



Revisit the Competitiveness of Hong Kong: Analysing the Relative Competitiveness of Hong Kong to Singapore Based on Degree of Competition

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Introduction

- Competitiveness studies
 - The World Economic Forum (WEF)
 - International Institute for Management and Development (IMD)
 - Chinese Academy of Social Sciences (CASS)
- Limitation
 - many economies listed in the league table do not compete, or merely weakly compete, with Hong Kong
 - uniqueness of the economy of Hong Kong is not taken into consideration
- Hong Kong is oriented to be an Asian world city
 - her competitors suitable for comparison should also manifest characteristics of a world city

Limitations in current studies on the competitiveness of Hong Kong

- Global Competitiveness Report 2011 of WEF
- key factors for national competitiveness are “international agreements, macroeconomic policy, education, R&D, national political structure”
- key factors for urban competitiveness are “urban governance, infrastructure, public facility, human resources and R&D” (Shen 2005, 24)
- Some indicators such as R&D can be applicable at both national and urban scales, some indicators are more relevant at a particular level
- GCI, an index of national competitiveness, has deficiency in reflecting the situation of Hong Kong as a quasi city-state

Limitations in current studies on the competitiveness of Hong Kong

- Global Competitiveness Report 2011 of WEF
 - agricultural policy cost, a proxy in the 6th pillar of goods market efficiency, is unlikely to be a factor in the competitiveness of Hong Kong
- Why should all countries be assessed by the same standard, even though it is explicit that they are positioned differently in the global economy?
- Is Switzerland, which tops the league table, competing with Chad, which is at the bottom?
- Is Hong Kong competing with Cyprus which are placed in the third stage of development?

Framework for the study of competitiveness of Hong Kong

- The concept of degree of competition is the basis of the new framework
- Competitiveness of Hong Kong from world city perspective
- Four components including global control functions, financial sector, services sector and external linkages
- Competitors to Hong Kong
- competitors of Hong Kong should also possess characteristics of world city, or exhibit propensity to world city development
- Asian cities are more likely to pose a direct threat to Hong Kong and Singapore is the closest to Hong Kong in the league table
Taylor et al (2010)
- Singapore is chosen as the subject for comparison as Singapore and Hong Kong are close in competitiveness

Framework for the study of competitiveness of Hong Kong

Table 1: Rank of top ten cities based on the presence of advance producer services

Rank	Alpha world cities	City
1	ALPHA ++	London
2	ALPHA ++	New York
3	ALPHA +	Hong Kong
4	ALPHA +	Paris
5	ALPHA +	Singapore
6	ALPHA +	Tokyo
7	ALPHA +	Sydney
8	ALPHA +	Milan
9	ALPHA +	Shanghai
10	ALPHA +	Beijing

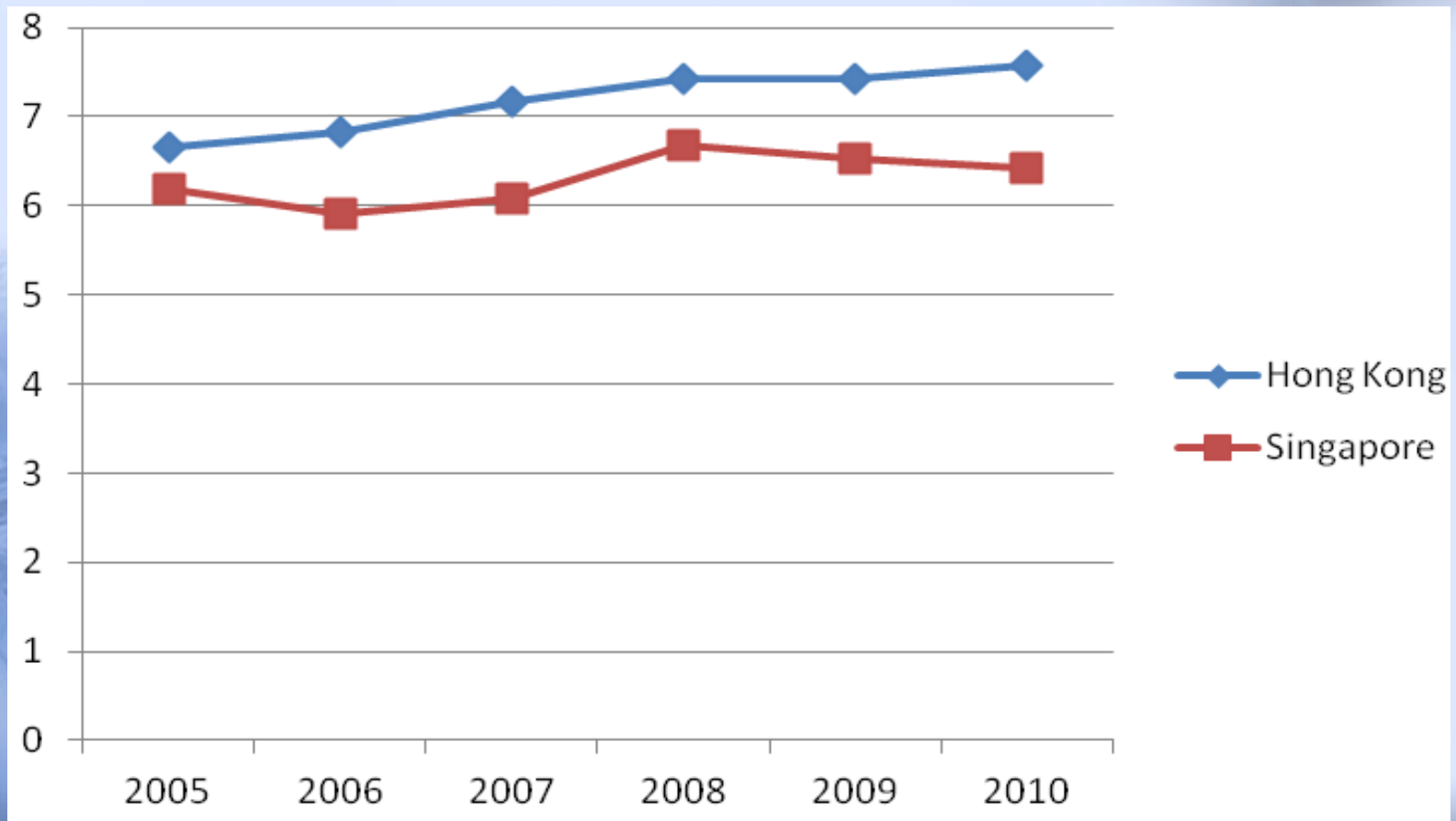
Sources: The source for the first column is Taylor (2010) and that for the second column is Taylor et al (2010). The order of cities is the same in two studies.

