
Creating the Greater Bay Area of the Future – Opportunities for Hong Kong



2022 FOUNDATION

Main Report
(with preface)

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Preface

By

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Chairman (2004-13) of the Greater Pearl River Delta Business Council*

Introduction – The PRD’s next “iteration”

For 40 years, the Pearl River Delta (PRD) of southern China has been at the leading edge of China’s economic miracle. It is where China’s reform and opening up began, where China began to re-engage with the global economy and where countless international firms began to engage with China. New economic models developed in the PRD moved up the coast and spread inland.

Proximity to Hong Kong was a factor in the choice of Shenzhen for one of China’s first Special Economic Zones. From the outset, Hong Kong with its open, capitalist economy, international business networks, rule of law, transparent institutions, and world-standard professional services, has been integral to the PRD’s global competitiveness.

We all know how the PRD miracle unfolded. The PRD offered extremely competitive factors of production in terms of land and labor; Hong Kong linked these to markets in the West, creating what became known as global supply chains. The city, meanwhile, transformed itself into a service economy and international financial center, a strategic shift that helped underpin stability and international business confidence during its political transition to 1997, when Hong Kong became a Special Administrative Region (SAR) of China under the “One Country-Two Systems” arrangement.

Decades of strongly market-driven interaction between Hong Kong and the PRD have generated enormous opportunities and prosperity on both side of the boundary. Between 1980 and 2017, the GDP of the PRD rose by 14% per annum and Hong Kong’s by 6.9% per annum.

Now we have “the Greater Bay Area” (GBA), a far-reaching economic development concept encompassing nine PRD cities plus the two SARs of Hong Kong and Macao. Essentially, it is a continuation of the market-oriented reform process that began in 1979. As such, I see the GBA as the PRD’s next “iteration”, one that is supercharged by factors such as improved connectivity, rising affluence and the emergence of a fully digital economy – from manufacturing to “New Retail”, to “smart cities.”

Today’s GBA is a vibrant consumer market of 70 million people and a uniquely diversified economy with a GDP of USD 1.51 trillion, approaching that of South Korea. As an *internal* re-arrangement of an economic zone, the GBA complements China’s Belt and Road development strategy, which promotes external economic cooperation and market integration across continents. Yet it is “internal” with a difference. The GBA’s success rides on the tried and tested formula of “one country” interacting with

“two systems”, to mutual benefit. These conditions can be found only in the GBA. No other economic region in China has an SAR (i.e. a Hong Kong and Macao) on its boundary.

An independent Study

Opportunities like the GBA come around once in a generation. This realization inspired nine large firms active in Hong Kong and the PRD to commission this private sector Study. We need to understand the GBA’s expanding scope and assess how it might benefit our businesses over the next 10 years and beyond. This kind of analysis might also be useful to others trying to conceptualize the GBA for their own purposes. That is why we are making it public.

In May 2018, we engaged a team of leading economists from Hong Kong, Guangdong and Europe to undertake the Study. With an economic focus and real-world reality check, they explored how Hong Kong’s further interaction with the PRD can translate into opportunities. They also identified challenges – notably, frictions in flows of goods, services, finance, data/information, and in human mobility – when dealing with three different customs territories and jurisdictions, and suggested ways these might begin to be addressed.

Professor Michael Enright, who led this international team, is an expert on global competitiveness. He has also spent years looking at GBA cities. He unearthed a treasure trove of data for the Study, which we are making available in a separate background research document.¹ In its *Main Report*, the project team focuses on in-depth analysis and offers practical suggestions for businesses, based on fact-supported insights. It is gratifying to note that our Study has independently reached conclusions and recommendations similar to many in the Central People’s Government’s recently-released *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*.²

The non-profit 2022 Foundation, which has produced numerous studies on Hong Kong’s long-term competitiveness, starting in 1997 with *The Hong Kong Advantage*, orchestrated the Study on behalf of the sponsors.³

Big changes in the world

Just about everything has changed in the world in the four decades since the PRD began to open. The global operating environment for the GBA is completely different in terms of technology, politics, and trade. Much of that change has occurred in the past 10 years alone.

We live in a disrupted, digitalized world where consumers enabled by their mobile devices drive demand and impact processes all the way up the global supply chain, from concept to factory. Today’s factories must be flexible enough to handle constant line changes and small, fragmented orders.

¹ The Study’s 221-page background document can be accessed on the 2022 Foundation’s website at <http://www.2022foundation.com/publications.html>

² Released 18 February 2019. A translation of The Outline Development Plan can be accessed at https://www.bayarea.gov.hk/filemanager/en/share/pdf/Outline_Development_Plan.pdf

³ Other studies produced by the 2022 Foundation include *Hong Kong and the Pearl River Delta: the Economic Interaction*, and *Regional Powerhouse – The Greater Pearl River Delta and the Rise of China*. A full list can be accessed at <http://www.2022foundation.com/publications.html>

“Industry 4.0” is, in essence, a hyper-connected digital manufacturing system driven by artificial intelligence, robotics, and the need to accommodate the Internet of Things, which turns everyday items – from cars to coffee machines to clothes – into “smart”, communicative devices.

There has also been profound change in the geopolitical arena. In the first 20 or 30 years after China’s reform and opening began, the world was generally supportive of China’s re-entry to the global economy and, in 2001, welcomed its membership of the World Trade Organization (WTO). By the end of 2010, China had overtaken Japan as the world’s second-largest economy. In early 2018, the Trump Administration in the US initiated a series of trade actions targeting China, which led to tit-for-tat tariff measures.

As the US-China trade dispute illustrates, the multilateral system which, for decades has facilitated trade liberalization and the spread of prosperity across the world, is under pressure. The WTO is a ready target for those questioning the relevance today of institutions established in the aftermath of World War II to govern a rules-based global order. Hence, we see a proliferation of free trade agreements at regional, sub-regional, and bi-lateral level, and even unilateral actions. A revival of the multilateral spirit is badly needed to address the challenges of an increasingly complex and integrated global economy.

Big changes in the PRD

There are game-changing realities in the PRD, too. For example, in 1997, Hong Kong’s GDP was three times that of the PRD; now it is one-third. No longer the “the world’s factory” for low-cost consumer products, much of the PRD is now better known for “smart city” development, high-tech digital manufacturing (centered in Shenzhen and Dongguan), R&D, innovation, and an expanding range of high-end services.

High-speed railways, highways, and bridges have transformed connectivity between Hong Kong, Macao, and the nine PRD cities, in particular, access to the western part of the Delta. There are additional crossing points from Hong Kong into the PRD and it generally takes less time to clear formalities. In the span of one day, it is now possible to wake up in Hong Kong, have breakfast in Shenzhen, lunch in Guangzhou, dinner in Zhuhai, and be back in Hong Kong to sleep. All nine PRD cities in the GBA are now reachable from Hong Kong within three hours. They are also well connected to the high-speed rail network for the rest of China. In short, the GBA has become one of the world’s most developed metropolises; a string of cities threaded together by a world-class infrastructure system.

If we once thought of Hong Kong as “the hub” of this growth region, with “spokes” radiating out to the PRD, it is more accurate now to conceptualize the GBA as a “constellation.” Its 11 cities function as 11 nodes in a network where each node contributes through its own areas of specialization and strength, for example, Guangzhou as an administrative, marketing, retail, and distribution center for Guangdong; Shenzhen for high-tech manufacturing, research and development; Hong Kong as a service platform for overseas companies to enter the GBA market and for Mainland companies to internationalize, as well as a center for international finance, trade and investment, marketing and sales.

The key to this network's success are the complementary *differences* between individual nodes. Hong Kong can thus help the whole network, and itself, by enhancing its unique role as the region's most international city, backed by the rule of law, free flows of information and capital, and other significant underpinnings of "One Country-Two Systems."

New levels of commitment to intergovernmental interaction are providing fresh momentum to these and other developments in the GBA. During a visit to Hong Kong in 2017, President Xi Jinping witnessed the signing of a framework agreement between Guangdong, Hong Kong and Macao setting out objectives, goals, and institutional arrangements to facilitate cooperation around the region. A year later, a Leading Group for the GBA was set up in Beijing under Vice Premier Han Zheng. And, as mentioned, the Central government recently released its Outline Development Plan.


The Outline Development Plan

The plan, a national strategy under the personal direction of President Xi, affirms the GBA's leading role in the continuation of China's opening up. Further details and analysis can be found in the Study's *Main Report*.

Suffice to say here that the Plan's focus is on greater interaction in respect of innovation and technology, development of a more advanced economic system that leverages differences and complementarities between GBA cities, and on attractive, green, livable cities in culturally rich environments. Of special significance for people in Hong Kong and Macao, the plan embeds the principle of "One Country-Two Systems" and is presented as a further step in taking its practice forward.

Ideas from our Study


The comprehensive research and analysis undertaken for our private-sector Study has produced dozens of ideas and suggestions for creating the future GBA. Presented under directional themes, they can be found throughout the *Main Report*. Here, I will highlight just a few.

 **Foster further economic reform and opening.** One way is by significantly increasing flows of goods and related services within the GBA. While "One Country-Two Systems" is a core advantage for the GBA, it also presents a fundamental challenge: how to boost cross-boundary flows without sacrificing the autonomous customs status of the two SARs. Foundations for addressing this are already in place with the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), a Free Trade Agreement (FTA) initiated in 2003.

Under the CEPA framework, respect for autonomous trade regimes is intact. The GBA is thus able to build on CEPA to advance trade and economic cooperation for the proven mutual benefit of PRD cities and Hong Kong, without compromising the underlying integrity of "One Country-Two Systems." The two separate customs territories in this FTA are able to maintain their own external trade regimes with third parties and to manage these through rules of origin.


The WTO, of which Hong Kong, Macao, and China are all members, also offers a way forward. Its Agreement on Trade Facilitation (ATF)⁴ provides a breakthrough framework for streamlining and harmonizing regulations – for customs and goods clearances, product standards, and business regulation – with each jurisdiction enforcing them under their own authority. A crucial enabler of these smoother flows is digital technology, which also helps to bring down the costs of doing business.⁵

It is heartening that this landmark WTO agreement is fully reflected in the newest CEPA between the Mainland and Hong Kong.⁶ In fact, the GBA is in a position to make history by becoming the first cluster of WTO members to apply the ATF to its fullest extent on a regional basis. This can also be a powerful demonstration effect of the WTO's value as the primary means of promoting global trade. Moreover, by increasing GBA flows in this way, we continue to emphasize Hong Kong's customs autonomy.

 **Enhance business co-operation.** Among suggestions in our Study is to develop “Internationalization Incubators” for companies across the boundary that have little experience of international markets and operations. These proposed “incubators” would make it easier to use Hong Kong's platform to “go out” to overseas markets by providing one-stop access to local service providers. International lawyers, accountants, consultants, and other business professionals based in Hong Kong all stand to benefit from this expanding PRD client base.

Another proposal is to increase and streamline data flows in the GBA, again, by leveraging Hong Kong's special position under “One Country-Two Systems.” Global businesses that rely on big data are in need of a “neutral” hub to help bridge divergences in the digital systems of China – a USD 4 trillion digital economy generating vast amounts of data – and other countries. The idea is to explore whether Hong Kong can become a global data hub for the GBA; a “data Switzerland” where consumer and other data originating both in and outside the GBA can be analyzed on a commingled basis.

Hong Kong is an obvious location. It already has in place stringent data privacy laws and legal protections that Mainland and international firms can trust. The issue is whether a set of rules can be worked out that allows access in Hong Kong to some Chinese data that presently is not available outside the Chinese mainland. There would need to be strict monitoring and auditing protocols to ensure under Hong Kong laws that the data is properly used. If this can be achieved, Hong Kong could be where Chinese as well as international companies choose to place big data activities.⁷

 **Intensify regional development initiatives.** Among many GBA possibilities is the idea of creating “Hong Kong-style” developments on the PRD side. These would be built with a Hong Kong look and feel to attract Hong Kong retailers, restaurants, schools, and medical clinics to serve resident professionals from Hong Kong, Macao, and the PRD. The latter would be drawn by the prospect of living and operating in a Hong Kong-style setting at lower cost than in Hong Kong itself. Another draw

⁴ Negotiated in Bali in 2013; since ratified by two-thirds of the WTO's members and in force since February 2017.


⁵ A 2015 WTO study estimated that if the ATF were fully implemented, the total cost of doing international trade would decrease by 14%.

⁶ CEPA Agreement on Trade in Goods, signed on 14 December 2018.


⁷ The City University of Hong Kong conducted a recent study, commissioned by Microsoft Hong Kong, to explore the feasibility of a pilot project for Hong Kong to be a data hub for the GBA, initially, and eventually for the whole of China. The study recommends a step-by-step approach, starting with permitting certain categories of data entry and exit in certain circumstances, such as e-commerce and intergroup communications within MNCs. Also important would be data flow for financial services, healthcare, and other service sectors.


could be the PRD's increasing focus on environmental protection, heritage conservation, and cultural vibrancy.

Of course, such residential developments can never offer a solution to Hong Kong's housing issues. But the idea of living and working in the PRD has become more viable because improved connectivity has significantly shortened commuting times within the GBA.

 **Enhance the GBA workforce.** The GBA can be a source of attractive jobs for a young "GBA ready" workforce in Hong Kong that combines international-level skills with practical, on-the-ground ability to operate across boundaries. Getting to that point will require tailored training and exchange programs.

For higher professions, linkages should be created between relevant business sectors and universities across the GBA. Our Study envisions training, internships, and junior professional programs, facilitated by a special visa class that would allow participants to live and work for defined periods of time in GBA jurisdictions other than their home. Our Study also envisions extending Hong Kong's current entrepreneur visa program to PRD residents screened for their good business plans and talent potential to benefit Hong Kong. Young people in Hong Kong who do not go to university should receive training and "job-ready" skills through dedicated apprenticeship programs designed around the GBA's workforce needs.

 **Increase understanding of the region** among all 70 million people within the GBA. People from Hong Kong and Macao are being given unprecedented access to living and working opportunities in the PRD's booming cities. But they will only take advantage of this, and of the region's improved connectivity, if they know and understand the GBA's full offering. Our Study proposes the creation of a multi-language GBA portal accessible by local and international residents in all 11 GBA cities. Its content could range from details on the latest hit show in Macao, or classical concert in Guangzhou, or mega trade fair in Hong Kong, to real time regional information about transport services, traffic updates, weather conditions, and waiting times at border crossings. It would be the GBA's integrated online platform for accessing information on public services, business and job opportunities, and even retail promotions, dining out, sports events, and other leisure activities.

 **Develop GBA institutions and organizations** to give long-term support to ideas being developed for the region as a whole, while upholding the letter and spirit of "One Country-Two Systems." Outcomes could include support for the development of a GBA Chamber of Commerce as a pan-regional umbrella that could better enable existing business chambers to further the cross-boundary interests of their members.

We hope that various GBA stakeholder groups will find something of special interest among our Study's proposals. Businesses, for example, may be interested in pursuing suggestions for establishing an annual "GBA Trade Fair" and a "GBA Business Award" scheme; young people and job seekers may be attracted to the idea of better access to post-training internships, leading to jobs designed around the GBA's evolving needs, and GBA residents of all ages may support our Study's recommendation to develop "second-to-none" health and elderly care services throughout the GBA.

Opportunities for Hong Kong

Part of the Study focuses specifically on GBA opportunities for Hong Kong, including those contained in The Outline Development Plan. It identifies five main sources of GBA-related opportunities for Hong Kong as a whole, for Hong Kong people, and for Hong Kong companies. These are: the economic size and growth of the region, driven by underlying economics and policy; greater connectivity; further economic opening to Hong Kong companies; people-centric policies and developments, and Hong Kong's distinctive position through "One Country-Two Systems."

While the Plan is given its own section in the Study's *Main Report*, here are some observations of note:

- Many Hong Kong companies operating in the PRD cities of the GBA, and active in sectors and industries targeted by The Outline Development Plan – which include numerous high-tech industries, advanced manufacturing industries, business service sectors, education and medical services, logistics, and leisure industries – will be eligible for several types of support there. That would entail streamlined approvals, land and infrastructure provision, R&D funding, education and training funding, and preferential financing
- Better connectivity across the GBA gives Hong Kong manufacturing and trading companies much more choice in setting up supply chains in the region as well as a much better ability to sell into the GBA's big market
- Further economic opening favors a strengthening of GBA cooperation on dispute resolution, greater investment facilitation, greater trade liberalization (particularly for Hong Kong and Macao companies), expanding the scope of mutual recognition of professional qualifications, and facilitation of cross-boundary practice
- People-centric initiatives are intended to improve the GBA living environment and to increase significantly the access of Hong Kong people to services and opportunities in the PRD
- Hong Kong, with its large degree of distinctiveness under "One Country-Two Systems" is considered a "core city" of the GBA to be strengthened in its own right and through linkages with the rest of the region.

Hong Kong's next "iteration"

Countries and regions everywhere find themselves competing in this changed world. The same holds true for Hong Kong – and we should not allow it to be overtaken. Hong Kong must continue to add innovation and technology to its arsenal of competitive advantages; identify new niches and, as a small open economy, look out to the world and adopt new strategies for collaboration with economic partners near and far.

Hong Kong's signature strength through different times and challenges has been an ability to reinvent itself. I see the GBA as a reason for Hong Kong to reinvent itself yet again. This next iteration is more nuanced than morphing from export manufacturing to international services, as Hong Kong did after the PRD's first opening 40 years ago. Hong Kong is, after all, already a highly developed, sophisticated

economy. That being said this newest iteration is set to be every bit as transformative as the previous one, and just as significant globally.

Basically, it is about Hong Kong extending itself in its present roles in professional services, financial services, trade, logistics, international marketing and sales - only raising the bar to perform these roles better. It is also about Hong Kong developing new roles as a clearing house for international idea flows, data and information flows, and new types of financial services, as well as new roles in relation to new industries, including AI, big data analysis, more technologically-advanced health services, the PRD's high-tech industries, and its new heavy industries and services sectors.

As the “regional economic powerhouse” of the PRD becomes the “GBA super region” Hong Kong will need to think bigger and significantly scale up its capacity. The numbers speak for themselves. The World Bank reported as early as 2015 that the PRD had overtaken Tokyo as the world's largest urban area in both size and population.⁸ Based on present growth trajectories, it is estimated that by 2030 the GBA economy will reach USD 3.6 trillion,⁹ equal in size to Germany's in 2017.

Without having to compromise our laws or business culture we stand to gain a “domestic” market of more than 60 million affluent, sophisticated consumers on the PRD side of the GBA, with an average per capita income of USD 18,000 per annum. Moreover, they are young. Shenzhen, for example has the youngest population among the Mainland's tier one cities. Effectively, Hong Kong has a large domestic market – for the first time. This also means that Hong Kong manufacturers and exporters will have more ways to hedge against periodic disruptions in markets overseas.

In the radically-different industrial circumstances of “Industry 4.0,” the GBA is about also forging a new partnership between Hong Kong and the PRD to create the digital supply chain of the future. As traditional manufacturing migrates to lower cost production markets beyond China – a trend accelerated by US-China trade tensions – the GBA is where new digital production systems for higher-end consumer goods can be tried and perfected. The PRD is already one of the world's leading regions for digital manufacturing. Hong Kong will continue to be the essential link connecting this digital production capability to the world.

There are other far-reaching implications for Hong Kong. For example, in any economy, the creation of new industries is highly correlated to new research. Hong Kong's universities have for years been recognized as among the best in the world for basic research. But, in the absence of a domestic market of any size, opportunities to test-market and commercialize innovations and inventions have been limited. In the GBA of the future, we can expect Hong Kong to be a player at all stages of technology-based commercial development. This will be a tremendous boost to Hong Kong's universities, scientific community, and tech sector investors.

