

The Greater Pearl River Delta



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6th Edition



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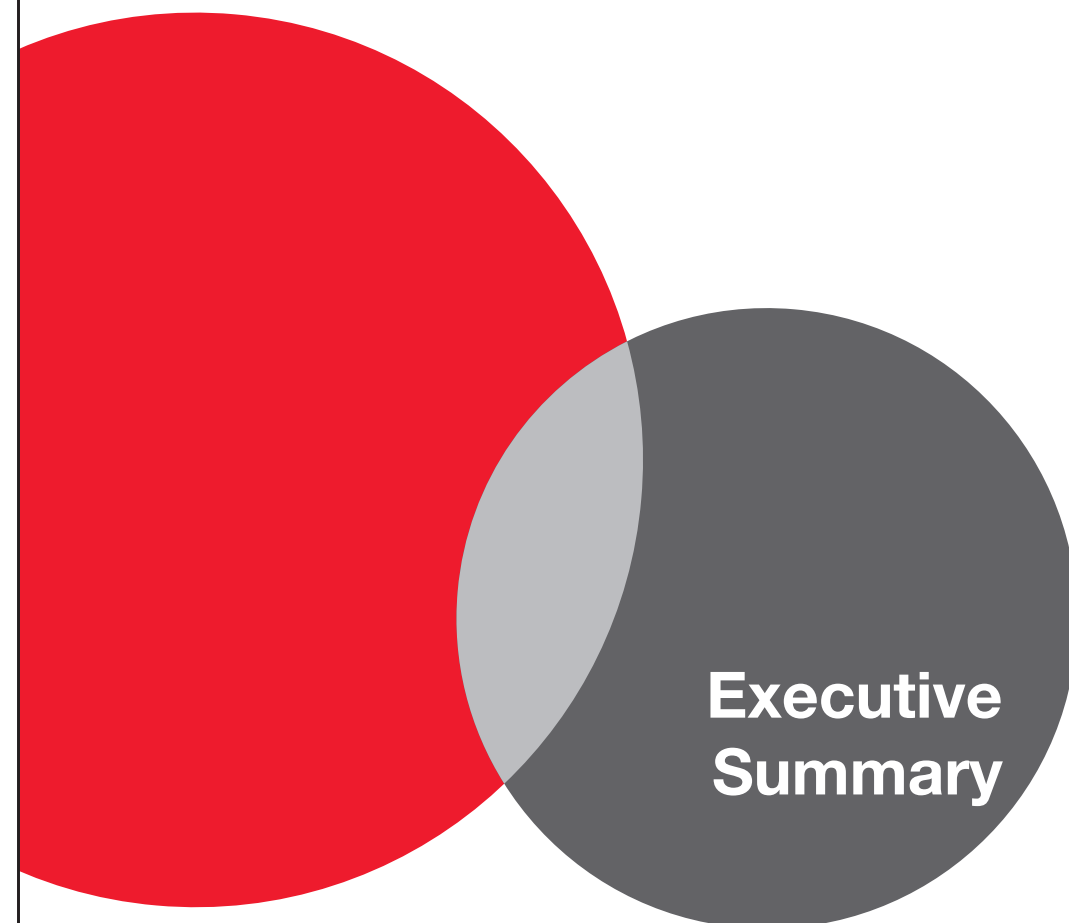
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Background

Invest Hong Kong is pleased to publish the sixth edition of 'The Greater Pearl River Delta'. Much has happened since the publication of the fifth edition. Rapid economic and business development in the Greater Pearl River Delta (which consists of the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Pearl River Delta region portion of Guangdong Province) has made the region even more attractive to investors. The region has increased in importance as a production centre and a market within China and globally. Improvements in connectivity within the region and

with the rest of the world have made it easier to access for investors than ever before. And a range of key policy initiatives, such as 'The Outline Plan for the Reform and Development of the Pearl River Delta (2008-2020)' from China's National Development and Reform Commission (NDRC), hold great promise for the future. In light of these developments, the enthusiastic response to earlier editions of this report, and numerous requests for an updated and expanded version, it became clear that there was a need to provide updated information for leading companies considering investments in the region.

The first part of the report presents an overview of the Greater Pearl River Delta region, including the present economic situation in the region, links between jurisdictions in the region, and major policies and programmes that shape the region and its development. This section also identifies key trends in the region and elaborates some of the types of opportunities for investors going forward.

The second part of the report provides the basic facts and figures of the Greater Pearl River Delta region. Since Hong Kong, Macao, and the Pearl River Delta region of Guangdong Province do not comprise a single region for administrative purposes, data is usually not compiled in a way that reflects the fact that the region has increasingly integrated from an economic standpoint and is increasingly viewed as a single economic region by companies. Thus even some of the most basic data that companies would use in their investment investigations for the region is not generally available in a user-friendly form. The second part of the report also compiles a wide range of statistics on the region, including population, size and affluence of the economy, industrial output and value added, international trade and investment, transportation and tourism, among others. This section provides comparisons between the Greater Pearl River Delta region and the Yangtze Delta region, China's other principal economic engine.

The third part of the report provides brief profiles of the jurisdictions of the Greater Pearl River Delta region, highlighting the main features of the local economies, including the principal manufacturing and service sectors, economic development plans, location of development zones and industrial parks, identities of several leading international companies that have invested in the jurisdictions, and the jurisdictions' transportation links. Each jurisdiction has a distinctive profile that has been found to be of interest for particular types of investments. Understanding the jurisdictions allows companies to consider a range of potential investments within a compact geographic area.

Finally, the report highlights the distinctive roles that Hong Kong plays in the region as well as the ways overseas companies are using Hong Kong as part of their successful GPRD business strategies.

The Greater Pearl River Delta

The development of the Greater Pearl River Delta during the past two decades has been remarkable by any standard. It has become one of the most affluent and fastest growing regions in China and an enormously attractive market, with an average annual GDP growth rate of more than 11 percent over the past 18 years.

The Greater Pearl River Delta is one of the world's leading manufacturing centres, particularly in the production of electronic goods, electrical products, electrical and electronic components, watches and clocks, toys, garments and textiles, plastic products, and a range of other goods. In many sectors, it is the Greater Pearl River Delta region that sets cost and price standards globally. The massive scale of its export sector (if it were a country, the Greater Pearl River Delta would be the world's twelfth largest

trading economy¹) makes the Greater Pearl River Delta region an important market in its own right for a wide range of industrial materials, components, and capital goods. The region's manufacturing base is also deepening and diversifying into the automotive, chemical, advanced materials, and environmental technologies sectors.

The Greater Pearl River Delta region is also a highly attractive consumer market. In Hong Kong and Macao, the region boasts two of the most affluent markets in Asia; Hong Kong is known worldwide for its retail sector. Per capita incomes and consumer spending in the Pearl River Delta region have grown rapidly in recent years and cities like Shenzhen, Guangzhou, and Foshan are among the wealthiest in the Chinese Mainland. Rapid urbanisation and burgeoning city populations (the Greater Pearl River Delta region had a permanent population in excess of 55 million in 2008 and an actual population significantly higher than that) have also created demand for infrastructure, building materials, food, entertainment and leisure, transportation services, housing, and a variety of other goods and services associated with urban development.

Recent Policies and Programmes

Guangdong Province and the Pearl River Delta region were chosen to play a leading role in innovation, knowledge, and creativity-based development in China's 11th Five Year Programme (2006-2010) and are expected to be assigned similar roles in the 12th Five Year Programme. Many of the programmes and policies that will influence the development of the Pearl River Delta region are summarised in the National Development and Reform Commission (NDRC) document 'The Outline Plan for the Reform and Development of the Pearl River Delta (2008-2020)'. The NDRC Plan includes a wide range of measures to improve the region's innovative capacity,

skill levels, emphasis on firm-based development, and links with the rest of the world. The NDRC Plan also calls on the Pearl River Delta region to play a leadership role in the next stage of China's economic and social development. By 2020, the NDRC intends for the Pearl River Delta region to move up the value chain, to foster advanced manufacturing and high-technology industries, to develop globally advanced capabilities in scientific innovation, and to build strong modern service sectors. The goal is for the Pearl River Delta region to have one of the world's most important and competitive regional economies.

One of the principal areas of emphasis in the NDRC Plan is greater regional integration in the Greater Pearl River Delta region. This will be achieved through investments in infrastructure (such as the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and massive rail and highway investments within Guangdong Province), in streamlining cross-boundary travel and trade, and in creating closer cooperation between cities in the region. Improved connectivity and reduced travel times should make the region even more dynamic and attractive to investors in the future.

Other programmes and policies are further enhancing the Greater Pearl River Delta region's prospects. Several rounds of liberalisation under the Closer Economic Partnership Arrangements between the Chinese Mainland and Hong Kong on the one hand and between the Chinese Mainland and Macao on the other have resulted in much easier access into China for Hong Kong and Macao companies, as well as qualifying Hong Kong and Macao subsidiaries of foreign companies. The Pan-Pearl River Delta initiative is linking the Greater Pearl River Delta region to the eight other provinces of Southern China. Hong Kong and Macao have also instituted programmes to further diversify their economies, in Hong Kong by adding six new

¹ Data for 2008 based on Enright, Scott & Associates analysis and the World Trade Organisation, 'International Trade Statistics 2009'.

priority sectors (testing and certification, medical services, innovation and technology, culture and creative industries, environmental industries, and education services) to its list of key industries for development, and in Macao by using funds generated by the gaming and tourism sectors to invest in other areas of the economy.

Business Opportunities for Investors

Developments and trends in the Greater Pearl River Delta region provide both ongoing and new opportunities for investors. For instance:

- Growth is expected in export-oriented production facilities in traditional and in higher value-added and higher technology industries (such as automobiles, auto parts, advanced materials, and chemicals);
- Turning Pearl River Delta facilities to service burgeoning demand within China will cater to the expected increase in domestic demand in China;
- The boom in residential, industrial, and infrastructure construction in the Greater Pearl River Delta region has created opportunities in materials, construction equipment, transportation equipment, telecommunications equipment, and in related services such as construction, design, architecture, engineering, and financial services;
- Increasing concern for the environment has meant the region is becoming an interesting market for environmental, pollution-control, and clean technologies; and
- In financial services, the Greater Pearl River Delta region is becoming one of the best-served areas in China. With the liberalisation of China's economy, listings of Chinese companies on international bourses are proliferating, expanding Hong Kong's financial sector in the process.

- In business services, greater openness has resulted in new market opportunities for foreign companies.

Hong Kong's Unique Role

Hong Kong, the traditional access point for multinational companies into the Greater Pearl River Delta region and Asia-Pacific, will continue to play a central role in the region's development. This is due in part to its accessibility, its openness, its legal and regulatory systems, its cosmopolitan nature, its excellent infrastructure, its close connections to the rest of the Greater Pearl River Delta region, the presence of high level support services, and its business-friendly environment. Hong Kong continues to rank as one of the easiest places to do business in the world, the world's freest economy and one of the world's most competitive economies. Thanks to all these enduring business advantages Hong Kong remains an excellent place from which to seize the fast-growing opportunities in the Greater Pearl River Delta region.

Close links with the Pearl River Delta region have allowed Hong Kong to build a transportation and logistics juggernaut that has the world's third busiest container port and the world's busiest airport for international cargo. The links have also supported Hong Kong's development into a management, coordination, information, business services, and financial centre of global importance.

To manage the risk inherent in entering Mainland China, and to ensure optimal communication with the rest of the world, overseas firms often prefer to use Hong Kong for a significant part of their China management activities. It is common for major international companies to place management, finance, communication and coordination, logistics, sourcing, and research

and development activities in Hong Kong, while manufacturing is placed in lower-cost regions of the Pearl River Delta region. Hong Kong also continues to be the leading location for Asia and Asia-Pacific regional headquarters of major multinational companies as well as the business services industries that support them. The growth in affluence and consumer spending in the Greater Pearl River Delta region and Asia Pacific has also caused Hong Kong to emerge as a leading centre for the sale of luxury goods.

Growing numbers of Mainland Chinese firms are also selecting Hong Kong as a strategic base for their Asia Pacific and global businesses. It is estimated that around 2,000 firms from Mainland China are active in Hong Kong, of which nearly 230 have Hong Kong regional offices or headquarters. Increasingly, Hong Kong is becoming not only a place where the rest of the world meets China, but also where China meets the rest of the world.

China has captured the attention of the world's leading companies. Despite this fact, there is a great deal about China that is not well-understood. One such feature is the role that the Pearl River Delta region has played, and will play, in China's development and in the strategies of firms that wish to succeed in China. Benefiting from the rise of the Greater Pearl River Delta region will represent one of the most important opportunities and challenges in China for the next decade or more. Accessing the region will prove difficult and time consuming for many if they do not choose their access point well. Hong Kong continues to be the ideal location for understanding, addressing, and benefitting from one of the world's most dynamic regions.

Invest Hong Kong

Established in July 2000, Invest Hong Kong is the Hong Kong Special Administrative Region (HKSAR) Government Department responsible for

facilitating Foreign Direct Investment into Hong Kong. Invest Hong Kong provides numerous free services that support overseas, Mainland Chinese, and Taiwanese businesses to set up and expand in Hong Kong. Our mission is to confirm and strengthen Hong Kong as Asia's leading international business centre and to attract economically and strategically important investment. We have industry specialists in our priority sectors in Hong Kong and an overseas network of representatives based in 27 key business cities worldwide. We partner with businesses on a long-term basis and are available to help at any stage of their Hong Kong, China, or Asia-Pacific business development strategy.



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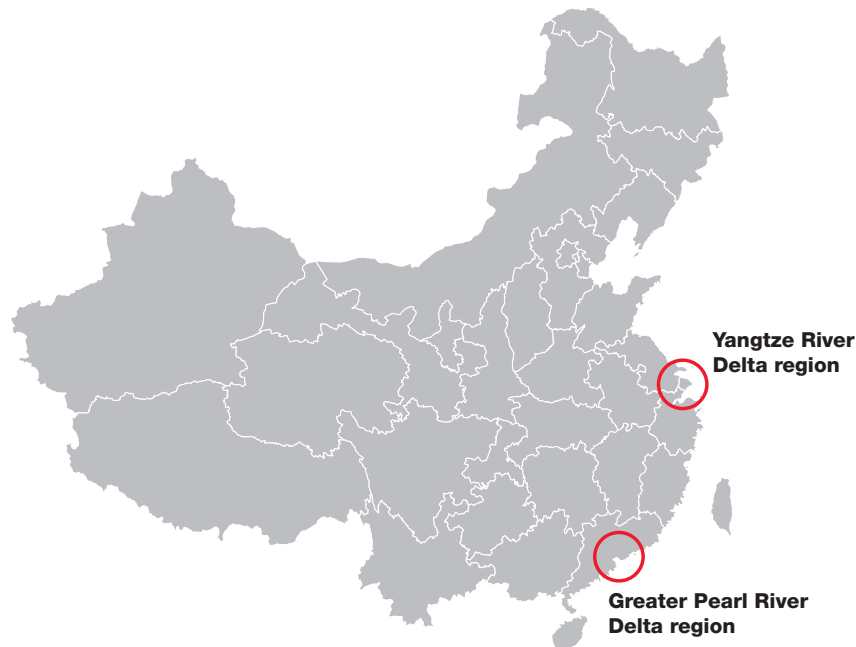


Introduction

The Greater Pearl River Delta region, which consists of the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Pearl River Delta region portion of Guangdong Province, has emerged as one of the world's most dynamic economic regions. The interaction of Hong Kong, Macao, and the Pearl River Delta region has contributed greatly to the prosperity of the region. This interaction has allowed the Pearl River Delta region to become one of the world's leading manufacturing centres; Hong Kong to become a leading centre for management, information, coordination, finance, and professional services; and Macao an important location for tourism and light industry. Despite the dramatic advances in

the Greater Pearl River Delta region, the international community is not well informed about the benefits that they can obtain by investing in the region. Nor is the international community well informed about the roles that Hong Kong, Macao, and the other jurisdictions of the region can play in their China strategies and their global strategies.²

The Greater Pearl River Delta Region in China



² A more detailed, book-length study of the Greater Pearl River Delta region may be found in Michael J. Enright, Edith E. Scott, and Ka-mun Chang, *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China*. Singapore: John Wiley & Sons, 2005.

Jurisdictions in the Greater Pearl River Delta Region



The Hong Kong - Pearl River Delta Combination

Hong Kong has distinct advantages as a place for multinational firms to access the strength of the Pearl River Delta, China, and the Asia-Pacific region in general. As one of the present authors has previously written, 'No other city in the world can help overseas investors manage the risks inherent in entering Chinese Mainland markets as well as Hong Kong. This is an important part of the reason why overseas firms prefer Hong Kong for the highest-value activities that they perform in the Asia-Pacific'.³ Hong Kong's importance as a location for doing business with the Pearl River Delta region is even greater given the proximity and the close historical relationship between the two areas.

³ E. E. Scott, *First Choice Hong Kong – Your Asia Pacific Platform*, Invest Hong Kong and the Hong Kong Trade Development Council.

Given their vast experience in working within the Pearl River Delta region, Hong Kong-based companies are ideal partners for multinationals looking to profit from a Hong Kong-Pearl River Delta strategy. These partners provide considerable value, including capital, resources, and long-standing relationships on the Chinese Mainland. Extensive research on multinational firms by the present authors concluded that many multinational companies will find it attractive to perform high-value services activities in Hong Kong while placing their manufacturing facilities and some sales operations in the Pearl River Delta region. Although the authors have found numerous companies benefiting from the 'Hong Kong-Pearl River Delta Combination', many others that could profit are not yet doing so. Many of these companies do not know or understand the dynamism of the region. In many cases, they consider the Yangtze River Delta or Bohai region as leaders of the Chinese economy – failing to realise that, for more than two decades, the Pearl River Delta has been the most dynamic regional economy in China by a significant margin.

The Need for Facts

The need for a clear understanding of the basic facts on the Greater Pearl River Delta region and its development can never be overemphasised. It is only with facts that potential investors can truly understand the attractiveness of the region. Multinational firms need hard facts and examples of how the 'Hong Kong-Pearl River Delta Combination' translates into market opportunities, cost savings, and other business advantages.

What ordinarily would be relatively simple facts, however, are not necessarily simple when it comes to China in general and to the Greater Pearl River Delta region in particular. First, few if any organisations compile any data for the region as a whole. Instead, data for Hong Kong, Macao, and the Pearl

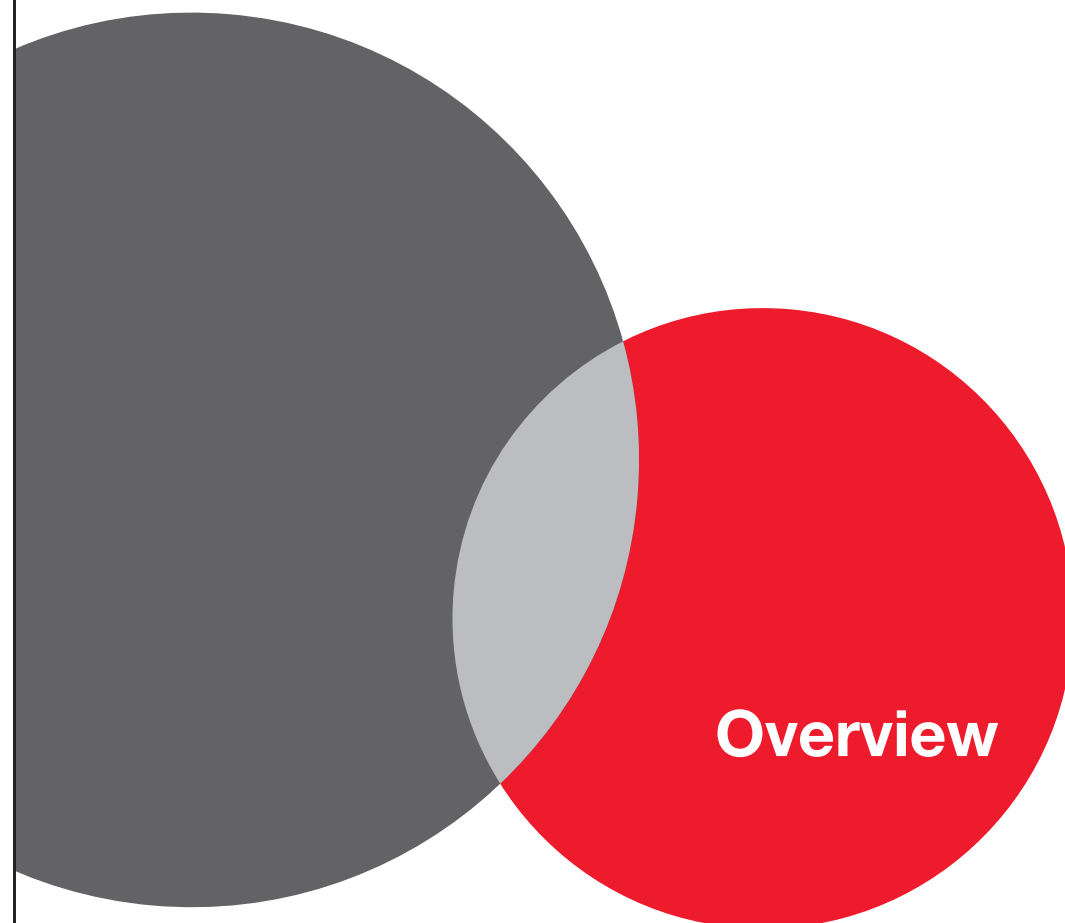
River Delta region tend to be collected and reported separately without any attempt to integrate them or even report them together. Those that do publish information on the region often use data for Guangdong Province rather than for the true definition of the region. In addition, different sources quote widely different figures even for basic statistics for the Pearl River Delta region. The result is confusion about the existing state of development in the Greater Pearl River Delta region as well as its future potential. This confusion means that many multinational companies are not aware of the huge opportunities that exist in the Greater Pearl River Delta region.

This Report

This report is designed to overcome many of these shortcomings. The document has three parts. The first part presents an introduction and statistical overview of the economy of the Greater Pearl River Delta region. The authors have undertaken an assessment of available statistics on the Greater Pearl River Delta region and have met with numerous experts to develop a set of defensible statistics for several of the main aggregates concerning the region and its economy. The approach has been to compile statistics from existing sources, identify differences and discrepancies, explore these with relevant statistical agencies, make reasonable corrections where feasible, and make the appropriate annotations when it is not. Given the tendency to compare the Pearl River Delta region with the Yangtze River Delta region, the authors also built up figures for the Yangtze River Delta region from statistical sources from the cities that are part of the Yangtze River Delta region in order to compare them to those of the Greater Pearl River Delta region.

The second part of the report provides the basic facts and figures of the Greater Pearl River Delta region.

The third part provides brief profiles of the jurisdictions of the Greater Pearl River Delta region. These profiles highlight the main features of the local economies, including the principal manufacturing and service sectors, economic development plans, location of development zones and industrial parks, importance of foreign investment, and transportation links. The idea is to provide the potential investor with a better understanding of the different jurisdictions in the region and a series of brief guides that will allow for further consideration of individual investment locations.



The Pearl River Delta Region

The Pearl River Delta Region, which consists of Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen, Huizhou, and Zhaoqing, has been the most economically dynamic region of the Chinese Mainland since the launch of China's reform programme in 1979. In that year, the Central Government of the People's Republic of China announced that Guangdong Province would be allowed to follow less restrictive economic policies and would be permitted to set up three Special Economic Zones (SEZs), including two in the Pearl River Delta, Shenzhen and Zhuhai. Preferential policies in the

SEZs included a number of features designed to attract foreign investment, such as a 15 percent enterprise income tax rate, tax holidays of up to five years, and the ability to repatriate corporate profits and capital investments after a contracted period. They also included duty free treatment of imports of raw materials and intermediate goods destined for exported products, as well as exemption from export taxes.

Guangdong's pioneering experience with reform allowed a market-oriented culture to develop earlier than in other places in the Chinese Mainland. Starting in 1979, Guangdong Province and the SEZs were given greater political and economic autonomy than other jurisdictions in the Chinese Mainland. Areas of greater autonomy included finance and fiscal matters, foreign trade and investment, commerce and distribution, allocation of materials and resources, labour, and prices. In 1988, Guangdong was granted expanded powers to set its own economic direction, and was designated a 'comprehensive economic reform area'. This gave rise to the creation of the Shenzhen Stock Exchange, as well as development of a land lease system and some privatisation of housing. Shenzhen became a leader in terms of foreign exchange markets, the operation of foreign banks, land reforms, and stock market development.

The economic development of the Pearl River Delta Economic Zone took off after the reform programme was instituted. The region's GDP grew from just over US\$8 billion in 1980 to more than US\$89 billion in 2000 and US\$428.29 billion in 2008.⁴ During that period, the average real rate of GDP growth in the Pearl River Delta region exceeded 16 percent, well above the People's Republic of China national figure of 10 percent. Since the onset of China's reform programme, the Pearl River Delta region has been the fastest growing portion of the fastest growing province in the fastest growing large economy in the world. In the process, a region that was once largely agricultural has emerged as a manufacturing platform of global importance. It is a world

⁴ The 2008 GDP of the Pearl River Delta region includes the whole of Huizhou and Zhaoqing. In earlier years part of these jurisdictions were excluded in official Pearl River Delta region statistics.

leader in the production of electronic goods, electrical products, electrical and electronic components, watches and clocks, toys, garments and textiles, plastic products, and a range of other goods.

For the first 10 years of China's economic reform process, the internationalisation of the Chinese economy was largely a Pearl River Delta phenomenon, with the export-oriented production of foreign-invested entities based in Shenzhen, Dongguan, and Guangzhou leading the way. The development environment for indigenous private-owned enterprises has improved dramatically in the Pearl River Delta region and local firms are now playing an ever-growing role in the region's economy. In this regard, Shenzhen, Dongguan, Foshan, and other parts of the Pearl River Delta region have been at the forefront of private sector development in China.

As the most dynamic region in the Chinese Mainland, the Pearl River Delta region is increasingly important as a market. Given the massive scale of its export sector, the region has become an important industrial market for all sorts of inputs, materials, and capital goods. It also is a major market for transportation and trade-related services. Rapid urbanisation and burgeoning city populations have created demand for infrastructure, building materials, transportation services, housing, and other goods and services associated with urban development. The Pearl River Delta region is also a highly attractive consumer market. In 2008, according to official sources, the region had a 'permanent population' of 47.72 million people, while some analysts place the population substantially higher, at 60 million or more.⁵ Per capita income has been growing substantially, as have consumer expenditures. Cities such as Shenzhen and Guangzhou are among the most affluent in the Chinese Mainland. Close links to Hong Kong mean that Pearl River Delta region consumers adopt international tastes earlier than most places in China, making the region one of the trend setters in China.

⁵ 'Permanent population' is defined as population which has stayed in a city for more than six months. The permanent population figure of 47.72 million includes the whole of Huizhou and Zhaoqing.

Although the Pearl River Delta region encompasses only 0.6 percent of the land area and only 3.6 percent of the population of the Chinese Mainland, in 2008 it accounted for 9.89 percent of GDP, 25.62 percent of total trade, and 18.31 percent of inward foreign direct investment in the Chinese Mainland. These figures show the remarkable level of economic development that the Pearl River Delta region has achieved and the international orientation of the region's economy. This orientation has attracted numerous investors from all over the world who use the Greater Pearl River Delta region as a platform for serving global and Chinese markets, in many cases making and managing these investments from Hong Kong.

The Importance of the Pearl River Delta Region in Guangdong and China*

	PRD % of Guangdong Province	PRD % of Chinese Mainland
Land area	30.5	0.6
Permanent population (2008)	50.0	3.6
Interim Census Population (2005)	49.5	3.5
Census population (2000)	49.6	3.4
GDP (2008)	80.8	9.9
Total trade (2008)	96.1	25.6
Exports (2008)	95.8	27.1
Imports (2008)	96.5	23.8
Foreign direct investment (2008)	88.3	18.3

* Note: Data for 2008 are preliminary. Interim Census Population 2005 is a year-end figure.

Source: Based on data from the Guangdong Statistical Yearbook 2009 and the Statistics Bureaux of China, Guangdong, Jiangsu, and jurisdictions in Guangdong Province.

Hong Kong's Links with the Pearl River Delta Region and Macao

The Pearl River Delta region has benefited from proximity to Hong Kong, which has provided capital, management, technology, market knowledge, and access to international markets. Hong Kong has been the source of approximately two-thirds of the cumulative foreign direct investment in the region since 1979. In addition to the tens of thousands of small and medium-sized Hong Kong firms active in the Pearl River Delta region are several large players, such as Hutchison in port services, VTech in electronics, Hopewell in highways, Jardines in retailing, HSBC and Bank of East Asia in banking, China Light & Power in power generation, and several Hong Kong developers in property and hotels.

This development has proved to be enormously beneficial for Hong Kong. The decentralisation of the manufacturing activities of Hong Kong companies to the Pearl River Delta region has resulted in an enormous expansion of their output and importance in global terms. In 1981, Hong Kong companies employed roughly 870,000 manufacturing workers in Hong Kong and few elsewhere. By 2002, Hong Kong companies employed fewer than 200,000 manufacturing workers in Hong Kong, but between 10-11 million in the Pearl River Delta region.⁶ Links with the Pearl River Delta region have allowed Hong Kong to build a transportation and logistics juggernaut that boasts the world's third busiest container port and the world's busiest airport for international cargo. The links also have supported Hong Kong's development into a management, coordination, information, business service, and financial centre of global importance. As the Pearl River Delta's economy has grown in recent years, so has Hong Kong's. Hong Kong's per capita GDP in US dollar terms in 2008 was more than five times its level of 1980, when the opening of the Pearl River Delta region started to take effect.

⁶ Michael J. Enright, Edith E. Scott, and David Dodwell, *The Hong Kong Advantage*. Hong Kong: Oxford University Press, 1997 and Michael J. Enright, Edith E. Scott, and Ka-mun Chang, *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China*. Singapore: John Wiley & Sons, 2005, p. 70.

Today, Hong Kong also serves a distinct role as a place for non-Hong Kong firms to access the strength of the Pearl River Delta region. Thousands of Taiwanese firms use Hong Kong to carry out finance, logistics, and management functions for their Pearl River Delta factories. A survey conducted by the Hong Kong Trade Development Council in 2002 indicated that 87 percent of the Japanese firms operating in the Pearl River Delta region claimed these operations had strong links with Hong Kong. In fact, 'proximity to Hong Kong' was the number one reason given for choosing the Pearl River Delta region in the first place. Many western firms also use Hong Kong as a base for their Pearl River Delta region activities, with senior managers often residing in Hong Kong. Hong Kong is also the principal location for the buying offices for companies doing business with the Pearl River Delta region. Increasingly, savvy companies are developing Hong Kong-Pearl River Delta strategies with their management, finance, communication, and coordination activities based in Hong Kong and their manufacturing activities in one or more of the jurisdictions of the Pearl River Delta region. Given their extensive experience in the region, Hong Kong companies have become ideal partners for multinationals interested in profiting from a Hong Kong-Pearl River Delta strategy.

Hong Kong's links with Macao are also extensive. Three of the six companies with gaming licenses in Macao, STDM, Galaxy, and Melco, have strong ties to Hong Kong. STDM's gaming subsidiary, SJM, and Galaxy are listed on the Hong Kong Stock Exchange, as are two other of the license holders, Wynn Macau and Las Vegas Sands's Macao operations. Much of the construction expertise utilised in Macao's recent building boom has come from Hong Kong. Hong Kong's airport provides access for long-haul visitors to Macao and two ferry companies running routes between Hong Kong and Macao are major sources of visitors to Macao. While the Pearl River Delta region has provided most of the visitors to Macao in recent years, the presence of Hong

Kong, and the business infrastructure it provides, has greatly facilitated Macao's rapid development.

Policies and Programmes in the Greater Pearl River Delta

Over the last several years, there have been numerous policies and programmes that have influenced the development of the Greater Pearl River Delta. These include the Hong Kong-Chinese Mainland Closer Economic Partnership Arrangement (CEPA), the Pan-Pearl River Delta Initiative, policies for economic restructuring in China and in Guangdong Province, the National Development and Reform Commission Plan for Pearl River Delta development issued in November 2008, and plans for regional integration in the Greater Pearl River Delta. This section will summarise the key features of these policies and programmes and provide some potential directions of future policies and programmes.