A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

Index of global control functions
A. Global connectivity
Index of financial sector
A. Share of employment in financial and insurance sector (%)
B. Share of financial services in GDP (%)
C. Market capitalization of stock exchange (% , market capitalization of stock exchange / GDP)
Index of services sector
A. Share of service exports in GDP (%)
B. Percentage contribution of services to GDP (%)
Index of external linkages
A. Share of total exports in GDP (% , merchandise trade)
B. Cargo transport by sea (% , tones per person, total cargo throughput / total population)
C. Cargo transport by air (% , tones per capita, total cargo throughput / total population)
D. Passenger arrivals and departures by air (% , number of arrivals and departures / total population)

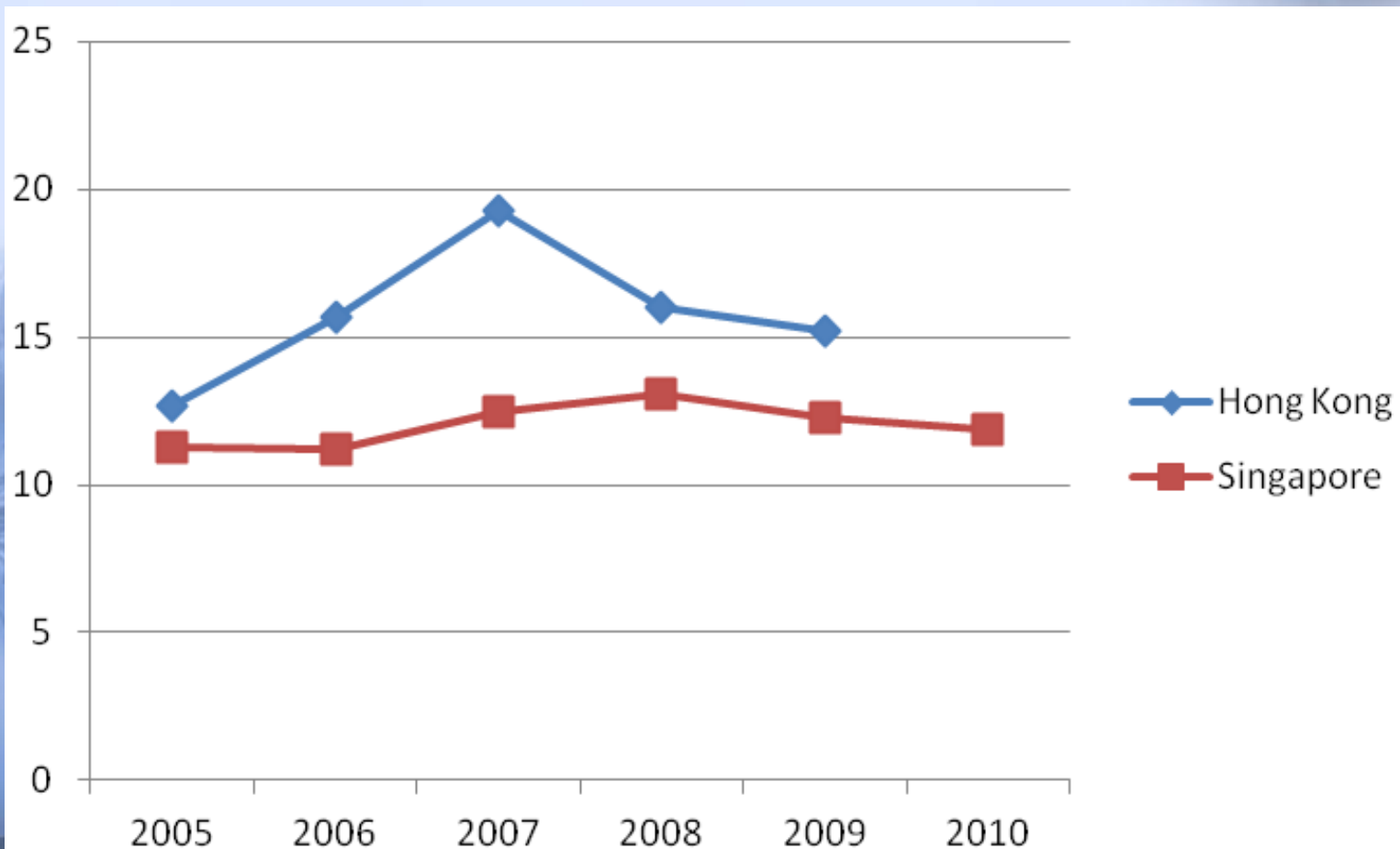
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- Figure 1: Share of employment in financing and insurance (%)



