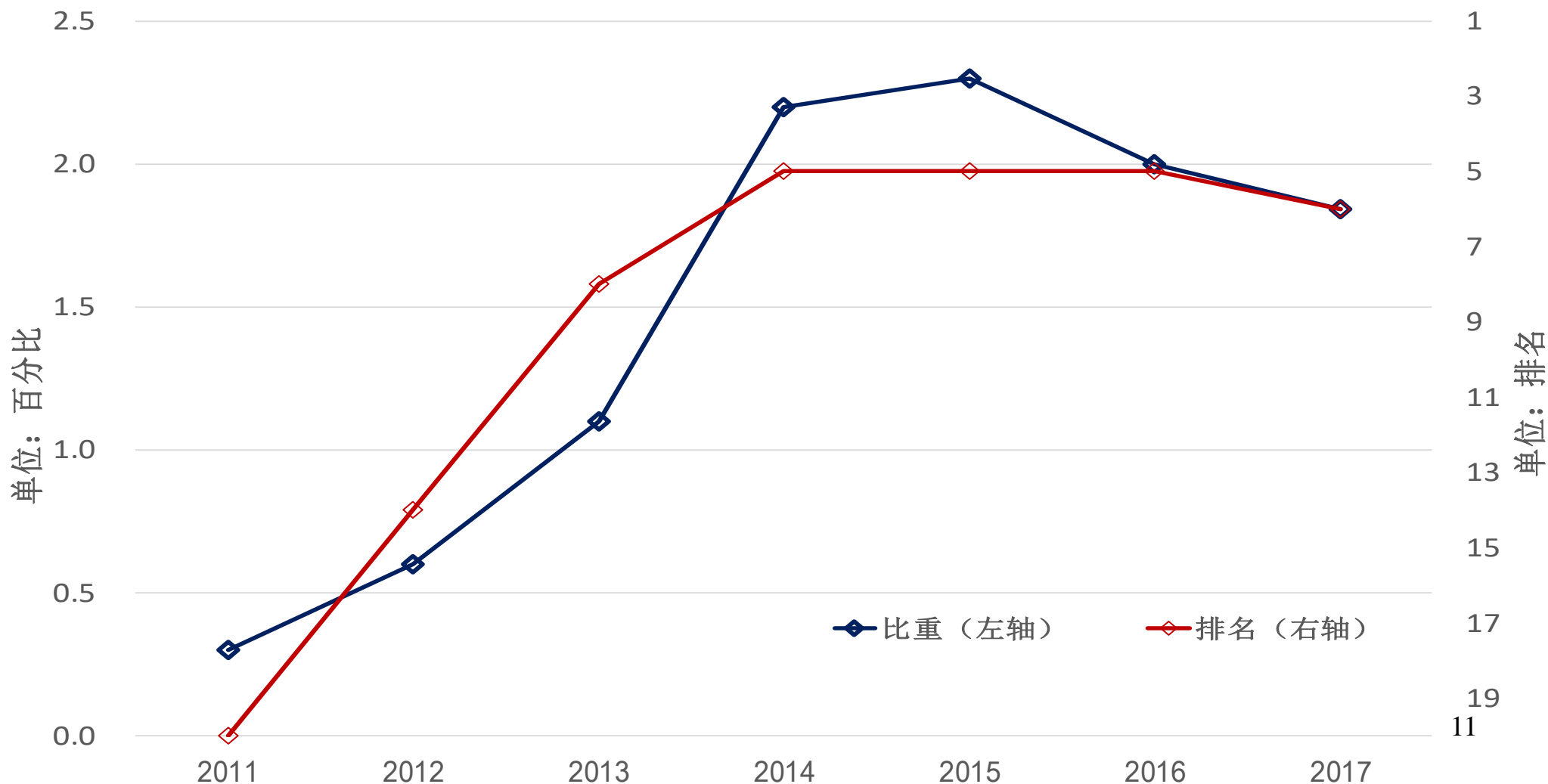
各经济体在全球贸易与其货币在全球贸易结算中比重（2017年2月）

各贸易结算货币占比（2017年2月）



人民幣在全球結算貨幣中的比重和排名 (自2012年1月)

