

Chapter 12

How Can the Guangdong-Hong Kong-Macao Greater Bay Area Expedite a New System of Opening-Up?



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Abstract The opening and rise of the Guangdong-Hong Kong-Macao Greater Bay Area has become strategically important due to the changes in the global economic landscape. The emerging free economic zones are growing to be the primary driving force for globalization. The Greater Bay Area can learn from the international experience and provide a reference for a wider opening-up of China. The free ports of Hong Kong and Macao, the China (Guangdong) Pilot Free Trade Zone, the integrated bonded area, the Zhuhai-Macao Cross-Border Industrial Zone, supervised export warehouses and bonded warehouses make up the infrastructure for free trade in the Greater Bay Area, which requires further institutional innovation. Innovation to the immigration policy driving the free movement of people is an important content for the further opening-up of the Greater Bay Area. The core of financial opening-up lies in the creation of high-quality investment-grade assets and reduction of barriers to transactions. The core partnership with ASEAN is favorable to broadening the scope of influence of the free economic zone. The mainland cities represented by Guangzhou and Shenzhen must compete with strengths, drive Hong Kong and Macao to be more open, and jointly build a competitive platform for the international market.

Keywords Guangdong-Hong Kong-Macao greater bay area · Immigration · Finance · Free economic zone

1 Introduction

In the new era, the Guangdong-Hong Kong-Macao Greater Bay Area (“Greater Bay Area”) rises to the heights of a national strategy. Cities in the Greater Bay Area should not only implement the strategic deployment of the central government, but also think about how to take this opportunity to increase its regional value and bring

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real benefits to enterprises and to the people. This paper aims at exploring the path for further raising the regional value of the Greater Bay Area from the perspective of free economic zones.

The opening-up of and the rise of the Greater Bay Area have become strategically important as a result of the changes in the global economic landscape. The purpose of the establishment of international trade rules is to reduce institutional factors that hinder the free flow of trade by coordinating the tariff policies of different countries. The existing international trade rules of the WTO are based on traditional trading patterns. The rules are set to promote the free flow of goods across countries. The Doha Round of negotiations only focused on issues regarding traditional trading, such as tariff reductions and agricultural subsidies. The traditional model of trading is that the commodities are exchanged among countries as consumer goods, while the new model of trading is embodied in the internationalization of the production process, with the cross-border flows of goods, investments, services, knowledge and personnel in the global production network. Changes in the global value chain require the consistency of market rules and the integration of standards across countries.

The 2008 international financial crisis and the subsequent European debt crisis triggered the adjustment of the global economic landscape, and the rise of emerging economies strengthened their position in global economic governance. The economic downturn in the United States and Europe led to a decline in external demand, while the strong market demand of emerging economies, represented by China, was sustaining the global economic recovery and South-South trade was also rapidly increasing. In 2016, emerging markets and developing countries contributed 80% of the world's economic growth and accounted for 38.8% of the world economy, which increased by 10.5% in comparison with 2007. The United States, the European Union and China are currently the three core parts of global trading, but the existing rule-making power is still dominated by the United States and the European Union. Meanwhile, although emerging economies can be comparable with developed countries regarding scale of trade, they still lag behind on the market economy and regarding the legal system. Due to such a contrast, developed countries hope to instill their values to developing countries by means of international trade rules. New challenges are being posed to the existing structure of global trade governance because of the changes in the dominant forces of global trade triggered by the rise of emerging economies, the adjustment of the structure of governance in the WTO, and the differences and conflicts of values between emerging economies and developed countries in economic operations. Various types of free economic zones with higher levels of opening-up and greater flexibility are emerging rapidly and have become new engines that drive economic globalization forward.

After Shenzhen, the container throughput of Guangzhou Port is expected to soon surpass that of Hong Kong, and Hong Kong's offshore trading accounted for 55% of its annual trade volume in 2015. This indicates that the structure of the internal cargo trading of the Greater Bay Area is also undergoing profound changes. The stimulation of the free trade policy must not only aim at trade in goods, but also integrate the trade and investment rules to facilitate the cross-border flows of goods, investments, services, knowledge and personnel. As a free port, Hong Kong has

signed a series of free trade agreements and related investment agreements with ASEAN to allow other cities within the Greater Bay Area to share the preferential trade policies such as trade in goods, trade in services, investment, economic and technological cooperation and mechanisms for the settlement of disputes, thus greatly enhancing the level of opening-up and the competitiveness of the region and further laying a good foundation for the increase in regional value.

