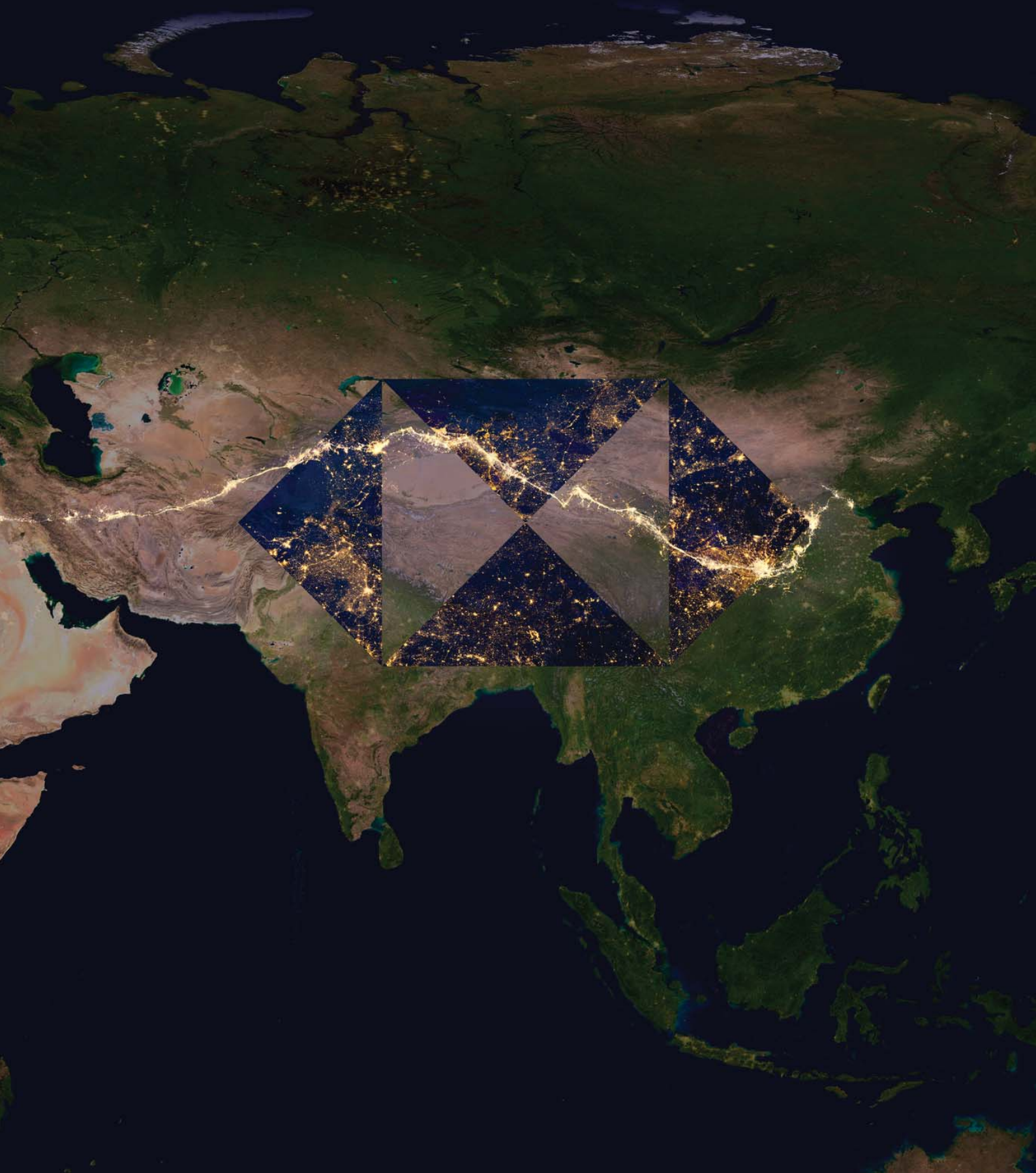

GBA harnesses China's industrial strength



Together we thrive

GBA harnesses China's industrial strength

A new powerhouse is rising in Asia. Only this time it is a region within China that is already a beehive of commerce, technology and trade.

The cluster of nine cities across the Pearl River Delta in the province of Guangzhou, and the special administrative regions of Hong Kong and Macau, also known as the Greater Bay Area (GBA), are being integrated into a seamless, powerful commercial and knowledge hub by the Chinese government.

The region already generates 37% of China's exports and 12% of its GDP ^[1], and new plans by the authorities, unveiled in February, are set to accelerate the region's economic progress.

The Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area, leverages the advantages of Guangdong, Hong Kong and Macau. It deepens co-operation among the Mainland, Hong Kong and Macau to "further enhance the Greater Bay Area's supporting and leading role in the country's economic development and opening up."

The region, spanning an area of 56,000 square kilometres and a population of around 70 million people, ^[2] presents massive opportunities in a range of industries, given its strong infrastructure and critical mass.