人民币在全球结算货币中的比重和排名



香港的人民币存款规模

1,200

香港人民币存款规模

1,000

800

600

400

200

0

单位：十亿人民币

2/2004

8/2004

2/2005

8/2005

2/2006

8/2006

2/2007

8/2007

2/2008

8/2008

2/2009

8/2009

2/2010

8/2010

2/2011

8/2011

2/2012

8/2012

2/2013

8/2013

2/2014

8/2014

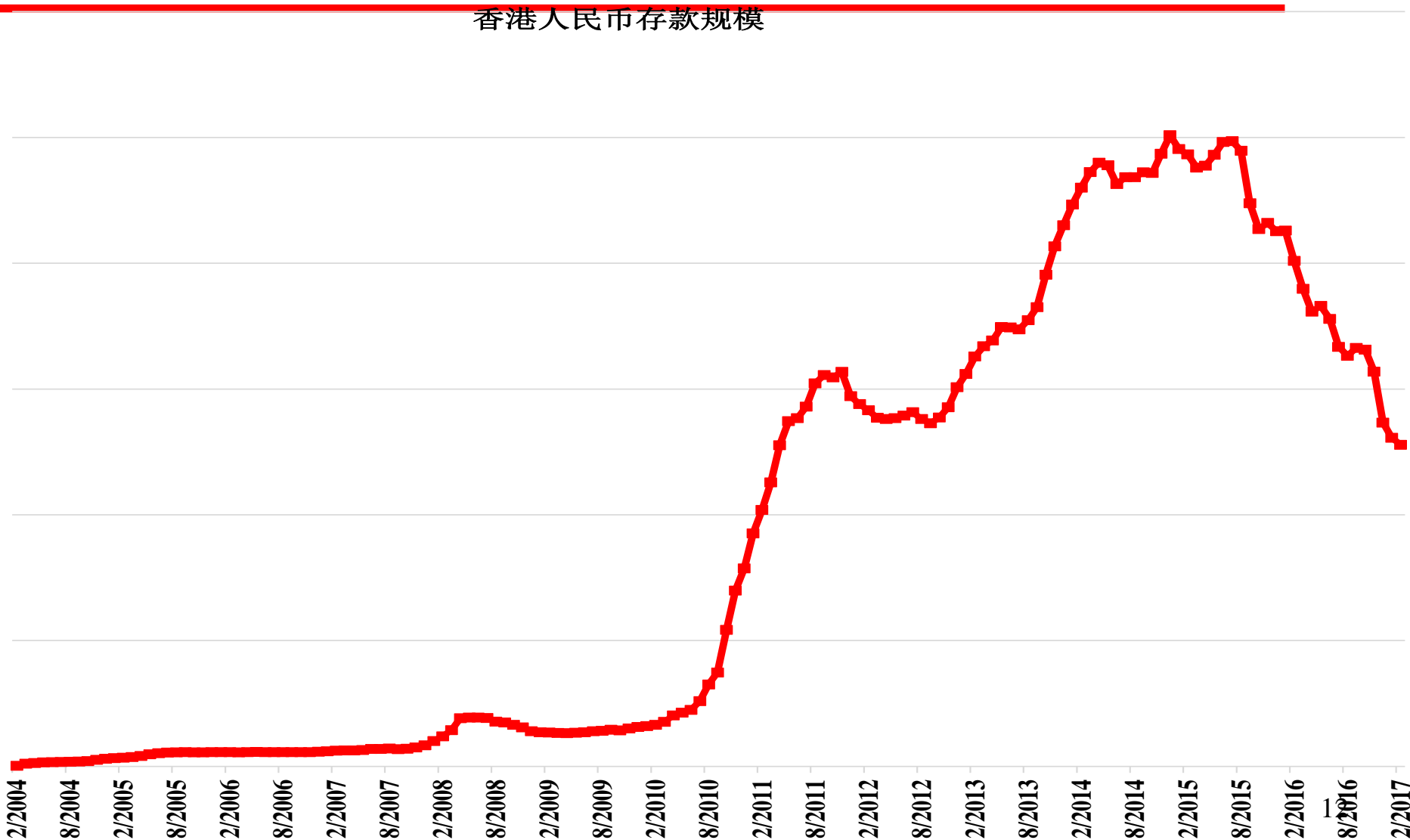
2/2015

8/2015

