



Greater Bay Area (GBA) Importance of Hong Kong and Guangzhou

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How to cite this paper: Berlie, J.A. and Benard, M. (2023) Greater Bay Area (GBA) Importance of Hong Kong and Guangzhou. *Open Access Library Journal*, 10: e9815. <https://doi.org/10.4236/oalib.1109815>

Received: January 28, 2023

Accepted: March 28, 2023

Published: March 31, 2023

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Abstract

The purpose of this research is to explain the importance of the Greater Bay Area and in particular the key role of the two most important cities Hong Kong and Guangzhou. Politically, culturally, administratively and financially they are both essential and international arbitration cannot be forgotten in particular in Hong Kong and Shenzhen. Mainland China, the Hong Kong and Macau Special Administrative Regions (SARS) of China are involved in the global project called the Belt and Road Initiative and the Greater Bay Area (GBA). Finance, economy and infrastructure are at the forefront of Hong Kong's sectors. Its financial system is well regulated in many areas. The urban population of the GBA is growing, and with the development of the Belt and Road Initiative, many cities in the Guangzhou-Hong Kong-Macau triangle will be linked. Hong Kong, for decades, has been the world's freest economy, as seen in its Index of Economic Freedom. Hong Kong has a key role—already fully implemented by President Xi Jinping and past Hong Kong Chief Executives Tung Chee Hwa between 1997 and 2005, and Carrie Lam—in the development of the Greater Bay Area which became promoted with the symbolic and quite extraordinary new mega bridge linking Hong Kong with Zhuhai and Macau. In particular, the author Jean Berlie has attended the return to the mainland of Hong Kong in 1992 and Macau in December 1999 following three years in Dili, East Timor (with Manuel Benard). In Guangzhou at the Institute of Southeast Asian Studies, Jinan University, the Center of Asian Studies (HKU), in Hong Kong, at the International Institute of Macau and the Macao Foundation, thanks to its president Wu Zhiliang, we have followed the fantastic evolution of many cities of the Pearl River Delta and the construction of one of the longest bridge of the world to understand the evolution of the GBA. The new Chief Executive John Lee Ka-chiu wants intensively to develop HKSAR and was elected on 8 May 2022. He follows the slogan “Starting a new chapter for Hong Kong together”. In the GBA, the dominant

Chinese identity of Guangdong Province, Hong Kong, and Macau is Cantonese. The results of this research show the dynamic economic development of the GBA, one of the most remarkable economic regions in China. However, to secure the full development of the GBA it is necessary to harmonize Guangdong Province with Hong Kong, Macau SAR and Guangzhou because they have three different legal systems. **Method, Findings and Innovation:** This article on the GBA tries to show that GBA aims to build a more globally integrated, innovative economy and finance.

Subject Areas

Sociology

Keywords

Arbitration, BRI, GBA, Economy, Environment, Finance, Guangzhou, HKSAR, Macau, Stagflation

1. Introduction. Greater Bay Area's Importance

This article explains the current importance of economy, finance, manufacturing and development in the GBA. This former Pearl River Delta has started to be well known in the seventeenth century but its real great development occurred in the 1980s under the impulsion of Deng Xiaoping.

The economic development in the GBA includes various points:

Availability of Better Products and Services, Improvement in Infrastructural Facilities, Balanced Economic Growth, Improvement in the Social Services, Improvement in Efficiency and Productivity, Increase in National Income, Proper Utilization of Resources and High Degree of Structural Transformation.

Mainland China, Hong Kong and Macau Special Administrative Regions of China and Guangzhou the capital of Guangdong Province are parts of the global project Greater Bay Area (GBA). The Belt and Road Initiative (BRI) is the key global system of the world formerly known in 2013 as One Belt One Road 一带一路 by President Xi Jinping who is the 7th President of the People's Republic of China since 15 November 2012. President Xi is the founder of the BRI.

In 2022, the BRI includes 147 countries namely 43 countries in Sub-Saharan Africa, 35 countries in Europe & Central Asia, 25 countries in East Asia & the Pacific, 20 countries are in Latin America & Caribbean, and 18 BRI countries in the Middle East & North Africa. And 6 countries are in Southeast Asia. In August 2022 two more countries joined.

From 2013 to 2021, the volume of trade of goods between China and the BRI countries was nearly US\$11 trillion, while two-way investment exceeded US\$230 billion.

Starting 2000 years ago during the Roman Empire's global link called the Silk Road was the embryo of present time Chinese globalization. Later Marco Polo

went on a 24-year trip to China during the Mongol Dynasty, the Greatest Empire in world history, through mountains, immense deserts across hot burning lands and very cold places. In 1275 he started to serve Kubilai Khan ruler of the Mughal Empire along the Silk Road of that time [1].

Deng Xiaoping in the 1980-1990s, is considered as the central figure behind China's economic liberalization program that produced unprecedented growth rates and development in the history of the country. At present, China's economic and financial system is well regulated in many areas and in particular in the GBA [2].

