

## The Importance of the Pearl River Delta Economic Zone in Guangdong and China\*

	PRD% of Guangdong Province	PRD% of Chinese Mainland
Land area	23.1%	0.4%
Registered population (2005)	35.0%	2.1%
Interim Census Population (2005)	49.5%	3.5%
Census population (2000)	47.8%	3.2%
GDP (2005)	83.5%	9.9%
Total trade (2005)	96.0%	28.9%
Exports (2005)	96.8%	27.8%
Imports (2005)	95.4%	29.8%
Foreign direct investment (2005)	93.7%	19.2%

\* Note: Data for the year 2005 are preliminary. Interim Census Population 2005 is year-end figure.

Sources: Based on data from the Guangdong Statistical Yearbook 2001 and the statistics bureaux of China, Guangdong, Jiangsu, and jurisdictions in Guangdong Province.

## Hong Kong's Links with the Pearl River Delta Economic Zone

The Pearl River Delta Economic Zone has benefitted from proximity to Hong Kong, which has provided capital, management, technology, market knowledge, and access to international markets. Hong Kong has been the source of approximately two-thirds of the cumulative foreign direct investment in the region since 1979. In addition to the tens of thousands of small and medium-sized Hong Kong firms active in the Pearl River Delta region are several large players, such as Hutchison in port services, VTech in electronics, Hopewell in

highways, Jardines in retailing, HSBC and Bank of East Asia in banking, China Light & Power in power generation, and several Hong Kong developers in property and hotels.

This development has proved to be enormously beneficial for Hong Kong as well. The decentralisation of the manufacturing activities of Hong Kong companies to the Pearl River Delta Economic Zone has resulted in an enormous expansion of their output and importance in global terms. In 1981, Hong Kong companies employed approximately 870,000 manufacturing workers in Hong Kong and few elsewhere. By 2002, Hong Kong companies employed fewer than 200,000 manufacturing workers in Hong Kong, but between 10 million and 11 million in the Pearl River Delta region.<sup>6</sup> Links with the Pearl River Delta Economic Zone have allowed Hong Kong to build a transportation and logistics juggernaut that boasts the world's second busiest container port and the world's busiest airport for international cargo. The linkages also have supported Hong Kong's development into a management, coordination, information, business service, and financial centre of global importance. As the Pearl River Delta's economy has grown in recent years, so has Hong Kong's. Hong Kong's per capita income in US dollar terms in 2000 was five times its level of 1980, when the opening of the Pearl River Delta Economic Zone started to take effect.

Today, Hong Kong also serves a distinct role as a place for non-Hong Kong firms to access the strength of the Greater Pearl River Delta region. Thousands of Taiwanese firms use Hong Kong to carry out finance, logistics, and management functions for their Pearl River Delta factories. A survey conducted by the Hong Kong Trade Development Council in 2002 indicated that 87 percent of the Japanese firms operating in the Pearl River Delta Economic Zone claimed these operations have strong links with Hong Kong. In fact, 'proximity to

<sup>6</sup> Michael J. Enright, Edith E. Scott, and David Dodwell, *The Hong Kong Advantage*. Hong Kong: Oxford University Press, 1997 and 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, p. 70.

Hong Kong' was the number one reason given for choosing the Pearl River Delta region in the first place. Many western firms also use Hong Kong as a base for their Greater Pearl River Delta region activities, with senior managers often residing in Hong Kong. Hong Kong also is the principal location for the buying offices for companies doing business with the Greater Pearl River Delta region. Increasingly, savvy companies are developing Hong Kong-Pearl River Delta strategies with their management, finance, communication, and coordination activities based in Hong Kong and their manufacturing activities in one or more of the jurisdictions of the Pearl River Delta Economic Zone. Given their extensive experience in the region, Hong Kong companies have become ideal partners for multinationals interested in profiting from a Hong Kong-Pearl River Delta strategy.