

The Greater Bay Area Initiative: Full Steam Ahead, Though Overshadowed by Bilateral Trade Tensions

On September 12, 2018, AmCham China President Alan Beebe led a Business and Investment Outreach (B.I.O.) delegation to Guangzhou and Shenzhen. Coming on the eve of the 40th anniversary of China's reform and opening-up and the launch of the Greater Bay Area (GBA) initiative, the trip was highly valued by many AmCham China member companies. Although current US-China relations are taking a frosty turn, the delegation was well received by the local government, particularly at the district levels. In this Policy Brief, we shed light on the GBA initiative based on AmCham China research and insights gathered during the Guangdong B.I.O. trip.

Key Takeaways

The GBA Initiative has not received significant fanfare, unlike the grand unveiling of the Belt and Road Initiative in 2013 (or official announcements of the "Made in China 2025."

The release of the GBA master blueprint has been postponed primarily due to the ongoing US-China bilateral trade tensions, in combination with widespread global concerns regarding China's approach to its rise as a global high-tech power.

Despite the protracted timeline for the rollout of the GBA's grand blueprint, GBA policies are already being funded and implemented.

Background

The GBA initiative aims to integrate nine of the largest cities of Guangdong province, Hong Kong, and Macau into an industrial powerhouse that can compete with other Bay areas such as those in San Francisco and Tokyo. The essence of the plan is to complement each city's strength: Guangzhou and Shenzhen as robust manufacturing hubs, Hong Kong as a global financial center, and Macau as a tourism hotspot. The GBA initiative promotes industries such as artificial intelligence, biomedicine, new energy, and new materials.

Many companies welcome the idea of the GBA initiative, as we witnessed during the B.I.O. trip. According to a recent [survey](#) of business executives operating in the region, 77% hold an optimistic view of the GBA's potential to untap further economic growth in the region, and anticipate generating greater profits as a result. Such anticipation for the GBA's is not unfounded. After all, the region's GDP reached US\$1.83 trillion last year, surpassing developed countries such as South Korea and Australia. Moreover, support from Beijing and other local governments has boosted investor confidence. The GBA initiative was highlighted by Premier Li Keqiang during the fifth session of the 12th National People's Congress (NPC) in March 2017 and then finally incorporated into the national development strategy in the 13th NPC in 2018.

As part of the GBA effort, the high-speed rail link between Guangdong and Hong Kong opened for business in September 2018; the bridge connecting Hong Kong, Macau, and Zhuhai is also set to open on October 23, 2018. However, unlike the grand unveiling of the Belt and Road Initiative (BRI) in 2013 (further emphasized by the 2017 Belt and Road Forum) or the official announcement in 2015 of the "Made in China 2025" action plan put forward by the State Council, the GBA initiative has not received equivalent fanfare.

Blueprint Delayed, Policy Implementation Underway

The announcement of a formal planning outline for the GBA initiative (officially known as the "Guangdong-Hong Kong-Macau Greater Bay Area Development Planning Outline," 粤港澳大湾区发展规划纲要) has rested in the background for some time now and thus far Beijing has not yet released detailed guidelines. It was [reported](#) that the plan would be made available to the public by the National Development and Reform Commission (NDRC) prior to the 19th NPC in fall 2017. Then, in May 2018, a spokesperson from NDRC [explained](#) that it would roll out the outline "very soon" as it went through the policy design stage. Official seminars on the GBA initiative were also [scheduled](#) for June 11, 2018. Nevertheless, as of today, the outline has not yet been released.

I. The release of the blueprint is postponed primarily due to the ongoing US-China bilateral trade tensions, in combination of the widespread concerns regarding China's approach to its rise as a global high-tech power.

As US-China relations took a downturn around the scheduled announcement of the GBA grand plan, it is reasonable for Beijing to believe that now is not a good time to further complicate its uncertain relations with the US. This is partially due to [the fact](#) that Beijing has yet to fully convince citizens in Hong Kong that the GBA initiative is beneficial for Hong Kong. Some fear that the full integration of South China and Hong Kong is Beijing's attempt to quietly walk back on its commitment of "one country, two systems." In recent years, the international community, including the US, has also grown increasingly concerned about the future of Hong Kong's political autonomy. From Beijing's perspective, the announcement of the GBA blueprint could further incentivize the White House to take aggressive actions (i.e., additional tariffs) against China.