Hong Kong-Chinese Mainland CEPA

In addition to physical links, Hong Kong and the Pearl River Delta are being further linked by trade and investment under CEPA.⁷ CEPA is designed to provide liberalisation of trade and investment regimes in the two jurisdictions over and above what is required by Hong Kong's WTO membership and the Chinese Mainland's WTO accession agreement. The original CEPA agreement was signed in 2003 and came into effect on 1 January 2004. By the end of 2009, there had been six Supplements to the original CEPA agreement, each involving further trade and investment liberalisation.

For manufacturing industries, under the original CEPA agreement and the Supplements, the vast majority of manufactured goods that meet Hong Kong rule of origin and CEPA application requirements, regardless of the nationality

⁷ There is also a CEPA between Macao and the Chinese Mainland, but in this report we focus on the Hong Kong-Chinese Mainland CEPA.

of the company involved, are allowed into the Chinese Mainland duty-free. This has allowed both local Hong Kong companies and the qualifying Hong Kong subsidiaries of foreign companies zero-tariff access to the Chinese Mainland market. For its part, Hong Kong traditionally has had zero tariffs for nearly all goods from anywhere else in the world, and the Chinese Mainland receives the same treatment.

In the service sector, under CEPA and its Supplements, Hong Kong companies in 42 service sectors are given preferential access to markets in the Chinese Mainland. In some sectors, the preference involves timing in that Hong Kong companies have been allowed entry earlier than companies from other locations. In other sectors, the preferences involve lower minimum investment and firm size requirements. In still other sectors, Hong Kong firms have been allowed entry even if firms from other jurisdictions have not. In turn, Hong Kong has opened a number of its service sectors to qualifying companies from the Chinese Mainland. More recently, there has been an emphasis on mutual recognition of professional standards and qualifications between the two parties in sectors such as accounting, construction, engineering, geotechnical, and printing.

To qualify as a 'Hong Kong company' under CEPA, a company must be incorporated under the laws of Hong Kong, liable to pay profits tax in Hong Kong, have more than 50 percent of its Hong Kong staff be Hong Kong residents without limits on stay (including foreign citizens with permanent residency or Chinese citizens in Hong Kong on one-way permits), and must have had substantive business operations in Hong Kong for an amount of time that varies by industry, with most industries covered by CEPA requiring a three to five year minimum period of operation in Hong Kong before qualifying for CEPA.

With the implementation of the CEPA Supplement VI, effective 1 October 2009, in addition to duty-free access to Mainland China for virtually all manufactured goods produced in Hong Kong, there have been some 250 liberalisation and facilitation measures in 42 service sectors. These sectors include accounting, insurance, scientific and technical consulting services, advertising, job intermediary services, research and development services, air transport, job referral agencies, securities and futures, audiovisual services, legal services, services incidental to mining, banking, logistics, building cleaning, management consulting, social services, computer and related services, market research, sporting services, conventions and exhibitions, medical and dental services, storage and warehousing services, cultural services, patent agency services, telecommunications, distribution, photographic services, tourism, environmental services, printing, trade mark agencies, freight forwarding, public utilities, translation and interpretation, individually owned stores, rail transport, other transport (including road freight/passenger transportation and maritime transport), information technology, real estate, and construction.

Numerous Hong Kong-owned and foreign-owned companies with Hong Kong subsidiaries have used CEPA and its Supplements to obtain access to the Mainland market that they would not have obtained otherwise. According to Hong Kong's Trade and Industry Department, by 28 February 2010, 52,831 certificates of origin had been issued to qualifying Hong Kong companies under CEPA for goods export, and 1,370 Hong Kong service providers had received approval to operate in the Mainland under CEPA.

CEPA and China's earlier WTO entry are best understood as steps in a reform and opening process that started in China in 1979 and will continue well into the future. It is not surprising given the international orientation of the Greater Pearl River Delta region, and the fact that the region has been

operating at world quality and cost standards for years, that the region has received a strong boost from greater liberalisation and openness in China's economy. WTO accession and CEPA have helped stimulate growth in trade and investment in the Pearl River Delta region, much of which involves Hong Kong, which also has benefited from being able to provide far more services to the Pearl River Delta region than had been the case in the past.

The opening up of Chinese Mainland markets under WTO and CEPA has enabled Hong Kong to serve as a high-end services base for South China. With the emergence of a consumer economy in the Pearl River Delta region, we expect to see high-end, international services provided from Hong Kong for South China, domestic services for the South China region provided from Guangzhou, and services for the manufacturing heartland of the eastern Pearl River Delta provided from Shenzhen.

The Pan-Pearl River Delta Initiative

The Pan-Pearl River Delta (Pan-PRD) initiative seeks to foster economic development in the nine provinces and two Special Administrative Regions of South China. First proposed by Guangdong Province in 2003, the Pan-PRD initiative also includes Fujian, Jiangxi, Hunan, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, Hong Kong, and Macao, a region that encompasses roughly 20 percent of China's land mass and 30 percent of its population. In 2008, the GDP of the region was RMB 11,075.76 billion (US\$1,593.63 billion).

Pan-Pearl River Delta Region



The idea behind the initiative is to link together the different jurisdictions in South China to improve their development prospects; to allow for Guangdong, Hong Kong, and Macao to operate as engines of growth for the region; and to facilitate trade, commerce, investment, and other links across a wide area in China. The Pan-PRD initiative is the first multi-provincial effort at economic integration that has been proposed and approved by China's Central Government. As such, it is hoped that the initiative will be a model for developments elsewhere in China, just as development in the Greater Pearl River Delta region has been a model for other parts of China. Major areas identified for cooperation have included infrastructure, transportation, investment, commerce and trade, tourism, agriculture, labour, science and technology, culture, information technology, the environment, and public health.

The 1st Pan-Pearl River Delta Regional Co-operation and Development Consultation Forum was held in Guangzhou in 2004. In the first four Forums, spanning from 2004 to 2008, 14,000 investment projects representing a total investment of RMB 1.6 trillion (US\$234 billion) were agreed. Numerous other initiatives in education, infrastructure, the environment, investment promotion, and poverty alleviation were also initiated outside of the Forums.

In June 2009, the 5th Pan-Pearl River Delta Regional Co-operation and Development Consultation Forum took place in Nanning, Guangxi. In attendance were over 100 officials from the relevant jurisdictions. The meeting focused on improved cooperation in infrastructure investment, promotion and branding in the tourism sector, cooperation on environmental issues, developing links with ASEAN countries, promoting indigenous innovation and intellectual property creation, fostering domestic demand, and accelerating industrial relocation within the Pan-PRD region. On the last point, Guangdong officials reiterated their commitment to work to relocate companies and industries that did not fit with Guangdong's industrial plans to other Pan-Pearl River Delta provinces.

At the 2009 Forum, as in the previous four Forums, Hong Kong and Macao were singled out as particularly critical for the region to further develop its international links with ASEAN nations and other countries around the world by bringing investors and investment capital into the Pan-PRD region and by providing an access point to the rest of Asia and the rest of the world for companies from the Pan-PRD region. In fact, the Pan-PRD initiative provides another channel through which local and foreign companies can use the Greater Pearl River Delta in general, and Hong Kong in particular, to access business opportunities in China.

Policies for Economic Restructuring in the Pearl River Delta

Economic policies and plans in the Chinese Mainland will have an important impact on the Greater Pearl River Delta region. In recent years, several policies and programmes have been launched to restructure the economies of China, Guangdong Province, and the Pearl River Delta region. China's 11th Five Year Programme (2006-2010) reflected the Central Government's view that the nation's development needed to be adjusted to emphasise the quality of growth, reduce regional imbalances, reduce speculation in the property market, improve the environment, reduce dependence on low value-added production, and improve the position of workers. There was heightened emphasis on the service sector and on advanced and high-technology manufacturing. Other changes included reductions in rural taxation, infrastructure investments for backward areas, restrictions on the property sector, new labour and competition laws, adjustments to export processing regulations, and more stringent environmental regulations.

In China's 11th Five Year Programme, Guangdong Province and the Pearl River Delta region were chosen to play a leading role in innovation, knowledge, and creativity-based economic development in China. This national role included channelling technology, funds, and know-how into China's interior; acting as a base for foreign private investment into China's interior; and fostering the development of modern service sectors on par with those found in advanced economies. Restructuring the economy of the Pearl River Delta region became a top priority. Policies were implemented to move labour-intensive, low value-added, or polluting industries out of the more developed areas of the region. Industrial parks were set up to receive relocating companies and several cities in China's interior provinces were designated to receive relocated activities. To foster innovation in Guangdong Province, a number of high-level research and advisory programmes were set

up. The November 2007 meeting of the Guangdong Governor's International Advisory Committee focused exclusively on improving innovation in the province. At the city level, the Guangzhou government allocated nearly US\$144 million per year in spending to encourage scientific and technological innovation. Other cities in the province stepped up their spending as well.

Guangdong Province's own priorities in implementing China's 11th Five Year Programme included fostering indigenous innovation, branding, and intellectual property creation; developing modern service and high-technology industries; reforming traditional industries; improving the sophistication of manufacturing; boosting infrastructure investment; and fostering industry clusters and large-scale local firms. Emphasis also was placed on increasing rural investment and enhancing rural services; reducing energy consumption and pollution; and strengthening domestic demand. Foreign trade and investment would be directed towards restructuring the economy, and ways would be sought to extend development beyond the Pearl River Delta region and to further cooperation with Hong Kong and Macao while building links with Pan-Pearl River Delta provinces. Measures would also be taken to strengthen social programmes and promote social well being.

The onset of the global economic crisis in the second half of 2008 prompted numerous initiatives in China. The Central Government announced a RMB 4 trillion (US\$576 billion) national stimulus package. In addition, Guangdong Province announced its own stimulus package of RMB 2.3 trillion (US\$331 billion). Policies designed to limit price increases in the property sector were replaced by policies to encourage the sector. Other favourable policies including subsidies for the purchase of vehicles and home appliances led to substantial growth in these sectors. Policies that had limited bank lending, particularly in coastal areas, were reversed, as were reductions in export tax rebates and other restrictions on export-oriented industries.

NDRC Plan for the Reform and Development of the Pearl River Delta

In November 2008, the National Development and Reform Commission (NDRC) issued the 'The Outline Plan for the Reform and Development of the Pearl River Delta (2008-2020)'. The NDRC Plan, designed to provide a roadmap for the region's development, reaffirms the leadership and experimental role of the Pearl River Delta region in China's development. It calls for greater autonomy in economic decision-making for the region, the acceleration of infrastructure construction in the region, greater openness for the region, closer economic links with Hong Kong and Macao, and the creation of world class bases for modern manufacturing and modern service industries. Throughout the Plan, the Pearl River Delta is viewed strategically as a vital driver of China's economy.

The NDRC Plan called for stable and fast growth, growth in consumer demand, improved living conditions, upgraded industrial structure, more independent innovation, improvements in the environment, social security coverage for both urban and rural areas, and universal availability of public services. Targets for the Pearl River Delta region for 2012 include a per capita GDP of RMB 80,000 (US\$11,511), up from RMB 62,644 (US\$9,013) in 2008. The service sector is to account for 53 percent of regional GDP, up from 47 percent in 2008, urbanisation to reach 80 percent of population, up from 79.86 percent in 2009, and life expectancy to reach 78 years, up from 75.3 years⁸ in 2007.

By 2020, the NDRC intends for the Pearl River Delta region to be one of the world's most important and competitive regional economies. The objective is to develop advanced manufacturing and modern services, as well as globally advanced capabilities in scientific innovation. Targets for the Pearl River Delta region for 2020 include a per capita GDP of RMB 135,000 (US\$19,424),

⁸ The figure is for Guangdong Province.

a service sector equal to 60 percent of GDP, an urbanisation rate of 85 percent of the population, and a life expectancy of 80 years.

In terms of industrial policies, the focus will be on modern services, high-technology industries, and firm competitiveness, as well as facilitating innovation in core technologies and consolidating the role of enterprises as main players in innovation. Priority also will be given to modernising infrastructure in the areas of transportation, energy, water, and information networks. Strategies to promote coordinated regional development will include optimising the geographic distribution of economic activities in the eastern Pearl River Delta region, raising the level of development in the western Pearl River Delta region, enhancing regional economic integration across the entire Pearl River Delta region, and encouraging accelerated development of areas surrounding the region.

Outward-looking strategies identified by the NDRC Plan include more opening up and cooperation through greater economic openness, closer cooperation with Hong Kong and Macao, closer cooperation with Taiwan, deeper cooperation with the rest of the Pan-Pearl River Delta region, and enhanced cooperation with ASEAN and other international economic regions. Resource conservation and environmental protection policy focus on utilising land efficiently and intensively, intensifying pollution prevention and control, and strengthening ecological and environmental protection. Social welfare strategies focus on upgrading education, medical and health services, housing welfare, and employment and social insurance. Strategies for institutional reform include innovating administrative systems and reforming economic and legal systems.

While much of the NDRC Plan repeated earlier programmes and policies, there are a number of new or newly emphasised points. These include

the reaffirmation of the primacy of the Pearl River Delta region as an experimental development area, the indication that more autonomy will be given to the region, the emphasis on the service sector, the focus on building strong firms, commitments to several specific infrastructure projects designed to knit the region together and to facilitate cooperation with Hong Kong and Macao, a commitment to build dual city integrated sub-regions (Guangzhou-Foshan, Shenzhen-Hong Kong, and Zhuhai-Macao), an undertaking to build over 100 research centres in the region, coordination of urban and rural development, special emphasis on links with Hong Kong and Macao (and Taiwan), placing environmental issues at the core of Pearl River Delta development, and direct statements about the administrative improvements needed in the region.

The Guangdong Government's 2010 Work Report issued in January of that year indicated that implementing 'The Outline Plan for the Reform and Development of the Pearl River Delta' would be its first priority. Areas of emphasis include promoting independent innovation; transforming and upgrading traditional industries; establishing a modern industrial system; maintaining stable and relatively fast economic growth; vigorously expanding domestic demand; promoting balanced development among regions; accelerating institutional reform and opening up; and strengthening the social system with a focus on societal wellbeing.

A number of features of the NDRC Plan could lead to new opportunities for domestic and foreign firms. These include calls for greater openness; greater market orientation; better infrastructure; more support for research, development, and innovation; better links with Hong Kong, Macao, and Taiwan; greater focus on environmental and social sustainability; greater focus on international economic links; and greater focus on the role of companies as engines of development.

Plans for Regional Integration

The Greater Pearl River Delta is viewed as the leader in regional economic integration within China and is expected to build on this leadership position going forward. The NDRC Outline Plan for the Pearl River Delta of November 2008 specifically focused on mechanisms to foster regional economic integration. The drafting of more detailed integration plans for infrastructure construction; industrial distribution; and coordinated planning of urban and rural areas public services, and environmental protection are expected to be completed in 2010. The NDRC Plan called for the construction of better physical links within the region, including the Hong Kong-Macao-Zhuhai Bridge. Other links in education, technology development, trade, finance, and investment were also called for.

One new feature in the NDRC Plan was the call for the creation of three super-metropolitan areas comprising Guangzhou and Foshan, Hong Kong and Shenzhen, and Macao and Zhuhai. These city pairs have been encouraged to seek even closer physical links and mechanisms to coordinate planning and development. The idea is for the three city pairs to become the driving forces for wider economic development within the Greater Pearl River Delta and outlying areas. The NDRC Plan focuses on integration within the city pairs in terms of economic development, infrastructure, and planning, rather than political integration. Already the city pairs have been investigating new forms of collaboration.

Potential Directions of Future Policies

The main policies and programmes affecting China's development and that of the Pearl River Delta region will be set forth in the relevant 12th Five Year Programmes that are expected to be finalised in early 2011.

It is expected that China's national 12th Five Year Programme will focus on the following strategic areas: promoting steady and rapid economic development by establishing an efficient long-term mechanism for boosting consumer demand; promoting the upgrading of China's industrial structure by enhancing capabilities for independent innovation and cultivating new strategic industries; promoting coordinated development between rural and urban areas; promoting coordinated development among regions by optimising the distribution of production forces and making full use of local comparative advantages; enhancing sustainable development by energy conservation, emissions reduction, and ecological and environmental protection; promoting social harmony and stability by improving public services and enhancing public administration; and enhancing China's international competitiveness.⁹

In June 2009, preparatory work on Guangdong's 12th Five Year Programme got underway when the Guangdong Government issued a lengthy list of subjects relevant to the Programme, for which research reports would be prepared. The subjects included optimisation of Guangdong's industrial structure and the improvement of the competitiveness of Guangdong's industries; accelerating economic growth by expanding consumption; enhancing Guangdong-Hong Kong-Macao cooperation; developing Guangdong's advanced manufacturing industry; cultivating industries that support sustainable development; accelerating Guangdong's energy conservation and emission reduction; ensuring income growth for farmers; fostering Pan-PRD cooperation and the implementation of the general regional development strategy of the nation; accelerating construction of a modern industrial system in Guangdong; improving the competitiveness of Guangdong's industries; and developing new ideas for economic restructuring.¹⁰ In the Pearl River Delta, future policies and programmes are

⁹ Zhang Ping, Director of the National Development and Reform Commission (NDRC), in the National Telephone and Television Conference on the Preliminary Works for Drafting the 12th Five Year Program, September 28, 2009.

¹⁰ 'Notice on Research Topics Prior to the Drafting of the 12th Five Year Programme of Guangdong Province' by Guangdong Provincial Government, June 30, 2009.

expected to flesh out and follow the NDRC Plan with special emphasis on regional economic integration.

Programmes and Policies in Perspective

The programmes and policies of the Chinese Government have clearly been on facilitating the upgrading of the Guangdong and Pearl River Delta region economies. Strong support is being given to raising the value added in the manufacturing and service economies of the region. The NDRC 2008-2020 Plan clearly places the Pearl River Delta region at the forefront of China's development in terms of openness, experimentation, and development of new economic and business models. Hong Kong and Macao are destined to play important roles in this process, and links between Hong Kong, Macao, and the Pearl River Delta region are to be broadened and deepened in the coming years. This should make the region even more dynamic and attractive to foreign and local investors in the future.



Looking Ahead

There are a number of conclusions that can be drawn with respect to the Greater Pearl River Delta region. Policy, economic, and business trends continue to be favourable. This will result in numerous opportunities for foreign as well as domestic investors in the region. The Greater Pearl River Delta region, with its unique combinations and interactions, remains one of the world's most dynamic and competitive regions. Hong Kong continues to be an excellent location from which to take advantage of opportunities in the region.

Trends in the Greater Pearl River Delta Region

There are a number of trends in the Greater Pearl River Delta region. Within the Guangdong portion of the region, efforts to restructure the economy have made export processing in polluting or labour-intensive industries more difficult, made the region somewhat less competitive in low-wage industries, and encouraged the region to move up the value-added ladder. For local and foreign companies in low value-added, labour-intensive, and polluting industries, the impact of the laws, rules, and regulations has been negative. But for local and foreign firms in higher value-added, technology-intensive, and clean industries, many of the changes are seen as neutral or positive.

Looking ahead, it is clear from Central Government statements and documents that the Pearl River Delta region will continue to be one of the leading regions in China's development, and a leader in terms of reform and openness in China. There will be strong support for the Pearl River Delta region to move up the value-added ladder into advanced manufacturing, high-technology industries, and modern services. This will result in a more diversified and deeper economy in the region than has been the case to date. The western part of the Pearl River Delta region will become much more accessible to investors and will see dramatic growth as a result. The environment will get much more attention going forward than it has in the past. Many of the policy directions are favourable for both domestic and foreign companies, but foreign companies in particular need to understand the various programmes and policies in detail in order to know which types of investments will be most welcome and most likely to provide win-win outcomes within the Pearl River Delta portion of Guangdong Province.

With respect to the Greater Pearl River Delta region, the Central and Guangdong Provincial Governments have placed even greater importance on links between Guangdong, Hong Kong, and Macao going forward. The

Greater Pearl River Delta region will have much better inter-city and intra-city transportation systems in the future. This will help create a much more tightly integrated economic region, which in turn should make the Greater Pearl River Delta region even more attractive as an investment location. Government moves in this direction are consistent with market and corporate developments as the markets become more integrated and as companies increasingly view the Greater Pearl River Delta as a region with multiple advantages that can be home to numerous corporate activities.

The Greater Pearl Delta region is poised for continued growth in light manufacturing and traditional industries. While wage rates in the inner cities of the Pearl River Delta have been increasing, attractive wage rates can still be found in the 'wings' of the region. In addition, the Greater Pearl River Delta region continues to benefit from high quality infrastructure, improving capabilities, access to labour from all over China, access to international markets through Hong Kong, and the presence of a wide range of supplier and supporting industries. While the global economic downturn of 2008-2010 has hurt certain export industries, many companies have turned their attention to serving burgeoning markets in China. Particularly noteworthy in this regard are the home appliance, furniture, lighting, building materials, and ceramics industries of Foshan and Zhongshan.

The Greater Pearl River Delta region is improving its position in technology-based businesses. Hong Kong is the home of regional management centres for many high-technology firms. Shenzhen, Dongguan, and Guangzhou are being joined by Zhuhai and Huizhou as centres for manufacturing of high-technology goods. From thin panel screens, to communications equipment, to industrial and consumer electronics, to computers, to software, and other high-technology industries, the Greater Pearl River Delta region has emerged as a regional or world leader. Huge new investments in research centres and institutes can only enhance this position.

The development of heavy industry in South China is also gathering speed, as shown by recent investments in the auto and auto parts, steel, and petrochemical sectors. The Pearl River Delta region is the first region in China to be chosen for what is essentially the export processing of automobiles. Honda, Toyota, and Nissan are making Guangzhou one of China's leading centres for the automotive industry. These companies and the hundreds of domestic and foreign auto parts suppliers that have grown up to serve them have made the automotive sector one of the fastest growing in the region. In 2006, a large joint-venture steel processing facility involving JFE Steel Corp., a Japanese steel group, began operations in Nansha to serve the local auto and appliance industries. The chemicals sector is seeing very substantial development in Huizhou where CNOOC and Shell have invested in a US\$4.3 billion petrochemical complex, and in Zhuhai where BP has made major investments in world-leading purified terephthalic acid (PTA) facilities.

In financial services, the Greater Pearl River Delta region is becoming one of the best-served areas in China. With the liberalisation of China's economy, listings of Chinese companies on international bourses are proliferating, expanding Hong Kong's financial sector in the process. Hong Kong continues to be the leading destination for firms from the Chinese Mainland to raise international capital. In 2009, the top five listings on the Hong Kong Stock Exchange from the Mainland raised a total of US\$113 billion. Hong Kong banks and overseas banks already set up in Hong Kong have been expanding incrementally out into the Pearl River Delta region in activities including RMB banking and back-office operations. Movement into Shenzhen and other Pearl River Delta cities has been facilitated by the opening of China's financial sector at the end of 2006.

In business services, greater openness has resulted in new market opportunities for foreign companies and accelerated development of local service firms. A hierarchy is emerging in the service sector in the Greater Pearl

River Delta region in which Hong Kong is engaged in international finance, Asia and China management and coordination, high-end professional services, time-sensitive and specialty international transportation and logistics, and a range of internationally-oriented conventions and exhibitions; Guangzhou and Shenzhen are engaged in local management, engineering and manufacturing-related services, technology-related services, local marketing and sales operations, and local and less exotic international logistics and transportation; and Macao has developed into the world's leading gaming centre and is likely to become Asia's leading destination resort city. Eventually, with the development of the western part of the Pearl River Delta region, we would expect Zhuhai to take on many of the roles for the western part of the Pearl River Delta that Shenzhen is taking on for the eastern part of the Pearl River Delta.

In Shenzhen and Hong Kong, the Greater Pearl River Delta region has ports that are more efficient than elsewhere in China and less subject to silting and other difficulties than new ports in Shanghai and elsewhere in China. New investments in the region's ports are likely to continue to enhance the Greater Pearl River Delta region's relative position. The Greater Pearl River Delta region has more international air cargo and air transport capacity than anywhere else in China. The combination of Hong Kong's international routes and the domestic networks at Guangzhou and Shenzhen are likely to continue to be an advantage well into the future. The DHL Central Asia SuperHub at the Hong Kong International Airport completed in September 2008 and the Federal Express Asia-Pacific Hub in Guangzhou Baiyun International Airport completed in February 2009 have further enhanced the region's position.

The developments in both manufacturing and services are being facilitated and amplified by massive infrastructure and urbanisation initiatives in the Greater Pearl River Delta region. Highway, rail, and subway systems have been dramatically expanded and this expansion is ongoing. Substantial urban development projects are reshaping Guangzhou, Shenzhen,

Dongguan and Foshan, among others. Macao is seeing major investments in infrastructure and leisure and resort facilities. Besides the Hong Kong-Shenzhen Western Corridor which opened in July 2007, connectivity around the region is being enhanced by some other projects that will substantially increase the capacity for Hong Kong-Shenzhen boundary crossings. These include the Guangzhou-Shenzhen-Hong Kong Express Rail Link as well as the Hong Kong-Zhuhai-Macao Bridge project which began construction in 2009. All of these are likely to supercharge the region's development.

Opportunities for Investors

Developments and trends in the Greater Pearl River Delta region provide many opportunities for investors. There continue to be opportunities for export-oriented production facilities in the region, particularly those in higher value-added and higher technology industries. Heavier industries, such as the automotive (particularly auto parts) and chemical sectors also continue to provide opportunities. The boom in residential, industrial, and infrastructure construction in the region has created opportunities in materials, construction equipment, transportation equipment, telecommunications equipment, and in related services such as construction, design, architecture, engineering, and financial services. Increased concern for the environment has meant that the region is becoming an interesting market for environmental, pollution control, and clean technologies.

Hong Kong has emerged as a leading centre for the sale of luxury goods. The growth in affluence and consumer spending in the Greater Pearl River Delta region as a whole has created opportunities for consumer goods and retailing throughout the region. Cities like Guangzhou, Foshan, and Shenzhen have emerged as strong competitors in the software, outsourcing, and back office processing sectors. The region has long been a strong

market for logistics and transportation companies and these sectors will continue to provide opportunities going forward. Hong Kong remains the leading location for Asia and Asia-Pacific regional headquarters of major multinational companies and opportunities for such investments and for the professional services that support them continue to grow. Macao has provided substantial opportunities in the construction and hotel sectors, and in other operations that support the gaming and tourism sectors.

In short, there are opportunities for investors virtually across the board within the Greater Pearl River Delta if they know where to look.

Hong Kong and Opportunities in the Greater Pearl River Delta

The trends indicate that the Greater Pearl River Delta region will continue to be one of the world's most dynamic regions. This dynamism, coupled with greater openness and easier accessibility, will make the region particularly attractive to international investors.

Hong Kong, the traditional access point for multinational companies into the Greater Pearl River Delta region, will continue to play a central role in the region's development. This is due in part to its accessibility, its openness, its legal and regulatory systems, its cosmopolitan nature, its excellent infrastructure, its close connections to the rest of the Greater Pearl River Delta region, the presence of high level support services, and its business-friendly environment. Hong Kong continues to rank as one of the easiest places to do business in the world, the world's freest economy, and one of the world's most competitive economies. It remains an excellent place from which to seize the fast-growing opportunities present in the Greater Pearl River Delta.



The Facts and Figures

“ In order to take advantage of the opportunities available in the Greater Pearl River Delta region, international investors need to understand the basic facts and figures that describe the emergence of the region and allow for a comparison with other regions in China ”



Definitions

The Greater Pearl River Delta region includes the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Pearl River Delta portion of Guangdong Province.

While the boundaries of Hong Kong and Macao are clear, the definition of the 'Pearl River Delta' has evolved since the 1990s. In 1994, Guangdong Province issued an official definition of the 'Pearl River Delta Economic Zone', covering Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, parts of Huizhou (the urban district of Huizhou,

Huidong County, and Boluo County), and parts of Zhaoqing (the urban district of Zhaoqing, Gaoyao, and Sihui).¹¹

In December 2008, the State Council of the People's Republic of China approved 'The Outline of a Plan for the Reform and Development of the Pearl River Delta'. Under this plan, all of Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou, and Zhaoqing – the nine cities in total – are part of the Pearl River Delta region.

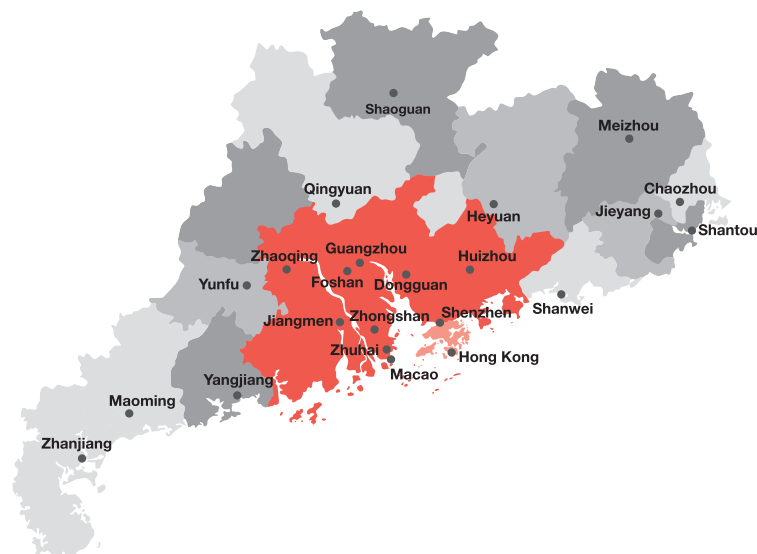
Subsequently, the *Guangdong Statistical Yearbook* has discontinued reporting statistics for the Pearl River Delta Economic Zone (as defined in 1994) in favour of reporting statistics for the nine cities in their entirety. Within Huizhou and Zhaoqing, the dividing lines that formerly demarcated the borders of the Pearl River Delta Economic Development Zone are no longer relevant from a policy standpoint. The relevant unit is the city in its entirety.¹²

Given this policy shift and the related changes in reporting the statistics, in this report we have taken the Pearl River Delta Economic region to be defined as including all counties within the nine cities of Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou, and Zhaoqing.

¹¹ *Guangdong Statistical Yearbook 2006*, p. 591.

¹² The term 'city' is the equivalent of 'municipality.' For the nine cities of the Pearl River Delta region it includes urban, suburban, and rural areas.

Guangdong Province and the Pearl River Delta Region



The Pearl River Delta region often is compared with the Yangtze River Delta region. However, the typical comparisons use a definition of the 'Yangtze River Delta region' that is far too broad. In 1992, local governments set up the Yangtze River Delta Cities Economic Co-ordination Association. At the time, 14 cities were designated as part of the 'Yangtze River Delta region', a number that was increased to 15 in 1997 and 16 in 2003. However, statistics are not usually compiled according to the official definition of the Yangtze River Delta region. As a result, many analysts take the 'Yangtze River Delta region' to include Shanghai plus all of the provinces of Jiangsu and Zhejiang.