⁸ World Bank, 26 January 2015. Key findings from its report *East Asia's Changing Urban Landscape: Measuring a Decade of Spatial Growth*. The report also notes that the PRD is “is more than twice as large as Shanghai, four times the size of Jakarta, and five times the size of Manila, each of which are massive urban areas in their own right.”

⁹ Source of GDP estimate for GBA:

<https://www.scmp.com/property/hong-kong-china/article/2108083/greater-bay-area-economy-reach-us36-trillion-2030-colliers>

Concluding remarks

With its ongoing global orientation and linkages, Hong Kong plays a pivotal role in leading the GBA into the wider world. It is also in an exceptional position to influence the development and spread of global best practices and rules-based systems throughout the GBA. In turn, the GBA can be the new demonstration model for China's wider opening to international business and investment. The GBA's nine PRD cities will remain a major experimental zone for deeper economic reform as China looks to create new engines for domestic growth, to transcend the middle income trap and to enter the ranks of developed Asian economies, such as South Korea. Many things that happen first in the GBA will then will be rolled out elsewhere in China.

From an external relations standpoint, the GBA's effectiveness as an orchestrator of outbound Chinese business activities – facilitated in no small way by Hong Kong – could be a leading indicator of success for the Belt and Road Initiative, of which the GBA is the key geographical element in the south. In the more immediate term, the GBA could meaningfully leverage its reputation as one of China's most progressive, open and market-driven regions to help repair cracks in the US-China business relationship. Many American multinationals are very familiar and comfortable with the GBA's operating environment. Moreover, the GBA's flourishing consumer market holds strong promise for US products and brands, which partners in Hong Kong can help to introduce.

Overall, the GBA is a new way of looking at the interaction between Hong Kong, Macao, and the nine PRD cities and to understand how the application of the "One Country-Two Systems" principle is a source of enduring competitive advantage. The Central Government's Outline Development Plan recognizes this. On that strong foundation, increased flows between GBA cities in the years ahead will lead to more jobs, more opportunities, upward mobility and greater prosperity. It will be up to each government in the GBA to ensure that this prosperity is inclusive and sustainable.

The PRD's "second iteration" is obviously not a panacea for Hong Kong's homegrown challenges. These still have to be tackled domestically. But the GBA offers Hong Kong more options. Indeed, it is possible to imagine a GBA where living standards, business freedoms and efficiencies in the PRD come to be more like those in Hong Kong.

As was the case with the PRD years ago, it is entirely up to each business, and person, in Hong Kong to decide individually whether it makes sense to explore the expanded options and bigger horizons of the future GBA. This applies especially to the young, to whom the future belongs. I am sure many shall opt do so. Equally, I am confident that many shall succeed beyond their dreams.



1. Project Background

This Report is the result of a nine-month investigation into the Greater Bay Area (GBA) of southern China undertaken under the auspices of the 2022 Foundation.

This Report has been prepared by a project team at Hong Kong-based consultancy Enright, Scott & Associates (ESA) under the direction of Professor Michael J. Enright. It is based in large part on input and review from Members of the Project Steering Committee and their staffs; interviews, discussions, or written responses to questions with more than 60 business people, researchers, and government officials; and review of existing reports, surveys, and documents. Input on developments in Guangdong Province was provided by Professor Feng Xiaoyun (of Guangzhou's Jinan University). Professor Patrick Low (of the University of Hong Kong) and Professor Petros Mavroidis (of Columbia University and University of Neuchâtel) provided input on the European Union (EU) and World Trade Organization (WTO). A team at Fung Business Intelligence including Chang Ka Mun, Denise Cheung, and Chan Kai Yip coordinated the project and provided further substantive input.

The goal has been to help explain the nature of the economy of the Greater Bay Area, identify opportunities and issues that the region faces, and to make suggestions on policies and company strategies for the GBA going forward. As the GBA and its development is a huge topic, there has been no attempt to be all-encompassing. Instead, the attempt has been to highlight in a timely way some specific issues, opportunities, and implications that we hope are useful.

This Main Report is supplemented by a Background Document that provides detailed information on the GBA. Both documents can be accessed on the 2022 Foundation at www.2022foundation.com.

2. Introduction

The Guangdong-Hong Kong-Macao Greater Bay Area encompasses the nine cities of the Pearl River Delta (“PRD”) in Guangdong Province (Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan, and Zhuhai), and the two Special Administrative Regions (“SARs”) of the People’s Republic of China, Hong Kong and Macao (Exhibit 2.1). The links between Hong Kong, Macao, and the PRD have been broadening and deepening since the onset of China’s reform and opening program, starting in the late 1970s but particularly since China resumed sovereignty over Hong Kong (in 1997) and Macao (in 1999). The economic, social, interpersonal, and inter-governmental linkages have helped the region grow and develop, substantially improving living standards in the process.

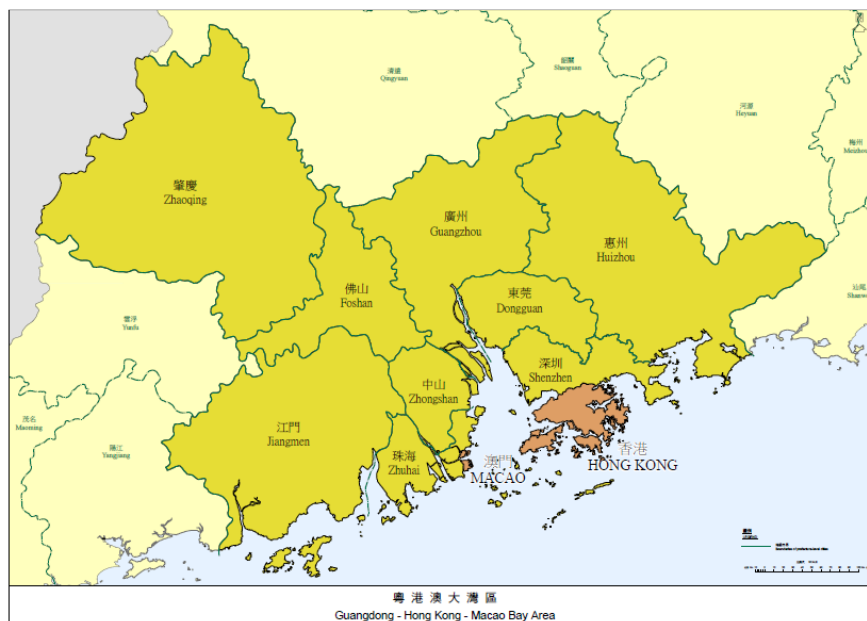
Today, we are in the midst of a new era of interaction and cooperation in the GBA. The opening of key infrastructure connections, the creation of the Leading Group on GBA Development, and the release by the Central Government of *The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* (“The Outline Development Plan”), in February 2019, are all providing new impetus to the region.

The results of these developments create enormous opportunities for Hong Kong, Hong Kong people, and Hong Kong companies. These opportunities arise from economic size and growth of the region, from greater connectivity in the GBA, from further economic opening to Hong Kong companies, from people-centric policies and developments in the GBA, and from Hong Kong's distinctive position through "One Country-Two Systems." This provides opportunities for Hong Kong business to expand its traditional roles and develop new roles; to perform these traditional and new roles for traditional industries and new industries, and to perform these traditional and new roles for traditional geographies and new geographies. In fact, the largest economic opportunity for Hong Kong today is extending its roles, industry coverage, and geographic coverage in the Greater Bay Area.

For Hong Kong people, the new developments provide opportunities to improve their employment and livelihood potential, their physical environment, their working and living options, their cultural and leisure opportunities, and enhance their overall well-being. The GBA Initiative literally opens new horizons for many Hong Kong people and for the first time provides a realistic possibility of Hong Kong and Hong Kong people having a real "domestic market" and "hinterland" behind them and not being as limited by space constraints, congestion, high costs, and the business and employment opportunities of a small and specialized economy. Hong Kong's future is linked to that of the GBA and in many ways, the level of interaction that could make the GBA one of the world's "super regions" has just begun.

The rest of this document outlines some of the major developments in the GBA; issues associated with further GBA interaction; the opportunities that the region provides for Hong Kong, Hong Kong people, and Hong Kong companies; and ideas for the future. The purpose here is not to be comprehensive, but rather to provide highlights that we believe will be useful going forward.

Exhibit 2.1. The Jurisdictions of the GBA



Source: Constitutional and Mainland Affairs Bureau, The Hong Kong Special Administrative Region, https://www.cmab.gov.hk/en/issues/bay_area.htm. Accessed 5 August 2018.

3. The Development of the GBA

The Greater Bay Area of southern China has been one of the world's most dynamic economic regions since the onset of China's reform and opening program four decades ago. In the intervening years, the region has gone from an economic backwater to an economic powerhouse with global importance in manufacturing, trade, logistics, tourism, and finance. By 2017, the GBA had a population of just under 70 million people and a GDP of USD 1.51 trillion, which would have ranked 13th among the world's national economies (see Exhibit 3.1). The region includes the most economically developed portion of Guangdong, the Chinese province with the largest economy; Hong Kong, a leading international finance and trading center; and Macao, perhaps the world's leading destination resort. The region includes the world's leading airport for international air cargo (Hong Kong);¹⁰ the world's third, fifth, and seventh leading container port cities (Shenzhen, Hong Kong, and Guangzhou);¹¹ the world's second leading center for IPOs (Hong Kong),¹² and the world's leading center for casino gaming (Macao).¹³

Exhibit 3.1. GDP in USD, 2017

Rank	Country	GDP USD trillion
1	United States	19.39
2	China	12.01
3	Japan	4.87
4	Germany	3.68
5	United Kingdom	2.62
6	India	2.61
7	France	2.58
8	Brazil	2.05
9	Italy	1.94
10	Canada	1.65
11	South Korea	1.54
12	Russia	1.53
	GBA	1.51
13	Australia	1.38

Source: International Monetary Fund, *World Economic Outlook Database*, 17 April 2018.

The region's further development has accelerated with the signing in July 2017 of *The Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area* ("the Framework Agreement"), the completion of several major infrastructure projects that dramatically increase the region's internal and external connectivity, the emergence of a vast

¹⁰ ACI, "ACI World releases preliminary 2017 world airport traffic rankings," 9 April 2018.

¹¹ American Association of Port Authorities, *Port Industry Statistics*, 2018.

¹² Over a 20-year period. Enoch Yiu, "Hong Kong remains in pole position for IPOs," *South China Morning Post*, 24 June 2017.

¹³ "Las Vegas, Macau Casino Revenue Comparison Report," *Casino News*, 21 February 2018.

consumer market, government efforts to stimulate interaction and growth, by a new spirit of cooperation across the region, and, most recently, the Central Government's release of its Outline Development Plan. These and other developments will make the GBA one of the most exciting economies in the world for decades.

Emergence of a Regional Powerhouse

The economy of what is now called the GBA took off with China's economic opening and the creation of Special Economic Zones in Shenzhen (just north of Hong Kong) and Zhuhai (just north and west of Macao) from 1979 to 1981. The area soon became one of the world's most dynamic regional economies.

From the start, the area's economy developed through cooperation and interaction across the jurisdictions. Companies from Hong Kong, and to a lesser extent Macao, began to invest in Guangdong, first in Shenzhen and Zhuhai and subsequently in other GBA cities. By the mid-1990s, it was estimated that Hong Kong manufacturing and trading companies were employing on the order of 11 million in Guangdong, or several million more than the total population of Hong Kong.¹⁴ Hong Kong companies were also leaders in investing in and managing the toll roads, ports, and power plants that helped provide the hard industrial infrastructure for parts of the GBA as well as the hotels, office buildings, and facilities that helped provide the soft industrial infrastructure.¹⁵

Guangdong became a leader in China's reform process and an attractive location for talented individuals from all over China. Driven by new opportunities, the province's total population increased from 52.3 million in 1980 to 70.5 million in 1997 to 111.7 million in 2017. The "Pearl River Delta Economic Zone" jurisdictions of Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan, and Zhuhai (but particularly Shenzhen, Dongguan, Guangzhou, and Foshan in the eastern and central PRD) saw wave upon wave of economic development, the first driven by simple assembly and basic infrastructure; the second by multi-stage manufacturing, component production, and logistics; the third by assembly manufacturing in more advanced industries, support services, research and development, and complex infrastructure; and the fourth by advanced manufacturing, indigenous innovation, high-tech development, and medium to high-end services.

Hong Kong's economy benefited enormously from China's opening; its GDP grew at a real rate of 6.3% per year from 1980 to 1997. Despite the Asian Financial Crisis, the Global Financial Crisis, and other international economic downturns, Hong Kong's GDP grew at a real rate of 3.4% per year from 1997 to 2017. The Hong Kong economy, which had already shifted from a manufacturing economy to a services economy by 1997 (services 85.2%¹⁶ of GDP) continued the trend and by 2016 services

¹⁴ Michael J. Enright, Edith E. Scott, and David Dodwell, *The Hong Kong Advantage* (Hong Kong: Oxford University Press, 1997).

¹⁵ Michael J. Enright, Chang Ka-Mun, Edith E. Scott, and Zhu Wenhui, *Hong Kong and the Pearl River Delta: The Economic Interaction* (Hong Kong: The 2022 Foundation, 2003).

¹⁶ Hong Kong Census and Statistics Department, "GDP by economic activity (b) Percentage contribution to GDP at current prices, 1980-1998," *Gross Domestic Product 1961 to 1999*, March 2000.

accounted for 92.2%¹⁷ of Hong Kong's GDP, with financial services, professional services, trade-related services, and tourism together accounting for 56.6% of GDP.¹⁸

The Macao economy, which had long been dominated by tourism related to the gaming industry along with light manufacturing, took off with the ending of the gaming monopoly in 2002 and the opening of facilities of new competitors in 2004. Macao's economy grew at a rate of 8.9% per year from 1999 to 2004, 13.2% per year from 2004 to 2010, and 6.6% per year from 2010 to 2017. By 2016, the tourism and gaming sector accounted for 61.1%¹⁹ of GDP.

By 2017, the GBA had a population of nearly 70 million, a GDP of USD 1.51 trillion, and a per capita GDP of USD 21,750 (Exhibit 3.2). The most populous cities were Guangzhou, Shenzhen, and Dongguan. The largest economies were in Hong Kong, Shenzhen, and Guangzhou. The highest per capita GDPs were in Macao, Hong Kong, and Shenzhen. The rapid economic development of the region and its cities since 1980 can be seen in Exhibit 3.3.

Exhibit 3.2. Major Economic Indicators of GBA, 2017

City	Land Area (sq km)	Population (mn)	GDP (USD bn)	Per-capita GDP (USD)	Tertiary industry share of GDP (%)	Exports (USD bn)	Utilized FDI (USD bn) ²
GBA	55,906	69.6	1,513.4	21,750	65.6	1,090.2	140.7
Hong Kong ¹	1,106	7.4	341.4	46,190	92.2	497.3	117.4
Macao ¹	31	0.7	50.4	77,600	93.4	1.4	1.5
Guangzhou	7,249	14.5	318.2	22,320	70.9	85.7	6.3
Shenzhen	1,997	12.5	332.0	27,120	58.6	244.6	7.4
Foshan	3,798	7.7	141.3	18,450	40.1	46.7	1.6
Dongguan	2,460	8.3	112.2	13,530	52.3	104.0	1.7
Huizhou	11,347	4.8	56.7	11,880	40.7	33.0	1.1
Zhongshan	1,784	3.3	51.1	15,750	47.8	30.4	0.5
Jiangmen	9,505	4.6	39.8	8,740	44.7	15.9	0.5
Zhuhai	1,736	1.8	38.0	22,100	48.0	27.9	2.4
Zhaoqing	14,891	4.1	32.6	7,940	38.3	3.3	0.2

Notes: ¹GDP shares of tertiary industry for Hong Kong and Macao are 2016 figures. ²2017 average exchange rates for USD 1 are HKD 7.794, RMB 6.759, MOP 8.026; Hong Kong exports include re-exports of goods sourced from or destined for the Chinese Mainland, mostly the PRD Area.

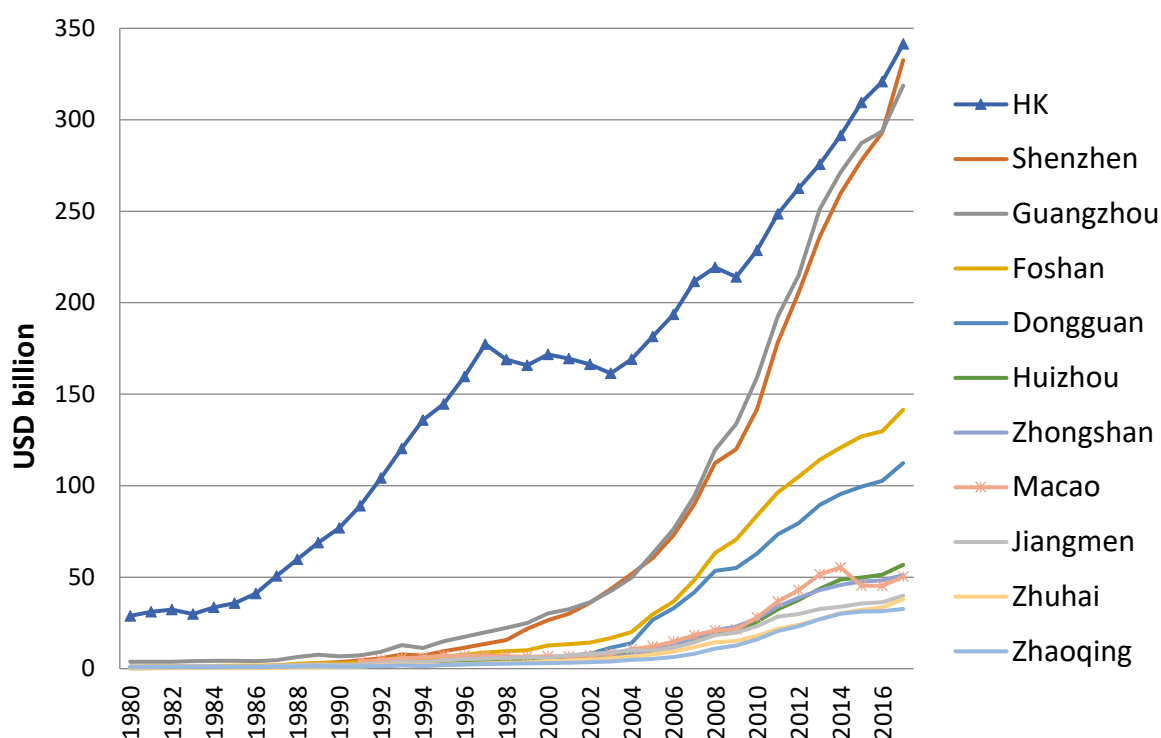
Source: Hong Kong Trade Development Council, *Statistics of the Guangdong-Hong Kong-Macao Bay Area*, 22 June 2018.

¹⁷ Hong Kong Census and Statistics Department, "Gross Domestic Product (GDP) by Major Economic Activity - Percentage Contribution to GDP at Basic Current Prices," 11 May 2018.

¹⁸ Hong Kong Census and Statistics Department, "Value added of the Four Key Industries, Feature Article: The Four Key Industries and Other Selected Industries in the Hong Kong Economy," *Hong Kong Monthly Digest of Statistics*, May 2018.

¹⁹ Statistics and Census Service of the Government of Macao Special Administrative Region, *Macao's Tourism Satellite Account*, <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>, Accessed 10 August 2018.

Exhibit 3.3. GDP by City in the GBA



Sources: Hong Kong Census and Statistics Department, Guangdong Statistical Bureau, Macao Statistics and Census Service.

