

**HONG KONG AND THE WESTERN PEARL RIVER DELTA:
COOPERATIVE DEVELOPMENT FROM A CROSS-
BOUNDARY PERSPECTIVE**

Final Report

BY

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Executive Summary

Introduction

1. In 2003, the HKSAR government adopted a new strategy of strengthening the cooperation and development of the Pearl River Delta (PRD) as a way seeking sustainable and mutually beneficial development for all governments and their people concerned. In the context of the Greater PRD (that is PRD plus Hong Kong and Macao), the focus on the western wing represents a new direction of change and development, as it has lagged behind the eastern wing for lack of understanding of its development potential and comparative advantage.
2. This study describes, documents and analyses the development potential, constraints and strategies of the western PRD (WPRD) and their implications for Hong Kong.

The Importance of WPRD to Hong Kong

3. A close economic relationship exists between WPRD and Hong Kong through investment and trade. Some 38% of the total industrial output in WPRD is derived from firms funded by Hong Kong, Macao and Taiwan. Moreover, Hong Kong firms contributed over 66% of the total export from WPRD, with 70% of the export in fact conducted through Hong Kong.
4. In 2002, Hong Kong was the world's busiest container port and handled 19.1 million TEUs. The continued growth of Hong Kong's container traffic since the late 1990s has been fuelled by the robust river-borne traffic from the WPRD ports, necessitating the establishment of the Tuen Mun River Trade Terminal which opened in 1999. Hong Kong's role in foreign investment, import and export, logistics and port services in WPRD is being consolidated and strengthened.

Development Strengths and Constraints of WPRD

5. The present connectivity of Hong Kong to WPRD is by way of water and road transport, with some areas beyond the “magic three hour travelling.” The construction of a new bridge linking Hong Kong with the WPRD will make a tremendous difference. The prevailing lower wages and plentiful land resources will make WPRD an attractive area for industrial and economic development.
6. Three of the “four little tigers” of Guangdong are located within WPRD, namely Nanhai, Shunde and Zhongshan. Through them and other county-level cities in the region, WPRD has become an important manufacturing centre in China, famous of a wide range of goods for the domestic and international markets.
7. However, more rapid development in WPRD has been constrained by its weak capabilities in R&D, inadequate producer and professional services of international standards, and poor road links to Hong Kong, resulting in its at best partial integration with the international community.

Local Government Strategies

8. Five prefecture-level cities in WPRD – Zhuhai, Zhongshan, Foshan, Jiangmen and Zhaoqing – have developed rapidly during the past two decades. They have formulated plans to capitalize on their existing strengths and proven track record. Zhuhai as the only Special Economic Zone on the west wing of PRD, is being developed as a modern port-city, an educational centre and a tourist destination. Zhongshan and Foshan, noted their “one industry one town” model of industrialization, will seek more rapid and technology-and-capital intensive development. Jiangmen sets for its target as a regional manufacturing centre, blessed with rich land resources and strong overseas connections through its former emigrants. Zhaoqing aspires to be a modern industrialized city with an emphasis

on its attractive natural environment for tourism and healthy living.

Development Trends in WPRD and their Impacts on Hong Kong

9. Industrialization has been the driving force in PRD's rapid development and transformation over the past two decades. Development in the eastern PRD has come to such a pass that escalating costs have begun a process of relocation of its industries to the western wing. In this process, Hong Kong can contribute to sharpening the competitive edge of industries by offering more sophisticated producer and professional services.
10. Hong Kong can as well assist through the provision of advanced business services and marketing in WPRD as the latter seeks to increase integration of its production with the international market.
11. Cities in WPRD has grown rapidly along with industrialization. As cities have grown economically and in authority, political boundaries between them have surfaced. One way to combat this emerging problem is for the central and provincial governments to reorganize the urban system through integration. As these cities have a high consumption propensity, Hong Kong can play a role in showing the way for higher quality goods and better housing.
12. Given the changing roles of the market and governments, fierce competition exists at every level and in every field. How Hong Kong can cooperate with various cities and work to their mutual benefit in some fields will prove to be new challenges.

Hong Kong's Actions in Perspective

13. A conceptual framework of cross-boundary development is developed in which different stakeholders are accounted for. Specifically, the government, the business sector and civic society all have crucial roles to play in further developing cross-boundary affairs. Four

key tasks include:

- ❑ To improve cross-boundary transport system and boundary-crossing facilities
- ❑ To facilitate governmental cooperation
- ❑ To reduce trade barriers to investors and service providers
- ❑ To develop a transparent business environment in WPRD

14. Recommended actions are made for the HKSAR government to minimize barriers and facilitate the business sector from Hong Kong to PRD cities. The business sector in Hong Kong should play a leading role in upgrading business management, operation and services to international standards in WPRD. Semi-public organization in Hong Kong should in part be seen as a brain trust to enhance interaction and liaison between the various stakeholders within Hong Kong and across the PRD. Public and private funding can be contemplated.

15. Specific recommendations for cross-boundary development include

- ❑ a strong one that the government should give serious consideration to incorporating a railway in the Hong Kong-Zhuhai-Macao Bridge during the advance planning for the project.
- ❑ an expanded mode of cooperation between Hong Kong and WPRD be expanded from the present pattern of dialogue between the central and Guangdong government to individual cities. In this connection, closer link between Hong Kong and Jiangmen appears to be particularly favourable
- ❑ given Hong Kong's obvious strengths in higher education development, the export of education programmes to WPRD should be strategically and carefully considered.

1. Introduction

The Government of Hong Kong Special Administrative Region (HKSAR) has recently adopted a strategy to strengthen the cooperation and development with Pearl River Delta (PRD) region for the sustained long-term growth of the Greater PRD (GPRD). The development of four pillar industries-financial services, logistics, tourism and producer services-depends on a closer economic relationship with PRD and mainland China in general where most of these industries such as financial services, airports, seaports and professional services are heavily regulated by the government on market entry and operation. Fostering cooperation and avoiding excessive competition remain a crucial issue in GPRD which is a difficult task elsewhere (Grundy-Warr et al., 1999; Chu et al., 2002; Hu and Chan, 2002; Shen, 2003).

The PRD has ranked at or near the top nationwide in economic growth rates over the past two decades (double-digit growth per annum), mostly due to its accelerating integration into the global production network via Hong Kong. The PRD has now become an international manufacturing cluster, initially in low value-added manufacturing and more recently in higher value-added manufacturing. Nonetheless, the PRD is not a uniform manufacturing powerhouse but rather a constellation of discrete regions with different levels of development and with distinct comparative advantages and disadvantages. Many PRD manufacturing industries, particularly those domestic market-oriented ones, are in fact concentrated in its west. Each city in the western PRD has its state-level or provincial-level industrial zones, offering a wide range of preferential policies to attract foreign direct investment. Although currently lagging behind its eastern counterpart in several economic aspects, the western PRD is going to become a new focus of the PRD in industrial and export growth in next 5 to 10 years.

Hong Kong's investment and outward processing activities have now been concentrated on the eastern PRD along the Guangzhou-Dongguan-Shenzhen corridor, which is typified by

the rapid growth of Shenzhen and Dongguan cities and increasing development gaps between the eastern and western PRD. By 2002, the western part received only about 27% of total foreign capital invested in the PRD. This is a strong indication of the weak relationship between Hong Kong and the western PRD, given that Hong Kong is a major source of foreign investment in the PRD (Shen, 2002; Enright et al. 2003). To Hong Kong, the development potential of western PRD has yet to be fully tapped, partly due to the limitation of land transport and partly due to inadequate understanding of comparative advantages of the area. In order to seize the opportunity and further improve the cooperation between Hong Kong and the PRD, Hong Kong should develop a better knowledge on the development potential of the western PRD.

If view of the enormous differences in the development level and production capacity that exist throughout the PRD, this report analyses the development potential, development constraints and development strategies of the western PRD and their implications for Hong Kong. One key focus of the research is to explore what actions various stakeholders in Hong Kong such as the business sector, quasi-government bodies and the HKSAR government could take to foster close economic cooperation between Hong Kong and western PRD from the cross-boundary perspective. Specifically, this research will focus on:

- ❑ Identifying the development strengths and constraints of the western PRD;
- ❑ Analysing the impact of such trends and constraints on cooperation between Hong Kong and the western PRD;
- ❑ Analysing the current interaction/cooperation between western PRD cities and Hong Kong, and assessing the potential and constraints for further enhancement;
- ❑ Recommending actions that need to be addressed by various stakeholders in Hong Kong such as the business sector, quasi-government bodies and the

HKSAR government.

The research team has paid field visits to each city of the western PRD during the period of July – November 2003 to collect first-hand information for this research. The research team has interviewed mainland counterparts in each locale and has learned development plans of the cities concerned. Issues on Hong Kong-PRD cooperation are also discussed during these meetings.

A major PRD City Cluster Planning Study is being carried out by the Ministry of Construction and Guangdong Province. This planning study aims to set out the framework for coordinated development of the PRD region. The team had productive discussions with the Chinese officials and researchers who were actively involved in this planning study. This report will make reference to these discussions.

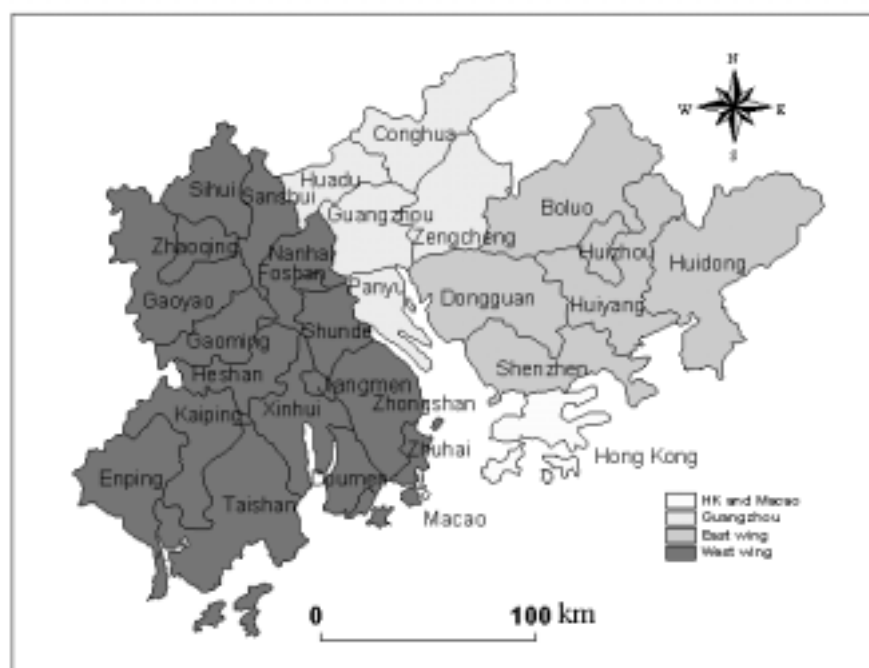


Figure 1.1 Sub-regions of the PRD

The boundaries of the PRD as an economic zone differ from those associated with the geographic boundaries of the delta. Our study adopts the definition of the PRD Economic

Region (Shen, 2002). In this report, the PRD Economic Region (hereafter the PRD) is divided into three parts: central, eastern and western (Figure 1.1). Due to its special status and location, Guangzhou is seen as the central part of the PRD. The area to the west of Guangzhou is regarded as the western part and the area to the east of Guangzhou as the eastern part. Administratively, the western PRD consists of four prefecture-level municipalities: Zhuhai, Zhongshan, Foshan, Jiangmen, and part of Zhaoqing.

2. The importance of the western PRD to Hong Kong

2.1 The development need of Hong Kong

The importance of the western PRD to Hong Kong can be justified by the development need of Hong Kong as well as development advantages/potentials of the western PRD. While the development need of Hong Kong is outlined in this section, the development advantages of the western PRD will be discussed in next section.

The “China factor” has built Hong Kong’s success in East Asia. Historically, Hong Kong was the gateway for imports to and exports from China along the south coastal region. Its uniquely favourable geographic location in the Asia-Pacific region, excellent port conditions, and special political and economic relations with mainland China have sustained Hong Kong’s monopoly as an entrepôt for China for decades. After largely shifting its manufacturing operations to the PRD in the 1980s and 1990s, Hong Kong successfully restructured its economy to a service-dominated one.

One important role that Hong Kong plays is as a middleman who imports from, and exports to, the rest of the world, especially for mainland China (Shen and Yeung, 2003). According to table 2.1, re-exports accounted for over 68% of the import or export of the economy in 1991 and these shares were increased to as high as 88% in 2002. The majority of such re-export activities are related to mainland China, PRD in particular, that is the largest trading partner of Hong Kong.

Since the late 1990s, Hong Kong has been undergoing its economic restructuring to move towards an advanced service economy. As a small place with a population of almost seven million, Hong Kong has comparatively insufficient local demand and space to sustain its service-dominated economy at a high level. To further upgrade its economic structure, expand its market and sustain its economy, Hong Kong needs not only to broaden its economic base in the PRD but also in other parts of the country. More specifically, Hong Kong needs to expand its professional and producer services into mainland China.

Table 2.1 Import and export in Hong Kong 1991-2002 (HK\$billion)

Year	Imports	Domestic imports	Re-exports	Domestic Exports	Total exports	Re-exports share in imports (%)	Re-exports share in exports (%)
1991	779.0	244.2	534.8	231.0	765.8	68.7	69.8
1996	1535.6	349.8	1185.8	212.2	1397.9	77.2	84.8
1997	1615.1	370.6	1244.5	211.4	1455.9	77.1	85.5
1998	1429.1	269.9	1159.2	188.5	1347.6	81.1	86.0
1999	1392.7	214.3	1178.4	170.6	1349.0	84.6	87.4
2000	1658.0	266.3	1391.7	181.0	1572.7	83.9	88.5
2001	1568.2	240.7	1327.5	153.5	1481.0	84.7	89.6
2002	1619.4	189.8	1429.6	130.9	1560.5	88.3	91.6

Sources: CSD (2001: 1; 2002; 2003a)

To enhance economic interaction with the mainland, Hong Kong needs to develop a platform to enhance its economic role beyond the PRD. Ideally, such platform should be geographically proximate to Hong Kong and has good development potentials with least competition. The western PRD is a strategic platform for Hong Kong's further economic integration with the PRD as well as the mainland. The next section provides an overview of the economic relationship between the western PRD and Hong Kong.

2.2 The economic relationship between the western PRD and Hong Kong

There has been a close economic relationship between the western PRD and Hong Kong, especially in terms of investment and trade. As elsewhere in PRD and mainland China, Hong Kong has been the largest source of FDI in the western region. Over 70% of international trade of the western PRD is conducted through Hong Kong. There is no doubt that further economic growth in western PRD should generate enormous business opportunities for Hong Kong. The opening of mainland market for the service sector of Hong Kong will further enhance such business opportunities.

Investment from Hong Kong

Hong Kong is an entrepôt and has been so for many years. Since the late 1970s when

China adopted an open-door policy, a new economic partnership between Hong Kong and PRD region emerged. It is generally called the “front shop, back factory” model associated with large-scale outward processing that has induced large scale inward investment from Hong Kong to PRD and import/export associated with such outward processing activities (Shen 2003; Shen and Yeung 2003).

Although much investment has landed in eastern PRD, the western PRD also received much investment from Hong Kong. In 2002, western PRD accounted for 26.58% of the utilized foreign investment in PRD. For the western region as a whole, the total FDI was US\$3.61 billion in 2002 (Table 2.2). There was a total of 1,866 projects. On average, each project involved FDI of US\$1.93 million. Each city in western PRD received similar amount of FDI in 2002.