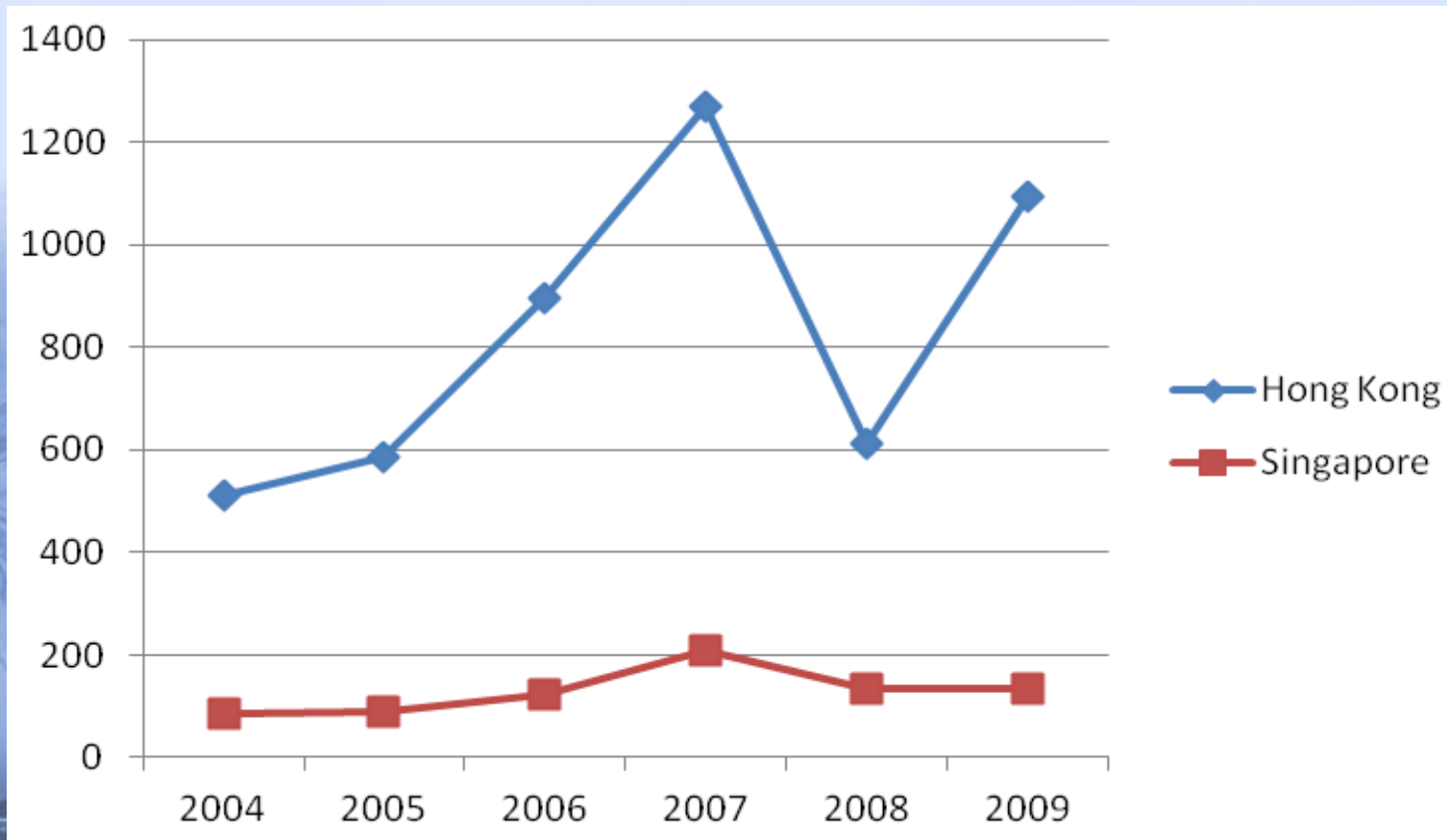
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- Figure 2: Share of financial services in GDP (%)



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- Figure 3: Market capitalization of stock exchange as a percentage of GDP (%)