Ongoing and New Developments

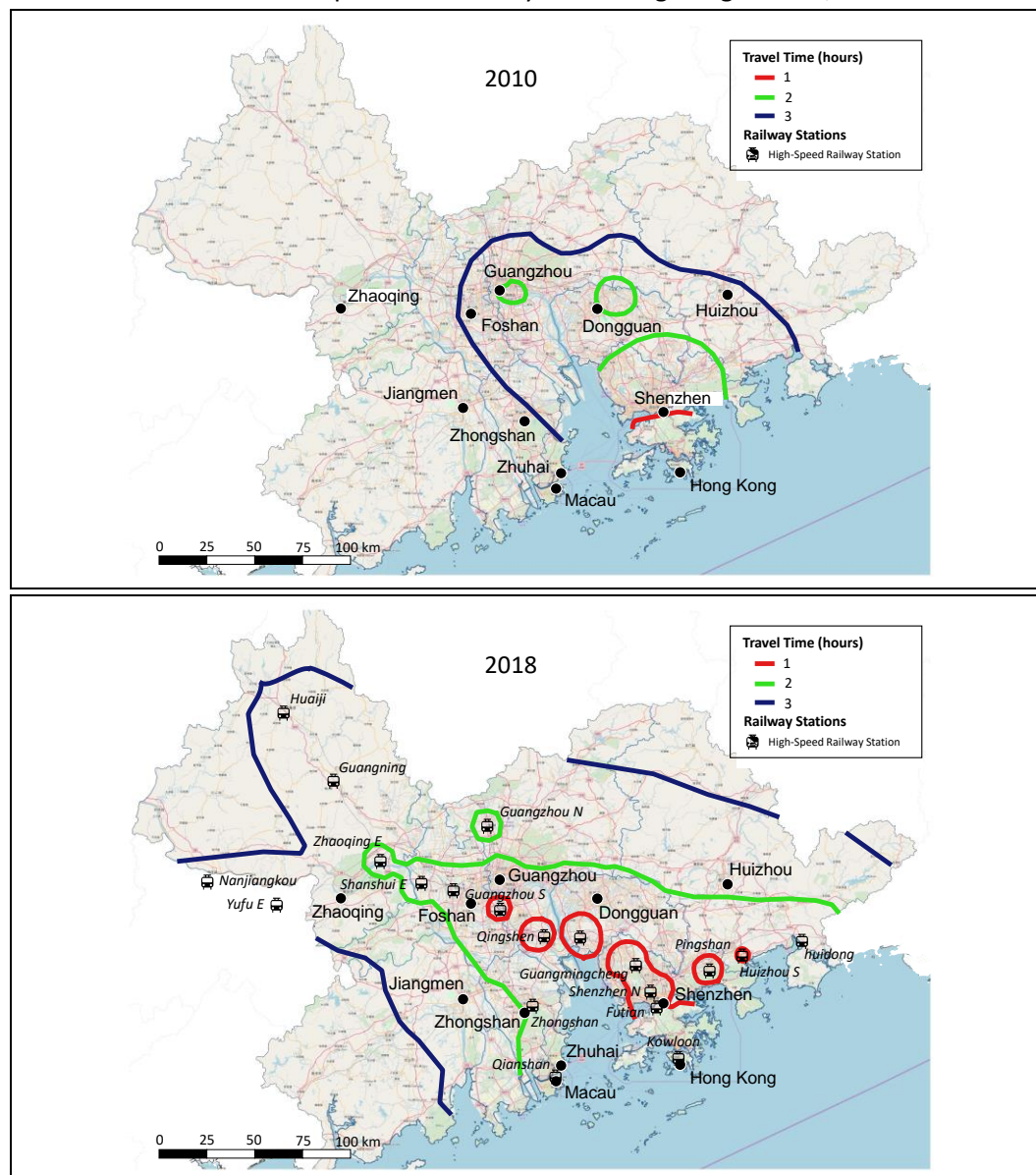
The GBA became known around the world as a strong, integrated economic region in the early 2000s, initially under the name “Greater Pearl River Delta.”²⁰ China’s State Council approved the National Development and Reform Commission (NDRC) document - *The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)* in 2009. This document provided a blueprint for the region’s further development, emphasizing greater economic integration and the continuing leadership role of the PRD in China’s reform and opening process. A new wave of development in the GBA was heralded by the signing of *The Framework Agreement* on 1 July 2017. This document formalized interaction that was already taking place and provided objectives, goals, and institutional arrangements to facilitate deeper cooperation around the region. A Leading Group for the development of the GBA has been set up under Vice-Premier Han Zheng, who is also a member of the Politburo Standing Committee of the Communist Party. The first plenary meeting of the Leading Group was held in August 2018. The State Council released its extensive Outline Development Plan for the region in February 2019. These developments promise to greatly enhance interaction and cooperation in the GBA, allowing the region to further leverage the distinctive advantages of its various jurisdictions.

²⁰ See for example, Michael J. Enright, Chang Ka-Mun, Edith E. Scott, and Zhu Wenhui, *Hong Kong and the Pearl River Delta: The Economic Interaction* (Hong Kong: The 2022 Foundation, 2003); Michael J. Enright, Edith E. Scott, and Chang Ka-Mun, *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China* (New York and Singapore: Wiley, 2005); Michael J. Enright, Edith E. Scott, and Richard M. Petty, *The Greater Pearl River Delta* 6th edition (Hong Kong: Invest Hong Kong, 2010).

Improved Connectivity

Connectivity between the jurisdictions in the GBA has been substantially improved by massive investments in transportation infrastructure, including the recently-opened Express Rail Link (XRL) between Hong Kong, Shenzhen, and Guangzhou, connecting Hong Kong to China's high-speed rail network; the Hong Kong-Zhuhai-Macao Bridge, the Taipa Ferry Terminal, and substantial investments connecting the GBA cities in Guangdong. Cross-boundary exchanges have been facilitated by the opening of new crossing points, the use of electronic channels, and by other initiatives to streamline immigration procedures. Exhibit 3.4 compares the one, two, and three-hour GBA land transportation accessibility from Central in Hong Kong in 2010 and 2018. The estimates come from published train schedules, Google map estimates, and ESA's own estimates of road travel times. Circles around train stations indicate that rail transport in the region is faster than road. The exhibit shows how the new transport lines have transformed connectivity in the GBA.

Exhibit 3.4. GBA Land Transport Connectivity from Hong Kong Central, 2010 and 2018



Source: Enright, Scott & Associates.

This is important in that physical connectivity has long influenced economic development in the GBA. In 1980, Zhuhai and Zhongshan, the two jurisdictions just north of Macao, had a combined GDP slightly larger than that of Shenzhen and Dongguan. By 2016, the difference was over USD 366 billion in favor of Shenzhen and Dongguan. Through at least the mid-2000s, the main difference was due to Shenzhen and Dongguan's superior performance in exports. The vast majority of exports was from foreign-invested enterprises, and 85% of the foreign direct investment into the PRD portion of Guangdong Province had gone into an area within a three-hour car ride of Hong Kong. This was attributed to Hong Kong's role as an investor, location for major multinational companies, trading center, and logistics center for the region. These features contributed to the asymmetric development of the Guangdong portion of the GBA, in which the portions of the GBA with easy land access to Hong Kong developed much faster than the portions with less physical connectivity to Hong Kong.²¹

The Guangdong city clusters of Guangzhou, Foshan, and Zhaoqing; Shenzhen, Dongguan, and Huizhou; and Zhuhai, Zhongshan, and Jiangmen have been cooperating on planning, economic development, transportation, and administrative procedures. There are also numerous cooperation programs between Hong Kong and Shenzhen and between Macao and Zhuhai. The economies of the GBA have benefitted from the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Chinese Mainland and between Macao and the Chinese Mainland, starting in 2003. In addition, Hong Kong and Macao signed their own CEPA in 2017. Numerous Guangdong-Hong Kong-Macao Cooperation Zones have been created in Guangdong Province that provide special tax, investment, infrastructure, and other policies to promote investment and migration from Hong Kong and Macao.

CEPA, Free Trade Zones, and Cooperation Zones

There are several examples of policies to support economic interaction and cooperation involving the GBA. The CEPAs, which are free trade agreements²² between the Mainland and the two SARs, were signed in 2003 and by 2018 a total of 10 supplements and five subsidiary agreements had been reached. Since Hong Kong and Macao have been relatively open, much of the content of the CEPA agreements has involved opening the Chinese Mainland market to firms from Hong Kong and Macao, particularly in the service sector, where the Mainland has opened 153 services sectors (out of 160 recognized by the WTO) to Hong Kong and Macao and has applied national treatment to Hong Kong and Macao enterprises when they set up enterprises in the Mainland (i.e. in the form of "commercial presence") in 62 sectors. While CEPA is not a specific GBA arrangement, as it covers the entire Chinese Mainland, geographical proximity has resulted in much of the impact being felt within the GBA.

²¹ Michael J. Enright, Chang Ka-Mun, Edith E. Scott, and Zhu Wenhui, *Hong Kong and the Pearl River Delta: The Economic Interaction* (Hong Kong: The 2022 Foundation, 2003) and Michael J. Enright, Edith E. Scott, and Chang Ka-Mun, *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China* (New York and Singapore: Wiley, 2005).

²² CEPA has been notified to the WTO under GATT Article XXIV (for its goods-component), and GATS Article V (with respect to its services-component). Preferential agreements of this nature are used by all WTO members and the above provisions set the legal benchmark for WTO compliance.

Exhibit 3.5. Brief Overview of CEPA Provisions between Hong Kong and the Chinese Mainland

Area	Details
Trade in goods	All goods manufactured in Hong Kong and meeting the CEPA rules of origin (ROOs) enjoy zero tariff when imported into the Mainland. As of November 2018, more than 168,000 CEPA Certificates of Hong Kong Origin had been approved, food and beverages, plastics and plastic articles, and textiles and clothing being the top product types. The Agreement on Trade in Goods (signed under the CEPA framework on 14 December 2018) also stipulated trade facilitation measures to facilitate movement of goods in the GBA.
Trade in services	Hong Kong service suppliers (HKSS) enjoy preferential treatment in the Mainland market in various services sectors. Since the implementation of the Agreement on Trade in Services in June 2016, the Chinese Mainland has opened up 153 sectors to HKSS, in full or in part, out of 160 services trade sectors. Hong Kong professional bodies and regulatory authorities on the Chinese Mainland have also signed many agreements on mutual recognition of professional qualification to facilitate Hong Kong professionals entering the Mainland market.
Investment	From 1 January 2018, CEPA investment cover was expanded to cover non-services sectors. New measures to promote and protect investment between Hong Kong and the Mainland, in both services and non-services sectors, were also introduced.
Economic and technical cooperation	The Ecotech Agreement consolidated and updated the economic and technical cooperation activities set out in CEPA and adds 12 new cooperation areas including participation of Hong Kong in the “Belt and Road” Initiative (BRI) and sub regional cooperation.

Note: The CEPA documents signed by the Chinese Mainland with Macao are generally the counterparts of the CEPA documents signed by the Mainland with Hong Kong.

Source: Hong Kong Trade Development Council.

The China (Guangdong) Pilot Free Trade Zone (GFTZ), which was approved by the State Council in 2014 and started operation in 2015, is composed of three areas, the Nansha New Zone in Guangzhou (60 sq km), the Qianhai & Shekou Area in Shenzhen (28.2 sq km), and Hengqin New Zone in Zhuhai (28 sq km). The GFTZ has been designated by the Central People’s Government as a first mover in China’s economic opening, a demonstration zone for Guangdong-Hong Kong-Macao cooperation, and a place to promote the service trade liberalization of the three regions.²³ It is a place for the Central and local governments to test new policies, to explore new development models and better integrate the economy with international practices and with Hong Kong and Macao.²⁴ At its establishment, the GFTZ boasted 34 measures for greater opening in six fields: manufacturing, financial service, maritime transport service, commercial trade service, professional service and technology, and cultural service. In addition, 28 measures for further opening up to Hong Kong and Macao in six service areas were subsequently promulgated: financial, maritime transport, commerce and trade, professional services, technology and cultural services, and social public services.^{25 26}

The GFTZ is expected to leverage connections with Hong Kong and Macao, serve the Mainland, and reach out globally. Its target is to create an internationalized and market-led business environment with a sound legal framework, a more open economic system, and in-depth cooperation with Hong Kong and Macao.²⁷ An expanded 2018 GFTZ Plan calls for a streamlining of administration, delegation

²³ Government of the People’s Republic of China, *Overall Plan for the China (Guangdong) Pilot Free Trade Zone*. April 2015.

²⁴ “Guangdong FTZ issues plan to deepen reform and opening up,” *Newsqd.com*, 25 May 2018.

²⁵ Guangdong Free Trade Zone, “China (Guangdong) Pilot Free Trade Zone System Innovation & Policies,” 14 February 2015.

²⁶ Free trade zones and similar cooperative arrangements are widely used by WTO members, and are not the subject of specific WTO regulation. Should disputes arise, such arrangements are judged in terms of consistency against the WTO’s general provisions on non-discrimination.

²⁷ Hong Kong SAR Government, “CE attends China (Guangdong) Pilot Free Trade Zone plaque-unveiling ceremony,” 21 April 2015.

of power to the GFTZ, reform of the commercial system and business registration, strengthening of market supervision, easier market access, more transparent regulation, better IP protection, and greater openness of the service sector to foreign investment. Equity and business cooperation between qualified domestic and foreign financial institutions will be encouraged. Highly talented foreigners are to be offered more preferential measures regarding their living arrangements, healthcare, children's education, business, and research.²⁸ Both the 2015 and 2018 GFTZ plans have large sections on promoting cooperation with Hong Kong and Macao, and further opening to Hong Kong and Macao investors. Key initiatives include: promoting further liberalization of trade in services among Guangdong, Hong Kong, and Macao; improving business and management standards in the region; and creating institutional mechanisms for cooperation within the region and between the region and the rest of the world.

In 2015, the Guangdong Government approved the establishment of 13 Demonstration Bases for the Liberalization of Trade in Services between Guangdong, Hong Kong, and Macao. Eight of them are in the PRD Area and five are in the rest Guangdong (see Exhibit 3.6). These zones have offered 15% corporate tax for qualified firms, subsidies for tax expense for Hong Kong and Macao residents working in the zones, a preferential tariff policy, support for start-ups founded by Hong Kong and Macao individuals, and a variety of other preferential policies.

Exhibit 3.6. Demonstration Bases for the Liberalization of Trade in Services between Guangdong, Hong Kong, and Macao in the PRD

Demonstration Bases	Focal Industries
Tianhe CBD in Guangzhou	focused on headquarters (HQs) economy, financial services, and professional services
Pazhou International Convention and Exhibition Centre in Guangzhou	convention and exhibition economy, HQs, high-tech, and commerce and trade
Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	finance, logistics, software and information, science and technology innovation, creative design, professional services, cross-border e-commerce, education, and health care industries
Hengqin New District Zhuhai	commercial services, leisure tourism and holiday base, and education, cultural and creativity, high-tech industries
Nanhai Guangdong-Hong Kong-Macao High-end Service Cooperation Demonstration Zone in Foshan	international financial backup center and a services outsourcing center; finance, agency, information, logistics, and cultural and creativity services spilling out from Hong Kong and Macao
Songshan Lake Guangdong-Hong Kong-Macao Cultural & Creative Industrial Experimental Zone in Dongguan	creative design, brand authorization, animation, online games, online culture, video culture, and other cultural content industries
Tsuihang New District Zhongshan	equipment manufacturing, Chinese medicine, commerce and trade, education, tourism, and financial services
Daguan Bay Economic Zone in Jiangmen	back-up service base for Hong Kong and Macao services firms; Hong Kong and Macao SMEs and youth starting up business, science and tech cooperation; tourism, old-age caring, and other public services

Sources: Compiled from various government documents.

²⁸ Government of the People's Republic of China, "Reform in Guangdong FTZ to be intensified," 24 May 2018.

Inter-governmental Interaction

There has been a substantial amount of interaction among government officials across the GBA in recent years. This is reflected in cooperation on infrastructure projects including the Hong Kong-Zhuhai-Macao Bridge and the XRL rail line that connects Hong Kong to China's high-speed rail network, but also through the establishment in 2003 of 15 expert groups under the Hong Kong/Guangdong Co-operation Joint Conference.²⁹ These groups have responsibility to undertake studies and follow up and implement cooperation projects in various specific fields endorsed at the Joint Conference. Since 2003, 12 new expert groups have been established as indicated in Exhibit 3.7. In addition, officials from the GBA have visited other countries in Southeast Asia to promote the GBA as a place for investment. For instance, the Director-General of Invest Hong Kong has visited Vietnam and Thailand to discuss opportunities in the GBA and Hong Kong's advantages as a platform for accessing them.

The creation of the Leading Group on the GBA under the supervision of Vice-Premier and Politburo Standing Committee member Han Zheng, with members including the Chief Executives of the Hong Kong and Macao SARs, as well as representatives from Guangdong Province and the NDRC, should foster further interaction and cooperation between governments in the region, as should The Outline Development Plan. Given the importance of this document, it is described in Section 5 in detail.

Exhibit 3.7. Expert and Working Groups Under Hong Kong-Guangdong Cooperation

Group	Year
Expert Group on Implementing CEPA	2003
Expert Group on The Co-Operation in Control Points	2003
Expert Group on Coordinating Hong Kong/Guangdong Cross Boundary Major Infrastructural Projects	2003
Expert Group on Promoting "Greater Pearl River Delta"	2003
Expert Group on Tourism	2003
Expert Group on Exchange and Notification Mechanism on Infectious Diseases	2003
Expert Group on Co-Operation in Innovation and Technology	2003
Expert Group on Co-Operation in Education	2003
Expert Group on The Protection of Intellectual Property Rights	2003
Expert Group on Expanding the Hong Kong/Guangdong Economic Co-Operation Hinterland	2003
Expert Group on The Holding of The Hong Kong/Guangdong Economic Co-Operation Seminar	2003
Expert Group on Co-Operation in Culture and Sports	2003
Expert Group on Information Exchange	2003
Tonngu Waterway Expert Group	2003
Expert Group on Sustainable Development and Environmental Protection	2003
Expert Group on Co-operation in Informatisation	2007
Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade	2007
Hong Kong/Guangdong Expert Group on Social Welfare Co-operation	2007
Hong Kong-Shenzhen Joint Task Force on Qianhai Co-operation	2007
Hong Kong-Shenzhen Joint Task Force on Boundary District Development	2007
Hong Kong-Shenzhen Joint Task Force on Western Express Link	2009
Expert Group on Hong Kong-Guangdong Financial Co-operation	2009
Hong Kong/Guangdong Liaison Group on Combating Climate Change	2011
Hong Kong-Guangzhou Co-operation Working Group	2011
Hong Kong-Zhuhai Co-operation Working Group	2014
Hong Kong-Guangdong Joint Working Group on Cleaner Production	2015
Expert Group on Quality and Inspection Certification Work	2016

Source: Hong Kong SAR Government.

²⁹ Hong Kong SAR Government, "Develop new frontiers in HK/Guangdong co-operation," 5 August 2003.

