

## Technology Dependency

Most of Hong Kong's manufacturing companies are small, and they lack the resources to invest in research and development. At the same time, the city lacks the extensive aerospace or defence industries that have nurtured R&D in other countries. Hong Kong does not have government sponsored R&D, or science parks. Lacking a technology base of their own, Hong Kong's companies are always on the lookout for the technologies of others to adapt and commercialize.

One technological area where the government may have to take a more active role is in pollution control. Because of its densely crowded population, the city has serious pollution problems. Its Environment Protection Agency plans to spend \$11.8 billion over 10 years for a clean up. As a result, there is considerable potential for partnering with foreign experts in environmental technology.

## Present and Future

Throughout the 1980s, Hong Kong has experienced an economic boom. Between 1984 and 1989, GDP grew at an average annual rate of 7 percent. Yet growth was accompanied by inflation which reached 10 percent by the end of 1990, and by a tighter labour market. Constrained by the limitations of physical space and population, economic growth has slowed and exports have fallen.

Hong Kong's political and economic landscape is dominated by the issue of what will happen after 1997. For a century and a half, the city has been a British Crown Colony. In 1997, Hong Kong will come under the direct control of the People's Republic of China. In anticipation of this event, Hong Kong's manufacturing and trade have been reorienting themselves toward China. Labour shortages and high labour costs have led many Hong Kong firms to move their manufacturing activities across the border to Guangdong province where labour costs are lower.

Hong Kong's trade is undergoing a significant shift as the city increasingly imports, finishes or repackages, and re-exports goods of Chinese origin.

## Hong Kong's Labour Force

	Labour force (in millions)	Annual % change
1980	2.3	5.9
1981	2.4	7.3
1982	2.5	0.4
1983	2.5	1.6
1984	2.6	2.8
1985	2.6	0.8
1986	2.7	2.7
1987	2.7	1.1
1988	2.7	-1.1
1989	2.7	-1.9
1990	2.5	-6.0

Source: The Economist Intelligence Unit, London (1991).

Business confidence in Hong Kong is somewhat fragile, especially in the wake of the Tiananmen Square massacre in Beijing. Hong Kong was due for slower growth after the boom of the 1980s but this has been compounded by uncertainty about what policies China will adopt in Hong Kong after 1997. As a result, there has been a significant outflow of professional manpower and capital. It has been argued that profitable foreign direct investment will bolster the city's position with Chinese authorities and persuade them not to change the city's economic climate too radically after 1997.

Finally, despite lower growth rates and reduced exports at present, it should be remembered that Hong Kong is used to drastic swings in the economic climate. The city has displayed remarkable resilience in the past and it is likely to do so again in the future.