Although Hong Kong and Macau are SARs of China, their way of life and traditions are different according to Macau's Law Professor Tong Io Cheng, largely due to their historical, geographical and economic conditions. This article explains the importance of the GBA and the 55 kilometers mega bridge between Hong Kong, Zhuhai and Macau, a spectacular accomplishment that was inaugurated in October 2018 by Xi Jinping and continued to be essential in 2022 (<https://www.bayarea.gov.hk/en/home/index.html>). This structure boosts business, cuts travel time and links the BRI with one of the most populated industrial, financial and economic regions of China.

Arbitration

This article tries also to explain the essential question of international arbitration in the GBA in particular in Shenzhen and Hong Kong. More international development of international arbitration is useful for the development of the BRI which is also under the rule of China's Supreme Court. Good examples of the correct use of international arbitration are visible in Shenzhen (SCIA)—established in 1983—and Hainan.

Jorge Neto Valente, the president of the Lawyer Association of the MSAR is right when he wants to promote the question of local arbitration. For commercial arbitration and in particular the question of investor-State the confidentiality is an important advantage of arbitral process. So, Macau which relies too much on Hong Kong's arbitration has to do more in its own court. For example, on 23 January 2023, Macau Court sentenced a top gambling boss found guilty of many charges.

The Law Department of Macau University wanted to promote each year the United Nations-UMAC's UNCITRAL Conference at the end of the year (in December); which is useful for the promotion of MSAR and the question of arbitration development. At the University of Macau, UNCITRAL 2017 and UNCITRAL 2019 Conferences were important with the participation of cadres of the Vienna International Arbitral Centre coming to Macau. Understanding arbitration is essential to understand how Chinese business works.

Disputes Settlement and Population

Disputes between companies or between China and other countries could also be naturally solved by lawyer-arbitrators. Dispute resolution becomes sometimes absolutely necessary. Companies in cities, Hong Kong and Shenzhen companies are sometimes obliged to resolve their disputes by arbitration. Shenzhen is a city

of 18 million inhabitants.

Lawyer-arbitrators of Hong Kong, also travel relatively often to Guangdong Province and even further in the mainland, in particular to Shenzhen Court of International Arbitration (SCIA) Many of these arbitrators studied the British Common Law, which has the advantage of being more international. For example, the penalties for delays which occurred on the mega Hong-Kong-Zhuhai-Macau Bridge were solved in 2019. Macau Light Rapid Transit (MLRT) of Macau also used international arbitration.

According to the statistics released by the Census and Statistics Department today (August 2022), the provisional estimate of the Hong Kong population was 7,291,600 at mid-2022, representing a decrease of 121,500 or 1.6% from 7,413,100 at mid-2021 [3].

Hong Kong has a key role to play—not yet fully implemented—for the development of the Greater Bay Area used for the new giant bridge linking Hong Kong-Macau. Hong Kong will introduce a wide range of measures, including tax incentives and regulatory reforms, to lure more international insurers to set up headquarters in the city as part of an effort to compete with Singapore for the crown as the region’s risk-management hub.

Hong Kong is also important to Xiamen and Fujian Province. Traditionally, Fujianese interest groups have been active in the societies of Southeast Asia. The Fujianese have historically organized themselves as “voluntary groups” (*shetuan*) so as to articulate and protect their interests not only in the overseas Chinese societies, but also in their *qiaoxiang*, the ancestral hometowns of the Chinese diaspora. The most famous Fujianese interest group leader in Southeast Asia was Tan Kah Kee, who was born in Fujian in 1874, migrated to Singapore in 1890 and later established an anti-Japanese organization, the South Seas China Relief Fund Union (*Nanqiao Zhonghui*), in 1938. In 1939, Tan sent nine batches of 3192 overseas Chinese drivers, engineers, repair workers and technicians to China for logistic work in support of the war against Japan.

Yoshinori Nakamura, Managing Director of Tachibana Sales (Hong Kong), explained why the Japanese electronics trading company chose to base its overseas headquarters in Hong Kong. Hong Kong plays a role as a platform for business expansion in the GBA and ASEAN. Hong Kong Trade Development Council (HKTDC) has 2,000,000 Global Buyers and 50 Worldwide Offices such as in Paris [4].

China’s economic circle planning is an important starting point for the central government of China to stimulate regional economies such as the GBA.

The first cross-border high-speed freight train from Guangzhou-Hong Kong in the GBA was on 18 January 2022, when it departed from Guangzhou to Odessa in Ukraine. It was loaded with 50 containers of goods from household appliances, communication equipment, clothing, and daily necessities to toys. The train arrived in Odessa in a record 16 days. In Shenzhen, as of June 2022, 3 365 companies now use the train for transport.

On 6 October 2022 under the theme “GBA: Integration Writes a New Chapter”, China Daily expected to draw together industry heavyweights to share their insights on how Greater Bay Area marks milestone in promoting mutual access to promote the development of regional links. To develop globalization and also the GBA, Chinese President Xi Jinping met Russian leader Vladimir Putin on 15 September 2022 in Uzbekistan. But GBA, Hong Kong and Guangzhou cannot be smoothly developed without the good will of the Hongkongese.

Foreign Direct Investments (FDIs) 外国投资 are very important factors of economic development and cannot be forgotten in the GBA in a time of economic stagflation (Krugman, 1988). Economic stagnation is a prolonged period of slow economic growth which is measured in terms of GDP growth.

