EF3461 Lecture 12
HK & China: Economy & Policy

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Where is HK Heading?

- HK losing vitality? China catches up fast?
- How should HK prepare? Flow with the rest of the world? Or take initiatives to break new grounds.
Strategies

• Demand-side economics: boost demand, raise economic growth, lead to recovery. Can recovery sustain economic growth?
• No, due to derived demand in a number of incidences, e.g. real estate, jobs, services.
• Demand-driven strategies provide short term gains.
Supply-side Economics

• Aim to expand economic capacity: land resources, infrastructure, knowledge-based human resources, attraction to investment, business-friendly govt policies.

• Supply creates its own demand: supply will take care of demand.

• Supply-side leads to economic restructuring, provide sustainable development. Examples.
Where is Investment Going?

- HK has been fostering development in GD with investment. Inward to investment to HK may not take root in HK. Indigenous investment kept leaving for China.
- Danger: HK faces an investment vacuum.
- Attract investment to come AND stay.
- Exercise the entrepreneurial spirit, be risk-taking, innovative, business-minded.
Economic Attitudes

• Change from short-term to long-term investment behavior.
• Depend more on self-effort than on govt aid.
• Political business cycles: economic / business resulting from periodic political changes. Usually high GDP nearer election, lower after election.
• Economics requires stability, politics requires short terms fluctuations.
Mainland China

- Beijing keeps HK stable, but that make HK dependent on Beijing over time?
- Beijing has numerous problems: regional imbalance, fulfilling WTO conditions, banking & financial reform stability, etc.
- Mainland supports HK and HK faces the world. Can HK plays a larger role in the international community?