Rings, Circles, Cities, and City Clusters in the GBA

The GBA is developing a particular spatial configuration and division of labor. A continuous “Inner Development Ring” is forming that will eventually go from Hong Kong through Shenzhen, Dongguan, Guangzhou, Foshan, Zhongshan, Zhuhai, and around to Macao. Large scale investments in infrastructure, including the XRL, the Hong Kong-Zhuhai-Macao Bridge, the Second Humen Bridge, the Shenzhen-Zhongshan Bridge, and highways and railways within Guangdong Province will make cities within this “Inner Ring” reachable within one to two hours from any other city in the ring. The “One-hour” and “Two-hour Circles” will allow economic and business development in any of these cities to accelerate development in the other cities through closer supplier-buyer, collaborator, and competitor relationships.³⁰

In the “Inner Ring,” **Guangzhou** will continue to be the capital and administrative center for a province with a population of over 100 million people. It will extend its position as a center for headquarters, marketing offices, and government relations for Guangdong Province. It will continue to be the main education center, marketplace, domestic logistics center, domestic banking center, and home for state-owned enterprises in Guangdong. It will continue to be a leader in a range of increasingly sophisticated manufacturing industries while enhancing its position in consumer and producer services, including technological services and logistics. Guangzhou plans to build an economy driven by both modern services and advanced manufacturing. It is focusing its development efforts on seven producer services industries (Finance, Logistics, Information Services, E-commerce, Science and Technology services, Convention and Exhibition, and Business Services) and a series of Consumer Service Industries (cultural industries, tourism, sports, healthcare, family services, old-age care, education, real estate, and food and beverage). Guangzhou’s pillar industrial sectors are Automobile, Electronic and Information, Petrochemical Industry, and Advanced Equipment. It will continue to cultivate strategic and emerging industries, focusing on New-generation Information Technology; Biochemical and Health; New Materials and High-end Equipment Manufacturing; New-energy Automobiles, New Energies, and Energy Saving and Environmental Protection; and Animation, Gaming, and Creative Industries.

Shenzhen will be China’s leading center for high-technology start-ups, as well as a manufacturing base for foreign and local high-technology companies, a center for research and development, a leading logistics center, an advanced service center, and a financial center. Shenzhen’s economy will increasingly be driven by companies and ideas from within the GBA and will continue to attract talented people from all over China. It is likely to be the most dynamic location for technology companies in the GBA and is likely to see an increasing presence of venture capital and related financial activities. Shenzhen plans to expand its emerging and strategic industries, in Integrated Circuits, New Displays, Genetic Technologies, High-end Medical Imaging, New Energy Vehicles, High-end Materials, Digital Content, Energy Saving, and Environmental Protection Equipment, Instruments and Technologies; and increase the support for “Future” industries, including Life and Health, Aerospace, Robotics, Wearable Devices, and Smart Equipment. The key service industries Shenzhen focuses on include Science and Technology services; Professional Services; and Commerce, Trade,

³⁰ The potential economic trajectory of the cities of the GBA is based on the consultants’ assessment of the economic histories, capabilities, and policies, in the region, as well as market forces and company strategies.

Convention, Exhibition, and Tourism Services. It also plans to use advanced manufacturing technology and information technology to upgrade its traditional industries. Shenzhen also strives to be an international financial innovation center and an international logistic hub.

Hong Kong will continue to be the most internationally-oriented city in the GBA. China's preference for gradual and selective opening combined with Hong Kong's long history as an internationally-oriented city; its free flows of goods, capital, information, and people; its distinctive legal and administrative system; its market-oriented system; and its ability to operate fluidly with the rest of China as well as the rest of the world provide Hong Kong with distinctive advantages. These give it the ability to play a critical regional role in international finance, international trade and investment, international marketing and sales, and to tap into international flows of information and ideas for the region. The latter will be increasingly important as the economies of the GBA become more knowledge-intensive. These attributes, along with vastly improved connectivity to the Western part of the GBA, will allow Hong Kong to continue to be an important home for foreign companies, for internationalizing Chinese companies, and for business between China and the rest of the world. The Hong Kong SAR Government has identified Financial Services, Trading and Logistics, Tourism, and Professional Services as the four key industries, or pillar industries, of Hong Kong's economy. It has also identified cultural and creative industries, medical services, education services, innovation and technology, testing and certification services, and environmental industries for further development.

Dongguan and **Foshan** will substantially upgrade their manufacturing sectors through automation, incorporating the internet of things, developing advanced equipment and robotics industries, and expanding local design and engineering capabilities in traditional industries; as well as expanding in newer high-technology industries, in part by attracting production facilities from Shenzhen and Guangzhou respectively. This enhanced manufacturing base will be served by enhanced logistics, back office activities, and other producer services in conjunction with Shenzhen and Guangzhou. The key industries Dongguan plans to develop are Electronics and Information Products (communication equipment, intelligent terminals, consumer electronics, and electronic components), Equipment Manufacturing (robots and key components, smart sensors and instrumentation, high speed and high precision manufacturing equipment, energy saving and environmental protection equipment, auto parts, major intelligent equipment, and electronics), Cultural Industry and Tourism, Finance, Logistics (third and fourth-party logistics, bonded logistics, cold chain logistics, and express delivery logistics), and E-commerce. Foshan plans to use smart manufacturing, robotics and automation, and an "internet+" strategy to upgrade its manufacturing industries and to build an equipment manufacturing industrial base, including Intelligent Manufacturing Equipment, Automotive Manufacturing, and New Energy Equipment. Key producer services for Foshan are related to Innovation and Entrepreneurship, Industrial Finance, Express Delivery and Logistics, Trade Fairs and Exhibitions, Science and Technology, E-commerce, Industrial Design, and Service Outsourcing.

Zhuhai and **Zhongshan** will benefit tremendously from the extensive rail and highway development in the Western part of the PRD as well as the opening of the XRL line to Hong Kong, the Hong Kong-Zhuhai-Macao Bridge, the Second Humen Bridge, and the Shenzhen-Zhongshan Bridge. These connections will allow the spillover of manufacturing activities from the East side of the GBA while retaining connections to regional supply chains. Zhuhai is likely to become the service center for manufacturers and other businesses in the Western part of the PRD as well as a center for tourism

and leisure industries, in part through spillovers from Macao. The key industries for Zhuhai are Advanced Manufacturing Industries (marine engineering equipment, aviation and aerospace, rail transportation equipment, new energy vehicles, electrical and electronic equipment, intelligent manufacturing, petrochemical, 3D printers, medical equipment, yachts, fine chemicals, and working machines), High- and New-tech Industries (software, integrated circuit design, mobile internet, smart grid, internet of things, biomedicine, new materials, smart robots, desalination equipment, and wearable devices), High-end Service Industries (finance, business and exhibition, headquarters economy, leisure tourism, high-end logistics, cultural creativity, and technology services), as well as the Marine Economy and Ecological Agriculture. Zhongshan plans to build industrial agglomerations in Advanced Manufacturing, Household Appliances, Electronics and Information Products, and Health and Medicine. In Advanced Manufacturing, Zhongshan focuses on intelligent manufacturing, ships and marine engineering equipment, new energy equipment, automotive manufacturing, energy conservation and environmental protection equipment, and satellites and applications. In Services, Zhongshan focuses on new-types of financing, cultural creativity, logistics, R&D services, professional services, information technology services, e-commerce, and healthcare.

Macao, one of the world's leading destination resort cities, will be more tightly integrated into one of the world's most dynamic economic regions. It will become much more accessible to residents in the affluent Eastern and Central parts of the GBA. Improved connectivity to the airports of the region will also make it more accessible to visitors from all over the world. At the same time, its cooperation with Zhuhai will allow leisure and business activities to develop at larger scale than is possible within Macao itself. Its pillar and future industries will be dominated by the tourism sector, with the offerings further broadening from gaming to include shows, entertainment, business meetings, and related activities. Macao will increase its investments in research and development, promote a "smart city" strategy, provide additional support to SMEs, enhance communications, promote Traditional Chinese Medicine, and support financial leasing and wealth management activities.

Meanwhile, the "Outer Ring" cities of **Huizhou**, **Zhaoqing**, and **Jiangmen** will benefit from substantial infrastructure investment as well as development radiating out from the "Inner Ring." They will increasingly provide the heavy industry base, including chemicals, metals, paper, power, and equipment for the entire GBA as well as benefiting from spillovers from the "Inner Ring." These cities have already received investments from companies moving traditional and even high-technology production from congested cities in the "Inner Ring." Huizhou plans to strengthen its two existing pillar manufacturing industries, Electronics and Information, and Petrochemicals, and develop Automobile and Equipment Manufacturing and Clean Energy as new pillar industries. Huizhou plans to speed up its development in service sectors like Logistics, Leisure and Holiday Tourism, Finance, and other modern services. Huizhou also plans to cultivate the development of strategic emerging industries and upgrade its traditional industries like Home Appliances, Garments, and Footwear. Jiangmen plans to promote the agglomeration of the Rail Transit, Heavy Truck and Commercial Vehicle, New Materials and New Energy and Equipment, Educational Equipment, and Healthy Food industries. It plans to upgrade its traditional manufacturing industries and develop Commerce and Trade, Logistics, Tourism, Agriculture, and Ocean Economy industries. In manufacturing, Zhaoqing plans to focus on New Energy Vehicles, Automobile and Parts, Smart Equipment Manufacturing, Transformer and Other Power Transmission Equipment, High-end New Electronic Information Products, New Materials, Biomedicine, and Energy Conservation and Environmental Protection Products. Zhaoqing plans to continue to

develop its producer services and consumer services and cultivate its Health and Recreation and Sports Industries and to explore emerging industries like E-commerce, IOT, Big Data, Cultural Creativity, and Internet Finance.

Development around the region will be enhanced by cooperation and interaction within three “City Clusters” in the PRD portion of the GBA. **Guangzhou, Foshan, and Zhaoqing; Shenzhen, Dongguan, and Huizhou, and Zhuhai, Zhongshan, and Jiangmen** already have active programs of cooperation in infrastructure, planning, economic development, and even in some cases administration. The increasing interaction and even integration within these clusters is helping drive development through pooling of resources, leveraging differences in comparative advantages, and through experience sharing. Guangzhou and Foshan have gone the farthest toward integration with integrated mass transit, planning, and development programs for adjacent areas. Shenzhen has been involved in actively aiding in the relocation of some companies and industries to neighboring Dongguan and Huizhou to help stimulate those economies and to make room for higher value operations in Shenzhen. While the cooperation among Zhuhai, Zhongshan, and Jiangmen is less advanced at present, it is likely to be a major feature as the Western part of the GBA develops.

4. Issues for the GBA

While the GBA has been one of the most dynamic economic regions in the world, and promises to continue to be so well into the future, there are a number of obstacles that could delay or hinder the region’s ability to reach its full potential through greater economic interaction. Many of these are the natural results of multiple jurisdictions with 11 cities, three provincial-level jurisdictions, three customs territories, and three WTO members, all in a single country. The Central People’s Government and all of the local governments in the GBA are firmly committed to the “One Country-Two Systems” arrangements for the Hong Kong and Macao SARs, as well as the preservation of three separate customs zones and WTO memberships in the GBA. The complementarities in the region remain a critical strength recognized by governments and business groups alike. However, multiple jurisdictions do create some challenges for the GBA.

Different Legal and Regulatory Systems

The existence of different legal systems in Guangdong, Hong Kong, and Macao creates challenges associated with compliance with multiple systems. Another challenge is that there can be differences in how laws and regulations are implemented across different cities in the Guangdong portion of the GBA. The 2017 KPMG-HKGCC GBA survey listed “consistency of laws and regulations” as one of the most important features for GBA success. The KPMG-HKGCC-HSBC 2018 survey indicated that “policy / regulatory ambiguity, uncertainty, and unfamiliarity” was the single greatest challenge to GBA business plans, with some 68% of survey respondents indicating that this was an important challenge.³¹ Meanwhile, the AmCham-Ipsos 2018 survey found lack of transparency, weak rule of law, and policy uncertainty as obstacles to GBA expansion.³²

³¹ KPMG China and the Hong Kong General Chamber of Commerce, *The Greater Bay Area: A survey on key drivers for Success*, September 2017 and KPMG China, HSBC and the Hong Kong General Chamber of Commerce, *Navigating the Greater Bay Area: Second annual survey on key drivers for success*, 2018.

³² AmCham Hong Kong and Ipsos Business Consulting, *AmCham Hong Kong 2018 Business Sentiment Survey*, May 2018.

Frictions in Goods Flows

Different customs territories in the region mean that goods are subject to clearances when they cross between Guangdong, Hong Kong, and Macao. Tariffs in the region are low. Hong Kong and Macao are free ports with no tariffs on general imports. Mainland China has six different tariff rates for general imports, but its average tariff rates fell from over 50% in the early 1980s to 32% in 1992 to 3.5% in 2016. Most goods produced in Hong Kong and Macao can enter Mainland China tariff free under CEPA. However, even with low or no tariffs, goods are still subject to certification of origin and other clearance procedures that differ between Guangdong, Hong Kong, and Macao, and even between cities in Guangdong.³³ The KPMG-HKGCC-HSBC 2018 GBA survey cited lack of integrated customs administration, processes and standards as the most important feature that would have to be overcome to facilitate movement of goods within the GBA.³⁴ The Hong Kong Trade Development Council (HKTDC) indicated that the efficiency of logistics in the GBA is hindered because Guangdong, Hong Kong, and Macao belong to three different customs territories, each with its own import-export customs clearance, product standards and inspection and quarantine system.³⁵

Frictions in Services

Through CEPA, the Chinese Mainland has opened 153 of 160 service sectors to firms from Hong Kong and Macao. However, “national treatment” is applied in the Mainland (i.e. in the form of “commercial presence”) in only 62 of the 153 sectors. Restrictions on professional qualifications, investment, and other obstacles prevent service providers from operating freely across the GBA. This is particularly an issue for Hong Kong and Macao firms given the dominance of the service sectors in those economies. In 2016, for example, Hong Kong ran a trade surplus of HKD 17.8 billion with the rest of the world in “other business services” (a category that includes professional services, innovation services, engineering services, architectural services, and trade-related services), but a trade deficit of HKD 14.3 billion in the same category with the Chinese Mainland, a balance that interviewees suggested was due mostly to the lack of access to the Mainland market.³⁶

Frictions in Finance

The Chinese Mainland, Hong Kong, and Macao have different financial systems and operate with different currencies. Funds can be transferred in and out of Hong Kong and Macao with relative freedom, but this is not the case in the Chinese Mainland, which runs a closed capital account. This state of affairs significantly hinders the operation of business across the GBA. It also hampers the introduction of cross-boundary payment systems for individual consumers as well. Although Hong Kong does large financial business with the Chinese Mainland, in particular through the Hong Kong Stock Exchange and through trade finance, Hong Kong is not able to leverage fully its expertise in

³³ L Leung, D Ho, C Wong, W Cheung, S Ng, D Mo, E Wong, Y Wang, E Wu, *Logistics and Trade Facilitation in Guangdong-Hong Kong-Macao Bay Area: Stakeholders Concerns, Comments from Central Government, and Policy Recommendations*, Guangdong-Hong Kong-Macao Bay Area Economic and Trade Association, November 2017.

³⁴ KPMG China, HSBC and the Hong Kong General Chamber of Commerce, *Navigating the Greater Bay Area: Second annual survey on key drivers for success*, 2018.

³⁵ Hong Kong Trade Development Council, *Logistics Upgrade: A New Frontier for Guangdong-Hong Kong-Macao Bay Area Co-operation*, July 2018.

³⁶ Statistics from Hong Kong Census and Statistics Department, *Hong Kong Trade in Service Statistics in 2016*, February 2018.

finance. Qianhai has been designated as an area for financial experimentation and openness, but at only 15 sq km has yet to be decisive. Several surveys have indicated that increased financial flows would be a major boost to the region's development.³⁷ The KPMG-HKGCC-HSBC 2018 survey found "cross-border movement of capital" as the third greatest challenge to GBA business plans.

Frictions in Data and Information

The three main GBA jurisdictions also have different systems when it comes to data, information, social media, and the internet. The "Great Firewall" of the Chinese Mainland is designed to segregate the "Chinese internet" from that of the rest of the world for reasons of national and social security. The Mainland has also blocked Google, Facebook, YouTube, Twitter, Instagram, Dropbox, and numerous websites of foreign news organizations. We note that all of the top four websites in Hong Kong reported by Similarweb.com in November 2018 were blocked in the Chinese Mainland, as were seven of the top 10 and at least 12 of the top 20.³⁸ China's Cybersecurity Law requires data obtained on Chinese individuals and organizations to be housed in China, and requires access on the part of Mainland officials to data considered important. This makes it difficult for companies to unify their data systems for the GBA. In addition, many companies operating globally are not likely to place their global data in the Chinese Mainland, resulting in fragmented data and information systems. The different systems mean that information and data does not flow as freely in the GBA as in many other parts of the world.

Frictions in Human Mobility

In August 2018, the Central People's Government made it easier for Hong Kong and Macao people to live and work in the Mainland by eliminating the requirement for work permits. However, they still are treated differently from Mainland residents for purposes of social insurance. In addition, different levels of development, different legal systems, different education systems, different healthcare systems, and different tax systems (the maximum Mainland personal income rate is 45%, while that in Hong Kong is 15%, and that in Macao is 12%) make it unattractive for many Hong Kong and Macao residents to live or work in Guangdong. Surveys by the Chinese University of Hong Kong in 2017 and 2018 indicated that most Hong Kong people surveyed either thought it "not feasible" for Hong Kong people to move to the PRD or "don't know." Insufficient freedom of information, inconvenient transportation, and health and safety concerns were the leading reasons given (see Exhibits 4.1 and 4.2). On the other hand, the separate systems, unique circumstances, and their small sizes have caused Hong Kong and Macao to adopt immigration systems that limit the ability of people (including those from Guangdong) to live and work in Hong Kong or Macao.

³⁷ For example, see KPMG China and The Australian Chamber of Commerce Hong Kong, *Connecting opportunities in the Greater Bay Area*, November 2018, CPA Australia, *Greater Bay Area Initiative: Factors Important to its Success: Report on CPA Australia's Greater Bay Area Member Survey*, 2018, and KPMG China, HSBC and the Hong Kong General Chamber of Commerce, *Navigating the Greater Bay Area: Second annual survey on key drivers for success*, 2018.

³⁸ "Top Websites Ranking in Hong Kong," <https://www.similarweb.com/top-websites/hong-kong> . Accessed 16 November 2018.

Exhibit 4.1. Do you think it is feasible that Hong Kongers can live in the domestic cities in the GBA and work in Hong Kong in the future?

	May 2018 (%)	May 2017 (%)
Not feasible	40.2	42.2
Feasible	37.7	35.4
Don't know/difficult to tell	22.1	22.4

Source: Hong Kong Institute of Asia-Pacific Studies at CUHK.

Exhibit 4.2. For those who think it is NOT feasible for the Hong Kongers to live in the PRD and work in Hong Kong, what are your key reasons?

	May 2018 (%)	May 2017 (%)
Insufficient freedom of information	29.3	27.5
Still inconvenient transport connectivity	23.0	26.2
Issues of food safety in mainland cities	10.1	12.8
Public security issues	9.4	8.9
Lower level of medical quality	4.9	6.2
Serious environment pollution	3.5	4.6
Lower education quality	0.7	1.0
Others	14.6	10.5
Don't know/difficult to tell	4.5	2.3

Source: Hong Kong Institute of Asia-Pacific Studies at CUHK.

Lack of Understanding of the Region

Different systems, different backgrounds, and a history of separation have resulted in a relative lack of understanding about the GBA around the region. A November 2017 cross-border study on the GBA found more than 55% of 833 young people surveyed had never heard of the GBA. Nearly 60% of the 321 Hong Kong youths surveyed who were studying or working on the Mainland had never heard of the GBA. The report also found that lack of exposure of many young people in Hong Kong to the Mainland way of life and working culture were impediments to GBA development.³⁹ In the 2018 CUHK survey, 64.6% of respondents from Hong Kong indicated that they had not visited any of the nine PRD cities in the previous 12 month, and another 20.2% reported having visited only once or twice.⁴⁰ A survey of cross-boundary travelers from Hong Kong into the Chinese Mainland carried out in December 2015 indicated that 92% of the Hong Kong residents crossing the boundary went to the PRD, with a full 69% to Shenzhen, 8% Dongguan, and 6% Guangzhou, with relatively few going elsewhere in the PRD.⁴¹

³⁹ Survey carried out by The Proactive Think Tank, the Hong Kong Guangdong Youth Association, the Guangdong Academy of Social Sciences, and Hong Kong Shue Yan University. See Billy SK Wong, "What's the Greater Bay Area plan? Hong Kong's young people don't know either, with half having never heard of it," *South China Morning Post*, 23 November 2017.