2 International Experience of Free Economic Zones

In Chap. 2 “Free Zones” of the *International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention)*, the Customs Cooperation Council defines the free economic zone as follows: “It refers to a part of the territory of a contracting party, and any goods entering this part are generally considered to be outside the customs territory in terms of import duties and fees”. In short, a free economic zone refers to an area that is outside the customs territory and allows foreign goods to be exempted from customs duties. The world’s first officially named free economic zone was the free port of Leghohy built in Genoa in 1547. After the seventeenth century, with the expansion of foreign trade, free ports began to flourish in Western Europe. After the 1960s, there was a boom in free economic zones around the world. By the early 1990s, more than 900 free economic zones had been established throughout the world, and two-thirds of them were distributed in developed countries, especially North America and Western Europe. The free economic zones greatly promoted foreign trade and the economic development of the host country.

(I) Benchmark comparison

1. Dubai

After more than 30 years of construction and development, Dubai has become the largest free trade port in the Middle East. In 1979, PORT JEBEL ALI, the world’s largest man-made harbor was put into use. In May 1991, Dubai established the Dubai Ports Authority (DPA) for the unified management of the Port of Rashid and the Port of Jebelari, both of which have the repair facilities that are adapted to a large number of containers. The Port of Jebelari also has a large chilled warehouse of 43,000 cubic meters. The experience of free ports in Dubai is to build a port terminal first and then establish a free trade zone after growth and development so that they can be complementary to each other. The Dubai International Airport is also located near the ports, thereby shaping a logistics operational mode of airport + seaports + free trade zone.

2. London

The annual cargo throughput of the Port of London is not large and does not exceed 100 million tons. The experience of the free port in London is mainly reflected in its tertiary industry, which can create high added value. Since the 1940s, London

has been adopting the port separation mode to move port hardware facilities to the sea area about 40 km to the east of the city center, and it has vigorously developed related industries such as ship financing, maritime insurance and maritime arbitration. Today, the Port of London already has the world's largest shipping market, with more than 1750 shipping companies or agencies with offices in London, 79% of which are registered and the rest have trading offices. The market accounts for 18% of global ship financing, 50% of tanker leasing, 40% of bulk leasing and 23% of hull insurance. Moreover, the port area provides world-class marine insurance institutions and shipping legal services with an international reputation. It is home to a number of international shipping organizations such as the International Maritime Organization (IMO), the International Shipping Federation (ISF), the International Cargo Handling Coordination Association (ICHCA) and the Baltic and International Maritime Conference (BIMCO).

3. **Incheon International Airport Bonded Area**

Incheon International Airport is an airline hub in South Korea and also the largest airport in Asia. The bonded area is located near the airport. In view of the sufficient capacity for air transportation of the free economic zone, in addition to well-known Korean companies, many world-class logistics and high-tech enterprises have chosen to invest in the park, such as NOKIA, IBM, AT&T, DELL, FEDEX and TNT.

4. **Singapore Changi Airport Free Trade Zone**

More than 60 airlines at Singapore Changi Airport provide the domestic and international air transportation services of passengers and cargo. In order to develop the airport logistics industry, Singapore has established a system of a bonded logistics park based on the excellent transportation capacity and geographical location of Changi Airport with the free trade zone being the core concept. Changi Airport has a 24-h free trade zone, the Changi Airfreight Center, which can provide one-stop service for the logistics and transportation of air cargo. In order to realize the efficient transfer of logistics between the airport and the free trade zone, two large passenger and cargo agencies in Changi Airport have their cargo terminal or agent directly in the free trade zone and connected with the apron. The airplane can directly deliver the air cargo to the cargo terminal. The transit cargo is stored in the free trade zone without immediate customs declaration or customs inspection. The rational division of labor between the airport freight area and the logistics park enables Changi Airport to have a convenient freight transportation and customs clearance capacity, thus being more conducive to attracting enterprises to gather within the coverage of the free trade zone.

(II) **Preferential policies**

The tax incentive-based preferential policy is a key measure for the free economic zone to attract investment and expand trading activities. In order to attract domestic and foreign investors and users and achieve economic prosperity and development,

governments, especially those in developing countries, have formulated relevant preferential policies, including:

Duty exemption policy: It generally stipulates that, except for those banned by law, all kinds of commodities can enter the free economic zone.