Countries across the Middle East, North Africa and Turkey (MENAT) are especially well-placed to take advantage of the new slew of opportunities in GBA because of their proximity to China. Sovereign wealth funds, state-owned enterprises and key semi-government enterprises, apart from large publicly-listed companies, which have identified China as a key growth market, are poised to also benefit from this emerging hub.

"As the MENAT diversifies, it has tremendous opportunity to drive trade and investments with GBA as it grows as a global manufacturing, logistics and services hub. If you look at the breadth of sectors GBA has to offer - healthcare, advanced manufacturing and green energy to name a few - there are a lot of synergies with the services needed to deliver MENAT's transformation plans," says Dan Howlett, Regional Head of Commercial Banking, MENAT at HSBC.

The low-hanging fruit is in the area of energy

development and supply. A number of MENAT countries are already major crude oil and/or natural gas exporters to China.

The new plan envisions expedited use of natural gas, expansion of oil and gas pipelines, and construction of large petroleum reserve bases in the region. Other energy-related goals include the construction of new liquefied natural gas (LNG) terminals and the upgrading of the storage and regasification capacities of existing LNG terminals.

These areas are where most MENAT countries, including Egypt, which has emerged as a burgeoning natural gas exporter, can take advantage of.

GBA is part of China's Belt and Road initiative, which has already piqued the interest of many MENAT states including Turkey, Egypt, Saudi Arabia, Oman and the UAE.

GBA is arguably the world's factory for computers, communications and other electronic equipment, electrical machinery and equipment, automobile and metalware. It also offers opportunities in large-scale infrastructure, renewables, real estate and logistics and smart projects. ^[3]

According to a Pricewaterhouse Coopers (PwC) report, ^[4] among the nine cities in the Pearl River Delta, Shenzhen has the largest manufacturing sector with the industrial added value of RMB 719.9 billion, followed by Guangzhou and Foshan with RMB 487.8 billion and RMB 471.9 billion, respectively.

"More than 80% of the manufacturing industry in Guangdong Province is concentrated in the nine cities of the Pearl River Delta. Although this is unfavourable to the overall balance of Guangdong's regional economy, the cities are endowed with unique advantages of complete infrastructure including airports and large ports," PwC said.

MENAT countries such as Saudi Arabia, UAE, Qatar and Oman that have large petrochemical complexes, can add to the GBA's chemicals, materials and products portfolio worth RMB 14.12 billion, and rubbers and plastics industry, which is valued at RMB 12.39 billion.^[5]

Tourism is another area where the two regions can enjoy synergies. Many UAE companies, are now

regional and international leisure and hospitality champions, and they can extend their expertise to GBA, which is also seeking to raise its tourism numbers.

The GBA region generated RMB 1.06 trillion in receipts from more than 400 million tourists in 2016, and that number will accelerate as the government improves transportation infrastructure including, rail, road, sea and air routes.

Chinese visitors in the two main UAE markets of Abu Dhabi and Dubai have doubled to 1.26 million tourists last year, compared to 588,000 four years ago, according to official data. ^[6]

Visitor numbers could likely rise as Dubai Expo 2020 presents fresh opportunities for companies located in GBA to showcase their offerings and grow the trade corridor. ^[7]

A number of MENA sovereign wealth funds, including UAE's Mubadala and Saudi Arabia's Public Investment Fund have been keen investors in fintech, robotics and new technologies, primarily through the US\$ 100 billion Softbank Vision Fund. ^[8]

The Guangdong-Hong Kong-Macau Greater Bay Area cluster offers a number of MENAT countries the

opportunity to invest early and get a ringside seat in the next phase of China's technological development.

The government's grand plan is to pursue smart development of the manufacturing industry, focus on robotics and related key components, high-speed and high-precision processing equipment as well as intelligent equipment sets in the region.

To realise this vision, the government is pooling the talent and know-how of Guangdong, Hong Kong and Macau to transform Nansha into a focused area for the commercial application of achievements in innovation and technology in southern China, and "carry out proactive planning for frontier technological areas such as next generation information technology, artificial intelligence, healthcare, marine technology and new materials, and nurture and develop new operational models such as platform economy, sharing economy and experience economy." ^[9]

It is estimated that the cluster – already considered to be the 15th largest economy in the world on its own – will triple its GDP by 2030. ^[10] It is hard to find a more compelling business and investment opportunity anywhere in the world.

FOOTNOTES:

[1], [10] <https://www.business.hsbc.com.hk/-/media/library/business-hk/pdfs/en/gba-booklet-english-version.pdf>

[2], [9] https://www.bayarea.gov.hk/filemanager/en/share/pdf/Outline_Development_Plan.pdf

[3], [4], [5]

<https://www.pwccn.com/en/research-and-insights/editors-pick/new-opportunities-for-the-guangdong-hong-kong-mac-au-greater-bay-area.pdf>

[6] <https://tcaabudhabi.ae/en/who.we.are/reports.statistics.aspx>

[7] <https://www.visitdubai.com/en/tourism-performance-report>

[8] <https://www.pif.gov.sa/en/Pages/News16.aspx>

[10] <https://bit.ly/2HYETfb>

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