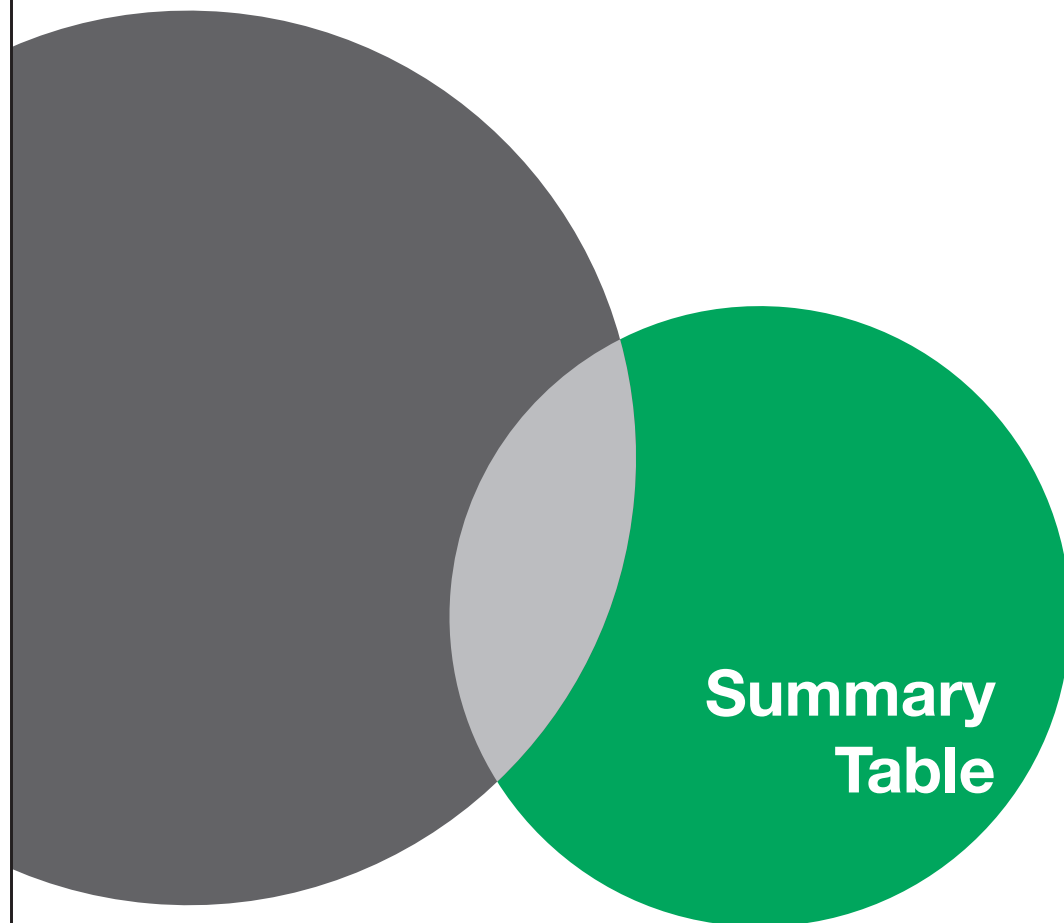
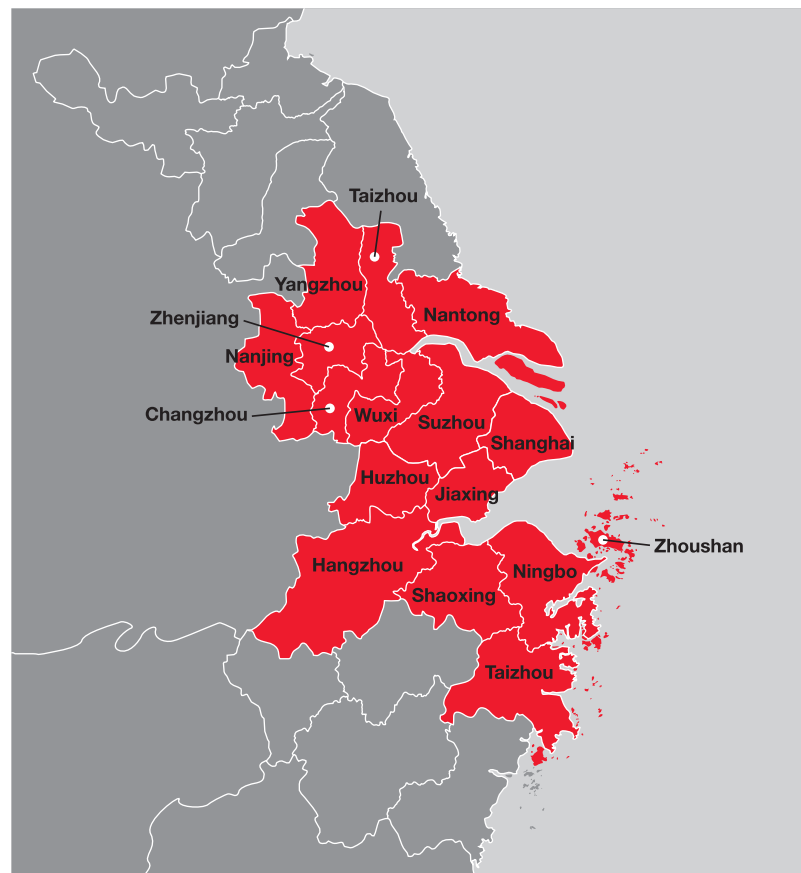
Jurisdictions in the Greater Pearl River Delta Region



This is clearly inappropriate in that it includes an area far wider than the Delta, and in fact far wider than a compact economic region. We have used the definition of the 'Yangtze River Delta Economic Zone' as officially expanded in August 2003, which covers 16 cities, including Shanghai Municipality; the Jiangsu Province cities of Nanjing, Zhenjiang, Yangzhou, Suzhou, Wuxi, Changzhou, Nantong, and Taizhou; and the Zhejiang Province cities of Hangzhou, Jiaxing, Huzhou, Ningbo, Shaoxing, Zhoushan, and Taizhou.¹³ The following map shows the Yangtze River Delta region along with the rest of Jiangsu and Zhejiang Provinces.

¹³ Taizhou in Zhejiang Province, which is a different city than Taizhou in Jiangsu Province, was added to the definition of the Yangtze River Delta Economic Zone in August 2003. In 2008, Taizhou in Zhejiang Province had a GDP of US\$28.30 billion and a permanent population of 5.74 million.

The Yangtze River Delta Region



The summary table reports figures for the Pearl River Delta region, Guangdong Province, the Yangtze River Delta region, the Chinese Mainland, and the Greater Pearl River Delta region, including Hong Kong and Macao. Explanations of the various figures follow. Throughout the summary table and explanations some data for 2008 for Chinese Mainland jurisdictions are preliminary data from official sources. Final figures may differ.

Selected Indicators, Selected Chinese Jurisdictions*

	PRD	Guangdong	YRD	China	Hong Kong	Macao	Greater PRD (PRD+HK+MA)
Land Area (sq. km)	54,756	179,813	109,993	9,600,000	1,104	29.20	55,890
Interim Census (PRC) or actual population (HK, Macao) 2005 (mn persons) (a)	45.47	91.94	93.23	1,307.56	6.84	0.48	52.79
Registered population (PRC) or actual population (HK, Macao) 2008 (mn persons)	29.16	82.67	84.12	1,328.00	6.99	0.55	36.70
Permanent population (PRC) or actual population (HK, Macao) 2008 (mn persons)	47.72	95.44	98.93	1,328.00	6.99	0.55	55.26
GDP 2008 (US\$ billion)	428.29	529.81	776.88	4,329.14	215.34	21.62	665.24
Primary industry 2008 (%)	2.4%	5.4%	3.3%	11.3%	0.1%	0.0%	1.6%
Secondary industry 2008 (%)	50.3%	50.3%	53.5%	48.6%	8.1%	15.1%	35.5%
Tertiary industry 2008 (%)	47.3%	44.4%	43.2%	40.1%	91.9%	84.9%	63.0%
GDP per capita (US\$)							
Official figure 2008	9,013	5,412	7,847	3,268	30,861	39,379	N/A
GDP 2008 / Interim Census population 2005	9,419	5,763	8,333	3,311	31,492	44,636	12,601
GDP 2008 / registered population 2008	14,685	6,409	9,235	3,260	30,811	39,362	18,125
GDP 2008 / permanent population 2008	8,975	5,551	7,853	3,260	30,811	39,362	12,039
Real GDP growth rate 1980-2008 (%)	(b) 16.0%	13.8%	(c) 12.8%	10.0%	5.1%	7.5%	12.1%
Real GDP growth rate 1990-2008 (%)	(b) 16.9%	14.3%	(c) 13.7%	10.4%	4.2%	7.7%	10.6%
Retail sales of consumer goods 2008 (US\$ billion)	135.22	183.90	250.46	1,562.05	35.16	2.37	172.75

	PRD	Guangdong	YRD	China	Hong Kong	Macao	Greater PRD (PRD+HK+MA)
Gross industrial output 2008 (US\$ billion) (d)	809.15	942.00	1,627.51	7,306.40	22.67	1.78	833.60
Value added of gross industrial output 2008 (%)	26.61%	26.92%	22.24%	(e) 28.89%	23.90%	24.87%	26.53%
Imports 2008 (US\$ billion)	269.63	279.30	355.65	1,132.56	388.48	5.37	(f) 663.48
Estimated imports from economies other than Hong Kong, Macao, and China 2008 (US\$ billion)	-	-	(g,h) 353.40	-	-	-	(i) 338.29
Exports 2008 (US\$ billion)	387.11	404.19	530.64	1,430.69	362.66	2.00	(f) 751.77
Estimated exports to economies other than Hong Kong, Macao, and China 2008 (US\$ billion)	-	-	(j,k) 497.48	-	-	-	(l) 444.53
Utilised FDI 2008 (US\$ billion)	16.92	19.17	41.56	92.40	59.62	2.98	(f) 79.53
Estimated FDI from sources other than Hong Kong, Macao, and China 2007 (US\$ billion)	-	-	(m) 25.12	-	-	-	(n) 43.29

* All 2008 data for Chinese Mainland jurisdictions are preliminary data based on official sources. For Hong Kong, GDP and Official GDP per capita figures are by expenditure approach at current market price. GDP breakdowns are by production approach at current price and at current factor cost and are preliminary figures. For Macao, GDP and Official GDP per capita figures are by expenditure approach at current price. GDP breakdowns are by production approach at current price and are subject to further revision. For Chinese Mainland jurisdictions, GDP and GIO figures are subject to possible revision as a result of The Second National Census results. Registered population statistics for Zhaoqing, Zhongshan and Nanjing are preliminary. Permanent population statistics for Guangzhou, Jiangmen, Zhaoqing, Zhongshan, Jiaxing, Nanjing, and Wuxi are preliminary. All the data and calculations for the PRD are based on the 9 cities Guangzhou, Shenzhen, Dongguan, Foshan, Huizhou, Zhuhai, Jiangmen, Zhongshan, and Zhaoqing. All the data and calculations for the YRD are based on the 16 city definition adopted in August 2003, including Shanghai Municipality; the cities in Jiangsu Province of Nanjing, Zhenjiang, Yangzhou, Suzhou, Wuxi, Changzhou, Nantong, and Taizhou; and the cities in Zhejiang Province of Hangzhou, Jiaxing, Huzhou, Ningbo, Shaoxing, Zhoushan, and Taizhou.

(a) Interim National Census for Chinese Mainland dated 1 November 2005, Guangdong Province report interim census data adjusted to the end of 2005. The Fifth National Census for the Chinese Mainland was carried out in 2000. The next National Census will be carried out in 2010.

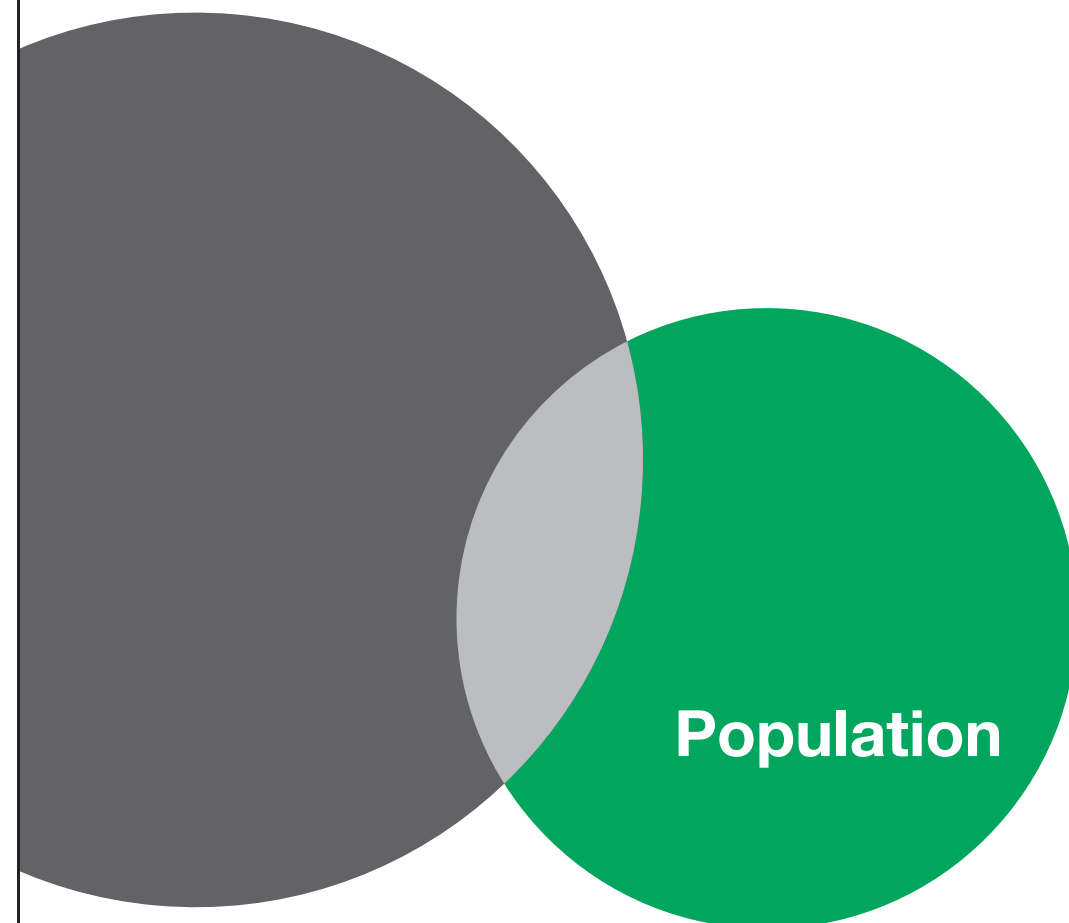
(b) Real GDP for 1980, 1990, and 2008 for the PRD are derived from implicit deflator for Guangdong Province.

(c) Real GDP for 1980, 1990, and 2008 for the YRD are derived from implicit deflator for Shanghai.

- (d) For Chinese Mainland jurisdictions, the figures are for all enterprises with annual sales of more than RMB 5 million. GIO and value added of GIO for the PRD and Guangdong Province is preliminary data from the 2008 economic census as obtained from the *Guangdong Statistical Yearbook 2009*. The corresponding figures for YRD jurisdictions and China are from the relevant statistical yearbooks.
- (e) 2007 figure.
- (f) Simple summation of figures from Hong Kong, Macao, and the PRD are used for the Greater Pearl River Delta region. Note that these figures include intra-regional trade and investment.
- (g) YRD imports with imports from Hong Kong and Macao subtracted out for better comparability with (i).
- (h) YRD imports from Hong Kong and Macao were estimated from their respective portions in total imports of Shanghai, Jiangsu, and Zhejiang. Imports into Shanghai and Zhejiang from Macao are not available.
- (i) Greater PRD imports from economies other than Hong Kong, Macao, and China calculated for better comparability with (g). Total was calculated as (PRD total imports + HK total imports + Macao total imports) - (HK imports from China + HK exports to PRD + HK imports from Macao + Macao imports from HK + Macao imports from China + Macao exports to PRD). Hong Kong and Macao exports to PRD were estimated as 80 percent of their exports to China.
- (j) YRD exports with exports to Hong Kong and Macao subtracted out for better comparability with (i).
- (k) YRD exports to Hong Kong and Macao were estimated from their respective portions in total exports of Shanghai, Jiangsu, and Zhejiang. Exports to Macao from Shanghai and Zhejiang are not available.
- (l) Greater PRD exports to economies other than Hong Kong, Macao, and China calculated for better comparability with (j). Total was calculated as (PRD total exports + HK total exports + Macao total exports) - (HK exports to China + HK imports from PRD + HK exports to Macao + Macao exports to HK + Macao exports to China + Macao imports from PRD). Hong Kong and Macao imports from PRD were estimated from their respective portions in total Guangdong exports.
- (m) The Hong Kong and Macao portion of FDI into YRD was estimated from their respective portions of FDI into Shanghai, Jiangsu, and Zhejiang.
- (n) Estimated by subtracting the Hong Kong and Macao sourced FDI into the PRD, Hong Kong sourced FDI into Macao, Macao sourced FDI into Hong Kong, and the estimated Chinese portion of FDI into Hong Kong and Macao.

The average daily exchange rates used in the table are 2008: US\$1=HK\$7.79=RMB 6.95=MOP 8.20; 2007: US\$1=HK\$7.80=RMB 7.60=MOP 8.04; 1990: US\$1=HK\$7.8=RMB 4.7832=MOP 8.02; and 1980: US\$1=HK\$5.14=RMB 1.5435=MOP 6.27.

Source: Statistical Yearbooks of China, Guangdong, Shanghai, Zhejiang, Jiangsu, and local jurisdictions in Guangdong, Zhejiang, and Jiangsu; Statistics Bureaux of China, Guangdong, Jiangsu, Zhejiang, and local jurisdictions in Guangdong, Jiangsu, and Zhejiang; Hong Kong Census and Statistics Department; Macao Census and Statistics Service; *Report of Guangdong One-percent Sample Survey on Population 2005*; estimates by Enright, Scott & Associates Ltd.



Population is the area in which there appears to be the most discrepancy between different statistical sources for the Pearl River Delta region. The main reason is that China's national statistical approach to population has not kept pace with the actual movement of people around the country.

The most widely quoted figure for population for the Pearl River Delta region has been that for 'registered population', defined as population with official police registration. This series differs from 'Census population', which is an attempt to measure by means of a full head count the population actually resident in a location for more than six months at the time of the national

census. The 'registered population' series has been reported every year, giving a continuous series. The national census is taken only every 10 years. The last one was in 2000. There is also an 'Interim Census', derived from a one percent sample that is taken every five years mid-way in the 10 year Census cycle, most recently in 2005. 'Permanent population', defined as population which has stayed in a city for more than six months, is an annual population series that makes adjustments to the Census or Interim Census figures on a yearly basis. Since 2005, PRD cities have started to report 'permanent population' due to the limitations of the 'registered population' figure.

The 'registered population' figure for the Pearl River Delta region was 29.16 million in 2008. This figure differs substantially from the region's 'Interim Census population', which was 45.47 million in 2005, and its 'permanent population', which was 47.72 million in 2008. Given the large number of people that come to the Pearl River Delta region for employment, but do not have official 'registered' status, this discrepancy is larger in the Pearl River Delta region than anywhere else in China. According to the Guangdong Statistics Bureau, Shenzhen's 'registered population' in 2008 was 2.28 million, while permanent population was 8.77 million. In Dongguan, 'registered population' in 2008 was 1.75 million, while permanent population was 6.95 million. In Foshan, 'registered population' in 2008 was 3.64 million, while permanent population was 5.95 million. The discrepancies for other jurisdictions in the Pearl River Delta region were smaller, though they were still significant.

The actual population of the Pearl River Delta region substantially exceeds the permanent population and the 2005 Interim Census population. Based on press reports, some analysts have estimated that the population of the Pearl River Delta region could be 60 million or more. The upshot is that the

most commonly used population figures for the Pearl River Delta region, i.e. registered population, are equal to only around half or less of the actual population.

As mentioned above, for most of Mainland China, the registered and Census populations are similar, so the discrepancy is not as great as in the Pearl River Delta region. In the Yangtze River Delta region, for example, the Interim Census population of 93.23 million in 2005 and permanent population of 98.23 million in 2008 are not much larger than the 2008 registered population of 84.12 million.¹⁴

In 2008 Hong Kong's population was 6.99 million and Macao's population was 0.55 million. Hong Kong and Macao report the results of population censuses and estimates for the same population series for years between the censuses.

Comments

Usually population is a fundamental statistic that is not particularly controversial. The wide range of population figures for the Pearl River Delta region thus can be misleading, particularly when they propagate into other statistics that use population as a denominator. In our view, the 'best measure' of population for the Pearl River Delta region is that provided by the 2008 permanent population, since it is an annual series that captures part of the migrant population.

¹⁴ Statistical Yearbooks of China, Shanghai, Jiangsu Province, Zhejiang Province, and local jurisdictions in Jiangsu, Zhejiang Provinces, and their respective Statistics Bureaux.



Total Gross Domestic Product

China uses internationally accepted definitions and means of calculating Gross Domestic Product. Gross Domestic Product (GDP) is defined as:

...the final products and services in value terms during a certain period of time, which are produced and provided by both material production departments and non-material production departments in a country (or region). It excludes the intermediate consumption of products and services. As long as the final products and services are produced and

provided within the territory of a country (or region) regardless of whether the investment comes from native residents or from foreign residents and whether the products are produced by native residents or by foreign residents, all are grouped into the gross domestic product of a country (or region).

From the production standpoint, gross domestic product is the summation of the value added of national (or regional) economic sectors; from the standpoint of distribution, gross domestic product is the summation of the labour incomes, taxes, profits and depreciation of fixed assets, etc.; from the standpoint of use, gross domestic product is the value summation of products and services finally used on consumption, investment, and net export. Gross domestic product is calculated with three approaches, i.e. the production approach, the income approach, and the expenditure approach. The sum of net foreign factor incomes and gross domestic product is gross national product.¹⁵

The GDP of the Pearl River Delta region in 2008 was RMB 2,974.56 billion (US\$ 428.29 billion). The GDP of Guangdong Province was RMB 3,679.67 billion (US\$529.81 billion) in 2008. That of the Chinese Mainland was RMB 30,067 billion (US\$4,329.14 billion). The GDP of the Yangtze River Delta region in 2008 was RMB 5,395.60 billion (US\$776.88 billion). In 2008, the Pearl River Delta region accounted for 9.89 percent of the total GDP of the Chinese Mainland. The Yangtze River Delta region accounted for 17.95 percent of the total GDP of the Chinese Mainland.

When we incorporate Hong Kong (2008 GDP of US\$ 215.34 billion) and Macao (2008 GDP of US\$21.62 billion) into a Greater Pearl River Delta region, the results change substantially. The Greater Pearl River Delta region had a GDP of US\$665.24 billion in 2008. As the economic integration of

¹⁵ Guangdong Statistical Yearbook 2002.

the Greater Pearl River Delta region progresses, companies increasingly are looking at the region as an attractive market in its own right as well as a production centre.

Sectoral Breakdown of GDP

GDP figures are broken down into GDP from primary, secondary, and tertiary sectors. The 'primary sector' includes farming, forestry, animal husbandry, and fisheries. The 'secondary sector' includes mining, manufacturing, production and supply of electric power, water, gas, and construction.

The tertiary sector comprises 'all other industries not included in the primary or secondary sectors, including transportation, storage, and post; information transmission, computer services, and software; wholesale and retail trade; accommodations and catering services; finance and insurance; real estate; leasing and business services; scientific research and technical services; geological prospecting; management of water conservancy, environment, and public facility management; services to households and other services; education; health care, social security, and social welfare; culture, sports, and recreation; public administration and social organisations; and international organisations'.¹⁶

The breakdown of primary, secondary, and tertiary output for the Pearl River Delta region was 2.4 percent, 50.3 percent, and 47.3 percent respectively in 2008. Similar figures for Guangdong Province were 5.4 percent, 50.3 percent, and 44.4 percent. The breakdown in the Yangtze River Delta region was 3.3 percent, 53.5 percent, and 43.2 percent. Similar figures for the Chinese Mainland were 11.3 percent, 48.6 percent, and 40.1 percent.

The Pearl River Delta region accounted for 2.1 percent of the Chinese

¹⁶ Guangdong Statistical Yearbook 2009, P.92.

Mainland's GDP in the primary sector, 10.2 percent in the secondary sector, and 11.7 percent in the tertiary sector in 2008. The Yangtze River Delta region accounted for 5.2 percent of the Chinese Mainland's GDP in the primary sector, 19.7 percent in the secondary sector, and 19.4 percent in the tertiary sector.

The Pearl River Delta region has a higher portion of GDP in the service sector than either the Yangtze River Delta region or China as a whole. It also has a slightly lower portion of its output in the primary sector. This is a reversal of the situation in the early 1980s, when the Pearl River Delta region was still something of an agricultural backwater. Both the Pearl River Delta region and the Yangtze River Delta Economic Zone are significantly more service oriented than China as a whole, understandable in that the two regions contain major urban areas with relatively few rural areas. The Greater Pearl River Delta region had 63.0 percent of its GDP in the service sector as of 2008, a reflection of the service intensity of the Hong Kong and Macao economies.

Comments

While there have been questions about the validity of China's overall GDP figures, there are no outside studies of which we are aware in which experts have tried to 'reverse engineer' the Pearl River Delta region figures by using data on use of material inputs or other means. Our own research in the Pearl River Delta region would indicate that if anything the region's GDP figures might be understated relative to other places in the Chinese Mainland. This is due to anecdotal evidence that a large number of Pearl River Delta region companies under-report their sales and earnings in order to avoid taxation and that there is still a significant amount of smuggling that results in unreported sales and incomes. In addition, the greater prevalence of privately owned companies in the region opens the possibility for under-reporting. Private sector firms paying taxes have an incentive to under-report, while



officials managing state enterprises have the opposite incentive. Given the rather tolerant attitude of a number of local officials in the region, it is likely that the Pearl River Delta region's output figures are understated to a greater extent than those elsewhere in the Mainland.

Many analysts compare the economic aggregates of the Pearl River Delta region with an overly large definition of the Yangtze River Delta that includes Shanghai and all of Jiangsu and Zhejiang Provinces. While the properly defined Yangtze River Delta region has a GDP nearly twice that of the Pearl River Delta region, when one includes Hong Kong and Macao into the Greater Pearl River Delta region, a reasonable coupling given the economic interaction within the region, the resulting Greater Pearl River Delta region has a GDP that is comparable to that of the Yangtze River Delta region. Just as statistics for the Yangtze River Delta would be less meaningful without Shanghai, statistics for the Pearl River Delta are less meaningful without Hong Kong and Macao.

GDP Per Capita

According to the *Guangdong Statistical Yearbook*, the per capita GDP of a country or region is obtained by dividing the total GDP in a year by the population of that country or region in the same year. This is the standard definition in the Chinese Mainland and in most jurisdictions around the world.

In the past, the GDP per capita figures for the Pearl River Delta region suffered from the same problems as the population figures. In most years, the reported figure for per capita GDP appears to have been based on the 'registered population' rather than the 'Census population'. Since 2006, however, all the Pearl River Delta jurisdictions released GDP per capita figures based on their

permanent populations. The 'official per capita GDP' of the Pearl River Delta region in 2008 was RMB 62,644 (US\$9,013). We call this an 'official figure' because it is given as a specific line item in the *Guangdong Statistical Yearbook 2009*. This figure has as its denominator the region's permanent population. It differs substantially from the RMB 101,994 (US\$14,685) one gets from dividing the Pearl River Delta region's 2008 GDP by its 2008 registered population.

In the case of the Yangtze River Delta region, the International Statistical Information Centre of the National Bureau of Statistics of China has issued a per capita GDP figure of RMB 54,540 (US\$7,847) for 2008 based on permanent population. A per capita GDP figure for 2008 of RMB 57,874 (US\$8,333) may be obtained by dividing the Yangtze River Delta region's 2008 GDP by its 2005 Interim Census population.

There are no such difficulties with the Hong Kong and Macao figures. These show that Hong Kong and Macao's per capita income is roughly three to four times the most defensible per capita income figures for the Pearl River Delta region and Yangtze River Delta region. The affluence of Hong Kong and Macao pushes the GDP/permanent population figure for the Greater Pearl River Delta region to US\$12,039. On a per capita basis, the Greater Pearl River Delta region is the most affluent region in China by a substantial margin.

Given the difficulty with the per capita income figures, we include a measure of retail sales of consumer goods to approximate the strength of consumer markets in the Pearl River Delta region and the Yangtze River Delta region. As can be seen, the Pearl River Delta region accounts for RMB 939.12 billion (US\$135.22 billion) in retail sales or 8.66 percent of the total of the Chinese Mainland. The Yangtze River Delta region accounts for RMB 1,739.49 billion (US\$250.46 billion), amounting to 16.03 percent of the total for the Mainland. Again, this represents a substantially larger market than that of the Pearl

River Delta region, which is not surprising given the disparities in population, but a more comparable market is that of the Greater Pearl River Delta region (US\$172.75 billion) that includes Hong Kong and Macao.

Comments

In our view, the 'best measure' of GDP per capita that can be obtained directly from existing statistical series for the Pearl River Delta region is the one obtained by dividing 2008 GDP by 2008 permanent population. It should be kept in mind that even using these measures, the resulting per capita GDP figures for the Pearl River Delta region are overstated because in both cases, the population figure in the denominator fails to capture the full population of the region. Moreover, the actual income distribution in the region is missing in publicly available statistics.

The Greater Pearl River Delta region is, on average, by far the most affluent region in China. This is largely due to the high income levels found in Hong Kong and Macao, though increasing wealth in places like Shenzhen, Guangzhou, and Zhuhai also play a part.





Gross Industrial Output

In the Chinese Mainland, gross industrial output (GIO) is defined as the total volume of industrial products sold or available for sale in monetary terms during a given period, which reflects the total achievements and overall scale of industrial production during a given period. It includes the value of the finished products in enterprises, which are not to be further processed and have been inspected, packed, and put in storage (where applicable), the income from external processing, and the gain in value of semi-finished products from the start to the end of the reference period. The gross industrial output value is calculated by the 'factory approach'. No double calculations are to be made within the same enterprise and the output value

of different workshops (branch factories) should not be added. However, this approach does not exclude the possibility of double calculations between enterprises, sectors, and regions.¹⁷

According to the *Guangdong Statistical Yearbook 2009*, the gross industrial output of the Pearl River Delta region for all enterprises with annual sales revenue in excess of RMB 5 million (just over US\$700,000) was RMB 5,619.76 billion (US\$809.15 billion) in 2008. Adding the contribution of Hong Kong and Macao yields a total for the Greater Pearl River Delta region of US\$833.60 billion. Gross industrial output in the Yangtze River Delta region was RMB 11,303.49 billion (US\$1,627.51 billion) in 2008.¹⁸ Based on these figures, the Pearl River Delta region accounted for 11.07 percent of the gross industrial output of the Chinese Mainland. The Yangtze River Delta region accounted for 22.28 percent of the gross industrial output of the Chinese Mainland.

One issue that arises in the context of measuring gross industrial output is that very small firms are not included in the statistics. This could result in a significant understatement for the Pearl River Delta region because of the presence of numerous small firms in the region. It also would result in an understatement for the Yangtze River Delta region.

Another issue is the treatment of export processing production. In export processing, inputs and capital goods can be imported duty-free and then used to produce finished goods for export. In China, export processing is covered by a particular set of rules and regulations and an 'export processing facility' is a particular category of enterprise. The issue with respect to calculation of gross industrial output is that usually only the value of the processing contract for export processing activities is included as part of gross industrial output. This substantially underestimates the value of the finished goods produced by this method. The nature of the problem can

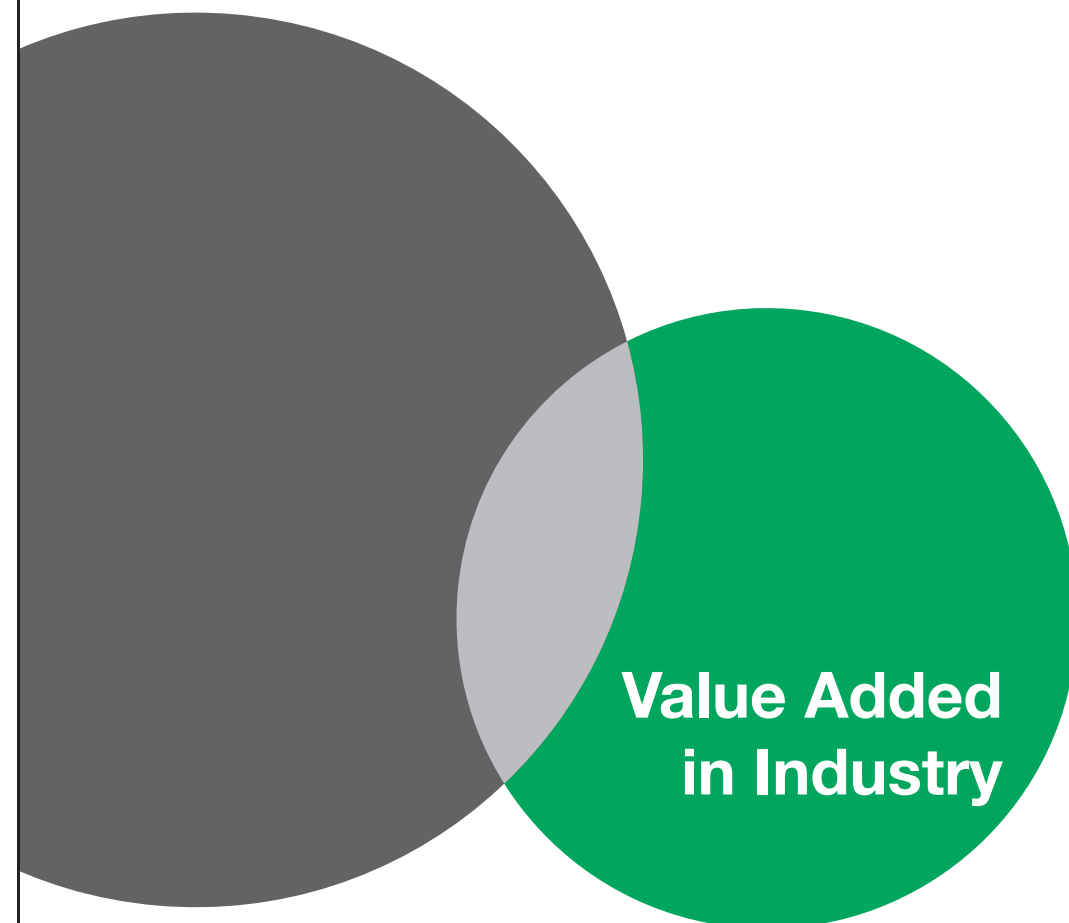
¹⁷ *Guangdong Statistical Yearbook 2009*, p. 367.