Reduction and exemption policy for income tax and other taxes: For example, in the Colon Free Trade Zone in Panama, the corporate income tax is levied at only 2.5–8.5%; local taxes are exempted except the vehicle license tax. The law of the Chilean Free Trade Zone stipulates that companies in the zone are exempt from the corporate income tax and value-added tax during the operating period, and the cargo is exempt from all local taxes.

The preferential policy of loose restrictions on loans and subsidies: For example, in the free economic zones, the government of the Netherlands grants 10% of the investment of enterprises settling in the zones as subsidies, so that they can be put into operation and get economic benefits as soon as possible.

The policy of accelerated depreciation of capital investment: For example, the Spanish government stipulates that exporting companies in the free economic zone can have an accelerated depreciation rate of 4%.

The policy on free remittance of capital and profits: The currency circulation and exchange rate of developed countries are basically free, so the financial environment of their free economic zones is also quite loose. In developing countries, in order to boost the development of free economic zones, there are relatively loose regulations on financial resources in the region.

The preferential policy for the supplies of land, water, electricity and energy: For example, the Malaysian government stipulates that the land lease period in the free economic zones can be as long as 60–99 years, and the prices are preferential.

The policy of opening the domestic market: For example, enterprises in the free economic zones of Turkey can enjoy tax rebates for exportation. Foreign goods can enter the domestic market through the free economic zone and enjoy the preferential tax cuts for imports.

The investment security policy: Many countries have clearly specified in relevant policies and regulations that foreign enterprises investing in the free economic zones are not subject to the policy of nationalization and confiscation of assets to ensure that investors are protected from the effects and losses caused by war and turmoil.

From the perspective of the development of the free economic zone, at the early stage, the preferential policies of non-free economic zones are quite different; with the economic development of the country where the free economic zone is located and the increased competitiveness of the free economic zone itself, the gap has gradually narrowed. Therefore, the Guangdong-Hong Kong-Macao Greater Bay Area is selected by China as a pilot for the cross-border free economic zone so that it can explore the experience for a wider opening-up in the future.

3 Further Functions of the Existing Free Trade Infrastructure

In addition to the free trade ports of Hong Kong and Macao and the Guangdong Free Trade Zone, the Greater Bay Area currently has 5 bonded areas, 4 export processing zones, 2 bonded logistics parks, 2 bonded port areas, and the Zhuhai-Macao Cross-Border Industrial Zone. Besides, there are 4 bonded logistics centers (Type B) and a number of supervised export warehouses and bonded warehouses.

(I) Primary free trade infrastructure in the Greater Bay Area

At present, the Greater Bay Area already possesses the diversified and multi-dimensional free trade infrastructure with “the free port of Hong Kong as the head, the Guangdong Free Trade Zone as a breakthrough point, the linkage of bonded areas and ports as the fulcrum, the bonded logistics centers as the hub, the export processing zones and the Zhuhai-Macao Cross-Border Industrial Zone as the bases and the public and private bonded warehouses and supervised export warehouses as the network nodes”.

1. The free trade ports of Hong Kong and Macao

Since 1842, Hong Kong has become a free port and has implemented the policy of free trade in the entire Hong Kong region. After over 100 years, Hong Kong has developed into an important international trade and commercial center from the entrepôt trading port at the beginning. As an export-oriented economy, Hong Kong has long adopted the economic policy of free trading. It does not set any trade barriers and the import and export procedures are simple. In general, except the initial registration, the importation and local production of four types of dutiable goods—alcohol, tobacco, hydrocarbon oil and methanol, the import and export of goods in Hong Kong is tax-free. The taxation advantage of Hong Kong is that it is simple and small in amount. There are only three types of direct taxes, including profits tax, salaries tax and property tax, but with a tax allowance. Hong Kong also actively participates in multilateral, regional, plurilateral and bilateral trade agreements, implements minimum licensing controls on the importation and exportation of goods, and adopts a number of measures to reduce the burden of trade control on the industry and to speed up customs clearance.

Likewise, Macao is also an international free port that mainly provides free trade services by infrastructures such as the exterior port and interior port terminals and the Macao Airport.

