

# HONG KONG & THE GREATER BAY AREA: INTEGRATION & DISTINCTIVENESS

HKUST IEMS RESEARCH PROGRAM ON THE GREATER BAY AREA  
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## EXECUTIVE SUMMARY

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- ▶ The Greater Bay Area (GBA) initiative is a source of major economic potential for Hong Kong, but it also creates a series of economic risk exposures that will need to be managed. Capturing this economic value and managing the accompanying risks should be a policy priority for the Hong Kong government. Much of Hong Kong's policy focus with respect to the GBA has been on deepening integration, but a greater emphasis on policies that strengthen Hong Kong's distinctiveness will be also required.
- ▶ There are clearly opportunities to access the large, growing GBA economy more readily as restrictions are removed and infrastructure built. Hong Kong firms will have new growth opportunities, and Hong Kong's position as a gateway to mainland China may be strengthened. There are particular opportunities in sectors such as finance and real estate. But there are also risks that the GBA initiative will make Hong Kong less distinctive relative to Shenzhen and Guangzhou.
- ▶ These tensions are not unique to Hong Kong. The experiences of small advanced economies around the world clearly show that there are substantial benefits from deeper regional integration through initiatives such as the EU and ASEAN. International expansion is the productivity growth engine of small economies, allowing them to overcome the constraints of a small domestic market.
- ▶ But regional integration also generates risk exposures for small economies that are proximate to larger markets. The risk is that firms and people may leave for better opportunities in larger markets; there are multiple examples of this hollowing out in small economies around the world. Small economies need to set policy that makes them distinctive to offset these gravitational forces, investing in skills and innovation around distinctive, 'hard to replicate' clusters.
- ▶ This international experience has direct policy implications for Hong Kong. To capture maximum value from regional integration, policy should aim to strengthen the distinctiveness of Hong Kong, making it more likely that firms and people continue to base in Hong Kong. Investments in human capital and innovation, organised around areas of core competitive advantage are required, together with policy to bolster the overall value proposition of Hong Kong (quality of life, business environment). Policy can also work to enable more Hong Kong firms to participate in the GBA market, through various support initiatives, as well as to position Hong Kong as a central node for investment into the GBA (such as FDI attraction).

## INTRODUCTION

The Greater Bay Area (GBA) initiative is one of the major strategic dynamics that Hong Kong economic policy will need to respond to over the coming years. Although a major potential source of economic value, Hong Kong also needs to manage the accompanying risks. Hong Kong policy needs to support integration into the GBA – and to capture new economic value – without weakening its competitive position and being subject to a loss of talent and capital to other, larger nodes in the GBA. In short, Hong Kong needs to pursue deeper economic integration together with policies that make it distinctive relative to other centres of economic activity.

These pressures of agglomeration and competition are not unique to Hong Kong, although they are particularly acute given Hong Kong's deep integration into the Chinese economy. There are lessons to be learned from other small economies in terms of managing these dual imperatives of economic integration and distinctiveness. Drawing on this international small economy experience, from Asia to Europe, this paper will provide new policy insights that are relevant to the Hong Kong context.

This paper is organised in three Parts. Part I describes the economic challenges and opportunities of the GBA for Hong Kong. Part II then considers the international small economy experience of regional integration: how have other economies managed these pressures from integration and agglomeration? Part III then identifies policy implications for Hong Kong in terms of strengthening Hong Kong's distinctiveness and capturing more economic value from GBA integration.

