

# **Asia Smart City Quarterly Review**

## **focused on regional integration**

**Guangdong-Hong Kong-Macao Greater Bay Area 2023Q2**

# 01 Introduction

Currently, global think tanks or business institutes have conducted extensive academic research on "regional integration and coordinated development," but concrete guidance for actions to be taken by forward-looking global thinkers and policymakers is absent. Ergo, Harbor Overseas (<http://en.harbor-overseas.com/>), the Institute for Global Cooperation and Understanding (iGCU) at Peking University (<http://en.igcu.pku.edu.cn/>), and Hong Kong Institution for International Finance (HKIIF) (<https://www.hkiif.org/a-list/29465-eng>) initiated the collaboration to publish Asia Smart City Quarterly Review integrating the vision, knowledge, and experience of the three parties. These pioneering efforts will remind us (and global elites and decision-makers in various fields) of our responsibility to lead regional integration and coordinated development globally and establish global benchmarks. We will identify challenges in the target regions in terms of international relations, global governance, and industrial development. We will also advise on approaches to building smart cities and offer financing suggestions.

Considering the prevalence of natural language processing tools powered by artificial intelligence technologies (such as ChatGPT), we will not elaborate on the background but directly identify problems and propose systematic, creative, and feasible solutions.

We are focused on Asia but will also elaborate on other regions.

The main object of this discussion is Guangdong-Hong Kong-Macao Greater Bay Area, especially Hong Kong Special Administrative Region.

Three experts from the Bay Area Hong Kong Center, the Austrian Institute of Technology (ATI), and Clemson University (CU) in the US will collaborate with us.

## 02 Questions

Although Hong Kong has long been encouraging the development of S&T innovation industries, the employment statistics of current some advanced service sectors with high incomes (finance, insurance, real estate, professional services, business services, and public administration, hereinafter referred to as "high-end service industries") do not support this end. For example, as viewed from the structure of senior positions (managers and professionals) in Hong Kong, the proportion of high-end service industries has risen from 56.46% (Q4 2017) to 63.44% (Q4 2022). Looking at the proportion in total employment in Hong Kong, that of high-end service industries has risen from 47.65% (Q4 2017) to 53.42% (Q4 2022). As for job vacancies available in Hong Kong, the proportion of high-end service industries has risen from 46.89% (Q4 2017) to 57.63% (Q4 2022). Admittedly, the trend might be attributable to the impact of COVID-19 on Hong Kong's tourism, logistics, and other industries, which has reduced the number of jobs in traditional industries.

The figures are not intended to deny the contribution and competitiveness of Hong Kong's high-end service industries. The concern is that Hong Kong's industrial structure was not substantially adjusted in the past five years, which will challenge social stability and industrial transformation, among other goals.

Considering that:

- (1) Shenzhen is the entrance to the mainland market for Hong Kong while Hong Kong is the entrance to the global market for Shenzhen;
- (2) The two rely on each other as the market for their dominant industries (manufacturing industry and financial industry);
- (3) The comparative advantages of Shenzhen's manufacturing industry and Hong Kong's financial industry are highly complementary, therefore, not going to be replaced by the other party's. Hong Kong has lower transaction costs and more transparent supervision for capital, while factories have easier access to advanced supply chains and skilled workers in Shenzhen.

It is recommended to set two systematic goals in the Northern Metropolitan Area oriented towards regional integration and regional collaboration:

- (1) Central Line: Central, Hong Kong-Futian, Shenzhen. The Lok Ma Chau Loop shall serve as a hub for continued efforts to build a future financial and S&T innovation demonstration zone that can tap into the comparative advantages of both Hong Kong and Shenzhen;
- (2) Western Line: Lantau Island, Hong Kong-Yuen Long, Hong Kong-Shenzhen Bay Port-Xili Station and

