

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



March 29, 2019

Project to understand the future of the GBA

Under the auspices of the 2022 Foundation

- Private sector-led
- International project team in Hong Kong, Guangdong, Europe

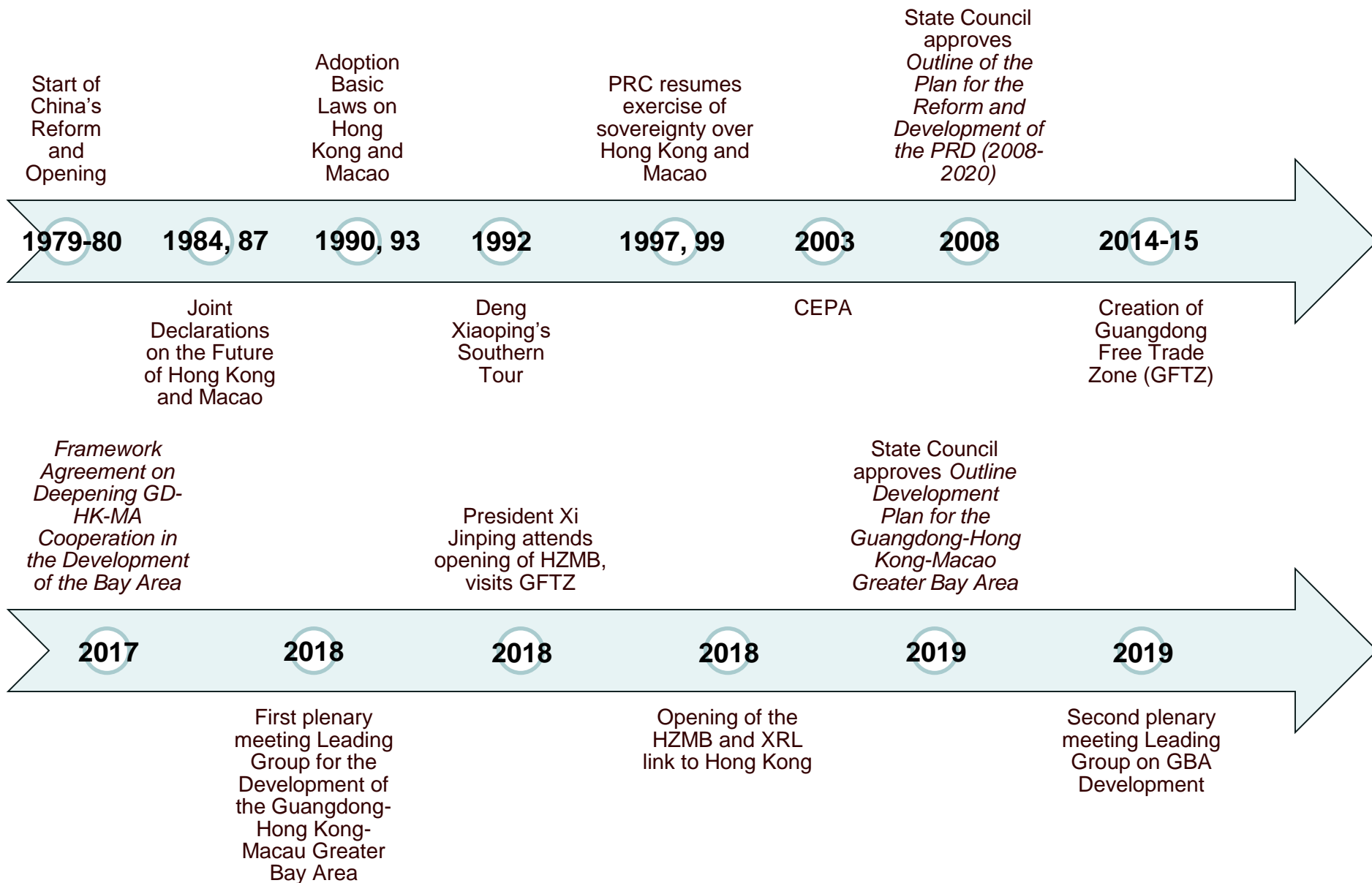
Perspective

- Economic in focus, with real-world reality check
- Explore the potential benefits of further interaction
- Identify barriers to interaction and how they might be overcome
- Analysis, interviews, primary and secondary research