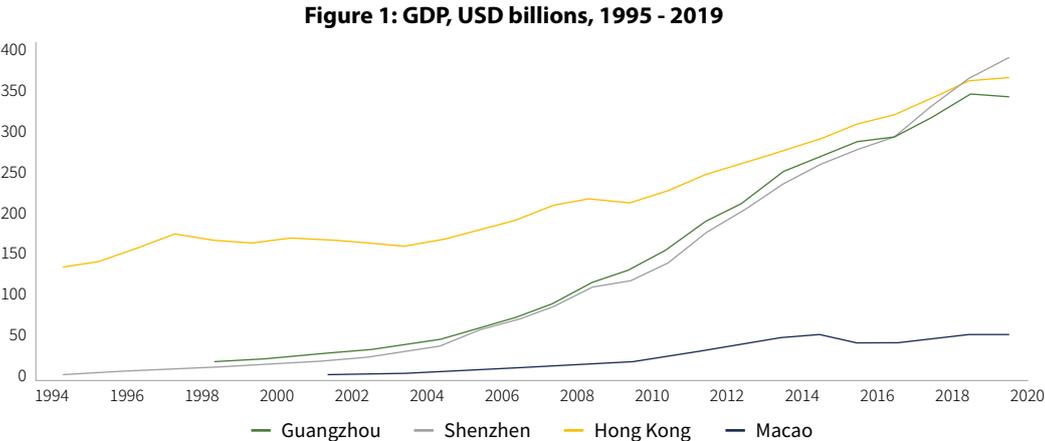
# I. ECONOMIC CHALLENGES & OPPORTUNITIES OF THE GREATER BAY AREA

Hong Kong's export and investment flows have become increasingly focused on mainland China over the past few decades, accounting for over 60% of Hong Kong's exports of goods. The mainland economy has been an important source of growth for Hong Kong. Further integration opportunities with the Greater Bay Area (GBA) are a direct positive for the Hong Kong economy, particularly in the context of currently sluggish Hong Kong GDP growth rates.

The infrastructure initiatives, the readier ability for people movements, as well as the joined-up economic initiatives across the GBA, offer the prospect of substantially enlarging the effective size of Hong Kong's domestic market.

The GBA project provides Hong Kong with easier access to a large, rapidly growing market. The GDP of the GBA economy is estimated to around USD1.7 trillion, with a population of over 70 million people. The GBA economy is estimated to be around 12% of the mainland Chinese economy, and is estimated to be the 12th largest economic cluster in the world. The big four cities of the GBA (Hong Kong, Macao, Shenzhen, and Guangzhou) have a collective GDP of USD 1.2 trillion and a population of 23 million. The GBA is an area of the greater Chinese economy that contains many of the growth engines of the future. This is a big, growing opportunity for Hong Kong<sup>1</sup>.

Indeed, the GDPs of Hong Kong, Shenzhen, and Guangzhou are now about the same size, at USD340-390 billion or around 2.5% of Chinese GDP (Figure 1). 25 years ago, the Hong Kong economy was about 20% of Chinese GDP. Hong Kong has become a much less prominent part of the Chinese economy, and of the GBA, over this period.



Source: Macrobond; National sources; Landfall Strategy Group.

<sup>1</sup> <https://www.bayarea.gov.hk/en/about/overview.html>; McKinsey Global Institute, 'China and the world: Inside the dynamics of a changing relationship', July 2019.

In an increasingly challenging global economic and political environment, with greater frictions on globalisation – and the potential shortening of global supply chains – that create additional pressures on Hong Kong's economic model, the potential for deeper integration into a large, growing economy is a source of direct benefit.

External economic engagement is central to the prosperity of all small advanced economies. It offers the ability to overcome the scale and productivity constraints of a small domestic market.

Indeed, such external engagement has been central to Hong Kong's economic success over the past several decades. Hong Kong has benefited from proximity to mainland China and other fast-growing East Asian economies. Hong Kong has one of the highest external shares of GDP across advanced economies, in terms of exports (177% of GDP) as well as inward and outward direct investment (506% and 487% of GDP respectively).

Regional integration is an important source of further economic for Hong Kong, particularly in the context of changing dynamics in the global economy post-Covid. In particular, there is likely to be an increasingly regional focus to trade and investment flows – with challenges for economic models that are based on being a global hub for trade and investment flows, as is the case for Hong Kong.