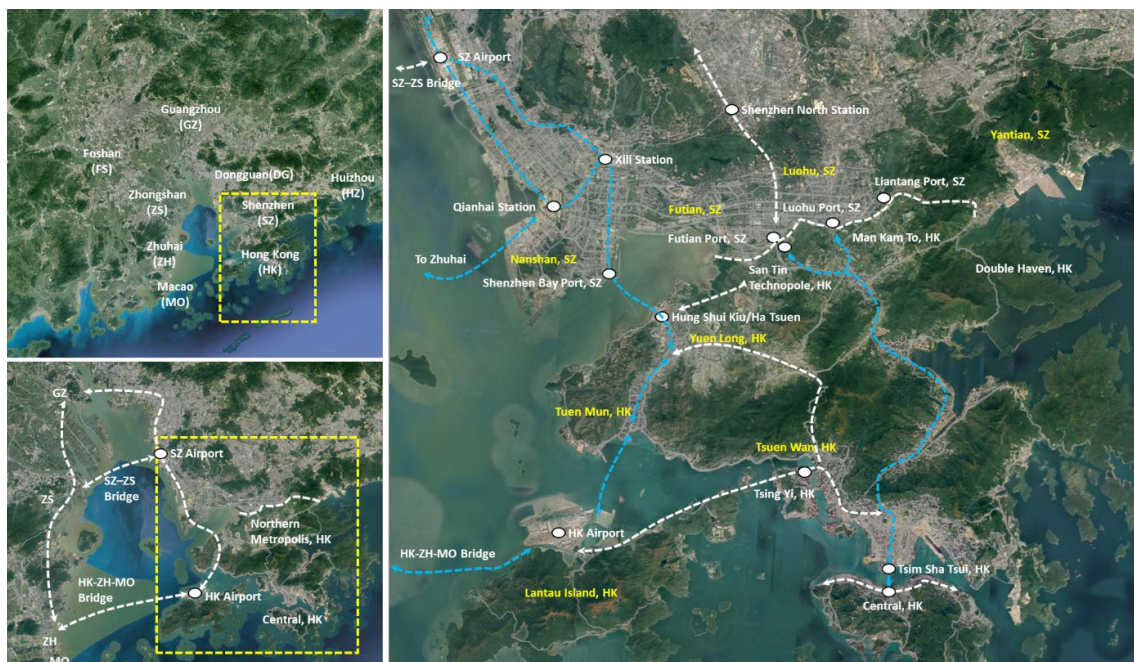


Figure 1 Shenzhen-Hong Kong (Discussed by all parties; map by Chen Xi)

Qianhai Station of Shenzhen High-Speed Rail-Shenzhen Airport. Arrangements involving infrastructure that supports the complementation of resources between Shenzhen and Hong Kong shall be made in advance to drive the development of small and medium-sized high-end manufacturing industries and related producer service industries.

*This section is drafted by Dr. Chen Xi (Harbor Overseas) and reviewed by Professor Wang Jixian (Bay Area Hong Kong Center), Professor Xiao Geng (HKIIF), Professor Wang Dong (iGCU), and Dr. Chen Xi (Harbor Overseas).*

## 03 Approaches

**Central Line: Promoting pioneering financial and S&T innovation with inter-region collaboration and institutional innovation**

The current strategy of the Hong Kong S.A.R. and Shenzhen Municipal Government to jointly develop the Lok Ma Chau Loop is agreeable.

The initial impetus may come from the relocation of the Hong Kong S.A.R. Government to the Northern Metropolitan Area. For example, the relocation of the Beijing Municipal Government to its sub-center was the primary driving force for the development of Tongzhou District.

Maintaining the interests of the Central Line (especially along “Northern Metropolitan Area-Hong Kong Island”) could rally the support of Hong Kong’s existing financial and real estate industries and consolidate the connection between Hong Kong and international markets.

### **Western Line: Stimulating local innovation via developing small-scale industry-city integration**

The rail transit line of “Lantau Island-Tuen Mun-Yuen Long-Shenzhen”, integrating into the “Digital Greater Bay Area”, and environmental protection are the keys.

Yuen Long, Tuen Mun, and Lantau Island on the Western Line can be developed into mutually connected, small-scale industry-city integration junctions based on the principle of “small gathering, strong connection” by a coalition of the Chinese Mainland and Hong Kong. It is recommended that the Hong Kong S.A.R. Government speed up the forward-looking planning and review processes for land development.

Five years later, all-optical networks, satellite internet, and high-performance artificial intelligence servers will become standard configurations for the production activities of enterprises and the daily life of residents on the Western Line. This will promote the popularization of future-oriented traffic or transportation systems such as vehicle-road coordination, drones, and uncrewed ships. It will also attract many small and medium-sized enterprises with flexible offices or engaged in smart manufacturing to move into the transport hubs and innovative industrial parks. The creation of a large number of high-quality, diversified jobs will help stabilize Hong Kong’s society.