Table 2.2 Foreign investment in western PRD in 2002

Indicators	Foreign Investment projects	Utilized Foreign Investment (US\$ billion)	Average investment per project (US\$million)	FDI projects	FDI (US\$billion)	Average investment per project (US\$million)
Western PRD	5,420	3.99	0.74	1,866	3.61	1.93
Zhuhai	789	0.94	1.19	704	0.70	0.99
Zhongshan	501	0.77	1.53	386	0.64	1.66
Jiangmen	1,316	0.74	0.56	364	0.74	2.03
Foshan	2,660	1.00	0.38	270	0.98	3.63
Zhaoqing	154	0.55	3.55	142	0.55	3.87

Source: Guangdong Statistical Bureau (2003)

According to the data collected from the fieldwork, Hong Kong is the largest source of foreign investment. In Jiangmen city, a total of 1,638 firms have been established by Hong Kong and Macao investors by the end of 2002, accounting for 80% of all firms invested by external and foreign sources. Hong Kong and Macao are the sources of 77% of foreign investment (Jiangmen CEPA study team, 2003: 16).

The statistical data also confirm the above finding (Table 2.3.). According to Table 2.3, Hong Kong contributed 74.03% of the total utilized foreign investment in Jiangmen, 57.89% in Zhaoqing and 21.96% in Zhuhai in 2002. The 2001 data show that 48.68% of utilized foreign investment in Zhongshan was from Hong Kong. For Guangdong province as a whole, Hong Kong contributed 51.95% of the total utilized foreign investment in 2002, much greater than any single source such as Taiwan, USA, UK or Japan.

Table 2.3 Share of Hong Kong in total utilized foreign investment in Guangdong and western PRD in 2002

Area	Guangdong	Zhuhai	Zhongshan*	Jiangmen	Zhaoqing
Share (%)	51.95	21.96	48.68	74.03	57.89

Source: Guangdong Statistical Bureau (2003); Zhuhai Statistical Bureau (2003); Zhongshan Statistical Bureau (2002); Jiangmen Statistical Bureau (2003); Zhaoqing Statistical Bureau (2003)

Note: * The share of investment from Hong Kong and Macao in 2001

Table 2.4 Industrial output by all firms and by Hong Kong, Macao, Taiwan and foreign firms in western PRD in 2002 (RMB billion)

Indicators	Total	Hong Kong, Macao and Taiwan firms	Share (%)	Foreign firms	Share (%)
Western PRD	436.4	165.7	38.0	70.9	16.2
Zhuhai	75.9	30.0	39.5	26.9	35.4
Zhongshan	94.8	45.1	47.6	17.1	18.0
Jiangmen	50.0	16.1	32.2	8.5	17.0
Foshan	204.1	68.5	33.6	16.8	8.2
Zhaoqing	11.6	6.0	51.7	1.6	13.8

Source: Guangdong Statistical Bureau (2003)

The importance of Hong Kong firms in the manufacturing sector is revealed by table 2.4. In 2002, firms funded by Hong Kong, Macao and Taiwan had an industrial output of RMB 165.7 billion, accounting for 38% of the total industrial output in western region.

Role of Hong Kong in export

Compared to the eastern PRD, the scale of export from the western PRD is still small. In 2002, western PRD contributed 20.13% of the total export from PRD in 2002. However, as in the eastern region, foreign firms and especially Hong Kong funded firms made great contribution to the export growth in western PRD (Table 2.5). In 2002, foreign invested firms, mostly Hong Kong firms, contributed over 66% of the total export from the western PRD. The proportion was especially high, over 60%, in Zhuhai, Zhongshan and Foshan.

Table 2.5 Export from western PRD in 2002

Indicators	Total Exports (US\$ billion)	Export by foreign invested firms (US\$ billion)	Export share by foreign invested firms (%)
Western PRD	22.67	14.96	66.00
Zhuhai	5.20	4.03	77.46
Zhongshan	5.72	3.52	61.50
Jiangmen	2.95	1.68	56.91
Foshan	7.89	5.20	65.93
Zhaoqing	0.90	0.53	58.93

Source: Guangdong Statistical Bureau (2003)

Many cities reported during our fieldwork that over 70% of their export was conducted through Hong Kong. Thus Hong Kong contributed to the export growth by direct investment in manufacturing sector and by acting as middleman helping the export of domestic firms in western PRD.

Logistics and port service by Hong Kong

Hong Kong has long been regarded as the major gateway for imports to and exports from South China. Many ports in the PRD, especially those in the western PRD, have been developed as feeders for Hong Kong (Yeung et al. 2003).

Until the early 1990s, mainland ports did not offer international shipping services. About 95% of containers going in or out of mainland China were routed via Hong Kong. The

port of Hong Kong recorded a double-digit growth in its throughput from 1986 to 1996 and became the busiest container hub in the world in the 1990s. Container throughput in Hong Kong increased from 9.20 million TEUs in 1993 to 19.1 million TEUs in 2002, making it the busiest container port in the world for the eighth year in the last decade (Hong Kong Port and Maritime Board, 2002).

So far Hong Kong port and export-oriented production bases in the PRD are largely linked by trucks and river vessels. Railways play an insignificant role. In the last six years, Hong Kong's specialization as a hub in river trade cargo has been expanding. The Tuen Mun River Trade Terminal has been in operation since 1999, collecting and consolidating cargoes brought down from smaller ports in the PRD via river trade vessels before they are exported overseas.

During the period 1993-2002, cargo throughput by seaborne and river increased from 118 million tonnes to 193 million tonnes (Figure 2.1). While about 10 million TEUs were transported by trucks via Shenzhen border to Hong Kong port, Zhongshan (354,000 TEUs), Nanhai (215,000 TEUs), Zhuhai (191,000 TEUs), Foshan (182,000 TEUs), Jiangmen (160,000 TEUs) and Shunde (151,000 TEUs) in the western PRD, in addition to Shenzhen (642,000 TEUs) and Huangpu (610,000 TEUs) were the main sources of laden containers from the PRD river ports to Hong Kong in 2001 (SCMP, 2002). The share of container cargoes handled by the container terminals decreased from 64% in 2001 to 62% in 2002 in Hong Kong. The share by river trade operators increased from 19% to 21% and the share by mid-stream operators remained at 17% in the period 2001-2002 (Hong Kong Port and Maritime Board, 2002).

There is no doubt that Hong Kong has been playing and will continue to play a leading role in foreign investment, import and export, logistics and port services in the western PRD.

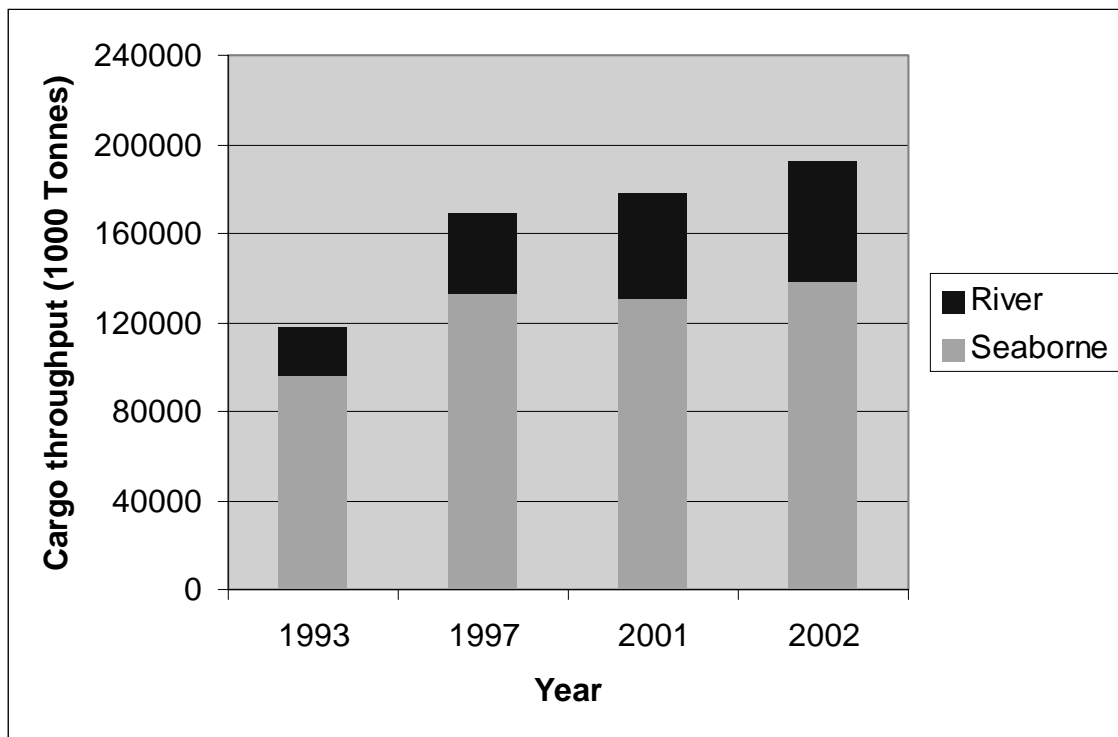


Figure 2.1 Cargo throughput by seaborne and river in Hong Kong, 1993-2002

3. Development strengths and constraints of the western PRD

3.1 Potential of good connectivity with Hong Kong and Southwest China

So far, Hong Kong and production sites in the western PRD are largely linked by water or by road via the eastern PRD. The round-trip from major river-ports of the western PRD to Hong Kong by water takes less than 24 hours (including container loading and unloading). The western PRD also has good road connectivity with the eastern PRD and with Southwest China.

Cities in the western PRD can be reached from Hong Kong by ferry in 1-4 hours (Table 3.1). Zhuhai and Zhongshan are the most convenient. Currently, there is no direct road connection between Hong Kong and the western PRD and therefore land transportation between the western PRD and Hong Kong takes longer time, beyond the “magic three-hour travelling time” (Enright et. al., 2003: 222-223).

Table 3.1 Travel time from Hong Kong to cities in GPRD

City	Mode	Time
Western PRD		
Zhuhai	By Ferry	1 hr 10 mins
Zhongshan	By Ferry	1 hr 30 mins
Jiangmen	By Ferry	2 hrs 30 mins
Foshan	By Train	2 hrs 35 mins
Zhaoqing	By Ferry	4 hrs 15 mins
Rest of GPRD		
Shenzhen	By Train	45 mins
Dongguan	By Train	1 hr 10 mins
Guangzhou	By Train	1 hr 35 mins
Huizhou	By Road	3 hrs 30 mins
Macao	By Ferry	1 hr

Source: KCRC (2003); Hong Kong Tourism Board (2003); Enright and Scott (2003)

However, there is now a consensus between the mainland and Hong Kong to build a bridge linking Hong Kong to the western PRD. A detailed feasibility study is being undertaken. It is believed that the bridge will be built soon. In connection with other transportation projects in the mainland (such as Beijing-Zhuhai expressway and Guangzhou-Zhuhai railway), the bridge, after completion, will further improve land transport connectivity between Hong Kong and the western PRD as well as Southwest China. With improvement of land transportation, Hong Kong's influence can be radiated, via the western PRD, to a larger area including Guangxi, Yunnan, Guizhou and Sichuan provinces.

3.2 Advantage of factor endowments

Compared with its eastern counterpart, the western PRD has, generally, richer land resource and cheaper labour for future development (Table 3.2). Rapid economic development in the eastern PRD has had myriad impacts on land-use changes. To attract FDI, city governments in the PRD substantially reduced charge for land used for industrial proposes. One study, using remote sensing techniques, found that in the period 1988–1996, the PRD experienced an unprecedented scale of land conversion: approximately 1,905 km² of land was converted to urban uses, leading to an increase in urban land from 720 km² to over 2,625 km² (Seto et al., 2002).

Another study noted that most of such land conversion in the PRD took place in the eastern side or cities near Guangzhou (Table 3.3). In fact, most cities in the eastern PRD have almost used up their available land. By contrast, some cities in the western PRD, such as Zhuhai's Doumen, Jiangmen and Zhaoqin, still have large area of land available for development.

Relative underdevelopment in the western PRD makes its labour cost 20-30% lower than its eastern counterpart (field interview). The eastern PRD has higher per capita income. One consequence of the rapid development in the eastern PRD was upward pressures in

wages and costs in a way that was similar to Hong Kong's experience two decades ago. In the western PRD, both urban and rural incomes were generally lower than the eastern PRD. An industrial zone survey conducted by the Consulate General of the Kingdom of the Netherlands in Guangzhou in September 2002 found that unskilled factory workers in the western PRD demanded lower salaries and wages than their eastern counterparts, while social charges for industrial workers were almost the same in the PRD (Table 3.2).

Table 3.2 Comparison of worker costs in PRD in 2002

Monthly salaries and wages (RMB)					
Type	Middle manager	Supervisor	Skilled labour	Unskilled labour	
Guangzhou	3,000-5,000	1,500-2,000	1,000-1,400	600-800	
Eastern PRD					
Shenzhen	3,000-5,000	2,000-3,000	1,500-2,000	800-900	
Dongguan	3,000-5,000	2,000-3,000	800-1,500	500-800	
Huizhou	2,000-3,000	1,500-2,000	1,000-1,500	500-700	
Western PRD					
Zhuhai	3,000-5,000	1,500-2,000	800-1,500	400-600	
Foshan	3,000-5,000	1,500-2,000	800-1,200	400-800	
Jiangmen	3,000-5,000	1,500-2,000	1,000-1,500	600-800	
Zhongshan	3,000-5,000	1,500-2,000	1,000-1,500	600-800	
Social charges					
Indicator	Pension insurance	Unemployment insurance	Employment injury insurance	Medical insurance	Maternity insurance
Guangzhou	20%	2%	0.5-1.5%	8%	0.7%
Eastern PRD					
Shenzhen	9%	1%	0.5-1.5%	7%	0.5%
Dongguan	11%	1.5%	0.5-1.5%	2%	0.5%
Huizhou	11%	1.5%	0.5-1.5%	2%	0.5%
Western PRD					
Zhuhai	10%	1%	1%	7%	0.5%
Foshan	11%	2%	1%	7%	0.5%
Jiangmen	11%	2%	1%	7%	0.5%
Zhongshan	8%	1%	0.5%	2%	0.5%

Source: The Consulate General of the Kingdom of the Netherlands in Guangzhou,
http://www.cgguangzhou.org/pages/EA/Market%20Sector%20Reports/c_indusurvey.html

Table 3.3 Satellite-detected urban expansion and cropland loss in the PRD, 1989-1997

City/County	Urban Change (ha)	Urban Change (%)	Cropland Change (ha)	Cropland Change (%)
Eastern PRD				
Baoan	14,941.08	233.33	-4268.90	-16.33
Dongguan	23,478.90	125.71	-62,965.90	-64.13
Shenzhen	3,219.12	306.65	-3201.66	-75.00
Western PRD				
Foshan	533.61	8.33	-3,201.66	-85.71
Nanhai	8,004.10	60.00	-28,281.30	-50.96
Shunde	3,735.28	58.33	-2,134.40	-13.33

Sanshui	0.00	0.00	-37,886.30	-54.62
Zhongshan	3,201.60	24.00	-43,222.40	-58.27
Zhuhai	5,869.71	1,100.00	-4,268.88	-61.54
Doumen	1,600.83	75.00	-6,403.30	-28.57
Xinhui	1,601.44	27.27	-22,411.60	-42.86
Jiangmen	2,134.44	133.33	-2,134.44	-50.00
Central PRD				
Guangzhou	4,802.50	20.45	-21,344.40	-47.62
Panyu	1,067.22	14.29	-18,676.40	-52.24
Zencheng	0.00	0.00	-24,546.10	-47.92

Source: Weng (2002), Table 2

3.3 A leading light industrial base of the PRD

Although in general the western PRD has fallen behind the eastern PRD in terms of the GDP output, some local economies in the western PRD are really strong. For example, three of the four “Tigers of Guangdong”, namely, Nanhai, Shunde and Zhongshan, are located in the western PRD. These “Tigers” have made the western PRD a strong manufacturing base and a growing source of exports. Shunde, Nanhai, Zhongshan, Xinhui, Taishan, and Kaiping also topped in the list of the national 100 county-level jurisdictions in terms of comprehensive economic capacities.

The strong economy of those cities is sustained by leading industries scattered in different cities and townships in the region. As a matter of fact, the western PRD has become an important manufacturing base in the country, famed for household furniture, electrical appliances such as air conditioners, electric fans, refrigerators, microwave ovens, gas water heaters, cooker hoods, lights and light fitting, and a range of other goods. As a result, specialized manufacturing towns for certain products have emerged. These towns have out-competed the rest of China in one or two specific industrial products. The leading industrial products in the western PRD are outlined in Table 3.4.