⁴⁰ Hong Kong Institute of Asia-Pacific Studies at CUHK, "Survey on the Public Opinions on the Forthcoming Program for the Development of the Guangdong-Hong Kong-Macau City Cluster," May 2018.

⁴¹ Hong Kong Census and Statistics Department, "Cross-boundary Travel Survey 2015," *Monthly Digest of Statistics*, June 2017 and Hong Kong Planning Department, *Northbound-Southbound 2015: Cross-boundary Travel Survey 2015*, 2016.

Workforce Issues

Numerous surveys have identified the need to enhance workforce development for the GBA to reach its potential. The May, 2018, AmCham-Ipsos report listed “talent shortages” as a major issue for the region.⁴² AmCham South China found “increasing human resource costs” and “shortage of qualified talent” among the top three challenges of operating in southern China, with the workforce considered not as developed as in some other parts of China.⁴³ CPA Australia members reported that to help Hong Kong fully develop its GBA opportunities, the Hong Kong workforce needed more creative and innovative thinking, critical thinking, and a better understanding of the world in general.⁴⁴ Thus across the board, business groups call for improvements in the GBA workforce in order to enhance the region’s development. Interviewees for this project reported two major issues. The first is that too few graduates and school leavers have “job-ready” skills when they enter the job market. The second is that too few people in the GBA have the background and knowledge to operate successfully across multiple jurisdictions in the GBA. Both were considered areas that need improvement going forward.

Rivalries and Fears in the Region

While there is increasing interaction and cooperation in the GBA, several interviewees pointed to limited coordination around the GBA as an issue to be addressed. AmCham and Ipsos found that rivalries among GBA cities were a major issue for GBA development.⁴⁵ Some jurisdictions have cooperated with each other in areas such as investment and tourism promotion, some have not. Several jurisdictions have similar development plans targeting similar industries, and several have sought to attract businesses away from their neighbors. Hong Kong and Macao, with their distinctive histories, SAR status, membership in the WTO, and autonomy in economic matters are sometimes seen as receiving favors or special treatment. On the other hand, firms from the SARs tend to see the Chinese Mainland as having a more closed economy than their own. The small sizes of Hong Kong and Macao and the vast population of the Chinese Mainland leave some concerned that increasing interaction with the rest of the GBA will impact negatively the distinctive ways of life in the SARs. The rivalries and fears that exist in the GBA are often ignored in glowing predictions for the region, but to ignore them is to understate the challenges in fostering greater economic interaction and cooperation. Initiatives to enhance interaction and cooperation in the GBA will have to take these issues into account if they are to succeed.

⁴² AmCham Hong Kong and Ipsos Business Consulting, *AmCham Hong Kong 2018 Business Sentiment Survey*, May 2018.

⁴³ The American Chamber of Commerce in South China, *2018 Special Report on the State of Business in South China*, February 2018.

⁴⁴ CPA Australia, *Greater Bay Area Initiative: Factors Important to its Success: Report on CPA Australia’s Greater Bay Area Member Survey*, 2018.

⁴⁵ AmCham Hong Kong and Ipsos Business Consulting, *AmCham Hong Kong 2018 Business Sentiment Survey*, May 2018.

5. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area

As noted above, the State Council issued the Outline Development Plan for the region in February 2019. The plan charts a development program for the GBA. Here we provide a brief summary focused mostly on economic matters.

Preamble

The Outline Development Plan's Preamble states:

The development of the Greater Bay Area is not only a new attempt to break new ground in pursuing opening up on all fronts in a new era, but also a further step in taking forward the practice of “one country, two systems”. The Outline Development Plan (“the Plan”) has been formulated to fully put the spirit of the 19th National Congress of the Communist Party of China into practice; fully and accurately implement the principle of “one country, two systems”; fully leverage the composite advantages of Guangdong, Hong Kong and Macao; deepen cooperation among the Mainland, Hong Kong and Macao; further enhance the Greater Bay Area’s supporting and leading role in the country’s economic development and opening up; support the integration of Hong Kong and Macao into the development of the country; enhance the well-being of Hong Kong and Macao compatriots; maintain the long-term prosperity and stability of Hong Kong and Macao; and enable compatriots in Hong Kong and Macao to share with the people in the motherland both the historic responsibility of national rejuvenation and the pride of a strong and prosperous motherland.⁴⁶

Background

The “Background” chapter of the plan describes the distinctive geographic advantages of the GBA, its robust economic strength, its high concentration of key factors of innovation, its advanced level of internationalization, and solid cooperation foundations. The document describes opportunities and challenges the region faces including rapid change, increased complexity, closer international connections, technological changes, and initiatives, such as China’s Belt and Road Initiative, supply side reform, and modernization and governance reform. The document goes on to focus on the development of a world-class city cluster in the GBA built around two-way opening.

⁴⁶ State Council, *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, February 2019, p. 7 (English language courtesy translation).

Overall Requirements

The “Overall Requirements” set forth in the Plan include a guiding ideology that applies fully Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the spirit of the 19th National Congress of the Communist Party of China, and the principle of “One Country-Two Systems” under which the people of Hong Kong govern Hong Kong and the people of Macao govern Macao with a high degree of autonomy. Economic cooperation in the region, implementation of the national innovation-driven development strategy, and building a new system of an open economy are also required. The basic principles of the region’s development are to be driven by innovation and led by reform, to coordinate development and plan holistically, to pursue green development and ecological conservation, to open up and cooperate and achieve a win-win outcome, to share the benefits of development and improve people’s livelihood, and to adhere to “One Country-Two Systems” and act in accordance with the law. The Plan sets forth the strategic positioning of the GBA as a vibrant world-class city cluster; a globally influential international innovation and technology hub; an important support pillar for the Belt and Road Initiative; a showcase for in-depth cooperation between the Mainland and Hong Kong and Macao; and a quality living circle for living, working and travelling. The development objectives set forth in the Plan include increased combined strength, cooperation, smooth flows of factors of production, coordinated development, innovation capabilities and coordination (particularly in new technologies and their commercialization), supply side reform, infrastructural support, sustainability, openness, and connectivity.

The Plan states:

By 2035, the Greater Bay Area should become an economic system and mode of development mainly supported by innovation, with its economic and technological strengths vastly increased and its international competitiveness and influence further strengthened; the markets within the Greater Bay Area should basically be highly connected, with very effective and efficient flow of various resources and factors of production; the coordination of regional development should remarkably improve, with the influence on neighbouring regions further strengthened; the people should become wealthier; the level of social civility should reach new heights, with cultural soft power demonstrably strengthened, Chinese cultural influence broadened and deepened, and exchange and integration between different cultures further enhanced; the levels of conservation and efficient use of resources should be significantly improved, the ecological environment should be effectively protected, and an international first-class bay area for living, working and travelling should be fully developed.⁴⁷

⁴⁷ Ibid., p.17.

Spatial Layout

The “Spatial Layout” chapter discusses the importance of the “poles” represented by Hong Kong-Shenzhen, Guangzhou-Foshan, and Macao-Zhuhai as well as the need for strong connections through the rapid transport network. The Plan also seeks to improve core cities (Hong Kong, Macao, Guangzhou, and Shenzhen) as engines of development, to develop key node cities (supporting Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, and Zhaoqing in their own development and through connections to core cities), to develop towns with distinct characteristics, and to promote integrated development of urban and rural areas. The Plan also calls for radiating GBA development into the nine provinces of the wider Pan-Pearl River Delta region.

Developing an International Innovation and Technology Hub

The chapter on “Developing an International Innovation and Technology Hub” calls for building an open community for coordinated innovation in the GBA by strengthening cooperation in innovation and technology; enhancing building of basic innovation capacity; and enhancing the in-depth integration of industries, academia and research. Quality innovation and technology carriers and platforms are to be developed to accelerate development of technological infrastructure facilities, optimize use of innovation and technological resources, take forward national innovation demonstration zones, take forward military-civilian integration in the PRD cities, and support particular innovation cooperation areas. The environment for innovation in the region is to be enhanced by deepening reform of innovation systems and mechanisms in the region, promoting the commercial application of technological achievements, and stepping up the protection and exploitation of intellectual property (IP).

Expediting Infrastructural Connectivity

The “Expediting Infrastructural Connectivity” chapter calls for building a modern comprehensive transport system through enhancing the international competitiveness of the PRD port cluster, developing a world-class airport cluster, ensuring the smooth flow of comprehensive external transport links, building a rapid transport network in the GBA, and raising the standards of passenger and cargo transport services. Information infrastructure is to be enhanced and upgraded by developing a new generation of information infrastructure, building smart city clusters, and enhancing the level of cyber security protection. The energy security protection system is to be developed by enhancing the energy supply structure and strengthening the energy storage and transport system. Protection for the security of water resources is to be strengthened by improving water infrastructure and improving flood prevention and mitigation systems.

Building a Globally Competitive Modern Industrial System

The “Building a Globally Competitive Modern Industrial System” chapter focuses on expediting the development of the advanced manufacturing industry by enhancing the core competitiveness of the manufacturing industry, optimizing the layout of the manufacturing industry, and expediting the structural adjustment of the manufacturing industry. Strategic emerging industries are to be nurtured

and strengthened by leveraging the rich scientific research resources and solid foundations in new and hi-tech industries of core cities, leveraging government supported innovation zones, pursuing specific new pillar industries (including new-generation information technology, biotechnology, high-end equipment manufacturing and new materials), and nurturing major industry projects (such as new display systems, new-generation communications technologies, 5G and mobile internet, biopharmaceuticals such as protein, high-end medical diagnostic equipment, genetic testing, modern Chinese medicine, intelligent robots, 3D printing, and applications of BeiDou satellite navigation system).

Additional areas to be focused upon include information consumption, new healthcare technologies, marine engineering equipment, hi-tech service industry and high-performance integrated circuit, and launch major projects involving strategic emerging industries. Additional industries to be nurtured and developed include new energy, energy conservation and environmental protection, and new energy vehicles. Regional cooperation is to be promoted in digital and creative industries such as animation, comics and games, internet culture, digital culture and devices, digital art and display, and the application of digital creativity in areas such as convention and exhibition, e-commerce, medical and healthcare, education services, tourism and leisure.

Financial service industries are to be developed by leveraging Hong Kong's position, supporting modern financial services in Guangzhou, supporting Shenzhen in developing its capital markets through the Shenzhen Stock Exchange, and supporting Macao to develop a finance platform for Portuguese-speaking countries. The Plan calls for special financial products and services to be "vigorously developed" and promises support to numerous specific examples assigned to specific cities. Mutual financial market access is also to be improved.

A system of modern service industries is to be developed by overcoming weaknesses, specialization, and improving service quality in business services, distribution, healthcare services, family services, focus on maritime and logistics services, travel services, cultural and creative industries, human resources services, convention and exhibition, and other professional services. Again, a very detailed list of services is targeted for support, many linked to particular cities or locations, including Hong Kong. The Plan also calls for the extension of market opening under CEPA and cooperation between Guangdong, Hong Kong, and Macao in a range of specific service sectors.

The marine sector is also specifically targeted in great detail, including fisheries, sea transport, shipping, marine biomedicine, ocean engineering equipment, and a range of marine-related professional and financial services.

Taking Forward Ecological Conservation

The chapter on "Taking Forward Ecological Conservation" focuses on establishing ecological protection barriers, strengthening environmental protection and management, and adopting an innovative, green and low-carbon development model.

Developing a Quality Living Circle for Living, Working and Travelling

The chapter on “Developing a Quality Living Circle for Living, Working and Travelling” calls for the development of an education and talents hub by promoting cooperation and development in education and by developing a talent pool. Jointly developing a cultured bay area is to be achieved by shaping the Greater Bay Area’s cultural values; jointly promoting vibrant cultural development; strengthening exchanges among the youth of Guangdong, Hong Kong, and Macao (including supporting “the integration of the youth of Hong Kong and Macao into the country and their participation in the country’s development” and strengthening “national education among the youth of the Mainland, Hong Kong and Macao, strengthen education and promotion efforts relating to the Constitution and the Basic Laws, the history of the country as well as the culture of the nation.”⁴⁸); and promoting the exchange and mutual learning between Chinese and other cultures. The chapter also calls for building a bay area for leisure, including multi-destination tourist products, sharing of regional tourism resources, and specific developments in individual cities.

The chapter also calls for expanding the scope for employment and entrepreneurship through facilitating Hong Kong and Macao people to live and work in Guangdong, extend some Mainland support programs to companies started by Hong Kong people in Guangdong, and supporting cross-boundary and international exchanges. A healthy bay area is to be shaped by stepping up cooperation in medical and healthcare services and enhancing cooperation in food and edible agricultural product safety. Cooperation is also called for in social security and social governance.

Strengthening Cooperation and Jointly Participating in the Belt and Road Initiative

The chapter on “Strengthening Cooperation and Jointly Participating in the Belt and Road Initiative” sets forth a program:

To deepen cooperation among Guangdong, Hong Kong and Macao, further enhance the investment and business environment in the nine PRD municipalities, increase the extent of market integration in the Greater Bay Area, fully align with advanced international market regulatory regimes and standards, expedite the establishment of new institutional arrangements for an open economy, create an environment for opening up, jointly develop new edges in international economic and trade cooperation, and provide solid support for the Belt and Road Initiative.

To create a globally competitive business environment, the Plan calls for a strategy:

To leverage the platforms for opening up and the demonstrative functions of Hong Kong and Macao, support the nine PRD municipalities in accelerating the establishment of systems and regulations that are in line with advanced international standards for investment and trade regulation, leverage the decisive role of markets in resource allocation, minimise administrative interference, strengthen integrated

⁴⁸ Ibid. p.46.

market regulation, and create a first-class business environment which is stable, fair, transparent and predictable.

It also calls for strengthening of cooperation in the judiciary, in dispute resolution, and government information systems and an enhanced role for industry associations and chambers of commerce.

To increase the degree of market integration, the Plan calls for the promotion of investment facilitation by implementing opening commitments under CEPA and the promotion of trade facilitation by speeding up the establishment of single windows for trade documentation, mutual recognition of regulatory regimes, implementation of the Agreement in Trade in Services under the respective CEPAs, continued liberalization of the Mainland regime for trade in services from Hong Kong and Macao, and expanding the scope of mutual recognition on professional qualifications among the Mainland, Hong Kong, and Macao. To facilitate the flow of people and goods, the Plan calls for facilitation of the use of Mainland Travel Permits for Hong Kong and Macao residents, streamlining exit visas for eligible people from the PRD, improving cooperation at control points, and facilitating vehicle traffic. In order to join hands to expand opening up, the region is to become an important support area for the pursuit of the Belt and Road Initiative, to participate in international economic cooperation, and to jointly expand international markets.

Jointly Developing Guangdong-Hong Kong-Macao Cooperation Platforms

The chapter on “Jointly Developing Guangdong-Hong Kong-Macao Cooperation Platforms” focuses on the Guangdong Free Trade Zone areas of Qianhai, Nansha, and Hengqin. Qianhai is to be strengthened as an engine of cooperation and development and further expansion of Qianhai and sectors to be opened in Qianhai are to be studied, cooperation in legal matters is to be enhanced, and a new international city center developed. Nansha is to join hands with Hong Kong and Macao to develop a high-standard gateway for opening up, jointly develop a demonstration zone for innovative development, develop a key financial service platform, and develop a quality living circle. The plan for Hengqin is to develop a demonstration zone for in-depth cooperation among Guangdong, Hong Kong, and Macao; enhance cooperation in livelihood matters; and strengthen cooperation in opening up. In addition to these general approaches, numerous specific sectors are targeted for development in the three areas. The Plan also calls for individual cities in the PRD to leverage their own advantages and to develop cooperation platforms with Hong Kong and Macao.

Implementation of the Plan

The chapter on “Implementation of the Plan” calls for the establishment of a leading group for the development of the GBA (already established); the resolution of major issues concerning policy implementation (but not formulation) in the region; and calls for enhanced communication among the governments of Guangdong, Hong Kong, and Macao. Central Government ministries are given the responsibility for “formulating concrete policies and measures supporting the development of the Greater Bay Area...” The governments in the region are to coordinate and cooperate on implementation plans. NDRC and relevant Central Government ministries (including the Hong Kong and Macao Affairs Office), but not the local governments in the region, are to “keep track of the

progress of the implementation of this Plan and conduct evaluations and assessments, put forward proposals to refine this Plan having regard to the latest developments and problems, and provide timely reports on major issues to the Central Committee of the Party and the State Council.”

To prevent and mitigate risks the Guangdong Government is to implement the Budget Law and oversee the financing activities of cities in the PRD. Social participation is to be broadened by supporting Mainland think tanks to cooperate more with Hong Kong and Macao institutions, by inviting Hong Kong and Macao professionals to offer advice on the GBA, by broadening and deepening exchanges and liaison among various groups across the region, and to provide channels for the public to express their views, and by supporting various market entities in the development of the GBA.

6. Opportunities for Hong Kong

Many local and foreign companies are interested in the GBA and are exploring business opportunities in the region. The GBA will be a major experimental zone and a leader in reforms for China. Many things will happen first in the GBA and then will be rolled out elsewhere in China. This means companies can see aspects of China’s future in the GBA; can work on pilot projects and programs that will eventually spread to the rest of China; can seek out leading-edge Chinese partners for business inside and outside of China; can try out their own business models in the GBA first before bringing them to the rest of China; and can interact with China’s major initiatives, such as the “Belt- and Road,” Made in China 2025, Internet Plus, Go Global, and the Digital Silk Road in the GBA. All of this argues that companies should have a strong presence in the GBA as a window into China’s future development and their opportunities within it.

The Hong Kong Trade Development Council (HKTDC) notes that the GBA is included in China’s national strategies, including in its 13th Five-Year Plan, and maintains that Hong Kong’s development will benefit from new opportunities that are created.⁴⁹ In a May 2018 report, AmCham Hong Kong and Ipsos Business Consulting reported that 70% of 230 survey respondents were positive that operating in the GBA will increase their revenue and just over half of the respondents already have an office presence in the GBA. The top reasons given for expanding in the GBA were “access to consumer market of about 67 million people,” “to leverage benefits from the close connection between Hong Kong and the GBA,” and as a “launchpad into the rest of China / new export markets.”⁵⁰

The American Chamber of Commerce in South China’s 2018 survey found that Guangzhou ranked as the most popular city for investment among members followed by Shenzhen and then Shanghai and Beijing. This is the first time since the annual study commenced in 2003 that Guangzhou and Shenzhen took the top two spots. More than half of the 215 companies responding to the survey chose southern China mainly because of the potential for market growth, and most were confident that this growth would continue. Over 80% of respondents considered the business environment in southern China to be “good” or “very good.”⁵¹

⁴⁹ Hong Kong Trade Development Council, *Development Prospects for Guangdong-Hong Kong-Macao Bay Area and the Role of Hong Kong*, July 2017.

⁵⁰ AmCham Hong Kong and Ipsos Business Consulting, *AmCham Hong Kong 2018 Business Sentiment Survey*, May 2018.

⁵¹ The American Chamber of Commerce in South China, *2018 Special Report on the State of Business in South China*, February 2018.