Overall, the GBA initiative offers substantial opportunities for a small economy like Hong Kong. Hong Kong will be able to access markets to more readily in the GBA as well as deploy business models at scale across the GBA. It can allow for Hong Kong's existing strengths, such as in finance, to be scaled across a larger market.

But the GBA initiative also exposes Hong Kong to new economic risks and challenges. Reducing barriers to people, trade and investment flows, can lead to the outflow of factors of production to larger economies in search of returns and opportunities (the 'agglomeration' effect). The forces of economic gravity can attract these factors of production to other larger nodes of economic activity.

This means that greater integration can expose the Hong Kong economy to greater competition for economic activity. As the rest of the GBA upgrade their capabilities, Hong Kong must work to ensure that its relative competitive position is not diminished by this greater integration such that it loses firms, people and capital to other centres in the GBA.

The strategic risk with the GBA is that it weakens Hong Kong's distinctiveness. Hong Kong has been a key gateway to mainland China. But as other parts of the GBA develop and build new capabilities, this gateway function may become less valuable to firms relative to engaging directly in China. For example, Shenzhen has strengths in technology and advanced manufacturing; the market capitalisation of the Shenzhen stock exchange has closed the gap with the Hong Kong market (Figure 2); Shenzhen is the third biggest port in the world – larger than Hong Kong; and Guangzhou airport is about the same size as Hong Kong at the end of 2019, the third busiest in mainland China. Hong Kong does not stand out as much after the rapid development process across the GBA over the past few decades.

**Figure 2: Market capitalisation, USD trillions, January 2003 – February 2021**



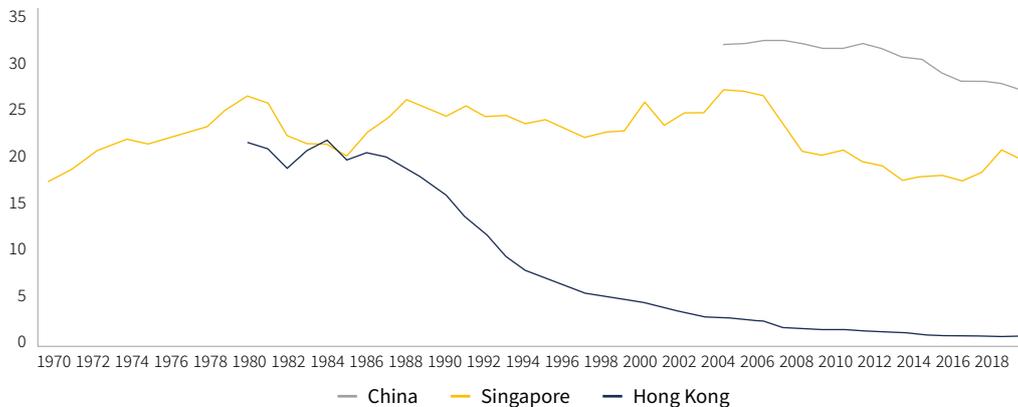
Source: Macrobond; National sources.

The GBA is accelerating and reinforcing existing pressures on Hong Kong. Hong Kong will need to develop a deliberate policy response to these agglomeration forces as well as greater competition from other nodes of economic activity in the GBA. Unless Hong Kong can strengthen its distinctiveness and domains of (market-based) comparative and (policy-led) competitive advantage, it may be exposed to the loss of economic activity due to deeper integration into the GBA.

These are not simply a conceptual set of concerns. Hong Kong has seen these economic dynamics at work over the past few decades. For example, Hong Kong has seen the disappearance of its manufacturing sector over the past few decades, reducing from over 20% of GDP in the mid-1980s to less than 1% of GDP today (Figure 3). Much of this manufacturing activity has relocated into the GBA in search of lower costs and a larger supply of labour, land and so on. As a result of this offshoring to the mainland, Hong Kong has become a heavily services-based economy.

Some of this is the simple operation of comparative advantage, with manufacturing moving to lower cost locations with a supply of labour and land. But these dynamics have been reinforced by policy choices to concentrate on financial and business services. This is a markedly different record from Singapore that has acted to support manufacturing, moving into increasingly advanced (and productive) manufacturing activity as well as innovation-intensive activities, and push back against the forces of agglomeration.