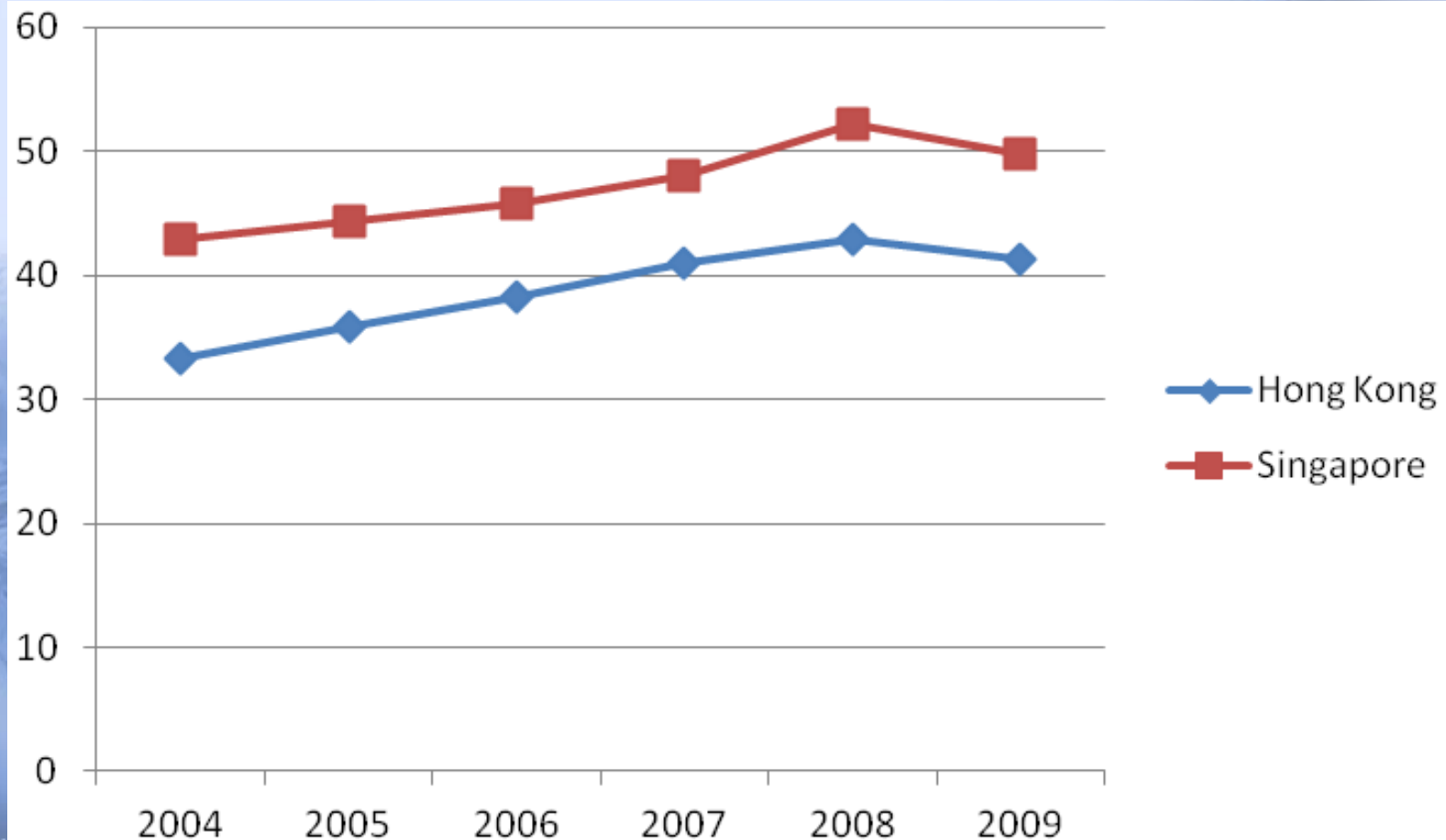


A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Financially, Hong Kong precedes Singapore in all three aspects.
 - Hong Kong has a slightly larger proportion of employment in financing and insurance.
 - Her financial sector also makes a greater contribution to GDP.
 - The stock exchange of Hong Kong is far greater than that of Singapore in terms of market capitalization.