In June 2022, the Global Economic Prospects report offered the first systematic assessment of how current global economic conditions compare with the stagflation of the 1970s—with a particular emphasis on how stagflation could affect emerging markets and developing economies. This required steep increases in interest rates in major advanced economies—already noted in 2022—which played a prominent role in triggering a string of financial crises in emerging markets and developing economies. It is “a combination of stagnating output and high inflation” in time of war in particular at present.

The global economy is in the midst of a steep growth slowdown accompanied by multi-decade high inflation since July 2022. This is exemplified by the comments of Ayhan Kose, Director of the World Bank’s Prospects Group, “*Developing economies will have to balance the need to ensure fiscal sustainability... with the effects of today’s overlapping crises on their poorest citizens.*”

At the end of September 2022, Hong Kong had finally ended mandatory COVID policy hotel quarantine for overseas arrivals; this will help boost the SAR economy and is very positive for the GBA. However, the main improvement to travel to Hong Kong was really implemented in February 2023, the reason why so many restrictions existed before is explained below:

On behalf of the HK Hospital Authority:

On 13 January 2023, a total of 4113 patients who tested positive for COVID-19 were hospitalized for treatment. Among the hospitalized confirmed patients, 360 were new patients, 2147 required isolation, 653 required oxygen therapy and 74 required ventilator support. There were 26 newly reported critical patients and 22 newly reported serious patients. There were a total of 195 patients in critical condition and 188 serious conditions, of which 52 critical patients were receiving intensive care. Moreover, there were 410 patients who had recovered, including 352 patients who had been discharged. In addition, 54 patients who passed away in public hospitals were reported. According to preliminary analysis, the cause of death of 28 patients was related to COVID-19, while that of the remaining 26 patients was not. The occupancy of medical beds in acute hospitals is around 108 percent [5].

The BRI has never been a geopolitical strategy, but a road of development that helps deliver the 2030 Agenda for Sustainable Development and drives shared

progress and prosperity. In fact, the official name BRI ceased to exist in Xi Jinping’s speeches as in 2022, at least in the English versions published for international audiences. Wang Yi, the Minister of Foreign Affairs since 2012, is now the major promoter of the BRI. Wang made the remark as he chaired the ministerial meeting of the “Group of Friends of the GDI” in New York on the sidelines of the United Nations General Assembly meeting where the 193 nations of the United Nations Global Development Initiative (GDI) are deepening cooperation to accelerate the 2030 UN Agenda. The modern Silk Road, the BRI, has a history of 2000 years. The Belt and Road Initiative is uniting the five continents, Shanghai in blue and the Greater Bay Area in red are two central parts on the BRI map below (Figure 1).

Later, the GDI was put forward by President Xi Jinping in a speech at the UN General Assembly on 21 Sept 2022, including later a Global Development and South-South Cooperation Fund, increasing input in the China-UN Peace and Development Fund, and setting up a global development promotion center including France and Bali on the following 15 November. In the view of China other countries should work together more to ensure the BRI and GBA deliver sustained economic, social and environmental benefits.