2/2016

8/2016

2/2017

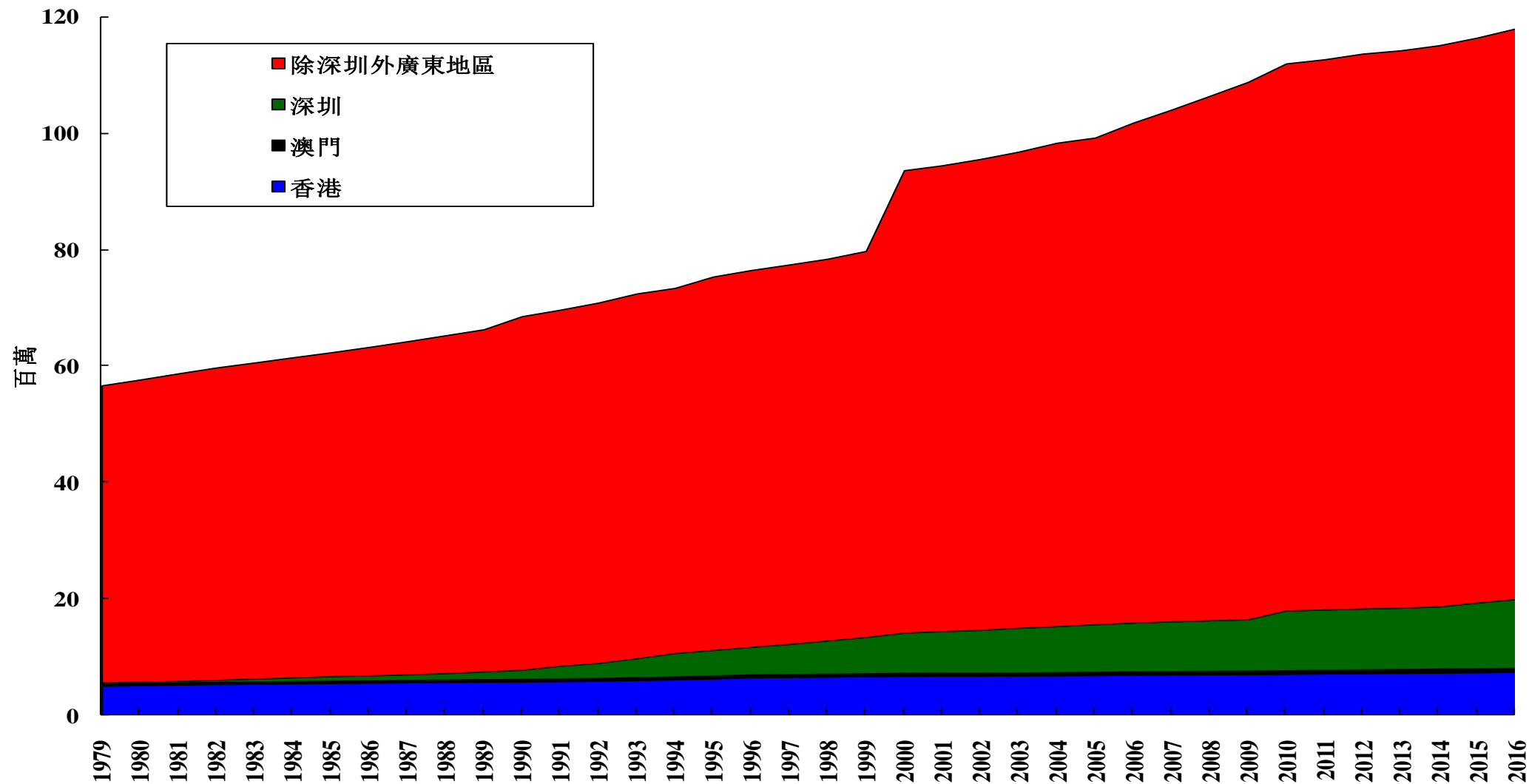


Hong Kong as Part of the Pearl River Delta Metropolis



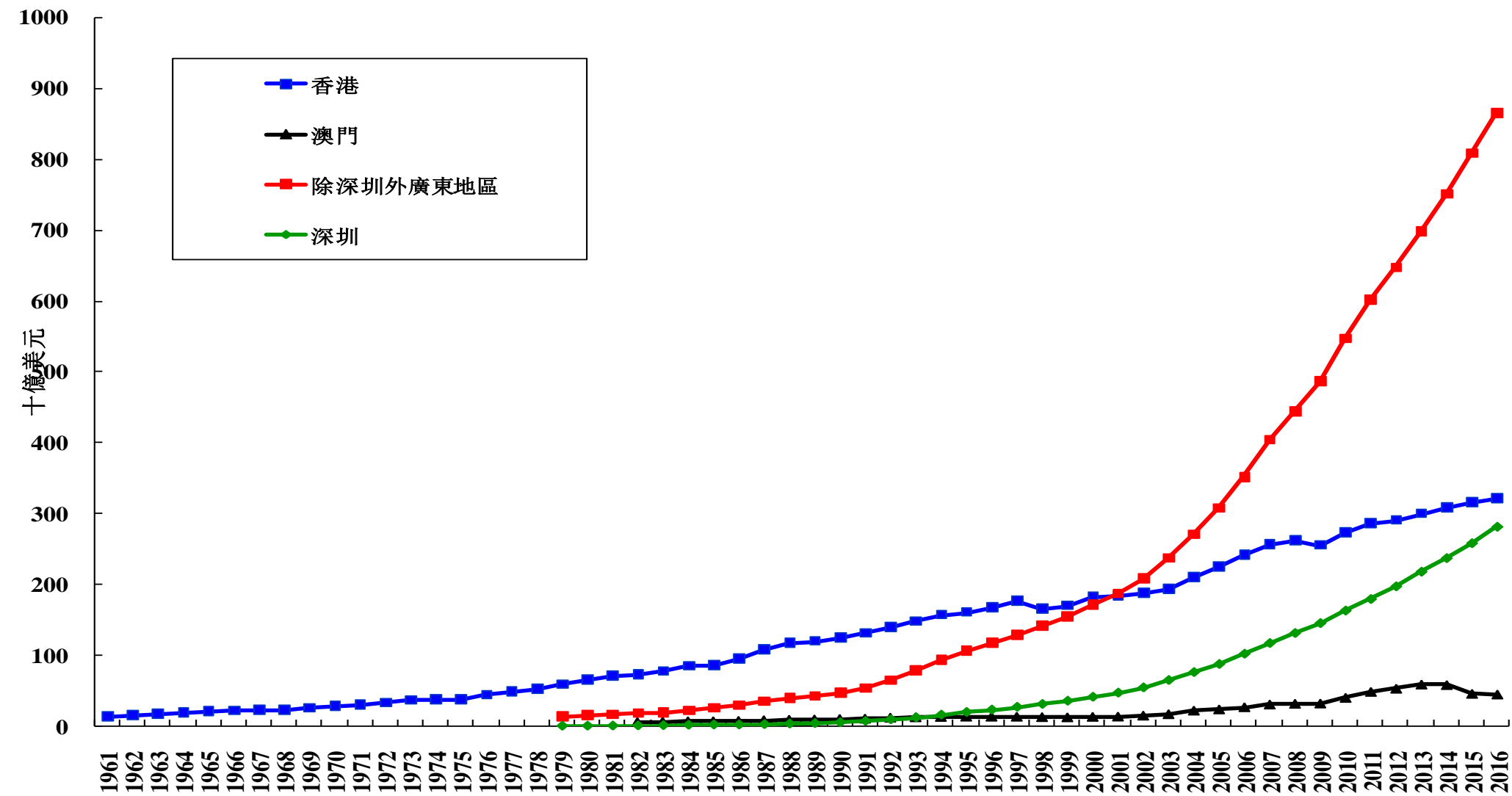