To further develop its manufacturing sector, each city in the western PRD has its own state-level or provincial-level industrial zones, offering a wide range of preferential policies to attract foreign investment. Many foreign-invested enterprises have been established in these zones, indicating the potential of industrial development in the region. The major industrial

zones include Jiangmen High-Tech Industrial Development Zone, Foshan National High-Tech Industrial Development Zone, Xinhui Jingguzhou Economic Development Experimental Zone, Zhuhai High-Tech Industrial Development Zone, and Zhongshan National Torch High-Tech Industrial Development Zone.

Table 3.4 The share of selected products of the western PRD in China, 2001

Microwave ovens	75%
Air conditioners	25%
Gas water heaters	20%
Refrigerators	12%
Cooker hoods	12%
Electrical fans	50%
Electric rice cookers	50%
Lamps and lanterns	55%
Ceramic products	35%
Shipping containers	40%

Source: Field trip interviews with local governments, July and November 2003

3.4 Constraints of the western PRD

So far, the competitive capability of the western PRD lies in its manufacturing sector towards the domestic consumer market. However, the western PRD has shared many problems that are commonly observable elsewhere in the PRD, including:

- ❑ Weak capabilities in R&D
- ❑ Weak producer and professional services at the international standards
- ❑ Keen competition and less cooperation among PRD cities
- ❑ Institutional pitfalls

Weak capabilities in R&D

The PRD is currently a “global factory” with few distinguished brands of its own. The PRD is the world’s largest manufacturing base of certain manufactured goods, such as toys, clothes, mobile phones, TV monitors, air conditioners, computers, digital cameras, ink-jet printers, DVD players, bicycles and so on (Yeung, 2003).

However, this production base has been formed largely by the combination of foreign investment, technology and business services with an almost inexhaustible pool of cheap labour from inland provinces. It is so far sustained by price-competitive rather than innovative products. Though it has a strong manufacturing capacity for certain goods, the PRD itself has few well-known brand names of its own in international markets. This development pattern is a result of a weak research and education foundation and little R&D input. In fact, the fast economic growth of the PRD in the past two decades has been mainly based on its advantages of cheap land and labour and high reliance of foreign capital and technology, resulting in “buyer-driven” industrialization.¹

¹ “Buyer-driven” industrialization refers to the industrialization process that brand name companies, especially those in light consumer goods industries, have relocating their manufacturing to wherever the production costs are low. The firms in newly industrialized countries compete for contracts based on low fee and produced the products in developing countries based on the specification and design from the buyers. Such production relocation has resulted in trade-led industrialization in developing countries. See Gereffi (1994).

Weak producer and professional services at international standards

Low value-added manufacturing makes the PRD's economy in the very low-end of a global value chain. Perhaps due to comparative weakness in human capital and business knowledge, value creation is mainly confined to the buyer-driven production in the PRD. Although currently 45% of the PRD's GDP are from the tertiary industry by statistics, advanced producer and business services in the PRD are not enough to attract and sustain higher value-added manufacturing.

About 71% of utilized foreign direct investment (FDI) in the Guangdong were invested in the secondary industry in 2003 (Guangdong Statistical Bureau, 2003). Until the Closer Economic Partnership Agreement (CEPA) is effective, Hong Kong's role of supporting services such as management and finance is constrained by the restricted accession of foreign firms to Chinese service markets. While a global industrial cluster has already emerged in the PRD, high-level supporting services that add values to manufacturing and enhance productivity are developed slowly.

Keen competition and less cooperation among PRD cities

The PRD is not entirely a uniform economic entity but rather a constellation of discrete regions with different levels of administration and development. Under the context of China's decentralization reforms, it is expected that every local bureaucracy will seek to expand its revenues by competing investments and by undertaking new projects whenever possible. To a certain extent, all jurisdictions of the PRD share similar resource endowments: surplus labour but scarce capital and a low technological level. Such similarity of resource endowments in combination of the bottom-up development strategy resulted from the decentralization reforms seems to offer a justification to intercity competition for outside investment.

Indeed, each government jurisdiction in the PRD has its own development agenda with less concern on the development plans of neighbouring cities. The provincial government lacks resources and authority to coordinate local development as most development projects

are initiated and financed at the local level. Although competition among the cities in the PRD contributes to their dynamic growth, the lack of overall planning has also created many problems like duplication of infrastructure and development projects, zero land price for luring investment, and less cooperation on the flows of goods and services around the PRD.

Institutional pitfalls

Due to relatively slow progress in political reforms, it is hard to predict, on a prior ground, whether the Chinese economic system will be remade on the Western market model. Until now, governments in the PRD, not the market, are still playing a leading role in deciding the nature of development. Businesses are still not done in ways fully compatible with international conventions in many respects. Though the governance capacities of the municipal governments are improving, governments at the town level remain ineffective and inefficient in planning and management. The institutional pitfalls mean that it is still a long way for the business environment of the PRD to be regularized in full compliance with market rules.

In comparison with the eastern PRD, the western PRD is for the time being facing two additional challenges that affected its competitiveness.

- ❑ Weak road linkage to Hong Kong
- ❑ Lower international attachment

Weak road linkage to Hong Kong

Hong Kong has been played an important, if not leading, role on the development in the PRD, by providing capital as an investor and by linking the PRD with global production network as a middleman. The significance of Hong Kong on the PRD development can be reflected, to some extent, by an increasing gap between the eastern and western PRD in terms of development level (Table 3.5). In the earlier phase of PRD industrialization in the 1980s, the GDP of the western PRD was much larger than that of the eastern PRD. The GDP of the

western PRD was RMB 5.6 billion and 38.8 billion in 1980 and 1990 respectively, compared with 1.7 billion and 28.5 billion in the eastern PRD in corresponding years. However, the western PRD was overtaken by the eastern PRD in the 1990s. By 2002, GDP of the eastern PRD surpassed that of the western PRD (RMB 345.5 billion vs. 310.5 billion), indicating a faster growth of the eastern PRD.

Table 3.5 GDP of cities in Western and Eastern PRD, 1980-2002

Year	GDP (at current price) (100 million)		
	1980	1990	2002
<i>Western PRD</i>			
Zhuhai	2.61	41.42	406.27
Zhongshan	7.22	51.06	415.67
Jiangmen	18.73	100.55	663.82
Foshan	16.77	136.73	1,168.66
Zhaoqing	10.62	58.50	450.22
<i>Sub-total</i>	55.95	388.26	3,104.64
<i>Eastern PRD</i>			
Shenzhen	2.70	171.67	2,256.82
Dongguan	7.04	64.62	672.89
Huizhou	7.54	48.79	525.20
<i>Sub-total</i>	17.28	285.08	3,454.91
Guangzhou	57.55	319.60	3,001.48

Sources: Guangdong Statistical Bureau (1999; 2003)

It is believed that the eastern PRD has faster development due to its direct land transport link to Hong Kong, which made the eastern PRD more easily take benefits from Hong Kong's intellectual and financial capital (Enright et. al, 2003). Although the western PRD is geographically adjacent to Hong Kong, the absence of direct road linkage to Hong Kong has marginalized the position of certain its cities such as Zhuhai as a platform for serving western Guangdong as well as Southwest China.

Weak international connection

Perhaps due to their relative isolation from Hong Kong, cities in the western PRD have weaker international connection than their eastern counterparts in eastern PRD. Table 3.6 shows the statistics on exports and used foreign capital in the PRD in 2002. It is clear that the western PRD had a much smaller share than eastern PRD on foreign investment and export. Indeed, the share of foreign investment declined from 33% in 1990 to 27% in 2002 and the share of export declined from 32% in 1990 to 20% in 2002. This indicates that the western PRD maintained a relatively unfavourable position to actively involve in international markets over the past 10 years. Assuming that all jurisdictions in the PRD have no big differences in the initial level of development and have made similar efforts to advance their economies, one may conclude that the locational disadvantage of the western PRD may be a significant contributing factor to such weak international connection.

Table 3.6 Comparison of foreign investment and export between eastern and western PRD in 2002

Indicators	Utilized Foreign Investment (US\$ billion)	Share in PRD (%)	Export (US\$ billion)	Share in PRD (%)
<i>Guangzhou</i>	2.65	17.66	13.78	12.23
<i>Eastern PRD</i>	8.38	55.76	76.17	67.64
Dongguan	2.15	14.30	23.73	21.08
Shenzhen	4.90	32.63	46.54	41.33
Huizhou*	1.33	8.83	5.89	5.23
<i>Western PRD</i>	3.99	26.58	22.67	20.13
Zhuhai	0.94	6.24	5.20	4.62
Zhongshan	0.77	5.09	5.72	5.08
Jiangmen	0.74	4.93	2.95	2.62
Foshan	1.00	6.68	7.89	7.00
Zhaoqing*	0.55	3.63	0.90	0.80
<i>PRD</i>	15.02	100.00	112.61	100.00

Source: Guangdong Statistical Bureau (2003)

Note: * The data for Zhaoqing and Huizhou cover the whole city. Yet only part of them belongs to the Pearl River Delta.

4. Local government strategies for future development: jurisdiction-by-jurisdiction

There are five prefecture-level cities, Zhuhai, Zhongshan, Foshan, Jiangmen and Zhaoqing, in the western PRD with different development levels. The project has examined the development strategies of these cities that are outlined in this section. Table 4.1 presents the key indicators of the western PRD by city in 2002. Table 4.2 summarize the main development strategies of cities in PRD.

Table 4.1 Key indicators of western PRD by city in 2002

Indicators	Zhuhai	Zhongshan	Jiangmen	Foshan	Zhaoqing ¹	Western PRD
Area (sq km)	1,688	1,800	9,541	3,848	14,856	31,733
Hukou population (Million)	0.79	1.36	3.81	3.39	3.91	13.26
Temporary population ² (Million)	0.50	1.03	0.14	2.01	NA	NA
GDP (RMB billion)	40.63	41.57	66.82	123.14	45.42	317.57
GDP per capita (RMB)	51,426	30,564	17,537	36,324	11,617	23,950
Industrial Output (RMB billion)	106.62	134.62	166.99	289.73	70.88	768.83
Utilized Foreign Investment (US\$ billion)	0.94	0.77	0.74	1.00	0.55	3.99
Total Exports (US\$ billion)	5.20	5.72	2.95	7.89	0.90	22.67
Government Revenue (RMB billion)	3.12	3.12	2.57	8.50	1.30	18.62
Government Expenditure (RMB billion)	4.18	3.50	3.64	10.42	2.70	24.44
Bank savings (RMB billion)	29.72	46.29	57.83	153.59	22.50	309.94

Source: Guangdong Statistical Bureau (2003); Liang (2003: 55).

Note:

1 The data for Zhaoqing cover the whole city. Yet only part of the city belongs to the Pearl River Delta;

2 The data on temporary population is based on the difference in the usual population from 2001 census and hukou population in 2001.

4.1 Zhuhai

Zhuhai hosts one Special Economic Zone of China. The city has three districts, Doumen District, Xiangzhou District and Jinwan District. According to the new general urban plan approved by the State Council, Zhuhai is one of the central cities in the PRD. It will become a modern port city, science and education city, scenic and tourism city, and as a regional hub for

Table 4.2 Urban strategic development of the PRD by city

City	Strategic development
Central PRD	
Guangzhou	Vigorously advancing industrialization, information technology and internationalisation; earnestly developing as an economic hub, a culturally well-known city, a scenery municipality; building up a modernized metropolis which leads Guangdong, influences South China, and impresses Southeast Asia.
Eastern PRD	
Shenzhen	Focusing on improvement of international competitiveness; developing as an international city with Chinese characteristics, a high-tech industrial cluster, a modern logistics hub, a regional financial centre, a coastal tourist city, and a culturally and ecologically high-class city.
Dongguan	Developing as a regional modern manufacturing famous centre; transforming from an international manufacturing factory to an international manufacturing famous centre; transforming from a fairly well-off society to a basically modernized society; sustaining an export-oriented economy and expanding a domestic-oriented economy, and continuing to be a leader of provincial economy.
Huizhou	Developing as a world-class petrochemical industry, solidifying information technology, and expanding exports and trades.
Western PRD	
Zhuhai	Developing as one of central cities in the PRD, a modernized port city, a high-tech, educational and research base, a tourist city, a regional transportation hub, and an export base of high value-added products.
Zhongshan	Focusing on enhancement of urban competitiveness; actively promoting information technology, industrialization and urbanization; developing as a regional centre of light industry in the western PRD led by high-tech and export-oriented industries.
Foshan	Developing as a manufacturing giant and the third largest city in Guangdong; and exploring and promoting city's historical and cultural heritages.
Jiangmen	Developing as a regional manufacturing centre with high quality of ecological environment and a high degree of economic openness.
Zhaoqing	Developing as a modern industrialized city with attractive environment for business, a garden city good for living and tourism.

Sources: Economic plans of individual cities; field interviews

transportation. An attractive and clean environment and good deep-port conditions are two advantages of Zhuhai. Endowed by a long coastline, Zhuhai is the only city on the western PRD with natural deep-water ports, among which Gaolan Port is one of the leading ports in Guangdong province.

The charming environment, a wide range of supporting infrastructures and the deep-water port serve as a big magnet for foreign capital. Indeed, the utilized foreign investment reached US\$ 0.94 billion in 2002. Among the top 500 enterprises worldwide, 19 of them have investment projects in Zhuhai such as EssoMobil, British Petroleum, Siemen, Carrefour and Matsushita. Hong Kong is still the largest foreign investor in Zhuhai accounting for 22.0% of total utilized foreign investment in 2002.

Industrial Development

Industrial development focuses on five new high-tech and heavy industries including electronics, computer software, biotechnology and pharmacy, machinery and equipments as well as petrochemical industries. Aiming to strengthen the existing industrial base as well as to provide a better environment for the development of new high-tech industries, the local government has taken the initiative in developing five economic zones (See Figure 4.1).

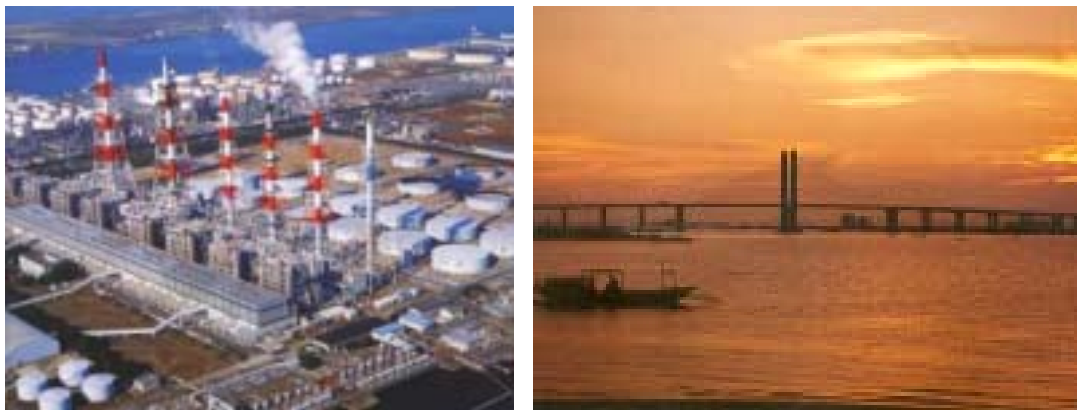


Figure 4.1 Harbour Industrial Zone (left) and Hengqin Economic Development Zone (right)
Sources: Guide to investment Harbor industrial zone, Zhuhai; Hengqin Economic Development Zone

- ❑ Zhuhai High-Tech Industrial Development Zone
- ❑ Zhuhai free trade zone
- ❑ Harbour industrial zone (provincial level)
- ❑ Wanshan ocean development testing zone (provincial level)
- ❑ Heng Qin economic development zone (provincial level)

Higher Education in University Park

Developing a university park is Zhuhai's strategy to strength its high-tech and IT industries. Compared with Beijing and Shanghai, Zhuhai and other cities in Guangdong province face a serious shortage of talents and professionals that will undermine Zhuhai's strategy to develop new high-tech industries. The local government takes a major initiative to

establish a university park with an area of 20 km², the only one in the western PRD.

