



Hong Kong-Zhuhai-Macau Bridge

GBA: A Blueprint for Growth

China's ambitious plan to integrate its major southern cities with Hong Kong and Macau aims to transform the region into an innovation hub. Now the blueprint is out, what are the opportunities for Hong Kong? – By Sarah Graham

In February 2019, the highly-anticipated blueprint for the Greater Bay Area (GBA) identified Hong Kong, Macau, Shenzhen and Guangzhou as four key cities of the bay area that would be core engines for regional development.

First mooted in 2016, the GBA is China's ambitious plan to transform Hong Kong, Macau and nine cities around the Pearl River Delta into a thriving global centre of innovation and finance to rival Silicon Valley and the Tokyo Bay Area. The plan covers the period from now to 2022

in the immediate term and extends to 2035 in the long term.

“
The Greater Bay area has three different legal systems, each with their own rules and regulations. Businesses are waiting for a more streamlined process.

– Michael Lau, Baker McKenzie

”

Essentially, the Chinese government is trying to introduce greater connectivity between its already well-established powerhouses: Hong Kong, Macau, Shenzhen, Guangzhou, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, and Zhaoqing. This will allow for easier movement of

people, goods, services and capital between the cities; ultimately placing it as a global leader in

finance, trade, transport, innovation, technology, and manufacturing. Within that framework, China hopes to attract talent and businesses from around the world. But to accommodate this wave of businesses seeking to enter and expand their presence in China, the famously introverted country must open up.

Connectivity – on all levels – is key to the success of the GBA. And China has already begun laying the groundwork with the bolstering of transport links critical to the integration of the region. The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link opened in September 2018, while the Hong Kong-Zhuhai-Macao Bridge opened a month later. Both transport links significantly cut down journey times between the cities.

Other sectors in which connectivity is essential in order for the region's cities to do business include legal, human resources, finance, and logistics.

February's blueprint, although light on detail, singled out Hong Kong's role in the GBA as further enhancing its status as an international finance, transportation and trade centre, as well as a global aviation hub.

We spoke to Chamber members to find out what the GBA means for them, and for Hong Kong.

Movement of people

It is widely anticipated that economic cooperation within the Greater Bay Area will bring career opportunities in all the industries earmarked as pivotal to the region's success. As more companies are attracted to the GBA, and others expand within it, more jobs will be created, and employees will likely move between cities.

For Hong Kong's legal and human resources professions, this movement of people presents several

56,000 KM²
Total Size of the
Greater Bay Area

“

The GBA's distinctive standing within China's economic development ambitions means it is ideal for new policies to be tested and refined before being rolled out nationally.

– Ayesha Lau, KPMG China

”

challenges. Hong Kong's legal profession is heavily involved in promoting the region's development, as well as the economic and social development of the country.

Global law firm Baker McKenzie has been offering clients briefings, centered around the theme “legal connectivity”, discussing the logistics of bringing nine cities, two Special Administrative Regions, and three legal systems together under one umbrella.

Rico Chan, who leads the Firm's GBA initiative and is a Partner in the Firm's Hong Kong office, says the biggest challenge, as well as opportunity, is creating more synergy between the three systems and streamlining processes such as applying for two-way capital flows in an orderly way, appropriate two-way flow of data, and enhancing legal connectivity, consistency and assurances for HK and international businesses and individuals to increase their investments,

engagement and contributions in the mainland part of the GBA.

A new agreement made between China and Hong Kong in April means that interim arbitration orders are enforceable in another – this includes the power to freeze assets in the other territory pending final verdict of from the arbitration proceedings.



Rico Chan,
Baker McKenzie

“Previously, if you had a dispute across two jurisdictions, you stood the risk that people could simply move their money away. Now if the contract has a Hong Kong arbitration clause, you can seek an injunction or freezing order. It makes the contract a lot more meaningful and forceful – they get justice sooner,” says Chan.

