HSBC Media Coverage

How the Greater Bay Area can supercharge an economic dynamo

Peter Wong, Deputy Chairman and Chief Executive, The Hongkong and Shanghai Banking Corporation Limited

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Hong Kong will complement Guangdong under the bay area plan, with the city's strong banking and financial sectors thriving alongside the province's hi-tech manufacturing and growing services sector.

The Pearl River Delta is at the epicentre of China's shift towards hi-tech and innovative manufacturing and services, and ranks among the most economically vibrant areas in China – if not the world. Beijing's unveiling of the "Greater Bay Area" development plan starts the next chapter of this region's extraordinary story.

The vision is both ambitious and sweeping: its goal is to shift this regional economic dynamo up a gear, creating a powerhouse of global significance by strengthening economic partnerships between nine cities in Guangdong province as well as Hong Kong and Macau, with their respective legal, judicial and financial systems.

Over time, the initiatives that this plan will foster can help to make the regional economy more than the sum of its parts. This makes it one of the most important economic integration initiatives in the world – and a historic opportunity for Hong Kong's mature service industries to access new growth drivers.

The Greater Bay Area's success will depend on the ability of talented people to work across the area. Hong Kong's world-class financial, logistics and professional services specialists could be valuable assets to many mainland enterprises, but many are reluctant to take jobs with these firms because of higher tax rates in Guangdong and the perceived inconvenience of managing personal finances on the mainland.

So expect tax incentives for Hong Kong residents, such as those we already see in the Qianhai free-trade zone, as well as capital account measures to make it easier for them to open a bank account or set up a mobile wallet in Guangdong. The proposed "Wealth Management Connect" scheme could also allow all bay area residents living and working in Guangdong to have access to Hong Kong's strengths in investment management and financial services.

This is one way that the bay area scheme can benefit Hong Kong as a financial centre. But the plan also puts the city in a stronger position to finance and collaborate with Shenzhen's and Guangzhou's innovative and internationally minded hi-tech manufacturing and service sectors. Closer partnership with the Pearl River Delta's innovation economy can be a new catalyst for growth in Hong Kong, which relies heavily on its traditional strengths in finance and property.

The bay area plan also plays to Hong Kong's unique strengths under the "one country, two systems" framework. The city's robust, open banking sector and deep public and private capital markets can finance the growth of innovative enterprises in Guangdong. Its prominence in the global financial markets also makes it an ideal hub for the growing number of Chinese issuers seeking to sell green bonds to international investors. And Hong Kong's legal system enables it to provide valuable services in intellectual property protection and dispute resolution for mainland enterprises.

The Greater Bay Area is special. Perhaps nowhere else in the world can rapidly evolving hi-tech manufacturing capabilities, a huge consumer base and talent pool, plus an international financing and logistics hub be found in such proximity.

The fact that these complementary strengths have already been forming connections within the region for decades mean that the government's plan – which has the firm backing of President Xi Jinping – builds on solid foundations.

And it can supercharge a regional economy that is already similar in size to Australia's and South Korea's. The Pearl River Delta alone generated US$1.1 trillion of GDP in 2017, rising to US$1.5 trillion when Hong Kong and Macau are included. Its population of more than 60 million is roughly on a par with the UK's and its relative affluence (per capita GDP is well above the national average) make it an enormous consumer market in its own right.

True, the vision is a long-term one. The bay area plan covers the period from now to 2022 in the immediate term, and extends to 2035 further down the line. By 2022, the aim is for the entire bay area to have embraced substantial coordination to lay the groundwork for a world-class city cluster. This will elevate the bay area scheme to become an internationally competitive, efficient and innovative economic hub by 2035.

But businesses in the region already see the potential. A survey conducted by HSBC, KPMG and the Hong Kong General Chamber of Commerce last year found that nearly 80 per cent of executives operating in the region expect it to grow faster than China as a whole over the next three years.

Companies from Hong Kong – and further afield – who have not already considered what the bay area plan could mean for them may also want to take a closer look.

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