香港及其周邊地區人數（百萬）

香港及其周邊地區人口數（百萬）



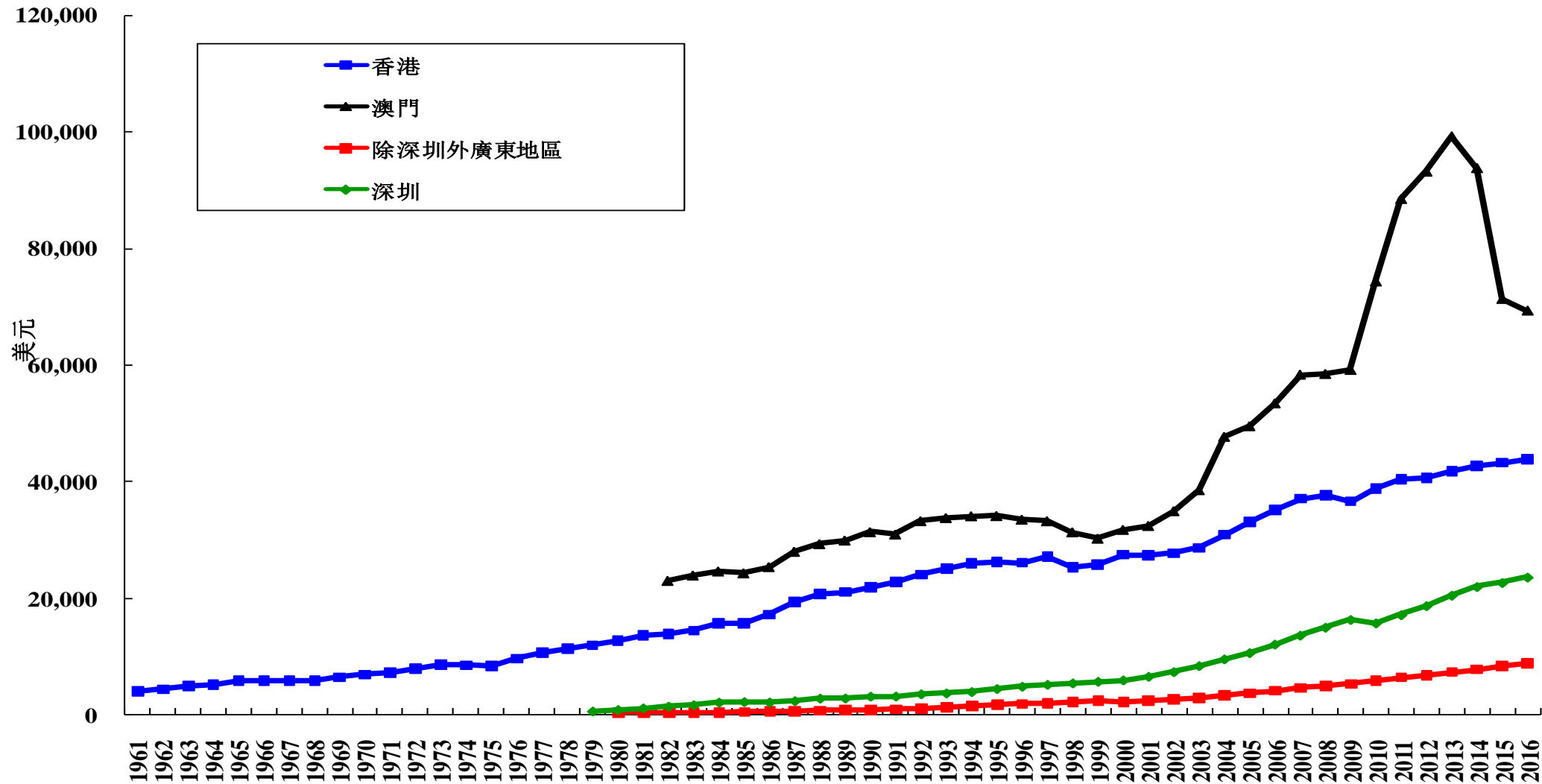
香港及其周邊地區的實際GDP，按2016年價格計算，十億美元

香港及其周邊地區的實際GDP，按2016年價格計算，十億美元