Premises

- “One Country-Two Systems” remains according to the PRC Basic Laws on Hong Kong and Macao
- The PRC, Hong Kong, and Macao remain as individual customs zones and members of the WTO

Milestones in the GBA show accelerating activity



The GBA shows a clear development trajectory

“Inner Ring”

- Hong Kong-around Shenzhen-Dongguan-Guangzhou-Foshan-Zhongshan-Zhuhai-Macao will be the “Inner Ring”
- Most parts accessible in 2 hours (or even 1 hour) from other parts of the “Inner Ring”
- This will be a connected regional economy
- It will contain the main administration, tech, advanced manufacturing, high-end service centers

“Outer Ring”

- Heavier industry, labor-intensive
- Support for diversification
- “City clusters” of Guangzhou-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou, Zhuhai-Zhongshan-Zhongshan already cooperating to develop the outer ring



With different cities taking on complementary roles

Guangzhou

administrative, HQ,
marketing, retail, distribution
center for Guangdong

Shenzhen

center for high-tech
manufacturing, R&D,
logistics

Hong Kong

international finance, trading,
logistics, ideas, information

Macao

leading destination resort
plus meetings center

Foshan and Dongguan

upgraded manufacturing,
equipment / machinery
suppliers, spillovers from
Guangzhou and Shenzhen

Zhuhai

satellite service center for
Western PRD, tourism and
leisure center, spillover tech
manufacturing