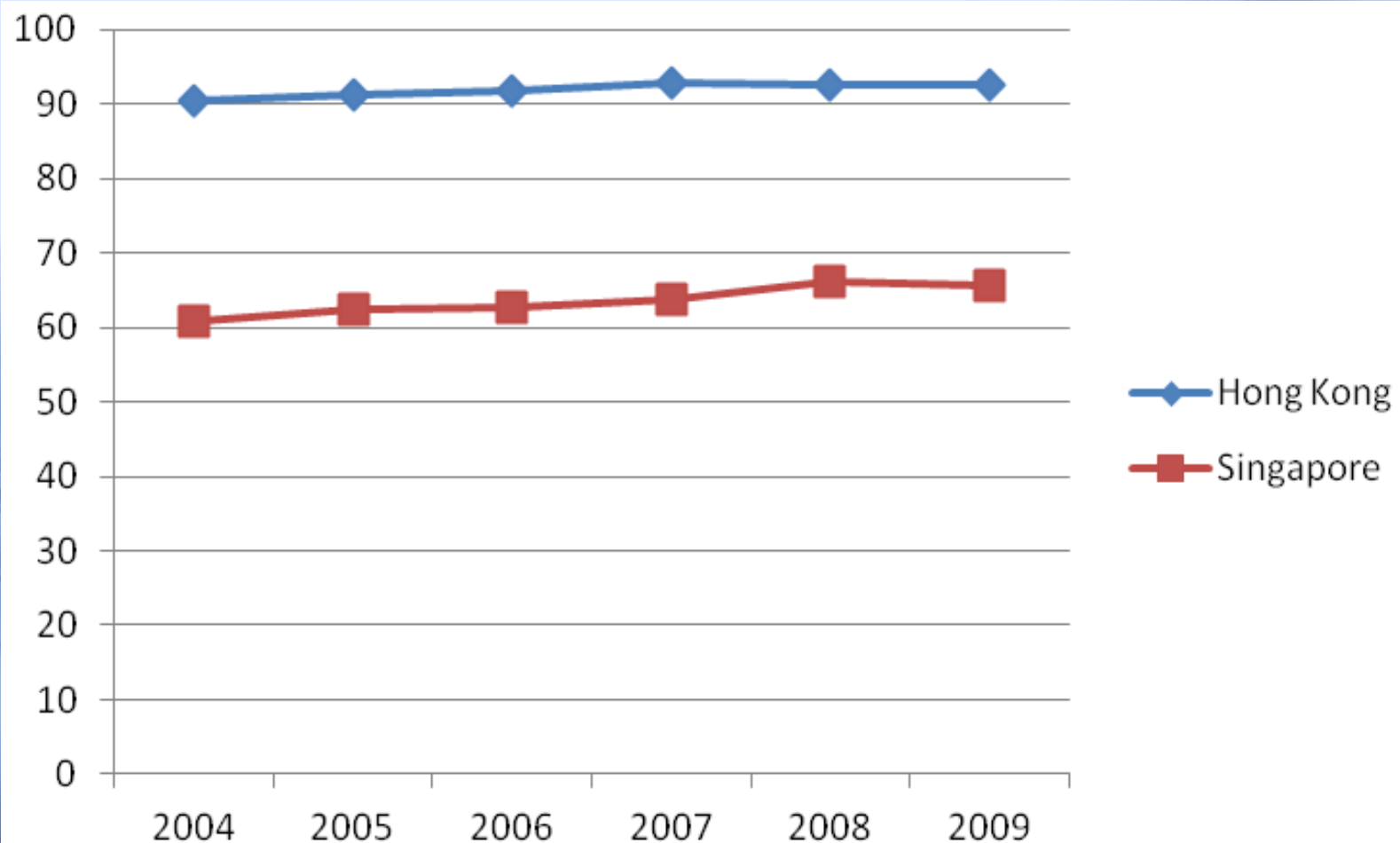
A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 4: Share of service exports in GDP (%)



A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 5: Percentage contribution of services to GDP (%)