¹⁸ Statistical Yearbooks of Shanghai, Jiangsu Province, Zhejiang Province, and local jurisdictions in Jiangsu and Zhejiang Provinces.

be seen by comparing the exports and gross industrial output in Shenzhen and Dongguan. These two jurisdictions produce primarily for export, have exports consisting overwhelmingly of manufactured goods, and are the leading centres for export processing in the Pearl River Delta region. In 2008, Shenzhen's ratio of exports to gross industrial output was 78.73 percent and Dongguan's was 68.62 percent, compared to an average for the Pearl River Delta region of 47.84 percent. If the 'real' gross industrial output in the two jurisdictions is adjusted to obtain the 47.84 percent ratio, the Pearl River Delta region's gross industrial output would be RMB 6,936.31 billion (US\$998.03 billion) rather than RMB 5,619.76 billion (US\$809.15 billion). We have not changed the figures in the tables because it is impossible to estimate the understatement precisely, but anyone using the statistics should be aware of the issue.

Comments

The form of organisation and production can have an important influence on the numbers that appear in China's statistics. In particular, the exclusion of small firms from calculations of gross industrial output will tend to have a disproportionate impact on statistics for industries and locations that have a large number of small firms. Different jurisdictions also include or exclude different types of firms for different reasons. Export processing is treated differently from other forms of manufacturing. In this report, we have highlighted the potential impact on gross industrial output figures. There is some evidence that capital goods associated with export processing also may not appear as part of foreign investment, though we have been unable to trace this particular aspect.



Value added as a percent of gross industrial output provides information on how much of the value of the goods produced is local value added as opposed to the value of inputs and components from elsewhere. As the economies in places like Guangzhou and Shenzhen diversify into higher value-adding activities, the Pearl River Delta region's value added in industry as a percent of gross industrial output should increase over time. In 2008, it was 26.61 percent, higher than that of the Yangtze River Delta (22.24 percent). However, it remains below the average for China as a whole (28.89 percent),¹⁹ which is not surprising given the continued predominance of export processing in the region.

¹⁹ The calculation for China as a whole is based on 2007 data as this is the latest available at time of writing.

Comments

The relatively low figures for value added as a percent of gross industrial output for all the regions and jurisdictions profiled indicate that both the Greater Pearl River Delta region and the Yangtze River Delta region rely on inputs from other places for most of the value of their production. In fact, the processing that does take place in all of the Chinese jurisdictions adds a relatively thin slice of value onto these inputs obtained from other locations



Imports

The total imports for the Pearl River Delta region in 2008 were US\$269.63 billion. The figure was equal to 23.81 percent of the imports of the Chinese Mainland in 2008. The import figure for the Yangtze River Delta region in 2008 was US\$355.65 billion. The Yangtze River Delta figure was equal to 31.40 percent of the imports of the Mainland.

Hong Kong's imports for 2008 were US\$388.48 billion, while those of Macao were US\$5.37 billion. It is tempting to add up the import figures for Hong Kong, Macao, and the Pearl River Delta region to get a Greater Pearl River

Delta 'regional' figure. In reality, this would include trade flows within the region as well as imports from outside the region. When adjusted, the proper regional figure is US\$338.29 billion.

Exports

The total exports for the Pearl River Delta region in 2008 were US\$387.11 billion. The figure was equal to 27.06 percent of the exports of the Chinese Mainland in 2008. The export figure for the Yangtze River Delta region in 2008 was US\$530.64 billion. The figure was equal to 37.09 percent of the exports of the Chinese Mainland. Exports from the Greater Pearl River Delta jurisdictions to economies other than Hong Kong, Macao, and the Chinese Mainland can be estimated at US\$444.53 billion in 2008, 10 percent less than the Yangtze River Delta figure of US\$497.48 billion. The details of these measures can be found in the notes for the table.

Foreign Direct Investment

In the Chinese Mainland, utilised foreign direct investment is defined as:

...the investments inside China by foreign enterprises and economic organisations or individuals (including overseas Chinese; compatriots from Hong Kong, Macao, and Taiwan; and Chinese enterprises registered abroad), following the relevant policies and laws of China, for the establishment of ventures exclusively with foreign own[ed] investment, Sino-foreign joint ventures and cooperative enterprises, or for cooperative exploration of resources with enterprises or economic organisations in China. It includes reinvestment by foreign entrepreneurs of profits gained from the investment and the funds that enterprises borrow from abroad in the total investment of projects which are approved by the relevant department of the government.²⁰

²⁰ China Statistical Yearbook 2009, p. 761.

Not mentioned directly in this definition was the fact that changes have been made in the measurement of foreign direct investment in China. Starting from 2002, the foreign direct investment statistics were supposed to include only overseas borrowings that were from the direct investors or foreign shareholders, not foreign borrowings from third parties, which had been included in earlier years.²¹ Starting from 2004, a 'capital verification report' was required to verify the amount of foreign direct investment reported by individual firms. This means that the figures for many jurisdictions after 2004 are not fully comparable to earlier figures.

Foreign direct investment into the Pearl River Delta region was US\$16.92 billion in 2008 or 18.3 percent of the total for the Chinese Mainland. Foreign direct investment into the Yangtze River Delta region was US\$41.56 billion or 44.99 percent of the total for the Chinese Mainland in 2008. Foreign direct investments into Hong Kong and Macao were US\$59.62 billion and US\$2.98 billion respectively in 2008.

Many analysts simply sum the inward investment figures of the different jurisdictions of the Greater Pearl River Delta region to obtain a regional figure, but this method is incorrect. Simply summing up the foreign direct investment figures for the different jurisdictions in the Greater Pearl River Delta region does not accurately reflect FDI into the region since it includes investment flows between the different jurisdictions (i.e. between Hong Kong, Macao, and the Pearl River Delta region). To better reflect the investment flows, we have chosen to estimate the investment into the region from locations other than Hong Kong, Macao, and the Chinese Mainland. We have estimated a similar figure for the Yangtze River Delta (foreign direct investment into the region originating from locations other than Hong Kong, Macao, or the Chinese Mainland) in order to have an apples to apples comparison.

²¹ Guangdong Statistical Yearbook 2003, p. 454.

The foreign direct investment into the Greater Pearl River Delta region from outside Hong Kong, Macao, and the Chinese Mainland was on the order of US\$43.29 billion in 2008, while that into the Yangtze River Delta from locations outside of Hong Kong, Macao, and the Chinese Mainland was on the order of US\$25.12 billion. Again, this measure was developed in order to eliminate intra-regional investment within the Greater Pearl River Delta region and to facilitate the apples-to-apples comparison with the Yangtze River Delta. The figures show that the Greater Pearl River Delta attracted more than 1.7 times as much foreign direct investment as the Yangtze River Delta in 2008.



Comments

The data show the importance of the Greater Pearl River Delta region in China's trade and investment. The Greater Pearl River Delta remains by far the most internationally-oriented regional economy in China as shown by its proper regional trade figures. With respect to the Pearl River Delta region, which excludes Hong Kong and Macao, the Yangtze River Delta region has more international trade. The investment statistics also show how difficult it can be to arrive at data that is fully comparable across different jurisdictions in the Chinese Mainland.

Output by Industry

The following tables give a breakdown of the Pearl River Delta region's economies in the secondary and tertiary sectors. As can be seen, telecommunications equipment, computers, and other electronics, electrical equipment and machinery, and transport equipment, account for 44.7 percent of the gross industrial output of the Pearl River Delta region. These numbers are probably understated given the under-reporting of the output value of export processing arrangements, many of which are focused on these industries. The 'top 10' is rounded out by raw chemical materials and chemical products, metal products, plastic products, non-metal mineral products, garments, footwear, and headgear, smelting and pressing of

non-ferrous metals, and textiles. The largest single service sector grouping is wholesale and retail trade, followed by real estate trade; finance and insurance; transport, storage, and post; and accommodations and catering services.²²

Gross Industrial Output for PRD in 2008, Selected Industries

Industry	Gross Industrial Output of Pearl River Delta Region		Value Added Percentage of Gross Industrial Output (%)
	Billion RMB	Billion US\$	
Telecommunications equipment, computers, and other electronics	1,498.79	215.80	21%
Electrical equipment and machinery	675.87	97.31	26%
Transport equipment	337.21	48.55	29%
Raw chemical materials and chemical products	275.90	39.73	36%
Metal products	270.34	38.92	26%
Plastic products	201.66	29.04	27%
Non-metal mineral products	161.12	23.20	31%
Garments, footwear, and headgear	137.46	19.79	31%
Smelting and pressing of non-ferrous metals	133.53	19.23	23%
Textiles	133.05	19.16	27%
Sub-total of Top Ten	3,824.93	550.73	25%
Others	1,794.83	258.42	29%

Source: GIO and value added figures are preliminary data from the Second National Economic Census, as reported in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will update these figures on release of the final results of the Second National Economic Census.

²² Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Value Added in the Service Sector, Pearl River Delta Region, 2008*

Industry	Value Added	
	Billion RMB	Billion US\$
Wholesale and retail trade	270.07	38.88
Real estate trade	204.26	29.41
Finance and Insurance	173.57	24.99
Transport, storage, and post	150.85	21.72
Accommodations and catering services	69.39	9.99
Sub-total of Top 5	868.13	125.00
Other	538.82	77.58
Total	1,406.95	202.58

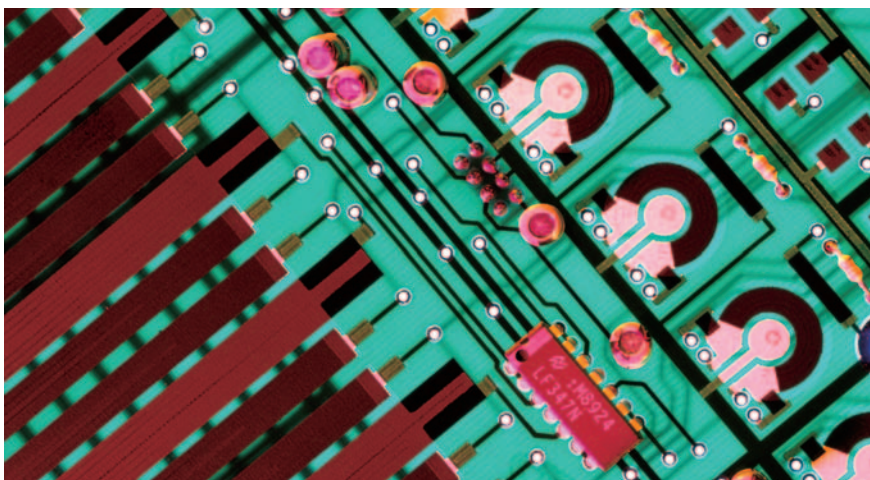
* Note: The *Guangdong Statistical Yearbook 2009* reports service industry value added in five major industry categories plus an 'others' category which includes all remaining uncategorised service industry output. In previous years, 14 individual service industry categories were reported.

Source: Figures are preliminary data from the *Guangdong Statistical Yearbook 2009*. Guangdong Province will update these figures on release of the final results of the Second National Economic Census.



Comments

One feature of the Pearl River Delta region's economy that receives a great deal of attention is the development of 'high technology' industries. Pearl River Delta region authorities tend to broadcast the development of such industries and claim an increasing proportion of the region's output is in such industries. In reality, the categories of telecommunications equipment, computers, and other electronics, and electrical equipment and machinery are taken to be 'high technology' industries regardless of the actual level of technology in the product or process. Thus simple assembly of electronics products is considered 'high technology' even if the processes employed are labour intensive and no local technology development is carried out. While there are some companies doing significant research and development and other high technology activities in the Pearl River Delta region, the categorisation makes it appear that the Pearl River Delta region's economy is more technology-based than is actually the case.



Transportation Statistics

Port Traffic

In 2008, Guangzhou was the leader in tonnage of port throughput in the Greater Pearl River Delta with 369 million tonnes. Hong Kong ranked second with 259 million tonnes, Shenzhen ranked third (211 million tonnes), and Foshan fourth (52 million tonnes). Port throughput in the Pearl River Delta region was 794 million tonnes in 2008. Based on this figure, port throughput for the Greater Pearl River Delta region was 1,053 million tonnes in 2008. In comparison, Shanghai had a throughput of 581 million tonnes and Ningbo had a throughput of 362 million tonnes for a combined total of 943 million

tonnes. It should be noted that statistical sources in the Chinese Mainland sometimes use 'tons' in place of 'tonnes', while the meaning is metric tonnes.

Hong Kong was the world's third busiest container port in 2008, with a throughput of 24.49 million twenty-foot equivalents (TEUs), after Singapore with 29.92 million TEUs and Shanghai with 28.01 million TEUs.²³ Within the Pearl River Delta region, Shenzhen was the leader in container throughput with 21.42 million TEUs. Guangzhou was second with 11.69 million TEUs. The container throughput for both Shenzhen and Guangzhou was lower than for Shanghai and Hong Kong. Overall, however, the Greater Pearl River Delta region is far and away the leading area for container traffic in China.

Port Throughput, Selected Chinese Cities, 2008*

Cities	Throughput (million tonnes)
Guangzhou	369
Hong Kong	259
Shenzhen	211
Foshan	52
Zhuhai	41
Dongguan	32
Zhongshan	28
Jiangmen	26
Huizhou	26
Zhaoqing	9
Shanghai	581
Ningbo	362

* Note: 2008 data for Guangzhou, Zhongshan, Jiangmen, Zhaoqing are preliminary.

Sources: Statistics Bureaux of local jurisdictions in Guangdong Province, Guangzhou Port, and Hong Kong Port Development Council.

²³ Summary Statistics on Port Traffic of Hong Kong, Hong Kong Port Development Council.

Port Container Throughput, Selected Chinese Cities, 2008

Cities	Throughput (TEUs million)
Hong Kong	24.49
Shenzhen	21.42
Guangzhou	11.69
Shanghai	28.01
Ningbo	10.85

* Note: 2008 data for Guangzhou is preliminary.

Sources: Statistics Bureaux of Shenzhen and Guangzhou, Hong Kong Port Development Council, Ningbo Port, and Shanghai International Port Group.

Airport Traffic

Hong Kong had the leading airport in the Greater Pearl River Delta region in 2008, with 47.14 million passengers and 3.63 million tonnes of cargo. The leading airports in the Pearl River Delta region were Guangzhou (33.44 million passengers and 685,870 tonnes of cargo) and Shenzhen (21.40 million passengers and 589,000 tonnes of cargo). Shanghai's two airports handled 51.11 million passengers and 3.02 million tonnes of cargo. Hong Kong's cargo flows exceeded those of all these airports.

Air Traffic, Selected Chinese Cities, 2008

Airport	Passengers (million)	Cargo (000 tonnes)
Hong Kong	47.14	3,627.25
Guangzhou	33.44	685.87
Shenzhen	21.40	598.00
Macao (a)	5.10	100.77
Shanghai (b)	51.11	3,018.75

Notes: (a) Macao data excludes postal cargo.

(b) Combined figures for Pudong International Airport and Shanghai Hongqiao International Airport.

Sources: Hong Kong Civil Aviation Department, Macao International Airport, and General Administration of Civil Aviation of China.



Comments

The transportation statistics for the Greater Pearl River Delta region must be compiled from a variety of sources, and it can be difficult to get a complete picture. One thing that the available statistics do show is that Hong Kong is the largest transportation hub for the Greater Pearl River Delta region. Its container port and airport are still the largest in the region. The presence of Hong Kong and the development of Shenzhen and Guangzhou make the Greater Pearl River Delta the leading area in China for international transport.

Financial Markets

Foreign Financial Institutions

Hong Kong is the leading international financial centre in China. In 2008, more than 180 foreign banks were active in Hong Kong. The main financial markets in the Chinese Mainland are found in Shanghai and Shenzhen. According to the 2007 edition of the *Almanac of China's Finance & Banking*, Shanghai was the home of 57 foreign bank branches and 95 representative offices in 2006, while Shenzhen was the home of 22 branches and six representative offices in 2006. Guangzhou was the home of another 19 branches and 17 representative offices, and Zhuhai another four branches and one representative office.

Equity Markets

In 2008, Hong Kong was the world's third largest market by total equity funds raised, and the largest fund raising centre in the Asia Pacific, reflecting an influx of Chinese Mainland firms seeking to raise foreign capital in Hong Kong.²⁴ Hong Kong's stock market capitalisation of the equivalent of nearly US\$1.17 trillion was the third largest in Asia after Japan and Shanghai. The Hong Kong Exchange registered an average daily turnover of US\$8.22 billion in 2008. The Shenzhen Stock Exchange had 740 listed companies, a market capitalisation of RMB 2,411 billion (US\$347.21 billion), and average daily turnover of RMB 40.40 billion (US\$5.82 billion) as of the end of 2008. As of the same time, the Shanghai Stock Exchange had 864 listed companies, a market capitalisation of RMB 9,725 billion (US\$1.40 trillion), and an average daily turnover of RMB 73.35 billion (US\$10.56 billion).

Comments

While Shanghai's stock market now has a larger market capitalisation and daily turnover, Hong Kong remains the most significant international financial centre in China with a greater number of foreign financial institutions and listed companies than elsewhere in China. Shanghai's rapid growth reflects its strong position as a domestic financial centre for the Chinese Mainland. Shenzhen continues to grow as a secondary domestic financial centre. One problem in judging the importance of Shenzhen and Shanghai as international financial centres is that the figures for foreign financial institutions do not come with a clear definition of precisely what the foreign financial institutions are doing. Media reports often contain figures on the numbers of foreign financial institutions in Shanghai and Shenzhen that do not tally with official data. It is often difficult, therefore, to ascertain what is being measured.

²⁴ *Annual Report and Statistics 2008*, World Federation of Exchanges.

Selected Financial Markets in 2008

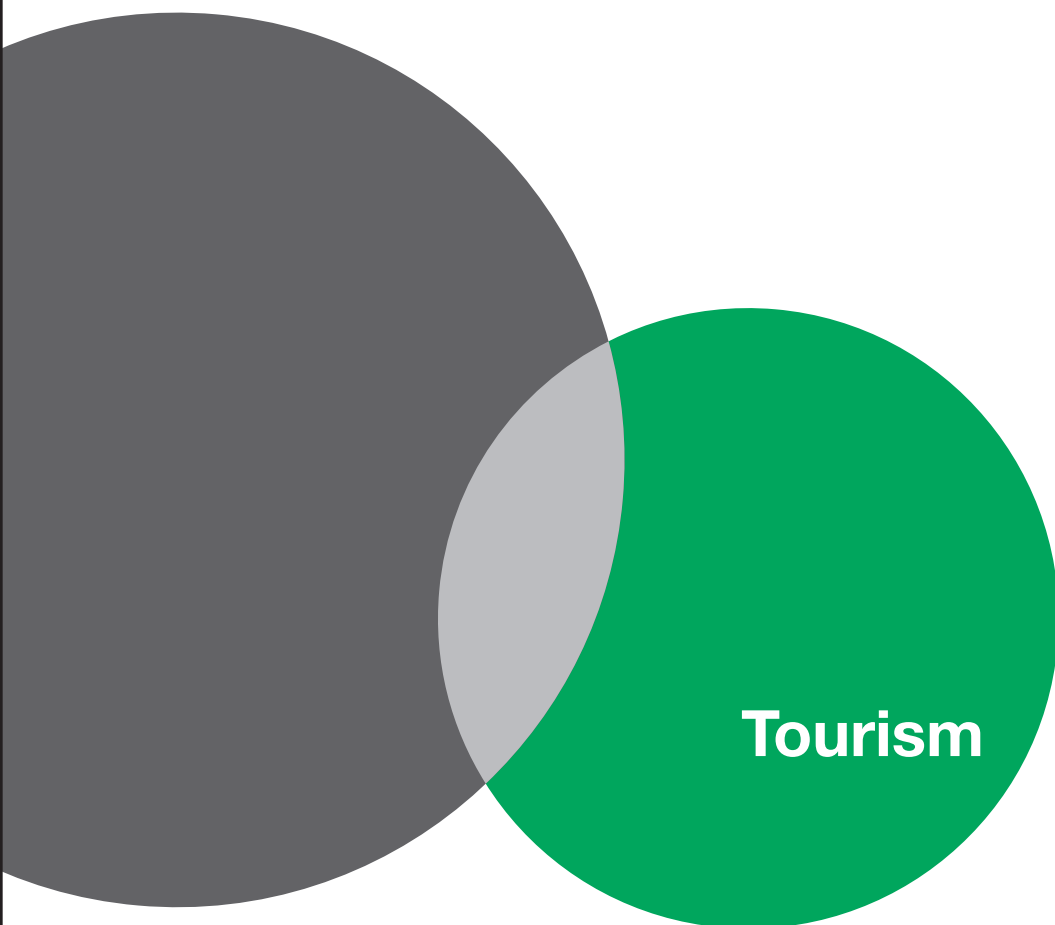
	Number of Foreign Banking Institutions	Number of Listed Companies, as at year end	Stock Market Capitalisation, as at year end		Daily Turnover Stocks Average	
			RMB billion	US\$ billion	RMB billion	US\$ billion
Hong Kong (a)	181	1,087	9,138.50	1,173.50	64.03	8.22
Shenzhen (b)	28	740	2,411.45	347.21	40.40	5.82
Guangzhou (b)	36	N/A	N/A	N/A	N/A	N/A
Shanghai (b)	152	864	9,725.19	1,400.26	73.35	10.56

Notes: (a) Number of foreign banking institutions in Hong Kong is the total number of licensed banks, restricted licensed banks, and deposit taking companies.

(b) Number of foreign banking institutions in Shanghai, Shenzhen, and Guangzhou are total numbers of foreign bank branches and representative offices, including joint ventures in the year 2006.

Exchange rates used for comparison HK\$1=RMB 0.8789, HK\$1=US\$0.128, RMB 1=US\$0.144.

Sources: Hong Kong Monetary Authority *Annual Report 2008*, Hong Kong Exchange and Clearing Ltd., Shenzhen Stock Exchange, Shanghai Stock Exchange, Shanghai Statistics Bureau, and *Almanac of China's Finance & Banking 2007*.



Domestic Tourism

In 2008, the Pearl River Delta region received approximately 103.2 million domestic tourists staying at least one night. Revenues from these tourists reached RMB 155.4 billion (US\$22.4 billion). These figures represent slight overstatements in that one city does not distinguish between overnight and day visitors. The Yangtze River Delta region received 507.7 million domestic tourists and revenues of RMB 602.0 billion (US\$86.7 billion) in 2008. Again, these figures are overstated in that several cities do not distinguish between overnight and day visitors. As with the other Yangtze River Delta region

statistics in this document, these numbers were generated by summing up data from the 16 cities in the region.²⁵

International Tourism

For jurisdictions in the Chinese Mainland, the number of international tourists is defined as the number of foreigners; overseas Chinese; and compatriots from Hong Kong, Macao, and Taiwan coming to China for sightseeing, visits, tours, family reunions, vacations, or study tours. It does not include the number of employees of foreign organisations stationed in China such as embassies, consulates, news agencies, the offices of corporations and enterprises, foreign experts, and students residing in China, and persons staying briefly in China but not overnight. Foreign exchange earnings from international tourism refer to the total expenditures of foreigners; overseas Chinese; and Chinese compatriots from Hong Kong, Macao, and Taiwan during their stay in the Chinese Mainland, which are earnings of foreign exchange from international tourism from the Chinese point of view.

In 2008, the Pearl River Delta region received 26.5 million international tourists staying overnight, or 49.95 percent of the total for the Chinese Mainland. Revenue from international tourists in the region was US\$8.8 billion or RMB 61.14 billion, being 21.55 percent of the Chinese Mainland total. In 2008, the jurisdictions of the Yangtze River Delta region received in total 15.9 million international tourists, being 30.0 percent of the Chinese Mainland total.²⁶ Revenue from international tourism was US\$11.0 billion or RMB 76.43 billion, being 26.93 percent of the total for the Chinese Mainland.

Hong Kong registered 17.3 million international tourist arrivals staying overnight in 2008 and US\$12.1 billion in international tourism revenues.

²⁵ These figures are preliminary figures from Statistics Bureaux of China, Guangdong Province, Shanghai, Jiangsu Province, Zhejiang Province, and local jurisdictions in Guangdong, Jiangsu, and Zhejiang Provinces.

²⁶ YRD figures are overstated due to inclusion of tourists not staying overnight.

While Hong Kong once dwarfed the Pearl River Delta region and the Yangtze River Delta region in terms of international tourism, that is clearly no longer the case, mostly due to Hong Kong tourist travel and Hong Kong-facilitated tourist travel to the Pearl River Delta region. Macao recorded 10.6 million international tourists staying overnight in 2008 and 22.91 million tourists in total. No attempts have been made here to correct the figures for intra-regional tourism within the Greater Pearl River Delta region or to create the same type of figures (tourists from destinations other than Hong Kong, Macao, and the Chinese Mainland) for the Greater Pearl River Delta region and the Yangtze River Delta region due to data limitations.

Tourism Statistics, 2008*

	Pearl River Delta Region	Yangtze River Delta Region	Hong Kong	Macao
Domestic tourists staying overnight (million persons)	103.2	507.7	N/A	N/A
Revenue from domestic tourists staying overnight (RMB billion)	155.4	602.0	N/A	N/A
(US\$ billion)	22.4	86.7	N/A	N/A
International tourists staying overnight (million persons)	26.5	(a) 15.9	17.3	10.6
Revenue from international tourists (US\$ billion)	8.8	11.0	(b) 12.1	3.2

* Notes: 2008 tourism data for jurisdictions in the Pearl River Delta region and the Yangtze River Delta region are preliminary data based on official sources. Dongguan, Shanghai, Hangzhou, Huzhou, Shaoxing, and Zhoushan do not distinguish between day and overnight visitors. Exchange rate: USD 1=RMB 6.9480.

(a) Includes tourists not staying overnight.

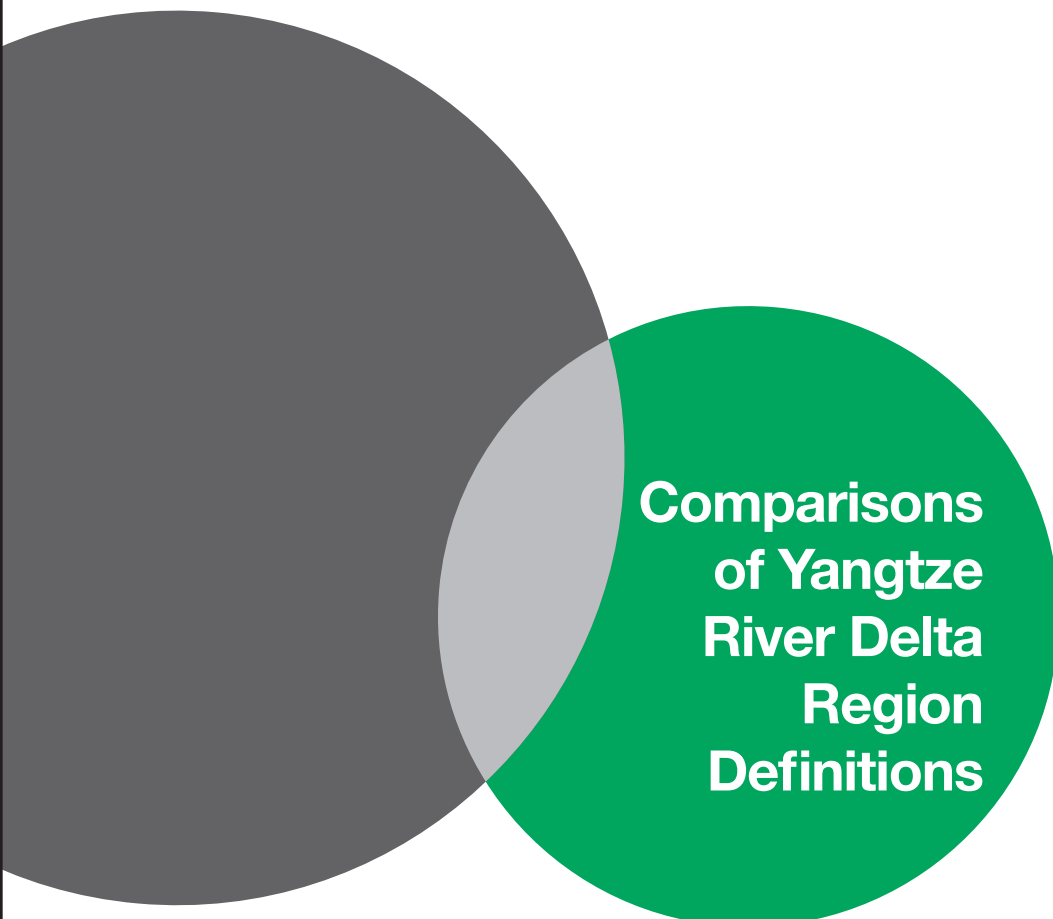
(b) Includes revenues only from tourists staying overnight.

Sources: Statistics Bureaux of Shanghai Municipality and local jurisdictions in Guangdong Province, Jiangsu Province, and Zhejiang Province, Hong Kong Tourism Board, and Macao Statistics and Census Services.

Comments

The tourism figures reported show that there can be inconsistencies in the underlying data that one uses to build up aggregate data for the regions of China. This makes it impossible to produce precise figures for domestic tourism. While a more comprehensive set of figures allows one to do better for international tourism, there are still some discrepancies.





Comparisons of Yangtze River Delta Region Definitions

As mentioned above, many analysts use a definition of the Yangtze River Delta region that includes Shanghai plus all of Jiangsu and Zhejiang Provinces. This is essentially an example of looking at statistics that are readily available instead of those that are most appropriate. The typical definition is inappropriate because it comprises far more than a compact, integrated economic zone. A better definition consists of Shanghai plus the 15 cities in Jiangsu and Zhejiang that immediately surround Shanghai.

The differences in main aggregates under the two different definitions of the Yangtze River Delta region can be substantial. The table shows that the



land area, population, GDP, gross industrial output, imports, exports, utilised foreign direct investment, and retail sales of the second definition of the region are significantly smaller than those for the most common definition. In other words, getting a more precise definition is important to the overall conclusions that one might make in comparing the Yangtze River Delta region to other regions. Exceptions are the trade and foreign investment figures where the Yangtze River Delta region accounts for over 90 percent of the totals for Shanghai plus Jiangsu plus Zhejiang.