2. The Guangdong Free Trade Zone

In December 2014, the State Council decided to establish the China (Guangdong) Pilot Free Trade Zone. It covers three areas: the Guangzhou Nansha New Area (the Guangzhou Nansha Free Trade Zone), the Shenzhen Qianhai Shekou Area (the Shenzhen Shekou Free Trade Zone) and the Zhuhai Hengqin New Area (the Zhuhai

Hengqin Free Trade Zone), with a total land area of 116.2 km². On December 28, 2014, the 12th Meeting of the Standing Committee of the 12th National People's Congress passed a decision on authorizing the State Council to temporarily adjust relevant laws and regulations on administrative examination and approval in the China (Guangdong) Pilot Free Trade Zone. This pilot FTZ will establish a system of financial cooperation and innovation, promote the liberalization of trade, and explore the convergence of trade rules through institutional innovation in Guangdong, Hong Kong and Macao.

3. **Integrated bonded areas**

Shenzhen, Zhuhai and other integrated bonded areas are the special areas that integrate the existing functions of export processing zones, bonded logistics centers and ports, and that belong to special supervised areas with the functions of bonded processing, bonded logistics, import and export trade, procurement and distribution, financial services, inspection and maintenance, as well as exhibitions. Their taxation and foreign exchange policies refer to the Yangshan Bonded Port Area, and their customs supervision refers to the regulation measures of bonded port areas.

4. **Bonded logistics centers (Type A)**

Bonded logistics centers (Type A) refer to the supervised customs areas that are approved by Customs, operated by a corporate legal person in China and specialized in the bonded warehouses and logistics business. According to the scope of services, they are divided into public logistics centers and private logistics centers.

5. **Bonded logistics centers (Type B)**

Bonded logistics centers (Type B) refer to the centralized supervised customs areas that are approved by Customs, operated by a corporate legal person in China with many enterprises settling in and specialized in the bonded warehouses and logistics business. They have the functions of international trade, bonded warehouses, commodity display, international transit, logistics and bonded simple processing, and they adopt the policies of "license-free, tax exemption, bonded tax, and tax refund for settling in the zone". The transportation of goods from outside into the park is regarded as exportation. There is no import license for goods moved between the parks and overseas. The Dongguan, Zhongshan, Guangzhou Airport and the Shenzhen Airport Bonded Logistics Centers (Type B) approved by the four national ministries and commissions are all located in the Greater Bay Area.

6. **Export processing zones**

The export processing zones have the function of bonded processing, and implement policies such as "license-free, tax exemption, bonded tax, and tax refund for settling in the zone": license-free (no quota or license is required between overseas and bonded areas except passive quota), tax exemption (the taxes are exempt for machinery, equipment and materials needed by production projects in the bonded area, and the production and management equipment, spare parts and office supplies used

by enterprises in the bonded area) and bonded tax (the goods entering the bonded area are bonded). Enterprises that can enter the export processing zones include: first, export processing enterprises; second, warehousing enterprises that provide services for export processing enterprises; third, transportation enterprises that are approved by Customs to specialize in the import and export of goods in the processing zones. There are currently four export processing zones in the Guangdong-Hong Kong-Macao Greater Bay Area.

7. The Zhuhai-Macao Cross-Border Industrial Zone

The Zhuhai-Macao Cross-border Industrial Zone is the only cross-border industrial zone in China. Established with the approval of the State Council, it is located between Gongbei Maoshengwei of Zhuhai and Ilha Verde of Macao. Its functional positioning is an experimental area for profound economic cooperation between Guangdong and Macao, a demonstration area of new industrialization, a modern logistics exhibition area and a pilot free trade area. The first phase covers an area of 400,000 m², including 290,000 m² in Zhuhai Park and 110,000 m² in Macao. A special port channel was established to connect the two areas. It mainly develops industries, with consideration to the functions such as logistics, transit trade and product exhibition sales.

8. Bonded warehouses

Bonded warehouses refer to warehouses approved by Customs for the storage of bonded goods and other goods without completing customs formalities. This kind of warehouse is confined to the storage of imported materials for processing and then re-exportation, as well as re-exported goods after temporary storage and goods approved by Customs for entry after handling tax payment formalities. Goods in bonded warehouses may be subject to simple processing such as packaging, classification, separation and assembly, without substantial processing.

9. Supervised export warehouses

Supervised export warehouses refer to the customs-specific supervised warehouses for storage, bonded logistics and distribution and provision of circulating value-added services for goods that have handled the customs formalities for exportation. They include: export distribution warehouses (for the storage of export goods for the purpose of actual departure) and domestic transition warehouses (for the storage of export goods transited domestically). Goods stored in supervised export warehouses shall not be processed substantially, but the value-added services such as quality inspection, classification, sorting and packaging, brushing and marking, filming and package change may be carried out in the warehouses.