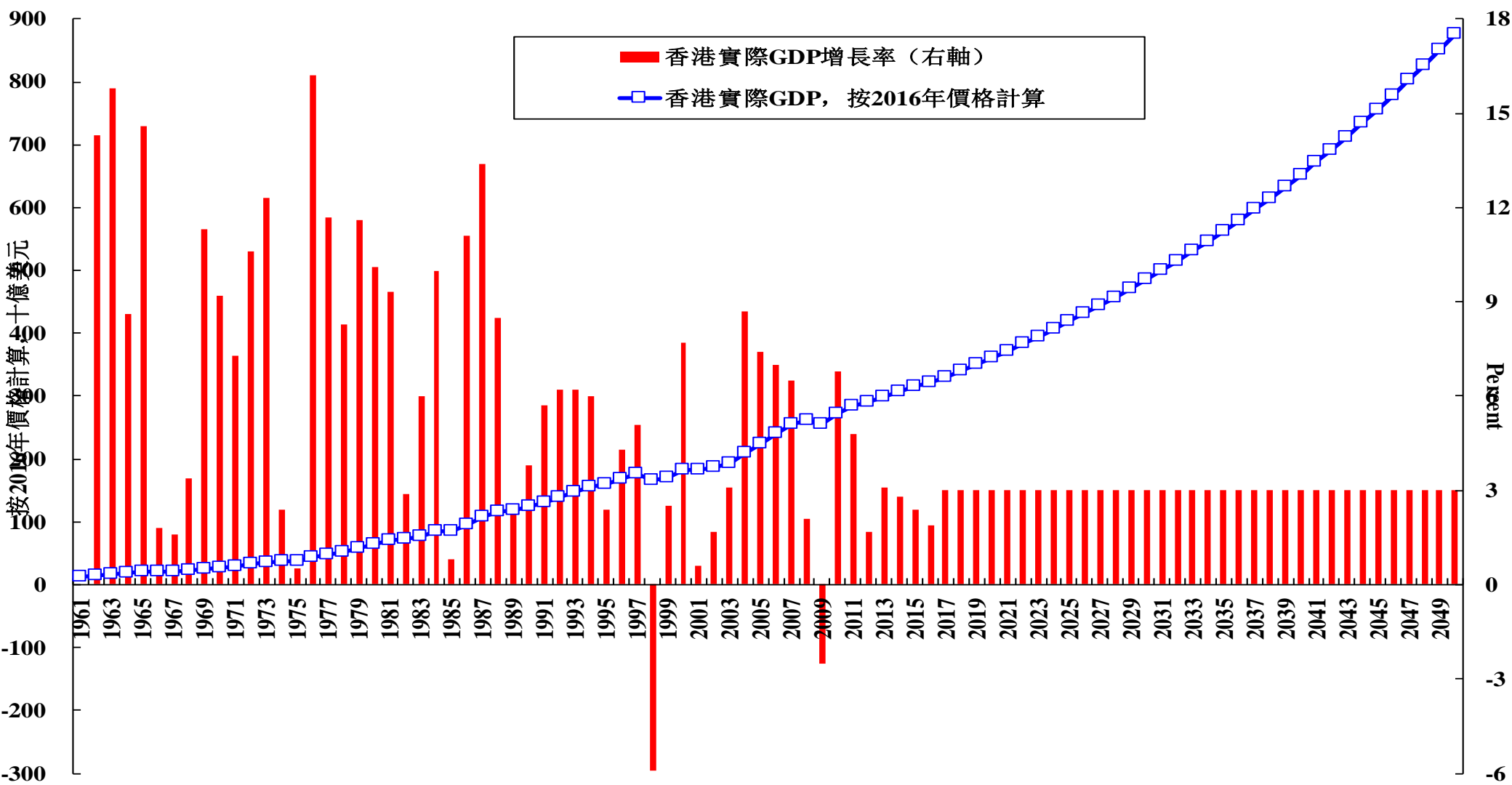
香港及其周邊地區的實際人均GDP，按2016年價格計算

香港及其周邊地區的實際人均GDP，按2016年價格計算



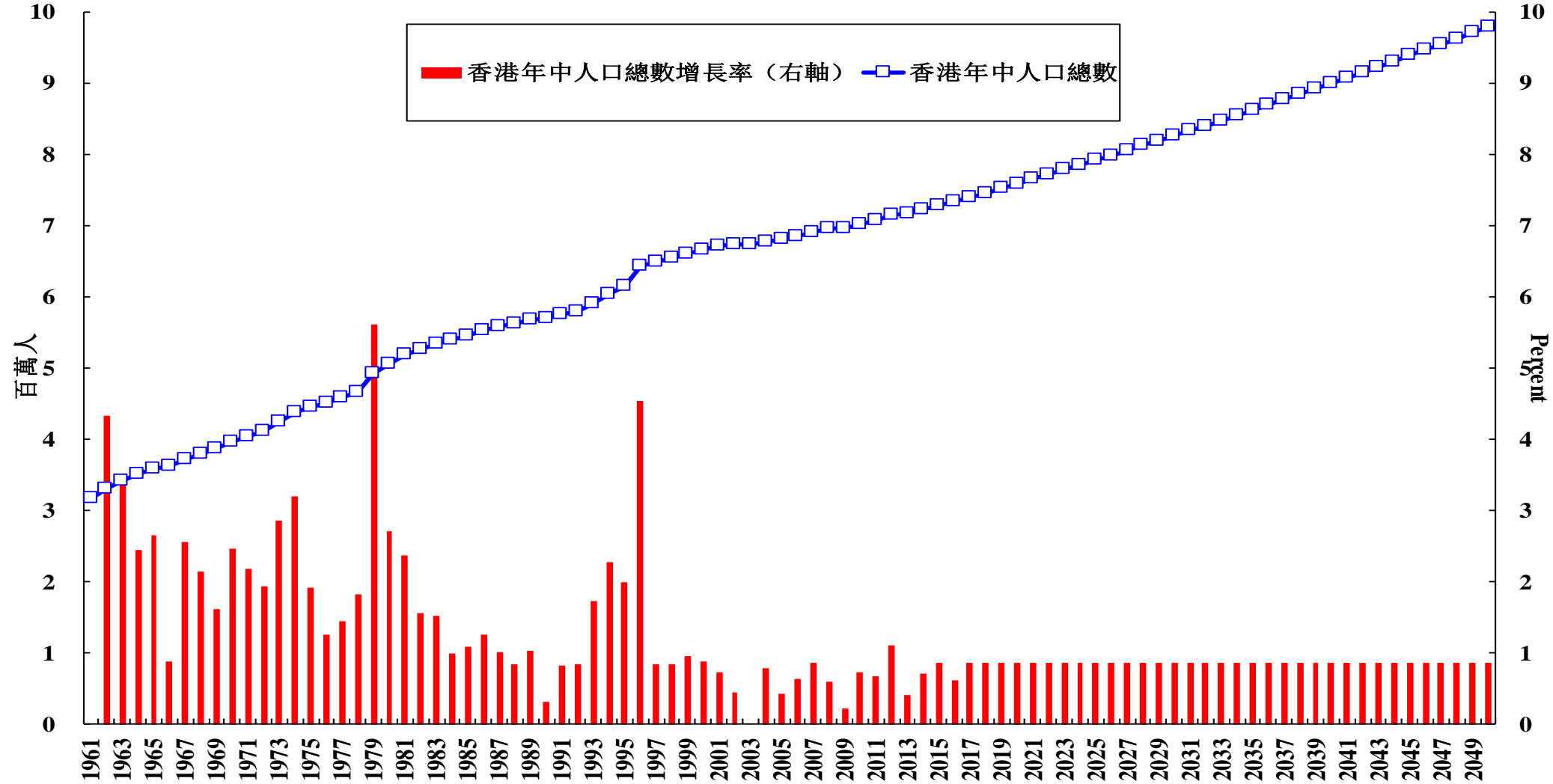
香港事實與預測的實際GDP及其增長率 (按2016年價格計算, 十億美元)