Zhongshan

manufacturing support for
other cities, mid-tech
manufacturing

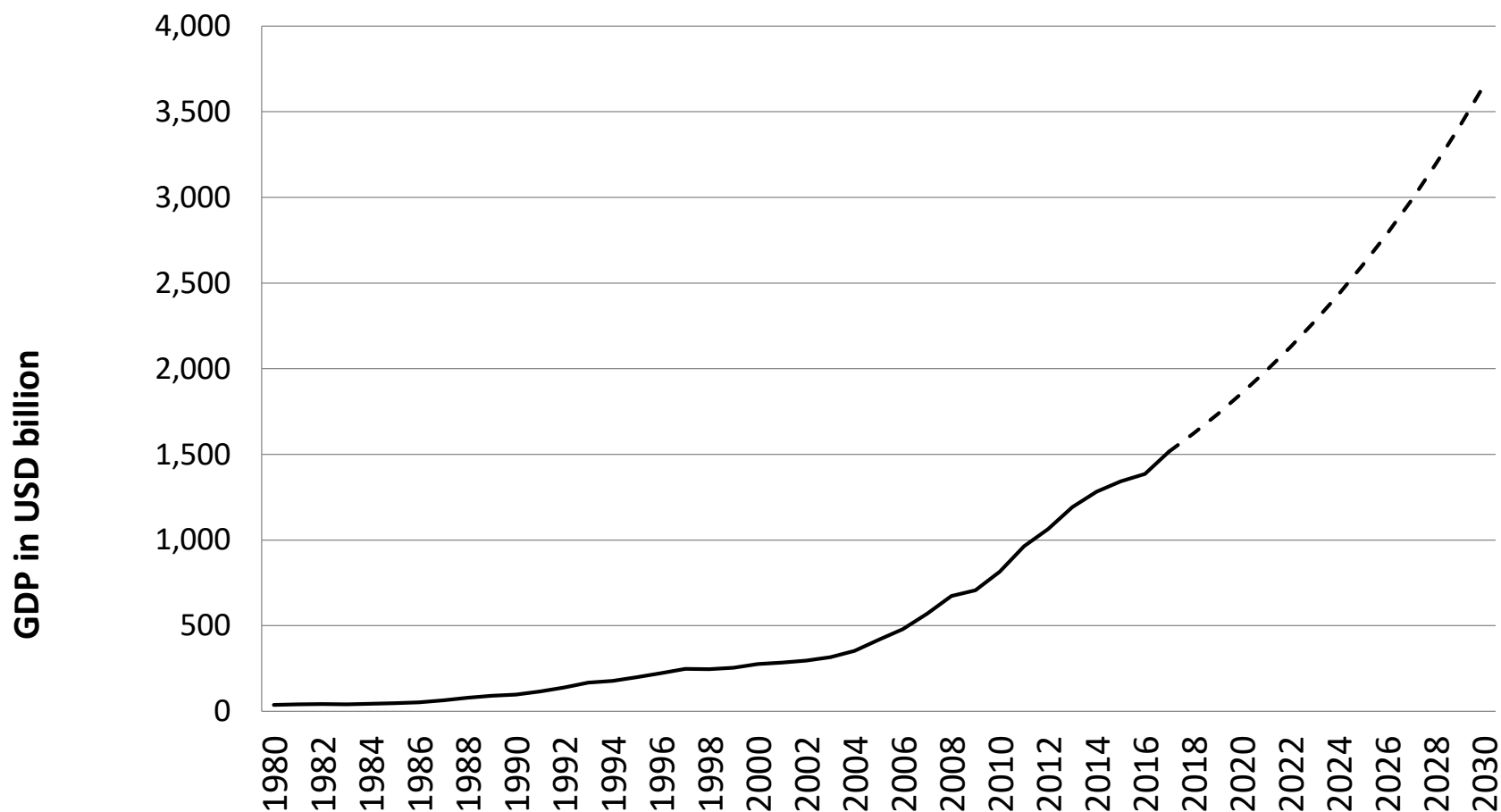
Huizhou, Jiangmen, Zhaoqing

overflow capacity from their “city cluster” neighbors (people and industries), heavier industry to support the vertical integration and diversification of the PRD economy (chemicals, power, metals, paper, other materials, machinery, etc.), supplies for “Inner Ring”