Defined Yangtze River Delta versus Sum of Shanghai Municipality, Jiangsu Province, and Zhejiang Province*

	Yangtze River Delta Region	Sum of Shanghai Municipality, Jiangsu Province, and Zhejiang Province	YRD % of Sum of City and Two Provinces
Land area 2008 (square kilometres)	109,993	212,936	52%
Interim Census population 2005 (million)	93.23	141.44	66%
Registered population 2008 (million)	84.12	134.68	62%
Total GDP 2008 (RMB billion)	5,395.60	6,549.77	82%
Gross industrial output from enterprises with over RMB 5 million in sales 2008 (RMB billion)	11,303.49	13,045.04	87%
Total trade 2008 (US\$ billion)	886.29	925.52	96%
Imports 2008 (US\$ billion)	355.65	363.86	98%
Exports 2008 (US\$ billion)	530.64	561.65	94%
Utilised FDI 2008 (US\$ billion)	41.56	45.28	92%
Retail sales of consumer goods 2008 (RMB billion)	1,739.49	2,164.03	80%

* Note: GDP, GIO figures for jurisdictions in the Yangtze River Delta region are preliminary data based on official sources. The Government will update these figures on release of the final results of the Second National Economic Census. The slight increase in land area of the YRD from that reported in the 5th edition is mainly due to Ningbo city publishing more accurate land survey figures.

Sources: Calculated from *Shanghai Statistical Yearbook 2009*, *Jiangsu Statistical Yearbook 2009*, *Zhejiang Statistical Yearbook 2009*, Statistical Yearbooks of jurisdictions in the Yangtze River Delta region 2009 and data from statistics bureaux, using the 16 city definition of the Yangtze River Delta region.

Comments

Many analysts tend to use an overly large definition of the Yangtze River Delta region. As a result, they tend to give a skewed picture of the comparison between the Pearl River Delta region and the Yangtze River Delta region. Often they wind up comparing a portion of a single province with two provinces plus a major municipality. In addition, as indicated above, they tend to compare the overly large definition of the Yangtze River Delta region with an overly small definition by using the Pearl River Delta region rather than the full Greater Pearl River Delta region. This would not be so important except for the fact that foreign investors often take the information as a given and use it in their investment decisions without understanding exactly what is being covered and what is being compared.



The Jurisdictions

“ Over time, the Greater Pearl River Delta region has benefited enormously from a division of labour and complementarity among the economies of the various jurisdictions of the region. The following brief profiles provide some of the highlights of the economies of the region ”



Hong Kong

With a gross domestic product of US\$215 billion in 2008, the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China is one of the world's major economies. In 2008, Hong Kong was the world's thirteenth largest trading economy²⁷ and the world's third largest market by total equity funds raised²⁸. Hong Kong is Asia Pacific's leading location for regional headquarters of multinational firms. It is the leader in the Greater Pearl River Delta region in terms of GDP, tertiary sector GDP, trade, and inward foreign investment, by a wide margin.

²⁷ 'Ranking of Selected Economies in the World Merchandise Trade', Hong Kong Census and Statistics Department, 30 November 2009.

²⁸ *Annual Report and Statistics 2008*, World Federation of Exchanges.

Hong Kong's distinct history has influenced its development into a cosmopolitan centre linked both to the Chinese Mainland and the rest of the world. These links have become even more valuable since the return of Hong Kong to Chinese administration in 1997. Hong Kong has retained its separate economic system and autonomy in nearly all areas that influence the economy. Its world-class legal system, independent judiciary, transparent regulatory framework, and free port endure. Its free flows of capital, people, information, and merchandise, and level playing field make it ideal for international business.

Hong Kong in figures*

Total area (square kilometres)	1,104.00
Population 2008 (million persons)	6.99
Total GDP in 2008 (US\$ billion)	215.34
– GDP in primary sector in 2008 (US\$ billion)	0.11
– GDP in secondary sector in 2008 (US\$ billion)	17.34
– GDP in tertiary sector in 2008 (US\$ billion)	197.89
Real GDP growth 2008 (percent)	2.40
Official per capita GDP in 2008 (US\$)	30,861.00
Gross industrial output in 2008 (US\$ billion)	22.67
Total trade in 2008 (US\$ billion)	751.14
Imports in 2008 (US\$ billion)	388.48
Exports in 2008 (US\$ billion)	362.66
Growth in exports 2008 (percent)	5.10
Foreign direct investment in 2008 (US\$ billion)	59.62
Total retail sales of consumer goods in 2008 (US\$ billion)	35.16
Growth in consumer goods retail sales 2008 (percent)	10.60

* Note: 'GDP' and 'Official GDP per Capita' figures are by expenditure approach at current price. Primary, Secondary and Tertiary GDP figures by expenditure approach are estimated from the percentage ratios for Primary, Secondary, and Tertiary GDP by production approach at current price (preliminary figures) multiplied by total GDP by the expenditure approach.

Source: Hong Kong Census and Statistics Department.

Leading industries

Hong Kong's leading industries with gross industrial output (GIO) above US\$1 billion per year are basic metal industries, printing, publishing, and allied industries, food, transport equipment, textiles, chemicals and chemical products, and wearing apparel except footwear. Leading industries with gross industrial output below US\$1 billion per year include electronic parts and components, machinery, equipment, apparatus, parts and components, not elsewhere classified, and non-metallic mineral products, except products of petroleum and coal.

Hong Kong – top manufacturing industries by gross industrial output 2008 (US\$ billion)

1.	Basic metal industries	6.00
2.	Printing, publishing, and allied industries	4.06
3.	Food	2.38
4.	Transport equipment	1.75
5.	Textiles	1.58
6.	Chemicals and chemical products	1.16
7.	Wearing apparel except footwear	1.04
8.	Electronic parts and components	0.82
9.	Machinery, equipment, apparatus, parts and components, not elsewhere classified	0.70
10.	Non-metallic mineral products, except products of petroleum and coal	0.49

Hong Kong boasts one of the most service-oriented metropolitan economies in the world, with a tertiary sector accounting for 91.9 percent of its GDP. Of particular importance are producer services, including transportation, tourism, trading, and other trade-related services. In December 2008, the import-export trading sector alone employed 512,664 people out of a workforce of

3.69 million²⁹. Hong Kong has a high proportion of companies that undertake high-value operations in the HKSAR across a range of knowledge-intensive professional services industries. As a result, in addition to being one of the world's leading international financial centres, Hong Kong is also a leading regional hub for business services, including law, accountancy, advertising, engineering, and consulting. Hong Kong is also a leading platform for world-class international exhibitions and trade fairs.

Hong Kong – top service sectors by value added 2008 (US\$ billion)

1.	Import and export trade	40.7
2.	Financing and insurance	38.8
3.	Community, social and personal services	34.0
4.	Ownership of premises	20.1
5.	Transport and storage	14.9

Economic plans

One distinguishing feature of Hong Kong's economy is its traditional market orientation. Though the government outlines its agenda in the Chief Executive's address and the monetary and fiscal policies are set in the annual budget, the general approach is to allow for market-driven economic decision-making. The Hong Kong Government has identified financial services, trading and logistics, tourism, and professional services as traditional pillar industries of Hong Kong's economy. In his 2009-10 Policy Address, Hong Kong's Chief Executive identified six additional industries that are crucial to the development of Hong Kong's economy. The six industries are testing and certification services, medical services, innovation and technology, culture and creative industries, environmental industries, and education services. These six industries were identified by the Task

²⁹ 'Quarterly Report of Employment and Vacancies Statistics for December 2008,' Hong Kong Census and Statistics Department, 20 March 2009, and 'Quarterly Report on General Household Survey for October - December 2008,' Hong Kong Census and Statistics Department.

Force on Economic Challenges, a task force set up by Hong Kong's Chief Executive in October 2008, as being industries in which Hong Kong enjoys clear economic advantages. It is intended that the additional six industries will support Hong Kong's traditional pillar industries in promoting the development of Hong Kong into a knowledge-based economy.

The Government is making special efforts to ensure that these and other industries have the infrastructure, capabilities, and regulatory environment they need to continue to expand and develop. This includes road and rail developments to improve access to Pearl River Delta region destinations north of Hong Kong (including a link to China's rapid rail network), as well as the future Hong Kong-Zhuhai-Macao Bridge. The Hong Kong Government also provides support for high technology industries and for small and medium-sized firms. Hong Kong is committed to fostering closer economic links with other jurisdictions in the Greater Pearl River Delta region including additional efforts to cooperate with neighbouring Shenzhen, and to ensuring that every support is given to improving the flow of people, goods, capital, and information that is related to the industries that are most important to Hong Kong.

Development zones and industrial parks

Hong Kong's emphasis on the market means that the authorities are not involved to the same extent as authorities in the Chinese Mainland in the construction of government sponsored development zones and industrial parks. Hong Kong generally relies on private enterprise to take the lead in such initiatives. The Government does, however, provide support in the form of agencies such as Invest Hong Kong, Hong Kong's investment promotion agency, and the Hong Kong Trade Development Council, its trade promotion agency. These agencies provide private enterprise and foreign investors with the information and networks they need to carry out business

in Hong Kong and beyond. To attract research and development activities in the technology, biotechnology, and science sectors the Government has adopted a number of industrial park initiatives including the Hong Kong Cyberport, the Hong Kong Science and Technology Park, and the Hong Kong Institute of Biotechnology.

Foreign investment

Hong Kong is by far the leading centre in the Asia-Pacific for regional headquarters of major multinational firms. According to a 2009 survey conducted by the Hong Kong SAR Government's Census and Statistics Department, 3,580 overseas companies have regional headquarters or regional offices in Hong Kong.³⁰ Major international companies with important operations in Hong Kong include manufacturing companies like 3M, Bayer MaterialScience, Caterpillar, Hitachi, Royal Philips Electronics, and Siemens; shipping and logistics providers like DHL, Emirates Shipping Line FZE, Federal Express, Maersk Sealand TNT, and UPS; financial service providers like Citigroup, Credit Suisse, Goldman Sachs, HSBC, JP Morgan Chase, Morgan Stanley, and UBS; professional service companies like Accenture, AECOM, Ashurst, Bain, BCG, Baker & McKenzie, CB Richard Ellis, Deloitte Touche Tohmatsu, Ernst & Young, KPMG, McKinsey & Co., Ove Arup & Partners, and PricewaterhouseCoopers; global sourcing companies such as Alliance Boots Sourcing, Kingfisher, Source Direct International, and



³⁰ 2009 Annual Survey, Hong Kong SAR Government's Census and Statistics Department.

Tesco Stores; and retailers like Armani, Calvin Klein, Chanel, Christian Dior, French Connection, Gucci, HMV, KFC, LACOSTE, Louis Vuitton, Marks and Spencer's, Seven-Eleven, The Body Shop, Wal-Mart, and ZARA.

Growing numbers of firms from the Chinese Mainland are selecting Hong Kong as a strategic base for Asia-Pacific and global business. It is estimated that there are at least 2,000 firms from the Chinese Mainland in Hong Kong, of which nearly 230 have Hong Kong regional offices or headquarters. Leading firms from the Chinese Mainland that have set up regional headquarters in Hong Kong include Kingdee International Software Group, China's top provider of enterprise software applications and Sinosteel Corporation, one of China's leading steel traders. Other Chinese firms such as China Mobile, Gome, and Lenovo have also set up operations in Hong Kong as part of their plans to expand their business to overseas markets. Hong Kong is becoming increasingly attractive to the Chinese Mainland financial firms seeking access to foreign markets. The Agricultural Bank of China, the Bank of China, the China Construction Bank, and the Industrial and Commercial Bank of China all have major operations in Hong Kong to facilitate their access to foreign markets. In November 2009, China Minsheng Banking Corp raised US\$3.1 billion in the Hong Kong stock market, the biggest IPO in Hong Kong that year.

Hong Kong Disneyland, a venture between The Walt Disney Company and the Hong Kong SAR Government located on Hong Kong's Lantau Island, includes in its first phase a Disneyland-style theme park, 2,100 hotel rooms, and retail, dining, and entertainment facilities. Hong Kong Disneyland attracted around 4.5 million visitors in its fiscal year 2007-2008. With additional attractions under construction and due to open in late 2011, Disneyland is expected to attract visitors in growing numbers.

Under China's Individual Visit Scheme, introduced in July 2003, the Central

Government has relaxed restrictions on individual travel, allowing residents of the Chinese Mainland from selected urban centres and regions in China to visit Hong Kong without joining a tour group. The scheme was extended to residents of Guangdong Province in 2004 and further extended thereafter to residents of 28 cities across China, such as Shanghai, Beijing, Nanjing, Suzhou, Hangzhou, Xiamen, Tianjin, Chengdu, Dalian, Guiyang, Hefei, and Wuhan. As a result, visitors to Hong Kong from the Chinese Mainland have grown substantially to nearly 16.86 million in 2008.

Transport links

Hong Kong is well connected to other locations both globally and locally. Hong Kong International Airport has a comprehensive network of frequent international flights to more than 150 cities worldwide and is the world leader in terms of international cargo throughput, handling over 3.6 million tonnes in 2008. Hong Kong International Airport has ferry routes to the Shenzhen Bao'an International Airport that allow passengers to transit to the Chinese Mainland without going through immigration and custom checks. Passengers can also take ferries to other cities in the Chinese Mainland including Zhuhai, Zhongshan, Guangzhou, and Dongguan from Hong Kong International Airport.

Hong Kong's maritime container port, the world's third busiest and most efficient facility, is linked to some 500 ports around the world. The container port handled nearly 24.5 million TEUs (twenty foot equivalent units) in 2008. It handles 88 percent of Hong Kong's total cargo throughput. About 70 percent of container traffic handled in Hong Kong originates in Southern China. Hong Kong's shipping services connect to an extensive network of major ports and river trade ports in the Mainland. Commuter ferries link the SAR with major locations within the Pearl River Delta region.

Hong Kong is linked by direct trains to Shenzhen, Guangzhou, Dongguan, Foshan, and Zhaoqing, and also has main line services to Beijing and Shanghai. The Guangzhou CBD can be reached by train from Hong Kong in one hour 55 minutes. In future, the Guangzhou–Shenzhen–Hong



Kong Express Rail Link will connect Hong Kong with the Guangzhou suburb of Panyu. Funding for the project has been approved at an estimated cost of US\$9.0 billion and the line should be in operation by 2015. The rail link will reduce travel time between Hong Kong and Guangzhou (Panyu) to 48 minutes. By train, Shenzhen is 45 minutes from Kowloon via Lowu. A train connection between Hong Kong and western Shenzhen via Lok Ma Chau opened in August 2007.

Hong Kong's highways link up to an extensive highway network in the Pearl River Delta region. The Shenzhen Bay Bridge, opened in July 2007, provides a direct route from Hong Kong to Shekou in western Shenzhen via the Shenzhen Bay Port where Hong Kong and the Chinese Mainland Immigration and Customs officials are co-located at a single boundary crossing facility. Shenzhen also can be reached via other highway connections in around an hour by car from Hong Kong Island. Guangzhou can be reached in three hours by car from Hong Kong.

Macao and Zhuhai can be reached in just over an hour by ferry from Hong Kong. Efforts are under way to link Hong Kong and the western Pearl River Delta by bridge. China's State Council agreed in August 2003 that the Hong Kong-Zhuhai-Macao Bridge Advance Work Co-ordination Group should be established with Hong Kong as convenor. Construction of the bridge began in December 2009. Once the bridge is in operation, which is expected by 2016, Macao and Zhuhai each will be about a 45-minute drive from Hong Kong Island.

Approximate Travel Time to Greater PRD Locations from Hong Kong

By Train:

Guangzhou	1 hour 55 minutes
Shenzhen (KCR)	45 minutes
Dongguan	1 hour 10 minutes
Foshan	2 hours 40 minutes
Zhaoqing	3 hours 40 minutes

By Ferry:

Shenzhen Airport	1 hour
Guangzhou East	1 hour 45 minutes
Nanhai	2 hours 45 minutes
Nansha / Panyu	1 hour 30 minutes
Shunde	1 hour 40 minutes
Zhuhai	1 hour 10 minutes
Jiangmen	2 hours 30 minutes
Gaoming	2 hours 50 minutes
Zhongshan	1 hour 15 minutes
Zhaoqing	3 hours 40 minutes
Macao	1 hour

By Road:

Guangzhou	3 hours
Shenzhen	1 hour
Dongguan	2 hours
Foshan	3 hours 30 minutes
Huizhou	2 hours 30 minutes
Zhuhai	4 hours
Jiangmen	3 hours 30 minutes
Zhongshan	3 hours
Zhaoqing	4 hours 30 minutes
Macao	4 hours 30 minutes



The Macao Special Administrative Region of the People's Republic of China (MSAR), established in 1999, is a former Portuguese colony located on the western shore of the mouth of the Pearl River. Like Hong Kong, the Macao SAR retains a high degree of autonomy in its political, legal, social, and economic systems. The future bridge linking Macao to Hong Kong, which is scheduled for completion in 2016, will greatly expand interaction between these two cities.

Though it is a small economy, with a GDP of US\$21.62 billion, Macao has the highest per capita GDP in the Greater Pearl River Delta region. The only

location in China to allow casinos, Macao overtook the Las Vegas Strip in 2008 to become the world's largest gaming market. Macao's gaming and tourism-related sectors are continuing to attract massive investment from overseas and from local players. With major investments committed to business and leisure tourism, gaming, MICE, entertainment, and retail over the next several years, Macao is undergoing a dramatic transformation into one of the world's premier gaming and resort destinations.

Macao in figures*

Total area (square kilometres)	29.2
Population 2008 (million persons)	0.55
Total GDP in 2008 (US\$ billion)	21.62
– GDP in primary sector in 2008 (US\$ billion)	–
– GDP in secondary sector in 2008 (US\$ billion)	3.26
– GDP in tertiary sector in 2008 (US\$ billion)	18.36
Real GDP growth 2008 (percent)	13.2
Official per capita GDP in 2008 (US\$)	39,379
Gross industrial output in 2008 (US\$ billion)	1.78
Total trade in 2008 (US\$ billion)	7.36
Imports in 2008 (US\$ billion)	5.37
Exports in 2008 (US\$ billion)	2.00
Growth in exports 2008 (percent)	(21.6)
Foreign direct investment in 2008 (US\$ billion)	2.98
Total retail sales of consumer goods in 2008 (US\$ billion)	2.37
Growth in consumer goods retail sales 2008 (percent)	33.8

* Note: GDP and Official GDP per Capita figures are by expenditure approach at current price. Primary, Secondary and Tertiary GDP figures by expenditure approach are estimated from the percentage ratios for Primary, Secondary, and Tertiary GDP by production approach at current price (preliminary figures) multiplied by total GDP by the expenditure approach.

Source: The Macao Statistics and Census Service (DSEC).

Leading industries

Macao's leading industries by gross industrial output are wearing apparel and textiles, which together account for 68 percent of manufacturing GDP. Just over 11 percent of Macao's total workforce is engaged in the manufacturing sector.

Macao – top manufacturing industries by gross industrial output 2008 (US\$ million)*

1.	Manufacture of wearing apparel; dressing and dyeing of fur	766.33
2.	Manufacture of textiles	201.30
3.	Manufacture of other non-metallic mineral products	102.93
4.	Manufacture of food products and beverages	76.95
5.	Publishing, printing and reproduction of recorded media	68.33
6.	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear	1.17
7.	Other	204.04

* Note: The Macao Statistics Service now reports 'Manufacture of office, accounting and computing machinery' and 'Manufacture of electrical machinery and apparatus not elsewhere classified' as part of the 'Other' category.

Source: The Macao Statistics and Census Service (DSEC).

The bulk of Macao's GDP comes from the service sector. In 2008, the top service sectors in Macao were gaming services, banking, and real estate. In 2008, nearly 25 percent of the gross value added to GDP came from gaming. Growth in gaming and leisure has fuelled growth in financial and real estate services as well. The global economic downturn in late 2008 and 2009, together with the implementation of visa restrictions for visitors from the Chinese Mainland, has slowed down some of the investments coming in to Macao and led companies to scale back some of the projects as a result of the lower visitor volume. However, as the economy is slowly picking up,

companies have started increasing their investments in the region again and have restarted some of their projects that were left idle during the economic downturn. Overall, Macao's wholesale, distribution, and retail sectors are positioned for rapid growth, particularly as the mega-resorts on Cotai Strip continue to open.

Macao – top service sectors by value added (US\$ billion) 2008*

1.	Gaming services	5.19
2.	Banking	1.14
3.	Real estate trade	1.05
4.	Wholesale, retail, repair	0.93
5.	Renting and business activities	0.87

* Note: Data for the service sector are preliminary. The Macao Statistics Service now reports 'Financial Intermediation' as two separate categories: 'Banking' and 'Insurance and Pension Funding'.

Source: The Macao Statistics and Census Service (DSEC).

Economic plans

Like Hong Kong, Macao adopts an open approach to economic policy and planning, giving full play to market forces within the political and legal systems under operation in the Macao SAR. The Government has given priority to major infrastructure projects designed to improve the flows of people and goods between Macao's islands and across the border to Zhuhai. Going forward, there will be continued emphasis on upgrading tourist, leisure, convention, and exhibition infrastructure, facilities, and service levels, and developing Macao as an upscale destination for both day trips and extended stays. Other priority areas for the Macao Government include Chinese medicine, air transport and logistics, and trade and commercial intermediary services.

Development zones and industrial parks

In 2006, the first phase of the Zhuhai-Macao Cross Border Industrial Park opened on reclaimed land located between Macao and the Chinese Mainland city of Zhuhai. Industries that have been selected for the Macao section of this park include pharmaceuticals, textiles and clothing, chemicals, information technology, and food processing. The cross-border concept is designed to give businesses on the Macao side of the park easy access to the Zhuhai side, which is a customs-free zone, facilitating exports into the Chinese Mainland. Macao's other major industrial park is the Concordia Industrial Park (SPIC), set up in 1993. Macao's New Technologies Incubator Centre (Manetic) fosters the development of Macao's information technology sector, while the Macao Business Support Centre (MBSC) provides small to medium-sized enterprises and foreign investors with support and information related to starting and running a business in Macao. In 2006, the Macao Government Tourist Office set up the Macao Business Tourism Centre to foster the development of the meetings, incentives, conventions, and exhibitions (MICE) sector in Macao.

Foreign investment

Foreign investment into Macao has grown by a factor of more than 20 since 2001, driven by a vast influx of foreign capital into the gaming, hotels, and conventions sector. On the Macao Peninsula, the first Las Vegas-style casino, the Sands Macao, opened in 2004. In September 2006, Wynn Resorts opened the first phase of the Wynn Macau, a 600-room resort and casino complex. StarWorld, Galaxy Casino Company's flagship 500-room hotel and casino, opened in October 2006. MGM Grand Macau, a US\$1.06 billion resort complex featuring a 600-room hotel, casino, and convention complex, opened in December 2007.

In addition, the 'Cotai Strip', an area of reclaimed land linking the islands of Taipa and Coloane, is being transformed into one of the world's leading business and tourist resort destinations. In August 2007, Las Vegas Sands opened the US\$1.8 billion Macao Venetian Casino Resort, a flagship resort, gaming, convention and trade fair complex. The first phase also will include additional hotel resorts managed by leading international operators. Also on the Cotai Strip is the City of Dreams, a large resort, casino, entertainment and exhibitions and convention complex developed by Melco International and Publishing & Broadcasting Ltd of Australia, opened in June 2009. Additional large projects on the Cotai Strip include the Galaxy Macau, scheduled for completion in 2011, as well as MGM Grand Macau, a hotel and gaming project being planned by MGM Grand Paradise.

The economic downturn that started in the final quarter of 2008 has led companies to put some of their investment projects on hold and has pushed back the completion dates for some projects. However, with the economy undergoing apparent recovery, it is expected that the investment environment in Macao will improve. In addition, with the opening of the planned mega-projects along the Cotai Strip, Macao will quickly evolve as a tradeshow and corporate meetings destination as well as a major retail market. A major driver behind this expansion is the rapidly growing demand on the Chinese Mainland in the business and leisure travel and luxury retail segments. Inflows of tourists from



the Chinese Mainland into Macao have grown very rapidly as a result of China's relaxation of restrictions on individual travel.

Transport links

Macao is approximately a three to four hour drive from Guangzhou. Frequent bus and ferry services link Macao with locations within Guangdong Province. It takes roughly one hour to reach Hong Kong by high-speed ferry, or 15 minutes by helicopter. Driving to Macao from Hong Kong takes several hours depending on the route.

Several new infrastructure projects will enhance Macao's links with other cities in the Greater Pearl River Delta region. The Hong Kong-Zhuhai-Macao Bridge, a US\$10.5 billion construction project linking Hong Kong, Macao and Zhuhai, began construction in December 2009 with an expected completion date of 2016. Once in operation, the 50 kilometre bridge will make it possible to drive between Macao and Hong Kong Island in about 45 minutes. This will greatly improve Macao's connectivity to Hong Kong. The Taipa Temporary Ferry Terminal, which offers ferry services to Hong Kong, is undergoing further expansion, with construction works to finish by 2012. The expanded pier will add more direct ferry routes between Macao and cities in the Pearl River Delta region. Expansion of the Lotus Bridge/Hengqin border control point will further accommodate overland passenger flows to and from the Chinese Mainland.

As of January 2010, Macao had officially initiated aviation service agreements with 45 countries, of which 38 have been officially signed. Macao International Airport also has extensive links to Chinese Mainland destinations. Since June 2008, the Civil Aviation Administration of China has permitted a limited number of flights to fly direct from the Chinese Mainland

to Taiwan and has indicated that more flights might be permitted in the future. Hence, the Macao airport is expected to play a less important role in serving Taiwanese business people en route to the Chinese Mainland and is starting to serve discount airline flights between Macao and Southeast Asia in order to better compete with nearby airports.



Guangzhou, the capital of Guangdong Province, is the province's political, administrative, and commercial centre. Guangzhou has the third largest economy among cities in the Chinese Mainland after Shanghai and Beijing. In 2008 Guangzhou led the cities of the Greater Pearl River Delta region in population, and was second only to Hong Kong in terms of GDP, tertiary sector GDP, and retail sales. Guangzhou is the leading transportation, logistics, distribution, and service centre in Guangdong Province. It is also emerging as a centre for heavy industries such as automobiles, steel, and petrochemicals.

Guangzhou in figures*

Total area (square kilometres)	7,434
Interim Census Population 2005 (million persons)	9.50
Permanent Population 2008 (million persons)	10.18
Total GDP in 2008 (US\$ billion)	118.29
– GDP in primary sector (US\$ billion)	2.41
– GDP in secondary sector (US\$ billion)	46.06
– GDP in tertiary sector (US\$ billion)	69.82
Real GDP growth 2008 (percent)	12.30
Official per capita GDP in 2008 (US\$)	11,696
Gross industrial output in 2008 (US\$ billion)	151.40
Total trade in 2008 (US\$ billion)	81.97
Imports in 2008 (US\$ billion)	39.00
Exports in 2008 (US\$ billion)	42.96
Growth in exports 2008 (percent)	13.40
Utilised foreign direct investment in 2008 (US\$ billion)	3.62
Total retail sales of consumer goods in 2008 (US\$ billion)	45.21
Growth in consumer goods retail sales 2008 (percent)	21.00

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Guangzhou's leading industries by gross industrial output in 2008 were transport equipment; chemicals; telecommunications equipment, computers, and other electronics; electric equipment and machinery; petroleum processing, coking, and nuclear fuel processing; and smelting and pressing of ferrous metals. Guangzhou also provides a strong base for other manufactures including general purpose machinery, metal products, processing of agricultural

products and non-staple edible products, and garments, footwear, and headgear. Autos, petroleum and chemicals, and iron and steel are expected to experience particularly rapid growth as the Guangzhou economy diversifies.

Guangzhou – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Transport equipment	32.71
2.	Raw chemical materials and chemical products	16.03
3.	Telecommunications equipment, computers, and other electronics	13.72
4.	Electrical equipment and machinery	9.29
5.	Petroleum refining, coking, and nuclear fuel processing	8.55
6.	Smelting and pressing of ferrous metals	6.72
7.	General purpose machinery	4.64
8.	Metal products	4.29
9.	Processing of agricultural products and non-staple edible products	4.00
10.	Garments, footwear, and headgear	3.97

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Guangzhou is also a leading hub for services in the Pearl River Delta region. In terms of output, Guangzhou's foremost service sectors are wholesale and retail trade, transport, storage, and post, and real estate trade. Finance and insurance, and accommodations and catering services are also significant areas.³¹ Guangzhou, home of the world-renowned Canton Fair, is also a leading trade and distribution centre in the Chinese Mainland. Guangzhou's Pazhou International Convention and Exhibition Centre, with more than 340,000 square metres of exhibition space, is already the largest in Asia and the second biggest in the world. Guangzhou's strength in retail sales exceeds that of any other Chinese Mainland city in South China by a wide

³¹ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

margin and drives demand for related services. Since Guangzhou residents are among the richest urbanites in the Mainland, sales of big-ticket items such as housing and cars continue to exhibit strong growth in the city.

Guangzhou – top service sectors by value added (US\$ billion) 2008*

1.	Wholesale and retail trade	12.02
2.	Transport, storage, and post	10.87
3.	Real estate trade	7.96
4.	Finance and Insurance	5.53
5.	Accommodations and catering services	3.11

* Note: *The Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

Under its 11th Five Year Programme, Guangzhou aims to become a modern international metropolis, economic hub, and cultural centre with an attractive living environment.³² Its four pillar industries – automobiles, petrochemicals, electronic information technology, and biopharmaceuticals – will be strengthened and new emphasis will be placed on software, new materials, new energy sources and technologies, and creative and digital content industries. In services, the focus will be logistics, exhibitions, finance, intermediary services, commerce and trade, tourism, and real estate. The Guangzhou Government is continuing to invest heavily in infrastructure. Work is underway on a 250-kilometre subway network to connect the city's important areas in time for the 2010 Asia Games. The Guangzhou New Railway Station in Panyu District is the Guangzhou terminus for the high

³² For each Pearl River Delta jurisdiction in this chapter, the 11th Five Year Programme covers the period 2006 to 2010.

speed Wuguang Passenger Railway which connects the city with Wuhan, and onwards to Beijing. The station has been in operation since January 2010, and in the future will be one of China's four major passenger railway hubs. At the New Baiyun International Airport, the existing terminal has been expanded, and is scheduled to open before the 2010 Asia Games. Plans for a new international terminal and third runway were approved by the Central Government in September 2008, but construction has not started. FedEx Express has established a cargo hub at the airport, opening a dedicated warehouse in February 2009. Urban development in and around Guangzhou continues on a massive scale. Some 10 downtown and suburban cities are planned, including Zhujiang New Town, Guangzhou New Town, Baiyun New Town, Guangzhou Science Town, Nansha, University Town, Baiyun International Airport Area, New Railway Station Area, Luogang, and Pazhou.

Development zones and industrial parks

Guangzhou is home to four state-level economic function zones, including the Guangzhou Economic and Technological Development District (GETDD), Guangzhou High-tech Industrial Development Zone (GHIDZ), Guangzhou Export Processing Zone (GEPZ), and Guangzhou Free Trade Zone (GFTZ). These four zones are integrated under a single administrative authority, the Guangzhou Development District, and each focuses on investments of different types, including foreign-funded investments, high-tech investments, export-oriented investments, and trade and logistics-related investments. The zones administer science, technology, and industrial parks. Targeted sectors include



optoelectronics, bio-pharmaceuticals, fine chemicals, automotives, and steel. Growth in the Guangzhou Development District has been robust. New facilities include Guangzhou Science City and Guangzhou International Biology Island. At the provincial level, major development zones include the Guangzhou Baiyun Industrial Park (auto parts, aluminium processing, and papermaking), Guangzhou Huadu Economic Development Zone (wood products, clothes and garments, and ceramics), and the Guangzhou Yunpu Industrial Park (electronics, fine chemicals, and new materials).

Foreign investment

Since the 1980s, Guangzhou has attracted substantial foreign investment from multinational firms seeking a presence in the provincial capital from which to serve the South China market. The city has also seen a large influx in investment in the real estate sector driven by the massive renewal of its traditional city centre as well as the development of new suburban residential communities. Over the past several years, heavy industry has emerged as a new focal point of foreign investment for Guangzhou. Toyota has joined Honda and Nissan in auto production in the city. Honda has opened its second auto plant in Guangzhou and in 2007 set up a joint venture with Guangzhou Automobile Industry Group to develop new automobiles. Other Japanese manufacturers, such as JFE Steel and Denso, are making sizable investments in plants for steel sheet processing and auto parts. Progressive Animation Works, a large Japanese animation company, invested US\$0.86 billion to build a training base in the Conghua Animation Industry Park in 2009.

