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CHINA'S PEARL RIVER DELTA DEVELOPMENT: A GAME CHANGER FOR HONG KONG

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“Hong Kong government has to think out of the box and take initiative to lead Hong Kong to break the bottle neck in economy development,” said Dr. **Fang Zhou**, Research Director of One Country Two Systems Research Institute (OCTSRI), a non-government public policy think tank in Hong Kong, at a seminar organized by Lau Chor Tak Institute of Global Economics and Finance at the Chinese University of Hong Kong in November 2016.

In the seminar, Dr. Fang shared with the audience his insights into the development of Pearl River Delta region and the implications to Hong Kong, and how the city can be taken to the next level.

According to Dr. Fang, China’s 13th Five-Year Plan outlined several regions as the country’s major regional development engines, such as Beijing-Tianjin-Hebei region, Yangtze River Delta region and also One Belt One Road. But Greater Pearl River Delta, China’s long-time economic development engine in the past 20 years, is not included in this blueprint of China’s economy development for the following five to ten years. Greater Pearl River Delta consists of Hong Kong Special Administrative Region, Macao Special Administrative Region, and the Pearl River Delta region of Guangdong Province.

Therefore some leaders in the region have warned that the Pearl River Delta is becoming less important to China’s economy and may even lose its power in China’s economic development.

“Such sense of crisis is not unfounded,” said Dr. Fang, citing Hong Kong’s GDP share of China’s GDP as an example. “In 1995, Hong Kong’s GDP was about 25% of China’s GDP, but in 2015, its GDP has shrunk to 2.7% of that of China.”

As the most dynamic region in China, Greater Pearl River Delta region, particularly Hong Kong, has long served as the bridge between China and the world, conveying trade and investment flows both ways. “But that role has diminished in recent years as China has opened its borders and plugged itself directly into the global economy,” said Dr. Fang. “Obviously, Greater Pearl River Delta region, including Hong Kong, is less important now than in the past.”

To stay ahead of the game, Guangdong province has implemented a series of reforms, such as upgrading its economic industrial structure and enhancing urban infrastructures, aiming to maintain its economic status in China.

For example, Guangdong province used to be the world’s factory, but facing rising labor costs and intense global competition, it is upgrading its economy from a labor-intensive and high-energy consumption manufacturing industry to high-tech industries, such as telecommunications, biomedicine and new energy industries.

Meanwhile, an intercity rail transport network featuring three circular and eight outbound routes will be built by 2020. The network will connect all Pearl River Delta cities and create a “one-hour intercity circle”.

According to Dr. Fang, Guangdong province is also forging closer cooperation with Hong Kong and Macao through policies such as developing Lok Ma Chau Loop into a higher education area with supplementary R&D facilities and connecting Hong Kong and Macao via infrastructure constructions, including the Hong Kong-Zhuhai-Macao Bridge, and the Hong Kong-Shenzhen Western Express Line between the airports of Hong Kong and Shenzhen.

As the transportation between Hong Kong and Pearl River Delta region is getting more convenient, Hong Kong will be expecting more visitors from mainland China. In light of this, Dr. Fang suggested that Hong Kong should be prepared to respond to these changes and challenges by adjusting its urban planning effectively.

He went on to share that in the past decades, Hong Kong’s urban development direction was mainly towards the south of Kowloon, but now as the connection between Hong Kong and mainland China is getting closer, the urbanization need in the north of Kowloon is imperative as well. So for example, he suggested that Hong Kong government can build more shopping centers in New Territories near the border of Shenzhen to cater for shoppers and tourists from the mainland, leading them to explore the north of Kowloon and helping to ease the over-crowdedness on Hong Kong Island.

According to the statistics of the Hong Kong Census and Statistics Department, due to the rising number of mainland visitors to Hong Kong, the gross proceeds of the retail industry had grown by 1.3 times between 2002 and 2011; however, the retail floor space had increased only by 30% during the same period, leading to the rise of rents and commodity prices.

“Obviously, retail is one the major economic activities of Hong Kong and the demand far exceeds the supply. However, the government didn’t take sufficient measures to address the problem in the past decade. This has not only caused a lot of missed business opportunities for Hong Kong, but has also led to the discontent among Hong Kong people towards mainlanders,” said Dr. Fang.

Another example is the coordination among the airport authorities of Hong Kong, Shenzhen, Guangzhou, Zhuhai and Macao. According to Dr. Fang, Guangzhou Baiyun Airport, Shenzhen Airport, Hong Kong

International Airport, Zhuhai Airport and Macao Airport have all started their constructions of new runways or terminals to enlarge air traffic capacities. Most of the constructions will be finished by mid 2020s. By then, the air traffic among these airports will be more congested and the competition among them will also be fiercer. Hence, to fully utilize the capacities of these airports and meet the growing demand of air traffic services, Dr. Fang suggested that coordination and cooperation is the key.

He further pointed out that the runways in Shenzhen Airport and Macao Airport are vertical from north to south, whereas those of Hong Kong International Airport are horizontal from west to east, which would lead to more congested air traffic and unhealthy competitions in the region. So it is necessary for the airport authorities in these cities to coordinate with each other in advance in order to ensure the efficiency of air space and maintain a healthy competition.

“Airports in Hong Kong, Shenzhen and Macao are all close to each other geographically,” Dr. Fang said. “If we had planned and better coordinated when the airports were under construction in 1990s, we would’ve made better use of our resources in air traffic.”

“If Hong Kong government can take the initiative to seize the opportunity to cooperate with other major Pearl River Delta cities now and in the future, Hong Kong’s role as a super connector in the region will be more vital and special, which undoubtedly will also enhance the city’s competitive strength and bring Hong Kong to the next level,” Dr. Fang concluded.