**Figure 3: Manufacturing, % of GDP, 1970 – 2019**



Source: Macrobond; World Bank; National sources; Landfall Strategy Group.

Unless Hong Kong upgrades the distinctiveness of its economy, there are meaningful risks of a further loss of economic activity and an erosion of competitive strength in key sectors. But there are substantial economic opportunities from the GBA integration process as well. Indeed, the more successful Hong Kong is in upgrading the distinctiveness of its economy, the more it can exploit the opportunities from GBA integration. Only by doing the former well can Hong Kong fully realise the benefits of the latter.

Conversely, a failure to maintain its economic distinctiveness will also mean a loss of public support in Hong Kong for deeper integration into the GBA. Instead of viewing integration and distinctiveness as competing goals or as objectives that have to be 'balanced', Hong Kong's policymakers ought to view them as complementary goals.

The remainder of the discussion in this paper will consider how other small economies have managed the challenges and opportunities arising from regional integration; and then makes some policy proposals for Hong Kong.

## II. SMALL ECONOMY INSIGHTS ON REGIONAL INTEGRATION

The tension between the benefits of deeper economic integration and the risks of agglomeration are common across small economies around the world – as is the policy response in terms of strengthening the distinctiveness of small economies so that they can capture the incremental economic value and manage the accompanying risks.

Although there are not exact parallels to the Hong Kong/GBA situation, which has many distinctive economic and political characteristics, there are several international small economy experiences that can provide insight into the economic dynamics as well as possible policy responses. All small economies are subject to acute external exposures – and so provide useful insight for Hong Kong. More generally, small economies are not scaled-down versions of large economies and have specific properties and dynamics that are relevant to policymakers in Hong Kong.

This discussion will describe the aspects of these experiences that are relevant to the Hong Kong context, and draw out implications.

### ***EU INTEGRATION***

The EU is an unusually deep integration model, providing a single labour market as well as a single market for goods and services – and other forms of integration. There are a number of experiences in Europe as small economies integrated deeply into the EU while acting deliberately to strengthen their competitive positions – building distinctiveness to offset agglomeration dynamics.

For example, Ireland has used EU membership to implement an FDI-intensive economic model, attracting MNCs to base in Ireland to access the EU market. Its initial competitive advantage was based on being a low wage and cost structure economy, with a low corporate tax rate, and being English-speaking. This model was highly successful. But starting from the early 2000s, Ireland saw a wave of MNC exits in search of lower cost locations elsewhere in central and eastern Europe as these economies also integrated into the EU.

In response, Ireland has invested heavily in skills and innovation to attract MNCs on the basis of a more sustainable source of competitive advantage. Policy has also attempted to develop local innovation ecosystems alongside the activities of MNCs, which has further reinforced Ireland's competitive strength. Ireland's economic success rests in large measure on regional economic integration into the EU but in parallel it has had to upgrade its competitive position to continue to capture value.

Finland and the Baltic economies (Estonia, Latvia, Lithuania) entered the EU single market from the mid-1990s. They have taken advantage of substantial regional integration opportunities of the European single market, with rapid growth in exports – and strong productivity convergence.

These economies entered the EU with distinctive strengths and capabilities, notably around skills and innovation capabilities (very high PISA scores, high levels of R&D spending, multiple knowledge-intensive firms). However, particularly for the small, lower income Baltic economies they have experienced significant brain drain into the rest of the EU – and many of their firms have relocated. For example, Estonia (population of 1.3 million) has produced five unicorn companies (firms valued at >USD1 billion) but only one of them is still located in Estonia.

Finland has done a better job of developing a distinctive position and building an innovation ecosystem that attracts and retains people and firms. For example, it has innovation-intensive clusters of firms around Nokia and a vibrant start-up ecosystem. These competitive strengths offset the agglomeration effect.