Interviews of business leaders by KPMG and the Australian Chamber of Commerce Hong Kong (AustCham) indicated that Hong Kong has a significant opportunity to benefit from the GBA initiative, and to participate in creating a globally competitive business region.⁵² A 2018 report by CPA Australia on a member survey with 351 responses indicated nearly half of the respondents intend to expand their business or career into the rest of the GBA in the next five years.⁵³ According to business leaders interviewed by the Hong Kong Institute of Certified Public Accountants (HKICPA) in November 2017, the “GBA has the potential to be game-changing on a national level” and noted that some big accounting firms were already managing their resources from a “southern China regional perspective” with a view to better coordinating their Hong Kong and Guangdong operations.⁵⁴

A September 2017 KPMG and Hong Kong General Chamber of Commerce (HKGCC) report based on a survey of 614 business executives from around the GBA concluded that the GBA will be an important growth engine for the Mainland, with 90% of survey respondents indicating that the GBA is likely to have a positive impact on China’s economy, and that being part of the GBA will be good for Hong Kong.⁵⁵ In 2018, KPMG, the HKGCC, and HSBC published results of a similar survey. Seventy-seven percent of the more than 700 respondents expect the GBA’s economic growth to exceed that of the rest of China over the next three years and 57% said that their company has a strategic plan for the GBA.⁵⁶

Identifying the Opportunities

There are five main sources of GBA-related opportunities for Hong Kong, Hong Kong people, and Hong Kong companies. These are opportunities that stem from the economic size and growth of the region driven by underlying economics and policy, from greater connectivity in the GBA, from further economic opening to Hong Kong companies, from people-centric policies and developments in the GBA, and from Hong Kong’s distinctive position through “One Country-Two Systems.”

Opportunities from Economic Size and Growth

The GBA has a population of approximately 70 million people and a GDP in excess of USD 1.5 trillion. If the population and economic projections made for the region hold, that will become at least 80 million people and USD 3.5 trillion in GDP by the early 2030s. By that time, the GBA’s GDP should be larger than all but four countries. Such a change not only would result in a larger market, it would result in a completely different market.

The consumer market will change dramatically with increasing affluence and the development of a more permanent population. The result will be a broadening and upscaling of the consumer goods market, the emergence of a medium and high-end consumer services market, and the emergence of a much larger market for public services and amenities.

⁵² KPMG China and The Australian Chamber of Commerce Hong Kong, *Connecting opportunities in the Greater Bay Area*, November 2018.

⁵³ CPA Australia, *Greater Bay Area Initiative: Factors Important to its Success: Report on CPA Australia’s Greater Bay Area Member Survey*, 2018.

⁵⁴ Hong Kong Institute of Certified Public Accountants, “Bay of Plenty,” *A Plus Magazine*, November 2017.

⁵⁵ KPMG China and the Hong Kong General Chamber of Commerce, *The Greater Bay Area: A survey on key drivers for Success*, September 2017.

⁵⁶ KPMG China, HSBC and the Hong Kong General Chamber of Commerce, *The Greater Bay Area: A survey on key drivers for Success*, September 2017 and KPMG China, HSBC and the Hong Kong General Chamber of Commerce, *Navigating the Greater Bay Area: Second annual survey on key drivers for success*, 2018.

The industrial market will also be transformed as GBA companies vertically integrate to add more value, source more of their inputs and equipment from within the region, and become more sophisticated in their use of producer services. The result will be a diversified regional economy, including light, medium, and heavy industry; high, medium, and low-tech industries; producer, consumer, and public services; final assembly, components, inputs, machinery, equipment, and supporting services; and so on.

Economic growth will not just take place in the existing core cities of the GBA (Hong Kong, Macao, Guangzhou, and Shenzhen), rather GBA development is rapidly spreading to what were once more peripheral cities in the region, which are becoming increasingly attractive as markets and production locations.

In addition to natural economic evolution, specific sectors will receive substantial support from Central, Provincial, and Municipal Governments in Guangdong. The Outline Development Plan calls for the specific targeting of dozens of sectors, including numerous high-tech industries, advanced manufacturing industries, business service sectors, education and medical services, logistics, leisure industries, and others. If the implementation is similar as for other Mainland documents of this type, that will mean streamlined approvals, land and infrastructure provision, R&D funding, education and training funding, preferential financing, and other government policies to support these industries. Many Hong Kong companies operating in the PRD cities of the GBA in these industries will be eligible for several types of support in the PRD. The Plan specifically calls for support of Hong Kong as an international maritime center, a business and professional service center, a financial center, a trade center, an aviation hub, a logistics and transport center, a legal and dispute resolution center, a commercialization center for regional innovation, and an IP trading center. All of these represent opportunities for Hong Kong.

Opportunities from Greater Connectivity

The opening of the Hong Kong-Zhuhai-Macao Bridge, the XRL, the new Liantang/Heung Yuen Wai Boundary Control Point, additional crossings across the Pearl River, and improved transportation within Guangdong is a game changer for Hong Kong. Better connectivity gives Hong Kong service providers the ability to reach much wider markets. Better connectivity gives Hong Kong manufacturing and trading companies much more choice in setting up supply chains in the region as well as a much better ability to sell into the GBA. Hong Kong companies, particularly SMEs, can also manage a much wider set of corporate activities, such as headquarters, R&D, marketing and sales, production, after sales service, and logistics across a much broader area than previously.

Better connectivity provides Hong Kong people with a much greater opportunity to either live in Hong Kong and work or study in Guangdong or live in Guangdong and work or study in Hong Kong. Better connectivity also opens up the entire GBA's cultural and leisure resources to Hong Kong people to an unprecedented extent. It is now possible to wake up in Hong Kong, have breakfast in Shenzhen, lunch in Guangzhou, dinner in Zhuhai, catch a show in Macao, and return to Hong Kong all in one day. It is only a matter of time before Hong Kong people, particularly Hong Kong young people, are taking advantage of these resources.

The Plan calls for the completion of infrastructure projects already committed, such as the Shenzhen-Zhongshan Bridge, the Shenzhen-Maoming Railway, links to the Pan-Pearl River Delta provinces, and

numerous projects inside the region. One goal is to reduce the travel time between any two major cities in the GBA to one hour or less. Once this achieved, these cities will be essentially integrated from a transport, logistics, and economic standpoint. The Plan also calls for significant streamlining of boundary crossing rules and practices to enhance intraregional flows. Specific mention is made of further improving connectivity to Hong Kong and streamlining Hong Kong-Mainland travel and boundary crossing.

Opportunities from Further Economic Opening

Hong Kong companies and people have already benefitted greatly from economic opening due to CEPA, the Guangdong Free Trade Zone, and numerous demonstration zones for Guangdong-Hong Kong-Macao service sector cooperation. The Plan commits to substantial additional opening that will benefit Hong Kong companies. It calls for the nine PRD municipalities to develop systems and regulations in line with advanced international practice for investment and trade. It calls for deepening the implementation of liberalization for the service sectors of Hong Kong and Macao under the respective CEPAs. It calls for cooperation between the Mainland, Hong Kong, and Macao in developing a wide range of professional services, cooperation that should result in additional opportunities for Hong Kong professionals. It calls for a strengthening of cooperation on dispute resolution, greater investment facilitation, greater trade liberalization (particularly for Hong Kong and Macao companies), expanding the scope of mutual recognition of professional qualifications, and facilitation of cross-boundary practice in the GBA. It also encourages Hong Kong entities to set up research, development, and other innovation-related activities on the Mainland; opening of Mainland-funded research projects and activities to be open to Hong Kong entities and individuals; and the use of Hong Kong as a place to commercialize and internationalize developments in the GBA.

The Plan also provides specific roadmaps for further opening and reform in Qianhai, Nansha, Hengqin, and other cooperation or development zones. For Qianhai, the Plan calls for more extensive links with Hong Kong in high-end services, cooperation between the Qianhai Mercantile Exchange and Hong Kong Exchanges and Clearing Limited in commodities trading, developing platforms for trade cooperation and globalization, enhancing cooperation with Hong Kong in legal matters (including dispute resolution for the Belt and Road Initiative and IP protection). Nansha is to cooperate with Hong Kong and Macao in innovative development, financial services, and logistics. In Hengqin, the Plan calls for much more extensive cooperation with Macao, but also greater opening to Hong Kong. It supports several specific examples of cooperation with Hong Kong with Shenzhen, Dongguan, Foshan, Jiangmen, and others, and calls for support for each of the nine PRD cities to set up cooperation zones with Hong Kong and Macao, an initiative that could dramatically expand Hong Kong's opportunities in several of the PRD cities.

Greater opening to Hong Kong and Macao companies and individuals is also specifically identified by the Plan in investment, trade, a wide range of financial services, transport, logistics, education, healthcare, accounting, legal services, arbitration, social services, cultural and creative industries, management consultancy, testing and certification, construction and engineering, and tourism. All of these represent significant opportunities for Hong Kong, Hong Kong people, and Hong Kong companies.

Opportunities from People-centric Policies and Developments in the GBA

Opportunities for Hong Kong can also be found in the people-centric policies and developments in the GBA, many of which are reflected in the Plan. The governments in the GBA have been working together on environmental issues for more than a decade. The Plan calls for the implementation of major conservation, restoration, and remediation projects in the region. It calls for more stringent implementation of environmental regulations; an increased focus on environmental protection; active programs to reduce air, land, and water pollution; and promotion of a clean, green, low-carbon environment.

The Plan also promotes progress and cooperation in education, culture, tourism, and social security to develop a quality living circle for living, working, and traveling. In education, the Plan calls for support for joint operations of institutions by Guangdong, Hong Kong, and Macao entities; encourage educational exchanges and mutual recognition of academic credits; bringing world-class universities into the region; encouraging and facilitating Hong Kong and Macao students to study in Guangdong; cooperate in vocational education; and encourage cooperation and exchanges for primary and secondary schools. The Plan calls for the development of a talent pool in the PRD drawing on Hong Kong Macao experience.

In culture, the Plan calls for cross-boundary programs to protect cultural heritage sites, organize cultural heritage exhibitions and performances, and support promotion of Lingnan culture. It also calls for joint promotion of cultural development, and specific programs related to the Hong Kong Palace Museum, the Xiqu Centre in the West Kowloon Cultural District, and Hong Kong-based creative talents and events, like the Hong Kong International Film & TV Market, the Hong Kong Book Fair, and the Business of Design Week. In tourism, the Plan calls for support for Hong Kong as an international tourism hub, and a cruise terminal center, as well as including Hong Kong in multi-destination tourism efforts and promotion.

In employment and entrepreneurship, the Plan specifically calls for efforts to make it easier for Hong Kong and Macao residents (particularly young people) to live and work in the Mainland. Experimental zones for employment and entrepreneurship for Hong Kong and Macao people are to be established in Qianhai, Nansha, and Hengqin. Local subsidies and support in the Mainland will be extended to qualifying Hong Kong entrepreneurs and SMEs and several Hong Kong and Macao youth innovation and entrepreneurship support programs are described. Since the release of the Plan, it has also been announced that Hong Kong people can be eligible for favorable tax treatment should they choose to work in the Mainland.

In the health area, the Plan calls for increased ability of Hong Kong and Macao healthcare providers to set up in the PRD, and for further cooperation with Hong Kong and Macao centers for Chinese medicine. It also encourages Hong Kong and Macao professionals to visit the PRD on academic exchanges and short-term private practice, and for cross-boundary consultation and referrals to be enhanced. The Plan also calls for exploring allowing Hong Kong and Macao resident working and living in Guangdong to the same treatment as Mainlanders for education, medical services, elder care, housing, and transport. If enacted, this would significantly reduce one of the issues that prevents Hong Kong people from living and working in the PRD. Hong Kong and Macao investors are also encouraged to establish social service institutions, such as elder care.

The result of all of these initiatives will be to improve the living environment in the GBA and to significantly increase the access of Hong Kong people to services and opportunities in the PRD.

Opportunities from “One Country-Two Systems”

The Central and local governments involved in the GBA are committed to the “One Country-Two Systems” arrangement, which includes separate membership of the People’s Republic of China, Hong Kong, and Macao in the WTO. These arrangements have been cited repeatedly by senior Chinese officials as key advantages for the region that provide substantial benefits to China as a whole. The Plan continues this policy:

To adhere to “one country, two systems” and act in accordance with the law. To integrate the adherence to the “one country” principle and the respect for the differences of the “two systems”, stay committed to the basis of “one country”, and leverage the benefits of “two systems”. To integrate the upholding of the Central Government’s overall jurisdiction and the safeguarding of a high degree of autonomy in the special administrative regions, respect the rule of law, and act strictly in accordance with the Constitution and the Basic Laws. To integrate the needs of the country with the strengths of Hong Kong and Macao, fully leverage the market-driven mechanism, foster complementarity among Guangdong, Hong Kong and Macao, and achieve joint development.⁵⁷

In fact, the Plan calls for taking “One Country-Two Systems” farther. Hong Kong is called a “core city” of the GBA which should be strengthened in its own right and through linkages with the rest of the region. Much of the Plan discusses streamlining the interaction between Guangdong (or the Mainland), Hong Kong, and Macao further through infrastructure, cooperation, and additional opening. Most of the additional opening is to provide Hong Kong and Macao companies and people with greater access to the Mainland, including in trade, investment, services, R&D programs, access for work, access to social services, and business support programs. At the same time, Hong Kong’s positioning as a market-oriented and open economy, with rule of law, advanced business environment, international linkages, strong capabilities, and a distinct system are also retained and emphasized. Many of the special aspects of Hong Kong and its economy are highlighted and its complementary nature with respect to Guangdong and the Mainland highlighted.

The net result of the provisions of the Plan is to reaffirm the commitment to “One Country-Two Systems,” while supporting Hong Kong to extend its present roles, take on new roles, and extend its cooperation with the rest of the region. Hong Kong’s major business sectors are acknowledged and supported, connectivity between Hong Kong and the rest of the region is streamlined, and substantial new opportunities for Hong Kong companies and Hong Kong people in the Mainland are described. The thrust is one in which Hong Kong will have additional new opportunities related to “One Country-Two Systems” going forward.

⁵⁷ Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, p. 14-15.

GBA Opportunities for Hong Kong in Perspective

The opportunities for Hong Kong, Hong Kong people, and Hong Kong companies in the GBA are clearly enormous.

The combination of the GBA's economic size and growth, Mainland support policies, increased economic opening, better connectivity, more comprehensive people-centric policies , and Hong Kong's position under "One Country-Two Systems" provides opportunities for Hong Kong business to expand its traditional roles (in management, professional services, financial services, trade, logistics, and international marketing and sales) and develop new roles (as a clearing house for international idea flows, data and information flows, and new types of financial services). The same combination will allow Hong Kong to perform these traditional and new roles for traditional industries (assembly manufacturing, business and financial services, trade and logistics, etc.) as well as for new industries (including AI, big data analysis, new types of health services, the high-tech industries of the PRD, and the new heavy industries and services sectors in the PRD). The same combination will also allow Hong Kong to perform these traditional and new roles for traditional geographies (Hong Kong, Macao, Shenzhen, Dongguan, Guangzhou, and Foshan) as well as for new geographies (Zhuhai, Huizhou, Zhongshan, Jiangmen, and Zhaoqing). In fact, the largest economic opportunity for Hong Kong today is extending its roles, industry coverage, and geographic coverage in the GBA.

For Hong Kong people, the combination of the GBA's economic size and growth, Mainland support policies, increased economic opening, better connectivity, and more comprehensive people-centric policies should provide opportunities to improve their employment and livelihood potential, their physical environment, their working and living options, their cultural and leisure opportunities, and enhance their overall well-being.

Further involvement in the GBA by Hong Kong people is a matter of choice. There are opportunities for those who wish to pursue them, but no requirement to pursue them for those who choose not to. However, the GBA initiative literally opens new horizons for many Hong Kong people and for the first time provides a realistic possibility of Hong Kong and Hong Kong people having a real "domestic market" and "hinterland" behind them and not being as limited by space constraints, congestion, high costs, and the business and employment opportunities of a small and specialized economy. Hong Kong's future is linked to that of the GBA and in many ways, the level of interaction that could make the GBA one of the world's "super regions" has just begun.

7. Creating the GBA of the Future

Creating the GBA of the future means both addressing the opportunities and challenges that the region faces. The goal here is not to be exhaustive, but rather to suggest steps that would help the GBA reach its economic potential. Many of these steps are extensions and enhancements of things that are already being done or happening in the region. While many of the suggestions arising from this Study are reflected in The Outline Development Plan, we include them here as they were developed in parallel and, in some cases, represent extensions of what may be found in the Plan. The steps we suggest are:

- Foster Further Economic Reform and Opening
- Enhance Business Promotion in the Region
- Create Regional Development Initiatives
- Enhance the GBA Workforce
- Increase Understanding of the Region
- Develop GBA Institutions and Organizations

Foster Further Economic Reform and Opening

The GBA is supposed to be an experimental zone for further economic reform and opening in China as a whole. This goal can be progressed in several ways.

Harmonize and Streamline Regulations

Surveys of businesspeople in the GBA indicate that different regulatory systems in the region act as a hindrance to business. The suggestion here is to seek out areas in which regulation, standards, and qualifications can be harmonized around the GBA. The idea is to follow the EU practice, as outlined in Appendix A below, of having a combination of minimum standards, harmonization and mutual recognition. The inherent flexibility of this approach would potentially minimize friction within the GBA while strongly supporting “One Country-Two Systems.” Areas that could benefit from such an approach would be import-export clearances, product standards, building codes, and others. In import-export clearances, each of the jurisdictions in the region should be encouraged to move as quickly as possible to “single-window” trade documentation in which all documentation goes to a single authority in each jurisdiction. The PRC, Hong Kong, and Macao all committed to do so when they signed onto the WTO Agreement on Trade Facilitation (ATF) which entered into force in February 2017, though the timing of the commitments varies across the three. The jurisdictions in Guangdong should be encouraged to unify around one set of practices. Then the single windows of the Guangdong cities could be linked to those of Hong Kong and Macao with an eye toward streamlining the clearance process around the region. A further CEPA announcement on 14 December 2018 is a clear step in this direction. It is worth noting that the ATF encourages cooperation between different customs jurisdictions in relation to those services required to enable goods to cross frontiers (such as transport, finance, insurance, logistics, agency services and so on). In fact, the heart of ATF customs clearance is a service affecting trade in goods. Such efficiency-enhancing cooperation can generally be assumed to be immune from a WTO challenge on grounds of discrimination against third-party WTO members.

The kind of cooperation envisaged in the ATF can potentially be far-reaching in respect of the services concerned, including matters such as standards and the qualifications of services suppliers.

Where possible, the jurisdictions of the GBA should assess the potential for harmonizing professional certification and qualifications to make it easier for professionals from one jurisdiction to qualify in another. Harmonization of product standards could also be considered to allow businesses to work to satisfy harmonized standards rather than many different standards. Harmonization should be accompanied by simplification and streamlining where possible. International best practice, such as in the EU, could be examined for examples of how this could be achieved. Enforcement would remain with the individual jurisdictions to ensure that local authorities are responsible for maintaining standards.

Expand Opening and “National Treatment” Provisions under CEPA

After numerous rounds of CEPA over a 15-year period, the Chinese Mainland has fully or partially opened up 153 sectors to Hong Kong and Macao services industries. According to the HKSAR’s Commerce and Economic Development Bureau, the sectors not yet open “do not belong to the key industries which Hong Kong service providers are investing or developing their businesses in the Mainland.”⁵⁸ The preferential treatment that Hong Kong and Macao service suppliers can enjoy takes various forms, including allowing wholly-owned operations, relaxing equity share restrictions, reducing registered capital requirements, as well as relaxing restrictions over geographical location and business scope.