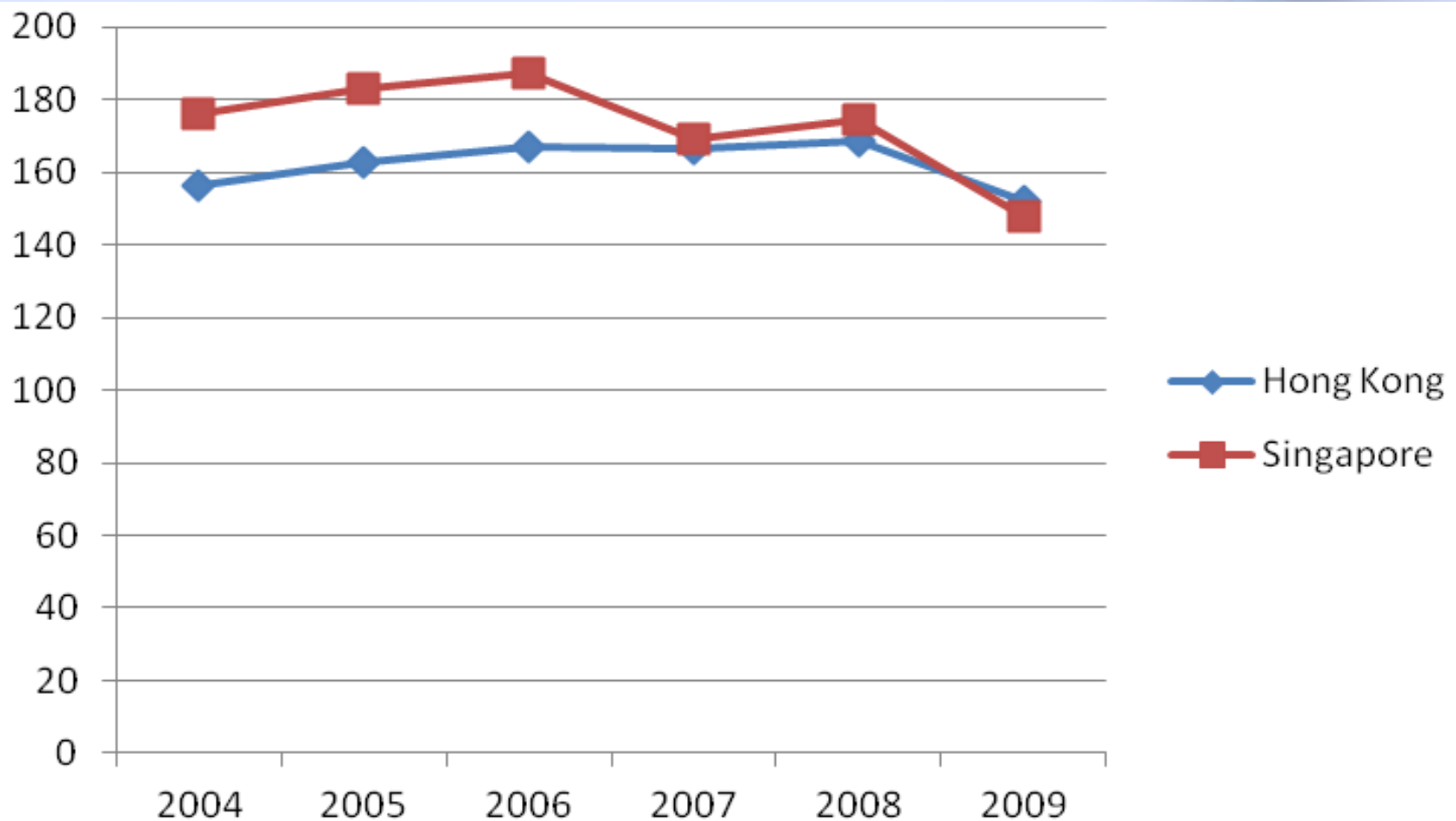


A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- The share of service exports in GDP is larger in Singapore
- The service sector in Hong Kong plays a more important role in the economy

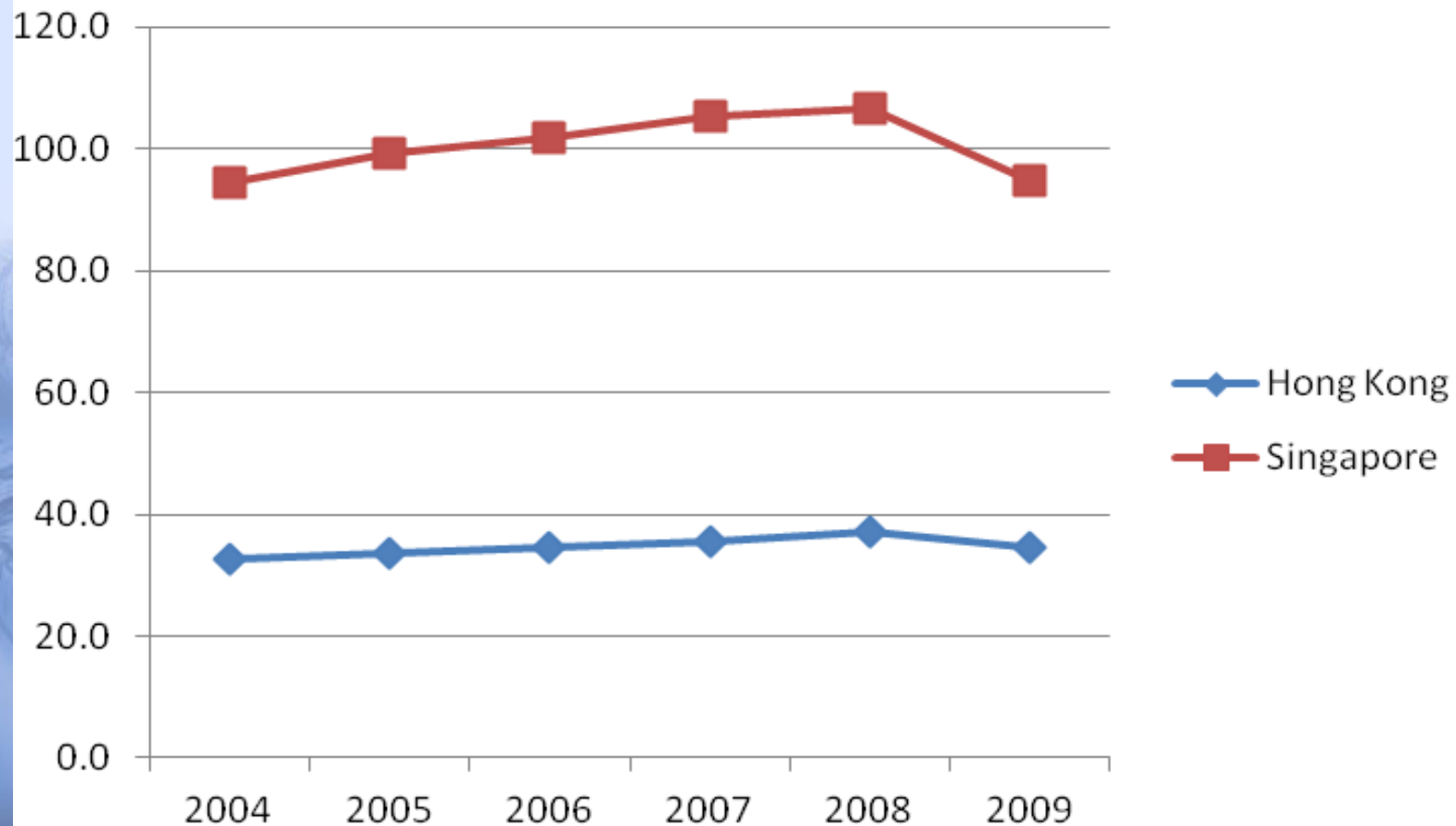
A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 6: Share of total exports in GDP (%)