The GBA initiative is also closely tied to two other grand schemes (BRI and Made in China 2025) that have attracted criticism from other countries. It has been reported that the GBA will be an ["important hub"](#) for BRI development in south China. As [noted by](#) MOFCOM, the GBA region will also be a vital testing ground for "Made in China 2025," under which the pan-Pearl River Delta area will be transformed into a [world-class manufacturing base](#). Whereas the GBA can be a setting for China to realize its growing ambitions for technology independence, it can also be interpreted by other countries as the basis for implementing protectionist industrial policies. To minimize the risk of backlash against

GBA and not add further fuel to the trade disputes, Beijing appears to be delaying announcements, possibly until the end of this year.

This view was also implied by a government official familiar with the GBA initiative during our B.I.O. trip to Guangdong. When asked why the blueprint had not been released, the official said,

“All I can say is that the Greater Bay Area Development Leadership Group (粤港澳大湾区建设领导小组), led by Han Zheng, just conducted its first work meeting on August 15, 2018.”

When asked whether the delay is due to the frigid US-China relations, the official repeated the above response and said he was not at liberty to disclose anything further. The Leadership Group mentioned by the official was founded by the State Council to push forward the GBA initiative from the top down. The group is [led by](#) Han Zheng, Vice Premier and President Xi’s point person for the GBA initiative. Group members also include the chief executives of Hong Kong and Macau.

II. *Despite the protracted timeline for the rollout of the GBA’s grand blueprint, GBA-related policies are already being funded and implemented.*

In general, the first work meeting of a leadership group on a national-level strategic project signals the beginning of the project. Zeng Peiyan, former Vice Premier, once [commented](#) on the purpose of leadership groups,

“It is a highly effective work method that our Party and the government have developed through experience—establishing cross-department leadership groups to organize and implement important strategic tasks (通过成立跨部门领导小组来组织实施重大战略任务，是我们党和政府在长期实践中形成的一种有效的工作方法).”

In addition to the hint dropped by the official in Guangdong and the first signs of work by the GBA Leadership Group, several GBA-related policies are beginning to roll out, such as the [“foreign investment ten rules”](#) (广东外资十条), and [Further deepening the Guangdong Pilot Free Trade Zone Reform Plan](#) (进一步深化中国（广东）自由贸易试验区改革开放方案). Releasing GBA policies as-it-goes is consistent with China’s conventional practice. More importantly, this indicates that the GBA policies are already being implemented, even though the blueprint has not yet been publicly announced.

**At the time of this publication, President Xi Jinping is [on an inspection tour](#) of Guangdong. His first stop was the Guangdong-Macau Traditional Chinese Medicine Park, a joint project driven by the GBA initiative. It is said that the tour is to boost confidence among manufacturers and send a signal to the world that Beijing is committed to opening-up and reform despite the trade tensions. In the morning of the second day of the tour (October 23), President Xi announced the official opening of the Hong Kong-Zhuhai-Macau Bridge, a gesture that carries more symbolic meaning politically since existing transportation network in the region is already mature.*

Looking ahead

US-China trade tensions are unlikely to come to a resolution before the G20 Summit in November. Overshadowed by the frosty trade relations, release of the GBA blueprint will likely be delayed until later this year. This protraction also means that the specific roles for each GBA city are awaiting further clarification. The consensus is that the rest of the seven GBA cities in Guangdong will support Guangzhou and Shenzhen, based on their geographic proximity and comparative advantage. For

Resources for P+ Members

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example, Foshan, Jiangmen, and Zhongshan can form an industrial rim with Guangzhou focused on machinery and equipment manufacturing, while Shenzhen can take a lead in high-tech and biomedicine together with Dongguan and Huizhou.

Policy+ members are highly encouraged to explore the emerging potential opportunities in the GBA. As we learned during the B.I.O. trip, local officials, especially at the district level, are very knowledgeable and keen to attract more foreign investors. Even though the blueprint is on hold, active engagement with the local government can help Policy+ members gain a better sense of emerging policy developments and what role each GBA city may play under the initiative.