

China's Guangdong-Hong Kong-Macao Greater Bay Area: a new development opportunity for Hong Kong

Siu-kai Lau

*The Chinese University of Hong Kong and
Chinese Association of Hong Kong & Macao Studies*

Abstract

Purpose – The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Strategy is an important component of the “Belt and Road Initiative” of China. The purpose of this Project is to develop the GBA into the most open, market-oriented and innovative pole of economic growth in China. The GBA Project provides Hong Kong with a rare opportunity to diversify its industrial structure and to move into a new and higher stage of economic development.

Design/methodology/approach – Being an integral part of the GBA, Hong Kong is expected and supported by the Central Government to develop into a hub of the Area, and, leveraging on Hong Kong's status as an international metropolis, to connect the Area as a whole with the world.

Findings – China's Guangdong-Hong Kong-Macao Greater Bay Area Project is a major national development strategy and is a major part of the Belt and Road Initiative. Hong Kong is going to play an important role in the Project and will benefit from it enormously in the future in terms of economic growth and the upgrading of its industrial structure. However, in order to take full advantage of participation in the Project, the way Hong Kong is governed, particularly the government's role in economic development, has to be modified significantly.

Originality/value – In order to take advantage of the Project, the Hong Kong SAR Government has to play a bigger and more proactive role in Hong Kong's socioeconomic development and to strengthen its capacity to mobilize societal participation in the Project.

Keywords China, Hong Kong, Development opportunities, Greater Bay Area

Paper type Viewpoint

Introduction

In the past, there was always an old saying that Hong Kong was a piece of “blessed land”. When it encountered difficulties in development or faced “bottlenecks”, new development opportunities will emerge, hence paving the way for elevation to a new development stage. The post-Second World War history of Hong Kong has proved the validity of such saying. At the end of the Second World War, having been occupied by Japan for three years and eight months, Hong Kong was economically bankrupt, and people's livelihood was horrible. Soon thereafter, the East-West Cold War broke out, followed immediately by the Korean War. As a result of the temporary absence of the USSR in the United Nations, the USA and her allies obtained the approval of the UN to send armies to the Korean peninsula, as well as impose economic embargo on China. As a British colony, Hong Kong had to follow suit and to cut off economic and trade relationship with Mainland China. The import-export trade of Hong Kong, which used to be the economic lifeblood of Hong Kong, was hit extremely hard.



However, “fortunately”, soon after a lot of capital, enterprises, talent and skilled workers surged into Hong Kong. These factors, in combination with Hong Kong’s own financial system and industrial base, propelled Hong Kong into the modern industrial age. At that time, the economy of the West began to recover. Under the leadership of the USA, a global liberal trade regime was built. Hong Kong’s manufactured products thus were allowed to enter the western markets very rapidly. Hong Kong’s post-War industrialization became the major force in producing its “economic miracle”. In the 1970s, as a result of rising cost of land, labour and energy, the labour-intensive industries of Hong Kong were in a dead end. The colonial government and various sectors of Hong Kong were worried, and they began to find a way to diversify Hong Kong’s industrial structure. However, no consensus was reached, let alone taking action. Besides, under the policy of “positive non-interventionism”, the colonial government would not play the role of pushing for industrial diversification even if the consensus was there. When Hong Kong found itself in the bind, in 1979 China decided to pursue the “reform and opening up” strategy. A large number of Hong Kong’s “sunset industries” rushed into the Pearl River Delta of Guangdong and expanded the scale of operations, taking advantage of the cheap land and labour there. A lot of the originally small and medium-sized entrepreneurs were transformed into big entrepreneurs in no time. Admittedly, the rapid “deindustrialization” of Hong Kong had left a large number of manufacturing workers without stable employment, but the process however enabled finance, real estate and services to become the pillars of the Hong Kong economy.