Switzerland is not an EU member, but part of EFTA – a free trade agreement with the EU. Integration has contributed substantial value to the Swiss economy, with Swiss firms very active across the EU. This has not led to hollowing out (despite the high wage and cost structure) because it has developed strong, innovative clusters that are hard to replicate elsewhere – as well as a high quality of life. Companies and people can be more productive in Switzerland than in other locations, and so are prepared to stay.

### ***SINGAPORE/ASEAN***

ASEAN is not as ambitious an economic integration project as the EU, but it is becoming increasingly economically integrated over time. Singapore has been able to position itself as a core node in ASEAN (and Asian more broadly): attracting regional headquarters, financial and professional services, and manufacturing activity, despite its high wage and cost structure. It also attracts talent and capital from elsewhere in ASEAN to locate in Singapore. There are growing competitive pressures as ASEAN countries develop, but in general Singapore has been a major beneficiary of ASEAN integration.

Singapore has a much better business environment, strong pool of human capital, innovation capabilities, infrastructure connectivity, and so on, than other ASEAN countries. And increasingly Singapore policy is encouraging firms to engage with the regional integration opportunities, taking advantage of comparative advantage given the differences in the levels of income and development across ASEAN.

There has been some loss of economic activity from Singapore to lower cost locations in ASEAN, but this has been more than replaced by more advanced activities (such as advanced manufacturing and R&D). Singapore has deliberately upgraded its strengths in areas from finance to manufacturing to life sciences, so as to maintain a competitive edge. This diversified economic structure reduces its exposure to competition from ASEAN countries for valuable areas of economic activity.

## ***AUSTRALIA/NEW ZEALAND***

Australia and New Zealand have been on a sustained journey of deepening economic integration since the early 1980s; the signing of the Closer Economic Relations deal in 1983, followed by the Single Economic Market. This has been beneficial to both economies, with significant increases in bilateral trade and investment flows over the subsequent decades.

But the Australian economy is seven times the size of New Zealand's economy and it has a per capita income that is 30% higher. There have been substantial outflows of New Zealanders to Australia in search of opportunity as well as a relocation of New Zealand firms. And Australian ownership of the New Zealand economy has increased substantially. Although there are substantial benefits to both economies from integration, the distribution of these economic benefits are asymmetric – favouring the larger economy.

New Zealand has captured less benefit from this arrangement because it has not been able to develop strong clusters of high value, innovative activity. There is less reason for firms and people to remain in the smaller domestic market; the integration makes it easier to serve New Zealand as a secondary market from the larger Australian market.

## ***IMPLICATIONS FOR HONG KONG***

In each of these small economy examples, deepening regional economic integration has been an important source of economic growth. As highlighted in Part I, international engagement is the productivity growth engine of small economies. However, the small economy experiences described above suggest that this process should be approached deliberately. Resources and value can flow in both directions depending on the location of competitive strengths. Integration combined with weak competitive positions can lead to economic losses. More broadly, the economic geography literature shows that building high quality connective infrastructure may end up advantaging the economic core.

Hong Kong's relatively high wages and quality of life mean that it probably has more limited cause for concern about the near-term loss of talent (a 'brain drain') to the rest of the GBA. But Hong Kong is exposed to risks that the centre of economic gravity may move away from Hong Kong to other areas of the GBA as firms and investment relocate. The GBA initiatives allow Hong Kong to capture more value from the GBA, but it also enables the big GBA cities to do the same.

The experiences of Ireland and Estonia are instructive examples, with firms (including foreign firms) relocating to larger markets (at least until Ireland upgraded). On a positive note, the experiences of small economies like Finland, Singapore, and Switzerland provide examples of how building stronger positions of competitive advantage can overcome these agglomeration effects – allowing them to capture value from economic integration without the exit of valued functions. To the extent that small economies act to make their respective locations distinctive, they are better positioned to attract and retain people, capital, and firms. Policy levers that were commonly used include: investing in human capital and innovation, a focus on building world-class clusters of economic activity that are hard to replicate elsewhere (small economies can only be world class in a handful of clusters in the economy), as well as getting the fundamentals right (business environment, infrastructure, and so on).

