

As one of China's earliest and most successful special economic zones in China, Shenzhen is at the forefront of the country's reform and opening-up efforts. After 37 years of expansion, Shenzhen has cemented a certain position within the global industrial production system and it has become one of China's primary cities in foreign economics and trade as a considerable number of its enterprises have “gone abroad”. With the Guangdong-Hong Kong-Macao Bay Area launching, Shenzhen could form a partnership of industry distribution and city functions with other cities in the region.

The difference between the eastern and western parts of the Pearl River Delta has been widening, which greatly hampers the general growth of the area. Cooperation between cities from the eastern and western shores of the Pearl River needs to be improved with limitations in land resources and environment capacity in cities on the eastern shore. Following the construction of key infrastructure facilities like the Hong Kong-Zhuhai-Macao Bridge and the Shenzhen-Zhongshan Corridor, the connectivity between the eastern and western sides of the mouth of the Pearl River will be better. Consequently, Shenzhen will be positioned as a hub in the three city clusters of Shenzhen-Dongguan-Huizhou, Zhuhai-Zhongshan-Jiangmen, and Guangzhou-Foshan-Zhaoqing, and function as a crucial node among the three free trade zones on the two coasts of the mouth of the Pearl River. This will enable Shenzhen to obtain a larger market and a bigger influence within the Bay Area.

The Guangdong-Hong Kong-Macao Bay Area is an important center for science and technology industries, financial services sector, maritime logistics and

manufacturing. It is able to fully conduct the innovation ranging from ideas, fund-raising, research and development to production and industrialization. A group of world-leading enterprises has already emerged from Shenzhen including Huawei, Tencent, ZTE, BYD, BGI Genomics and DJI, and the number of PCT international patents applications from these companies account for half of national total. In terms of innovations in policy, industry and system, Shenzhen has made explorations and accumulated experiences that can serve the whole country, for instance, deployments in strategic



emerging industries and future industries, establishment of science and technology funds and governmental supports schemes, and implementation of human resources policies such as "Peacock Plan," talents accommodation program, housing and rental subsidy policy and start-up assistance for students studying abroad. These reforms and measures are valuable reference for the rest of the Bay Area.

Guangdong, Hong Kong and Macao have proposed to jointly build a world-class city cluster that is green and hospitable, so as to provide their residents with a clean, comfortable, efficient, and quality living environment and enhance the overall competitiveness of the greater Pearl River Delta. Shenzhen should incorporate low-carbon concept into urban planning, industry policies, construction facilities and transportation, and seek to establish incentive schemes and policy systems conducive to the sustainable development of the greater Bay Area.

Guo Wanda, Executive Vice President of CDI

Challenges, Positioning and Development of the Guangdong-Hong Kong-Macao Bay Area

The signing of the Framework Agreement for Deepening Guangdong-Hong Kong-Macao Cooperation and Promoting the Development of

the Bay Area on July 1, 2017 clarified the direction for Guangdong, Hong Kong and Macao to forge an internationally top-notch Bay Area and world-class

city cluster. The challenges and positioning changes facing the Guangdong-Hong Kong-Macao Bay Area will greatly influence the region's next step.

The Guangdong-Hong Kong-Macao Bay Area was initially established to optimize a combination of markets factors across the globe and provide China with a new open platform to integrate resources. In addition, as profits for copycatting technology shrink and bonuses in economic reform dwindle, the Chinese economy desperately needs an innovation-driven growth model. Furthermore, the Bay Area has become the major growth pole in the global economy and primary engine for technological revolution because of the cluster effect. Finally, the Bay Area's economy helps Hong Kong translate its free economy and lawful society advantages into competitive strengths which will further stimulate the city's economic expansion.



The Guangdong-Hong Kong-Macao Bay Area holds advantages such as high economic capacity, favorable geographic location, outstanding innovation capability, internationalization and a solid foundation in cooperation. However, in the context of the global economy, the biggest challenges to the Guangdong-Hong Kong-Macao Bay Area are fully integrating the cities in the Bay Area, overcoming administrative and systematic barriers, realizing the optimized allocation of resources and improving the operating efficiency of the whole region.

The positioning of the Guangdong-Hong Kong-Macao Bay Area should be considered from the perspectives of the national economic development

strategy and its historically significant mission. First, the Area should explore the trade and investment rules and regulations of high standards, develop an open economic system that match the international community, and function as a hub for the “Belt and Road” strategy. Second, the Area should strengthen its global resources allocation capacity and cultivate a competitive innovation center. Third, the Area should fully harness the unique strengths of Hong Kong and Macao and advocate in-depth collaboration between the Special Administrative Regions and the Chinese mainland. Fourth, the Area should forge a world-class city cluster and a powerhouse of economic growth to become a cornerstone in global and regional competition.