The result is that the GBA represents enormous opportunity for Hong Kong

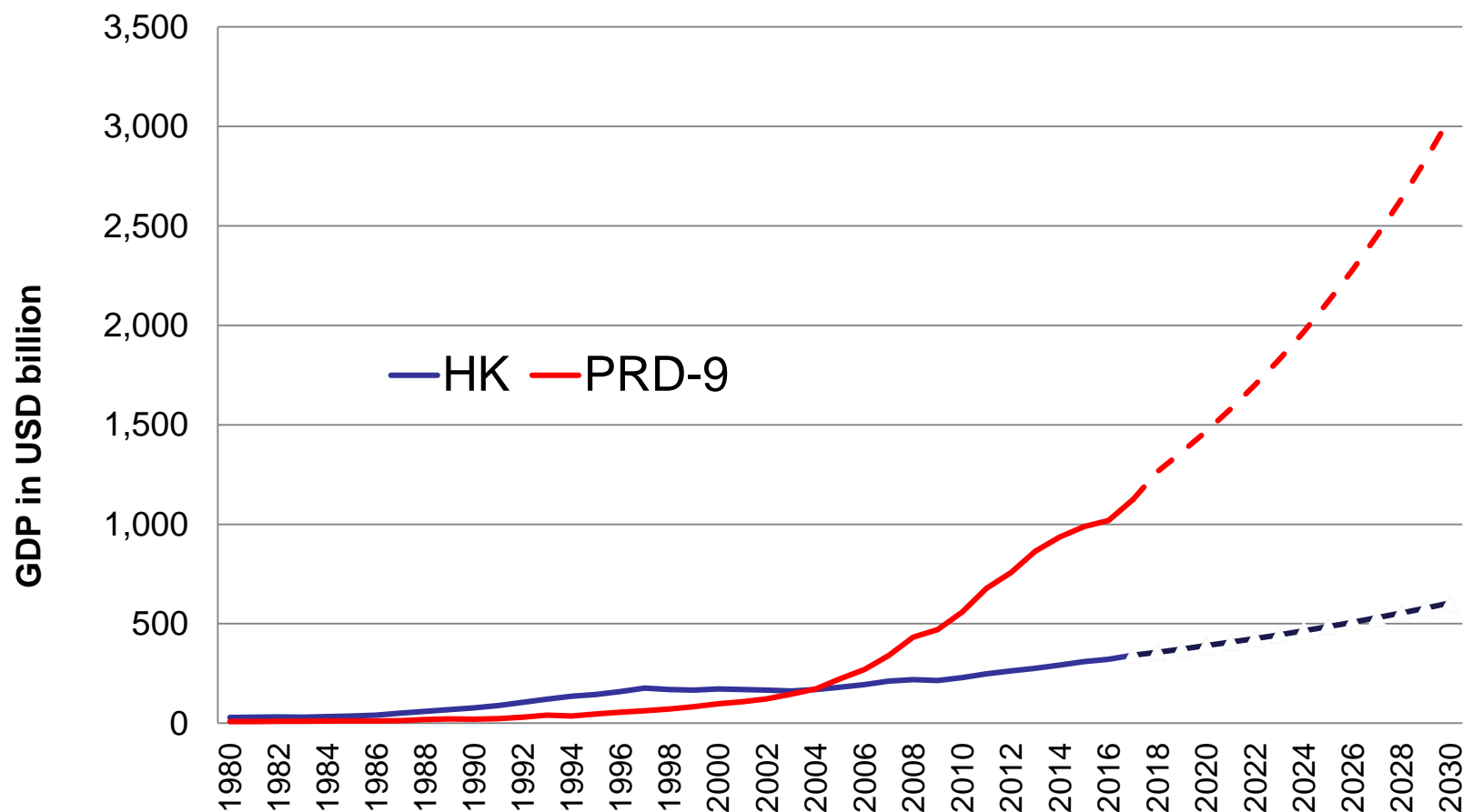


The GBA has a large and growing economy



Sources: Hong Kong Census and Statistics Department, Guangdong Statistical Bureau, Macao Statistics and Census Service through 2017.