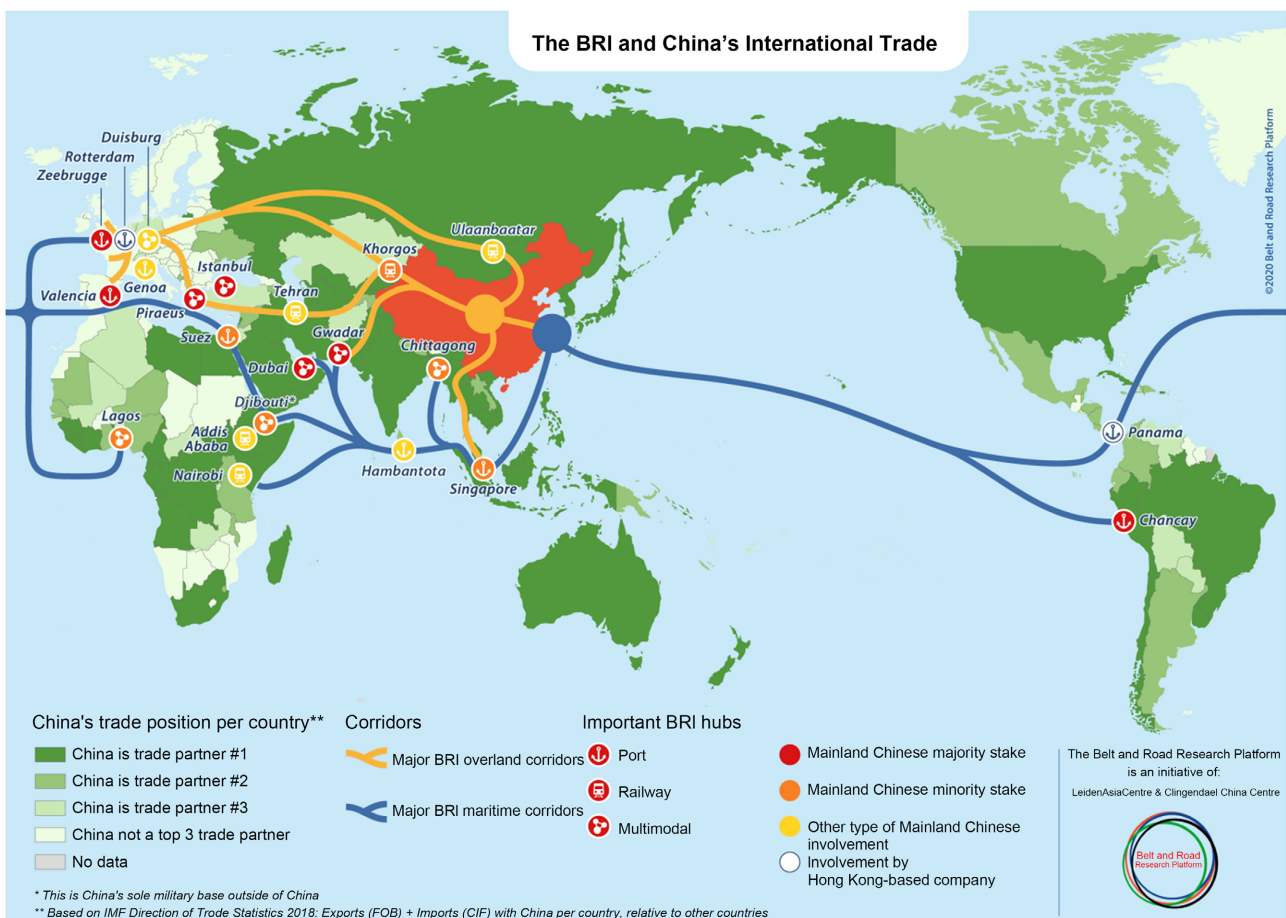


Figure 1. BRI map.

For China, the BRI and GBA are essential. GBA is one of the most important economic and industrial centers to be developed with Guangzhou and Shenzhen the third and fourth biggest cities of China and also Hong SAR evidently.

An example of China's perspective in 2021 to 2023 is the strategy to develop GBA markets for Huawei products via hardware connectivity in the BRI, while investing in technology transfer to move quickly up the value-added chain in the long run will create a global platform to facilitate trade and investment with the countries involved in the GDI, with China playing a central role. An example is given by Huawei smartphones whose sales fell substantially in 2021 and their subsequent blockage from the use of Google due to cost barriers. In 2021 counterpoint Research, an analyst firm, estimated that Huawei's smartphone *shipments fell 84% year-on-year* for the third quarter of 2021.

It is important below to concentrate this research not on the GBA itself but also on Hong Kong. It includes entrepreneurship, innovation, the new mega bridge, high-speed trains, and subsidies for space and opportunities for employment. But in fact, is it sure or not that we succeeded to be innovative and global enough? Other studies like Postiglione's own work (2021) [6] were concentrated on one point also which was an easier topic of education in this particular case. The idea here is to try to be more general and even global in this article. GBA is really trying to be global for example when the new chief executive John Lee wants to associate Hong Kong with the richest Middle East Saudi Arabia.

2. Hong Kong SAR

Concerning the economy, it is important to note the foundation of the Hong Kong General Chamber of Commerce (HKGCC) in 1861, twenty years after the British establishment. In 2022, Dr Jonathan Choi is the Permanent Honorary President of the HKGCC. It was founded by William Jardine and James Matheson and in 2022 Ben Keswick is the Executive Chairman. The *Keswick* family is a business dynasty of Scottish origin in Hong Kong. The HKGCC includes around 4,000 enterprises member and is the most dynamic and international business organization in Hong Kong. Hong Kong continues to have a pivotal role for the BRI and promotes the importance of One Country Two Systems. At present to develop the economy, there are often conferences on the GBA. For example on 6 October 2022, Organized by China Daily and Hong Kong Coalition Xianggang Zai Chufa 香港再出发 ("HK Restarts", A New Coalition) under the theme "GBA: Integration Writes a New Chapter", this event is expected to draw together industry heavyweights to share their insights and GBA which promote mutual access and show the development of all the cities of the GBA. The conference is expected to bring together C-level senior executives from Fortune Global 500 and China 500 companies, think tanks, academics, media and experts from the public and private sectors across Asia. This conference was divided in three parts 1) The Key Roles played by Innovation and Technology in Hong

Kong; 2) New Growth Drivers for Financial Market Interconnectivity in the GBA; 3) Strengthening Exchanges and Cooperation, Developing a Cultural Hub [7].

Innovation and technology in Hong Kong, development, financial market and cooperation are essential. Fortune Global 500 hit \$37.8 trillion with an incredible annual growth rate. Walmart is the No. 1 followed by Amazon. China National Petroleum and Sinopec are among the top five. A new set of crises has to be recently noticed. Many of the Top China 500 will be present at this conference. To understand the development of China in *Fortune* 500 list Sinopec was ranked 36 in 2010, and in 2017 was number 3 in this list.

