

**Box 2.2**

**The Development of the Guangdong-Hong Kong-Macao Greater Bay Area and Opportunities for Hong Kong**

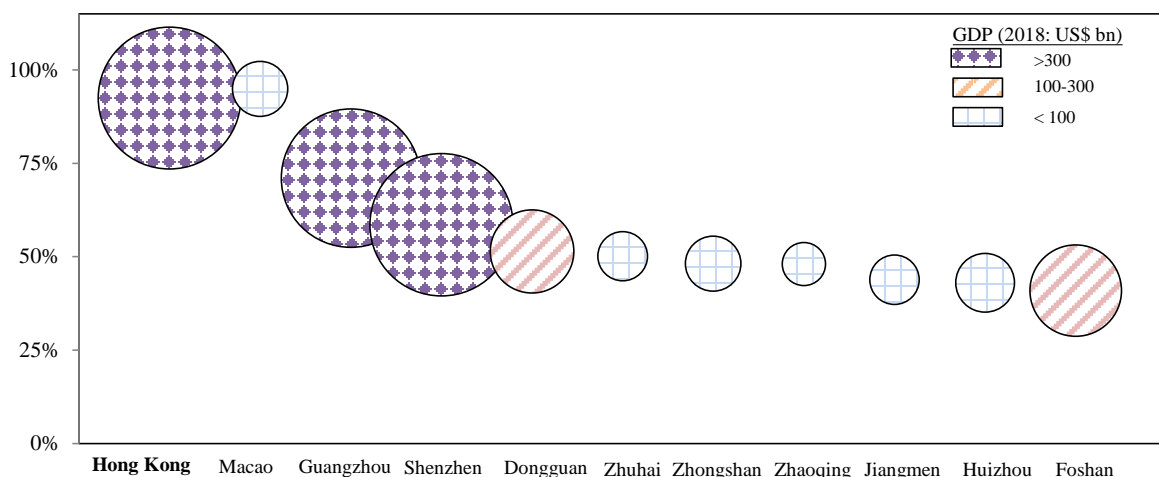
The development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is a national strategy that breaks new ground in China’s pursuit of opening up on all fronts in a new era. Hong Kong has long maintained close economic links with Guangdong Province and Macao, thanks to geographical proximity as well as strong cultural and historical ties. The development of the GBA will further deepen the co-operation in the region, thereby unleashing its full economic potential. This article discusses the opportunities for Hong Kong arising from the development of the GBA.

**The GBA: An overview**

The GBA comprises the two Special Administrative Regions (SARs) of Hong Kong and Macao and nine municipalities in Guangdong Province, namely Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing. The area is one of the most open and economically vibrant regions in China, with a total population of 71 million and a combined gross domestic product (GDP) of around US\$1.6 trillion in 2018 (accounting for roughly 5% and 12% of national total respectively).

The GBA cities exhibit noticeable diversity in economic structure and development. In terms of economic structure, Hong Kong and Macao are highly service-oriented, with services sector accounting for over 90% of their respective GDP, distinctly higher than in the rest of the GBA (*Chart 1*). Guangzhou, Shenzhen, Dongguan and Zhuhai also have sizeable services sectors which represent more than half of their GDP, while the remaining cities are generally more reliant on the industrial sector. The economies in the GBA vary in size as well. Hong Kong, Guangzhou and Shenzhen each had GDP of above US\$300 billion in 2018, followed by Foshan and Dongguan in the US\$120-150 billion range, and the remaining cities at around US\$30-60 billion.

**Chart 1 : Shares of services sector in the economy (2017)**



Note: The sizes of the bubbles represent the relative size of GDP in US dollar terms in 2018 of the respective cities.  
Sources: Census and Statistics Department, Hong Kong SAR; National Bureau of Statistics, China; and Statistics and Census Service, Macao SAR.

**Box 2.2 (Cont'd)****Opportunities arising from the development of the GBA**

In February 2019, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (ODP) was promulgated. While noting the development gap among cities in the GBA, the ODP also highlighted the complementarity of the cities and the importance of co-ordinated economic development, and provided guiding directions for development with a view to establishing the GBA as a world-class city cluster as well as a globally influential innovation and technology (I&T) hub.

The development of the GBA will bring about a range of opportunities for Hong Kong, particularly in the two aspects of (1) identifying new areas of growth and fostering diversified development of the economy; and (2) expanding the space for living and development of Hong Kong residents.