Furthermore, Chan explains, new measures aimed at attracting Hong Kong employees to work across the GBA include tax breaks whereby a rebate is given by the Guangdong government to bring the payment in line with the SAR's lower tax rate.

And the visa system has also undergone some streamlining, with the introduction of a new scheme designed to speed up the process.

Michael Lau, Business Development Manager at Baker McKenzie, adds: “The Greater Bay area has three different legal systems, each with their own rules and regulations. Businesses are waiting for a more streamlined process.”

Last October, the Chinese government removed the need for work permits for local Hong Kong residents looking to work in the mainland. Native Hong Kong residents can also apply for residents' visas which would give them access to local health services.

This, says Jeff Tang of People Advisory Services, will allow people to move much more freely within the GBA and “make the integration closer between Hong Kong and China”. But, he argues, such an incentive needs to be

backed up with clearer tax breaks for those who are relocated to the GBA.

“Taxation is a big issue. For us in Hong Kong the maximum tax rate is 15%. Move to China and it's a whole different conversation from the rate of tax itself to worldwide taxation of

income,” Tang says. Recent announcements on the qualification for worldwide taxation rules e.g. five

years residence to six years; the resetting of residence computations from January 1, 2019; and the redefinition of days in China are positive changes that would further encourage movement of labour within the GBA.

“The issues on rate of tax remain a hurdle as employers would typically provide tax equalisation for employees to address the difference between the maximum rate in Hong Kong versus the maximum in China of 45%.

This effectively increases the cost of relocating employees within the GBA.

There was a recent announcement of preferential tax treatment for certain foreign high-end talents working



Michael Lau,
Baker McKenzie



Hong Kong international Airport

in the nine cities in GBA and Pearl River Delta for a period, but the implementation detail has yet to be disclosed. This is a positive move in the right direction but only limited to some jobs. The overall question still remains for the other talents as to who will bear the difference between taxation rates between Hong Kong and China – employers? government? – and how this would work in reality,” Tang says.

However, he predicts that once these issues are ironed out, Hong Kong employees could be moved around the GBA as part of their career development as organisations maximise their opportunities in the region.

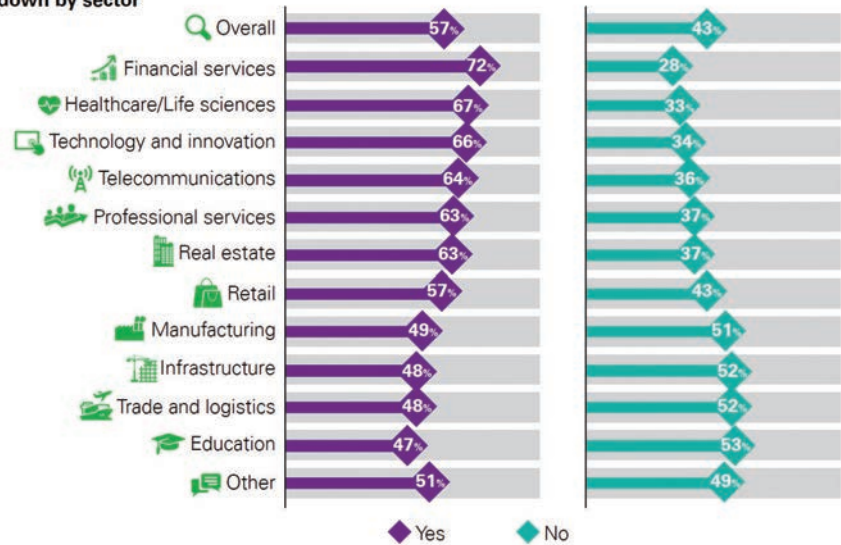
“I think eventually companies will start to see GBA as a total solution. Some may move offices around to better suit productivity – e.g. moving their tech departments to Shenzhen, data centre to China, etc.”