After returning to China, facing the fierce competitions from the Mainland and other emerging economies, the narrow base of Hong Kong’s industries is inevitably one of its deficiencies. Many people with insight fully realize that Hong Kong’s original industrial structure can only bring low economic growth. With the increasingly severe disparity between the rich and the poor and the limited social mobility opportunities to satisfy the demands of the youth, Hong Kong’s political and social stability tend to be threatened. In view of this, the former Chief Executive of Hong Kong, Mr Tung Chee Hwa proposed a development concept of “integration” between Hong Kong and the Pearl River Delta Area in 2003. In 2009, Mr Tsang Yam Kuen, another former Chief Executive of Hong Kong, advocated to develop the “Six Industries With Comparative Advantage in Hong Kong” (education, healthcare, testing and authentication, environmental protection, innovation and technology, cultural and creative) by riding on the vast market from the Mainland. Yet another former Chief Executive, Mr Leung Chun Ying, was particularly active in strengthening the economic integration between Hong Kong and the Mainland.

However, there was a lack of consensus among various sectors and even inside the government on the government’s role in promoting economic development and industrial transformation. Some Hong Kong people, especially the opposition parties, had obstructed the “integration” between Hong Kong and the Mainland primarily for political reasons. Besides, the external environment was not favourable for such development. Hence, only limited progress was made in the related work. At that moment, the Central Government introduced a number of policies and measures to benefit Hong Kong with a view to promoting its economic development and industrial transformation. Those measures have been quite helpful to boost the economic growth of Hong Kong. However, it has little effect in promoting the industrial transformation. Today and for the foreseeable future, Hong Kong’s economy will face tough and unpredictable challenges including trade protectionism and the resistance of the USA and some Western countries to China’s rise. Notably, after returning to China, the economic and trade exchanges between Hong Kong and the Mainland have become increasingly frequent, and Hong Kong has participated in the five-year economic and social plans of the country. These are undoubtedly beneficial to Hong Kong. However, in order to achieve a breakthrough in economic growth and industrial transformation, Hong Kong must acquire a new engine that can generate a new momentum.

From the perspective of the macro trend of world and historical development, there is ground to believe that the development strategy of Guangdong-Hong Kong-Macao Greater Bay Area (GBA) will be the new engine which enables Hong Kong to embark on a new level and foster the continuous growth of its economy in the long run. Active participation in the development of the GBA will not only allow Hong Kong to upgrade itself, but also enable Hong Kong to make new and unique contributions to the progress of the country's development. If Hong Kong is able to seize and make good use of the new development opportunities brought about by the development of the GBA and thus making itself look afresh, the saying that Hong Kong is a "blessed land" will be further confirmed.

The country provides a new engine for Hong Kong's growth

The importance of the development of GBA and its strategic significance to Hong Kong can be elaborated in several ways.

First of all, nowadays, economic competition does not take place only among countries, but more vigorous competition emerges among metropolitan regions all over the world. Different cities within the metropolitan region are relying on advanced transportation, transport and communication networks, smooth flow of people, logistics, capital flow, services, information and technology flow, close collaboration and complementary advantages, alignments of systems and policies, uniformity of standards and qualifications to generate strong aggregate effects. These effects will greatly enhance the economic energy of the whole metropolitan region where the cities are located. The aggregate effects will also boost up the development of the surrounding regions and the entire country. The country with strongly competitive metropolitan regions, especially those clustered around a large bay with convenient transportation, will have the ability to compete globally. The metropolis in the Bay Areas that centred at New York and San Francisco of the USA, as well as Tokyo of Japan, are the best examples.

The GBA has nine Mainland cities on both sides of the Pearl River as well as Hong Kong and Macao, an area of 56,000 square kilometers, a large population of 70 million people, advanced manufacturing industry and a high degree of openness. It has the necessary qualifications to compete with other Bay Areas. In order to achieve long-term sustainable development in the future, Hong Kong cannot "fight single-handedly" and must rely on and utilize the huge development capacity provided by the GBA.

Second, the New York, San Francisco and Tokyo Bay Areas are basically the results of "natural" growth, after undergoing years of competition and cooperation between cities, resulting in the survival of the best in the regions. The US Government has only played limited leading role in establishing the economic zone in the Bay Area. The Japanese Government, however, has assumed a more prominent role in the planning stage. The situation in China is different. The development strategy of GBA is a major national development strategy that President Xi Jinping has personally planned, personally deployed and personally promoted, thus reflecting the strong determination and ambition of the Chinese government (Xinhua, 2019, 22 February).