Hong Kong has significant areas of competitive strength, from finance and real estate to trade and logistics. But these areas are deeply exposed to ongoing competition from elsewhere in the GBA. And Hong Kong's overall distinctiveness in terms of human capital, infrastructure, and institutions, is less pronounced than was the case 20 years ago. The clear implication from the international small economy experience is the need to upgrade Hong Kong's competitive advantage to ensure that it is deeply distinctive.

### III. POLICY INSIGHTS FOR HONG KONG

This analysis of the international small economy experience, together with an assessment of the Hong Kong and GBA context, provides the basis for a series of policy recommendations for Hong Kong. This discussion will suggest several specific areas in which Hong Kong can strengthen its strategic policy approach to the GBA in order to capture value from deeper integration while managing the risks.

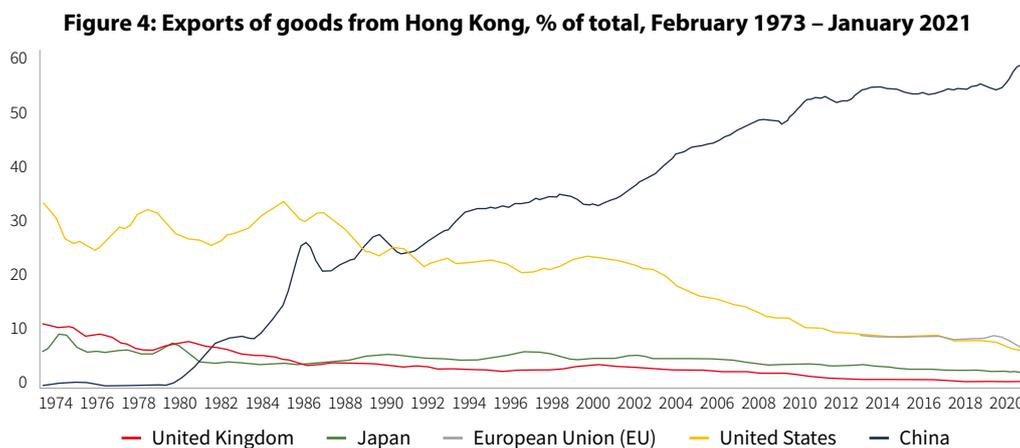
There are two primary themes to this policy discussion. First, how can Hong Kong act to make itself more distinctive relative to the rest of the GBA? Second, how can Kong maximise economic value capture from the opportunities afforded by integration into the GBA? This will require a more deliberate focus to Hong Kong policy, which emphasises building distinctiveness in addition to the traditional policy emphasis on deepening integration.

#### **HOW CAN HONG KONG MAKE ITSELF MORE DISTINCTIVE?**

There are two dimensions on which a small economy can make itself distinctive. The first is the horizontal, economy-wide dimension; factors that makes Hong Kong distinctive relative to the other big economic nodes in the GBA. These can include quality of life, infrastructure, the general business environment, the quality of institutions, the base of human capital, and so on. The second dimension is around sector (or cluster) verticals. How can Hong Kong act to strengthen the distinctiveness and competitiveness of its existing sectoral strengths, such as financial services, trade and logistics, and real estate? The international small economy experience is clear that economic policy needs to have a sectoral or cluster focus in order to be effective.

#### **• HORIZONTAL POLICY**

Hong Kong has successfully positioned itself as a regional and global hub for flows of capital, goods and services; and particularly as a gateway to China (Figure 4). This is based on Hong Kong's business environment, human capital, infrastructure, international connections, and distinctive institutions. Although the extent of the edge is weakening as other cities in the GBA develop, Hong Kong still has a privileged position.



Source: Macrobond; National sources; Landfall Strategy Group calculations.

But as the GBA process continues, alongside other economic and political developments, it is likely that some of the historical areas of Hong Kong's distinctiveness relative to the rest of the GBA will weaken.