Ayesha Lau, Managing Partner in Hong Kong for KPMG China, agrees Hong Kong has a pivotal role in the success of the GBA, and predicts that the new



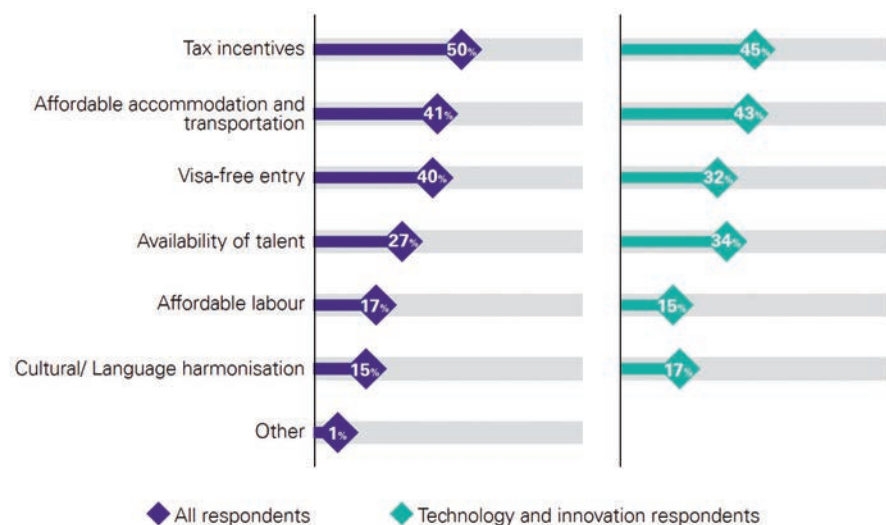
DOES YOUR COMPANY HAVE A STRATEGIC PLAN FOR THE GBA?

Breakdown by sector



Source: “Navigating the Greater Bay Area – Second annual survey on key drivers for success”, KPMG, HSBC and HKGCC, October 2018

THE MOST IMPORTANT FACTORS TO FACILITATE THE FREE MOVEMENT OF PEOPLE WITHIN THE GBA



Source: “Navigating the Greater Bay Area – Second annual survey on key drivers for success”, KPMG, HSBC and HKGCC, October 2018

economic region could be used as a testing ground for future policies.

“Companies and investors should consider the roles and strengths of other GBA cities. Guangzhou, for example, will serve as a centre for international business and trade as well as for integrated

transportation. Shenzhen, as a special economic zone, continues to be a focal point for innovation. Macau is home to highly advanced travel and leisure industries.

“The influence of the GBA can extend beyond the Pearl River Delta to neighbouring provinces including



Kenneth Bell,
Tradeport

Fujian, Jiangxi, Hunan, Guangxi, Hainan, Guizhou and Yunnan. It will act as a catalyst to open up the country's economy still more. In addition, the GBA's distinctive standing within China's economic development ambitions means it is ideal for new

policies to be tested and refined before being rolled out nationally," she says.

Aviation/Logistics

China's Civil Aviation Administration (CAAC) deputy administrator, Dong Zhiyi, lauded Hong Kong as a "very important location" for the Greater Bay Area when he spoke at an aviation conference in the city in early April.

Indeed, Hong Kong International Airport (HKIA) is the world's busiest cargo airport and in 2018 ranked 8th in the Airport Council's International list of busiest passenger airports. As part of a major expansion, it plans to add a third runway which will be operational by 2024.

So how can HKIA enhance its already established position as an aviation hub?

Kenneth Bell, vice chairman of the Chamber's Logistics Committee, and CEO of leading air-cargo logistics regional distribution centre, Tradeport, says the foundation is there to build on.

"In some ways, this is a continuation on top of existing infrastructure projects; the HKIA 3rd Runway System (3RS) due to be completed in 2024 being a notable example but also a big push in conjunction with our strong rule of law and expertise in financial services for areas such as aircraft leasing and financing services etc.