(II) Further opening-up through institutional innovation

Compared with developed countries, there is still a problem of imbalance in the opening sectors of the Guangdong-Hong Kong-Macao Greater Bay Area. The manufacturing sector has opened up early with a wider scope and a higher degree of opening-up, thus becoming an important global base for cargo trading. In comparison,

the opening-up of the service sector is backward and the trade in services lags behind trade in goods both in terms of scale and competitiveness. In the future, the Greater Bay Area as a whole must accelerate the exploration of effective ways to enhance the competitiveness of trade in services in the fields of finance, insurance, education, consulting and medicine pursuant to a certain road map.

1. Internationally competitive taxation arrangements

The implementation of a tax system in line with international practice is a key advantage of the free economic zone. It can attract enterprises and promote the development of related businesses, lay a foundation for the development of these business patterns in the Greater Bay Area and break institutional barriers on relevant industries. Since Hong Kong and Macao are already free trade ports, the policy optimization of the Greater Bay Area should focus on how to solve the problems of high import taxes and a high corporate income tax burden in the free zone.

2. The quick procedure for the “local adjustment” of laws in the Greater Bay Area

The developed economies, such as the United States and South Korea, have special legislations regarding the development of foreign trade zones and free economic zones. The Guangdong Pilot Free Trade Zone currently adopts the form of “single authorization, one discussion over one issue” along the path by which “the national legislature authorizes the State Council and the State Council devolves the state power”. “Important reforms should be well-founded in law.” In addition to the state laws and regulations, there are many requirements implicitly contained in rules and regulations promulgated by various national ministries and commissions. Because the current legal systems in Hong Kong and Macao are different from the one on the mainland, the free economic zone of the Greater Bay Area can be based on the existing laws of the three regions. A special team of the national legislature should be established to formulate convenient procedures for suspending and implementing relevant laws and regulations, and to achieve the implementation of reform measures as soon as possible.

3. Innovation to the concept of integrated border management with “soft boundary” as the core

Guided by the convenient flow of factors, the system of trade supervision is innovated under the principle of “first-tier opening and second-tier under effective control” within and outside of the territory of the Guangdong-Hong Kong-Macao Free Economic Zone. Based on big data, the customs clearance procedures are simplified to the maximum extent. Cooperation is enabled in operating the “single window” of international trade to achieve the information exchange and the mutual recognition of the supervision of the movements of people and goods by “one inspection of three regions”. In order to promote trade and investment activities, special convenience

can be given, for example, in visa applications, to traders and investors who invest in projects, as well as those who provide consulting or core technical services for those investment projects. These can be made clear by specific agreements under the framework of the Greater Bay Area Cooperation.

4 Advancing the Regional Opening by Innovation to the Policy on Immigration

In the latest round of negotiations on free trade agreements among developed economies, immigration has become an increasingly prominent issue, especially in the US-Europe negotiations. As shown in Table 1, the working-age populations of Japan, Russia, Greater China (Hong Kong, Taiwan and Mainland of China), Germany and South Korea are expected to have the greatest decline. The population situation in the Greater Bay Area is not optimistic, so new breakthroughs and innovation are needed in the policy on immigration.

Scrambling for international immigrants is a general trend. In the coming years, on a global scale, immigrants will play a more important role in the short-term growth of many countries and in the liberalization of global trading. As the world proceeds to an unprecedented period of uneven population transition in the next two decades, more and more countries' policies on immigration will be forced to make big changes to alleviate the impact of accelerated population aging. Since tariffs on trade in traditional goods in developed economies are already low, these countries may focus more on promoting negotiations over service sectors and the opening up to investments. The Ministry of Public Security of China also announced recently that since February 1, 2018, the administrative agencies for entry and exit under the public security organs may issue five-year visas for multiple entries to overseas Chinese who are visiting relatives, negotiating business, conducting scientific and educational exchanges, and handling private affairs in China; the residence permit valid for five years may be issued to overseas Chinese who work, study, visit relatives and engage in private affairs and hence need long-term residence.