In order to attract famous universities in the country to establish their campuses in Zhuhai, the city government announced “Preferential policy for establishing higher education campus in Zhuhai for key higher education universities in mainland China” in 2000. It offers a series of incentives to the universities, such as free land and teaching staff allowances. Zhongshan University was the first university to establish a campus in the university park (Figure 4.2). Currently, 11 universities have been operating in the university park, providing undergraduate and postgraduate education to 38 000 students. The university park plans to house 17 universities and the number of students will reach 180 000 eventually.



Figure 4.2 The Zhuhai campus of Zhongshan University

Source: The University Town of Zhuhai City

Next to the Zhuhai Campus of Zhongshan University, Zhuhai Scientific Innovation Coast is also a magnet to attract talents and professionals. This innovation coast is actually a development zone, giving priority to such high-tech industries as electronics, biotechnology, optical, mechanical and electrical integration as well as the development of new materials

Tourism development

The attractive environment and natural landscapes win Zhuhai the reputation of a garden city and a model city of best living environment. In 2002, the city attracted 1.30 million

international tourists and 3.64 million domestic tourists. Following Guangzhou and Shenzhen, Zhuhai is the third city in Guangdong province earning the largest foreign exchange from international tourism, which amounted to US\$ 0.5 billion in 2002.

Realizing the substantial benefits brought by tourism, the local government is restlessly improving the existing tourist spots and exploring more new tourist resources. The local government is particularly looking for new tourist spots in Hengqin, Dong'ao, Hebao, Qi'ao and Yeli.

4.2 Zhongshan

Zhongshan is one of the “four little tigers” in Guangdong. Its population and economy are equivalent to a county-level city in PRD although it is a prefecture-level city. A good environment and proximity to Hong Kong and Macao are two advantages of the city.

Development of manufacturing towns

In the 1980s, Zhongshan had a relatively developed SOE sector that was used to stimulate the TVE development in the countryside. Currently, the SOE sector is much weaker and the economy is dominated by various specialized manufacturing towns. Each of these towns is specialized in making a particular product. Most of the towns are so successful that they earn a reputation as a leading manufacturer in their own pillar industries. Indeed, “One industry in one town” has become a unique economic feature in Zhongshan (Table 4.3).

One major problem in the city is fragmented industrialization and urbanization. There are over 100 industrial zones. Zhongshan's economy is based on light and labour intensive industries. Foreign investment and TVEs play an important role. Its development is shaped by Shunde in the west part of the city, Zhuhai in the southern part of the city and Guangzhou in the northeast part of the city.

Table 4.3 Pillar industries in various specialized manufacturing towns in Zhongshan

Towns	Pillar Industries
Dachong	Mahogany furniture
Dongfeng	Electric household appliance
Guzhen	Light fitting products
Huangpu	Foods
Shaxi	Casual wear
Xiaolan	Locks and hardware

Industrial development zone



Figure 4.3 Zhongshan Torch High-tech Industrial Development Zone is a growth point for new high-tech industries in Zhongshan.

Source: Zhongshan Torch High-tech Industrial Development Zone.

Apart from various specialized manufacturing towns, an industrial development zone has been developed in Zhongshan (Figure 4.3). There are three industrial bases, a national torch high-tech and new industry base, a national health industry base, a national packaging industry base. Zhongshan Torch High-tech Industrial Development Zone was developed in the east of the city by Ministry of Science and Technology and the governments of Guangdong province and Zhongshan in 1990. Following the possible development in Nansha, the city considers its eastern part, with about 400km² land available, as a focus of development.

4.3 Foshan

Foshan is close to Guangzhou but relatively far away from Hong Kong. Foshan considers its link with Guangzhou very important. Guangzhou-Foshan metropolitan region is being formed. Foshan's administrative system was re-organized recently and 4 county-level cities became its urban districts in 2000 to solve the problem of excessive inter-city competition especially between the central city of Foshan and Nanhai.

Industrial Development

Following Shenzhen and Guangzhou, Foshan is the third largest manufacturing base in the PRD. Foshan used to have a strong SOE sector but its current economic strength lies in the private firms and TVEs in Shunde and Nanhai. The private firms contributed 56.12% of the industrial output while HK/Macao/Taiwan funded firms contributed 63.44% of export in Foshan in 2002. Key industries in Foshan include:

- ❑ Household electrical appliance and tool manufacturing
- ❑ Non-metal ore and manufacturing
- ❑ Electronics and communications
- ❑ Stainless steel products
- ❑ Plastic products

Table 4.4 The pillar industries of various specialized manufacturing towns in Foshan

Towns	Pillar Industries
Beijiao	Household electrical appliance
Chencun	Flower and horticulture
Dali	Aluminum products
Lecong	Furniture production and distribution
Nanzhuang	Building materials
Xiqiao	Tourist and textile products
Yanbu	Underclothes

Similar to Zhongshan, towns in Foshan are specializing in a particular industry, which are demonstrated in Table 4.4. Some of them even have developed their own brands that are well known at home and abroad, such as Midea, Kelon, Jianlibao and Foshan Lighting. “One industry in a town” is also a distinctive feature of Foshan’s economy especially in its Shunde district.

Foshan National High-tech Industrial Development Zone

Apart from traditional industries such as household electrical appliance, ceramics, textiles, plastic and beverages, Foshan also attempts to develop new high-tech industries with priority on electronics, digital optics, biotechnology, environmental-friendly household electrical appliance and new material. In order to encourage the development of such new high-tech industries, the local government has designated Foshan National High-tech Industrial Development Zone where enterprises specialized in high-tech industries are not only supported by a wide range of infrastructures and services, but also enjoy various incentives in terms of taxation, finance, credit and loan, land, human resources and so on. In recent years, Foshan National High-tech Industries Development Zone serves as a new magnet of foreign capital. Currently, there are over 50 enterprises from the US, Japan, Sweden, Canada, Italy, Taiwan and Hong Kong setting up their companies in the zone.

Development strategy

Foshan aims to become a manufacturing giant and the third largest city in Guangdong. It will make large-scale investment in the construction of infrastructure such as transportation, energy. Urban development will focus on two central urban districts: the central urban group and Shunde urban group each with more than one million inhabitants.

4.4 Jiangmen

Jiangmen is closer to Hong Kong and Macao than most cities in western PRD except Zhuhai and Zhongshan. Jiangmen is endowed by rich land resources with a total area of 9,541 km², taking up a quarter of the total area of the whole PRD. It administrates three districts (Pengjiang, Jianghai and Xinhui) and four county-level cities (Taishan, Kaiping, Heshan and Enping). Jiangmen is also the famous hometown of 3.68 million overseas Chinese, who live in 107 countries and regions in the world. Rich land resources and strong overseas connections are two major advantages of Jiangmen city.

Jiangmen was not only selected by the state as a pilot city of a nationwide informationization programme, but also chosen by Pacific Economic Cooperation Council (PECC) as a trial city of the Regional Integration for Sustainable Economies (RISE) project. According to the recent “Report on Investment Environment in China 2003” by the World Bank, Jiangmen ranked no. 4, after Shanghai, Hangzhou and Dalian, among 23 cities in China under evaluation. Among various indicators, Jiangmen stands out in infrastructure, labour redundancy, proportion of joint ventures in all firms, informal payment to government, taxation, productivity and investment rate.

Industrial Development

Similar to other cities in western PRD, the manufacturing sector plays a significant role in Jiangmen’s economy. The pillar industries in Jiangmen include the manufacturing of motorcycles, household electrical appliance, electronics, paper, food processing, chemical fibres and garments, textiles and stainless steel products. Some of them have even developed famous brand names nationwide. For example, Haojue 125 motorcycle series, Jingling washing machines and Vinda paper enjoy a large share in the national market (Figure 4.4).





Figure 4.4 An assembly factory of Changjiang Group (left) and Vinda Paper (right)
Source: People's Government of Jiangmen and Jiangmen Municipal Committee of CPC (2003)

Similarly, to make use of rich water resources and the long coastline, the local government also plans to develop a harbour industrial zone with heavy industries such as petrochemical and machinery industries. Besides, various industrial zones with a wide range of supporting infrastructures are developed to facilitate industrial agglomeration and attract investment.

Development strategies

As the largest city in the western PRD, Jiangmen has adopted the following development strategies (Planning Bureau of Jiangmen City et al., 2003).

- Urban proper of Jiangmen will become a strong economic centre in the western PRD.
- Through cooperation with other regions in China, develop new and high-tech industry.
- Develop the manufacturing sector on a large scale to make use of rich land resources.
- Develop tourism and protect the environment.

- Develop an ocean economy.

Spatial development will adopt the strategy of “developing one area and three lines”. The development will focus on the urban proper of Jiangmen (three urban districts) and the south, middle and north lines. The south line extends along the coastal expressway. The middle line extends along the east and west coasts of Yinzhou lake. The north line extends along the Guangzhou-Zhanjiang expressway. The city will develop four main economic areas: the central urban district of the city, Yinzhou lake economic area, coastal economic area and economic area along transport axes.

Among four economic areas, Yinzhou lake economic area will be the key development area. Tianma port has a strategic location and excellent natural conditions for port development in the western PRD (Yeung et al., 2003). It is located in Yinzhou Lake inside Yamenkou, the so-called Yamen Channel. The Yinzhou Lake has an area of 65km². Its water depth is 8-13m on average and the water current in the lake is gentle. It can accommodate vessels up to 10,000 DWT (dead weight ton). It is one of the two river channels in the Pearl River System, Yamen Channel in the south and Fumen Channel in the north, that can support the navigation of ships over 10,000 DWT. Tianma port has been designated as a regional hub port, similar to the status of Nansha, by the governments of Guangdong, Jiangmen and Xinhui. Harbour industries and logistics services will be developed in the surrounding areas of the port.

4.5 Zhaoqing

In the western PRD, Zhaoqing is the most remote from Hong Kong and Macao. It administrates Duanzhou district, Dinghu district, Gaoyao city, Sihui city, Guangning county, Fengkai county, Deqing county, Huaiji county and Guangdong Zhaoqing High-tech Industry Development Zone. But only the urban proper of Zhaoqing (Duanzhou district and Dinghu

district), Gaoyao city, Sihui city and the High-tech Industrial Development Zone are considered part of the PRD. However, for convenience of analyses, this section uses the data for the whole Zhaoqing. Economic development is concentrated in the PRD part of the city while the rural hilly counties are least developed

Industrial development

Zhaoqing is undergoing a shift from a traditional agricultural economy to an industrial city. Food and beverages, building materials, electronics, micro bioengineering, chemicals, equipments and machinery, textile and garments are the pillar industries. Duanzhou, Gaoyao and Sihui are being developed as the export-oriented industrial bases.



Figure 4.5 Dawang Industrial Park.

Source: Zhaoqing Municipal Committee of CPC & People's Government of Zhaoqing City (2003)

To facilitate industrial development in Zhaoqing, the local government has made great efforts in establishing various industrial zones/parks offering good infrastructures and attractive incentives to the investors. There are over 70 industrial zones/parks in the city. The largest one is the Guangdong Zhaoqing High-tech Industrial Development Zone, with an area of 109 km², that consists of two industrial parks, Sanrong Industrial Park (9 km²) and Dawang Industrial Park (100 km²) (Figure 4.5). There is an export processing and trade zone Dawang Industrial Park.

Development strategies

As a less developed city in the western PRD, Zhaoqing city attempts to attract capital investment through improvement in investment environment. Promoting private and foreign investments and developing industrial parks are three key strategies of Zhaoqing city. Making the best use of its natural environment, Zhaoqing aims to become a garden city, ecological city and modernized large city in China.

In the next five years, the city government will implement ten big projects:

- Expansion of urban proper towards the east and the south with the best urban planning, construction and management.
- Develop the eastern and southern industrial areas to become a modern manufacturing base of the world.
- Promote economic development in the hilly areas and counties and upgrade their industrial zones.
- Construction of an industrial corridor of science, technology, education and culture to nurture knowledge economy. Develop a science and technology park and a university park through cooperation with famous universities and research institutions at home and abroad.
- Increase capital investment for infrastructure construction.
- Promote the reform and development of state owned enterprises (SOEs).
- Develop tourism spots and industry.
- Construction of an “education city” and a “cultural city” to enhance the quality of human resources.
- Construction of “digital Zhaoqing”.
- Enhance environmental protection.

The above projects would certainly enhance Zhaoqing's strengths. But Zhaoqing may not be competitive in some aspects such as the Science Park and University Park. Zhaoqing's advantages lie in the following aspects. It has its own river port. It has convenient river, highway and railway transportation with cities in Greater PRD and other parts of China. As part of the PRD region, Zhaoqing has rich land resources and cheap labour for industrial development. It is an ideal place for hosting labour intensive industries from more developed cities in the PRD. The city also has great development potential in tourism.

5. Development trends in the western PRD and their impacts on Hong Kong

From the analyses of advantages and disadvantages of the western PRD as well as development strategies of individual cities, the following development trends in the western PRD can be identified.

- Industrialization as a major driving force for economic growth
- Increasing international production integration
- Accelerated urbanization
- Changing roles of market and government

5.1 Industrialization as a major driving force for economic growth

Industrialization has been the driving force of the rising development level in the PRD. The GDP per capita in the PRD increased from RMB 731 in 1980 to RMB 34,295 in 2002, well over the average in Guangdong and China (Table 5.1). Table 5.2 present 10 industrial sectors in the PRD each contributing RMB 10 billion of value added in 2002. The manufacturing of electronic and telecommunication equipment was an outstanding sector in the PRD, contributing 23.26% of the total industrial value added in the PRD region.

Table 5.1 GDP per capita in western PRD, PRD, Guangdong and China, 1980-2002

<i>Year</i>	<i>Western PRD</i>	<i>PRD</i>	<i>Guangdong</i>	<i>China</i>
1980 (RMB)	Na	731	473	460
1985 (RMB)	Na	1,729	982	855
1990 (RMB)	Na	4,524	2,395	1,638
1995 (RMB)	Na	18,242	7,973	4,754
2000 (RMB)	Na	27,863	12,885	7,078
2002 (RMB)	22,820	34,295	15,030	7,997
2002 (US\$)	2,757	4,143	1,816	966

Source: Guangdong Statistical Bureau (2002; 2003); National Bureau of Statistics (2002); Shen (2002)

Note: US\$1=RMB8.277 in 2002; Western PRD includes the whole prefecture-city of Zhaoqing

Table 5.2 Key industrial sectors with value added over RMB10 billion each in PRD in 2002

Sector	Value added
Total	370.99
Electronic and telecommunication equipment	86.30
Electric equipment and machinery	37.70
Electric power, steam and hot water production and supply	37.52
Raw chemical materials and chemical products	18.80
Metal products	16.89
Transport equipment manufacturing	16.06
Plastic products	14.22
Garments and other fiber products	12.99
Textile	12.55
Non-metal mineral products	12.53
Other	105.43

Source: Guangdong Statistical Bureau (2003)

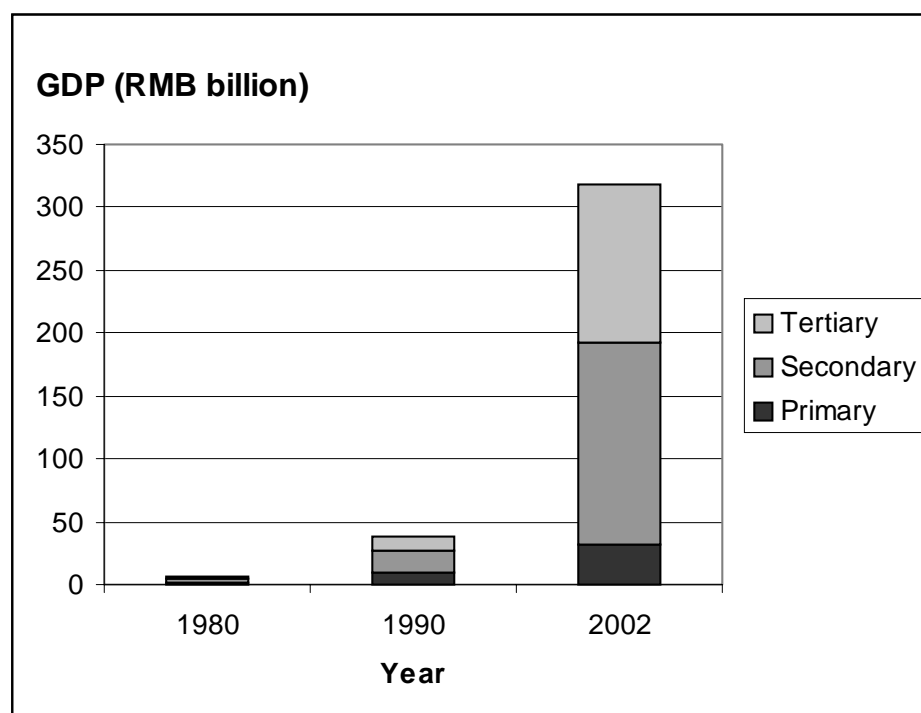


Figure 5.1 GDP growth by sector in western PRD 1980-2002

Source: Guangdong Statistical Bureau (1999; 2003)

Similarly, manufacturing becomes increasingly important in the western PRD. Its GDP in the secondary sector grew from RMB 2.25 billion to RMB 162.16 billion, while the GDP in the tertiary sector grew from RMB 1.29 billion to RMB 124.37 billion in the period 1980-2002 (Figure 5.1). As a result, the share of the primary sector in the GDP declined from 36.67% to only 9.78% while the share of the secondary sector in the GDP further increased from 40.19% to 51.06% in the same period (Figure 5.2). By 2002, the secondary sector contributed over half of the GDP in the western PRD.