香港實際的和預測的實際GDP及其增長率 (按2016年價格計算, 十億美元)



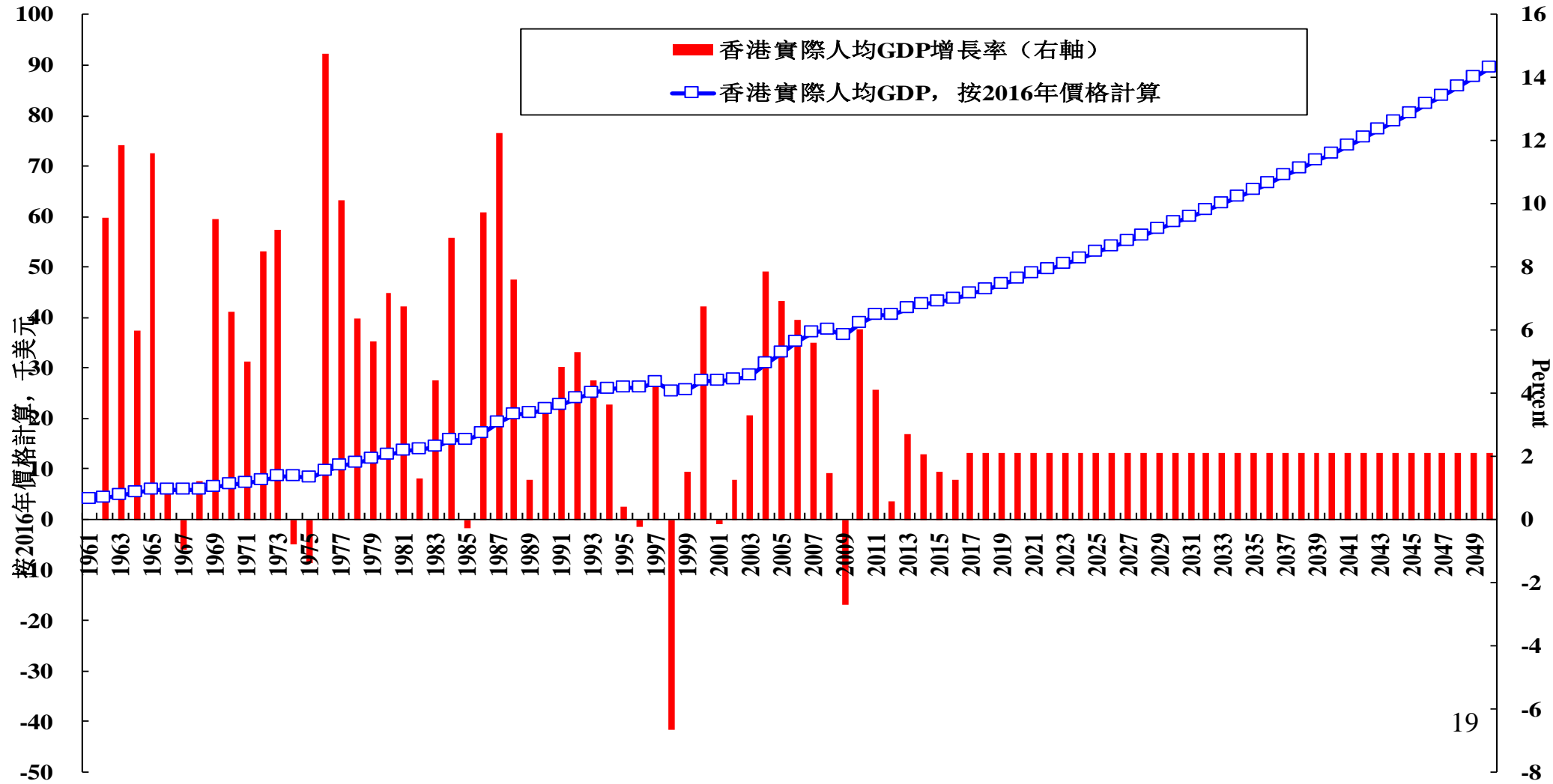
香港事實與預測的人口總數及其增長率 (百萬人)

香港實際的和預測的人口總數及其增長率 (百萬人)



香港事實與預測的實際人均GDP及其增長率（按2016年價格計算，千美元）

香港實際的和預測的實際人均GDP及其增長率（按2016年價格計算，千美元）



Concluding Remarks

- ◆ Hong Kong was indispensable to the initial success of the Mainland's economic reform and opening to the World.
- ◆ However, with the success of the Mainland economy, the fate of the Hong Kong economy is now inextricably intertwined with that of the Mainland. The Mainland is now critically important to the Hong Kong economy. If the Mainland economy prospers, the Hong Kong economy will prosper. If the Mainland economy slows, the Hong Kong economy will slow.