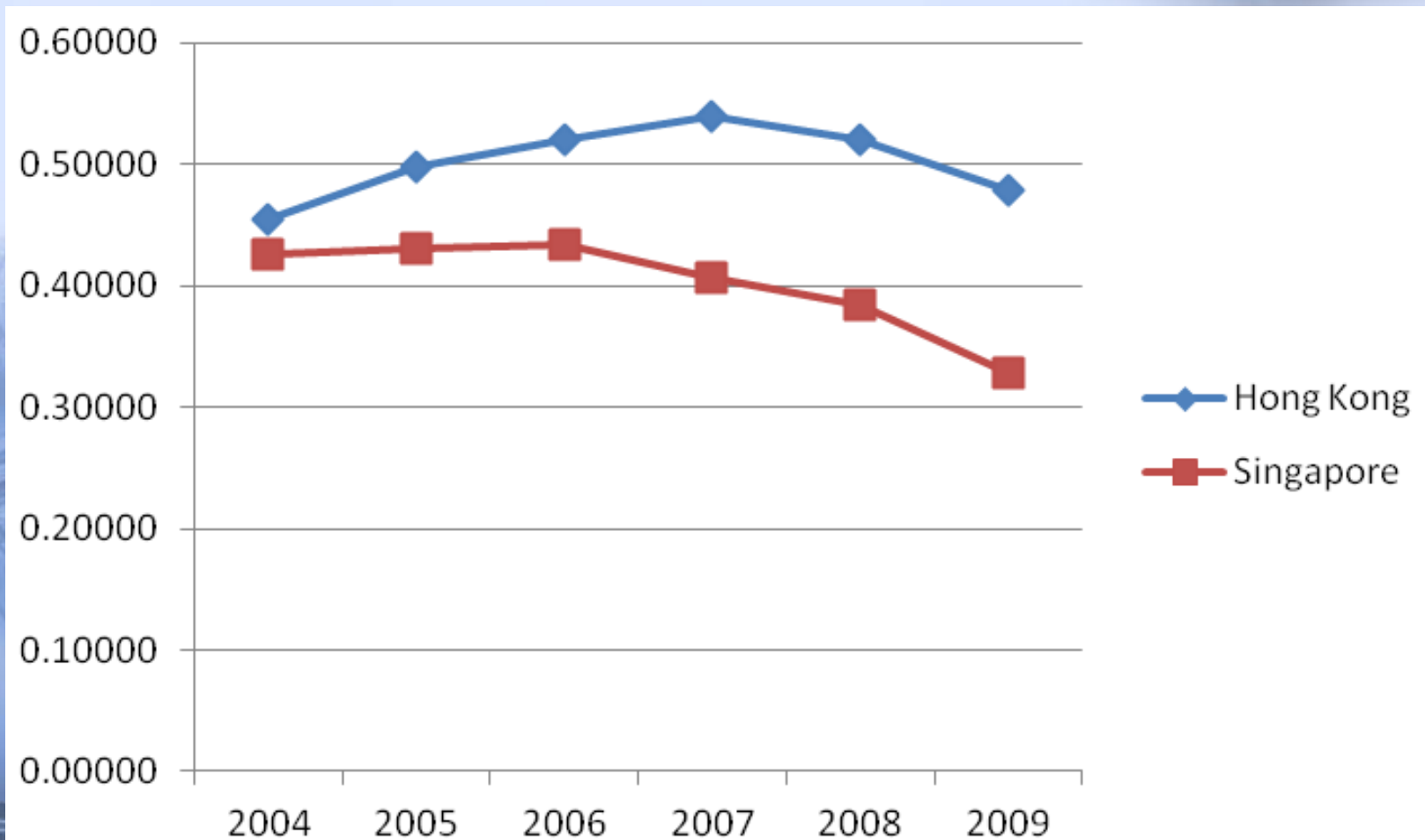
A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 7: Total cargo throughput by sea (tones per person)