2.1. Guangzhou is Essential

Guangzhou has the biggest population of the GBA and is followed by Shenzhen, a huge city of almost 18 million inhabitants. It is useful to note that the Pearl River Delta's central administrative power and industrial heart, the huge and more densely populated part of Guangdong Province is now more closely associated with Hong Kong and Macau SARS, GBA and the new mega bridge. The general integration in the GBA is difficult because the Greater Bay Area has a minimum of three main legal systems: China's legal system based in Beijing, Hong Kong and Macau SARS systems and the legal system of Guangzhou. The GBA, through Hong Kong has assimilated western know how, British modern management and the rule of law.

In a show of solidarity, President Xi Jinping and other members of the Chinese leadership attended a National Day celebration in Beijing on 30 September 2022, one of their last members of the Politburo, the Communist Party's 25-strong decision-making

In Macau, the link with the Lusophone countries always played a historical role. As before, the Pearl River Delta (PRD), and now the GBA, has to find new strategies to retain rural laborers, both within and beyond Guangdong. All this coincides with a new wave of globalization.

2.2. Macau SARS. Macau's Casino Capitalism

Macau started to be occupied by the Portuguese in 1540, and in 1568 the "Christian population" reached 6000.

Before the 20th century the *Intramuras* system insure the protection of the Portuguese city. Nearly 600 years of the European colonial era exists. The period 1937-1945 was marked by Portuguese neutrality with Japan which occupied Hong Kong; the Chinese Communist Party (CCP) was in competition with the Kuomintang before its departure to Taiwan. At present, the former Portuguese colony is the only place in China where casino-gambling is legal. The political stability of Macau is linked to the fact that the percentage of Mainlanders is much more important than in Hong Kong. Macau returned to China on 20 December 1999.

Sonny Lo's *Casino Capitalism* (2022) [8] has demonstrated how Capitalism works in Macau. His book demonstrates how the main industry, the gambling industry, is integrated in this Special Administrative Region of China and its complex present political system. Policies exist and demands to include civil society, interest groups, mass media and citizens; it is possible to say that Macau is linked to a certain degree to 41 casinos, and every single one of them need a license renewal that could change the future of Asia's Las Vegas.

Reflecting our more cautious view with respect to the near-term impact of the slowdown in China, the year 2012 in Macau saw a modest growth during that year, mainly dragged by the weak external demand amid an austere global economic environment. Macau generally resist well economic crisis, but now its future as a gambling den, hangs in the balance, as bidding to extend gaming concessions—the licenses to operate casinos—for casino operators were initially supposed to end on 14 September 2022.

Earlier, on 26 June 2022, the gaming licenses expired for Macau's six major casino operators (see below). Collectively, these six operators manage the majority of Macau's 41 casinos. They were granted a short extension until December 31 to accommodate the bidding process, according to a June 23 report from Inside Asian Gaming, or IAG. Without a gaming concession, these venues will not be allowed to operate in Macau. In July, Macau's gross gaming revenue (GGR) sank to new lows at MOP \$398 million, according to data from Macau's Gaming Inspection and Coordination Bureau. That represents 95.3% down on-one-year and down 83.9% on one month.

However for Stanley Ho's family, the monopoly was broken in 2002 when five more operators entered the gaming arena. The industry's future now hangs in the balance. At present, the world's gambling hub tumbles over China's anti-corruption campaign and zero-COVID policy. Louis Thompsett in *Gambling Insider*, on 1 July 2022 mentioned that the Casinos in Macau cut on-duty staff by 90%, this is the slowest growth since the financial crisis in 2009.

Later, Oiwan Lam, on 16 August 2022, wrote that before an outbreak of the B.A 5 Omicron sub-variant was identified in Macau, leading officials suspended quarantine-free travel between Macau and Mainland China. Officials tried to curb the outbreak by mandating rounds of PCR tests and issuing a city-wide lockdown, requiring non-essential businesses, including over 30 casinos, to shut down for a week one month earlier on July 11. The closure came at a huge price, and ultimately, officials were unable to successfully curb the outbreak.

As global investors have withdrawn from the China market in recent years due to the trade war between China and the USA, China's increasing control over the private business sector, as well as Russia's war in Ukraine, China faces a capital outflow crisis that has put unprecedented pressure on the country's currency.

Macau's new casino licenses are expected to begin in 2023 and are crucial for the six incumbents: Las Vegas Sands Macau unit Sands China (under Pansy Ho, the daughter of Stanley Ho), Wynn Macau, MGM China, Galaxy Entertainment,

Melco Resorts and SJM Holding, submitted bids ahead of a deadline together with GMM a holding company of Genting Group Chairman Sri Lim Kok Thay, which does not operate casinos in Macau is now also mentioned.

On 15 November 2022, the Chief Executive of Macau, Ho Iat Seng, delivered his 2023 policy address and acknowledged that it is impossible to know how the new concession contracts will be implemented in practice, and the wording of the Chief Executive's policy address stresses "preparation". "The real situation will not be seen until tourism has fully recovered," he said. "The current environment is so bad that it is really impossible to make an accurate judgment on the current situation [9].

These casinos have collectively invested some HK\$40 billion in Macau since casinos were liberalized more than 20 years ago. All companies submitted their bids in person via two large stacks of paper files, transported by trolleys, to the government, according to the footage public broadcaster TDM. They had to pay HK\$10 million to apply. The bidding comes as Macau casinos have been slammed by ongoing COVID curbs and travel restrictions not so advertised in Macau. The government is expected to review the proposals and negotiate with the bidders before announcing six winners by the end of November or early December 2022, analysts said.

