



Greater Bay Area Update

February 2019



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

On February 18 2019, China's central government authorities issued the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (the "Outline Plan"), commencing a new phase of economic and social integration for the Pearl River Delta region. ([Click here to read the full text of the Outline Plan](#))

The Greater Bay Area (GBA) is a key strategic component of China's national development blueprint. It aims to promote in-depth cooperation among nine cities in Guangdong Province and the Special Administrative Regions of Hong Kong and Macau, with the aim to develop a world-class city cluster by way of reforms, innovation and opening-up.

The introduction of the Outline Plan lays a solid foundation for this ambitious goal. In this edition of our Greater Bay Area Update newsletter, we provide an overview of the Outline Plan components and highlight policy developments that will further facilitate the flow of goods, services, capital, talents and information across the GBA.

Overall goals and timetable

The Greater Bay Area initiative is a national strategic project. Through in-depth cooperation among Hong Kong, Macau and Guangdong, the Outline Plan aims to achieve the following **five strategic orientations**: 1) building a dynamic world-class city group; 2) becoming a global international technology and innovation hub; 3) providing support for the implementation of the "Belt and Road" initiative; 4) deepening cooperation between mainland China and Hong Kong and Macau in the Qianhai, Nansha and Hengqin development zones; and 5) building a quality living environment that is suitable for residents as well as business and tourism.

The Outline Plan also sets short- and long-term goals for the GBA: in the near term, the Plan aims to form a framework for becoming a world-class bay area and a world-class city group by 2022. In the longer term, the Plan calls for the Greater Bay Area to be fully completed by 2035, meeting first-class global standards for innovation, international competitiveness, commerce and liveability.

Roles of the GBA cities

As identified in the Outline Plan, Guangzhou, Shenzhen, Hong Kong and Macau are named as the four 'core cities' of the Greater Bay Area, with specific development areas identified for each:

Guangzhou will serve as an international business and trade centre and integrated transportation hub, as well as an important centre to cultivate science and technology education.

As a special economic zone, a national economic core city and a national innovation city, **Shenzhen** will accelerate its internationalization and urban modernization and continue its role as a major innovation hub for the region.

As a leading global city for finance, transportation and logistics, **Hong Kong** will continue to strengthen its position as a global offshore RMB business hub and international asset management and risk management centre. Other goals include promoting the development of high-end industries, strengthening innovation and technology, nurturing emerging industries and increasing global competitiveness.

Macau's responsibilities as part of the GBA include promoting business cooperation with Portuguese-speaking countries and promoting its example of a multicultural Chinese city.

The four core cities will drive Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing to best utilise the strengths of each city and foster coordination and development within the city group.

Five key points of the Outline Plan

Overall requirements

The Greater Bay Area's development as a world-class city cluster will have a cascading effect on the larger Pearl River Delta region, and play a leading role in China's economic transformation and development as well as the "Belt and Road" strategy. This will be enabled by encouraging innovation and entrepreneurship, accelerating infrastructure, upgrading existing industries, encouraging cultural and academic exchanges, and improving people's living environment to create a favourable investment and business climate.

Chapter Four - Developing an international technology and innovation hub (mainly covering technology research and development, infrastructure and finance sectors)

The Outline Plan mentions the need to accelerate the construction of major technology infrastructure for innovation, high-tech and R&D-related parks in the GBA, and support the development of Hong Kong and Macau in R&D centres and industrial development platforms. In order to assist with the financing of innovative technology enterprises, the Outline Plan will vigorously expand different financing channels, including establishing a financial support platform through the equity trading market, support Hong Kong private equity funds to participate in the Bay Area financing projects, allowing technology companies to enter Hong Kong-listed fund-raising platforms. At the same time, the Outline Plan will set up measures to facilitate the establishment of an intellectual property (IP) information sharing platform to strengthen IP rights and encourage academic and technology exchange throughout the GBA.

Chapter Five - Accelerating infrastructure to improve the flow of talent, goods, and information (mainly covering infrastructure, telecommunications and energy sectors)

The Outline Plan calls for accelerating the construction of transportation networks such as aviation, railways and highways in the Greater Bay Area. This aims to promote the use of various modes of transportation across the area, make better use of current transport hubs, and achieve better resource sharing in order to form a complementary service system. Further, the Outline Plan urges improving the ability and convenience of customs clearance for personnel and goods at Guangdong, Hong Kong and Macau ports. It also calls for enhanced telecommunications networks that will lead to reasonably lower communication costs. To achieve this, it promotes feasibility

studies to cancel long-distance and roaming charges for mobile phones in Guangdong, Hong Kong and Macau.

The Outline Plan also calls for optimising the energy supply structure – vigorously developing green and low-carbon energy, and building a clean, low-carbon, safe and efficient energy supply system.

Chapter Six – Building a globally competitive modern industrial system (mainly covering manufacturing, finance, professional services and real estate sectors)

Manufacturing – The Outline Plan calls for the continued development of industrial sectors in the GBA, including an industrial belt for advanced equipment manufacturing spearheaded by Zhuhai and Foshan, and a cluster of advanced electronics manufacturing industries with Shenzhen and Dongguan as its core. The aim with these projects is to significantly drive intelligent manufacturing, green manufacturing, and remanufacturing.