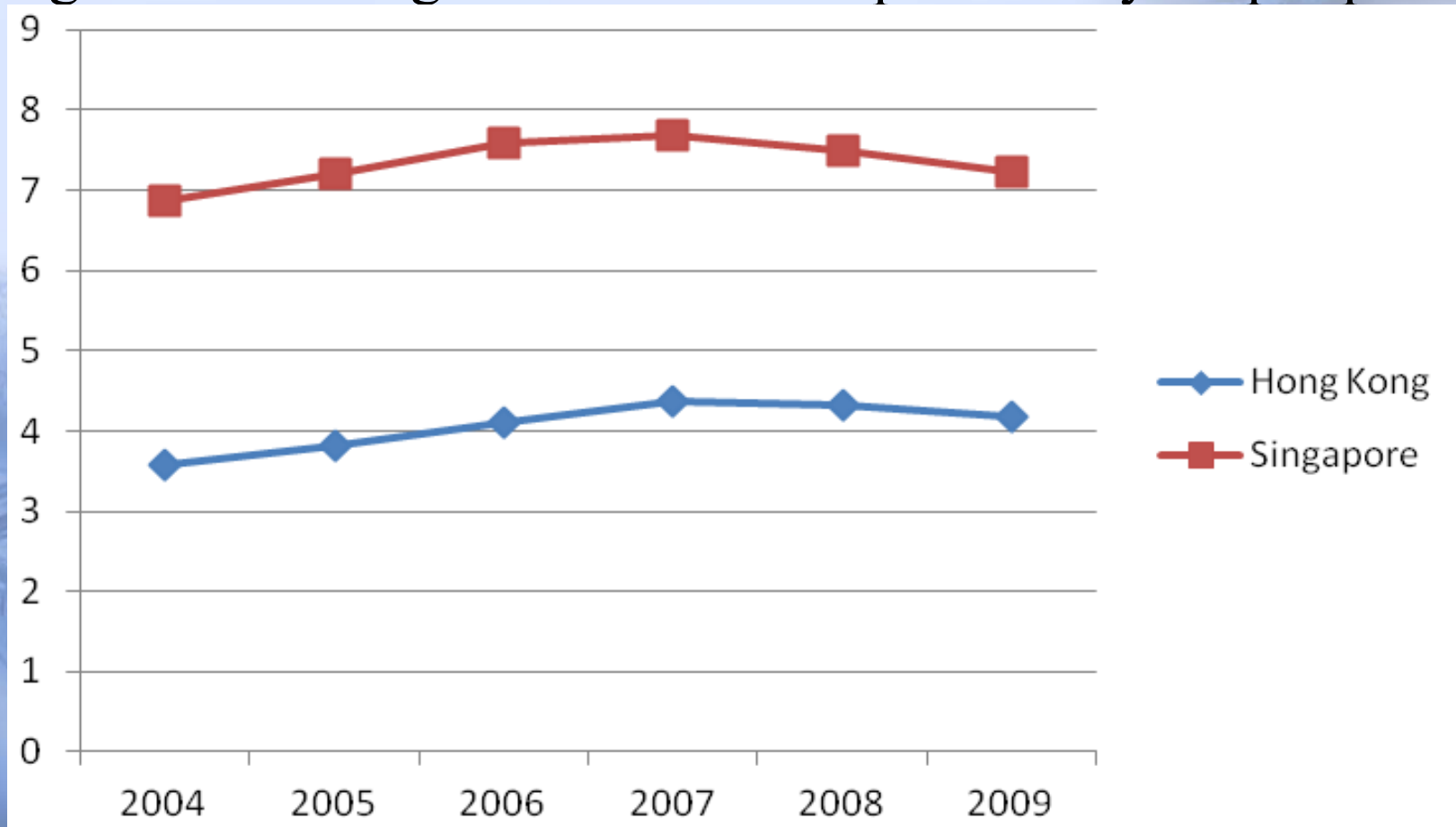
A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 8: Total cargo throughput by air (tones per person)



A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Figure 9: Passenger arrivals and departures by air per person



A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- The share of total exports in GDP decreased lately for both economies. In 2009, the shares in Hong Kong and Singapore were almost equal.
- Singapore has a clear competitive edge in sea cargo throughput
- Hong Kong has a greater air cargo throughput
- Regarding passenger arrivals and departures by air person, Singapore has a better performance than Hong Kong

A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Competitiveness from world city perspective
 - Explicitly, Hong Kong is better in terms of global control functions and financial sector
 - Singapore only manages to outperform Hong Kong in certain indicators in the aspects of services sector and external linkages

A comparative analysis of the competitiveness between Hong Kong and Singapore from world city perspective

- Competitiveness from world city perspective

Table 4: A comparison of the relative performance of Hong Kong and Singapore in relative competitiveness by year

	Relative competitiveness	
	Hong Kong	Singapore
2005	0.17	0
2006	47.61	12.05
2007	100.00	21.59
2008	84.66	63.10
2009	63.94	2.91

Degree of competition between Hong Kong and Singapore

- If two economies are not comparable in terms of stage of development, the result of a comparative competitiveness analysis can be futile
- A comparative competitiveness study will be less meaningful if they are not in competition
- International investment is one important indicator that can affect the competitiveness of Hong Kong from world city perspective
 - If they share the same origin of foreign direct investment

Degree of competition between Hong Kong and Singapore

- In 2009, mainland China was the most important source of foreign direct investment of Hong Kong
- Netherlands is the main source of foreign direct investment for Singapore
 - investments from countries in the South East Asia are also important
- Hong Kong also receives investments from Netherlands
- Investment of mainland China in Singapore is on rise

Degree of competition between Hong Kong and Singapore

- The example of international investment reveals
- Hong Kong and Singapore do not seriously engage in direct competition due to difference in the main source of investment
- Growth in the competitiveness of Hong Kong does not necessarily exert pressure on the economy of Singapore, and vice versa
- A competitiveness study predicated on the degree of competition can yield a more revealing and useful result for economies concerned

Conclusion

- Hong Kong and Singapore are two economies in Asia which share the ambition of being an Asian world city
- The relative competitiveness of Hong Kong is investigated by making a comparison with Singapore from world city perspective.
- The comparison consists of four aspects including index of global control functions, index of financial sector, index of services sector and index of external linkages
- The quantitative analysis demonstrates that Hong Kong is more competitive in terms of global control functions and financial sector
- Singapore outperforms Hong Kong in some indicators in the aspects of services sector and external linkages
- Overall speaking, the competitiveness of Hong Kong is higher than that of Singapore in this study from world city perspective



Thank You !

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