Hong Kong will also be dealing with a world in which globalisation is likely to be less intense and FDI flows less prominent. Growth models around the world, and in Hong Kong, will need to be adapted for a post-Covid world. Given the challenges ahead, being a hub for cross-border flows is not likely to work as well as it has over the past several decades. Indeed, Hong Kong's level of international economic engagement has levelled off over the past decade after a sustained period of growth (Figure 5).



*Source: Macrobond; World Bank; UNCTAD.*

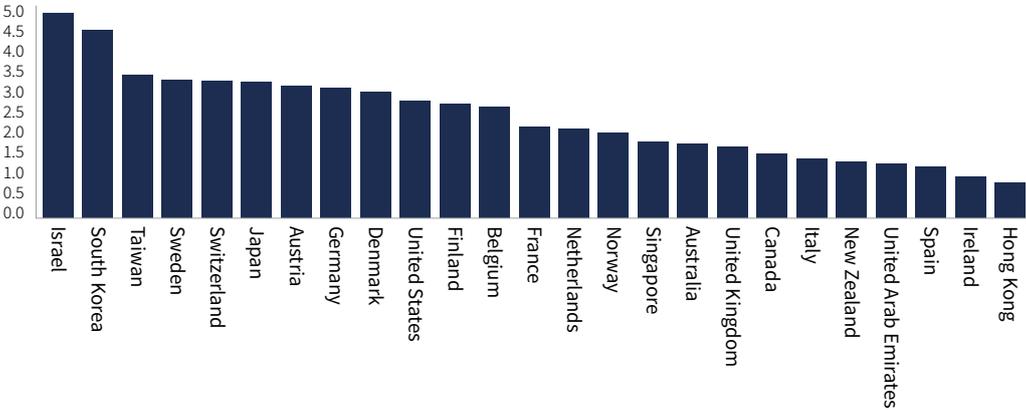
Hong Kong's policy focus has been on deeper integration with the mainland Chinese economy, positioning itself as a hub. Hong Kong clearly has strengths in this area, and it is a source of significant economic value. But it leaves Hong Kong exposed to changes in globalisation as well as competition. Other GBA cities will be able to serve as a hub for flows into the GBA and into mainland China more broadly; they also offer strong infrastructure and connectivity as well as increasingly high quality professional and finance services. Over time, Hong Kong will be subject to intense competition from within the GBA.

Shenzhen and Guangzhou continue to build capabilities, increase productivity, and enhance the technology content of their economies. In terms of the underlying political and legal institutions, Hong Kong will also become increasingly similar to other GBA cities. Continuing to emphasise its current policy approach of leaving it mostly to markets to drive economic growth is unlikely to be sufficient for Hong Kong to collaborate effectively in the GBA. The international small economy experience provides some guidance on the nature of the policy response Hong Kong needs.

To respond, Hong Kong should increase its investments in human capital as well as knowledge and innovation – including through its research universities (Figure 6). Hong Kong should aim to be distinctive in terms of the quality of its human capital and for the quality of its research universities, transforming itself into a heavily knowledge-intensive economy. These are attributes that have made small economies like Finland and Switzerland distinctive – and able to offset some of the forces of agglomeration.

The Singapore experience of building a more diversified economic structure through industrial policies that focus on building domestic strengths and capabilities around skills and innovation, in addition to being a hub for regional and global flows (supply chains, FDI, logistics), is another useful example.

**Figure 6: R&D as a % of GDP, 2019 (or most recent available)**



Source: Macrobond; OECD

**• VERTICAL POLICY**

As with other small economies, Hong Kong needs to identify and strengthen clusters or sectors where it is or can be distinctive. It is the depth of these clusters, and the sophistication of the backward and forward linkages that make the difference to the stickiness of a cluster.

Hong Kong’s existing strengths are well understood. They include financial and insurance services; trade and logistics; real estate development; and business/professional services.