From the perspectives of deepening the China's reform and opening up; transforming the its development strategy, encouraging technological and institutional innovation, breaking through the "middle-income trap", building the Eurasian community through the "Belt and Road Initiative", establishing new economic growth poles with broad radiation capabilities, and the long-term development of Hong Kong, the development of GBA has extraordinary strategic significance. The GBA has developed transportation networks, with strong complementarity between cities, common language and culture, long-term cooperation experience, and in possession of an international metropolis, Hong Kong, which has robust international ties. Hence, with the joint effort of the central and local governments, it is possible to enhance the competitiveness and outbound openness of the whole region through economic integration, complementary advantages and division of labour. As a

centre, the GBA's radiation will cover the South China region and become a powerful driving force for the overall development of the country.

The GBA is the intersection of the "One Belt" and the "One Road". It is the hub of the Maritime Silk Road. It can strengthen the linkages between China's coastal cities and cities in Southeast Asia and South Asia; and will play an active role in building the Maritime Silk Road. The GBA will also enable Hong Kong to integrate more fully into the country's development. Leveraging on its unique advantages of "One Country, Two Systems", Hong Kong can contribute to the country and pave the way for the GBA to further link up with the world.

Third, the "Outline Development Plan for the GBA" stipulates that the major functions of Hong Kong are to "consolidate and strengthen its status as the international financial, shipping and trade centre; strengthen its status as an offshore renminbi business hub, international asset management centre and risk management centre; develop finance, trade and commerce, logistics and professional services towards the high-end and high value-added direction; forcefully promote innovation, science and technology; cultivate newly emerging industries; build up Hong Kong as the centre of international legal and arbitration services; and construct an even more competitive international metropolis". It requires that Hong Kong, being one of the four core cities in the GBA together with Guangzhou, Shenzhen and Macao, with comparative advantages such as well-established institutions, sound legal system, abundant talents, free information circulation, advanced financial and service systems and extensive international contacts, should be capable of performing various pivotal, coordination and central functions in the GBA (Constitutional and Mainland Affairs Bureau, Hong Kong SAR Government, 2019).

Throughout the years, Hong Kong has participated in various economic development cooperation projects with Guangdong, Shenzhen, the Pearl Delta region and pan-Pearl Delta region. Although considerable results have been achieved, there remains a lot of shortcomings. In the past, the conception and motivation of various economic cooperation between Hong Kong and the Mainland were mainly initiated by the Mainland's local governments and Hong Kong, while the former was more aggressive than the latter. The Central Government basically played the role of encouragement and cooperation, and its exertion of leadership, level of involvement and national policy support were low. Due to conflicts of interest, diverse degree of enthusiasm, different paces of work, different roles of governments, diversity in goals and direction, and especially differences in systems and norms, the collaboration between Hong Kong and the Mainland often resulted in a condition of "big thunder and little rain". Regrettably, the attitudes of Hong Kong appear to be more passive when compared with the strong quest and enthusiasm of the Mainland.

The development of GBA is different from those collaboration projects between Hong Kong and the Mainland in the past. It has been incorporated into China's key development strategy. As such, its ability in mobilizing the enthusiasm of the Central Government, local cities and Hong Kong is much higher.

Hong Kong should not "drop the chain" and never "drag other people's hind legs"

Fourth, unlike various types of cooperation between Hong Kong and the Mainland in the past, the Central Government has played a major role in leading, planning, mediating, coordinating, promoting, implementing and preventing vicious competition, and has also taken up the role of "resolving difficulties and disputes". The "Outline Development Plan for the GBA" has vividly reflected this. In particular, it is essential that the Central Government should continue to formulate and introduce various special and preferential policies in response to the development of the GBA, thus allowing it to explore, try and innovate boldly in institutional and policy innovation and to accumulate experiences for deepening the China's reform and opening up strategy. The Central Government also hopes to strengthen

exchanges with other countries of the world in the fields of economics, trade, finance, investment, science and technology through the development of the GBA. The development of the GBA will impress upon the foreign investors and enterprises that China will not adopt unilateral and protectionist policies as some developed countries do, but, on the contrary, it will try its best to optimize the development of globalization, the establishment of an international free and fair trading system and the development of a multilateral system.