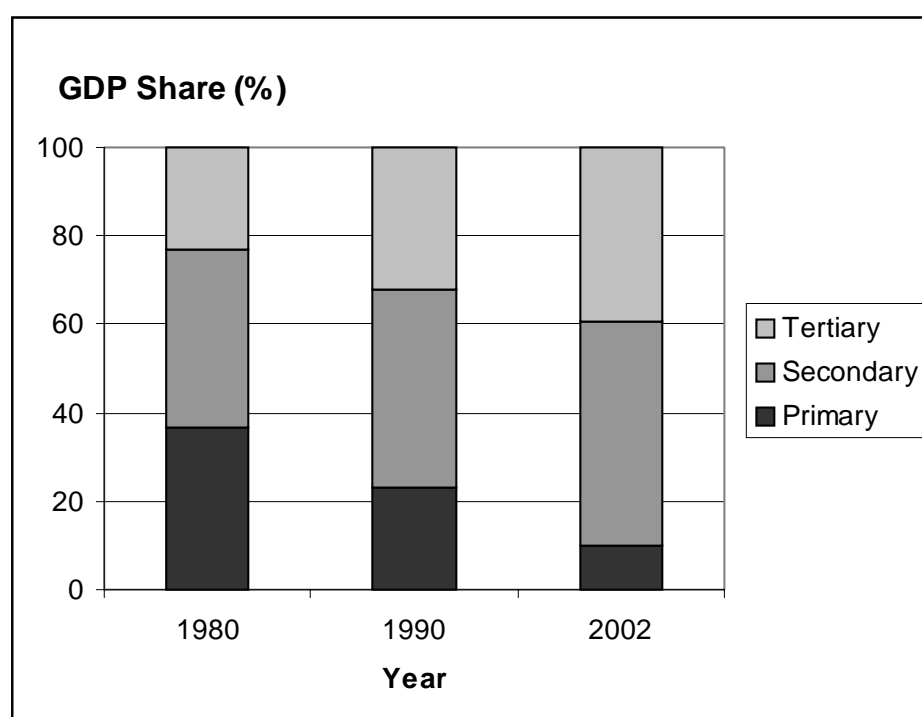


Figure 5.2 GDP share by sector in western PRD 1980-2002 (%)

Source: Guangdong Statistical Bureau (1999; 2003)

Judged from the current driving forces of the economy, one can predict that industrialization in the PRD will continue in the future. Manufacturing industry has accounted and continues to account, for most of the PRD's output and growth. It is also an important base of local revenue and employment. The creation of a powerful industrial city is therefore the leadership's aspiration in all cities of the PRD (Table 4.2). One strong message from table

4.2 is that building up the manufacturing capacity is one major strategic objective of the PRD cities. Each city aims to develop its pillar manufacturing industries and form a competitive industrial system. Industrialization is a continuing trend of economic restructuring in all cities of the PRD.

At present, the manufacturing structure in the PRD is uneven. In the 1980s and early 1990s, the PRD manufacturing industries were concentrated in clothing, toys, footwear, and other light manufacturing products. Since the late 1990s, the eastern PRD has made efforts to build up its foundation for IT-related electronic and telecommunication products, while the western PRD continued to consolidate its capacity for household-related products. Now the eastern PRD has a large cluster of electronics assemblers and parts supplies.

In the foreseeable future, the development trend in the region is that the eastern PRD will focus on technology-intensive sectors and the western PRD will continually improve its domestic market-oriented light industries. To cope with the challenge of rising production costs and to be ready for new waves of development, the eastern PRD will need to shift some of labour-intensive manufacturing industries to elsewhere. Cities of the western PRD can pick up some of this “industrial relocation” from their eastern counterparts. Of course, the construction of the Hong Kong-Zhuhai/Macao Bridge will improve its links with Hong Kong and the western PRD that will be better positioned to develop more overseas market-oriented industries.

To the policymakers of the western PRD cities, industrialization is a crucial driver of their economic growth in the face of increasing economic disparities with the eastern PRD. However, the prospect of manufacturing industries in the western PRD is limited by its lack of value-added components in the whole commodity chain. Although the western PRD already has its own specialized products and specialized markets, it has few internationally well-known brands. The western PRD lacks high-end activities such as R&D, product development, marketing and branding to add values to its pillar products. A competitive edge

in the western PRD's industry will depend in the near future upon a more sophisticated producer and professional services that are beyond its current capacity. In an increasingly competitive business environment, both domestically and globally, the difference between high and low profits of manufacturing industries depends not so much upon prices and the scale of production as upon producer services. If the western PRD has to go for value added capability, it will create an opportunity to form a partnership between the western PRD's manufacturing base and Hong Kong's producer service sector.

5.2 Increasing international production integration

One key difference in the development between the eastern and western PRD is the international connection. As pointed out earlier, the western PRD is a smaller recipient of FDI, including capital from Hong Kong, which made it in a relatively unfavourable position in the current buyer-driven industrialization in the PRD. In addition to the smaller inflow of FDI, the western PRD, like other places in China, is also still relatively new to the global business environment after opening for 20 years. In particular, its international business exposure and networks as well as its professional and managerial skills still leave room for improvement. To strengthen their local manufacturing capacity and economic competitiveness, cities in the western PRD plan to insert their pillar manufacturing industries into a global production network by forming joint venture enterprises or partnerships with brand name companies and/or technology leaders.

Increasing integration of the western PRD into a global production network will create a challenge to Hong Kong's small and medium firms. While the western PRD devotes many efforts to integrate into the global production network, its reliance on Hong Kong in the process may drop in relative terms. This is because there are some differences in the aim, form and scale of investment between Hong Kong investors and other foreign firms such as Japanese and US firms. The US and Japanese firms generally aim at China's market

penetration in the long run and tend to establish long-term contracts and invest on a larger scale, whereas Hong Kong firms usually take advantage of the processing or assembling arrangements on a short-term basis. From the local perspective, while Hong Kong companies provide capital and create employment, they contribute less in technology transfer and competitiveness improvement.

Nevertheless, with the global reach of Hong Kong companies, they can play important role in the international integration of the western region with the global economy through the provision of advanced business services and marketing.

5.3 Accelerated urbanization

The development of manufacturing industries has transformed the economic structure in the western PRD and resulted in rapid urbanization. The pace of urbanization in the western PRD follows as a “knock on” effect from industrialization. According to the PRD city cluster planning, two megalopolis clusters, each anchored on one side of the PRD, will be formed. Such megalopolis cluster is a group of cities and towns of varying sizes, structured along a railway corridor and linked by transportation networks. Each city and town develops its specialization. These two urban clusters are a concentration of production, consumers, and purchasing power that incubate new forms of economic development. By 2000, the urbanization level reached 49.2% (Development and Planning Commission of Guangdong Province, 2003: 112). This level will be further increased in next 20 years.

In the context of rapid urbanization, there is an eminent trend for cities to integrate and merge for further prosperity in the PRD. Although the PRD is rapidly urbanizing in terms of population structure and land use, productive and efficient megalopolises have not yet emerged because the flow of labour, goods, information and capital are still not completely free between the cities and towns within the urban system.

Due to their rapid industrialization, many counties in the western PRD have acquired the

status of county-level or prefecture-level cities. While an increasing in the number of cities can be seen as a consequence of industrialization and an indication of rapid urbanization, it is also erecting more internal political boundaries within the region restricting resource flows. Local governments often use such administrative boundaries to protect their localized markets, resulting in inefficient utilization of resources and duplication of infrastructure (e.g. container ports, airports, convention centres and university towns). Such duplication of infrastructure and services fails to take advantage of economies of scale.

Realizing the existence of such excessive competition and the wastage of resources, the central and provincial governments are reorganizing the urban system of the PRD, including the western urban cluster. This reorganization, featuring integration of county-level cities into several strategic cities, aims to recede existing obstacles to resource flows, to efficiently use resources, to more effectively manage the provision of land and social services, and to expand development space for those cities that can perform the function of a regional centre. Overall, the integration of infrastructure and resources of localities is a positive step to enhance the western PRD's competitiveness and its manufacturing status in the domestic and international markets.

From the perspective of service sector, the increasing proportion of urban population suggests that consumption services are likely to become more important in the western PRD's economy. Given the rural-urban disparities in income and consumption, an increase in urbanization level means increasing purchasing power and generating a comparatively large consumption market for both domestic and imported goods that demand for higher-level retail services and logistics business.

At the same time, there is a growing public concern over the urban living environment, particularly better housing, demonstrated by the fast development of quality housing market in the region. So far the local level of consumption-related and estate-related services lags behind the level of Hong Kong. Therefore Hong Kong, an entrepôt and a distribution centre

for South China for decades, can assume an even more important role in the urbanization process of the western PRD. So far this is not happening. The challenge for Hong Kong businesses is to identify how such market opportunities can match the company's business strategy and, more importantly, company's capabilities to serve the growing needs of higher-quality consumer goods and better housing in western PRD.

5.4 Changing roles of market and government

After two decades of economic reform, market forces are playing an important role in the economy of the western PRD. Many cities now emphasize the role of the private sector and foreign investors to develop their economy. China's WTO entry and the CEPA agreements with Hong Kong and Macao further opens the domestic market for foreign companies especially those from Hong Kong. This will greatly facilitate the penetration of Hong Kong companies into the mainland market as Hong Kong companies have rich market knowledge and experience. Under the principle of the market economy, the capital, land and labour resources would be put into most efficient use and various participants will be rewarded according to their contribution. To gain the most benefit from such market economy in the western PRD, Hong Kong companies have to enhance its competitive edge to win the domestic market.

Nevertheless, city governments in the western PRD still play their crucial role in steering economic development, in a manner of local development state, by designing their local development strategy, attracting external investment and making large-scale investment in infrastructure such as highways, railways and seaports. Different from Hong Kong, public resources are used flexibly and swiftly by city governments to achieve their development goals, resulting in the waste of resources sometime. There is fierce competition among various cities for industries, talents and foreign investment.

For example, all cities in the western PRD regard manufacturing as the engine of

economic growth. Many of them have ambitious plans to develop new and high-tech industries. Various industrial parks have been designated to attract foreign investment. For another example, all cities plan to invest heavily in highway construction. More often than not, such individual city based development often results in uncoordinated development and duplication of industries and infrastructure. Such problems have long been noticed by various city officials (CPU, 2003), but it is difficult to avoid such problems in the reality as each city government has substantial planning and financial power in local development.

The above condition poses difficulties for HKSAR government to cooperate with various PRD cities in economic development, and infrastructure construction and environmental protection. More effective coordination mechanism is needed in the Greater Pearl River Delta.

6. Hong Kong's actions in perspective

6.1 Conceptual framework of cross-boundary development

The previous section has outlined the development strengths, constraints, trends and opportunities in the western PRD region. This section will recommend actions that different stakeholders such as the business sector, semi-public bodies, as well as the Hong Kong government could take forward to foster closer economic cooperation between Hong Kong and the western PRD.

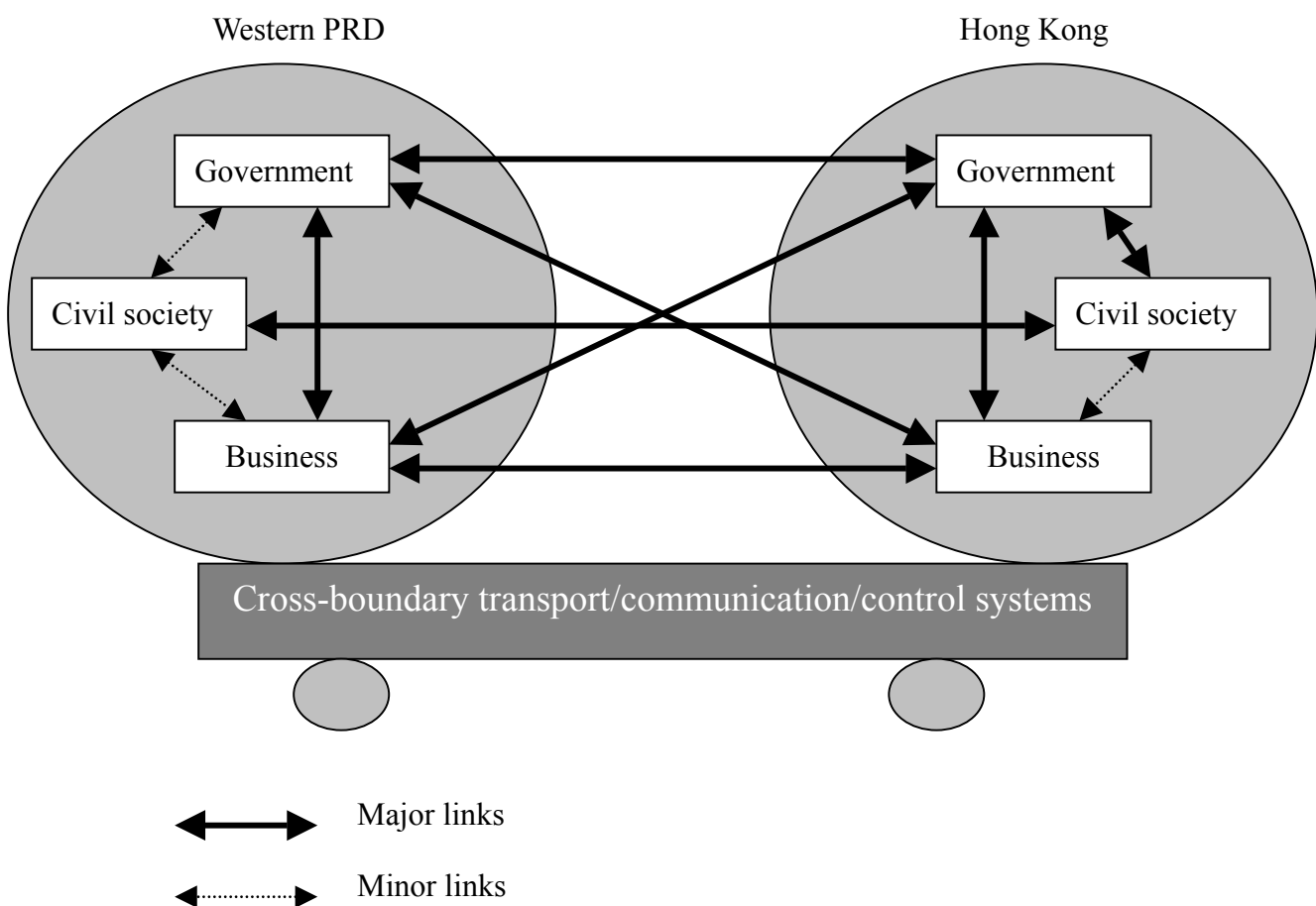


Figure 6.1 A conceptual framework of cross-boundary development

Figure 6.1 presents a conceptual framework for analysing issues of cross-boundary development. Hong Kong and the western PRD are considered as two entities in cross-boundary development. Each of them has three components, government, business and civil

society (including semi-public bodies) according to a governance perspective. Within each entity such as Hong Kong, there are complicated relationships and interactions, consensus or conflict, among government, business and civil society. Cross-boundary development relies heavily on the relationship and interaction, cooperation or competition, between the governments, businesses and civil societies in Hong Kong and western PRD.