Macau is part of the GBA and in 2022, increasing market demand and various connect programs facilitated cross-border capital flow and a financial opening-up will spur investments in the Pearl River Delta region. As casinos in Macau begin new licenses to operate in one of the world's biggest gambling hub, the stakes are high on whether they will be able to successfully deliver on a government mandate to diversify away from gambling [10].

3. GBA and Development

In the GBA, the dominant Chinese identity of Guangdong Province, Hong Kong and Macau is Cantonese. However to have the full development of the GBA it is necessary to harmonize Guangdong Province with Hong Kong and Macau SARS. Sociologically it will not be easy because of the legal importance of the Basic Laws of Hong Kong and Macau.

Internationally, the GBA is progressing and more countries are interested investing in the region. Eden Wong, the President of the Australia Greater Council and Chair of the Financial Committee, reported that on 22 September 2022. Australian Certified Practicing Accountants surveyed finance and businesses across the GBA cities. This report on the investments over the next five years in the GBA mentioned growth investment, active green finance, capital flow openness, digital payment technology, talent availability and closer collaboration among authorities. "Assets of wealthy families in Guangdong, Hong Kong and Macau grew from an estimated US\$365 billion in 2017 to US\$415 billion in 2021" [11].

GBA Food and Agriculture Products. Guangdong-Hong Kong-Macau Greater

Bay Area (GBA) Food and Quality Agricultural Products Exhibition are important. Guangdong-Hong Kong-Macau Greater Bay Area (GBA) Food and Quality Agricultural Products Exhibition held in the Guangdong-Hong-Kong-Macau bay area—a rapidly growing region, which by 2017, had reached a population of 70 million and a total economic output of 10 trillion, with even higher prognosis for the future. The GBA comprises the two Special Administrative Regions of Hong Kong and Macau, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. Recently, residents in these nine cities part of the GBA can apply for a new long permit to Hong Kong and Macau special administrative regions starting on 20 February 2023. This total GBA area is around 56,000 km². Based on the latest figures provided by China's statistics total population in the Greater Bay Area was over 86 million (88 million in 2022) and the GDP is USD 1668.8 billion in 2020.

It has successfully stepped up to the level of developed countries in its standard of living, a strong economy, and strategic importance to China. High-quality specialty foods and agricultural products, which are going to be presented at the following trade show. Guangzhou, a “City of Gastronomy” is the largest distribution center and an excellent import and export setting for quality food and agricultural products of China. The following exhibition, between 12 and 14 December 2019, brought together specialty foods and quality agricultural products from more than 60 countries and 30 provinces and cities of China.

The 132nd China Import and Export Fair (Canton Fair): 15th-19th October 2022, 23rd-27th October 2022 and 31st October-4th November 2022. It is the largest trade fair in China, held every spring and autumn in Guangzhou, China. It is the ultimate gathering of industries that have made China what it is today, the world's first choice for outsourcing products and components. Agricultural Products Exhibition had 160,000 visitors, 700 exhibitors, and 30,000 square meters of expo space [12].

GBA is set to become a global innovation and technology hub. Guangdong must demonstrate Chinese-style modernization in the Greater Bay Area, and move from the world's manufacturing base to an “innovation heartland” said Guangdong Communist Party chief Huang Kunming [13].

As a vision for the Chinese government, the Greater Bay Area should be developed with the financial powerhouse of Hong Kong to integrate another Wall Street within the same region.

In May 2020, the People's Bank of China and financial regulators have unveiled a plan of 26 measures to accelerate the development of the Greater Bay Area which will compete with other major global economic regions. 5 major categories are:

- 1) Promote the facilitation of cross-border trade, investment and financing in the GBA, and increase the convenience of local currency and foreign currency exchange.
- 2) Expand the opening up of the financial industry (banking, securities, fund

management, insurance, etc.) to the outside world and deepen the financial co-operation between the Mainland, Hong Kong and Macau.

3) Promote the diversification of financial channels in the GBA, and promote the inter-connectivity of financial markets and financial infrastructure.

4) Further enhance the innovation level of financial services in the GBA.

5) Effectively manage and mitigate cross-border financial risks.

In terms of scope, the Bay Area, consisting of more than ten cities and regions with a combined population of 88 million, generated GDP of over \$1.5 trillion last year, is surpassing that of the San Francisco Bay Area and overtakes that of Russia. It represents 12% of China's national economy (equivalent to US\$1.4 trillion), generated by only 5% of the country's population.

According to Colliers' research, the GBA economy is expected to reach US\$3.6 trillion by 2030. Among others, trade and logistics, financial services and R&D in innovative technologies will most likely benefit from the GBA ecosystem.

The transformation of Shenzhen and other cities in the GBA came after Mainland Chinese announced its reform and opening-up policies in 1978 and designated Shenzhen as the first of its Special Economic Zones, with more market-oriented and flexible economic policies to attract foreign investment.

After an economic growth rate of nearly 40 percent per year in the 80s, the city in the 90s turned its focus to developing high value added industries such as information technology, biotechnology and sophisticated equipment manufacturing. Now it hosts the headquarters of technology companies such as Huawei Technologies Co Ltd and Tencent Holdings Ltd.