Concluding Remarks

- ◆ It is because of the strength of the Mainland economy that Hong Kong has been able to survive the current European sovereign debt crisis as well as the earlier 2007-2009 global financial crisis, the “Severe Acute Respiratory Syndrome (SARS)” crisis and the 1997-1998 East Asian currency crisis relatively unscathed.
- ◆ The “Individual Visit Scheme” has been instrumental in lowering the unemployment rate of Hong Kong down to its current slightly above 3%.
- ◆ Hong Kong must try to take full advantage of its Mainland opportunities, such as those offered by CEPA, so that its economy can continue to grow, especially given the relatively weak recoveries of the United States and European economies. The Hong Kong domestic market alone is too small for innovation activities to be commercially successful.

Concluding Remarks

- ◆ The economies of Hong Kong and Guangdong are complementary to each other. What Hong Kong lacks, Guangdong can provide; and vice versa. Their economic cooperation can be win-win; it can benefit both places.
- ◆ Guangdong has a diversified manufacturing industrial base—with light industry, heavy industry and high-technology industries. but is relatively weak in the higher education and research and development sectors. Hong Kong has little or no manufacturing industry any more, especially high-technology industry, but has world-class research universities to provide scientific and technological manpower and R&D. There is therefore room for specialisation and division of labor between Hong Kong and Guangdong, which can be win-win for all.
- ◆ Hong Kong should therefore intensify its economic cooperation with Guangdong (and Shenzhen). Guangdong is Hong Kong's natural economic hinterland. Hong Kong cannot compete with Shanghai if it is unable to hold on to Guangdong.

Concluding Remarks

- ◆ If Hong Kong were to become an international financial center for China, it must begin by trying to provide the firms and households in its potential hinterland (Guangdong and the Greater Pearl River Delta) with the best financial service possible, so that they do not need to go to Shanghai or develop their own international financial center(s). If Hong Kong cannot hold on to these potential customers, it can never compete with Shanghai.

Concluding Remarks

- ◆ Hong Kong should also capitalize on the opportunities provided by the “One Belt, One Road (OBOR)” Initiative.
- ◆ Hong Kong can also further develop into an international center for sukuk bonds (Islamic bonds) structured in such a way as to generate returns to investors without infringing Islamic law which prohibits pure interest payments as many Belt and Road countries are Islamic.
- ◆ The Government of the HKSAR is already actively promoting double-tax treaties with countries on the Belt and Road so as to facilitate investment by Hong Kong entities as well as subsidiaries of Chinese and multinational corporations established in Hong Kong to do OBOR related business in the countries concerned.

Concluding Remarks

- ◆ It is necessary to promote the freer flow of goods and services between Guangdong and Hong Kong and between the OBOR countries and Hong Kong. There should be a pilot programme for a Guangdong-Hong Kong Pilot Free Trade Zone.
- ◆ It is also necessary to promote the freer flow of people—the simplification of entry/exit and customs formalities, the mutual selective recognition of academic degrees and professional qualifications.
- ◆ Finally, it is necessary to promote the financial cooperation between Guangdong and OBOR countries and Hong Kong and to facilitate the cross-border two-way flow of capital.

Concluding Remarks

- ◆ We have tried to suggest some feasible directions of significant potential in which the economy of Hong Kong can aspire to develop. The goals may appear ambitious, but in our opinion, they are all achievable with sufficient commitment and resolve. In diversifying its economy in these various directions, Hong Kong can also reduce the risks of over-dependence on any one particular sector.
- ◆ It is essential to try to make Hong Kong more competitive once again. This means trying to do something to the high price of land, and the resulting high office space and housing costs.
- ◆ Hong Kong indeed has the potential of surpassing both New York and London to become the leading international financial center in the world. However, the development of Hong Kong as an international hub for flows of people, goods and services, and capital is a long-term undertaking and will require the long-term commitment of the Government of the HKSAR, its citizens, and its public and private institutions.

Concluding Remarks

- ◆ Hong Kong must do its part in devising implementable plans and strategies and in addition seek assistance and support from the Central Government on the basis that these initiatives are win-win for both Hong Kong and the Mainland. It is up to Hong Kong to make itself indispensable once again, as it was during the early days of the Chinese economic reform and opening to the world.
- ◆ There is clearly still great potential for the economy of Hong Kong! It will require the united efforts of everyone in Hong Kong to fully realize this potential. Yes. Hong Kong CAN create yet another economic miracle! However, time is of the essence. The time to act is **NOW**.