There are more than 9,230 registered foreign-funded companies in Guangzhou.³³ Leading multinational firms with investments in Guangzhou include ABB, Alcatel Lucent, Amway, AT&T, BASF, Baxter, Bosch, Bristol-Myers Squibb, Budweiser, Casio, Colgate Palmolive, Compaq, Dow, DuPont,

³³ The number of registered foreign-funded companies provided for each of the nine PRD jurisdictions in this section is from the *Guangdong Statistical Yearbook 2009*, p. 461.

Ericsson, GE, Hitachi, Honda, IBM, Intel, Kellogg, Kimberly-Clark, Kraft, LG-Philips, Lotus, Lucent, Marubeni, Microsoft, Mitsubishi, Mitsui, Motorola, NEC, Nestle, Nippon Steel, Nissan, Nortel, Otis, Owens Corning, Panasonic, Pfizer, Procter & Gamble, Ricoh, Samsung, San Miguel, Sanyo, Shell, Siemens, Sumitomo, Toshiba, Toyota, Unilever, Wrigley, Xerox, and Yamaha.

As a leading services centre for South China, Guangzhou has attracted a large number of multinational services providers in finance, insurance, professional services, real estate, distribution and retail, and logistics. These firms include Accenture, Adecco, AIG, Allianz, American Express International, BAX Global, BearingPoint, Citigroup, Deacons, Deloitte, Dentsu, Young & Rubicam, Ernst & Young, Deutsche Bank, DTZ Debenham Tie Leung, Federal Express, HSBC, KPMG, Mercer, PricewaterhouseCoopers, and UPS. International retailers attracted to Guangzhou by its affluent consumer base include Carrefour, Circle K, Jusco, Makro, ParknShop, Seven Eleven, Starbucks, Trust-Mart, and Wal-Mart. The hotel sector has expanded substantially with the arrival of the Hyatt, JW Marriott, Ritz Carlton, and Shangri-la, among others.

Transport links

Guangzhou's transport network is among the most efficient and extensive in the Chinese Mainland. Guangzhou is connected to Hong Kong and Macao by an expressway system that also connects it to all the other major centres in the Pearl River Delta region. Guangzhou also has good rail and highway links to the rest of the Chinese Mainland. The high-speed rail link takes just 55 minutes to Shenzhen and one hour 55 minutes to Hong Kong non-stop. The Guangzhou-Shenzhen-Hong Kong Express Rail Link which is expected to be completed by 2015 will shorten the journey to Hong Kong to 48 minutes from the new line's suburban terminal in Panyu. The Wuguang



Passenger Railway, a high speed rail connecting Guangzhou with Wuhan and onwards to Beijing opened in January 2010, cutting travel time between Guangzhou and Wuhan from more than 10 hours to three hours.

The New Baiyun International Airport acts as the principal southern hub for air traffic in the Mainland and has a growing number of international routes. It is projected to have a capacity of 25 million passengers and one million tonnes of cargo by 2010. Guangzhou's port facilities are connected by some 300 international marine lines to 80 countries and regions around the world.

The Guangzhou-Gaoming Expressway to Foshan opened in 2009 and there are plans to connect it to the Jiangmen-Luoding Expressway. Another eight-lane expressway connecting Guangzhou, Dongguan, and Shenzhen is being built and is expected to be completed by 2012.

The latest revised plan for the inter-city light rail transport network in the Pearl River Delta was approved by the Central Government in 2009. According to the plan, by 2030 all the towns and cities in the Pearl River Delta are to be served by a light rail transport system. Guangzhou will be the hub of this light rail transport system and will be connected by it to all the major cities in the PRD.



Shenzhen

Shenzhen, situated just north of Hong Kong, ranks first in exports among all cities in the Chinese Mainland and fourth in terms of GDP. Among the cities in the Greater Pearl River Delta region, Shenzhen ranks third in overall GDP, tertiary sector GDP, and retail sales after Hong Kong and Guangzhou and second to Hong Kong in utilised foreign direct investment and total trade. It has the highest gross industrial output among the cities of the Greater Pearl River Delta region. Shenzhen has used its status as one of the first Special Economic Zones to develop a dynamic and vibrant economy that attracts workers, scientists, and engineers from throughout China. Shenzhen is the leading city in the Mainland for manufacturing in high technology industries and is emerging

as a transportation and logistics centre. Its residents have the highest average educational achievement in the Mainland, and are highly concentrated in the wage-earning age bracket. Shenzhen's long-term residents are among the most affluent consumers in the Mainland.

Shenzhen in figures*

Total area (square kilometres)	1,953
Interim Census Population 2005 (million persons)	8.28
Permanent Population 2008 (million persons)	8.77
Total GDP in 2008 (US\$ billion)	112.40
– GDP in primary sector (US\$ billion)	0.10
– GDP in secondary sector (US\$ billion)	54.94
– GDP in tertiary sector (US\$ billion)	57.36
Real GDP growth 2008 (percent)	12.10
Official per capita GDP in 2008 (US\$)	12,932
Gross industrial output in 2008 (US\$ billion)	228.28
Total trade in 2008 (US\$ billion)	299.95
Imports in 2008 (US\$ billion)	120.24
Exports in 2008 (US\$ billion)	179.72
Growth in exports 2008 (percent)	6.70
Utilised foreign direct investment in 2008 (US\$ billion)	4.03
Total retail sales of consumer goods in 2008 (US\$ billion)	32.42
Growth in consumer goods retail sales 2008 (percent)	17.60

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Shenzhen is a leading city in the Chinese Mainland for high-tech industries

and new business ventures. The 'telecommunications equipment, computers, and other electronics' sector leads the local manufacturing economy. Other leading sectors include electrical equipment and machinery; instruments, meters, and office equipment; metal products; plastic products; special purpose equipment; chemicals; transport equipment; general purpose machinery; and garments, footwear, and headgear. Shenzhen is a leading centre for watches, clocks, gifts, and souvenirs. Software production and integrated circuit design and manufacture are also significant industries. The city accounts for nearly 50 percent of the Mainland's software exports and around 20 percent of its integrated circuit design business. Numerous foreign firms and leading firms from all over the Mainland have set up in Shenzhen to take advantage of Shenzhen's infrastructure, workforce, and links to Hong Kong.

Shenzhen – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Telecommunications equipment, computers, and other electronics	131.30
2.	Electrical equipment and machinery	17.42
3.	Instruments, meters, and office equipment	6.44
4.	Metal products	6.21
5.	Plastic products	6.04
6.	Special purpose equipment	4.55
7.	Raw chemical materials and chemical products	3.31
8.	Transport equipment	2.94
9.	General purpose machinery	2.55
10.	Garments, footwear, and headgear	2.40

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

In the service sector, Shenzhen's leading sectors are finance and insurance, wholesale and retail trade, real estate trade, transport, storage, and post, and accommodations and catering services.³⁴ Shenzhen is home to a number of international trade fairs and exhibitions covering a wide range of industries from nuclear power to food. Shenzhen's China High-tech Fair, the largest of its kind in China, attracts participants from around the globe. Shenzhen is also home to the second-largest stock exchange in the Mainland after Shanghai, and has been a leader in the opening of China's finance sectors. Shenzhen's port and logistics industries are emerging as leaders within China driven by the massive cargo flows generated by Shenzhen and neighbouring cities. In 2008 Shenzhen ranked fourth worldwide in terms of container throughput. Numerous other service sectors have developed to serve local manufacturers and consumers.

Shenzhen – top service sectors by value added (US\$ billion) 2008*

1.	Finance and insurance	14.57
2.	Wholesale and retail trade	10.71
3.	Real estate trade	9.78
4.	Transport, storage, and post	4.55
5.	Accommodations and catering services	2.18

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

In its 11th Five Year Programme, Shenzhen aims to develop high value-adding industry and services and to extend its international links. Shenzhen

³⁴ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

plans to build on its existing strengths as a leading base for high-tech R&D and commercialisation for China and to foster high-tech innovation. It also will work to grow its private sector, attract headquarters of international firms, and strengthen its position in finance and creative industries. Shenzhen aspires to become an international centre for logistics, exhibitions and conventions, tourism, and cultural and information exchange. To foster international links, Shenzhen also will push ahead for closer integration with Hong Kong. Shenzhen planners envision a 'Shenzhen-Hong Kong Metropolis Rim' that will benefit from closer cooperation between the two neighbouring jurisdictions in areas including customs, airports, and seaports. The Hong Kong-Shenzhen Western Corridor, a major highway and bridge link between Hong Kong and Shenzhen, commenced operation in July 2007. Major infrastructure projects planned for Shenzhen include the expansion of the city's mass transit system, container terminals, and airport, and the construction of high speed railways to Guangzhou and Xiamen, as well as several major highways and a new Bonded Logistics Park at Yantian Port.

Development zones and industrial parks

Shenzhen's designation as a Special Economic Zone in 1980 triggered the city's rapid growth and development and its transformation into one of China's leading city economies. Shenzhen's initial state-level Economic and Trade Development Zone (ETDZ), the Shenzhen High-tech Industrial Park, is fully occupied. The Park is being expanded into a high-tech industry corridor extending over 100 kilometres that focuses on high value-adding industries. Three major sectors in the Park include electronic and telecommunications equipment, bio-pharmaceuticals, and integrated circuit design. Shenzhen also has three bonded zones, the Futian Free Trade Zone, Shatoujiao Industrial Bonded Zone, and Yantian Port Bonded Zone, providing warehousing and distribution facilities. In addition, the Yantian Port Bonded Logistics Park

directly connected to the Yantian Port is a 'Zone-Port Interactive Area' (ZPIA). ZPIA port status allows tax rebates to manufacturers on goods produced in China to accrue upon entry of the goods into the ZPIA rather than upon shipment out of China. In attracting foreign investment into its development zones and industrial parks, Shenzhen is strongly focused on the high-tech industries and high value services targeted in its Five-Year Plan.

Foreign investment

Shenzhen leads the cities of the Pearl River Delta with more than 20,770 registered foreign-funded companies. International firms with investments in the high-tech sector include Deutsche Telekom, Flextronics, Hitachi, HP, IBM, Intel, Mitsubishi, Mitsui, Nortel, Olympus, Oracle, Ricoh, Samsung, Siemens, Sony, and



Toshiba. IBM claims that its PC factory in Shenzhen is among its best in the world. There is also significant international presence in service sectors such as banking, finance, and insurance (ABN Amro, AIG, Bank of Tokyo, HSBC, IDG, and Standard Chartered), shipping and logistics (Federal Express, Lufthansa, and Maersk), business services (Deloitte, DTZ Debenham Tie Leung, Ernst & Young, Jones Lang LaSalle, KPMG, and PricewaterhouseCoopers), and retailers (B&Q, Carrefour, Jusco, ParknShop, and Wal-Mart). A number of companies base their sourcing centres in Shenzhen. Wal-Mart's home office for overseas procurement is in Shenzhen. In 2006, IBM relocated its global procurement headquarters from the United States to Shenzhen. In 2007, Flextronics also placed its global procurement

centre in Shenzhen after investing in manufacturing and R&D facilities in the city. In 2008, Sanofi-aventis invested US\$100 million to build an influenza vaccine facility in Shenzhen.

Transport links

Shenzhen's advanced transportation infrastructure links it to the rest of the Greater Pearl River Delta region and the rest of the Chinese Mainland. The border town of Lowu provides the main point of entry and exit for passengers to and from Hong Kong, while Huanggang is the main checkpoint for road traffic. The Hong Kong-Shenzhen Western Corridor connecting the two jurisdictions via the Shenzhen Bay Bridge commenced operation in July 2007. Two expressways connect Shenzhen to Guangzhou: the older inland route and a coastal route under construction that will take travellers onwards to other major cities in the Pearl River Delta region. An expressway connecting the city with Huizhou has also been completed. Shenzhen is linked by rail to Guangzhou (55 minutes by high-speed rail) and downtown Hong Kong (45 minutes away). Shenzhen will be directly connected to Guangzhou, Dongguan, Huizhou, and Zhuhai by a light rail network approved by the Central Government in 2009.

The port facilities at Yantian, Shekou, Chiwan, and Mawan, among others, serve a large and growing number of international routes. Shenzhen's Bao'an airport offers an extensive network of flight connections to other Chinese Mainland cities and is extending its international reach.



Dongguan, located between Guangzhou and Shenzhen, is the Chinese Mainland's leading centre for export processing in labour-intensive, light manufacturing industries. In 2008, Dongguan was the Chinese Mainland's fourth leading exporting city behind Shenzhen, Suzhou, and Shanghai. Foreign investment has been an important driver of Dongguan's development, with the vast majority of Dongguan's industrial output supplied by foreign-invested firms. Dongguan factories produce an enormous range of goods and have made Dongguan one of the world's leading manufacturing centres. Dongguan has been among the leaders in the Greater Pearl River Delta region in terms of GDP growth.

Dongguan in figures*

Total area (square kilometres)	2,465
Interim Census Population 2005 (million persons)	6.56
Permanent Population 2008 (million persons)	6.95
Total GDP in 2008 (US\$ billion)	53.31
– GDP in primary sector (US\$ billion)	0.18
– GDP in secondary sector (US\$ billion)	28.14
– GDP in tertiary sector (US\$ billion)	25.00
Real GDP growth 2008 (percent)	14.00
Official per capita GDP in 2008 (US\$)	7,672
Gross industrial output in 2008 (US\$ billion)	95.50
Total trade in 2008 (US\$ billion)	113.30
Imports in 2008 (US\$ billion)	47.76
Exports in 2008 (US\$ billion)	65.54
Growth in exports 2008 (percent)	8.80
Utilised foreign direct investment in 2008 (US\$ billion)	2.45
Total retail sales of consumer goods in 2008 (US\$ billion)	12.07
Growth in consumer goods retail sales 2008 (percent)	20.50

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

The leading manufacturing industries in Dongguan are telecommunications equipment, computers, and other electronics; electrical equipment and machinery; papermaking and paper products; plastic products; instruments, meters, and office equipment; garments, footwear and headgear; metal products; textiles; leather, furs, down, and related products; and furniture. Dongguan is at the centre of a dense industrial cluster of electronics firms. It

is one of the world's leading production bases for PCs and accessories and it accounts for a significant share of global output of PC drives, scanners, displays, power supply units, mini motors, motherboards, computer magnetic heads, and quartz clock chips. In addition, Dongguan is one of the world's leading producers of mobile phones, household appliances, textiles, garments, toys, footwear, leather products, and plastic products. As a manufacturing platform, Dongguan stands out among Greater Pearl River Delta locations, both for its dense concentration of light manufacturing firms and suppliers, and its large pool of migrant factory workers from other regions of China.

Dongguan – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Telecommunications equipment, computers, and other electronics	25.54
2.	Electrical equipment and machinery	10.53
3.	Papermaking and paper products	5.78
4.	Plastic products	4.97
5.	Instruments, meters, and office equipment	3.34
6.	Garments, footwear, and headgear	3.34
7.	Metal products	3.33
8.	Textiles	3.26
9.	Leather, furs, down, and related products	2.75
10.	Furniture manufacturing	2.60

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Real estate trade was the largest service sector in Dongguan in 2008, followed by wholesale and retail trade.³⁵ Dongguan is taking steps to strengthen its distribution and exhibition services and holds regular trade fairs with a

³⁵ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

focus on light manufacturing. Dongguan is an important distribution centre for Mainland markets. Humen Township, for example, has developed into a national wholesale centre for garments and textiles. Both the retail and tourist sectors have experienced significant growth.

Dongguan – top service sectors by value added (US\$ billion) 2008*

1.	Real estate trade	5.20
2.	Wholesale and retail trade	4.01
3.	Finance and insurance	1.43
4.	Accommodations and catering services	1.02
5.	Transport, storage, and post	0.55

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

In its 11th Five Year Programme, Dongguan has undertaken efforts to spearhead economic growth through its 'Commerce and Trade Dongguan' initiative, which aims to accelerate the development of the retail, wholesale, distribution, and logistics sectors. Dongguan has also worked to expand

its exhibition and tourism sectors, and to foster knowledge-based and intermediary services. Efforts have been made to upgrade its manufacturing base and to promote higher value industries by strengthening the development of high-tech industries, equipment manufacturing, electronic information technology, and electric machinery. Dongguan intends to upgrade foreign investment by attracting multinational firms including Global 500 companies, and by encouraging the setting up of regional headquarters, R&D centres, and procurement centres. The city will also focus on quality of life and the environment, through recycling, energy efficiency, and anti-pollution initiatives.

Development zones and industrial parks

Dongguan was one of the first cities in the Mainland to develop as a manufacturing base after China's opening in the late 1970s. As a result, there are numerous industrial parks dispersed throughout the city. Since 2002, however, Dongguan has focused mainly on three major industrial parks: the Dongguan Songshan Lake Science and Technology Park, the Humen Port Development Zone, and the Dongguan East Industrial Park. With an area of 72-square kilometres, the Dongguan Songshan Lake Science and Technology Park targets technology and innovation-based industries including electronic information, bio-technology, and equipment manufacturing. It has attracted various universities and research institutes such as Wuhan University, the



Central China University of Science and Technology, the Guangdong Electronics Industry Institute, and the South China Institute of Industrial Design. Huawei, a Shenzhen-based electronic equipment manufacturer, invested US\$600 million to set up a mobile phone R&D centre in the Park in 2007. The Humen Port Development Zone, at the Port of Humen, focuses on port-related industries, logistics, and petrochemicals. In 2009, Royal Vopak of the Netherlands announced it would invest US\$200 million to build logistics facilities at the Humen Port. The Dongguan East Industrial Park focuses on IT, new materials, optoelectronics, microelectronics, and equipment manufacturing. At the town level, the best-known industrial parks include the Chang'an Zhen'an Industrial Park (computer products), Hengli Industrial Zone (electronics, toys, chemicals, and construction materials), Shilong Information Industrial Park (electronics and software), and Shatian Environmental Protection Industrial Park (dyeing, textiles, metal products, and lighting products).

Foreign investment

Dongguan is a major production centre for foreign firms, with more than 8,030 registered foreign-funded companies. Foreign firms with investments in Dongguan include Akzo Nobel, DuPont, Duracell, General Electric, Hitachi, Mattel, Nestlé, Nike, Nokia, Philips, Samsung, Sumitomo, Thomson, and Xinyi Glass. The information technology (IT) sector leads in foreign investment, followed by metal processing and machinery equipment, much of which supplies the local IT production base. In 2006, Nokia doubled its manufacturing space in Dongguan, which is one of Nokia's most important manufacturing bases worldwide. Leading computer firms such as Dell and IBM use Dongguan as a base for sourcing computer parts and components. In 2007, the Port of Singapore Authority made an investment of US\$155 million in Dongguan's Humen Port. In 2007, Hang Seng Bank set up a branch in the city, joining Bank of East Asia and DBS Bank. Retailers include

Carrefour, Jusco, Metro, and Wal-Mart, while leading international hotel brands include Hilton, Hyatt, Sheraton, and Sofitel.

Transport links

Dongguan is well-connected to other major locations in the Greater Pearl River Delta. Dongguan is on the rail line from Hong Kong (70 minutes) to Guangzhou (30 minutes away). Dongguan is approximately a two hour drive from Hong Kong. The Guangzhou-Shenzhen Expressway connects the city to Guangzhou (one hour away) and Shenzhen (one hour away). A coastal route of the new Guangzhou-Shenzhen Expressway is being built and is expected to be completed by 2012. An expressway connecting the city with Huizhou opened in January 2010. Factory output has convenient highway access to the Shenzhen and Hong Kong ports. Shenzhen Airport is about a 30-minute drive away. For distribution within China, Dongguan is well served with both rail and air links to China's major cities through Guangzhou and Shenzhen. For international markets, Dongguan is well-connected to the ports and airports of Hong Kong and Shenzhen. Dongguan's ability to handle shipping at its own port facilities has developed quickly, with a total of 81 piers holding 156 berths, nine of the berths being able to accommodate ships with a tonnage in excess of 10,000 tonnes. In addition, four more of these large berths are under construction.

The inter-city light rail transport network planned for the Pearl River Delta that received Central Government approval in 2009 will connect Dongguan directly to Guangzhou, Shenzhen, Zhongshan, Huizhou, and Foshan.



Foshan, one of the traditional manufacturing centres in the western part of the Greater Pearl River Delta region, is just to the southwest of Guangzhou and north of Jiangmen and Zhongshan. Foshan, the fourth largest economy in the region after Hong Kong, Guangzhou, and Shenzhen, is a major centre for OEM processing and for manufacturing facilities serving the Mainland. Foshan's well-established production areas attract workers from all over China. It also has been emerging as an important consumer market within the Greater Pearl River Delta region. Foshan has been among the leaders in the Greater Pearl River Delta region in terms of GDP growth and retail sales growth of consumer goods.

Foshan in figures*

Total area (square kilometres)	3,848
Interim Census Population 2005 (million persons)	5.80
Permanent Population 2008 (million persons)	5.95
Total GDP in 2008 (US\$ billion)	62.39
– GDP in primary sector (US\$ billion)	1.37
– GDP in secondary sector (US\$ billion)	40.93
– GDP in tertiary sector (US\$ billion)	20.09
Real GDP growth 2008 (percent)	15.20
Official per capita GDP in 2008 (US\$)	10,507
Gross industrial output in 2008 (US\$ billion)	153.46
Total trade in 2008 (US\$ billion)	42.21
Imports in 2008 (US\$ billion)	13.25
Exports in 2008 (US\$ billion)	28.96
Growth in exports 2008 (percent)	10.60
Utilised foreign direct investment in 2008 (US\$ billion)	1.81
Total retail sales of consumer goods in 2008 (US\$ billion)	16.96
Growth in consumer goods retail sales 2008 (percent)	24.40

* Note: GDP figures for 2008 are preliminary. GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Foshan's leading industries by gross industrial output are electrical equipment and machinery; non-metal mineral products; metal products; smelting and pressing of non-ferrous metals; telecommunications equipment, computers, and other electronics; plastic products; chemicals; general purpose machinery; textiles; and instruments, meters, and office equipment. A number of locations within Foshan are known for particular industries. Shunde is a major hub for the

production of household appliances, including refrigerators, microwave ovens, electric fans, and air-conditioners. Daliang is well known for plastics, Leliu for bicycles, Chencun for flowers and horticultural products, Lecong for furniture distribution, Lunjiao for woodworking machinery, Gaoming for garments and textiles, Yanbu for underwear, Jun'an for jeans, and Shiwan for ceramics. Some of Foshan's traditional industries date back several hundred years.

Foshan – top manufacturing industries by gross industrial output (US\$ billion) 2008

1.	Electrical equipment and machinery	33.38
2.	Non-metal mineral products	13.13
3.	Metal products	12.31
4.	Smelting and pressing of non-ferrous metals	10.18
5.	Telecommunications equipment, computers, and other electronics	7.81
6.	Plastic products	7.64
7.	Raw chemical materials and chemical products	5.94
8.	General purpose machinery	5.59
9.	Textiles	5.42
10.	Instruments, meters, and office equipment	4.38

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

In services, Foshan's leading sectors are wholesale and retail trade and real estate trade.³⁶ A number of important wholesale and retail markets serve consumers and businesses in Southern China. The retail sector is growing with the development of themed shopping malls that include cinemas, department stores, restaurants, and specialised retail outlets. Business services are also growing fast to serve Southern China's burgeoning manufacturing and export base.

³⁶ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Foshan – top service sectors by value added (US\$ billion) 2008

1.	Wholesale and retail trade	4.66
2.	Real estate trade	3.23
3.	Transport, storage, and post	2.94
4.	Accommodations and catering services	1.53
5.	Finance and insurance	1.41

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

Foshan's economic plans in the 11th Five Year Programme call for renewed focus on high-tech industries, such as electronic information technology, liquid crystal display technology, new materials, precision manufacturing, biomedicine, and energy-efficient and energy-saving technology. Foshan also plans to upgrade its extensive base of traditional industries, in sectors including home appliances, machinery, metal materials processing, plastic products, ceramics and building materials, and textiles and garments. Enhancement of the tertiary sector continues to figure highly on Foshan's agenda. Priority service sectors include distribution and logistics, technology innovation, finance including credit guarantee finance, information technology services, business services, and cultural and creative industries. As of 2008, according to the government, substantial progress had been made towards Foshan's 11th Five Year Programme objectives. The city is also working to enhance its connectivity with surrounding cities through substantial investment in transportation infrastructure, including subway access to Guangzhou. In 2009, Guangzhou and Foshan signed an

agreement on integration and cooperation across areas including urban planning, infrastructure construction, and environmental protection.

Development zones and industrial parks

Foshan's state-level high-tech industrial zone, the Foshan National High-tech Industries Development Zone, brings together a number of specialised business zones. The focus is on electronics, information technology, optoelectronics, medical and bio-technology, and new materials. In 1995, the zone became the first in the Mainland to establish an incubation centre to support entrepreneurial efforts in high-tech business applications. In addition, each of the five sub-districts of Foshan is home to a development zone with its own specialised industry focus: the Chancheng Economic Development Zone (optoelectronics, auto parts, and precision instruments), the Nanhai National Ecological Industrial Development Zone (environmental protection equipment and material manufacturing), the Shunde Creative Industrial Zone (industrial design and creative industry), the Sanshui Technology Industrial Zone (food and beverages, metal processing, and plastics), and the Gaoming Cangjiang Industrial Zone (textiles, chemicals, and construction material). Foshan also is home to the Nanhai Software Park, one of Guangdong Province's top four software parks, specialising in digital multimedia technology. Guangdong Financial Services Industrial Zone, which focuses on back office services for the financial services industry, is also located in Nanhai District in Foshan.

Foreign investment

There are more than 4,300 registered foreign-funded companies in Foshan. DuPont Teijin Films runs one of China's largest polyester film factories in Foshan and firms such as BASF, Honda, Nortel, Siemens, Tetrapak, Toshiba,

and Toyota have all invested in the area. Many Japanese automotive parts makers have set up in Foshan to supply Japanese auto makers in nearby Guangzhou. In 2007, Honda Auto Parts Manufacturing Co., a wholly-owned Honda subsidiary, began operations at its new plant in Foshan with a capacity of 240,000 transmissions per year. In 2009, Coca-Cola announced that it would set up a beverage production plant in Foshan which is expected to be its largest non-carbonated beverage production base in China. In January 2010, Bank of East Asia, Hang Seng Bank, and HSBC opened branches in Foshan. Insurance companies with a presence in the city include AIG, AXA, ING, and Prudential, and retailers include JUSCO, Metro, ParknShop, and Wal-Mart. Along with foreign investors, there is a strong presence of local brand names, such as Galanz (home appliances), Jianlibao (soft drinks), and Midea (electric fans, air-conditioners, and refrigeration products).

Transport links

Foshan can be reached from Hong Kong by express train (two hours 40 minutes), road (three to four hours), and ferry (under two hours). It can be reached in 40 minutes from Guangzhou by car. Foshan has plans for eight metro lines. Metro Line Number One connecting to the Guangzhou metro system is expected to begin operation by 2012. The city also plans to open two inter-city lines connecting to Guangzhou, Zhaoqing, and Zhuhai by the end of 2010. Foshan is well served by the Greater Pearl River Delta region's network of highways and has its own port facilities. From Foshan, it is only 30 minutes by car to Guangzhou New Baiyun International Airport.



Huizhou

Huizhou, located to the northeast of Shenzhen, has a diversified manufacturing economy that includes audio-visual equipment, electronic components, and petrochemicals, as well as traditional industries such as garments and textiles. Huizhou is one of the world's largest producers of laser diodes and is a world leader in the manufacture of DVD and VCD players. Huizhou is home to the US\$4.3 billion joint venture between CNOOC and Shell Petrochemicals, one of the largest foreign investments in China, which became operational in 2006. In 2008, Huizhou ranked the first in the Pearl River Delta region in terms of export growth.

Huizhou in figures*

Total area (square kilometres)	11,158
Interim Census Population 2005 (million persons)	3.71
Permanent Population 2008 (million persons)	3.93
Total GDP in 2008 (US\$ billion)	18.58
– GDP in primary sector (US\$ billion)	1.31
– GDP in secondary sector (US\$ billion)	10.93
– GDP in tertiary sector (US\$ billion)	6.34
Real GDP growth 2008 (percent)	11.5
Official per capita GDP in 2008 (US\$)	4,763
Gross industrial output in 2008 (US\$ billion)	37.44
Total trade in 2008 (US\$ billion)	29.74
Imports in 2008 (US\$ billion)	11.76
Exports in 2008 (US\$ billion)	17.99
Growth in exports 2008 (percent)	23.2
Utilised foreign direct investment in 2008 (US\$ billion)	1.35
Total retail sales of consumer goods in 2008 (US\$ billion)	6.10
Growth in consumer goods retail sales 2008 (percent)	19.6

* Note: GDP figures for 2008 are preliminary. GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Huizhou's leading industries by gross industrial output are telecommunications equipment, computers, and other electronics; chemicals; electrical equipment and machinery; transport equipment; metal products; plastic goods; leather goods, furs, down, and related products; non-metal mineral products; textiles; and furniture manufacturing. In addition to DVD and VCD players and laser diodes, Huizhou is a global player in the production of batteries, telephones, computer circuit boards, and other electronic components.

Huizhou – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Telecommunications equipment, computers, and other electronics	17.97
2.	Raw chemical materials and chemical products	4.70
3.	Electrical equipment and machinery	2.67
4.	Transport equipment	1.34
5.	Metal products	1.16
6.	Plastic products	1.16
7.	Leather, furs, down, and related products	0.94
8.	Non-metal mineral products	0.72
9.	Textiles	0.63
10.	Furniture manufacturing	0.51

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Huizhou's service sector is relatively underdeveloped when compared to its manufacturing sector. Leading service sectors include wholesale and retail trade, as well as real estate trade.³⁷ Much of the service sector focuses on the local market.

Huizhou – top service sectors by value added (US\$ billion) 2008*

1.	Wholesale and retail trade	1.54
2.	Real estate trade	0.89
3.	Transport, storage, and post	0.71
4.	Accommodations and catering services	0.45
5.	Finance and insurance	0.34

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

³⁷ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Economic plans

In its 11th Five Year Programme, Huizhou aims to become a modern petrochemical and digital industrial city. The city plans to develop a complete industrial chain in petrochemicals and to foster its petrochemicals cluster. In electronics, Huizhou aims to strengthen its consumer electronics, computer and telecommunications products, and electronic components industries. Zhongkai Hi-tech Industrial Development Zone, Sanhe Development Zone, and Digital Industrial Park will play major roles in the development of these industries. Huizhou also aims to upgrade its existing industrial base in textiles, garments, footwear, food, and medicine. It plans to develop auto parts, software, biotechnology, new energy, new materials, and equipment manufacturing. In services, the focus will be on commerce and trade, distribution and logistics, tourism, real estate, transportation, finance, and professional services. Massive investments in rail, highway, seaport, and energy infrastructure are going forward. Huizhou is planning a five-fold expansion of its urban area with three new centres in Huicheng District, Huiyang District, and the Daya Bay Economic and Technology Development Zone (Daya Bay ETDZ).

In December 2008, the Huizhou Government released a revised version of Huizhou's 11th Five Year Programme. The revised programme has placed greater emphasis on the development of logistics, the facilitation of air traffic, and on efforts to move labour intensive industry from urban to outlying areas.

Development zones and industrial parks

The Daya Bay Economic and Trade Development Zone (ETZD) in Huizhou is a state-level industrial zone. Auto parts, electronic information, and steel are among the fastest-growing industries in the Zone, driven by the

presence of a joint venture between Dongfeng Motor and Honda. Covering an area of 265 square kilometres, the Daya Bay ETDZ also hosts the Daya Bay Petrochemical Industrial Park and Huizhou Port. The petrochemical park has benefitted from a major joint venture between CNOOC and Shell Petrochemicals and the plan is to transform the area into a petrochemical hub of world standing. Huizhou Port has been undergoing extensive expansion driven by investment by the Hong Kong firm Hutchison Whampoa. The Zhongkai High-tech Industrial Development Zone is a state-level high-tech park that generates around a quarter of Huizhou's total industrial output, with specialised strengths in consumer electronics and telecommunications equipment. Fortune 500 firms including Sony, Siemens, LG, Schneider, Alcan, Coca-Cola, as well as well-known Chinese companies such as TCL and Desay, are among the 490 or so companies in the park.