The development the Guangdong-Hong Kong-Macao Bay Area should focus on the following four areas. First, as the transportation network improves, a “commute circle” within the city cluster will be established. Second, innovation will be prioritized over the commercialization of scientific technology and the application of research results, and an innovation ecology network should be established that links the Chinese mainland with Hong Kong and Macao. Third, industrial infrastructure will be upgraded and the proportion of high-end services will continue to rise. Finally, a transition from an export-oriented production center to a production and consumption center focusing on trade in both goods and service will occur.

Zheng Yujie, Director, Information and Communications Department

Based in Shenzhen and founded in 1989, China Development Institute (CDI) is a non-governmental think tank that develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. Based on rigorous research and objective analysis, CDI is committed to providing prospective, innovative and pragmatic reports for governments at different levels in China and corporations at home and abroad. In December 2015, CDI was designated as one of top 25 national leading think tanks in a pilot project of central government which is aimed at promoting the building of new-type think tanks with Chinese characteristics.



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Greater Bay Area Forum

2017 marks the 20th anniversary of Hong Kong's return to China and the development plan for the Guangdong-Hong Kong-Macao Greater Bay Area, which will become a strategic “pivot” for the opening-up to the outside world and the “Belt and Road” initiative, was included into this year's Government Work Report. On June 20, 2017, Tencent held the Guangdong-Hong Kong-Macao Greater Bay Area Forum with focus on China's Innovation-Driven Bay Area. CDI and One Country Two Systems Research Institute (OCTSRI) were invited to host. Holding discussions on scientific and technological innovation, talent flow and institutional integration; the forum is aimed at offering policy recommendations on the development plan for the city cluster.



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Guangdong-Hong Kong-Macao Bay Area and China's Opening-up

Guangdong-Hong Kong-Macao Bay Area, a metropolitan area featured with vitality, technology and innovation, emphasized by Premier Li Keqiang in the Report on the Work of the Government 2017, implies greater opening-up of China.

Positioning of Shenzhen in the Guangdong-Hong Kong-Macao Bay Area

As the establishment of the Guangdong-Hong Kong-Macao Bay Area, Shenzhen should strive to carry out development concept featuring openness, coordination, innovation and low-carbon economy, and actively integrate into the greater Bay Area.

Promoting Hong Kong's Economy by Integrating into the Guangdong-Hong Kong-Macao Bay Area

Integrating into the Guangdong-Hong Kong-Macao Bay Area and deepening the cooperation with other cities in the Bay Area will boost Hong Kong's economy.

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Guangdong-Hong Kong-Macao Greater Bay Area Forum

“The Guangdong-Hong Kong-Macao Greater Bay Area is facing two major transformations; the transition from individual cities to a city cluster and the transition from the original manufacturing center, financial center and service center to a scientific innovation center.”

The development of the Guangdong-Hong Kong-Macao Greater Bay Area requires the cities to pursue fair benefits for all parties with no distinguishing distribution. Therefore, the coordination by higher-level institutions is the prerequisite. Having a sound industrial chain distinguishes China’s Greater Bay Area from other bay areas in the world. Thus, the producing process can be made inside the Bay Area to reduce manufacturing costs.

FAN Gang, President, China Development Institute (CDI)



“The prerequisite of innovation elements, like talents, should be sought from all over the world.”

The Guangdong-Hong Kong-Macao Greater Bay Area needs to absorb world-class resources and integrate with key elements of development. Successful businesses draw on the advantages of various places. For example, DJI was a scientific research project in Hong Kong, but it started up in Shenzhen and finally produced UAVs in the Pearl River Delta. It is now a world-class company with 90 percent of the global market share.

ZHOU Qiren, LangRun Chair Porfessor, National School of Development at Peking University



“The Greater Bay Area has led unprecedented opportunities for development. Policies should facilitate scientific and technological progress, create innovative environment and establish coordination mechanism.”

Hong Kong is highly internationalized, which can attract scientific and technological enterprises. The Guangdong-Hong Kong Macao Greater Bay Area should build an innovation eco-system featuring integration of enterprises, universities and research. For example, Stanford not only cultivates talents, it also can retains them for the development of the Silicon Valley. The governments of Guangdong, Hong Kong and Macao should establish a smooth coordination mechanism, working together to seek talents and markets from the world.

MA Huateng, Chairman of the Board and CEO, Tencent



“Silicon Valley is self-motivated and self-driven.”

The entrepreneurs will turn into venture capitalists and more talents will be attracted with the venture capital. In this way, Silicon Valley is self-motivated and self-driven. For example, universities like Stanford are not just academic institutions and they also actively encourage students to start their own businesses. Some big companies will cultivate many talents, and encourage them to create new small companies. Talent is the key element of innovation. About 45 percent of Silicon Valley's entrepreneurs come from abroad. If you can bring innovative ideas, Silicon Valley will open the door for you and provide the resources you need. Free flow of ideas is a prerequisite for innovation.