A strategy for conserving the natural environment and protecting floral and faunal biodiversity, wetlands and aquatic systems, wildlife habitat, and urban natural areas is essential. Quality of life is directly tied to clean air, clean water, park access, and integrated plans to reduce waste and improve waste management. A cross-regional green corridor facilitates wildlife migration and watershed protection, and ensures local green areas for recreation.

Afterward, location analyses for each zone, including demographic distribution and urban morphology, can be conducted to bolster accessibility to the transportation and social infrastructure for the people

to catalyze the development of new urban areas. Integrated assessment methods and plans can be used to conserve, enhance, and restore natural sites, wildlife habitats, wetlands, and associated ecosystem services while building a strong economy and sound infrastructure. Decision-makers must incorporate the natural environment in regional integration, development plans, and discussions.

*This section is drafted by Dr. Chen Xi (Harbor Overseas), Dr. Angelos Chronis (ATI), and Professor James T. Anderson (CU) and reviewed by Professor Wang Jixian (Bay Area Hong Kong Center), Professor Xiao Geng (HKIIF), Professor Wang Dong (iGCU), and Dr. Chen Xi (Harbor Overseas).*

## 04 Financing

It is recommended to develop financial infrastructure in two steps:

### (1) Transition stage

Enterprises are encouraged to establish mutually embedded multiple or dual headquarters in Shenzhen and Hong Kong that operate across regions. Also, the comparative advantages of the Northern Metropolitan Area of Hong Kong and various demonstration zones and industrial parks in Shenzhen may be put to use. It is further recommended to expand this practice to all cities in Greater Bay Area.

The governments of Shenzhen and Hong Kong are encouraged to expand mechanisms such as "one place, two inspections" and "first- and second-line customs clearance." It is furtherly suggested to involve Hongshui Kiu in Hong Kong, Shenzhen North Station and Xili Station of Shenzhen High-Speed Rail, Nansha in Guangzhou, Hengqin in Zhuhai, and other junctions in the Greater Bay Area to accelerate the flow of people and goods.

These mechanism innovations will conveniently and efficiently facilitate industry regulation or interest distribution and motivate the cities in the Chinese Mainland to develop a financial industry that is closely integrated with the manufacturing industry. It will also be the impetus for Hong Kong to cultivate a high-end manufacturing industry closely combined with finance and S&T.

## (2) Integration stage

It is recommended that Hong Kong establish financial infrastructure in the Greater Bay Area (including Hong Kong, Macao, and other cities in the Bay Area), such as an offshore RMB financing platform. It is used to deeply align the interests of enterprises and residents in Guangdong and Hong Kong to the Bay Area and China's dual circulation development process that balances internal and external cycles. It is also used to promote the rise of investment and wealth management funds that focus on vertical industries or fields.

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# 05 Conclusion

The biggest challenges in this region are mechanism coordination and interest distribution. We have tried our best to offer a strategy for integrating traditional, digital, institutional, and financial infrastructure. We believe an overall integrated Greater Bay Area will become a new engine for economic development in East Asia. In the future, we will discuss Shenzhen, Macao, Zhuhai, and other cities in Greater Bay Area.

*This section is drafted by Dr. Chen Xi (Harbor Overseas).*

## 06 Afterward

Smart city in a narrow sense refers to information and communication technologies, but it is incomplete. Smart city in a broad sense refers to the integration of urban services, information technology, and governance mechanisms. Therefore, we believe that traditional, digital, and institutional infrastructure must be integrated to promote regional integration. In a few developed regions in Asia, financial infrastructure will play an essential role.

Reference to a methodology for smart city development focused on regional integration can be found in the 2023 Asia Smart City Ranking, which will be released in Beijing at the end of July.

If you are interested in joining this work or business collaboration, please get in touch with [general@harbor-overseas.com](mailto:general@harbor-overseas.com). Your participation will bring diversified and innovative ideas, professional knowledge, and the local vision to our work and the world. Harbor Overseas will send formal invitation letters to prospective external partners.

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