Hong Kong has a relatively undiversified economy, focused narrowly on its areas of comparative advantage. This means that it is much more exposed to the intensity of regional and global trade and capital flows – and is exposed to international competition from other locations for capital, talent, and firms.

At a general level, many of the services sectors in which Hong Kong has a current competitive position in can be replicated over time; people and firms are mobile. Financial services capability will continue to strengthen elsewhere in the GBA, as well trade and logistics activity.

To push back against forces of agglomeration, Hong Kong needs to develop distinctive, hard-to-replicate strengths and capabilities in its economy through sustained investment in skills, innovation, and clusters. A broad set of strengths provides economic resilience, and allows for greater value capture.

Hong Kong needs to both strengthen and upgrade existing capabilities and diversify and build new strengths so that it is more than a gateway into China.

In terms of upgrading existing strengths, the aim should be to develop specific areas of competitive advantage that cannot be replicated in the GBA (or elsewhere). These will likely be specific, high value niches that require advanced capabilities and a supportive ecosystem of related activities; perhaps green finance, wealth management, infrastructure finance, and so on. Continual upgrading will be required.

In addition, Hong Kong will need to develop some new strengths – its economic structure is heavily concentrated in areas that are exposed to competition – and which are relatively mobile. Hong Kong cannot compete at scale in areas of manufacturing – even advanced manufacturing – given land constraints and competition from elsewhere in the GBA. But areas of innovation are needed, around which clusters can be built – to make them sticky. Examples might include fintech, software, and other areas of the digital economy. This can leverage Hong Kong’s base of human capital as well as existing sectoral capabilities.

### ***CAPTURING OPPORTUNITIES FROM GBA***

A second area of policy focus should be to position Hong Kong to use the GBA as a platform for its firms to expand and grow. As discussed in Part I, there are substantial economic opportunities from the GBA.

These opportunities can be captured more effectively if the strengthening and upgrading activities described above are pursued. A position of strong competitive advantage will make it more likely that Hong Kong captures more economic value from opportunities in the GBA.

In addition, there are complementary activities that can be undertaken – and which are commonly seen across other small advanced economies. For example, enterprise policy to support small and medium-sized firms from Hong Kong to expand into the GBA: education, capability-building, trade missions, on the ground support. To capture value from GBA, it is important that all firms in the Hong Kong economy are able to participate not just the large firms.

In addition, strengthened efforts to attract productive FDI into Hong Kong on the back of the GBA opportunities is also useful. However, the focus should be on capturing real economic value in Hong Kong – helping firms expand into the GBA from a Hong Kong base – and not simply identifying new investment opportunities. Investment income can be valuable, but the GBA will provide even more value if it supports the building of new domestic capabilities in Hong Kong and strengthens the real economy.

## CONCLUDING REMARKS

There are substantial economic opportunities from the GBA. But the challenges and exposures should not be underestimated. Capturing full economic value from the GBA, and managing the exposures, will require a more deliberate policy approach to building distinctiveness into key parts of the Hong Kong economy.

Over the past several decades, Hong Kong has not tried to deliberately shape its economic structure. Rather, the government has allowed market forces to drive economic structure – with the exit of manufacturing and a concentrated external structure around a few core areas of strength. But the intensity of competition – and the ease of relocation to elsewhere in the GBA – creates new urgency around building competitive advantage into the Hong Kong economy. These pressures are further reinforced by the structural shock of Covid-19.

Hong Kong has a strong record of economic performance, and of responding to new competitive pressures. The next phase of competitive pressure will require a strong policy response, and there is much to learn from the experience of other small advanced economies in responding effectively to challenges and opportunities.

In particular, Hong Kong must increase its investments in skills and innovation – and in building clusters of knowledge-based activity that are ‘sticky’ in Hong Kong. It should also upgrade existing sectors so that Hong Kong has an edge in ‘hard to replicate’ activities. Hong Kong’s economic policy will need to move with deliberateness and seriousness of purpose to build a distinctive economy that can prosper in the GBA.

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