1. What are the recent plans, achievements and difficulties of the Yangtze River Delta region / Changjiang Delta region in developing its industries, financial, business and logistic services?

2. What are the opportunities and challenges facing Hong Kong due to the development of the Yangtze River Delta region/Changjiang Delta region?
Collect the prices of the following items for sale in Hong Kong and fill in the following table before the lesson.

<table>
<thead>
<tr>
<th>Item</th>
<th>Price in Shanghai</th>
<th>Price in Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Big Mac meal</td>
<td>RMB 18.5</td>
<td>HK $21</td>
</tr>
<tr>
<td></td>
<td>HK $22.6</td>
<td></td>
</tr>
<tr>
<td>2. American coffee</td>
<td>RMB 15-20</td>
<td>HK $29 -39</td>
</tr>
<tr>
<td></td>
<td>HK $18.3 - $24.4</td>
<td></td>
</tr>
<tr>
<td>3. Taxi fare</td>
<td>Flag-down fare</td>
<td>Flag-down fare</td>
</tr>
<tr>
<td></td>
<td>(3km)</td>
<td>(2km)</td>
</tr>
<tr>
<td></td>
<td>Approx.HK $17</td>
<td>HK $20</td>
</tr>
<tr>
<td></td>
<td>Incremental charge for every subsequent 1km</td>
<td>Incremental charge for every subsequent 200m</td>
</tr>
<tr>
<td></td>
<td>Approx. HK $3</td>
<td>HKD $1-1.5</td>
</tr>
<tr>
<td>4. Housing price</td>
<td>RMB 24,795/m²</td>
<td>Average price per</td>
</tr>
<tr>
<td></td>
<td>Average price per square foot:</td>
<td>square foot:</td>
</tr>
<tr>
<td></td>
<td>RMB$2,303/sq ft</td>
<td>HK$7936/sq ft</td>
</tr>
<tr>
<td></td>
<td>(as of June 2012)</td>
<td>(as of July 2012)</td>
</tr>
<tr>
<td></td>
<td>Shanghai Branch, 2012</td>
<td></td>
</tr>
</tbody>
</table>

By comparing Shanghai and Hong Kong in terms of product prices, students may have a preliminary understanding of the economic development of the Yangtze River Delta region and the cost of living of the people, which may help develop their interest in the Yangtze River Delta region.
5. Japanese brand luggage

<table>
<thead>
<tr>
<th></th>
<th>RMB 898</th>
<th>HK $1,095</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Official website of MUJI, 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HK $900</td>
<td></td>
</tr>
<tr>
<td>Source: Official website of MUJI, 2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Shower gel (1L)

<table>
<thead>
<tr>
<th></th>
<th>RMB 44.2</th>
<th>HK $53.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Oriental Morning Post 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HK $36.8</td>
<td></td>
</tr>
<tr>
<td>Source: PARKnSHOP 2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note: RMB to HKD Exchange rate: ¥1 = $1.2193 at the exchange rate as on 19 Aug 2012)


Salary comparisons between Shanghai and Hong Kong

<table>
<thead>
<tr>
<th>Annual salary in Hong Kong (HK$)</th>
<th>Position</th>
<th>Annual salary in Shanghai (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2M-3.5M</td>
<td>CFO (Chief Financial Officer)</td>
<td>1.5M-2.5M</td>
</tr>
<tr>
<td>1.6M</td>
<td>Human Resources Head (Financial institutions)</td>
<td>1.2M-1.8M</td>
</tr>
<tr>
<td>1.3M</td>
<td>Hong Kong/Marketing director</td>
<td>Shanghai/Manager - luxury brand</td>
</tr>
<tr>
<td>1M-1.5M</td>
<td>Hong Kong/Officer of IT project</td>
<td>Shanghai/ IT security director</td>
</tr>
<tr>
<td>200k-350k</td>
<td>Hong Kong/IT technical support</td>
<td>Shanghai/Senior software programmers</td>
</tr>
</tbody>
</table>

Read the information above and answer the following questions.

1. With reference to the information above, compare Hong Kong and Shanghai in terms of cost of buying goods. Which city has higher prices?

   Prices are higher in Shanghai for certain goods such as food at MacDonald’s, luggage and shower gel. Meanwhile, prices are higher in Hong Kong for American coffee, taxi fare and average price per square foot for homes.

2. With reference to Source 1 and Source 2, do you think Shanghai did succeed in catching up with Hong Kong in economic development? Why?

   Students may compare Shanghai and Hong Kong in terms of product prices and income levels to decide if Shanghai did succeed in catching up with Hong Kong in economic development.

   (Possible answer: The prices of various goods differ between Shanghai and Hong Kong, but the average price levels in the two cities are proximate to each other. On the other hand, workers in Hong Kong enjoy slightly higher salaries compared to those in Shanghai, especially for senior positions. To conclude, Hong Kong enjoys a higher level of economic development, though Shanghai did not lag far behind in that regard.)
3. Based on the knowledge learned in other modules, what do you think are the indicators that should be considered in comparing Hong Kong and Shanghai in terms of economic performance?