Figure 6.1 also shows different political/social/economic systems in the western PRD and Hong Kong. In western PRD, there is a close relation between government and business in which government often plays a leading role in economic development while the civil society plays a less important role. In Hong Kong, there are strong interactions between government and business and between government and the civil society. The government in Hong Kong plays a facilitating role while the business sector and the civil society have powerful influences on government policies. The interaction between civil society and the business sector is less significant. In terms of cross-boundary development, the government-to-government, government-to-business and civil society-to-civil society relations between Hong Kong and western PRD are most important.

Other than these crucial soft links, the cross-boundary development depends on hardware especially cross-boundary transport/communication systems for the flow of goods, vehicles, people, information and money.

6.2 Problems of cross-boundary development

Based on the fieldwork and our understanding of the cross-boundary development between Hong Kong and the western PRD, a number of issues that need to be solved by governments, businessmen and various organizations in Hong Kong and the PRD are identified as follows:

- Inadequate mutual understanding of the operation, regulation and planning of

governments

- ❑ Inadequate exchange between government officials of two sides
- ❑ Inadequate exchange between government officials and businessmen
- ❑ Lack of formal/informal channels for government policies, planning and information
- ❑ Inadequate knowledge of business operation and related regulation
- ❑ Different degrees of government intervention and regulation
- ❑ Different business environment
- ❑ Lack of cross-boundary companies² who can effectively take advantages in both sides
- ❑ Tight travel control on businessmen in western PRD coming to Hong Kong
- ❑ Congestion and delays in boundary-crossing check-points
- ❑ Lack of official channels for the circulation of RMB between two sides
- ❑ Negative impacts of close integration such as crime and corruption
- ❑ Lack of long-term plan and strategy of the cross-boundary relations
- ❑ Lack of broad framework for cross-boundary development
- ❑ Inadequate government coordination and commitment on cross-boundary development

Various issues mentioned above could be categorized as four key tasks that need to be addressed in order to take full advantage of economic interaction:

- ❑ To improve cross-boundary transport system and boundary-crossing facilities
- ❑ To facilitate governmental cooperation
- ❑ To reduce trade barrier to investors and service providers
- ❑ To develop a transparent business environment in the western PRD

² Here a “cross-boundary company” refers to a company that is registered in both mainland China (as a domestic company rather than a foreign company) and in Hong Kong. It has fully fledged business in both sides rather

6.3 Recent advancement in cross-boundary development

The ultimate aims of cross-boundary development are to stimulate further economic development in Hong Kong and the western PRD, to enhance overall regional competitiveness of Hong Kong-PRD region, to facilitate convenient trade, investment and business services in the PRD region by Hong Kong business sectors and to help the western PRD to attract more foreign investment and increase its international trade and export. Reducing trade barrier and developing a transparent business environment in the western PRD to close the gap in economic system between Hong Kong and the western PRD are two fundamental tasks to be completed. Government-to-government cooperation is essential while further improvement in cross-boundary transport system and boundary-crossing facilities would facilitate economic integration between Hong Kong and the western PRD.

During the period when this project was conducted in the latter half of 2003 and early 2004, much advance has been made in the cross-boundary relations between Hong Kong and the mainland China that also applies to the relations between Hong Kong and the western PRD. Some of these key developments are as follows.

First, the preparation for the construction Hong Kong-Zhuhai/Macao Bridge has started. All officials and planners in the cities of the western PRD we met during our visits to the PRD share the same view as HKSAR government. They strongly believe that the bridge will facilitate cross-boundary trade and economic cooperation between Hong Kong and the western PRD. Therefore the bridge will benefit economic development in the western PRD.

Second, the CEPA agreement was signed officially on 29 June 2003. Hong Kong's business sector would benefit from zero custom duties for exporting 273 categories of products manufactured in Hong Kong to the mainland from January 2004. As the barrier for service trade would be reduced, Hong Kong companies can engage in 18 kinds of services in

the mainland. The CEPA agreement provides a comprehensive framework for developing closer economic relations between Hong Kong and the western PRD. Some PRD cities such as Jiangmen have been active to seek new development opportunities arising from CEPA. Jiangmen city has completed a study on the opportunities and challenges brought by CEPA.

Third, individual tourists from PRD cities, in addition to Beijing and Shanghai, have been allowed to apply for travel permits to visit Hong Kong. This measure, as part of CEPA, facilitates close interaction between Hong Kong and the PRD cities. People in the PRD cities now are finding it easy to deal with business issues in Hong Kong and acquire business and professional services from Hong Kong.

Fourth, Hong Kong banks will be able to deal with RMB in Hong Kong in early 2004. This solves the RMB circulation problem partially.

With the above measures, some issues hindering regional integration between Hong Kong and the western PRD have been solved, at least partially. Some issues are being solved but some time is needed before it is materialized, such as the construction of Hong Kong-Zhuhai/Macao Bridge. This also means that advance planning and strategy are needed to deal with many issues of cross-boundary development. Some issues can only be solved after many years of preparation, discussion and implementation.

Nevertheless, the above policy advancements especially CEPA are encouraging steps to move further in the regional integration between Hong Kong and the western PRD. With the strong support of the central government, the implementation of CEPA and the willingness of the cities in western PRD to cooperate with the government and businessmen in Hong Kong, it is a golden time for Hong Kong side to work together with partners in the western PRD to consolidate and further expand the economic linkages and opportunities. After all, the western PRD is one of the closest areas to Hong Kong with abundant land and labour resources as well as a good economic base. By identifying development and business opportunities that will bring huge benefits to both sides and solving the barriers and constraints for cross-boundary

cooperation, it is expected that both Hong Kong and the western PRD's economies will benefit from this new and expanding development horizon.

6.4 Recommended actions for Hong Kong actors

Regarding the issues identified above, various parties need to take actions, as shown in Table 6.1, to solve these issues and to enhance economic cooperation and regional integration between Hong Kong and the western PRD. The following outlines the actions need to be taken by HKSAR government, business sector and semi-public bodies in Hong Kong.

HKSAR government

HKSAR government is the regulator of social and business activities in Hong Kong, the facilitator and coordinator of cross-boundary relations especially for Hong Kong participants. It needs to enhance its official level exchange and coordination with the governments in PRD cities, Guangdong province and the central government.

The government unit responsible for Hong Kong-PRD relations should be expanded and given much more resources. A permanent secretariat for the Guangdong-Hong Kong Co-operation Joint Conference should be established to act as a platform for close exchange and cooperation between the government of the two sides.

It should help to make the policies, regulation and planning processes in PRD cities much more transparent to investors especially from Hong Kong. Under the CEPA agreement, the HKSAR government should seek to minimize business barriers and facilitate the entry of business sector from Hong Kong to PRD cities. By trade barriers, we refer to the following situations in western PRD. First, the entry barrier for Hong Kong investors and service providers as they are treated as non-mainland companies. Some of these are dealt with under CEPA currently. Second, business practices do not conform to international standards. Third, government intervenes in the business and market from time to time. HKSAR government

needs to get in touch with Hong Kong investors and companies to find out what specific trade

Table 6.1 Actions to be taken by various stakeholders on the relationship between Hong Kong and the western PRD

<i>Issues</i>	<i>Central Gov.</i>	<i>G.ov. of GD and PRD cities</i>	<i>HKSAR Gov.</i>	<i>Business sector</i>	<i>Semi-public bodies</i>
Inadequate mutual understanding of the operation, regulation and planning of governments		√	√		√
Inadequate exchange between government officials of two sides	√	√	√		
Inadequate exchange between government officials and businessmen		√	√	√	
Lack of formal/informal channels for government policies, planning and information	√	√	√		√
Inadequate knowledge of business operation and related regulation		√	√	√	√
Different degrees of government intervention and regulation	√	√	√		
Different business environment				√	√
Lack of cross-boundary companies who can effectively take advantage in both sides				√	
Tight travel control on businessmen in western PRD coming to Hong Kong	√	√	√		
Congestion and delays in boundary-crossing check-points	√	√	√		
Lack of official channels for the circulation of RMB between two sides	√		√		
Negative impacts of close integration such as crime and corruption		√	√		√
Lack of long-term plan and strategy of the cross-boundary relations		√	√	√	√

barriers they face. It also has to work closely with PRD side to solve these problems.

HKSAR government should have a clear vision on the long-term cross-boundary relations. Long term planning should cover areas of cross-boundary infrastructure, water supply and environment conservation, migration and population growth, tourism, medical and welfare provisions for Hong Kong residents in the mainland.

To facilitate cross-boundary flows and circulations of information, people and goods, HKSAR government should take its own initiatives to develop new boundary-crossing facilities and technology to reduce the border delays to the minimum, including automatic checking of vehicles and passengers with most advanced technology. The HKSAR government should make necessary investment in cross-boundary infrastructure.

It should also work closely with the business sector, to seek their views and needs in the cross-boundary activities, and to act swiftly.

The business sector in Hong Kong

The business sector is the key player in the further development of economic relations between Hong Kong and the western PRD. It should continuously consolidate its competitive edge in the professional services, business services, logistics, financing, banking, international trading, marketing and acquisition of advanced technology and management practices.

Hong Kong's business sector should play a leading role in upgrading the business management, operation and services to international standards in the western PRD. Making use of its rich experiences and global linkages, the business sector should act as agents to connect the western PRD to the international market.

The export processing facilities in the western PRD should be upgraded continuously to produce higher and higher value-added products to gain more returns for capital, land and labour. Thus the business sector should actively seek business opportunities in the international markets and in the western PRD simultaneously.

Networking numerous Hong Kong firms with firms in western PRD and multinationals would be a useful strategy in the age of intense competition, change and uncertainty. Establishing and expansion of cross-boundary companies and business alliances, which operate simultaneously in Hong Kong and the western PRD, would make the economic integration more smoothly, reducing duplication and over-competition.

Semi-public organizations in Hong Kong

Semi-public organizations such as universities, research institutions, political parties and others can play an important role in the social and cultural exchange between Hong Kong and the western PRD. Some of these organizations possess good knowledge of the economies and societies in both sides. They can be the best and most appropriate platforms to share, discuss and shape the strategies and visions of long-term development and cooperation between Hong Kong and western PRD. Such exchanges would be useful for the governments in both sides to formulate official development strategies and plans.

Semi-public organizations can also offer valuable insights and advices to the governments and business sector in their pursuit for fruitful achievements and interests. Semi-public organizations should actively engage in the above activities.

They should also seek close liaison with their counterparts in the cities of western PRD in various conferences, seminars, forums and projects. With some public and private funding, regular seminars and forums should be hold in Hong Kong and PRD cities respectively.

Semi-public organizations should also have frequent exchanges with governments and business sector to be aware of the latest policy and business development and to play their roles effectively.

6.5 Recommendations for cross-boundary development

The previous sections outline the directions for stakeholders to take actions to tap into the opportunities in western PRD. In this section, recommendations on four themes are proposed as concrete projects for possible implementation by HKSAR government, business sector and semi-public organizations.

Hong Kong-Zhuhai/Macao Bridge: Railway option

The construction of Hong Kong-Zhuhai/Macao Bridge is a must to enhance the transport links between Hong Kong and western PRD and reduce the travel time between two areas significantly. The bridge will also allow Hong Kong to make use of national coastal expressway to reach areas further west such as western Guangdong and Guangxi.

Whether the bridge should support railway services especially for passengers has not been decided. The project team recommends that the bridge should provide railway services for long-term interest although the cost of bridge construction will probably be doubled. There is no attempt to conduct a detailed feasibility study here. But the trends of cross-boundary flow between Shenzhen and Hong Kong should highlight the needs of railway services for passengers travelling between Hong Kong and the western PRD in the future.

First, the annual passenger flow between Hong Kong and Shenzhen (land-boundary crossing) reached 117.63 million in 2002 (CSD, 2003b). The boundary-crossing facilities are under constant pressure. Without KCRC railway service to Lowu, it is difficult to image how so many passengers can be dealt with by passenger vehicles. Currently a second railway terminus is being constructed at Lok Ma Chau to cope with further increase in passenger flows especially involving mainland residents.

Second, the growth in the volume of goods vehicle and passenger flow goes hand in hand. In 2002, vehicular traffic movements through the three control points at Lok Ma Chau, Man Kam To and Sha Tau Kok reached 12.4 million (CSD, 2003b). It is not realistic to suggest that the passenger flows between Hong Kong and the western PRD will be modest while the volume of goods vehicle will grow explosively. Increasing in trade and goods transportation means that an increasing number of people will have to travel for both business and leisure to western PRD.

Third, if the strategy of developing the western PRD is successful, we expect that both the passenger volume and goods vehicles will experience explosive growth in a matter of 5-15 years after the completion of the bridge. From 1985 to 2002, the volume of cross-boundary

vehicles increased from 1.66 million in 1985 to 8.47 million in 1995 and 12.40 million in 2002. The volume of cross-boundary passengers between Hong Kong and Shenzhen increased from 20.69 million in 1985 to 49.85 million in 1995 and 117.63 million in 2002. It is clear that there has been an increase of 30-50 million passengers in a matter of 10 years. As bridge construction is a long-term project, the railway option should be built into the project.

Fourth, the greater development potential in the western PRD than the eastern PRD as outlined in this report only means that the growth of passenger and goods traffic may be even faster and stronger than what eastern PRD has experienced. Thus a bridge with a railway service will be a good investment for the long-term interest of Hong Kong.

Promoting export from the western PRD

This report has indicated that there is a strong manufacturing base in the western PRD especially in the manufacturing of electrical household appliances, motorcycles, light fittings, metal and hardware products, furniture and China products. Hong Kong business sector can play an important role in designing and developing new products, marketing and promoting products from western PRD in the overseas market.

Currently, both the domestic and international markets are equally important for most products from the western PRD. But there is great potential to expand the production scale and increase export to international market. The financial and logistics services in Hong Kong can also facilitate and benefit from such expansion. The bridging role of Hong Kong in the trade between the western PRD and the world should be enhanced.

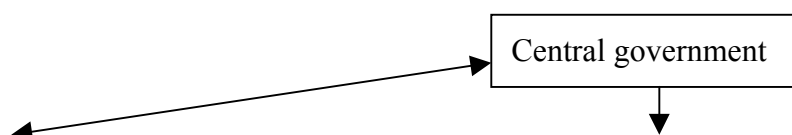
Furthermore, governments and business sectors in Hong Kong and the western PRD can jointly hold manufacturing and trade exhibitions and overseas promoting tours. Hong Kong should aim to become the centre of information and trade so that overseas buyers will come to Hong Kong regularly for procurement.

One recent example that Hong Kong business sector can play an important role in

promoting the western PRD and attracting foreign investment is the projects of DCH/SIMS Industrial Park and Logistics Hub in Xinhui district, Jiangmen city initiated by two Hong Kong based companies, Dah Chong Hong Ltd (DCH) and Sims Trading Company Ltd (SIMS) (DCH and SIMS, 2003). This is a major new industrial park development in the western PRD specifically designed for food processing, manufacturing and distribution industries, including a state-of-the-art logistics hub service for third parties. The industrial park, with a land area of 533,000 m², is being developed by phases over a six-year development period. Other than their own investment, DCH and SIMS will also attract foreign investment to form joint ventures in the industrial park. During the first stage of development, two joint ventures have been formed, DCH/F&N Foods Pty Ltd joint venture for evaporated milk production, with one partner from Singapore, and DCH/Globalway Corp Ltd joint venture for edible oil manufacturing, storage and distribution. The construction of two projects will be completed by the end of 2004.

