

Introduction

The Greater Pearl River Delta region, which consists of the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Pearl River Delta Economic Development Zone portion of Guangdong Province, has emerged as one of the world's most dynamic economic regions. The interaction of Hong Kong, Macao, and the Pearl River Delta Economic Zone has contributed greatly to the prosperity of the region. This interaction has allowed the Greater Pearl River Delta region to become one of the world's leading manufacturing centres; Hong Kong to become a leading centre for management, information, coordination, finance, and professional services; and Macao an important location for tourism and light industry. Despite the dramatic advances in the Greater Pearl River Delta region, the international community is not very well informed about the benefits that they can obtain by investing in the region. Nor is the international community well informed about the roles that Hong Kong, Macao, and the other jurisdictions of the region can play in their China strategies and their global strategies.²

The Hong Kong – Pearl River Delta Combination

Hong Kong has distinct advantages as a place for multinational firms to access the strength of the Pearl River Delta, China, and the Asia-Pacific region in general. As one of the present authors has written, 'No other city in the world can help overseas investors manage the risks inherent in entering Chinese Mainland markets as well as Hong Kong. This is an important part of the reason why overseas firms prefer Hong Kong for the highest-value activities that they perform in the Asia-

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

Pacific'.³ Hong Kong's importance as a location for doing business with the Pearl River Delta region is even greater given the proximity and the close historical relationship between the two areas.

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

The Need for Facts

The need for a clear understanding of the basic facts on the Greater Pearl River Delta region, the region consisting of Hong Kong, Macao, and the Pearl River Delta Economic Zone of Guangdong Province, and its development can never be overemphasised. It is only with facts that the region can attract multinational investment. Multinational firms need hard facts and examples of how the 'Hong Kong-Pearl River Delta Combination' translates into market opportunities, cost savings, and other business advantages.

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

What ordinarily would be relatively simple facts, however, are not necessarily simple when it comes to China in general and to the Greater Pearl River Delta region in particular. First, few if any organisations compile any data for the region as a whole. Instead, data for Hong Kong, Macao, and the Pearl River Delta Economic Zone tend to be collected and reported separately without any attempt to integrate them or even report them together. Those that do publish information on the region often use data for Guangdong Province rather than for the true definition of the region. In addition, different sources quote widely different figures even for basic statistics for the Pearl River Delta Economic Zone. The result is confusion about the existing state of development in the Greater Pearl River Delta region as well as its future potential. This confusion means that many multinational companies are not aware of the huge opportunities that exist in the Greater Pearl River Delta region.

The Present Document

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

The second part of the document provides brief profiles of the jurisdictions of the Greater Pearl River Delta region. These profiles highlight the main features of the local economies, including the principal manufacturing and service sectors, economic development plans, location of development zones and industrial parks, importance of foreign investment, and transportation linkages. This edition features descriptions of the implications of China's 11th Five Year Programme (2006-2010) for each of the jurisdictions. The idea is to provide the potential investor with a better understanding of the different jurisdictions in the region and a series of brief guides that will allow for further consideration of individual investment locations.