   The two cities should be compared by indicators such as GDP, GDP growth rate, unemployment rate and inflation rate, etc.

To know more about Yangtze River Delta region

1. Geographical position

2. Brief introduction

The Yangtze River Delta region has been described as a region “with Shanghai as the head and with Jiangsu and Zhejiang as two wings”. The “delta” means the triangular-shaped territory of Shanghai, Nanjing and Hangzhou. The region covers an area of 210,700 km², which accounts for 1% of the total area of China.
3. Geographical scope

Generally, there are three different interpretations of the Yangtze River Delta region. The first one refers to the concept of the “Small Yangtze River Delta” which comprises a region that covers 16 cities and their surrounding areas. The cities are as follows:

<table>
<thead>
<tr>
<th>1 municipality of China</th>
<th>3 sub-provincial cities</th>
<th>12 prefecture-level cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>Nanjing, Hangzhou, Ningbo</td>
<td>Suzhou, Wuxi, Changzhou, Zhenjiang, Nantong, Yangzhou, Taizhou; Huzhou, Jiaxing, Shaoxing, Zhoushan and Taizhou</td>
</tr>
</tbody>
</table>

The second interpretation of it is the “Large Yangtze River Delta” which refers to a region that covers all the administrative regions in Shanghai, Jiangsu province and Zhejiang province. The third one is the “Pan-Yangtze River Delta” which refers to a region that covers Shanghai, Jiangsu province, Zhejiang province and neighboring provinces such as Anhui province.

4. Economic performance

Gross Domestic Product (GDP) of the Yangtze River Delta region in 2010 amounted to RMB 8,552.49 billion. With an area that accounts for 2.1% of the total land area and a population that accounts for 10.9% of the total population, the Yangtze River Delta region generated 21.49% of China’s GDP, 11.5% of China’s fiscal income and 36.6% of total imports and exports in 2010. As the Yangtze River Delta region is located in the heartland, in terms of economics performance, of the Asia-Pacific region, it becomes an important Asia-Pacific gateway to the world with good economic and technological infrastructures. Development of medium-to-high-end industries that have higher profit margins have been encouraged in the Yangtze River Delta region. In recent years, the Yangtze River Delta region has been increasingly open and volume of exports and imports increases continuously.
Form a group of four and each member should read one of the following materials and answer the questions.

**Student 1 Reading Material**

### Industrial development in Shanghai

Benefited from the strategies of economic development adopted by the government, the development of heavy industries in the Yangtze River Delta region had been on the right track since the establishment of new China. For example, steel factories, shipyards and automobile factories had been developing rapidly during the 1950s and 1960s. Since the reform and opening up of China in the late 1970s, the development of both heavy and light industries in Shanghai was also supported by the Central People’s Government. Industries become the main force for the economic development of the Yangtze River Delta region. The total profits of light industrial enterprises increased from RMB 45,752 million in 2005 to RMB 56,587 million in 2010. In addition, a number of industrial enterprises are now in the world top 500 with their outstanding performance.

#### Ranking of Shanghai enterprises in Fortune 500, 2012

<table>
<thead>
<tr>
<th>Ranking in China</th>
<th>World ranking</th>
<th>Name of Company</th>
<th>Region</th>
<th>Turnover (in million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>130</td>
<td>Saic motor</td>
<td>Shanghai</td>
<td>67,254</td>
</tr>
<tr>
<td>21</td>
<td>197</td>
<td>Baosteel</td>
<td>Shanghai</td>
<td>48,916</td>
</tr>
</tbody>
</table>

Source: Fortune China

### Challenges facing industrial development

Industrial sector in Shanghai faces many challenges. One of these challenges is industrial restructuring. For example, secondary industry in Shanghai accounted for 47.6% and 42.3% of...
Shanghai’s GDP in 2001 and in 2010 respectively. On the contrary, tertiary industry accounted for 52.4% and 57.0% of Shanghai’s GDP in 2001 and 2010 respectively.


1. Is industrial development in Shanghai satisfactory? Explain your answer with examples.

   Yes. Light industries has a growth in profits and a number of industrial enterprises in Shanghai are in the world top 500. Meanwhile, industry remains one of the pillars of Shanghai’s economy.

2. What are the factors that led to the rapid industrial development of Shanghai?

   Supported by the policies of the Central People’s Government such as the development of heavy industry during the early years of new China and the reform and opening up of China in the late 1970s.

3. What is/are the change(s) facing Shanghai in its industrial development?

   Industrial restructuring. The contribution of secondary industry to GDP is declining. Its contribution has been overtaken by that of tertiary industry.
Financial development in Shanghai

China has enjoyed rapid economic growth in recent years, while Shanghai has become a hub of financial services within the Yangtze River Delta region. In March 2009, the State Council approved the proposal to make Shanghai an international financial centre by 2020. In addition, Shanghai has announced its plans for the 12th Five-Year Plan period to basically establish Shanghai as a global centre for innovation, transaction and pricing of RMB-denominated financial products by 2015.