Hong Kong-Jiangmen cooperation

The project team recommends that the mode of cooperation between Hong Kong and western PRD at government level should extend to individual cities. Currently, HKSAR government has close interaction with the central government and the provincial government of Guangdong (Figure 6.2). There is almost no formal links between Hong Kong and individual cities in PRD. It is considered that it will be more effective for Hong Kong to develop close cooperation relations with the governments of individual cities in the western PRD (Figure 6.3). Such city-to-city cooperation may bring more business opportunities to Hong Kong investors and make it easy to solve various problems in cross-boundary development such as trading and investment.



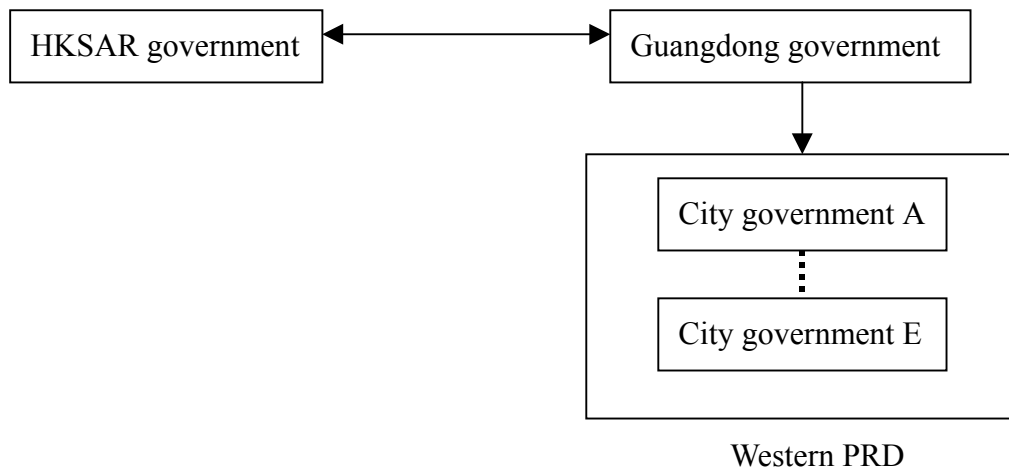
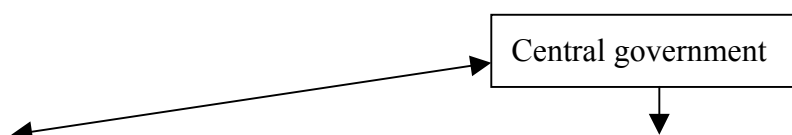


Figure 6.2 Current mode of Hong Kong and the western PRD cooperation at government level

To start such mode of cooperation at government level, the project team suggests that Hong Kong-Jiangmen can be the first pair of cities to establish such cooperation. Among five cities in western PRD, Jiangmen city has the most abundant land resources and is also relatively close to Hong Kong after the Hong Kong-Zhuhai/Macao Bridge is completed. Jiangmen city has three urban districts and four county-level cities under its administration. It has an area of 9 541 km², accounting for 25% of the total area in PRD, 50% of the western PRD and ten times of the area of Hong Kong. Foshan is another important city in the western PRD but is relatively far away from Hong Kong. Foshan has more closer economic links with Guangzhou due to its geographical proximity. Zhaoqing city is even more far away from Hong Kong than Foshan. On the other hand, Zhuhai and Zhongshan are close to Hong Kong. They have higher levels of development. But their area is much small, 1,688 km² in Zhuhai and 1,800 km² in Zhongshan. There is still much land available in Zhuhai and Zhongshan for urban and economic expansion. But in long term, Jiangmen offers the greatest potential for economic cooperation with rich land and water resources.



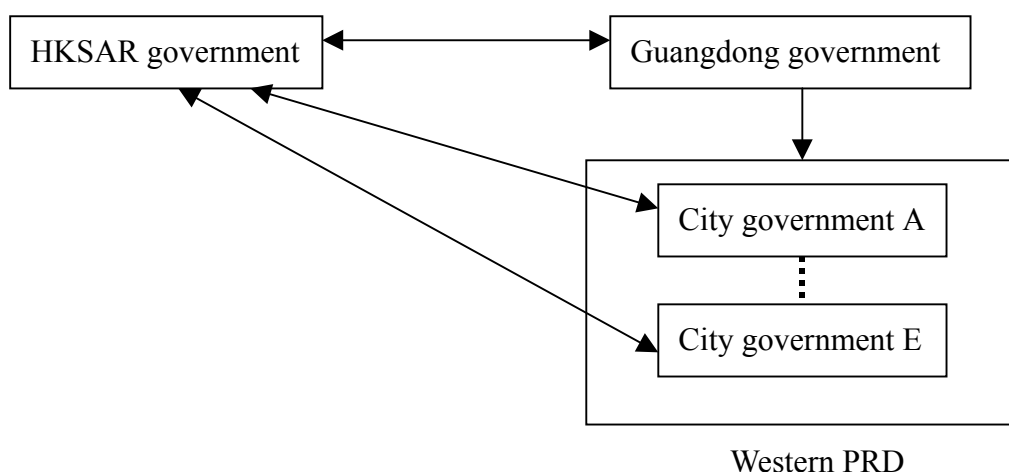


Figure 6.3 Proposed mode of Hong Kong and the western PRD cooperation at government level

Currently, Jiangmen has a medium development level in the western PRD. The city and its leaders are most eager to make use of CEPA to establish close economic links with Hong Kong. They have conducted their own study of their city's urban competitiveness and the opportunities and challenges brought by CEPA. Some Hong Kong investors have already established their business in Jiangmen. By the end 2002, a total of 1 638 firms have been established by Hong Kong and Macao investors, accounting for 80% of all firms invested by external and foreign sources. Hong Kong and Macao are the sources of 77% of foreign investment. Manufacturing accounts for 73% of total foreign investment (Jiangmen CEPA study team, 2003: 16). During the period 1998-2002, total foreign investment in Jiangmen was US\$3.627 billion, of which US\$3.551 billion was FDI. In year 2002, total foreign investment was US\$0.741 billion and FDI US\$0.735 billion (Liang, 2003: 16).

The project team recommends that HKSAR government and Jiangmen Government should meet to explore the development opportunities brought by CEPA and to reach substantial agreements regarding incentives policies for Hong Kong investors and companies to invest and do business in Jiangmen. Initially, a memorandum between the two governments can be signed. Through dialogue with business sectors, more detailed agreements and

arrangement can then be reached. Jiangmen city officials have a plan to organize a conference in Hong Kong in March 2004 to enhance cooperation between Hong Kong and Jiangmen.

Export education to the western PRD

In the age of globalisation and increasing competition in the domestic and international markets, the quality of human resources and the capability of innovation and R&D become the key to long-term success and prosperity. Compared with Beijing and Shanghai and western countries, the western PRD and Guangdong province in general are less well developed in terms of higher education and research capabilities except for a few well-known institutions in Guangzhou. On the other hand, as the world city in Asia and huge investment in higher education in past several decades, Hong Kong has several well-established universities offering quality education and research in many fields. Education seems to be an ideal area for cooperation between Hong Kong and the PRD. Export educational services to people in the western PRD would certainly be a win-win strategy for Hong Kong and the western PRD. Educational cooperation can take various forms in the following:

- Universities in HKSAR admit students from the western PRD for undergraduate and postgraduate studies
- Universities from HKSAR offer education programmes in the western PRD
- Universities of HKSAR and the western PRD offer joint education programmes
- Universities of HKSAR establish campuses in the western PRD to offer education programmes

Various institutional, financial and staffing issues have to be solved to use educational resources of universities in HKSAR. The quota to admit non-local students should be increased while the tuition fee for non-local students should be adjusted to reflect the

education cost in HKSAR. Universities should be encouraged to explore various ways of offering education in Hong Kong and the western PRD to reduce the education cost. Success of education cooperation would ensure long-term supply of quality human resources and economic prosperity in Hong Kong and the western PRD.

Acknowledgements

We would like to thank Miss So Man Shan for her assistance and participation in this research. Thanks are also due to Prof Zhong Yin for her help in the organization of the fieldtrip as well as various officials and planners in various cities in the PRD for sharing with us their views on their cities' development strategies and Hong Kong-PRD relationship.

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Appendix 1 Case studies

Case 1 Beijiao: Midea's Manufacturing Base of Home Electrical Appliance

Starting with an initial investment of RMB 5 000 on the production of bottle lids in Beijiao in 1968, Mr He Xiangjian has successfully turned Midea (Meide in Chinese) into an outstanding home appliance producer in China, whose sales revenue reached RMB 15 billion in 2002. The miracle of Midea's success can be dated back to 1980s. Surely 1980s was not only a great moment to Chinese economy and society, but also a breakthrough to Midea, which started its production of electric fans. This fruitful attempt marked the emergence of Midea as a home-appliance giant in both the national and international markets.

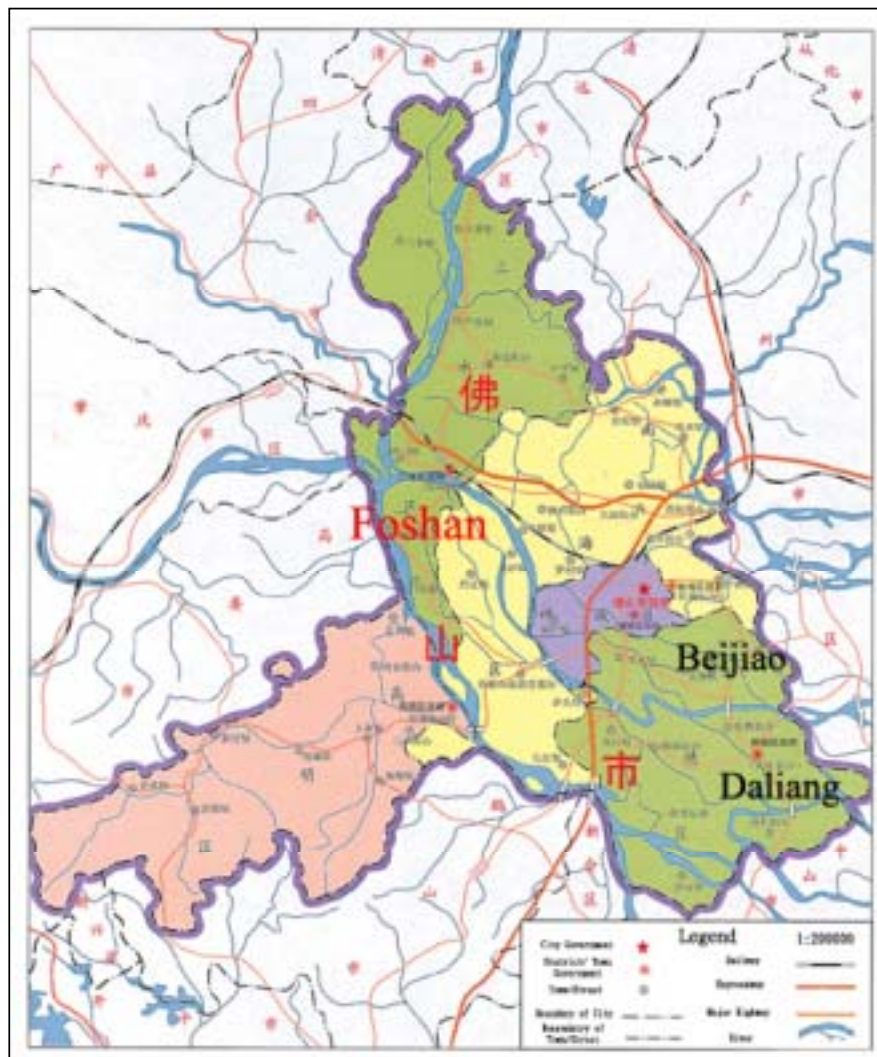


Figure A1.1 Locations of Midea's production bases in Shunde, Foshan

Source: Peoples' Government of Foshan, <http://www.foshan.gov.cn>

In the following 20 years, Midea has restlessly embarked on a wide variety of products, which range from electric fans, air conditioners, microwave ovens, dishwashers, rice cookers, water dispensers, domestic gas appliances, cooker hoods, heaters and vacuum cleaners to electronic controllers. Currently three production bases are in operation in Beijiao, Daliang and Wuhu in Anhui province, with a total of 20 000 employees (Figure A1.1).

Midea is particularly famous for its air conditioners. According to a recent survey in air conditioner industry conducted by the Development Research Center of State Council and the Ministry of Information Industry of China, Midea ranks second in the domestic market, taking up nearly 13% market share, which was under 1% smaller than the first manufacturer. As far as business air-conditioners were concerned, the sales revenue of Midea in 2002 was over RMB 600 million, doubling that in 2001.

Midea's mission is to offer customers with high-quality products using the latest technology. Indeed, quality and innovation are highly valued by Midea. An in-depth in-house quality control earns Midea a reputation of high quality. All the products of Midea are awarded the ISO9001 International Quality Certification. Midea's microwave ovens and cooker hoods were awarded the status of 'Exemption from National Examination' (*Guojia mianjian chanpin*) in 2002. On the other hand, Media puts a strong emphasis on R&D, which takes up 3% of sales income. An R&D team with over 99 staff, a technological development center at national standard and up-to-dated R&D facilities such as 3D-mold-making technology and thermal balance laboratory, to a very large extent, support Midea in new product development, design and production. Partnerships with Toshiba, Sanyo, National, NEC, Merloni Italy and Texas Instruments also enable Midea to stay with the latest technology. Surely quality and innovation are the keys of Midea's success.

Though OEM (Original Equipment Manufacturing) production seems to be the backbone of Midea, particularly in its initial stage of development, the enterprise is now moving toward high value-added production. In the near future, Midea plans to expand its

sales to RMB 30 billion and its exports to US\$ 500 million by the end of 2005. Yet the ultimate goal of Midea is to promote its brand overseas to make it well known worldwide.

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Case 2 Guzhen: China Lighting Capital

A 7-km long avenue along which countless specialized outlets of lighting fittings products stand on both sides and a brand new exhibition centre particularly tailored for lighting products make the small town of Guzhen gorgeous (Figure A2.1). Dubbed ‘China Lighting Capital’ by China Light Industry Council and China Association of Lighting Industry, Guzhen, a town on the northwest periphery of Zhongshan city, is the largest production base of lighting fittings in China and one of the top four distributing centres of lighting fittings worldwide (Figure A2.2). In 2001, Guzhen’s lighting fittings products controlled 60% of the national market while its exports rocketed to US\$ 250 million. The production of lighting fittings is such a pillar industry in Guzhen that the total outputs reached RMB 5 billion in 2001, accounting for nearly 88% of the total industrial outputs of the whole town.

The development of the lighting fittings industry in Guzhen can be traced back to the late 1970s when products such as table lamps and emergence lamps produced by TVEs were sold in the western region of China. Nevertheless, with the support of the government in terms of capital, land and policies, the first wave of development took place from the mid-1980s to early 1990s. Following the great success of the first China (Guzhen) International Lighting Fair held in 1999, Guzhen’s lighting fittings industry has undergone an unprecedented growth in recent years. Comparing with only 975 enterprises engaged in lighting fittings production in 1999, there were 1,432 enterprises by the end of 2001, employing about 40,000 people. Between 1999 and 2001, the total export also increased dramatically by six-folds from only US\$ 40 million to US\$ 250 million.

Nowadays a wide variety of lighting fittings products, ranging from crystal lamps, table lamps, wall lamps, ceiling lamps, palace lamps, pendant lamps and garden lamps to spotlights, are produced in Guzhen (Figure A2.3). These made-in-Guzhen lighting fittings products are not only sold in domestic market, but also popular worldwide, with large markets in the US,

the Middle East, South Africa and Europe. Awarded ISO9002 and other quality certificates issued by China, the US, European Commission and Canada, Guzhen's lighting fittings products are guaranteed with high-quality and considered to be very competitive at home and overseas. Nevertheless, further development of Guzhen's lighting fittings industry, to a very large extent, depends on a sizable creative and innovative professionals and more and more new product designs, which are in short at present.