"HKIA was the world's busiest airport for air cargo in 2018 with some 5.1 million tonnes of throughput and in the top 10, I believe, for passengers at some 75 million pax and it is reasonable to expect this to only grow further as the GBA city populations become more affluent in consumption of overseas goods and also more able to travel as tourists."

Tradeport is ideally placed within the Greater Bay Area to enable the vision of the airport as an aviation hub, says Bell, being less than five minutes away by road from the air cargo terminals at HKIA and now with the new bridge, Macao and Zhuhai are only around 45 minutes away by road. For the logistics industry as a whole, the GBA looks set to bring increased growth. In terms of strategy, Bell says Tradeport will focus on maintaining a top-tier facility, increased automation and flexible services to customers who wish to partner with the firm.

"I would agree that there will be more opportunities in the logistics industry as a whole but the industry is undergoing rapid changes in automation with automated guided vehicles and forklifts, technology with increased Electronic Data Interchange, use of booking platforms and the like, and increased cargo screening requirements, for example. One would expect that the nature of logistics jobs are likely to change quite significantly over the next decade or two with people and machines collaborating much more closely in the workplace and with more jobs in tech and R&D functions," he says.



Finance/Investment

Having been earmarked as the GBA's international trade and finance centre, Hong Kong has an opportunity to strengthen its role as a global gateway to China while at the same time growing its economy.

Edith Wong, Chief Marketing Officer of InvestHK, the government department responsible for foreign direct investment and supporting overseas businesses to set up and expand in Hong Kong, says the GBA will enhance the city's competitive edge as a centre for global offshore Renminbi business.



size of their market, their industry system, and their comparative advantages," she says.

According to Wong, the blueprint supports Hong Kong in consolidating and enhancing the city's status as international financial, transportation and trade centre, and international aviation hub. It will also strengthen the city's role as an international asset management centre and a risk management centre, promoting the development of high-end and high value-added financial, commercial and trading, logistics and professional services.

She explains that the GBA plan sits well with InvestHK's mission to attract and retain foreign direct investment which, she says, is of strategic importance to the economic development of Hong Kong. The department works with overseas entrepreneurs, SMEs and multinationals keen to set up an office or expand their existing business in the GBA via Hong Kong as well as with mainland companies, including those in the GBA, who want to expand globally through Hong Kong.

Wong says the "one country, two systems" framework means Hong Kong enjoys unique dual advantages when it comes to foreign investment.

"On the one hand, Hong Kong is part of China; on the other hand, our economic, legal and social systems



Edith Wong,
InvestHK

are different from those of the mainland. Hong Kong is a highly open and international city, with a business environment that is open and facilitating, as well as professional services that are of excellent quality. Our strengths can complement the advantages of the nine mainland GBA cities, such as the

"These areas of work are all conducive to developing Hong Kong into an international metropolis with enhanced competitiveness," she says. **B**

**We collect and deliver your car
FREE OF CHARGE**
(subject to distance)
We provide good, quick repair service at reasonable prices

| Our competitive Labour charges: | From |
|---------------------------------|----------|
| Lubrication Service | \$ 210 |
| Tune Up Engine | \$ 800 |
| Engine Decoke & Grind Valves | \$ 2,500 |
| Engine Overhaul | \$ 5,500 |
| Brake System Overhaul | \$ 1,200 |
| Clutch Mechanical Overhaul | \$ 1,700 |
| Air Condition Freon Recharge | \$ 400 |
| Alternator Overhaul | \$ 700 |
| Starter Motor Overhaul | \$ 700 |

ALL REPAIRS WITH THREE MONTHS GUARANTEE

Our Business Hours
8am-6pm, Mon-Sat & Public Holiday

Our 24hrs. Emergency Towing Agent
"Shun Chong" Tel: 2884 9204

Please call us at 2565 6166 or Fax: 2856 1047
E-mail Address: fookie@netvigatorm.com

富利 **FOOKIE MOTORS CO. LTD.**
Shop 7, G/F, Paramount Bldg.,
12 Ka Yip Street,
Chai Wan, Hong Kong.