Finance – The Outline Plan aims to leverage Hong Kong’s leading position in the financial services sector to forge China’s foreign-oriented investment and financing platform. The Plan gives support to Guangzhou to cultivate a regional PE trading market and regional property rights and commodities trading centres. Further, the Plan stipulates that Macau can leverage its position as the headquarters of the Sino-Portuguese Fund to spearhead cooperation between Chinese and Portuguese-speaking countries.

Furthermore, the Outline Plan aims to support insurance institutions in Guangdong, Hong Kong, and Macau and jointly develop innovative cross-boundary insurance products. Subject to compliance with relevant regulations, banks within the GBA may explore cross-boundary inter-bank lending in RMB, spot and forward RMB exchange transactions, and conduct cross-sales of RMB-related derivatives and wealth management products. In addition, enterprises within the GBA may issue RMB-denominated cross-boundary bonds. The above provisions expand the space for Hong Kong and Mainland residents and institutions to make cross-border investments.

Professional services – The Outline Plan aims to facilitate further opening up of Hong Kong and Macau’s service sectors under the CEPA in the GBA area. The Plan aims to encourage Guangdong, Hong Kong, and Macau to jointly develop professional services to better facilitate investment. Further, it calls for research on how to further eliminate or reduce thresholds for qualification, shareholding ratio, and other barriers to entry for Hong Kong and Macau investors.

Chapter Seven - Taking forward ecological conservation (mainly covering energy, engineering, and green industries sectors)

The Outline Plan calls for greater cooperation on water conservation; land-based pollution control, and beach/coastal management. Further, it supports the development of intelligent and green manufacturing – using advanced power-saving low-carbon technologies to upgrade traditional industries to expedite the construction of a greener industrial system.

Chapter Eight – Developing a quality living environment for residents, workers and tourists (mainly covering education, healthcare, entertainment, leisure, and culture sectors)

The Outline Plan supports joint education projects among universities from Guangdong, Hong Kong, and Macau, and encourages joint development of preponderant disciplines, labs, and research centres.

In terms of cultural development, the Plan calls for the establishment of industry centres within the GBA area to drive development of the music industry. It also aims to support Hong Kong’s cultural programs and bolster Hong Kong’s position as a leading cultural hub by organising influential international events such as movie shows, book fairs, and design weeks.

The Plan also aims to boost the Shenzhen's fashion and culture industries, and jointly promote the GBA as a location for notable international and regional sporting events. It also establishes provisions for promoting tourism across the area.

Finally, it aims to work with Hong Kong and Macau's service providers to set up social service agencies such as healthcare institutions and elderly care centres in the nine mainland GBA cities to support elderly care for ageing Hong Kong and Macau residents.

Deepening reforms in the cooperation area and establishing an external platform for the "Belt and Road" initiative

The Outline Plan aims to optimise interaction among the various cooperation zones in the Bay Area (including Qianhai, Hengqin and Nansha) and Hong Kong and Macau, so as to facilitate the expansion into Mainland market by Hong Kong and Macau enterprises. It also promotes active participation of the GBA in the related work of the "Belt and Road" initiative utilising the platforms of the two free trade economies of Hong Kong and Macau.

Next steps

The size, economic potential and interconnectivity of the GBA will create unprecedented opportunities for a wide range of sectors, including infrastructure, construction, real estate, financial services, insurance, capital markets, and technology.

To fully take advantage of these opportunities, enterprises should carefully assess the potential impacts of GBA integration and develop comprehensive business policies based on the connectivity of the area and flows of goods, talent, and resources within it.

They should also consider the roles and advantages of GBA cities. For example, Guangdong has advanced manufacturing and IT industries and innovation power, Macau boasts of travel and leisure industries, while Hong Kong serves as an international financial, transportation, and trading hub.

In addition, the influence of the GBA may extend beyond the Pearl River Delta to cover its neighbouring provinces including Fujian, Jiangxi, Hunan, Guangxi, Hainan, Guizhou, and Yunnan. It will act as a catalyst to further drive opening up of China's economy and development of the "Belt and Road" initiative. The GBA is an opportunity not to be missed by enterprises seeking penetration into the Chinese market or having establishments here.

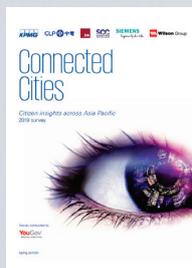
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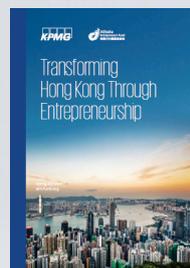
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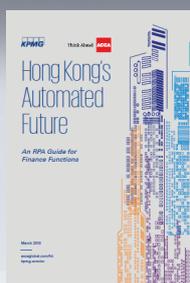
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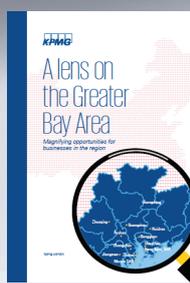
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