As the world is shrouded in the gloom of “de-globalization”, China has become a major force in promoting more equitable “globalization” and a new international economic order. In the past, Hong Kong was thriving because of “globalization” and now it is the victim of “de-globalization”. China’s “new globalization” strategy, which is based mainly on the “Belt and Road Initiative”, the development of GBA and the Asian Infrastructure Investment Bank, will definitely benefit Hong Kong.

Fifth, in formulating the development strategy of the GBA, Hong Kong’s current economic and social livelihood “difficulties” and long-term sustainable development in the future have always been the major concerns of the Central Government. The development of the GBA will, to a certain extent, enable Hong Kong to revitalize itself through the “integration with China’s overall development”. In the past, the beneficial results of cooperation between Hong Kong and the Mainland have fallen into the hands of large consortia and professional elites. The development of GBA, on the other hand, is aimed at sharing the benefits widely among people from different classes, for all walks of life, and for people from different generations.

President Xi Jinping once pointed out that “the integration of Hong Kong and Macao into the overall national development is the basic obligation of ‘One Country, Two Systems’, and it is the requirement in the era of reform and opening-up. It is also a new direction for Hong Kong and Macao to explore, to open up new development space, as well as the objective requirement for them to add new development momentum. The implementation of the development of the GBA is a major plan that we have made with long-term vision in the light of the overall situation. It is also a major decision to maintain the long-term prosperity and stability of Hong Kong and Macao”.

The appointment of Mrs Lam Cheng Yuet-ngor, the Chief Executive of Hong Kong, as a Member of the Leading Group for the Development of the GBA chaired by Vice Premier Han Zheng is the first time that a Hong Kong Chief Executive entered into the central leadership group. In particular, it also denotes the important role of Hong Kong in the development of the GBA. The Central Government has also indicated that the opinions of the Hong Kong SAR Government should be fully respected in the development process of the GBA. The Central Government has placed high hopes on Hong Kong’s participation in the development of the GBA and has been fully supportive and helpful. In future, when assessing the performances of the Hong Kong Chief Executive and the Hong Kong SAR Government, their courage, responsibility, ability and achievements in the development of the GBA will certainly be key criteria.

In fact, for the Hong Kong SAR Government and the community of Hong Kong, how to seize and utilize the opportunities brought about by the GBA, how to fully realize Hong Kong’s unique role in promoting the development of the GBA, are unprecedented challenges. It entails new philosophy of the governance of the Hong Kong SAR Government and the adjustment and innovation of the cooperative relationship between the government and the society.

For the Hong Kong SAR Government, all the former and current Chief Executives have indicated that they will not blindly follow the “non-intervention” policy for the economy, but will “take appropriate actions” or being “appropriately proactive”. However, in reality, the government is still very cautious and moves very carefully in promoting economic development, fostering industrial transformation and handling social conflicts. Its fiscal management policy has not actually got rid of the shackles of the past.

In the development of the GBA, the Hong Kong SAR Government must work with the Central Government and other cities in the region to formulate specific plans, launch cooperation projects, and establish the necessary infrastructures to enhance the smooth flows of various elements. Under the premise of respecting “One Country, Two Systems”, Hong Kong should actualize the alignments of the systems, rules and policies and work jointly with all parties, including the international community, in introducing the development and opportunities of the GBA. Hong Kong should also work harmoniously with the other cities in the GBA. It should not “drop the chain” and should never “drag other people’s hind legs”, as such malpractices will affect the development progress of the entire GBA (Lau, 2017).

The working experience of the Hong Kong-Zhuhai-Macao Bridge is a good example showing the relatively sluggish working process of the Hong Kong SAR Government. The strength of the Hong Kong SAR Government is administrative management and policy implementation, but it is relatively weak in terms of long-term planning, macro thinking, strategic thinking and policy research. The Hong Kong SAR Government needs to quickly diminish its weaknesses. Otherwise, it will be difficult for the Chief Executive of Hong Kong to put forward valuable opinions and suggestions on the development of GBA in the Leading Group. The Hong Kong SAR Government can continue to be an “appropriately proactive” government, but the so-called “appropriately” should be pitched at a higher degree of “appropriateness”. This means that it should be more proactive, more enterprising and forward-looking in the participation of the development of the GBA.