We would propose that any services not specifically linked to national security be designated for opening to Hong Kong and Macao companies on a “national treatment” basis, at least within the GBA, and a timetable be set for the opening. In addition, we suggest that “national treatment” mean not just access, but also similar treatment as local firms in terms of post-entry regulation, access to business from government and state-owned enterprises, and access to inputs and markets. This would not only help Hong Kong companies, it would also help the development of the service sector in Guangdong, and would benefit customers who would have a wider variety of service providers at their disposal.

Expand and Unify the GFTZ and the Service Cooperation Zones

According to President Xi Jinping, the Guangdong Free Trade Zone is supposed to be at the cutting-edge of China’s opening and reform program. However, the GFTZ is only 115 sq km (the GBA is 55,000 sq km) and its opening is highly regulated. In addition, while there are at least 13 Demonstration Bases for the Liberalization of Trade in Services between Guangdong, Hong Kong, and Macao, they are fragmented. Each is focused on particular sectors; and each has its own rules, regulations, and policies.

⁵⁸ Hong Kong SAR Government, Mainland and Hong Kong Closer Economic Partnership Arrangement, (Hereinafter referred to as “CEPA”) Agreement on Trade in Services Frequently Asked Questions. https://www.tid.gov.hk/english/aboutus/fag/files/FAQ_Eng.pdf.

We suggest that, in time, the GFTZ and the Demonstration Bases be expanded and unified. By expansion, we mean both geographic expansion as well as expansion of the number of sectors opened or encouraged in the zones and bases. Consideration should also be given to providing a common set of favorable policies across the zones and bases and unifying their administration. This would provide a clearer, less complex situation for business and make the zones and bases the catalyst for GBA-wide reform and opening rather than isolated enclaves. A bolder stroke would be setting a timetable for expanding the GFTZ to encompass all nine Guangdong cities in the GBA. This move would be a game changer for GBA development and a major step forward on China's stated path of further reform and opening.

Enhance Business Promotion in the GBA

Better connectivity and greater cooperation around the GBA will foster opportunities for new or renewed joint promotion opportunities. These include opportunities in investment promotion, research and development, education, medicine and healthcare, tourism, major events, and promotion in specific industries.

Undertake Joint Promotion

Positioning the GBA as an increasingly connected and integrated region should allow for regional promotion where the sum will be more than the parts. The distinctive features of the GBA, including Hong Kong's well-established role as a global platform, could attract major companies in greater numbers to place different activities, like regional headquarters, financial activities, marketing and sales for southern China, research and development, and manufacturing in different parts of the region. The availability of such a variety of locations within a small geographic area is unique in the world.

If packaged properly, the GBA could provide a unique, integrated offering to investors. This could be supported by a GBA investment portal, which would highlight key information about the region, links to the relevant investment promotion agencies, specific projects available for inward investors, and examples of leading companies that have invested in the various parts of the GBA. Such a regional approach could supplement and enhance efforts already undertaken by the individual cities in the region.

Develop "Internationalization Incubators" in Hong Kong and Macao for Guangdong Firms

Many companies from Guangdong have little knowledge or experience with international markets and operations. They need a base from which to internationalize to leverage and extend their competitiveness. Many find it difficult to use Hong Kong or Macao as internationalization platforms on their own. We propose the creation of GBA internationalization platforms to be set up in Hong Kong and Macao. These platforms would be like "internationalization incubators," which would co-locate GBA company offices with internationalization support service providers such as international lawyers, accountants, consultants, and other business professionals. Also co-located would be support services from relevant government agencies.

The incubators would dramatically increase the ease of PRD companies using Hong Kong and Macao as internationalization bases, would concentrate experience from PRD companies, and provide a ready market for Hong Kong and Macao service providers. Companies that graduate from the “internationalization incubators” would move out to their own premises.

Promote Regional Cooperation in Research and Development

The GBA has a variety of research capabilities and significant cooperation is already taking place. For example, Guangdong and Hong Kong launched the Guangdong-Hong Kong Technology Cooperation Funding Scheme (TCFS) in 2004 to encourage collaboration between research institutions and industries of the two places. Shenzhen joined the scheme in 2005. As of September 2018, 103 projects had been jointly funded by Guangdong/Shenzhen authorities and the HKSAR Government. Cooperation on research and development could combine capabilities to lead to quicker and more important results. While there are a number of joint research projects underway in particular institutions, here we mean higher level programs and projects similar to those carried out in the EU.

One approach would be to create a joint commission of experts from Guangdong, Hong Kong, and Macao that would set priorities, identify potential projects, and identify potential collaborators. The TCFS listed above could be a template for funding for GBA-wide collaboration. Other forms of regional cooperation in R&D could be Hong Kong and Macao organizations setting up research facilities in Guangdong and Mainland organizations setting up facilities in Hong Kong and Macao. Hong Kong and Macao can be sources of international knowledge, information, and personnel, while Guangdong can be a source of resources, personnel, and commercialization opportunities.

Carry Out Joint Tourism Promotion

The GBA has a wealth of tourist attractions. Guangzhou is the bustling capital of Guangdong Province; Foshan is a bastion of Cantonese culture; Shenzhen is a high-tech metropolis; Macao is the world’s leading destination resort; Hong Kong is one of the world’s most exciting international cities; and so on. Substantial improvements in connectivity are making it possible to market the GBA as a joint tourism destination. The idea would be to improve the competitiveness of the GBA as a tourism destination versus other regions and to encourage visitors to any part of the region to stay longer. While there has been discussion of joint promotion of tourism in the GBA actual implementation on a significant scale has yet to take place. Multi-day tours with stops in different cities in the region are relatively easy to arrange. Part of the government tourism efforts by the cities in the region should be devoted to joint marketing. A GBA tourism portal should be set up that highlights the attractions of the region.

Tourism operators in the region should also be encouraged to cross-sell visits to other parts of the region. Hotels in the region, for example, should help publicize day trips to other parts of the GBA and the different cities should market their attractions in popular tourist spots in other cities around the region. We see the potential for the development of a substantial intra-regional tourism business over and above what is already offered in the region. The logistics of offering one or two-day on-demand tourist visas could be explored to facilitate the process. Of course, this would be more useful for

foreigners than for residents of the region, in particular Mainland visitors require a valid exit endorsement before they can depart for Hong Kong or Macao, thus limiting flexibility.

Promote Cross-boundary and Major International MICE Events

The GBA has some of the world's most important MICE (meetings, incentives, conventions, exhibitions) venues and the region hosts some of the world's most important MICE events. Guangzhou, Shenzhen, Hong Kong, and Macao are known around the world for, respectively, the Canton Fair, Shenzhen's High-tech Fairs, Hong Kong's consumer goods trade shows, and Macao's gaming and related shows. In addition, these cities are leading locations for corporate meetings, incentive travel, and conventions. Greater connectivity in the GBA opens up the potential to sponsor, bid for, and / or host cross-boundary MICE events. At the simplest level, events at Hong Kong's AsiaWorld-Expo, for example, could have entertainment and visit options in Macao and Zhuhai across the region's new mega bridge. Similarly, events in Macao and Zhuhai could have options in the SKYCITY development under construction at Hong Kong International Airport.

Business meetings, incentive events, and even conventions could conceivably take place in multiple cities on consecutive days, each city providing its own flavor. This novel, multi-city approach could be attractive to event organizers who often choose between well-explored individual destinations or individual destinations without a critical mass of nearby attractions. Even if events are held in a single city, there is still scope for joint promotion given the fact that anything that builds traffic and visibility for the GBA will benefit all the cities in the region. The "World Congress of Accountants" for example, attracts a few thousand accountants each year. However, millions of accountants see the notices, fliers, and marketing for the congress. Other events have a similar reputation multiplier effect. Attracting such events will therefore help the marketing for the region as a whole.

Promote Cross-boundary Sports, Expos, and Cultural Events

A similar approach could be used to attract other international events, such as international sporting events, international expos, and international cultural events. At present there are relatively few sporting and cultural events that attract people from outside the GBA to the GBA, and that encourage movement within GBA. Those that do include Formula 3 in Macao, the Rugby Sevens in Hong Kong, Formula E in Hong Kong, and the Hong Kong Tennis Open. Cities like New York and London attract people to do business and to visit because they offer sporting and cultural events that complement their business sectors and which enhance their overall attractiveness, sense of excitement, and dynamism.

The GBA could seek to identify, attract, and host major sporting and cultural events, and could explore opportunities to create "home grown" events that would appeal to GBA residents and to visitors from other parts of the world. Of particular interest should be events that might be multi-city by their nature (long cycling events, marathons, large-scale events like the Asian Games), events that attract large audiences, and events that might involve people doing side trips to other parts of the region from where the event is being held. The idea would be four-fold, combine the resources of the GBA to obtain the critical mass of venues necessary to attract events; use the ability for participants to experience the different locations, attractions, and cultures of the region as a selling point and

marketing tool; add to the sports and cultural life of the region; and use regional events to allow some of the smaller cities in the region to participate in events in a way they could not do alone.

Promote Educational Cooperation

Historically, there was relatively limited interaction and cross-fertilization between Hong Kong, Macao, and Guangdong universities and educational institutions. As a result, the region was not optimizing the use of its education and research resources. The Guangdong-Hong Kong-Macao University Alliance set up by the Chinese University of Hong Kong, Sun Yat-sen University, and the University of Macao in 2016 is one effort to promote academic cooperation in the three regions. One suggestion is to foster more collaboration between universities in the region, including the setting up of satellite campuses of Hong Kong / Macao institutions in the PRD.⁵⁹ Collaborative degree and non-degree programs could also be developed. This would be over and above the research collaboration that does go on among GBA institutions. Students from the region would benefit from access to a broader range of resources and exposure to faculty and researchers from elsewhere in the GBA. Faculty and researchers would benefit from making links, comparing notes, and gaining insights from colleagues from around the region. The region would benefit from a better use of educational resources in the region.

Attract World-leading Educational Institutions to the GBA

Educational cooperation around the GBA will not by itself lead to educational leadership. Cutting-edge universities around the world are sources of innovation, knowledge creation, and graduates for the knowledge-innovation-creative economy. While the GBA has a number of fine universities, it does not have many world-leading universities that are driving the region forward. The GBA is behind other parts of China and Singapore in attracting campuses of world-leading universities. Here, we suggest that the GBA follow the example of NYU-Shanghai (which has half of its students from China and half from the US and rest of the world), Duke-Kunshan (which has students from 29 countries), and Yale-NUS Singapore (40% of students from outside of Singapore) and bring in world-leading universities to set up full campuses (undergraduate, graduate, research) to help drive education and innovation in the region forward.

Land and infrastructure should be provided, immigration and certification procedures should be expedited, and the institutions should be encouraged to recruit students globally. While the campuses can be (and, in the PRD, would have to be) done with local partners, the foreign partner should be given the bulk of the control over curricula, faculty selection, and overall management. We would suggest that at least three such campuses be developed in the GBA, one on the Eastern side of the GBA (Hong Kong or Shenzhen); in the Central GBA (Guangzhou or Foshan); and one on the West side of the GBA (Zhuhai or Macao).

⁵⁹ We note that the Hong Kong University of Science and Technology is exploring setting up a campus in Nansha.

Promote Medical Cooperation

One of the most pressing medical issues in the GBA is the improvement of public health and the provision of adequate facilities in Guangdong. Rapid population growth and a past in which healthcare expenditures were made on the basis of registered rather than actual population left the Guangdong portion of the GBA underserved with medical facilities. Medical centers in the GBA have limited presence outside their home jurisdictions with the exception of a limited number of institutions. We believe there is scope to foster more collaboration between medical centers in the region through the development of collaborative programs between PRD, Hong Kong, and Macao institutions. The idea here is for the various jurisdictions in the region to welcome and support the creation of satellite medical centers and collaborative programs between their local medical centers and those from elsewhere in the GBA.

Guangdong local governments have already signed agreements with the Hong Kong and Macao governments to encourage Hong Kong and Macao service providers to establish sole-owned or cooperative medical institutions and have arranged for fast-track approval of such hospitals. These privately-invested hospitals can charge for non-Hong Kong residents, but give Hong Kong permanent residents (not only retirees, but also Hong Kong people working in the PRD) treatment as in Hong Kong. They are not a part of the medical insurance system of Guangdong, but attract patients who prefer the Hong Kong-style treatment at their own expense. Allowing such hospitals to participate in both the Hong Kong and Guangdong medical insurance programs would enhance their contribution to the region, allow them to expand their patient base, and allow them to act as overflow capacity for the local hospital system.

Attract World-leading Medical Institutions to the GBA

Medical cooperation will not necessarily lead to medical leadership. Healthcare is one of the world's most important and dynamic industries, involving cutting-edge technology, advanced equipment, advanced software know-how, finance, and management. Cutting-edge medical centers are drivers of innovation and knowledge creation, and make their cities far more attractive for internationally mobile professionals. While the GBA has a number of fine medical centers that provide quality healthcare, and the world-renowned Karolinska Institute has set up a research node in Hong Kong, the region has not developed world-renowned hospitals and has not become a leading destination for those seeking medical services around the world. On the other hand, Johns Hopkins (Singapore), Massachusetts General Hospital (Shanghai), the Mayo Clinic (Hangzhou), and the Cleveland Clinic (Shanghai) have all had collaborations that have brought world-class medical services and management to other places in Asia.

We suggest that the GBA actively seek partnerships from top international hospitals that include management by the international partner. Land should be provided at zero cost and the cities in which they are located should contribute to the construction and infrastructure requirements. The idea would be to raise the bar for medical services, research, and training in the region to world-class standards.

Explore Whether Hong Kong can become a Data Hub for the GBA

Interest is growing among GBA data industry leaders in Hong Kong in the idea of the SAR becoming a global data hub. They recently established an Institute of Big Data Governance to act as conduit for stakeholders to develop a mechanism for streamlining cross-boundary data flows using Hong Kong's position under "One Country-Two Systems."⁶⁰ Freer data flows would be an important enabler of business growth in the GBA, potentially making it possible for enterprises and service providers in Hong Kong to warehouse and process consumer data collected in the Pearl River Delta alongside data collected in Hong Kong and elsewhere, as a basis for sharpening their marketing and offerings.

The key is whether a set of rules can be worked out that allows Hong Kong access to some Chinese data that is not available elsewhere outside the Chinese Mainland. Hong Kong is open to international data flows and Hong Kong's data privacy laws are stringent in international terms. China, on the other hand requires that data obtained in China or on Chinese citizens be housed exclusively in the Chinese Mainland. The question arises as to whether Hong Kong can become a "neutral" location for combining Chinese and non-Chinese consumer data. For this to occur, Hong Kong would need to be provided access to Chinese data under strict monitoring and auditing protocols to ensure that data is only used for approved purposes. Initial discussions are underway on how this could be addressed in order for Hong Kong to perform the role of a data hub in the region.

If so, then Hong Kong could be a location in which international companies may choose to place China data activities; Chinese companies may choose to place international data activities, and some organizations may wish to place global data activities. This would have clear benefits for Hong Kong and may also have benefits for the Chinese Mainland as it would make Hong Kong more attractive as a location for data scientists and data capabilities that could add to the overall development of the IT and tech sectors in the GBA.

Create Regional Development Initiatives

New connectivity and cooperation in the GBA should allow for regional development initiatives that might have been impractical until now.

Encourage Smart City and Smart Region Development in the GBA

Many cities around the world are enhancing civic life, sustainability, and effectiveness in delivering public services through "smart city" strategies. While many "smart city" applications are fundamentally local in nature (management of parking spaces and street lighting for example), others could be regional in nature. The GBA could learn from such strategies and undertake parallel development of smart city strategies in the individual cities of the GBA, with communication and knowledge sharing across the cities. With sufficient foresight, it might be possible for cities in the region to work together so they develop similar, compatible programs and platforms that allow for maximum sharing of knowledge and experience.

⁶⁰ Institute of Big Data Governance Established in HK <https://www.cw.com.hk/it-hk/institute-big-data-governance-established-hk>. Accessed 7 December, 2018.

A further step would be to set up “smart” activities at the GBA regional level on a regional platform. Weather reporting, traffic monitoring and management, storm preparation, disaster relief, utilities planning and operation, environmental monitoring, and similar areas might be the first collaborative “smart region” projects. As integration of cities continues in the PRD in the “city clusters” of Guangzhou, Foshan, and Zhaoqing; Shenzhen, Dongguan, and Huizhou; and Zhuhai, Zhongshan, and Jiangmen, we would expect to see “smart city” programs expand to “smart city cluster” programs, and perhaps to “smart region” plans. We suggest that a GBA Smart City Forum be created so that the cities can share their experiences.

Build “Hong Kong” Developments in the GBA

One obstacle to further economic interaction in the GBA is that people from Hong Kong and Macao often hesitate to live and work in the PRD because the style of living, local services, and operating environment are different and unfamiliar. Cities with a Hong Kong “feel”, located near key transportation nodes in the PRD that provide quick and easy transport access to Hong Kong, could help to address this issue. These cities should create their own “microenvironment” with the look and feel of Hong Kong and be attractive to people from Hong Kong, Macao, and the PRD.⁶¹ They would be large-scale mixed-use developments built in Hong Kong’s distinctive style. Hong Kong retailers, food and beverage, entertainment, medical clinics and schools should also be attracted. Hong Kong universities should be encouraged to set up offices or extension programs nearby. Hong Kong work-at-home professionals and businesses should be encouraged to locate in the cities.

Land, tax, housing, infrastructure, business startup and other policies already available in Guangdong-Hong Kong-Macao Cooperation Zones and / or the Guangdong Free Trade Zone for businesses, particularly those linked to Hong Kong or Macao, should be provided. The proposed new “Hong Kong” developments should look to attract Hong Kong, Macao, and PRD professionals interested in operating in a Hong Kong-style microenvironment at lower cost than available in Hong Kong. In addition, local districts could use this concept to revitalize their local economies through increased Guangdong-Hong Kong-Macao cooperation and interaction.

Enhance the GBA Workforce

Workforce capabilities and labor markets are major determinants of productivity in economies. The GBA will need to better develop its human resources if it is going to improve its competitiveness.

Develop the Job-ready Workforce in the GBA

Universities around the region have a wide variety of majors that provide professional or pre-professional training that allows graduates to be productive on entering the workforce. Professions like accounting, law, medicine, and engineering have professional bodies that work closely with

⁶¹ See for example Alex Ho, ““Hong Kong City” proposed in Greater Bay Area,” *Harbour Times*, 20 April 2018.

universities on curriculum development and to make sure universities are up to date. In many disciplines, however, there is no professional body to play that role and graduates often go into the workforce without “job-ready” skills that then must be taught by employers.

Here we suggest that the jurisdictions in the region create their own individual Business-Government-University groups to help universities provide the skills required in the local economy in areas not covered by existing relationships. The same idea could be applied at the GBA level, with a high-level Business-Government-University task force charged with helping identify the skills that the GBA will need now and in the future, and coordinating with educational systems to promote the development of these skills. Companies would benefit from the ability to source a more capable regional workforce. The economies of the region should benefit from a more capable workforce. Individuals would benefit from increased employment and job opportunities.

Create German / Swiss-style Apprenticeship Programs

Business-Government-University cooperation does not address the needs of those who do not go to university. Around the GBA, these people are often left to their own devices when they leave school. This is in sharp contrast to the situation in Germany and Switzerland where the majority of young people go through apprenticeship programs that combine education, job training, and work experience. These programs, administered by local governments, employers’ groups, vocational schools, and companies, provide a clear path for “job-ready” skills development. In many if not most cases, young people get their first full-time job with the company where they apprenticed.