Growth in the PRD will result in vast new markets for Hong Kong

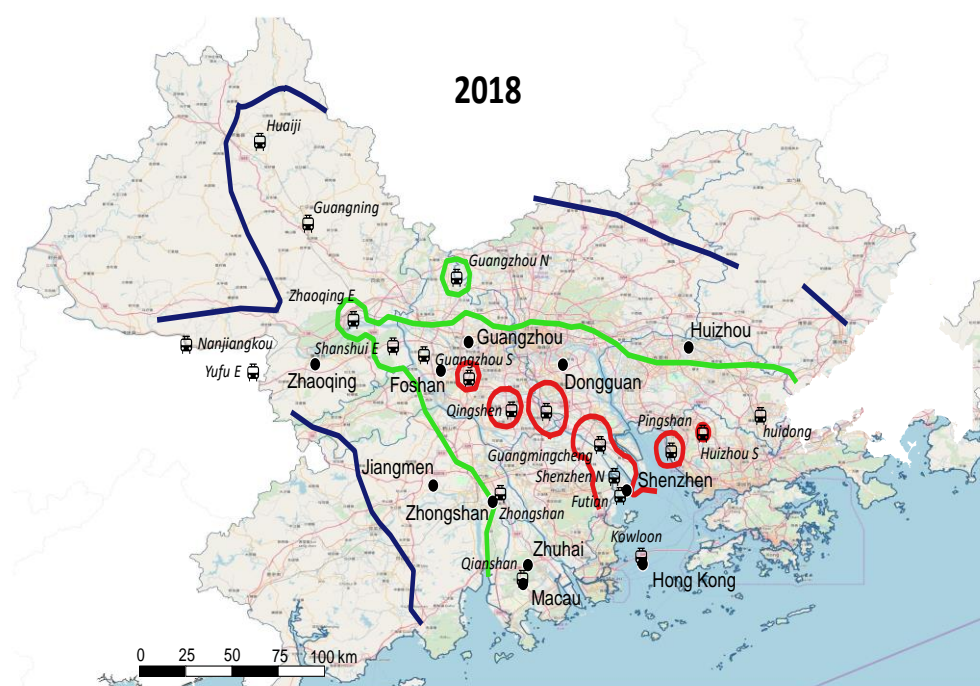
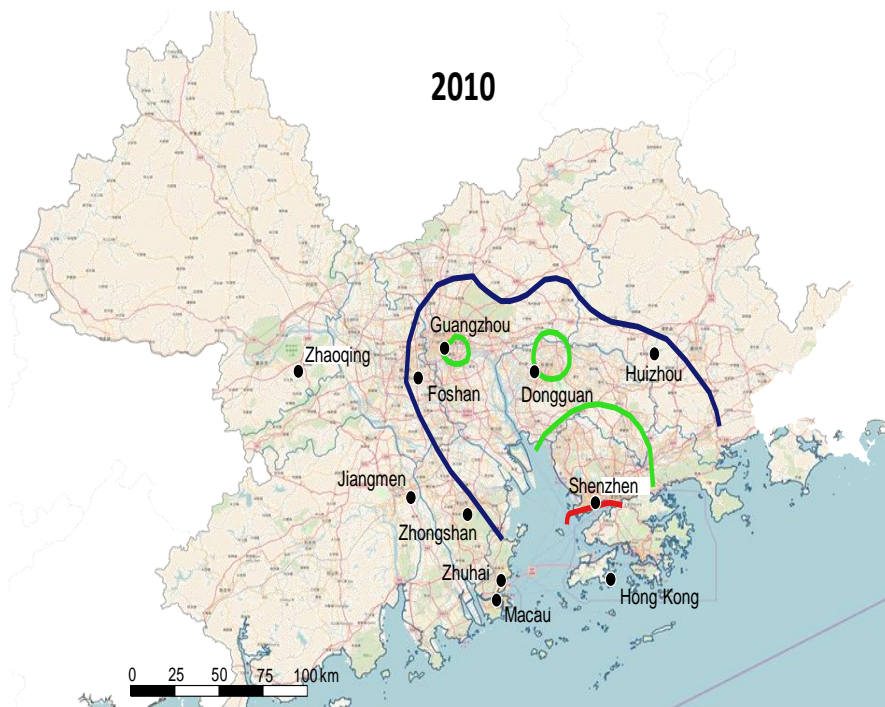


Sources: Hong Kong Census and Statistics Department, Guangdong Statistical Bureau, Macao Statistics and Census Service through 2017.

New and improved links will provide much better connectivity and accessibility



Greater Connectivity: Time from Central by Road or Rail



Travel time — 1 hour, — 2 hours, — 3 hours

Source: Enright, Scott & Associates.

Further economic opening will provide new opportunities for Hong Kong business

CEPA

- 0% tariffs on most HK goods already
- 153 of 160 Mainland service industries partially open to HK firms
- 62 services with national treatment for HK firms on the Mainland
- The Outline Plan for the GBA promises to extend CEPA to new industries and foster deeper opening

GFTZ and Demonstration Zones

- The Outline Plan for the GBA promises to expand openness to HK firms and people in GFTZ
- Specific provisions for Qianhai, Nansha, Hengqin
- Call for each of the 9 PRD cities to set up Hong Kong / Macao Cooperation Zones
- Call for greater use of GD-HK-MA Service Cooperation Demonstration Zones

Further Cooperation and Opening

- The Outline Plan highlights greater openness in goods, professional and financial services, dispute resolution and IP protection, trade and investment, R&D and innovative activity
- Specific calls for greater cooperation and openness in accounting, arbitration, construction and engineering, cultural and creative industries, education, financial services, healthcare, legal, logistics, management consultancy, social services, testing and certification, and tourism

People-centric policies and programs will provide new opportunities for Hong Kong people