There is limited potential for stimulation by changing only the birth policy. Taiwan, Hong Kong and Singapore encourage childbirth by all means, but their total birth rates in 2015 were only 1.18, 1.20 and 1.24, respectively. The year 2017 was a peak period for compensatory birth after the universal two-child policy became effective all over mainland of China, but according to the National Bureau of Statistics, in 2017, there were 630,000 fewer children born than in 2016. Further, from the developmental experience of international mature bay areas such as New York and San Francisco, or looking back on the process of development of the Pearl River Delta after the reform and opening-up, it can be found that immigrants play an important role in promoting regional economic development. Then, how can innovations be made to the policy of immigration in order to increase regional value and enhance internal motivation?

Table 1 Expected change in the working-age population (15–64) (partial countries or regions)

Country or region	2013–2023 (%)	Country or region	2013–2023 (%)
Japan	–9	Hong Kong, China	–22
Hong Kong, China	–8	Germany	–17
Russia	–8	Japan	–16
Germany	–7	The Republic of Korea	–15
Taiwan, China	–4	Taiwan, China	–14
The Republic of Korea	–4	Russia	–11
China	–3	China	–7
France	–1	Italy	–6
Italy	0	Thailand	–3
Canada	0	France	–2
South Africa	0	Canada	0
Thailand	0	South Africa	1
Britain	2	Britain	2
Switzerland	3	Switzerland	3
The U.S.A	4	Spain	6
Spain	6	The U.S.A	9
Australia	6	Brazil	11
Brazil	9	Australia	12
Indonesia	11	Vietnam	14
Vietnam	12	Indonesia	17
Mexico	12	Mexico	18
Turkey	12	Turkey	19
Singapore	14	Singapore	23
India	15	India	27
Malaysia	16	Malaysia	27
Egypt	21	Egypt	41
The Philippines	22	The Philippines	43
BRIC countries	5	BRIC countries	7
G7	0	G7	–1

Data resource U.S. Census International Population Database

1. Less strict restrictions on household registration to attract mainland talents

In recent years, cities in the Pearl River Delta have begun to cancel the merit-based system of household registration and lowered the threshold for registration; it has already become a consensus of the society to reduce restrictions on such registration and attract mainland talents. Guangzhou and Shenzhen have less strict conditions for settlement among the first-tier cities. In the future, they should continue to reduce restrictions and scramble for young people on the mainland. Hong Kong and Macao need to innovate policies such as the dispatch of the labor force to overcome the shortage of manpower in some industries. For example, according to the Hong Kong Construction Industry Council, as of April 2017, the construction workers under the age of 29 accounted for only 5.84%, but those over the age of 60 accounted for 55.12%. The issue of elderly workers has become increasingly serious in the construction industry, so it is urgent to attract young people from the mainland.

2. Gradually attracting international immigrants from Southeast Asia and South Asia

Since the outbreak of the global economic crisis in 2008, the scale of immigration in developed economies has remained at a very high level. Immigrants entering the OECD countries have shifted to work-based immigration, and immigrants played an increasingly important role in expanding the scale of the labor force in developed economies. Meanwhile, the governments of the countries concerned also attach great importance to earning foreign exchange to drive their economy by exporting some of the labor force and short-term immigration. Taking the housekeeping service industry as an example, with the economic take-off of Hong Kong, by March 31, 2010, the number of foreign housekeepers increased to 273,609, of which 49% came from Indonesia and 48% from the Philippines. In the future, the rate of growth of the population of laborers in the Philippines, Malaysia, Indonesia, Vietnam, India and other Southeast Asian and South Asian countries is expected to be higher than the global average, and they have a very strong complementary effect with the Guangdong-Hong Kong-Macao Greater Bay Area. Although having the geographical advantage, the Greater Bay Area is also confronted with the challenges identical to those in developed economies, which need to be seriously considered. The innovation to the international policy of immigration must be steadily advanced.

3. The vigorous development of higher education

Educational services are an important part of the trade in services, and trade in services is becoming the new engine for the development of an open economy in the Greater Bay Area. The educational markets of developed economies such as the USA and Europe are perfect and occupy the commanding heights of trade in services. The Greater Bay Area has a weaker foundation of higher education. However, through the construction of campus cities in Guangzhou and Zhuhai and new campuses of famous universities in Shenzhen, plus the emergence of some high-quality universities in Hong Kong and Macao, it has already achieved a certain degree of international competitiveness. Therefore, for one thing, it is necessary to integrate the resources

of universities in Guangdong, Hong Kong and Macao to solve the contradiction between the shortage of students in Hong Kong and Macao and the low proportion of enrolment of students from the mainland; for another, with reference to the successful experience of the USA in which most of the prestigious universities are private ones, social capital should be attracted to invest in higher education, especially in the new campuses of well-known universities established by cooperation of the Chinese and foreign sides, so that overseas students may possibly be attracted to study and work in the Guangdong-Hong Kong-Macao Greater Bay Area.