By strong links between SOEs, financial institutions and local governments, Shenzhen aims to be developed into a global technology innovation hub by 2035, driving development of the Guangdong-Hong Kong-Macau Greater Bay Area.

Shenzhen vowed this year to build 10 labs led by Nobel Prize-winning scientists to make breakthroughs in industries such as chemistry, medicine, photo-electricity, graphene, micro-nano, robotics and 5G Telecommunication. The city is already home to Nobel laureates, including Robert H. Grubbs, Shuji Nakamura and Barry Marshall. Financial support, as demonstrated by 50,000 venture capital and private equity companies and institutes here are essential to leverage innovation in high-tech companies. Additionally, the city government established a 5 billion yuan portfolio of investment funds to spur investment angels.

Most technology hubs have grown and developed around top research universities. For San Francisco, there is Stanford and the University of California, Berkeley. Tokyo has the University of Tokyo. Within the GBA, Hong Kong has 5 universities among the world's top 100, 2 of the world's top 10 universities for AI research, and one of the world's highest concentrations of top-quality research universities for computing. The Greater Bay Area is considered to be a high-tech producing region of chemicals, drugs, medical equipment, and aviation and aerospace equipment. Within Guangdong, other manufacturing activities take place

including general equipment manufacturing, automobiles, oil processing as well as a diversity of consumer products and daily necessities. Guangdong's province exports in 2018 reached US\$647 billion, or 26% of China's total exports. The share of new and high-tech products in Guangdong's exports rose to 36% in 2018. Exports from Hong Kong slumped by 24.1% to \$360 billion in November 2022, the sharpest fall in shipments since 1954, amid weak global demand and disruptions in cross-border land transport [14].

The HKSAR government has said a daily quota of 60,000 Hong Kong residents are allowed to enter the mainland, in which 50,000 of them are allocated at the three land control points—Shenzhen Bay, Man Kam To and Lok Ma Chau Spur Line. The remaining 10,000 quota is available through ferry terminals, the Hong Kong International Airport and the Hong Kong-Zhuhai-Macau Bridge. In fact, to develop tourism, Hong Kong boost daily cross-border quota of 65,000 to Shenzhen, Zhuhai and Macau [15].

4. Manufacturing Upgrade and Disruptions

China's economy has been already damaged by the global pandemic, and its international isolation in 2020-2022. In recent years, many overseas markets have erected trade barriers with China. Predominantly, US and EU fear that their local manufacturing capacity would disappear with increasing dependence on China's production. The trade measures these countries have introduced against Chinese goods have weakened the ability of Chinese companies to be developed globally. By 2019, the US and the EU have implemented anti-dumping measures on respectively 140 and 58 products from China. In some cases, the additional duties imposed even exceeded 100%.

The COVID-19 pandemic has created an important disruption to economic growth in the last three years, including China and the Greater Bay Area. Even though economic activity has rebounded in June after pandemic restrictions in Shanghai and Beijing were eased, new COVID-19 cases have been reported in early July 2022 in some cities.

However, despite the lack of visibility caused by the pandemic, over the long-term, the Greater Bay Area will continue to be a key driver of China's economic growth. It will retain its role as a leading region for manufacturing production, financial services as well as for shipping and logistics. The GDP of the Greater Bay Area is estimated to reach USD 5.8 trillion by 2040, or 2.3% of world GDP. The GBA is trying to keep its success. There are various development models which can reduce its role in a time of world stagflation.

As one of the most benefactor of global demand and main supplier of manufacturing goods, China stands to benefit significantly by transforming its pattern of economic development towards low carbon growth pathways.

5. Climate Change in Hong Kong

For the United Nations, Climate Change is the defining issue of our time [16].

The rapid growing industrialization and urbanization in the last years together with China's coal-based energy structure put pressure on its resources and environment. Under the Climate Action Plan, Hong Kong is committed to carbon neutrality by 2050. Corporates are looking for ways to reduce carbon emissions. In addition, the global climate change impacts could hamper China's long-term development.

China is prone by natural disasters impacting economic progress and social stability. The transition to a lower carbon economy is therefore not an option but a necessity. The cost of inaction has been laid chillingly bare. The United Nations estimates that extreme weather events alone could cost a trillion US dollars per year by 2040—amounting to 3% of current global GDP. A low carbon development pathway is the best way for China to create employment while achieving a resilient and prosperous society [17]. Efforts to maintain a safe climate are in line with the priority of developing a harmonious society and a circular economy. They are also fully consistent with existing Chinese efforts on energy saving and environmental protection. As part of the Eleventh Five-year Plan, Beijing has already set ambitious targets for cutting energy consumption per unit GDP (by 20%), for reducing industrial water use, improving the efficiency of agriculture irrigation, and increasing the reuse of industrial waste.

In August and September 2022 at the 7th Belt and Road Summit in Hong Kong, institutions and government exchanged on the instruments and assets needed to leverage the BRI, through the Guangdong-Hong Kong-Macau GBA and the ASEAN Regional Comprehensive Economic Partnership (RCEP), to generate development and commercial opportunities [18].