Living

- Better connectivity
- Increased emphasis on the environment
- Increased ability to use HK social security
- Increased ability to access Mainland social services
- Special tax treatment for HK people
- Cooperation on elder care and education
- Potential for “Hong Kong Developments” in GBA

Working

- Better connectivity
- Fast economic growth in GBA
- Elimination of Mainland work visas for HK / MA people
- Entrepreneur and SME support programs
- Access to Mainland industrial programs
- Expanded access in GFTZ

Playing

- Better connectivity
- Programs to protect cultural heritage sites
- More cultural and youth exchanges
- Cooperation regarding Hong Kong Palace Museum, West Kowloon Cultural District
- Expanded tourism options in GBA
- GBA increasingly a place visiting acts / artists visit (and not just HK)

And “One Country-Two Systems” will enhance these opportunities

Commitments	Benefits of “One Country”	Benefits of “Two Systems”
<ul style="list-style-type: none"> • Clear commitments to “One Country-Two Systems” in government documents • Commitments reinforced in the Outline Plan for the GBA • Statements of benefits to all from the system, including China, Guangdong, Hong Kong, Macao • Commitments to maintain separately administered economies • Commitments to maintain separate customs zones under WTO 	<ul style="list-style-type: none"> • Rapidly expanding market • Access to China resources, including people, finance, land, etc. • Access to China market through CEPA • Increasing access to Mainland support programs and policies • Easier to live and work on the Mainland than for others • Vast potential for interaction, exchanges, travel, etc. • Enhanced by the Outline Plan and by increased interaction 	<ul style="list-style-type: none"> • Market-oriented economy • Free flow of goods, capital, people, information • Internationally-oriented legal and regulatory system • Easier to maintain international links • Convertible currency • Own economic policies, including low tax rates • Enhanced by the Outline Plan and by increased interaction

Resulting in multi-faceted business and economic opportunities for Hong Kong in the GBA (1)

Sources of opportunity in the GBA

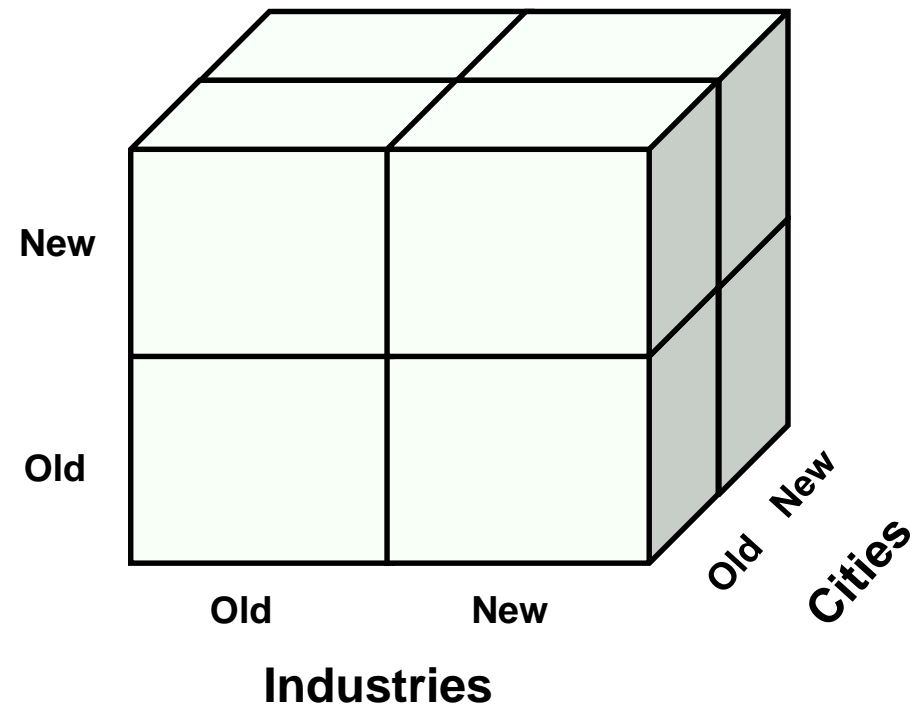
- Economic size and growth
- Better connectivity
- Greater opening
- Enhanced people-centric policies
- “One country, two systems”



