



GREATER BAY AREA: OPPORTUNITIES FOR UK BUSINESS

A briefing for CBI members on China's Greater Bay Area initiative

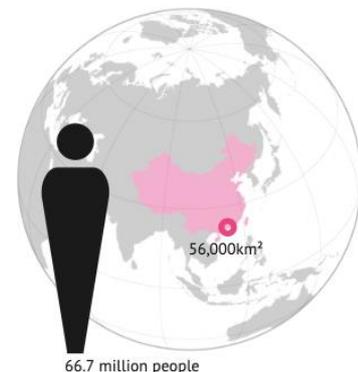
What is the Greater Bay Area initiative?

- An initiative aimed at connecting and developing the economies of nine key cities in Southern China, Hong Kong and Macau
- Proactively taking advantage of the benefits of these three customs zones to establish stronger global links for the cities within the 'Greater Bay Area', and with the rest of the China market
- Developing local infrastructure to reduce the length of supply chains and to bring 70 million people across a geographical area of the same size as Croatia to within a maximum of three hours of one another



What businesses need to know:

- The size of the Greater Bay Area economy is expected to grow from USD\$1.5 trillion to \$3.5 trillion over the next decade
- Businesses exporting to Hong Kong will be able to use the existing CEPA¹ arrangement to import goods into Hong Kong and re-export them to China tariff free and across a wider range of qualifying industries, including professional and financial services
- The UK is already the largest European exporter to Hong Kong, with one third of all UK exports to China making their way through the city
- The Greater Bay Area provides a platform for greater collaboration with mainland Chinese partners, and a means of establishing a network to ease access into the mainland China market. The number of UK companies opening an office in Hong Kong has increased by 15% over the last five years, while every mainland Chinese state-owned enterprise (SOEs) and 1,300 of the largest private companies have offices in Hong Kong



The Greater Bay Area covers 56,000km² and has a population of 66.7 million.

Sectoral breakdown of the opportunities to be found within the Greater Bay Area:

Architecture, Construction & Engineering:

- There is a specific call for cooperation in engineering and construction to put the infrastructure in place that will deliver the aims and ambitions of the Greater Bay Area initiative
- UK firms, such as [Arup](#), [Atkins](#) and [Mott MacDonald](#), have already found opportunity in partnering with mainland Chinese SOEs to provide consultancy services for large-scale infrastructure projects, such as the ground-breaking Hong Kong – Zhuhai – Macau Bridge
- The scale of infrastructural development across the Greater Bay Area, ranging from building bridges, to installing urban solutions, and enabling greater digital connectivity through the laying of complex electrical systems, all over an average 120-year design life, means that there is a wealth of contracts for companies to bid for both now and in the future, to maintain what will become vital infrastructure

Cultural & Creative:

- Hong Kong is trying to encourage companies with a focus on advertising, design, digital entertainment, film, music, publishing and printing, and television to the city
- The aim is to harness the creative industries to further highlight Hong Kong as a destination for overseas direct investment
- As part of the Greater Bay initiative, 40-hectares of prime real estate running along Hong Kong's Victoria Harbour will be converted into [The West Kowloon Cultural District](#). It is one of the largest cultural projects in the world and presents opportunity for companies with expertise in providing curating consultancy services, events management, theatre, and online marketing and website design. The West Kowloon Local Authority is inviting companies to bid on a series of [tender notices](#)

Financial Services:

- There is opportunity for financial services institutions to support the financing of the Greater Bay Area initiative
- These range from working with the mainland Chinese and Hong Kong local government to advise on bond transactions, underwriting the development of the Bay Area's infrastructure, and partnering with Chinese financial services companies to pursue innovation
- Hong Kong has been ear-marked as the Greater Bay Area's main centre for finance, while Shenzhen will become the Bay's centre for ideas and innovation. There is potential for collaboration with smaller mainland Chinese firms who are leaders in financial innovation and FinTech because of the vast data cache Chinese companies have at their disposal

Healthcare:

- The 70 million people living in the Greater Bay Area are predominantly middle to upper class consumers seeking to purchase at least domestic coverage but are also globally minded. There will be a significant market for preventative healthcare and general wellness products
- The healthcare sector presents one of the best cases for using the Greater Bay Area as a platform to partner with mainland Chinese SOEs to improve market access to mainland China. Foreign entrants to the China market can only do so through a joint venture, but mainland China's commercial healthcare insurance market is expected to reach a value of \$1.3 billion by 2020. CBI member, Bupa's joint venture with Alltrust Insurance serves as a good case study and can be accessed [here](#)

Legal Services:

- Law firms are encouraged to bid to provide counsel to companies contracted to develop the infrastructure of the Greater Bay Area, oversee the execution of contracts between foreign and Chinese partners, and provide the necessary legal backdrop for financial services institutions
- UK law firms are being taken on by Chinese state-owned banks as a trusted partner to assist with the expansion and internationalisation of the Renminbi. Hong Kong plays a pivotal role in RMB internationalisation, clearing an offshore RMB pool of around 600 billion yuan (\$89 billion) a year. [Clifford Chance](#) was recently taken on by Bank of China to advise on the bank's first multi-currency, multi-tranche bond deal to support the development of the Greater Bay Area
- The Greater Bay Area uniquely features a judicial "One Country, Two Systems" framework, naturally and inevitably resulting in contradiction amongst legal systems. As a result, Mainland China, Hong Kong and Macao are all governed by separate and incompatible legal systems, providing firms with three separate markets to sell their services into

CBI activity and positioning:

- The CBI's Chief Representative for China and NE SE Asia makes regular visits to Hong Kong and the cities within the Greater Bay Area
- The Beijing office works closely with the British Consulate, DIT and their regional teams, as well as the British Chamber of Commerce and the China – Britain Business Council to promote the voice of British business in Hong Kong and the surrounding cities

CBI Beijing
April 2019

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Footnote:

¹ The Mainland and Hong Kong Closer Economic Partnership Arrangement, a free trade agreement offering qualifying products, companies and residents preferential access to the mainland Chinese market