Foreign investment

There are more than 4,600 registered foreign-funded companies in Huizhou. In 2001, Shell Petrochemicals and CNOOC signed a contract to build a US\$4.3 billion petrochemical complex at Daya Bay, which became operational in 2006. This vast investment has fuelled foreign participation in large-scale construction projects in the area. Multinational investment has also proved popular in the electronics field where firms such as Hitachi, LG Electronics, NEC, Panasonic, Samsung, Siemens, and Sony all have operations. Samsung and LG have moved much of their audio-visual



equipment production to Huizhou. Foreign firms active in automotive parts include Bridgestone, Honda, Sumitomo, and ThyssenKrupp. In car audio and video equipment, Siemens' Huizhou operations are a leader in China. Other foreign companies include Alcan, Coca-Cola, and Schneider. Service sectors receiving foreign investment include hotels (Holiday Inn), insurance (Assicurazioni Generali and Tokio Marine & Nichido), retail and distribution (Aeon), and transport and logistics (Hutchison Whampoa). In 2006, Hutchison Whampoa announced a major investment in Huizhou Port that will expand the port's handling capacity from 120,000 TEUs to 1 million TEUs per year. In banking, Bank of East Asia plans to open branches in Huizhou.

Transport links

Huizhou is connected by railway to Guangzhou (one hour 40 minutes away), Dongguan (40 minutes away), Shenzhen (about one hour away), and by expressway to Hong Kong (two hours 30 minutes). It is on both the Guangzhou-Shantou and Beijing-Kowloon railway lines. The Huizhou-Dongguan high-speed railway started construction in May 2009, and is expected to be completed by the end of 2012. Upon the completion of the high-speed railway, the travel time between Huizhou and Dongguan will be cut to 35 minutes, and to within one hour between Huizhou and Guangzhou. Huizhou has a deepwater port, which is open to foreign vessels and, along with regular cargo, is able to handle oil and gas. As part of the Huizhou Port development, Hutchison Whampoa is building a large container terminal, the Huizhou Tsuen Wan International Container Terminal. Upon the completion of the terminal, Huizhou is expected to be among the major container ports in South China.



Situated on the western bank of the Pearl River Delta adjacent to Macao, Zhuhai became a Special Economic Zone in 1980. Since that time, the city's population has grown by a factor of four and its industrial output by a factor of 1,160. Zhuhai is known for its pleasant living environment and its focus on technology-based business as well as sporting events and recreation. Zhuhai's economy is well positioned to benefit from proximity to Macao, with its fast-growing gaming and hospitality sector, and the future bridge link to Hong Kong. In 2008, Zhuhai ranked second in the Pearl River Delta region in terms of export growth.

Zhuhai in figures*

Total area (square kilometres)	1,701
Interim Census Population 2005 (million persons)	1.42
Permanent Population 2008 (million persons)	1.48
Total GDP in 2008 (US\$ billion)	14.28
– GDP in primary sector (US\$ billion)	0.42
– GDP in secondary sector (US\$ billion)	7.81
– GDP in tertiary sector (US\$ billion)	6.05
Real GDP growth 2008 (percent)	9.0
Official per capita GDP in 2008 (US\$)	9,732
Gross industrial output in 2008 (US\$ billion)	35.95
Total trade in 2008 (US\$ billion)	46.84
Imports in 2008 (US\$ billion)	25.66
Exports in 2008 (US\$ billion)	21.17
Growth in exports 2008 (percent)	14.6
Utilised foreign direct investment in 2008 (US\$ billion)	1.14
Total retail sales of consumer goods in 2008 (US\$ billion)	5.18
Growth in consumer goods retail sales 2008 (percent)	19.3

* Note: GDP figures for 2008 are preliminary. GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Zhuhai's leading industries by gross industrial output are telecommunications equipment, computers, and other electronics; electrical equipment and machinery; chemicals; instruments, meters, and office equipment; smelting and pressing of ferrous metals; plastic products; medical and pharmaceutical products; transport equipment; special purpose equipment; and general purpose equipment. Other prominent industries include metal products,

garments, footwear, and headgear. Already established as a high-tech area and tourist centre, Zhuhai is starting to push ahead with the development of heavy industries, especially in the vicinity of its port. Zhuhai also provides flowers, fruit, vegetables, and seafood for the regional markets.

Zhuhai – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Telecommunications equipment, computers, and other electronics	11.32
2.	Electrical equipment and machinery	7.70
3.	Raw chemical materials and chemical products	2.14
4.	Instruments, meters, and office equipment	1.57
5.	Smelting and pressing of ferrous metals	1.10
6.	Plastic products	1.03
7.	Medical and pharmaceutical products	1.00
8.	Transport equipment	0.82
9.	Special purpose equipment	0.79
10.	General purpose machinery	0.72

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Wholesale and retail trade topped Zhuhai's service sector in 2008.³⁸ Zhuhai's biennial international air show, the city's main trade show, has become a venue for sealing major aviation-related deals. The area is also cultivating its tourist attractions, as well as promoting specialised real estate developments, such as retirement communities and sports facilities.

³⁸ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Zhuhai – top service sectors by value added (US\$ billion) 2008*

1.	Wholesale and retail trade	1.60
2.	Real estate trade	0.73
3.	Finance and insurance	0.53
4.	Transport, storage, and post	0.46
5.	Accommodations and catering services	0.35

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

In its 11th Five Year Programme, Zhuhai will focus on industrial clusters as drivers of development. Zhuhai seeks to create a petrochemicals industrial cluster, an information technology industrial cluster, and other specialised industrial parks and towns. Industries at the top of Zhuhai's development agenda include software, integrated circuits, optic electromechanical technology, bio-medicine, fine chemicals, new materials, and new energy sources and technologies. The local Government is also actively developing service sectors including real estate, tourism and exhibition services, logistics, finance, and cultural and creative industries. Zhuhai has committed to a number of infrastructure projects, including the further development of Zhuhai Port, the construction of the city's mass transit system and the inter-city rail access to Guangzhou, and the expansion of its highway network. Zhuhai is planning to develop Hengqin Island, near Macao, as a location for tourism and resorts, exhibitions and conferences, high-tech manufacturing, and financial services.

Development zones and industrial parks

Zhuhai is home to five major economic zones: the Zhuhai National High-tech Industrial Development Zone, Zhuhai Free Trade Zone, Zhuhai Harbour Industrial Zone, the Hengqin Development Zone, and the Wanshan Ocean Development Experimental Zone. Within the state-approved Zhuhai National High-tech Industrial Development Zone are five sub-parks each with its own sector-specific focus including electronic information, software, electronic products, bio-pharmaceuticals and ocean biology, machinery, and fine chemicals. The Zhuhai Free Trade Zone focuses on export-oriented manufacturing, in particular, aero parts, electronic components, pharmaceutical and medical devices, and telecom fibre. The Zhuhai Harbour Industrial Zone (Zhuhai Gaolan Port Economic Zone) is among the major petrochemical industrial bases of Guangdong Province. The Hengqin Development Zone has been developing large exhibition and conference facilities, as well as tourism and resort hotels. The Wanshan Ocean Development Experimental Zone is focused on the warehousing industry, and marine tourism, bio-pharmaceuticals, and fishery.



Foreign investment

There are more than 4,500 registered foreign-funded companies in Zhuhai. Major multinational firms with investments in the city include Altana, BP, Canon, Coca-Cola, Flextronics, MTU Aero Engines, Panasonic, Philips, Siemens, Shell, Sumitomo, and Toshiba. In 2003, BP opened a world-scale purified terephthalic acid (PTA) facility in Zhuhai, and its Phase II PTA facility which came on-stream in 2008 is one of the largest PTA production bases in China. In 2007, Shell (China) announced plans to build a lubricants blending plant in Zhuhai to supply markets in Southern China. The plant started operation in late 2009 and has become Shell's largest lubricants blending plant in Asia. Foreign financial institutions in Zhuhai include AIA, Bank of East Asia, Caixa General de Depósitos, Citigroup, Morgan Stanley, Standard Chartered, and Wing Hang Bank.

Transport links

Zhuhai can be reached by road from Macao (30 minutes), and from Guangzhou, Foshan, and Dongguan in around two hours. A ferry service connects to Hong Kong taking a little over an hour. The future bridge between Zhuhai and Hong Kong will make it possible to drive between the two cities in 45 minutes to one hour. Zhuhai's Gaolan Harbour is a deepwater port on the west coast of the Pearl River Delta handling mainly bulk cargo. With four other first-class ports, the city handled 655,000 TEUs in 2008. Zhuhai has a plan to invest US\$3.6 billion to develop its ports and raise annual capacity to three million TEU. Guangdong Province plans to complete the Guangzhou-Zhuhai Intercity Mass Rapid Transit link from Zhuhai to Guangzhou by August 2010, cutting the journey time to 40 minutes. Zhuhai has its own airport, with domestic services and limited international routes.



Located on the western side of the Pearl River Delta, Jiangmen covers nearly one-sixth of the land area of the Greater Pearl River Delta region. Jiangmen was a centre for international commerce in the early 1900s and has developed a manufacturing base that serves both local and international markets. As costs have risen in other parts of the Pearl River Delta region, some companies have found Jiangmen to be an attractive alternative. Jiangmen is expected to be a major beneficiary of the expansion of the road and rail networks planned for the Greater Pearl River Delta region.

Jiangmen in figures*

Total area (square kilometres)	9,541
Interim Census Population 2005 (million persons)	4.10
Permanent Population 2008 (million persons)	4.14
Total GDP in 2008 (US\$ billion)	18.44
– GDP in primary sector (US\$ billion)	1.49
– GDP in secondary sector (US\$ billion)	10.62
– GDP in tertiary sector (US\$ billion)	6.33
Real GDP growth 2008 (percent)	10.8
Official per capita GDP in 2008 (US\$)	4,460
Gross industrial output in 2008 (US\$ billion)	39.01
Total trade in 2008 (US\$ billion)	13.14
Imports in 2008 (US\$ billion)	3.49
Exports in 2008 (US\$ billion)	9.65
Growth in exports 2008 (percent)	11.0
Utilised foreign direct investment in 2008 (US\$ billion)	0.92
Total retail sales of consumer goods in 2008 (US\$ billion)	7.05
Growth in consumer goods retail sales 2008 (percent)	19.5

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Jiangmen's leading industries by gross industrial output are metal products; transport equipment; electrical equipment and machinery; textiles; chemicals; garments, footwear, and headgear; and telecommunications equipment, computers, and other electronics. Jiangmen also produces non-metal mineral products, papermaking and paper products, and plastic products. It is an important export base for shipping containers, high-energy

batteries, printed material and washing machines. Jiangmen is a leader in the Mainland in the production of motorcycles, microphones, faucets, stainless steel items, and jeans. A number of Jiangmen's townships have become highly concentrated production areas. For instance, Siqian, in Jiangmen's southern city of Xinhui, produces most of its industrial value from stainless steel products. Jiangmen is an important energy base for Guangdong, having the largest thermal power plant in Asia.

Jiangmen – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Metal products	5.62
2.	Transport equipment	4.59
3.	Electrical equipment and machinery	3.87
4.	Textiles	2.26
5.	Raw chemical materials and chemical products	1.99
6.	Garments, footwear, and headgear	1.86
7.	Telecommunications equipment, computers, and other electronics	1.80
8.	Non-metal mineral products	1.47
9.	Papermaking and paper products	1.39
10.	Plastic products	1.30

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

In 2008, Jiangmen's leading service sector was wholesale and retail trade.³⁹ Jiangmen's tertiary sector is expanding, particularly in the area of distribution services for its motorcycles, household electrical products, stainless steel items, and building materials. Foreign investment in the city has greatly boosted Jiangmen's real estate, insurance, leisure services, and logistics sectors. The city is particularly keen to attract investment in its commerce,

trade, tourism, education, banking, and insurance sectors. The Jiangmen Government has been investing heavily in secondary education, including new schools and campuses.

Jiangmen – top service sectors by value added (US\$ billion) 2008*

1.	Wholesale and retail trade	1.43
2.	Transport, storage, and post	0.88
3.	Real estate trade	0.51
4.	Finance and insurance	0.46
5.	Accommodations and catering services	0.36

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

In its 11th Five Year Programme, Jiangmen will focus on advanced manufacturing in electronic information technology, new materials, new energy sources and technologies, petrochemicals, equipment manufacturing, iron and steel, auto parts, fine chemicals, and precision manufacturing. Jiangmen also will build upon its existing strengths in tourism, transportation, retail and wholesale trade, and real estate. Jiangmen aims to become a transportation hub connecting the Pearl River Delta region to the outlying areas of Guangdong Province to the west, and is improving its rail and road access to these areas. The city is also considering plans to construct a deepwater seaport at Chuandao.

³⁹ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Development zones and industrial parks

Jiangmen has several provincial-level development zones. The Jiangmen High-Tech Industrial Development Zone, covering an area of 47 square kilometres, focuses on electronic products, motorcycles and parts, bio-pharmacy, glasswork, and furniture. The Xinhui Economic Development Zone is the site of Jiangmen's cargo river port. Pillar industries include electrical equipment, optical instruments, information technology, fine chemicals, textiles and garments, steel, and motorcycles. The Guanghaiwan Industrial Park plans to make petrochemicals, metal smelting, and shipbuilding its key industries. The Yinzhou Lake Development Zone focuses on steel, electronics, paper making, and petrochemicals. The Jiangsha Industrial Corridor specialises in motorcycles and motorcycle parts, automobile parts, printed materials and paper products, stainless steel items, and footwear. The Jiangmen Industrial Transfer Park focuses on electronic products, machinery manufacturing, bathroom products, and textile industries.



Foreign investment

There are more than 5,000 registered foreign-funded companies in Jiangmen. Notable foreign investors include ABB, BP, Citizen Electronics, Craft, Emerson, Foster Wheeler, Marubeni, Mitsubishi, Panasonic, Suzuki, and Toyota. BP and PetroChina have a joint-venture registered in Jiangmen that manages a retail network of petrol stations across Guangdong Province. Foster Wheeler serves markets in Asia, China, and North America from its state-of-the-art boiler pressure parts plant, which was expanded in 2006. The Singaporean paper producer RGM International has a major presence. In services, AIA, CITIC Prudential, Lotus Supermarkets, Manulife, and McDonald's are present in Jiangmen. Jiangmen is also seeing fast growth among domestic firms. For example, one of China's leading domestic producers of submersible electric pumps and motors, the Jiangmen Ruirong Motor Pump Industry Co., opened a new factory in 2006 and has set up the Jiangmen Submersible Pump Research Centre.

Transport links

Jiangmen is linked by highway to Guangzhou (around one hour 30 minutes), Shenzhen (two hours), and Zhuhai (one hour 30 minutes). It can be reached by ferry from Hong Kong in roughly two hours 30 minutes. Jiangmen has six ports with 301 berths, two of which are at the 10,000 tonnes level. Jiangmen is planning and constructing several highways in the direction of Zhaoqing, Luoding, Zhuhai, Nansha, and Zhongshan-Kaiping. These projects will provide Jiangmen with a greatly expanded highway network. The Guangzhou-Zhuhai Railway will stop at Jiangmen on its way to Zhuhai. Construction has commenced and will be completed in 2011. The line will mostly carry cargo. The Guangzhou-Zhuhai Intercity Mass Rapid Transit railway is under construction and is scheduled for completion in August 2010. A branch line will connect to Jiangmen.



Zhongshan

Zhongshan is located in the western part of the Pearl River Delta, north of Zhuhai and south of Guangzhou. The city has a number of distinctive towns under its jurisdiction that have well-established manufacturing bases. In addition to its export-oriented facilities, Zhongshan also is home to a large number of factories that supply the Chinese domestic market. In 2008, the city displayed strong growth across a range of economic indicators.

Zhongshan in figures*

Total area (square kilometres)	1,800
Interim Census Population 2005 (million persons)	2.43
Permanent Population 2008 (million persons)	2.51
Total GDP in 2008 (US\$ billion)	20.28
– GDP in primary sector (US\$ billion)	0.64
– GDP in secondary sector (US\$ billion)	12.25
– GDP in tertiary sector (US\$ billion)	7.39
Real GDP growth 2008 (percent)	10.5
Official per capita GDP in 2008 (US\$)	8,078
Gross industrial output in 2008 (US\$ billion)	54.23
Total trade in 2008 (US\$ billion)	25.91
Imports in 2008 (US\$ billion)	7.21
Exports in 2008 (US\$ billion)	18.70
Growth in exports 2008 (percent)	8.1
Utilised foreign direct investment in 2008 (US\$ billion)	0.74
Total retail sales of consumer goods in 2008 (US\$ billion)	6.87
Growth in consumer goods retail sales 2008 (percent)	20.5

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Zhongshan's leading industries by gross industrial output are electrical equipment and machinery; telecommunications equipment, computers, and other electronics; garments, footwear, and headgear; metal products; plastic products; textiles; chemicals; leather, furs, down, and related products; papermaking and paper products; and general purpose machinery. A number of Zhongshan's towns have made a name for themselves in the

manufacture of specific products. The township of Xiaolan is noted for its hardware products, such as locks, stoves, and electrical appliances. It also has a high concentration of audio equipment manufacturers. Shaxi is known for its production of garments and is home to possibly the world's largest sportswear mall, bringing together some 200 retailers under one roof. Dachong has a high concentration of rosewood furniture factories, while Dongfeng is noted for domestic appliances and Huangpu for cured food. The suburb of Guzhen claims to produce 60 percent of the lights and light fittings sold in China's domestic market.

Zhongshan – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Electrical equipment and machinery	12.11
2.	Telecommunications equipment, computers, and other electronics	5.25
3.	Garments, footwear, and headgear	3.55
4.	Metal products	3.45
5.	Plastic products	2.96
6.	Textiles	2.37
7.	Raw chemical materials and chemical products	2.27
8.	Leather, furs, down, and related products	2.00
9.	Papermaking and paper products	1.79
10.	General purpose machinery	1.77

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Zhongshan's leading service sectors are wholesale and retail trade, real estate trade, and accommodations and catering services.⁴⁰ Each year, Guzhen Town holds the China (Guzhen) International Lighting Fair, attracting hundreds of exhibitors. Medical and health-care related services,

such as medical-related logistics, events, and research, are helping drive tertiary sector development in the Zhongshan Torch High-tech Industrial Development Zone. Xiaolan Town is emphasising tertiary sector growth related to education, culture, and artistic heritage.

Zhongshan – top service sectors value added (US\$ billion) 2008*

1.	Wholesale and retail trade	1.73
2.	Real estate trade	0.74
3.	Accommodations and catering services	0.58
4.	Finance and insurance	0.57
5.	Transport, storage, and post	0.39

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

Zhongshan's 11th Five Year Programme has a strong focus on science and technology and related R&D activities. Priority sectors include electronic and telecommunications equipment, medicines and pharmaceuticals, new materials, advanced environmental-protection technology, optic electromechanical technology, fine chemicals, and packaging and printing. Zhongshan will continue to encourage foreign and domestic investment in science and technology, with special emphasis on R&D operations. Zhongshan also plans to upgrade its traditional industries including metal products, home appliances, lighting products, food products, and textiles. Priority tertiary sectors include logistics, commerce and trade, intermediary services, and financial services. Zhongshan aims to become the regional

⁴⁰ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

logistics hub for the western portion of the Pearl River Delta region and plans to construct two new logistics centres to connect it to surrounding areas.

Development zones and industrial parks

The Zhongshan 'Torch' High-tech Industrial Development Zone, established in 1990, is a state-level high-tech park backed by China's Ministry of Science and Technology. The 'Torch Zone' has set up seven national-level bases including Zhongshan (Linhai) Equipment Manufacturing Base, National Health Technology Industrial Base, China Packaging and Printing Manufacturing Base, National Hi-tech Products Export Base, China Electronic (Zhongshan) Base, China Technological Model Base (Zhongshan) of Industry, and China Green Healthy Foodstuff Industrial Base. In addition, four new emerging industrial parks have been established, being Liyu Industrial Park, Technology Industrial Strip, Yat-sen Technology Park, and South China City of Modern Traditional Chinese Medicine and Pharmaceuticals. The 'Torch Zone' has its own port and exhibition facilities, as well as banking, insurance, healthcare, education, accommodation, shopping, and recreation facilities. Zhongshan stands out for its high degree of industrial specialisation at the township-level. Many of its townships have industrial parks to facilitate the development of specific industries, such as Shaxi Town for textiles and garments, Xiaolan Town for metal products and electronic audio equipments, Guzhen Town for lamps and lighting products, Nantou Town for household appliances, and Dongyong Town for rosewood furniture.

Foreign investment

There are more than 3,800 registered foreign-funded companies in Zhongshan. Leading foreign investors include ABB Transformers, Canon, Honda, Honeywell, J.P. Morgan, Kao, Mitsubishi, Novartis, Sumitomo Electric,

ThyssenKrupp, Union Carbide, and Wistron. Products made in Zhongshan include electronics auto parts (Honda), elevators (Mitsubishi, ThyssenKrupp), and pharmaceuticals (Novartis). Guangdong Ryoden manages the installation and servicing of Mitsubishi elevators in



China from its headquarters in Zhongshan. In 2006, Kawasaki Sanko Kasei announced a new joint venture to produce resin compounds for automotive and other industrial uses. The well-known Aprica line of baby carriages is produced in Zhongshan. In services, foreign investors include AIA and Allianz (insurance), Sun Hung Kai Properties (real estate), and Wal-Mart (retail).

Transport links

Zhongshan is connected to Guangzhou and Shenzhen by highway (around one hour 45 minutes), and to Hong Kong by ferry (75-minute ride). Highways in the direction of Guangzhou-Zhuhai, Zhongshan-Kaiping, Jiangmen-Zhuhai, and Jiangmen-Panyu are under construction and will further facilitate travel to and from Zhongshan. Zhongshan is within easy access to five national and international airports in the region. Zhongshan Port provides five 3,000-5,000 tonnage berths, as well as ten 1,400 tonnage (or below) berths. The Guangzhou-Zhuhai Intercity Mass Rapid Transit railway will stop at Zhongshan. It is under construction and scheduled for completion in August 2010.



Zhaoqing is located in the mountains about 100 km west of Guangzhou. Improved highway connections have made it possible for Zhaoqing to pursue urban growth and industrialisation. In particular, Zhaoqing is integrating economically with Guangzhou and Foshan. Through the Guangzhou-Foshan-Zhaoqing Economic Circle, cooperation has been strengthened in fields such as transportation, industry, and tourism. Since 2008, when the Guangdong Government decided to relocate labour and resource-intensive industries out of the central Pearl River Delta region, Zhaoqing has attracted 230 relocated industrial projects, 70 percent of which came from Guangzhou and Foshan. In addition, the area's limestone mountains, hot springs, and golf courses provide a strong base for tourism and related services.

Zhaoqing in figures*

Total area (square kilometres)	14,856
Interim Census Population 2005 (million persons)	3.68
Permanent Population 2008 (million persons)	3.80
Total GDP in 2008 (US\$ billion)	10.31
– GDP in primary sector (US\$ billion)	2.33
– GDP in secondary sector (US\$ billion)	3.78
– GDP in tertiary sector (US\$ billion)	4.19
Real GDP growth 2008 (percent)	14.2
Official per capita GDP in 2008 (US\$)	2,729
Gross industrial output in 2008 (US\$ billion)	13.88
Total trade in 2008 (US\$ billion)	3.67
Imports in 2008 (US\$ billion)	1.26
Exports in 2008 (US\$ billion)	2.42
Growth in exports 2008 (percent)	11.2
Utilised foreign direct investment in 2008 (US\$ billion)	0.86
Total retail sales of consumer goods in 2008 (US\$ billion)	3.37
Growth in consumer goods retail sales 2008 (percent)	18.8

* Note: GDP figures for 2008 are preliminary. GIO preliminary figures are from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*.

Source: Statistics reported for the jurisdictions in the Pearl River Delta are based on official data from the jurisdictions' statistical yearbooks, statistical gazettes, or statistics bureaux.

Leading industries

Zhaoqing's leading industries by gross industrial output include smelting and pressing of non-ferrous metals; metal products; telecommunications equipment, computers, and other electronics; non-metal mineral products; chemicals; leather, furs, down, and related products; textiles; general purpose machinery; papermaking and paper products; and electrical equipment and machinery. Industrial specialities include aluminium extrusion,

automobile parts, cement, chemical fibres, and furniture. Primary agricultural output includes rice, vegetables, livestock and aquatic products, turpentine, cinnamon, bamboo, tapioca, sugar cane, and fruit. Zhaoqing also has an active gold mining industry, and holds over 80 percent of Guangdong's gold reserves, with the Zhaoqing Hetai Gold mine having one of the highest outputs in China.

Zhaoqing – top manufacturing industries by gross industrial output (US\$ billion) 2008*

1.	Smelting and pressing of non-ferrous metals	2.07
2.	Metal products	1.93
3.	Telecommunications equipment, computers, and other electronics	1.09
4.	Non-metal mineral products	1.04
5.	Raw chemical materials and chemical products	1.03
6.	Leather, furs, down, and related products	0.52
7.	Textiles	0.51
8.	General purpose machinery	0.37
9.	Papermaking and paper products	0.35
10.	Electrical equipment and machinery	0.35

*Note: GIO figures are preliminary figures from the Second Economic Census, as published in the *Guangdong Statistical Yearbook 2009*. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Wholesale and retail trade topped Zhaoqing's service sector in 2008, followed by accommodations and catering services, real estate trade, transport, storage, and post, and finance and insurance.⁴¹ The real estate sector also has provided a significant boost to the local economy. Tourism has been an emerging and dynamic industry, and has played a leading role in the development of the tertiary sector.

⁴¹ Based on service sector categories reported by the *Guangdong Statistical Yearbook 2009*.

Zhaoqing – top service sectors by value added (US\$ billion) 2008*

1.	Wholesale and retail trade	1.18
2.	Accommodations and catering services	0.41
3.	Real estate trade	0.38
4.	Transport, storage, and post	0.36
5.	Finance and insurance	0.15

* Note: The *Guangdong Statistical Yearbook 2009* reports service industry output in five major industry categories plus an 'others' category which includes all remaining service industry output. Previous years reported 14 individual service industry categories. Output figures are preliminary data. Guangdong Province will revise figures on release of the final results of the Second National Economic Census.

Source: *Guangdong Statistical Yearbook 2009*.

Economic plans

During its 11th Five Year period, Zhaoqing has focused on metal processing, renewable energy, equipment manufacturing with emphasis on auto parts, special equipment, and general machinery, electronic information technology including electronic components, special electronic equipment, and software, and biopharmaceuticals. Other priority sectors include paper production, light manufacturing industries such as textiles and garments, footwear, and food and beverages, building materials, and wood products. In services, Zhaoqing plans to expand upon its existing tourism platform in the areas of leisure, resorts, meetings, and conferences. It plans to develop the Fengkai National Geological Park, an ecological and leisure tourism area in Zhuhai National Forest Park, and tourism facilities in Huaiji, Guangning, and Sihui Cities.

Development zones and industrial parks

Zhaoqing has a provincial-level high-tech development zone, the Zhaoqing

High-Tech Industry Development Zone, established in 1998. It covers an area of 98 square kilometres and is only a 30-minute drive to the Guangzhou New Baiyun International Airport. In 2006, Zhaoqing High-Tech Industry Development Zone ranked 3rd among all development zones in Guangdong Province in terms of utilized FDI. The pillar industries of this development zone include metal processing, manufacturing of advanced equipment, automotive and motorcycle parts, and electronic information. New energy technology, bio-technology, and fine chemicals are emerging industries in this zone. Dawang Zhujiang Logistics Park is also located within the development zone.

Foreign investment

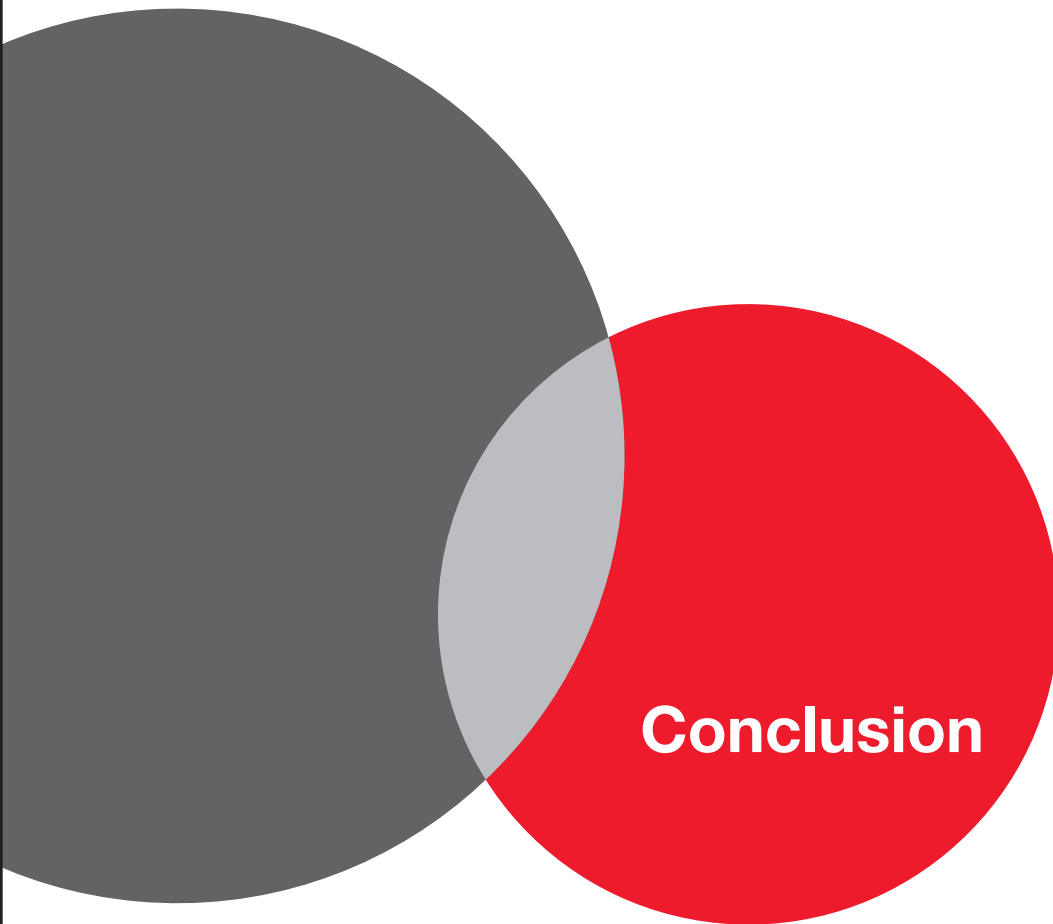
There are more than 1,300 registered foreign-funded companies in Zhaoqing. Foreign investors include Aker Quartz Crystal Technology (quartz crystal and oscillators), Honda (engine parts and aluminium light metal components), Hyundai, Korea's SK Group (advanced polymers), and Leggett & Platt (auto components). San Miguel's glass bottling operation ranks among the leading exporters of glass bottles in China. Beer under the Pabst Blue Ribbon label is produced in Zhaoqing. At the Asia Aluminium Industrial City, located in Dawang, Asia Aluminium Group is active in the extrusion, casting, die processing, and testing of aluminium and other building materials. By the middle of 2008, Asia Aluminium had become Asia's number one aluminium products manufacturer. China Resources plans to invest US\$1.4 billion in Zhaoqing, aiming to build the biggest cement manufacturing base in the world.