Will allow Hong Kong companies to perform

- Old and new roles
- For old and new industries
- In old and new geographies

Roles



Resulting in multi-faceted business and economic opportunities for Hong Kong in the GBA (2)

Roles

- “Old”
 - Transport / logistics hub
 - Financier
 - HQ location
 - “Front window”
 - Manufacturing investor
 - Etc.
- “New”
 - Services investor
 - Idea generator
 - Data center
 - R&D center
 - Etc.

Industries

- “Old”
 - Light manufacturing
 - Transport / logistics
 - Finance
 - Infrastructure
 - Etc.
- “New”
 - Advanced manufacturing
 - Heavy industry
 - Consumer services
 - Advanced producer services
 - New financial services
 - Education and medicine
 - Cultural and creative industries
 - Etc.

Cities

- “Old”
 - Hong Kong
 - Macao
 - Shenzhen
 - Dongguan
 - Guangzhou
- “New”
 - Huizhou
 - Foshan
 - Zhongshan
 - Zhuhai
 - Jiangmen
 - Zhaoqing

Creating the GBA of the future:

Additional suggestions to improve the region (1)

Foster Further Economic Reform and Opening

- Harmonize and Streamline Regulations.
- Expand Opening and “National Treatment” Under CEPA
- Expand and Unify the GFTZ and the Service Cooperation Zones

Create Regional Development Initiatives

- Encourage Smart City and Smart Region Development in the GBA
- Create “Hong Kong” Developments in the GBA

Enhance Business Promotion

- Undertake Joint Promotion to Leverage the Unique Combinations in the GBA.
- Develop “Internationalization Incubators” in Hong Kong and Macao
- Promote Regional Cooperation in R&D
- Promote Cross-boundary Tourism, MICE Events, Sports and Cultural Events
- Promote Education / Medical Cooperation
- Attract World-Leading Universities / Medical Centers to Set up in the GBA
- Explore Whether Hong Kong can Become a Data Hub for the GBA

Creating the GBA of the future: Additional suggestions to improve the region (2)

Enhance the GBA Workforce

- Develop a “Job-Ready” / “GBA Ready” Workforce
- Create German / Swiss-style Apprenticeship Programs
- Match Immigration to Needs of Economy

Develop GBA Institutions and Organizations

- Put GBA Institutional Frameworks in Place
- Create a GBA Chamber of Commerce
- Use the EU as an Example of Cross-Jurisdictional Cooperation

Increase Understanding of the GBA

- Communicate the Opportunities in the Region
- Create a GBA Information Portal
- Publish Annual GBA Yearbook, Policy Reviews, Special Reports, and Guides
- Publicize the Work of GBA Intergovernmental Groups
- Build on Existing Exchange Initiatives to Foster Greater Understanding
- Promote Ongoing GBA Policy Research

Additional implications for Hong Kong, Hong Kong people, and Hong Kong companies

Recognize Hong Kong's Position in the Region

- Hong Kong is one of the key cities in the GBA
- Hong Kong remains the most internationally-oriented part of the GBA
- Hong Kong is a city, not a country
- Hong Kong's role in the GBA is supportive, partial

Take Advantage of GBA Opportunities

- Improved GBA connectivity and openness is a game changer for Hong Kong
- Use opportunities arising from CEPA, the GFTZ, Service Cooperation Demonstration Zones
- Leverage spreading development in the GBA (geographies, industries)

Explore Options to Live, Work, and Play in the GBA

- New employment opportunities
- New industrial support opportunities
- New living, social, leisure opportunities

Be Strong Partners in GBA Opening, Reform, and Development

- Support GBA-wide development initiatives
- Use Hong Kong to help globalize the GBA and connect GBA to world markets
- Economic development anywhere in the GBA is likely to help Hong Kong

There are huge opportunities in the GBA.

The time to grasp them is now.

Thank you



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