The apprenticeship program is credited with allowing Germany and Switzerland to retain high levels of manufacturing employment when countries at similar income levels have lost theirs.⁶² Moreover, the apprenticeship program covers occupations across the economy, including business, finance, and a wide range of service activities. We suggest that all of the GBA jurisdictions investigate the potential for German-style apprenticeship programs. We also suggest that they take advantage of the cooperation with German industry associations, vocational training institutions and companies that already takes place through the Sino-German Industrial Services Zone in Foshan. We note that the HKSAR Government has implemented a Training and Support Scheme through the Vocational Training Council to attract and retain talent for specific industries with a keen demand for labor. This integrates structured apprenticeship training programs with clear career trajectories. Similar to the German and Swiss model, the Scheme provides students with apprenticeship training for targeted industries alongside a guaranteed level of salary and incentive allowance.⁶³

Foster a “GBA-ready Workforce”

Interviewees for this Study as well as others focused on the GBA (such as the HKGCC / KPMG study) indicated the need for a “GBA-capable workforce.” We define this as a workforce with international-level skills and knowledge similar to that often found in Hong Kong, combined with the practical, on-the-ground ability to operate all over the GBA, especially the Guangdong portions of the region. One

⁶² John Ydstie, “Robust Apprenticeship Program Key to Germany’s Manufacturing Might,” *NPR*, 4 January 2018.

⁶³ Hong Kong Education Bureau.

issue is whether people, particularly young people, in the GBA have the ability to work across boundaries, while the other is whether the young people have sufficient education and training to be “job ready” wherever they live. The first issue, which involves understanding at a practical working level, could be addressed in part by the creation of training, internship, and junior professional programs for talented young people.

The idea would be to have a special visa class for trainees, interns, and junior professionals that would allow them to live and work in GBA jurisdictions other than their home for defined periods of time. The approval process would be less onerous than for permanent employment, which generally requires an employer to make the case that no local person could be found to do the job, because the premise would be that the young people would be gaining knowledge and experience useful for when they return home. Thus, the hurdle would be that the employer would have to specify that each secondment was temporary. Of course, should the people reach the skill levels suitable for permanent employment, then that could be handled through existing programs. Such a program would need cross-boundary cooperation to succeed.

Match Immigration to Needs of the Economy

The Chinese Mainland eliminated work permit requirements for people from Hong Kong, Macao, and Taiwan in August 2018. These people are also eligible for some social services in the Mainland, but not all. Hong Kong and Macao require Mainlanders to have work permits or to qualify under special talent schemes. We note that Mainland Chinese are apparently not eligible for Hong Kong’s entrepreneur visa program.⁶⁴ Hong Kong’s existing Mainland talents program appears to be geared more towards people with offers from existing Hong Kong companies than to entrepreneurs. Extending the entrepreneur visa program to PRD residents with good business plans and the potential to benefit Hong Kong seems a natural extension. The screening process already present in the program could be used to make sure that there are clear potential benefits for Hong Kong. The same 2-2-3 pathway (the visas reviewed and, if appropriate, renewed after two years, another two years, and then after three additional years) to permanent residence as in the existing entrepreneur visa process could also be used for PRD residents. We expect that the impact could be small at first, given the high cost of doing business in Hong Kong, but we expect over time that many GBA entrepreneurs could desire to set up businesses in Hong Kong. Again, as with any cross-boundary immigration issue, close cooperation between the Mainland, Hong Kong, and Macao would be required.

Increase Understanding of the Region

A major step in enhancing GBA development will be to increase understanding of the GBA both inside and outside of the region.

Communicate the Opportunities in the Region

The GBA represents a growing consumer market of 70 million people as well as a growing and diversifying industrial market. The dynamism of the region and its individual cities, the unprecedented

⁶⁴ Hong Kong Immigration Department, “Investment as Entrepreneurs,” <https://www.immd.gov.hk/eng/services/visas/investment.html>

connectivity around the region, the concerted efforts by the Central People's Government and governments within the GBA, the enthusiasm for regional cooperation and development, and a new spirit of cooperation in the region all portend a bright future for the GBA. Hong Kong and Macao people have been given unprecedented access to living and working opportunities in Guangdong as the booming economy in Guangdong cities has made those cities more appealing and dynamic.

Initiatives such as the region's CEPAs, the Guangdong Free Trade Zone, the Guangdong-Hong Kong-Macao Service Cooperation Zones, city cluster integration programs in Guangdong, and closer ties between Hong Kong and Shenzhen and between Macao and Zhuhai have opened new business opportunities. Connectivity also provides new opportunities for social, cultural, and leisure activities. It is now possible to wake up in Hong Kong, have breakfast in Shenzhen, lunch in Guangzhou, dinner in Macao, and then return to Hong Kong all in a day. This should be a game changer for the region.

Create a GBA Information Portal

GBA residents will only take advantage of the new connectivity if they have information on the many attractions, events, activities, and restaurants that can now be more readily accessed, as well as a basic understanding of the region. We suggest the creation of a comprehensive multilingual GBA portal that would be a one-stop shop for information on the GBA. A GBA portal might include information on the cities, government offices, and social services; business opportunities, trade fairs, conferences, and job openings; cultural, athletic, and social events; attractions, retail, food and beverage, and entertainment options; ticketing for events and venues around the region; and real-time traffic updates, environmental conditions, and weather reports. The portal could also provide links to newspapers and publications from the region; real-time boundary crossing wait times, calendars of events, and other information on the region.

Several of the items listed above, such as ticketing and advertising of events, are commercial activities. In fact, a portal as outlined above could be operated as a commercial activity as well, sourcing information from public and private sources.

Publish Annual GBA Yearbooks, Policy Reviews, Special Reports, and Guides

We suggest that a range of publications be created to provide information on the GBA for people inside and outside the region. An Annual GBA Yearbook, along the lines of the *Hong Kong Yearbook*, could describe the region, including its facts and figures, report on key issues, and note areas for future cooperation. Chapters could focus on the economy, the environment, transportation, health, human development, planning, finance, innovation, and other topics. An Annual Policy Review could focus on progress on economic opening and reform, cooperative initiatives, and policy innovation in the region. Annual Special Reports on key issues in the GBA such as sustainable development, social development, public health, CSR performance, reform and opening, progress on meeting GBA regional goals, and others should also be considered. We also suggest the creation of a GBA Business Guide (or guides) which pulls together in a user-friendly format the rules, regulations, and administrative procedures around the GBA; as well as information on projects available for investment, contact information for key agencies, and other data useful for businesses setting up in the region. Finally, a GBA Tourism and

Attractions Guide could provide local and foreign visitors with the information they need to take maximum advantage of the leisure resources of the region.

Publicize the Work of Inter-governmental Groups focused on the GBA

There are many inter-governmental groups working on GBA-related issues. As indicated, several expert or working groups on Guangdong-Hong Kong Cooperation have been operating for many years. These groups cover the vast majority of key issues where inter-governmental cooperation can be helpful. Despite the fact that outlines of discussions undertaken by these groups are made publicly available, our experience is that many people in the GBA do not know about the existence of such groups, let alone the outcomes of their deliberations. We suggest that a greater effort be made to get the outcomes of meetings of these groups into the public view.

We expect that with the creation of the new Leading Group there will be added impetus to move discussions forward to actionable initiatives in the areas they address, such as Implementing CEPA; Cooperation in Control Points; Cross-Boundary Infrastructure; Regional and Tourism Promotion; Public Health; Innovation and Technology; Education; Intellectual Property Rights; Culture and Sports; Information Exchange; Waterways, Sustainable Development, Environmental Protection, and Climate Change; Restructuring and Upgrading the Processing Trade; Social Welfare; Qianhai and Boundary District Development; Financial Co-operation; Quality and Inspection Certification, and others.

Build on Exchange Initiatives to Foster Greater Understanding in the Region

There are numerous educational, cultural, social, and professional exchanges in the GBA that contribute to building relationships and understanding in the region. Hong Kong's eight University Grants Committee-funded universities, for example, had a total of 26 exchange arrangements with partner institutions in Guangdong by the end of 2018 and governments in the region have actively promoted such exchanges.⁶⁵ We suggest these be extended so that every Hong Kong and Macao university student who so wishes should have the opportunity to take a semester or a year at a university in Guangdong, and have a reciprocal number of students from Guangdong take a semester or a year at a Hong Kong or Macao institution. A similar concept could be applied to limited numbers of university faculty, research institute personnel, and think tank researchers. The exchanges would be designed to build relationships among researchers and understanding that can lead to further cooperation.

Finally, we note that the use of Home Return Permits (for Hong Kong and Macao residents) and multi-entry Two-way Permits with business multi-exit endorsement (for Mainland PRD residents) allows many people in the GBA to visit other jurisdictions for short-term business or professional travel. However, researchers from the Mainland who work on GBA-related issues, but who do not have a corporate affiliation face a more cumbersome process. We suggest that multiple-entry (or exit, in the case of people from Guangdong) permits/endorsements be made available for researchers based on the GBA who are involved in GBA-related cooperative projects or research. Such a "Greater Bay Area Researcher Exchange Scheme" with clearly defined scope of activities, work places, periods of stay,

⁶⁵ Hong Kong Education Bureau, private communication.

eligibility criteria, and operational arrangements could potentially be worked out by the relevant authorities in Guangdong, Hong Kong, and Macao.

Promote Ongoing GBA Policy Research

There is growing interest in the GBA, a growing body of GBA-related research, and a growing number of research organizations focusing on the GBA. In Hong Kong, for example the government's Policy Innovation and Co-ordination Office (PICO) manages the Public Policy Research Funding Scheme (PPRFS) and Strategic Public Policy Research Funding Scheme (SPPRFS), both of which have funded GBA-related research. In Guangdong and Macao, there are several research institutes that are undertaking GBA-related work. With so much activity, it is hard to keep track of all the interesting research going on in the region. We suggest that an attempt be made to identify the leading organizations that do GBA-related policy research and to make their works available more widely. This could be through an electronic clearinghouse or through more formal means.

Annual, or even quarterly, conferences should bring together key researchers to identify gaps in existing research and to cooperate where possible to fill those gaps. The goal would be to foster a greater understanding of the region, the creation of a unique pool of expertise on the region, and to create a research database for the region that can benefit policymakers, government officials, organizations, corporations and individuals in all cities in the GBA.

Develop GBA Institutions and Organizations

To be fully effective as a region, the GBA will ultimately need to develop its own institutions and organizations. Here we do not propose a large-scale bureaucracy like the EU, but rather the minimum structures necessary to ensure that GBA discussions turn into actions that benefit the region.

Put GBA Institutional Frameworks in Place

The GBA includes multiple jurisdictions, which leads to complicated decision-making and implementation. However, some clear institutional frameworks can be set forth. The Leading Group from the Central People's Government provides an overall forum for GBA discussions and multiple inter-governmental Working Groups already address individual issues. Ideally, a process where certain decisions for activities in the region are recommended by the Working Groups to respective Central and regional government personnel, with decisions being taken by consensus and then implemented by individual jurisdictions under their own powers, will one day be the norm. This will promote beneficial discussions and ensure that decisions get made, yet both the letter and spirit of "One Country-Two Systems" are upheld. Budget considerations could be met through an "each pays for one's own" system, in which each party funds their local part of projects implemented under the GBA. A small GBA secretariat should exist, but should not become a large bureaucracy with decision making or implementation authority.

Create a GBA Chamber of Commerce

Various local and international chambers of commerce already exist in locations in the GBA. However, there presently is no GBA Chamber of Commerce. There was a Greater Pearl River Delta Business Council from 2004 through 2013.⁶⁶ This, however, was a Hong Kong-based group that acted as an advisory committee to Hong Kong's Chief Executive, not as a pan-regional business group. The Council issued annual reports as well as a number of ad hoc studies on the region. It had subgroups on cross-boundary passenger and cargo flows, joint investment and trade promotion, sustainable development, and service industries and human resources.

The present proposal is to create a GBA Chamber of Commerce to further the interests of businesses in the GBA. It could be formed through enlisting members of existing business chambers in the region. Over time, the goal would be to become a regular chamber of commerce with companies and individuals as members and with its own independent take on business in the region and access to officials from around the region. The Chamber could take on a variety of activities that chambers usually do, including providing business input to government, fostering further interaction in the region, sponsoring scholarships, and providing support to the community. The Chamber could also create a set of GBA Business Awards. These awards would be similar to those given out by existing business groups. They could include awards for corporate performance, corporate governance, marketing, innovation, CSR activities, sustainability, support for education, support for the community, and so on. Special focus should be given on awards that reflect activities around the GBA region that support GBA development.

Use the EU as an Example of Cross-jurisdictional Cooperation

The EU provides an interesting example for the GBA. The EU consisted of 28 sovereign states as of early March 2019 (before the exit of the UK) which have joined together to form the world's largest supranational economic bloc in the world. In the process, the EU has pushed the limits of cross-national interaction and integration farther than any other grouping in the world. The EU has facilitated flows of goods, services, capital, and people and has developed administrative and management mechanisms for each. The EU has also developed a wide range of standards that are partially or fully harmonized and/or subject to mutual recognition, but administered on a local level by member countries.

The EU has a wide range of scientific, technology, education, skills, environmental, social, and other programs that are "supportive" in nature that could be adopted or considered in the GBA as a model for cooperation between the entities that has no negative impact on sovereignty, WTO status or "One Country-Two Systems." An inventory of these EU programs should be taken and assessed for their potential to benefit the GBA. Examples of EU programs are provided in Appendix B below.

⁶⁶ See Hong Kong SAR Government, "Regional Cooperation with the Mainland," https://www.cmab.gov.hk/en/archives/regional_cooperation_0201_3.htm. Accessed 11 November 2018.

Appendix A: EU Standards and Mutual Recognition

Product Standards

Common product standards help companies trade across borders and boundaries. In the EU, there are EU-wide standards and technical specifications for around 85% of the product categories for traded goods. Where EU specifications exist, the same rules apply to all EU countries. Companies must ensure their products comply with these specifications before they can be traded freely in the EU. Requirements for individual product categories can be found in the EU Trade Helpdesk database (<http://trade.ec.europa.eu/tradehelp/eu-product-rules-and-member-states-taxes>). This database includes rules and regulations for products, competent authorities for specific product requirements, and the VAT and excise duty rates applied to products in the EU country of sale. Enforcement of the product standards is left to national authorities, with the ability to appeal to the European Court of Justice if a party believes national authorities are not enforcing the standards properly.

The lesson for the GBA is that it is possible to have the similar or the same product standards across multiple jurisdictions that could facilitate trade and documentation requirements, but with local enforcement, provided that the jurisdictions share the same interpretation of the standard in question. In order to be consistent with “One Country-Two Systems,” should the GBA have common or harmonized product standards, each GBA jurisdiction (Chinese Mainland, Hong Kong, and Macao) would have the ultimate authority to determine whether products sold in their jurisdictions met the standards.

Services and Mutual Recognition of Licensing and Qualifications⁶⁷

The EU has not integrated markets for services to the same extent that it has integrated markets for goods. There is significant activity in the area of mutual recognition of service professionals.

The system of recognition of professional qualifications in the EU is governed by Directive 2005/36/EC, as amended by Directive 2013/55/EC. The directive provides an EU system of recognition of professional experience and promotes automatic recognition of professional experience across the EU. In practice, the recognition of professional qualifications in Directive 2005/36/EC covers nurses, midwives, doctors (general practitioners and specialists), dental practitioners, pharmacists, architects, and veterinary surgeons. The EU Commission keeps a database of professions covered by the Directive (<http://ec.europa.eu/growth/tools-databases/regprof/index.cfm?newlang=en>). Directive 2005/36/EC sets the rules for

- temporary mobility (allowing professionals to work in another EU country on the basis of a declaration made in advance);
- establishment in another EU country (rules for professionals who want to establish themselves as an employed or self-employed person, on a permanent basis, in a country

⁶⁷ See http://ec.europa.eu/growth/single-market/services/free-movement-professionals_en

where they didn't obtain their professional qualification) and systems of recognition of qualifications [automatic recognition – for professions with harmonized minimum training conditions -i.e. nurses, midwives, doctors (general practitioners and specialists), dental practitioners, pharmacists, architects, and veterinary surgeons; general system – for other regulated professions such as teachers, translators and real estate agents; and recognition on the basis of professional experience - for certain professional activities such as carpenters, upholsterers, beauticians etc.;

- knowledge of languages and professional academic titles.

Directive 2005/36/EC does not apply to professions for which the recognition of professional qualifications is governed by specific legal provisions. These professions are sailors, statutory auditors, insurance intermediaries, aircraft controllers, other professions in transport, professions linked to activities involving toxic products, lawyers, and commercial agents.

In January 2016, the Commission introduced a new, EU-wide digital procedure for the recognition of professional qualifications – the European Professional Card (EPC). The procedure is currently available for general care nurses, physiotherapists, pharmacists, real estate agents, and mountain guides.⁶⁸

The implication for the GBA is that even in the EU service opening and mutual recognition of professional qualifications can be a complex and lengthy process and that a sector-by-sector approach has been used in the EU.

Appendix B: Support Programs Funded by the EU ⁶⁹

The EU funds a variety of support programs. Direct funding includes grants and contracts awarded for research, education, and / or initiatives in major topic areas, including:

- Animal welfare, plant health, public health and food safety
- Agriculture and rural development
- Bank and financial services
- Business and industry
- Climate action
- Competition
- Communication, audiovisual services
- Consumer and public health
- Culture
- Development and cooperation
- Digital society and economy
- Economy and financial affairs
- Energy
- Environment
- Education
- Employment, social affairs, and inclusion

⁶⁸ See https://ec.europa.eu/growth/single-market/services/free-movement-professionals/european-professional-card_en

⁶⁹ See https://europa.eu/youreurope/business/finance-funding/getting-funding/eu-funding-programmes/index_en.htm

- Europe for citizens
- European neighborhood policy and enlargement
- Fight against fraud (Hercule programs)
- Humanitarian aid
- Horizon 2020
- International development cooperation
- Interpretation, conference organization
- Justice
- Maritime affairs and fisheries
- Media
- Migration and home affairs
- Regional policy
- Statistics (Eurostat)
- Sustainable development (eco-innovation)
- Taxation and customs
- Technical support provided by the Structural Reform Support Service
- Youth

Indirect funding is administered mainly through mainly through 5 funds that come under the umbrella of the European Structural and Investment Funds. These are:

- *European Regional Development Fund* – A regional and urban development fund focusing on Innovation and research; the digital agenda; support for SMEs; and the low-carbon economy.
- *European Social Fund* – A social inclusion and good governance fund focusing on promoting employment and supporting labor mobility; promoting social inclusion and combating poverty; investing in education, skills; and lifelong learning; and enhancing institutional capacity and an efficient public administration.
- *Cohesion Fund* – A fund for economic convergence by less-developed regions. For the 2014-2020 period, the Cohesion Fund involves Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, and Slovenia. The main focal points are trans-European transport networks and the environment.
- *European Agricultural Fund for Rural Development*– A fund that focuses on fostering knowledge transfer and innovation in agriculture, forestry, and rural areas; enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management; promoting food chain organization, animal welfare, and risk management in agriculture; restoring, preserving, and enhancing ecosystems related to agriculture and forestry; promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food, and forestry sectors; and promoting social inclusion, poverty reduction, and economic development in rural areas.
- *European Maritime and Fisheries Fund*– A fund that helps fishermen in the transition to sustainable fishing; supports coastal communities in diversifying their economies; finances projects that create new jobs and improve quality of life along European coasts; supports sustainable aquaculture developments; and makes it easier for applicants to access financing.

Acknowledgements

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The 2022 Foundation gratefully acknowledges the following organizations for their generous contributions in support for this research, in alphabetical order according to company names:

Sponsors
Alibaba Group
China Resources (Holdings) Corporation Limited
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Hony Capital Limited
Lan Kwai Fong Group
Sequoia Capital China Advisors (Hong Kong) Limited
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