*(1) Identify new areas of growth and foster diversified development*

The ODP puts special emphasis on establishing the GBA as an international I&T hub. Thanks to its world-renowned universities, strong research and development capabilities, and robust intellectual property protection regime, Hong Kong possesses a solid science and technology foundation and an outstanding talent pool, and is well placed to participate in I&T development in the GBA and reap the benefits thus arisen. To support the I&T sector, the Hong Kong SAR Government has put in place various initiatives such as promoting research through the provision of tax incentives, research grants and co-operation with enterprises and institutions in the Mainland and overseas, and measures to nurture, attract and retain I&T talents. Special co-operation platforms to support I&T activities in the region, including the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, will be established. Measures to facilitate the cross-boundary flow of innovation elements such as talents, capital, information and technologies will also be introduced.

At the same time, the development of the GBA will inject new impetus to Hong Kong's pillar industries and support their diversification into areas with good potential, thereby strengthening the city's position as global financial, transportation and trade centres as well as an international aviation hub.

- Hong Kong has long been an international financial centre, a global offshore Renminbi business hub, and a premier location for asset management, risk management and financing activities. Taking advantage of its strong connectivity with other cities in the GBA, Hong Kong can provide high value-added financial services to businesses and people in the region and become an investment and financing platform for enterprises, especially those in high-technology industries. Moreover, Hong Kong can capitalise on new areas of growth in the financial sector arising from the development of the GBA, particularly green finance and financial technologies.
- Hong Kong's vibrant and world-class professional services sectors will also be able to tap into the huge growth potential offered by the GBA. For instance, Hong Kong, as an international aviation hub, can offer aviation management training, value-added freight, aircraft leasing and aviation financing services in support of building an airport cluster of global significance in the GBA. On the maritime sector, Hong Kong can develop sophisticated maritime services such as ship management and leasing, ship finance and marine insurance, and provide these services to Mainland and Macao enterprises. Furthermore, Hong Kong can leverage on its renowned legal system to provide dispute resolution, arbitration and mediation services of international standard to businesses and individuals in the GBA.

**Box 2.2 (Cont'd)***(2) Expand the space for living and development*

The GBA creates a vibrant space that offers quality living, work opportunities and leisure travelling for people in the region. As stated in the ODP, the relevant government departments of Hong Kong and in the Mainland have been fostering co-operation in social security, with a view to providing Hong Kong residents working and living in Guangdong Province with the same treatment as Mainland residents in livelihood areas such as education, medical care, elderly care, housing and transport.

The development of the GBA also encompasses further improving the connectivity between Hong Kong and other cities in the region. The Hong Kong-Zhuhai-Macao Bridge and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, both commenced operation in 2018, have substantially shortened the commute time between Hong Kong and other parts of the GBA. Such large-scale cross-boundary infrastructures, combined with the ongoing efforts to streamline and simplify customs procedures between Hong Kong and the Mainland, will facilitate the flow of people and goods within the region and bring about great convenience to the people of Hong Kong.

Furthermore, the development of the GBA enables Hong Kong's talents, including young people, to participate in the advancement of China's economy and seize opportunities in such areas as employment, entrepreneurship, internship and cultural exchange.

**Recent developments**

To take forward the development of the GBA, the Central Government, the Guangdong Provincial Government and the Hong Kong SAR Government have recently rolled out various policy measures, including:

- Launching two funding schemes, namely the Funding Scheme for Youth Entrepreneurship in the GBA and Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in the GBA, by the Hong Kong SAR Government to subsidise Hong Kong-based non-governmental organisations to provide entrepreneurial support, incubation services and experiential programmes for local young people and to provide youth start-ups with seed funding;
- Allowing higher education and research institutes in Hong Kong and Macao which conduct, lead or join projects under the Guangdong Provincial Science and Technology Programme to receive direct cross-boundary funding from the Programme; and
- Introducing preferential tax policies to Hong Kong residents by the Central Government, such as providing tax concessions to non-Mainland (including Hong Kong) high-level and urgently-needed talents working in the GBA to offset the higher individual income tax burden in the Mainland, and clarifying the calculation of the number of days of residence for individuals without domicile in the Mainland for determining individual income tax obligation.

**Conclusion**

The development of the GBA will bring about huge development potentials to Hong Kong as the GBA strives to become an international first-class bay area for living, working and travelling by 2035. To seize these opportunities, the Hong Kong SAR Government will continue to liaise proactively with its Guangdong and Macao counterparts and relevant ministries of the Central Government for introducing more measures to facilitate connectivity, flow of people, goods and capital, as well as promote complementary economic development in the GBA.