Sean RANDOLPH, Senior Director, Bay Area Council Economic Institute



“The flexible mechanism of Hong Kong can facilitate the establishment of private universities, so that “Hong Kong-Shenzhen-Dongguan” could become China’s Silicon Valley.”

Hong Kong has a lot of achievements in scientific research. In order to commercialize the scientific research, Hong Kong should use its flexible mechanism to establish private universities in the Hetao area, a science and technology zone jointly developed by Hong Kong and Shenzhen. Hong Kong should also bring new technologies into the city cluster of Hong Kong, Shenzhen and Dongguan, therefore, develops China’s own Silicon Valley with sound manufacturing systems.

LI Zexiang, Professor, Dept. of Electronic & Computer Engineering, HKUST



“The Guangdong-Hong Kong-Macao Greater Bay Area enjoys an advantage in manufacturing. Now we are in era of artificial intelligence, which is an opportunity for the city cluster.”

The Guangdong-Hong Kong-Macao Greater Bay Area has a solid foundation for manufacturing which is different from the Silicon Valley. Now that we are about to step into the era of artificial intelligence, the city cluster becomes very competitive because it can connect software, hardware and services. For companies in the Bay Area, especially small and medium-sized ones, they are exposed to the latest technology which can change the world and seek investment from Hong Kong.

David WALLERSTEIN, Chief Exploration Officer, Senior Executive Vice President, Tencent

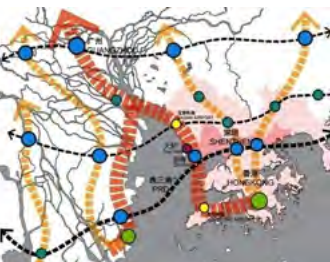


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The Bay Area is a very important strategic hub for the One Belt and One Road. The guidelines proposed by the Belt & Road initiative, including policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond will play a strong role in the Bay Area. In return, the Bay Area will inject new vitality into the Belt & Road initiative.

The Bay Area has considerable complexity. On the one hand, the legal systems of Hong Kong, Macao and the Chinese mainland are different; on the other, complexity also implies diversity and inclusiveness, which will make the Bay Area a place with huge potential for

development as it is full of vitality and suitable for innovation.

Guangdong-Hong Kong-Macao Bay Area is a metropolitan cluster. First of all, the infrastructure connectivity shall be well planned. Only with facilitated commuting between different cities, can the flow of elements be efficient. Second, building a livable Bay Area is essential to attracting global talents. Other important considerations include financial opening and capital flow, etc. All of these require top-level design

and solutions to overcome the existing institutional and legal barriers. Therefore, it is essential to establish a mechanism to solve these problems.

A dynamic and innovative bay area features a large number of immigrants, scientific and technological development as well as de-centering, with which Guangdong-Hong Kong-Macao Bay Area can be a match for San Francisco.

Guo Wanda, Executive Vice President of CDI

Promoting Hong Kong’s Economy by Integrating into the Guangdong-Hong Kong-Macao Bay Area

Integrating into the Guangdong-Hong Kong-Macao Bay Area and deepening the cooperation with other cities in the Bay Area will boost Hong Kong’s economy.

City clusters are a critical platform enhancing the national competitiveness and regional influence. New York, Tokyo and London are influential cities in the world primarily because of their competitiveness and influence. Integrating into the Guangdong-Hong Kong-Macao city cluster will effectively alleviate risks and challenges troubling Hong Kong today, such as economic imbalance and the lack of innovation. Since the economic exchanges and trade between Mainland China and the rest of world is increasingly closer and the Guangdong-Hong Kong-Macao Bay Area provides a new chance to reposition its function, Hong Kong should leverage on its unique and inherent advantages.

How can Hong Kong effectively integrate into the Guangdong-Hong Kong-Macao Bay Area? Firstly, Hong Kong should capitalize on its advantage in international resources to promote economic opening-up and reasonable industrial distribution within the Guangdong-

Hong Kong-Macao Bay Area. Hong Kong should also coordinate with other cities in the Bay Area and conduct innovation in cross-border finance so as to advocate the coordinated development of the Guangdong-Hong Kong-Macao financial sector. Moreover, Hong Kong should strengthen its role as a super-connector in terms of science, technology, logistics, and capital to improve the innovation system of the Bay Area. Hong Kong should, in addition, leverage on its high-end professional services which will be beneficial for the internationalization of enterprises in the Bay Area.

Yang Qiurong, Research Fellow, Center for Hong Kong and Macao Studies



Positioning of Shenzhen in the Guangdong-Hong Kong-Macao Bay Area

In the midst of the major historic opportunity presented by the establishment of the Guangdong-Hong Kong-Macao Bay Area, Shenzhen should strive

to carry out development concept featuring openness, coordination, innovation and low-carbon economy, and actively integrate into the greater Bay Area