6. Changes in Hong Kong and Reasons for Development

On 4 November 2022, Hong Kong Chief Executive John Lee Ka-chiu hosted the opening session, at which a keynote speech was delivered online by Zhang Xiangchen, deputy director-general of the World Trade Organization.

The BRI promotes along the GBA economic co-operation, the mega bridge, high-speed trains, the Silk Road Economic Belt and 21st-century Maritime Silk Road.

The RCEP treaty was formally signed on 15 November 2020 at the ASEAN Summit hosted in Hanoi. This large free trade pact took effect on 1 January 2022. The trade pact includes among other countries China, Australia, Indonesia, Japan, and South Korea and combines 15 Asia-Pacific economies (East Timor is an additional candidate). It means 2.2 billion people and thirty percent of the global GDP (\$29.7 trillion), making it the largest trade bloc in history [19].

In his address, Mr. Lee emphasized the potential of the BRI to promote economic co-operation and fuse the BRI and 21st-century Maritime Silk Road. As part of this, the RCEP entered into force on 1 January 2022, combining 15 Asia-Pacific economies. For the first time, the event hosted the global business connectivity forum to highlight how the summit can contribute to multilateral

collaboration, and leverage private investment in targeted sectors. It is sure that the BRI, GBA, Hong Kong SAR and Guangzhou are also essential part of the international RCEP generated by the key role of China in this trade pact.

Previously, in 2021, over 260 investment projects in 42 countries and regions were discussed demonstrating that Hong Kong and Guangzhou are key cities, but Shenzhen plays a pivotal role as well. This is shown by the proliferation of Hong Kong conferences such as the HKSAR-ASEAN, and the Global Financial Leaders' Investment Summits on 3 November 2022.

Tourism in the Greater Bay Area makes a steady recovery over the New Year holidays, with more people willing to travel since the lifting of most of the COVID-19 curbs on the Chinese mainland last month. Nearly a million mainland Chinese have applied for permission to travel to Hong Kong and Macau after restrictions on crossing the border were dropped this week. Lau Siu-kai of the Chinese Association said that "Hong Kong should not expect to return to its pre-pandemic prosperity as the city will have to reinvent its approach to development to cope with a new global order" [20].

The idea that the GBA inhabitants can now apply for a new long permit to Hong Kong and Macau special administrative regions starting on 20 February 2023 is incentive and innovative and will push the talents of Guangzhou and Shenzhen to develop Hong Kong. This is a good idea of development.

In 2023 China will probably be penalized by the USA in particular for China recently cuts banks' reserve requirement ratio to boost economy, releasing US\$70 billion and this will help HKSAR to keep its importance in the GBA. Exports from Hong Kong slumped by 24.1% to \$360 billion in November 2022. China's economy ended the year in a major slump as business and consumer spending plunged in December [21]. Hong Kong remains essential for the BRI and its control of the Covid-19 is a world model. However, on 7 January 2023, in Hong Kong, the Covid XBB.1.5 Variant was first detected in a 24-year-old woman from the UK who received two doses of vaccine. She was a confirmed case [22].

Britain's handover of Hong Kong to Beijing in 1997 was intended to keep US trade and other privileges the city enjoyed in place following the new sovereignty of China on HKSAR. However, on 16 February 2023, a US bill was prepared that could shutter Hong Kong's representative offices in America if the White House determines that Beijing has undermined the city's autonomy. Up to this last date the Hong Kong Economic and Trade Offices (HKETOs) in the USA was never ready to lose its diplomatic privileges since 1997 [23].

China and the USA military lines aren't connected says National Security Council spokesman John Kirby, so Washington had not yet formally asked Beijing to schedule a call between US President Joe Biden and Chinese President Xi Jinping. This means that the two countries cannot normally communicate [24].

For the economy the world must work for peace, we have to conclude and this is valid for China and the GBA.

7. Epilogue

President Xi Jinping is firmly in control of China's twice-a-decade leadership reshuffle, which could see bigger-than-expected changes. He is ready for his unprecedented third term.

At the end of 2022, with the continuation of the war in Ukraine, peace continues to be useful for the world and in particular, as stated by Nester in the Twenty-First Century, "sooner or later...the USA and China will have to cooperate with one another" [25].

Conflicts of Interest

The authors declare no conflicts of interest.

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List of Abbreviations

- BRI: Belt and Road Initiative
CIETAC: China International and Economic Trade Arbitration Commission
CCP: Chinese Communist Party
EU: European Union
GBA: Greater Bay Area
GDI: Global Development Initiative
GGR: Gross Gaming Revenue
GDP: Gross Domestic Product
HKGCC: Hong Kong General Chamber of Commerce
HKIAC: Hong Kong International Arbitration Centre
HKTDC: Hong Kong Trade Development Council
IAG: Inside Asian Gaming
KMT: Kuomintang
MSAR: Macau Special Administrative Region
PRC: People's Republic of China
PRD: Pearl River Delta
RCEP: Regional Comprehensive Economic Partnership
SCIA: Shenzhen Court of International Arbitration
SCMP: South China Morning Post
SOE: State Owned Enterprise
UNCITRAL: United Nations Commission on International Trade Law
(in Vienna)
USA: United States of America