4. Accelerating the construction of medical and elderly care facilities

According to forecasts, the proportion of the elderly population in Hong Kong will double in the next 20 years. The population aged 85 and above will increase to 4.2 times after 30 years. It is difficult for Hong Kong to solve the shortage of hospital beds and elderly care workers on its own. Therefore, implementing the international standard qualification certifications and training for nurses and opening up the medical and elderly care market in the Greater Bay Area has become the focal point. As for the Greater Bay Area, both local residents and foreign immigrants prefer to enjoy good medical and pension conditions, which are the important factors in attracting investment and consumption in specific regions.

5 Expediting the Financial Opening

Financial opening is crucial to the development of the Guangdong-Hong Kong-Macao Greater Bay Area. According to an estimate of the World Bank, there are currently about 8.55 trillion US dollars invested in bonds with negative interest rates, 24.5 trillion US dollars in government bonds with yields of 1% or less, and 8 trillion US dollars without being invested. The total of these three types of money exceeds 40 trillion US dollars. How can such low-cost international funds be attracted to invest in the Greater Bay Area?

1. Negative lists

At present, more than 100 countries around the world implement the pre-established national treatment and negative lists, and only China and Saudi Arabia in the G20 countries have not adopted this model. China is already conducting negotiations on the China-US Bilateral Investment Treaty (BIT) and the China-EU BIT in accordance with the model of the negative list. The Guangdong-Hong Kong-Macao Greater Bay Area should seize the opportunity of early and pilot implementation, gradually shorten the negative list, replace the unreasonable access and qualification restrictions on foreign financial institutions with prudent requirements, and stimulate the enthusiasm of foreign financial institutions to participate in the financial market of the Greater Bay Area. By the principle of equal treatment of domestic and foreign capital, the restrictions on proportion of shares, form of incorporation, qualifications

of shareholders, scope of business, and number of licenses for foreign-funded financial institutions should be relaxed, thus providing a fair and just environment for foreign capital to enter the Chinese market.

2. Capital account convertibility

Capital account convertibility may be piloted in the Greater Bay Areas. First, the quota for foreign exchange of residents in the Greater Bay Area may be greatly increased. Second, on the basis of Shenzhen-Hong Kong Stock Connect, the population with household registration in mainland cities in the Greater Bay Area may be allowed to invest in Hong Kong stocks and the residents of Hong Kong and Macao may be allowed to invest in A shares listed on the Shenzhen Stock Exchange. Furthermore, with reference to the internationally lower tax rate, tax incentives for foreign institutions to invest in the domestic bond market can be implemented within the Greater Bay Area to attract more foreign institutions to invest in China's financial market.

3. Opening intermediary markets such as credit rating and accounting

Currently, the relevant legal system on the opening of China's capital market is still being perfected. Signing cooperation agreements on audit supervision with countries or regions where overseas accounting firms are located is conducive to improving the effectiveness of supervision and providing the guarantee for cross-border recovery in case of bond defaults, but until now only Hong Kong has signed a cooperation agreement on audit supervision with China. Therefore, the pilot of the opening of intermediary services within the Greater Bay Area has inherent advantages. Foreign institutions can be allowed to independently select accounting standards to prepare financial reports within the Greater Bay Area, and overseas accounting firms can be allowed to provide audit services for domestic and foreign companies registered in the Greater Bay Area.

4. The liberalization of investments

Investment behavior is often accompanied by capital flows, especially cross-border investments, which involves state capital supervision and foreign exchange management systems, so investment and finance are closely related. The liberalization of investments is an important feature of the business environment in free economic zones. The reform and profound opening of the liberalization of investments within the financial market in the Greater Bay Area can be considered a deep-level reform for Guangdong. However, Hong Kong's experience in financing two-way investments, cross-border settlements and profit transfers has set a good example in the world. Therefore, the inherent advantages are obvious for advancing the liberalization of investments in the Greater Bay Area.