In specific terms, there are several aspects in which the Hong Kong SAR Government has to act upon.

First of all, it has to fully realize that while Hong Kong’s importance in national development is declining and its industrial structure is in urgent need of transformation and upgrading, the development of the GBA has a major strategic significance for the future development of Hong Kong.

Second, the Hong Kong SAR Government should intensify its efforts to explain the importance of the GBA to all walks of life in Hong Kong. At the same time, it should dispel some people’s misunderstandings and doubts thus removing the internal resistance blocking Hong Kong’s active participation in the development of the GBA.

Third, the Hong Kong SAR Government needs to change its past “sloppy” attitude towards its cooperation with the Mainland. It should actively strengthen its communication and cooperation with the governments of the cities in the GBA, and seek joint development projects with them. It should also promote the alignment of systems, laws, transportation, public policies, professional and industrial entry standards, living conditions and lifestyles between Hong Kong and all the cities, thus making the GBA truly a common home for Hong Kong people and the Mainland compatriots.

The government should adjust its mentality and be fully participative

Finally, the Hong Kong SAR Government must reposition its role in economic development and get rid of the negative attitude of “positive non-intervention”. It should enhance its initiative and leadership in the promotion of economic development. To this end, the philosophy of fiscal policy of the Hong Kong SAR Government should also be adjusted. For example, whether the Hong Kong SAR Government could eliminate the hindrances of the past and put more financial and administrative resources into the GBA to support Hong Kong people’s development in the Mainland; to assist Hong Kong people in dealing with difficulties and problems encountered in the Mainland; and to subsidize some cooperation projects between Hong Kong and the Mainland. Otherwise, Hong Kong’s participation in the development of the GBA will be highly limited. In the past, the cooperation projects between Hong Kong and the Mainland in Nansha, Hengqin and Qianhai were not as good as expected. One of the reasons is precisely because Hong Kong failed to put a lot of money and

resources into those projects. Therefore, the fiscal policy of the past that Hong Kong's public funds should not or cannot be used in the Mainland has been outdated when participating in the development of the GBA.

The development of the GBA is a common endeavour of the government and the community. The market, private enterprises and professional communities are going to play a more critical role than other parties in the Mainland. It was often reflected in the past collaborations between Hong Kong and the Mainland that the Hong Kong SAR Government lacked the ability to promote the participation of private enterprises and individuals. As such, the results could hardly satisfy the other parties. In the process of developing the GBA, the relationship between the government and the society also needs to be adjusted. The Hong Kong SAR Government should provide a policy environment, resources, information, education and training, and service support that are conducive to civic participation. At the same time, it should establish sustainable and close relationships and collaborations with various sectors of the community, especially the industrial and commercial organizations, statutory bodies, professional organizations, education and training institutions, social groups and youth organizations. This will enhance the government's ability in mobilizing private resources and coordinating public and private resources, and thus playing positive and proactive leadership.

All in all, the development of the GBA is a new development opportunity that Hong Kong must firmly grasp. It is also an opportunity for Hong Kong to enhance its position in the rise of China. The Hong Kong SAR Government has to adjust its thinking in governance and policy and to strengthen its role and function in Hong Kong's economic and social development.

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About the author

Siu-kai Lau is Emeritus Professor of Sociology at The Chinese University of Hong Kong and Vice-President of the Chinese Association of Hong Kong & Macao Studies. In 2002-2012, Professor Lau was Head of the Central Policy Unit of the Hong Kong SAR Government. He was actively involved in the return of Hong Kong to China as Member of the Preliminary Working Committee for the Hong Kong SAR as well as Member of the Preparatory Committee for the Hong Kong SAR before 1997. His publications include *Society and Politics in Hong Kong* (1982), *The Ethos of the Hong Kong Chinese* (with Kuan Hsin-chi) (1988), *The Implementation of One Country Two Systems in Hong Kong* (in Chinese) (2015), as well as articles in local, Mainland and international scholarly journals. Siu-kai Lau can be contacted at: lausiukai@gmail.com

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