Figure A2.1 Guzhen is dubbed 'China Lighting Capital'

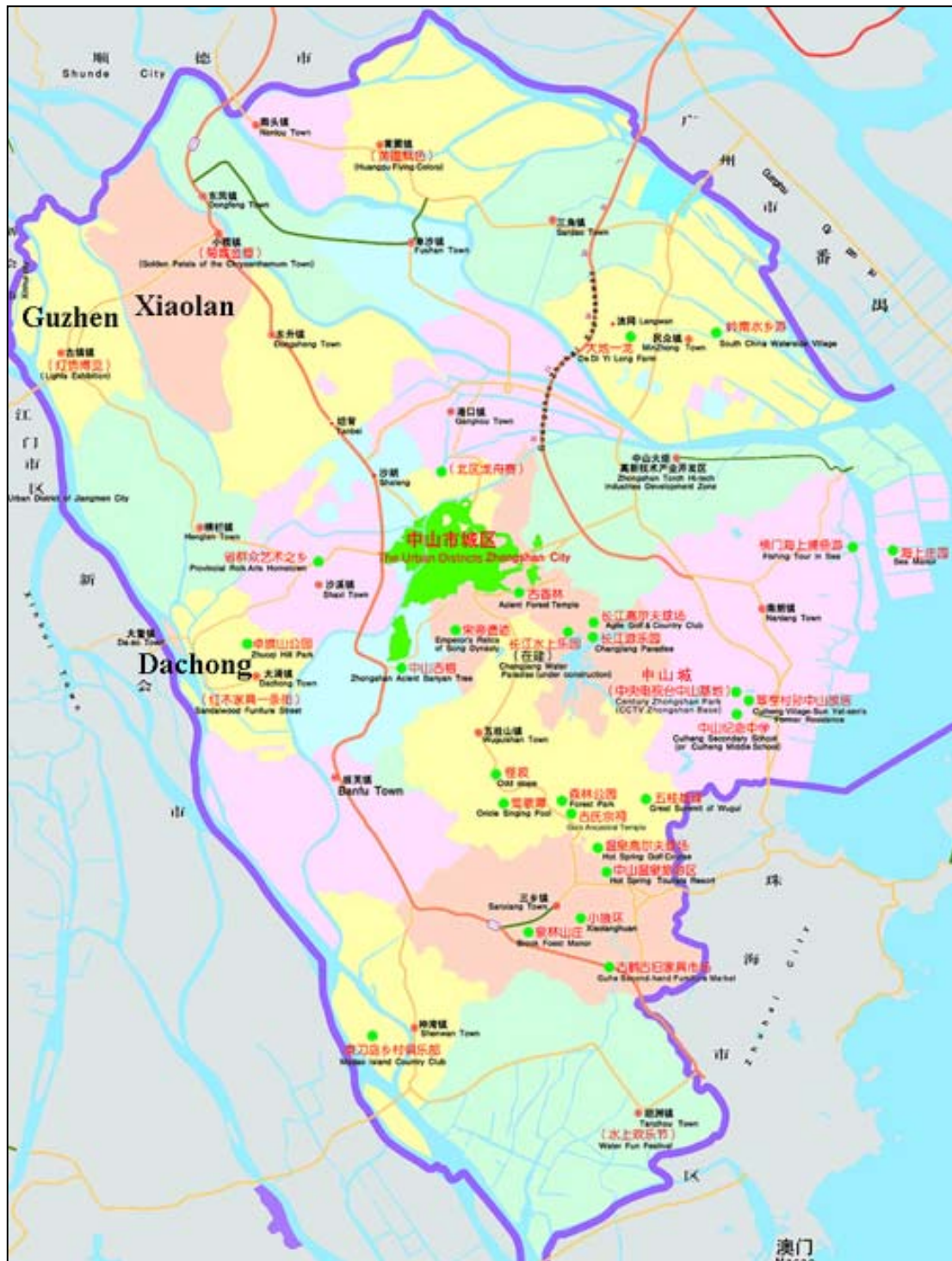


Figure A2.2 Guzhen, Xiaolan and Dachong are located at the periphery of Zhongshan City

Source: Tour in Zhongshan, <http://www.zhongshantour.com.cn/html/inter/aboutzs/location.htm>



Figure A2.3 Table lamps, crystal lamps and pendant lamps are the key lighting fittings products of Guzhen

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Case 3 Dachong: A Specialized Town of Mahogany Furniture

Controlling 60% of the national production of mahogany furniture in 2002, Dachong, a town on the southwest periphery of Zhongshan city (Figure A2.2), was dubbed the “Specialized Town of Mahogany Furniture Production of China” by China National Furniture Association in April 2003 (Figure A3.1). Its mahogany furniture has earned this small town a reputation at home and abroad. It is well known for its production of mahogany furniture in Guangdong-style that is competitive nationwide, even in Zhejiang and Jiangsu Provinces, that are the origins of mahogany furniture. The considerable export, reaching US\$ 4.3 million in 2002, shows that Dachong’s mahogany furniture is also popular worldwide, with large markets particularly in the US, Japan, Canada and Russia.

The production of mahogany furniture in Dachong can be traced back to the late 1970s when several carpenters started a workshop, producing broaching machines. Indeed, the early development of the mahogany furniture industry, to a very large extent, was driven by the carpenters from Zhejiang Province, who were experienced in making mahogany furniture. After the development for 20 years, the family-run furniture workshops in early years have become one of the pillar industries in Dachong. Currently there are a total of 496 enterprises engaging in the production of mahogany furniture in the town. Over a hundred specialized outlets on both sides of Qichong Road and Xingchong Road have formed an eye-catching avenue in the town. In 2001, the outputs of mahogany furniture reached RMB 598 million, accounting for nearly a quarter of the total industrial outputs of the whole town.

In order to consolidate its leading position in the production of mahogany furniture, producers in Dachong are restlessly upgrading their products and improving production techniques in recent years. In 2001, a technological development centre was established to develop and apply technology to the production of mahogany furniture. For example, the water-soluble paint, jointly developed by the centre and Xi’an Jiaotong University through a project involving investment of RMB 380,000, not only reduces the production cost, but also

enables the products to be more environmental friendly. The computerized drying system developed through a partnership with Guangzhou Institute of Energy Conservation of the Chinese Academy of Science, also makes the mahogany furniture more durable. Besides, under the quality control of the guild over all the mahogany furniture made in Dachong, products meeting the standards set by the town government are certified. To further develop the mahogany furniture industry, Dachong should put greater effort in registering design, image promotion and developing own brands that are not adequate currently.



Figure A3.1 Dachong is dubbed ‘Specialized Town of Mahogany Furniture Production of China

Source: Welcome to Dachong, <http://www.zs-page.com/dachong>

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Case 4 Xiaolan: A Booming Specialized Town

The chrysanthemum pageant that takes place every 60 years and the local people's enchantment with chrysanthemum have made Xiaolan, a town at the northwest periphery of Zhongshan City, a "City of Chrysanthemum" (Figure A2.2). However, Xiaolan is not only well known for its horticulture, but also famous for its locks, hardware and electronic acoustic appliances. The production of these products is currently the backbone of the local economy of Xiaolan.

Dubbed "Lock City of the South", Xiaolan controls 23% of the national market share. Indeed, there are production lines of such famous brands as Vantage gas stoves, Guli locks and St Allen nail clippers in Xiaolan. Surprisingly, over 30% of manufacturing enterprises in Xiaolan are engaged in locks and hardware production. Such production accounted for nearly 50% of the total industrial outputs of Xiaolan and employed more than 30,000 people in 2002. The success of Xiaolan in this sector brought it an unprecedented honour of being certified as "China Hardware Industrial Base" by China National Hardware Association in 2002.

In the meantime, a dynamic growth in the sector of electronic acoustics, which takes place in recent years, has also made Xiaolan the first "Electronic Acoustics Industrial Base" in China. In the past two years, over a hundred enterprises have started their business in this town. Enterprises, both local and foreign, specialized in the production of domestic stereo, DVDs, laser heads, high-tech digital audio equipment, loudspeakers, circuit boards and aluminum panels are clustering in this small town. Production bases of such foreign brands as ADS and Boston are operating in Xiaolan while Phillips, Toshiba, JBL, Onkyo and Jamo also run their OEM production there. In 2002, the industrial outputs of this sector reached RMB 4.6 billion, taking up nearly one-third of the total industrial outputs in the town. Xiaolan is ambitious to expand its sales revenue to RMB 30 billion and the foreign exchange to US\$ 1 billion by 2010.



Figure A4.1 Xiaolan Industrial Zone is located at the south tip of Xiaolan

Source: Zhongshan Longshan Industrial Park, <http://usa.prchardware.com/index.htm>

In order to upgrade their products and production techniques, both sectors are restlessly engaged in R&D. For example, a technology development centre specialized in the production of locks and hardware was set up in February 2003. The post-doctoral work stations and partnerships with universities also contribute to the technological upgrades of Xiaolan's hardware industry. On the other hand, an enterprise-based technology development centre with investment from a US-based acoustics stereo enterprise, AVlight was also established in Xiaolan Industrial Zone in 2002, aiming to upgrade the technology in the electronic acoustics industry of the town (Figure A4.1). To expand its sales of hardware products and electronic

acoustic appliance at home and abroad, Xiaolan also needs to put greater efforts in product promotion and marketing with possible participation of Hong Kong companies.

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Case 5 The University Park in Zhuhai

Facing a more serious shortage of talents and professionals than Beijing and Shanghai, Guangdong Province, in recent years, has restlessly engaged in developing university towns, which are located in Guangzhou, Dongguan, Shenzhen and Zhuhai. The University Park in Zhuhai is the only university town in the western PRD. It plays an active role in training talents and professionals, who are desperately needed for developing high-tech industries such as electronics and telecommunication, computer software, biomedicine and machinery in Zhuhai.

Indeed, the local government has been enthusiastic about establishing a university in Zhuhai since the city was established in 1979. Indeed, early in 1992, Zhuhai took the first move proposing to establish the Zhuhai University. However, the proposed university was not approved. Yet the great passion of the local government for establishing a university in Zhuhai did not fade out after this event and even became stronger. Its failure to be chosen as a production base and R&D headquarter by Dell and Motorola respectively due to the absence of a university has made the local government firmly believe that the competitiveness of Zhuhai would be undermined if the city does not have its own university.

Eventually the first university, Zhongshan University (Zhuhai Campus), was founded in Zhuhai in 1999 after the unfailing effort of the local government for more than 20 years. The local government and the university reached a deal that the local government would provide free land to the university while the university is responsible for its own funding. The university also received a total investment of RMB 100 million over 4 years and the teaching staff enjoy a special economic zone monthly allowance of RMB 800 each from the local government.

Without doubt, the incentives offered by the local government are definitely attractive to many famous universities nationwide. Following Zhongshan University, Jinan University, Beijing Institute of Technology, Beijing Normal University, Tsinghua University, Peking

University and Central Conservatory of Music also establish their campus or research bases in Zhuhai (Table A5.1). The University Park aims to house 17 universities and 11 of them have been in operation, offering undergraduate and postgraduate education to 38,000 students, whose number will reach 180,000 eventually.

Table A5.1 List of universities and institutions for industry, education & research in Zhuhai University Park

<i>Universities/ Colleges, Zhuhai Campus</i>	
1 Zhongshan University	7 People's University of China
2 Jinan University	8 Software College of Jilin University
3 Beijing Normal University	9 The Central Academy of Drama
4 Beijing Institute of Technology	10 Central Conservatory of Music
5 Zunyi Medical College	11 China Medical University
Guangdong Provincial College for Technical	
6 Personnel	
<i>Institutions for Industry, Education & Research</i>	
12 Shenyang Pharmaceutical University	
13 Beijing University of Chemical Technology	
14 The Fifth Affiliated Hospital of Zhongshan University	
15 Peking University Education and Science Park	
16 Tsinghua Science Park Zhuhai Zone	
17 Harbin Institute of Technology	
18 The Affiliated Hospital of Zunyi Medical College	

Source: Committee of University Park of Zhuhai, 2003, *The University Town of Zhuhai City*,
<http://www.zhuhai-ud.gov.cn>

With an increasing supply of talents and professionals, Zhuhai will become more competitive and attractive to overseas investors. The University Park also provides a platform for closer cooperation between universities or research institutes and private firms, which in turn, will help consolidate the industries and upgrade the technology. For example, biomedicine, one of the pillar industries of Zhuhai, will be further consolidated by Zunyi Medical College, Shenyang Pharmaceutical University and the nearby firms, such as the United Laboratories Ltd and Zhuhai Kern Biotechnology Co Ltd, located at Sanzao High-tech Industrial Park. The GDP of Zhuhai is expected to grow rapidly. To be sure, the University

Park brings substantial benefits to the local economy of Zhuhai.

Sources

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Appendix 2 List of place names in English and Chinese

Anhui 安徽	Gaolan Port 高瀾港
Beijiao 北滘	Gaoyao 高要
Beijing 北京	Guangdong 廣東
Canada 加拿大	Guangning 廣寧
Chencun 陳村	Guangxi 廣西
China 中國	Guangzhou 廣州
Dachong 大涌	Guizhou 貴州
Dali 大瀝	Guzhen 古鎮
Daliang 大良	Harbour Industrial Zone 臨港工業區
Dawang Industrial Park 大旺工業園區	Hebao 荷包
Deqing 德慶	Hengqin 橫琴
Dinghu 鼎湖	Hengqin Economic Development Zone 橫琴經濟開發區
Dong'ao 東澳	Heshan 鶴山
Doumen 斗門	Hong Kong 香港
Dongfeng 東風	Huaiji 懷集
Dongguan 東莞	Huangpu 黃埔
Duanzhou 端州	Huangpu, Zhongshan 黃圃(中山)
Enping 恩平	Huizhou 惠州
Fengkai 封開	Japan 日本
Foshan 佛山	Jianghai 江海
Foshan National High-Tech Industrial Development Zone 佛山國家高技術產業開發區	Jiangmen 江門
Fumen Channel 虎門水道	
Jiangmen High-Tech Industrial Development Zone 江門高新科技產業開發區	Sihui 四會
Jiangsu 江蘇	Sha Tau Kok 沙頭角
	Shanghai 上海
	Shaxi 沙溪

Jinwan 金灣	Shenzhen 深圳
Kaiping 開平	Shunde 順德
Lecong 樂從	South Africa 南非
Lok Ma Chau 落馬洲	Taishan 台山
Lowu 羅湖	Taiwan 台灣
Macao 澳門	Tianma Port 天馬港
Man Kam To 文錦渡	Tuen Mun River Trade Terminal 屯門香港內河碼頭
Middle East 中東	UK 英國
Nanhai 南海	US/ USA 美國
Nanzhuang 南莊	Wanshan Ocean Development Testing Zone 萬山海洋開發實驗區
Netherland 荷蘭	Wuhu 蕪湖
Pearl River Delta (PRD) 珠江三角洲 (珠三角)	Xiangzhou 香洲
Pengjiang 蓬江	Xiaolan 小欖
Qi'ao 淇澳	Xiaolan Industrial Zone 小欖工業區
Qichong Road 岐涌路	Xinhui 新會
Russia 俄羅斯	Xingchong Road 興涌路
Sanrong Industrial Park 三榕工業園區	Xiqiao 西樵
Sanzao High-tech Industrial Park 三灶科技工業園	
Sichuan 四川	
Xinhui Jingguzhou Economic Development Experimental Zone 新會區今古洲經濟開發試驗區	
Yamen Channel 崖門水道	
Yamenkou 崖門口	
Yanbu 鹽步	
Yeli 野狸	
Yinzhou Lake 銀州湖	

Yunnan 雲南

Zhanjiang 湛江

Zhaoqing 肇慶

Zhaoqing High-tech Industry Development
Zone

肇慶高新技術產業開發區

Zhejiang 浙江

Zhongshan 中山

Zhongshan National Torch High-Tech
Industrial Development Zone

中山國家級火炬高技術產業開發區

Zhuhai 珠海

Zhuhai High-Tech Industrial Development
Zone

珠海高新技產業開發區

Zhuhai Free Trade Zone 珠海保稅區

Zhuhia Scientific Innovation Coast

珠海科技創新海岸