6 Building a Core Partnership Between the Greater Bay Area and ASEAN

ASEAN has 10 countries: Singapore, Indonesia, Cambodia, Laos, Thailand, Vietnam, Myanmar, the Philippines, Malaysia and Brunei. These 10 countries, rich in natural resources such as rubber, oil, tin, natural gas and palm oil, are also important densely-populated places for overseas Chinese with a long history of cooperation with cities in the Greater Bay Area. Furthermore, the labor force of these 10 countries is abundant, but the internal development of each of them is quite different. There are both emerging economies such as Singapore and Malaysia, and Myanmar, Laos and other backward countries that are transitioning to the market economy. Although ASEAN has abundant resources, a large market, low labor cost and large investment space, it lacks a complete industrial system, the industrial structure of each country is similar, most of these countries' processing and manufacturing industries are relatively backward, and they have increasing demands for real estate, manufacturing and other industrial sectors. The financial, education and logistics service providers in the Greater Bay Area have become the preferred partners of many ASEAN countries. From the perspective of industrial structure, the Greater Bay Area and ASEAN have significant gradients of industrial transfer and acceptance. The differences between resource endowments and the structure of tradeable products can effectively promote import and export trade between the two sides, especially in the fields of agricultural products, energy, rubber and other products, a trade relationship that is dependent on the imports and exports among them has been formed. Also, ASEAN, being a densely-populated region of overseas Chinese, the cultural and emotional links facilitate exchanges between the Greater Bay Area and ASEAN.

From a realistic point of view, the inter-city industrial echelon in the Guangdong-Hong Kong-Macao Greater Bay Area is obvious. Every city has its own distinctive advantages. For example, the level of urbanization and the proportion of service sectors in Hong Kong, Shenzhen and Guangzhou are relatively high, thus they are the core cities with strong radiation effects in the Greater Bay Area. Guangzhou has a good business logistics base and a large number of universities. Shenzhen has very innovative SMEs and an entrepreneurial atmosphere, with great advantages in technological innovation and emerging industries. Other mainland cities in the Pearl River Delta also have a strong manufacturing base. If the advantages of Hong Kong can be exerted, such as powerful industrial design strength, a perfect system of the management of logistics, and a global sales market, it can enable the Greater Bay Area as a whole to provide one-stop services and improve its competitiveness on the international market. The Greater Bay Area not only has an inner ring type land recessed from the coast, but also a shared bay water body. This "inner ring + shared water body" symbiotic natural ecosystem of sea and land provides the most suitable environment for human habitation. Therefore, the Greater Bay Area should have an inclusive culture of immigration, not only for the inland, but also for Southeast Asia, attracting high-end innovative talents and high-tech innovation

investment enterprises, and striving to become a global innovation center that sets the pace for the world's industrial development.

Against the background that the construction of the Greater Bay Area has become a national strategy, it should take advantage of the Belt and Road Initiative to significantly improve the connectivity of the Greater Bay Area and ASEAN countries in land, sea, air and other transportation facilities, strengthen the capacity for the allocation of resources on the markets of ASEAN countries and further enhance the international visibility and global influence of the Greater Bay Area. Meanwhile, seizing the opportunities of zero tariffs of the ASEAN–China Free Trade Area and the construction of the urban agglomeration, the Greater Bay Area should boost the trade in goods, investment cooperation, service trade and cultural exchanges, and actively advance the multi-level cooperation with government authorities, industry associations and enterprises of ASEAN countries. The Greater Bay Area should aim to become the financial center, trading center and shipping center in the China-ASEAN region, and further consolidate and enhance its advantages in the fields of finance, manufacturing and service sectors in the “10 + 1” cooperation between China and ASEAN, and expand its international influence.

7 Conclusions

Looking back on the process of reform and opening-up in China, the idea of “integrating point and surface” always played a dominant role. Against the background of the fact that the United States and Europe generally take the initiative in making an adjustment and developing their local economies, a rare historical opportunity arose for the further opening-up of the Guangdong-Hong Kong-Macao Greater Bay Area. Based on the complementary advantages, competition and cooperation with Hong Kong and Macao in the fields of trade in goods and science and technology, the mainland cities in the Greater Bay Area could learn from the institutional mechanisms of Hong Kong and Macao and achieve breakthroughs in immigration, finance and overseas investment. They could drive the reform by their opening-up and realize an overall increment in regional value while speeding up the process of integration of the Greater Bay Area.