Transport links

Zhaoqing is connected to Guangzhou by expressway (one hour 45 minutes) and rail (two hours), as well as to all the major areas down the western side



of the Pearl River Delta. It is reachable from Hong Kong in three hours 40 minutes by either ferry or train. New highways linking Zhaoqing to the cities of Nanning and Guilin in Guangxi Province will greatly facilitate land transport between Zhaoqing and Southwest China. Construction of the Guangzhou-Foshan-Zhaoqing Intercity Mass Rapid Transit began in September 2009. Once completed, the travel time from Zhaoqing to Guangzhou urban centre will be one hour. The Guilin-Guangzhou High-speed Railway and Guiyang-Guangzhou High-speed Railway, both of which link Guangdong with the Southwest of China, are under construction and will stop at Zhaoqing.



Mainland China continues to capture the imagination, and investment capital, of the world's companies. It continues to be the world's fastest growing economy, a leading destination for foreign investment, the world's leading exporter, and the world's third leading importer. China is expected to pass Japan as the world's second largest economy in 2010, will soon be the world's second largest market for luxury goods, and is already the world's leading market for a wide range of industries, such as mobile telephones, steel, vehicles, and cement. China is also the world's leading producer in a range of industries, including cement, steel, consumer electronics, a wide range of electrical components, garments, textiles, footwear, and numerous consumer and industrial goods.

This report shows that the Greater Pearl River Delta region, consisting of Hong Kong, Macao, and the Pearl River Delta portion of Guangdong Province, is one of the most economically dynamic regions in China. With its population of more than 60 million people, the region has become an economic powerhouse of global significance, and an investment location that cannot be ignored by those serious about addressing the Chinese economy or the global economy from a Chinese base.

The Facts and Figures

The typical way of compiling statistics masks the true size and attractiveness of the Greater Pearl River Delta region. Even relatively simple statistics like population, per capita GDP, exports, imports, and international investment figures are complicated by the way some statistics are collected in the Mainland and by the multiple jurisdictions in the Greater Pearl River Delta region. While no one would ignore Shanghai in collecting statistics on the Yangtze River Delta, Hong Kong and Macao are usually ignored when statistics are gathered for the Pearl River Delta region. The facts and figures show that the Greater Pearl River Delta region, when assessed as an integrated economic region, has one of the world's most dynamic regional economies. The Greater Pearl River Delta region is, along with the Yangtze River Delta region, one of two regions that have been driving China's economic development.

When taken together, the jurisdictions of the Greater Pearl River Delta region are leaders in GDP, industrial output, service sector development, trade, transportation, and international investment within China. Guangzhou and Shenzhen, both of which have much smaller GDPs than Hong Kong, each individually have higher GDPs than Vietnam. Shenzhen also has exports greater than all of India. In Hong Kong and Shenzhen, the region is home to

two of the world's leading container ports. In Hong Kong and Guangzhou, the region is home to two of the world's leading airports. The region is also a major centre for finance and tourism. Despite the difficulties of obtaining and analysing economic data concerning the Pearl River Delta, there is no doubt about the business opportunities for international investors.

The Jurisdictions

The various jurisdictions in the region have their own roles and their own characters. Hong Kong, by far the largest economy of the jurisdictions of the region, is a leading location for finance, professional services, trading and logistics, and management. Its links to the Mainland and the rest of the world, and its distinctive administrative system allow it to be an important centre for international and global business. Recent initiatives have focused on expanding its set of key industries beyond financial services, trading and logistics, tourism, and professional services to include testing and certification services, medical services, innovation and technology, culture and creative industries, environmental industries, and education services. Hong Kong is also committed to fostering closer links with other jurisdictions in the Greater Pearl River Delta region, most notably Shenzhen.

While Macao has a small economy in absolute terms, its per capita GDP is the highest in the Greater Pearl River Delta region. In recent years, Macao's economy has been driven by new investments in the gaming sector and related investment in tourism, infrastructure, and real estate. Macao aims to become Asia's leading destination resort city and to use the income from the gaming sector to diversify the economy.

Guangzhou, the capital of Guangdong Province, is one of the Chinese Mainland's leading economic cities. Guangzhou has built up a diversified

manufacturing base that includes light industry, heavy industry, and high-technology industry. The automotive sector and related supplier industries have experienced particularly rapid growth in recent years. In addition, Guangzhou is a major commercial, logistics and distribution, and service centre for all of Southern China. Large-scale transportation infrastructure development is tying the different parts of Guangzhou closer together and is linking it much more closely to other cities in the Greater Pearl River Delta region. Guangzhou is also expanding its international links, most notably through its Baiyun Airport.

The eastern part of the Pearl River Delta region includes Shenzhen, Dongguan, and Huizhou. Shenzhen, the city immediately north of Hong Kong, had one of the first Special Economic Zones (SEZs) in China. Shenzhen has the most internationally-oriented economy among the cities in the Pearl River Delta and is particularly known for its high-technology manufacturing sector, which is dominated by foreign invested enterprises, its finance and insurance sector, and its transportation and logistics sector. Shenzhen has been exploring expanding into higher value services and forging closer links with Hong Kong. Dongguan, the home of the bulk of traditional, labour-intensive manufacturing in the Pearl River Delta region, is also broadening and deepening its economy and moving into higher and higher technology industries. Located on the eastern end of the Pearl River Delta region, Huizhou is home to industries that have space requirements too large for other parts of the eastern Delta (such as the nuclear power and petrochemical industries) as well as an increasing number of electronics and other industries that are spilling out from other cities in the region or seeking lower costs than can be found in Guangzhou, Shenzhen, or Dongguan.

The western part of the Pearl River Delta region includes Foshan, Zhongshan, Zhuhai, Zhaoqing, and Jiangmen. Foshan is known for its

home appliance, furniture, and ceramic industries, but is also expanding in electronics and in back office services. Foshan, the only city in the Pearl River Delta region where most of the manufacturing output comes from indigenous firms, is expected to integrate much more with Guangzhou to form the “Guang-Fo” metropolis, and to become a driving force for development in the region. Zhongshan is known for its electronics and lighting, garment, chemical, and hardware industries. Zhuhai has developed a diversified industrial base that includes both high technology and traditional sectors. Both Zhuhai and Zhongshan will be prime beneficiaries of the connections to the eastern part of the Greater Pearl River Delta region that will be provided by the Hong Kong-Zhuhai-Macao Bridge. Jiangmen and Zhaoqing are benefiting from their lower cost base and new highway links to Guangzhou and other parts of the region to attract heavy industry, industrial supplier industries, and industries spilling out from other cities in the Pearl River Delta region.

The variety of features, industry mixes, cost structures, and policy regimes means that foreign and domestic investors have a wide range of choice in the region and can usually find a jurisdiction in the Greater Pearl River Delta region that suits their needs.

Programmes and Policies

A number of programmes and policies instituted by the governments of China, Hong Kong, and Macao are further enhancing the Greater Pearl River Delta region's prospects. Several rounds of liberalisation under the Closer Economic Partnership Arrangements between the Chinese Mainland and Hong Kong on the one hand and between the Chinese Mainland and Macao on the other have resulted in much easier access into China for Hong Kong and Macao companies, as well as qualifying Hong Kong and Macao

subsidiaries of foreign companies. The Pan-Pearl River Delta initiative, the first multi-provincial regional development initiative in China, is linking the Greater Pearl River Delta region to the eight other provinces of Southern China through improved infrastructure, coordination of some development programmes, and investment promotion activities. These links are providing opportunities for investors in the Greater Pearl River Delta region to access roughly 30 percent of Mainland China's population.

A wide range of policies have been put in place to restructure the economies of the Pearl River Delta region. These include laws, rules, and regulations covering labour conditions, minimum wages, export processing, and environmental impacts. While investors in some labour-intensive, resource-intensive, and polluting industries will be negatively affected, investors in higher technology, higher value-added, and more advanced industries are likely to benefit.

Many of the programmes and policies that will influence the development of the Pearl River Delta region are summarised in the National Development and Reform Commission (NDRC) document ‘The Outline Plan for the Reform and Development of the Pearl River Delta (2008-2020)’. In addition to the policies just described, the NDRC Plan includes a wide range of measures to improve the region's innovative capacity, skill levels, emphasis on firm-based development, and links with the rest of the world. In the process, the NDRC Plan also calls on the Pearl River Delta region to play a leadership role in the next stage of China's economic and social development. One of the principal areas of emphasis in the NDRC Plan is greater regional integration in the Greater Pearl River Delta region. This will be achieved through investments in infrastructure (such as the Hong Kong-Zhuhai-Macao Bridge), in streamlining cross-boundary travel and trade, and in creating closer cooperation between sister cities (Guangzhou and Foshan, Hong Kong and Shenzhen, Macao and

Zhuhai). The upshot of this regional integration will be larger markets and easier access for companies investing in the region. This should make the region even more dynamic and attractive to foreign and local investors in the future.

Regional Trends

There are a number of favourable trends in the Greater Pearl River Delta region. It is clear that the region will continue to be a leader in China's development. Economic and business trends will provide a wide range of opportunities for foreign and domestic investors alike. The trends toward urbanisation, greater affluence, economic diversification, the deepening and broadening of production chains, and greater economic integration in the Greater Pearl River Delta region provide opportunities almost across the board. Policies in the Mainland will make the region particularly attractive to firms in higher value-added, technology-intensive, and clean industries, as well as in the service sector. The emphasis on better links and closer cooperation will make the Greater Pearl River Delta region even more attractive as an investment location. Across the different jurisdictions, there are opportunities in light manufacturing and traditional industries, in technology-based businesses, in heavy industry, in financial services, and in business services. The Pearl River Delta is also a uniquely advantageous production base for exports to overseas markets and for sales to the Chinese domestic market. Each of these areas represents opportunities for foreign and domestic investors.

Meanwhile, growing affluence will increase the region's already substantial consumer markets. As China's prosperity reaches new heights, the consumers of the Pearl River Delta have become avid purchasers of homes, appliances, computers, mobile phones, private cars, and a wide range of

consumer services. The factories and companies active in the region are major purchasers of raw materials, capital goods, industrial intermediates, and professional services. Urbanisation and development are creating a construction and infrastructure boom of huge proportions, again creating substantial demand in these sectors.

Hong Kong and Opportunities in the Greater Pearl River Delta

Hong Kong, the traditional access point for multinational companies into the Greater Pearl River Delta region, will continue to play a central role in the region's development. Hong Kong investors were the first to shift their manufacturing plants to the Pearl River Delta region. Hong Kong has always played a vital role in facilitating foreign direct investments into and out of the region and offers an unrivalled platform to take advantage of these opportunities. This allows investors to utilise the competitiveness of the Mainland's workforce, combined with the solid, established, and convenient business infrastructures in Hong Kong to achieve success in the Greater Pearl River Delta and beyond. Hong Kong also provides an ideal platform for accessing growing consumer markets in the region.

Hong Kong's unique position stems from its accessibility, its world-class infrastructure, its openness, its legal and regulatory systems, its workforce and management capabilities, its commitment to intellectual property protection, its low taxes and tariffs, its lack of corruption, its cosmopolitan nature, its historical and physical connections to the rest of the Greater Pearl River Delta region, the presence of high level support services, and its business-friendly environment. Hong Kong continues to rank as one of the easiest places to do business in the world, the world's freest economy, and one of the world's most competitive economies. In recent years, Hong Kong

has been the world's seventh leading recipient of foreign direct investment and second in Asia⁴², the world's second most competitive economy⁴³, the third easiest place to do business⁴⁴, the fourth best environment for business⁴⁵, and the world's freest economy⁴⁶.

Hong Kong has distinct advantages as a place for multinational firms to access the strength of the Pearl River Delta, China, and the Asia-Pacific region in general. As the leading centre for regional headquarters of multinational companies in the Asia-Pacific, Hong Kong is the location of an unrivalled concentration of key decision makers. Hong Kong's long history of interaction with the rest of the Greater Pearl River Delta region and the vast experience of Hong Kong companies and the Hong Kong subsidiaries of foreign companies is unrivalled in the region. The result is that there is a dense network of support services available to support foreign and local companies that wish to access the region. Experience in virtually any aspect of doing business in the Greater Pearl River Delta region can be found in Hong Kong. As operating in China has become more challenging for many foreign companies in recent years, and as policies continue to shift in China in general and the Pearl River Delta region in particular, Hong Kong's role as an access point to the Greater Pearl River Delta region and beyond is becoming even more important. Through the various rounds of CEPA, numerous Hong Kong subsidiaries of foreign-owned companies are obtaining easier access to the Mainland. Improvements in infrastructure, such as the Hong Kong-Zhuhai-Macao Bridge, will make the rest of the region even more accessible from Hong Kong. This will allow multinational

⁴² United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2009*, Geneva.

⁴³ International Institute for Management Development (IMD), *World Competitiveness Yearbook 2009*, Lausanne.

⁴⁴ International Finance Corporation of the World Bank (IFC), *Ease of Doing Business-rankings 2009*, Washington, D.C.

⁴⁵ EIU, *Business Environment rankings 2010-2014*, London.

⁴⁶ The Heritage Foundation, *Index of Economic Freedom 2010*, Washington, D.C. and Fraser Institute, *Economic Freedom of the World 2009*, Vancouver.

managers, Hong Kong service providers, international buyers flying into Hong Kong, and other visitors much easier access to the region than has been the case before. The result will be a new wave of development in the region. In addition, Hong Kong is increasingly becoming the launching point for the international operations of Chinese companies, emphasising its position as a place where the rest of the world meets China and China meets the rest of the world.

Numerous companies are taking advantage of Hong Kong to build business combinations in the Greater Pearl River Delta region. Wal-Mart, for example, has placed its Asia-Pacific headquarters in Hong Kong and one of its main global sourcing offices in Shenzhen. HSBC has its Asia-Pacific headquarters in Hong Kong, branches in Guangzhou, Shenzhen, and Dongguan, a sub-branch in Foshan, and back office operations in Guangzhou and Foshan. Philips has set up in Hong Kong's Science and Technology Park to take advantage of the scientific and intellectual property regimes in Hong Kong. It has its Asia-Pacific regional headquarters, as well as its global headquarters for major businesses, in Hong Kong. The company also has facilities in Shenzhen, Dongguan, Guangzhou, and Zhuhai. FedEx has placed its regional headquarters in Hong Kong while setting up its main Asian hub in Guangzhou. Mitsubishi has been using Hong Kong as a base to expand its South China business activities in chemicals, machinery, energy, food, paper, and ship sales. Luxury goods manufacturers like Louis Vuitton-Moët Hennessey and others have placed Asia-Pacific headquarters in Hong Kong to access the Hong Kong, China, and Asian markets. The Las Vegas Sands Group and Wynn Macau have listed their Macao operations on the Hong Kong Stock Exchange. These are just a handful of the companies that benefit from the interaction of Hong Kong with other jurisdictions in the Greater Pearl River Delta region.

China has captured the attention of the world's leading companies. Despite this fact, there is a great deal about China that is not well-understood. One such feature is the role that the Greater Pearl River Delta region has played, and will play, in China's development and in the strategies of firms that wish to succeed in China. Benefiting from the rise of the Greater Pearl River Delta region will represent one of the most important opportunities and challenges in China for the next decade or more. Accessing the region will prove difficult and time consuming for many if they do not choose their access point well. Hong Kong continues to be the ideal location for understanding, addressing, and succeeding in one of the world's most dynamic regions.

Invest Hong Kong: Free, customised and confidential services to help business succeed

InvestHK is the Hong Kong Special Administrative Region (HKSAR) Government Department responsible for Foreign Direct Investment, supporting overseas, Mainland and Taiwanese businesses to set up and expand in Hong Kong. Our role is to help companies access the opportunities in the Greater Pearl River Delta, by providing information, assistance and guidance on direct investment opportunities in Hong Kong. Our staff based in Hong Kong and overseas work seamlessly to support the successful set up or expansion of companies'



Hong Kong business. Our eight sector teams focus on Hong Kong's four pillar industries and six new industries where Hong Kong enjoys clear business advantages.

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- Tourism & Hospitality
- Transport & Industrial

InvestHK has strong expertise in Mainland-related investments and it maintains four dedicated teams in Mainland China to promote direct investment to Hong Kong.

InvestHK's services include:

- Supply of the latest information on Hong Kong's business environment and investment regime with special focus on the Pearl River Delta, including comprehensive economic sector profiles, business incorporation, contacts, human resources and availability and costs of real estate.

- Provision of government information on funding and other support services for business as well as on taxation, import and export regulations, government projects, employment legislation, and immigration requirements.
- Arrangement of meetings, site visits and calls on government departments as well as trade and industrial support organisations.
- Help dealing with government departments on matters such as visa applications, business licences, trademark registration, intellectual property and trade regulations and business incorporation.
- Business Concierge Service – This includes the planning, organisation and implementation of inbound visit programmes in Hong Kong and the rest of the GPRD for potential foreign investors interested in establishing themselves in Hong Kong and exploring business opportunities in the Pearl River Delta region. This service is available from pre-qualified service providers from a list maintained by InvestHK.

We partner with companies on a long-term basis and are available to help at any stage of their Hong Kong business development strategy.

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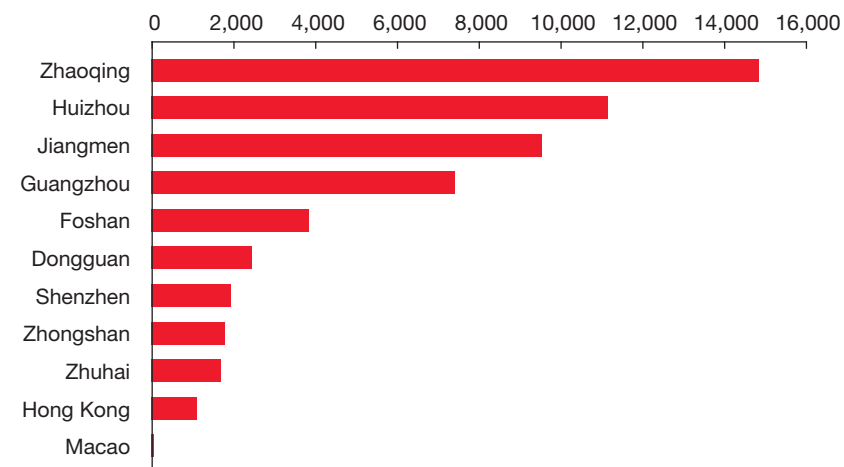
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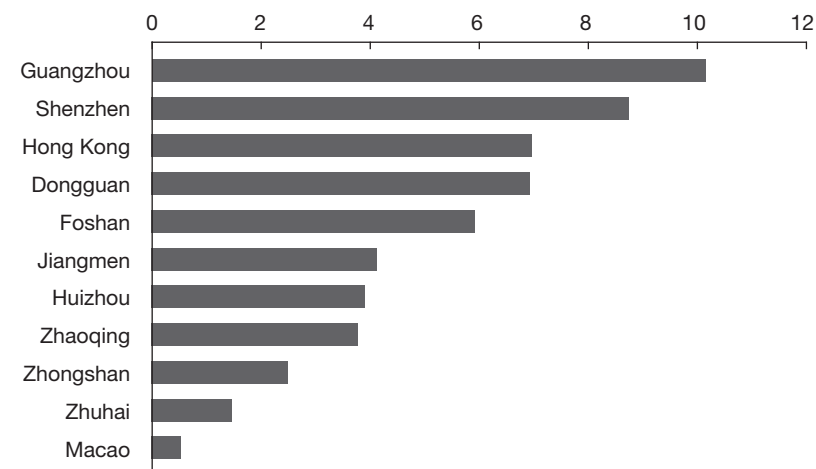
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Charts by Jurisdiction

Land Area (sq km)

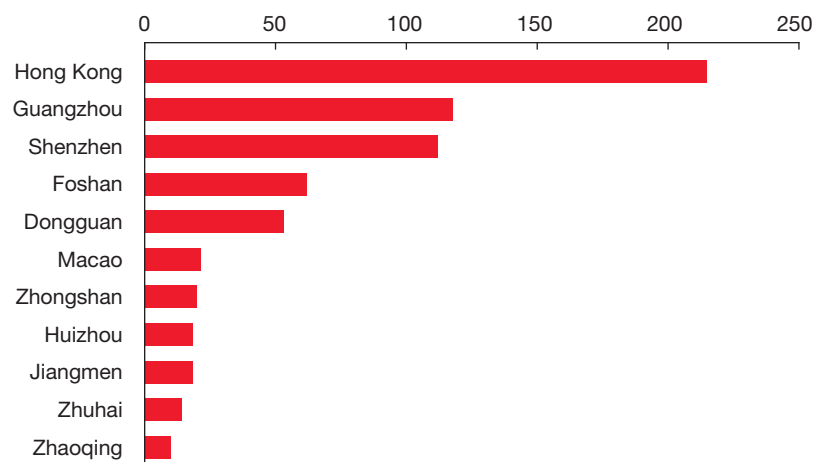


Population, 2008* (million)

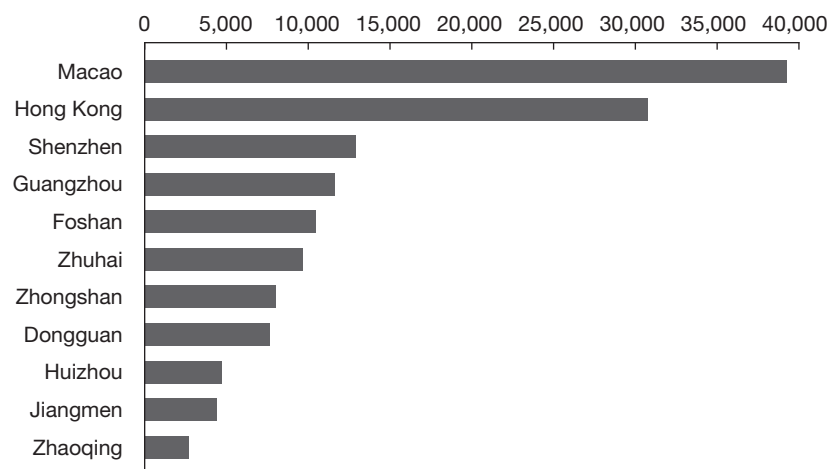


*Year-end permanent population 2008 for Pearl River Delta jurisdictions, 2008 actual population for Hong Kong and Macao

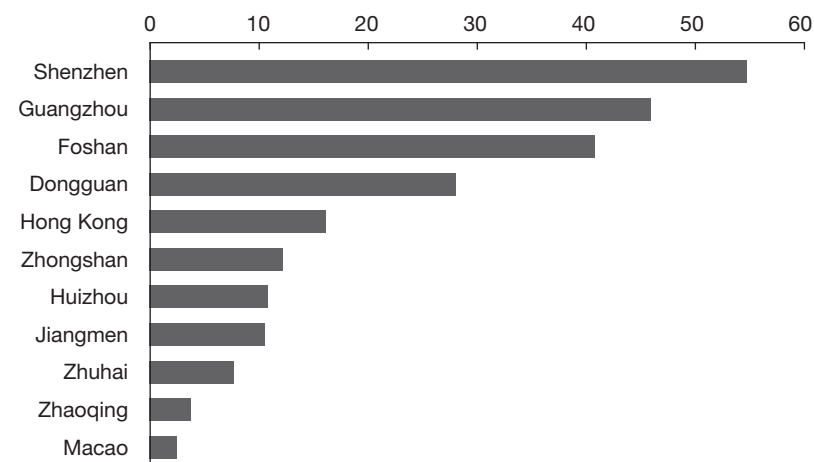
GDP, 2008 (US\$ billion)



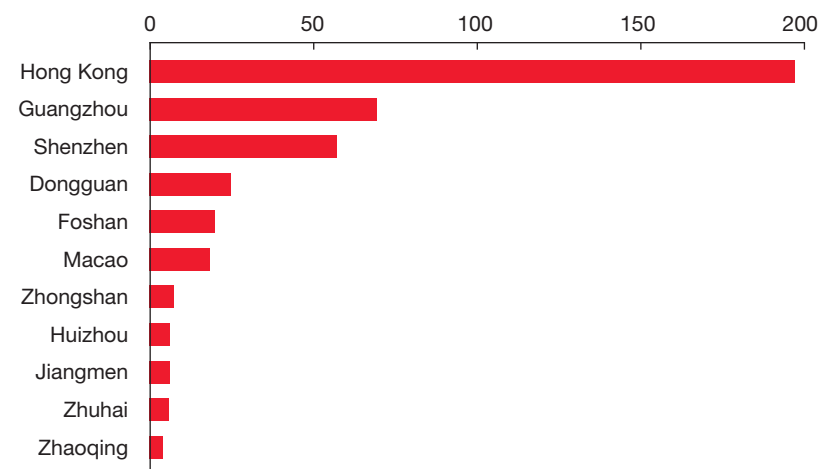
Official GDP Per Capita, 2008 (US\$)



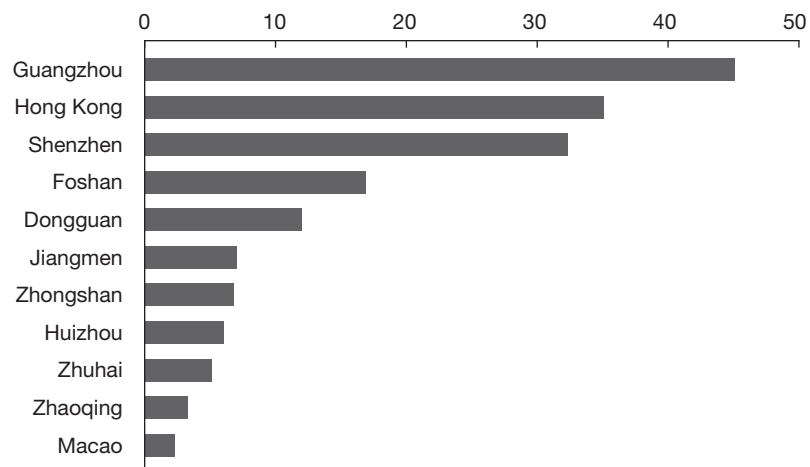
GDP in Secondary Sector, 2008 (US\$ billion)



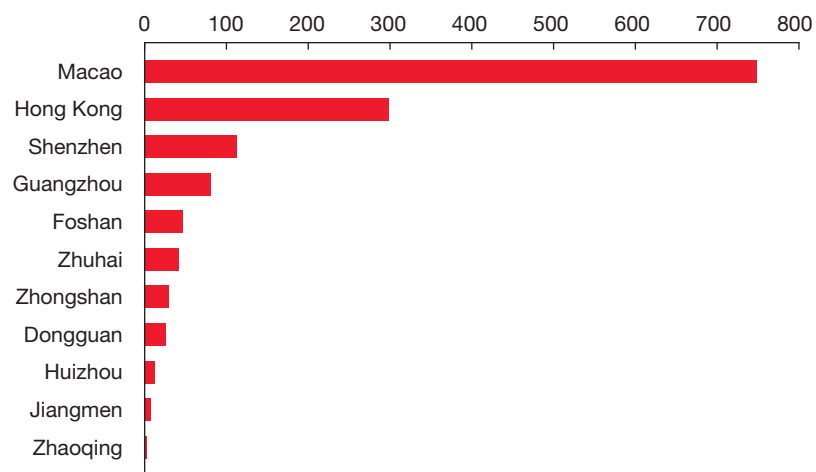
GDP in Tertiary Sector, 2008 (US\$ billion)



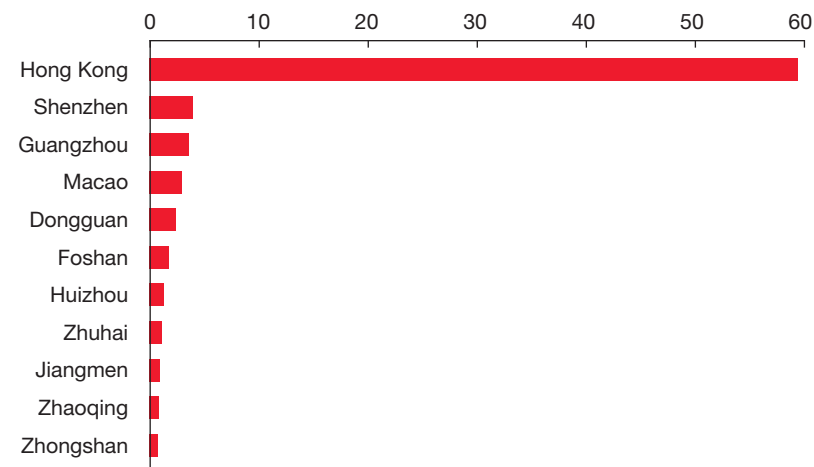
Total Retail Sales, 2008 (US\$ billion)



Total Trade (Exports + Imports), 2008 (US\$ billion)

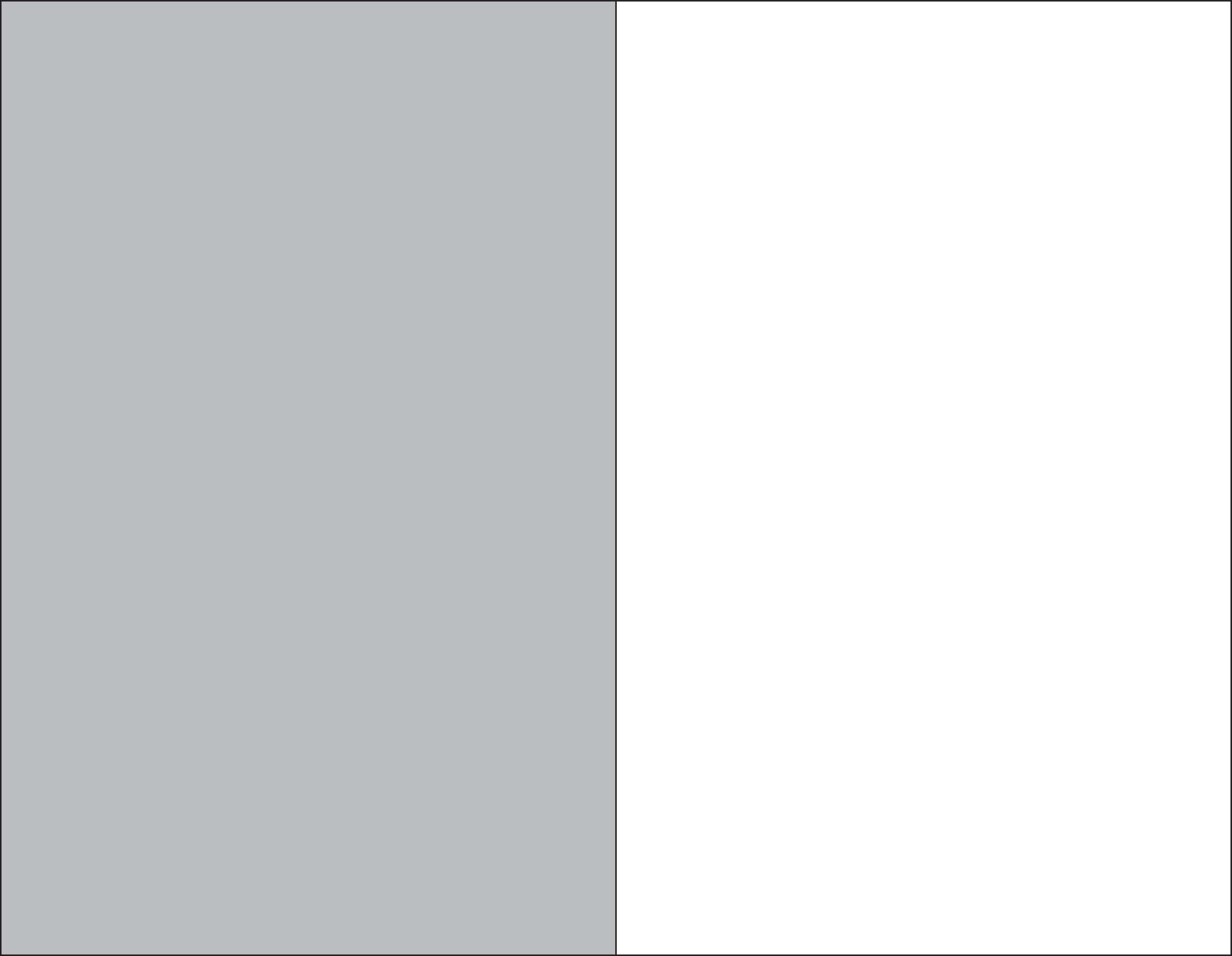


Inward Foreign Investment, 2008 (US\$ billion)



Approximate Driving Time Between Greater PRD Cities





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