The investment in fixed asset by the financial sector in Shanghai has been increasing rapidly. According to the data published by the World Federation of Exchanges, the Shanghai stock market ranked sixth in the world in terms of market capitalization while Hong Kong ranked seventh in 2010. In addition, the Shanghai Stock Exchange ranked third in the world in terms of value of share trading, the Shanghai Gold Exchange ranked first in the world in terms of spot gold trading volume and the Shanghai Futures Exchange ranked among the top three largest global centre for pricing of non-ferrous metals.

While the financial industry in Shanghai is enjoying a rapid growth, some financial commentators pointed out that Shanghai is not qualified to be an international financial centre yet with restrictions on conversion of RMB, a far from perfect legal system and the lack of free flow of information. Therefore, Shanghai has to deal with these problems in order to develop itself into an international financial centre.

Source: Integrated report (2011)
1. What are the achievements Shanghai has made in the development of its financial sector in recent years? Explain your answer with examples.

   Investment in fixed asset by Shanghai’s financial sector has grown rapidly in the past few years. In 2010, the Shanghai stock market ranked sixth in the world in terms of market capitalization. In addition, the Shanghai Stock Exchange ranked third in the world in terms of trading volume, the Shanghai Gold Exchange ranked first in the world in terms of spot gold trading volume and the Shanghai Futures Exchange ranked among the top three largest global centre for pricing of non-ferrous metals.

2. What are the factors that led to the rapid development of the financial sector in Shanghai?

   Supported by policies of the Central People’s Government such as the proposal approved by the State Council in 2009 to make Shanghai an international financial centre. Rapid economic growth in the mainland is another contributing factor.

3. What are the challenges facing Shanghai’s financial sector?

   Restrictions on conversion of RMB, a far from perfect legal system and the lack of free flow of information.

4. What are the plans for Shanghai in the development of its financial sector?

   Shanghai has announced its plans for the 12th Five-Year Plan period to basically establish Shanghai as a global centre for innovation, transaction, pricing of RMB-denominated financial products by 2015 and make Shanghai an international financial centre by 2020.
Development of commercial services in Shanghai

According to the Regional Plan for Yangtze River Delta approved by the State Council in 2010, the Yangtze River Delta region would be developed as an important global modern service and an advanced manufacturing centre. As the head of the Yangtze River Delta region, Shanghai’s commercial authority has established some guidelines to provide direction and promotion for the commercial development in Shanghai.

Shanghai’s commercial sector has enjoyed a steady growth in recent years, with an annual growth of over 10% in total value of commercial sales. In 2010, Shanghai’s total merchandise sales was around RMB3.74 trillion, commercial tax constituted the biggest portion of taxes from the tertiary industry and commercial services sector also provided the largest number of jobs opportunities in the tertiary sector.

Though the commercial sector in Shanghai developed well, it also faces competitions and challenges. Its current commercial transaction platform remains to be rather monotonous and more efforts are needed for the promotion of multi-function services platforms such as those for e-business services and online transactions. Meanwhile, strengthening business planning and management, enhancing market regulation, clamping down on counterfeit and shoddy goods and creating a market environment of integrity management and fair competition are pressing problems facing the commercial sector in Shanghai.

Source: Integrated report (2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>International Tourism Receipts -- Shanghai (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4673</td>
</tr>
<tr>
<td>2008</td>
<td>4972</td>
</tr>
<tr>
<td>2009</td>
<td>4744</td>
</tr>
<tr>
<td>2010</td>
<td>6341</td>
</tr>
</tbody>
</table>

1. What are the achievements of Shanghai in the development of its commercial sector in recent years? Explain with examples.

An annual growth of over 10% in total value of commercial sales; commercial services sector provided the largest number of jobs opportunities in the tertiary sector.

2. What are the factors that led to the rapid development of commercial services sector in Shanghai?

Supported by policies of the Central People’s Government such as the Yangtze River Delta Regional Planning approved by the State Council in 2010; strong purchasing power of residents due to economic growth in the mainland.

3. What are the challenges facing the commercial services sector in Shanghai?

The current commercial transaction platform in Shanghai remains to be rather monotonous and business planning and market regulation are far from satisfactory. In addition, counterfeit and shoddy goods and a market environment without integrity management and fair competition could do harm to the development of the commercial services sector.

4. Name one plan of Shanghai in the development of its commercial services sector.

Establish the Yangtze River Delta region as an important global modern service centre.
Development of logistic services in Shanghai

Shanghai’s success in developing its logistic services is attributed to relatively lower operating costs compared to other regions, rapid economic growth in China and the supporting policies for Shanghai. The collaboration among local government and authorities also helps to speed up the development of Shanghai into an international centre for logistic services. In January 2011, the State Council announced its commitment to increase its investment in constructions and developments for inland shipping.

According to the China Shipping Development Report 2010 published by the Chinese government, the Shanghai Port ranked first in terms of throughput. Currently, Shanghai owns a powerful port and some global container terminal operators which are internationally competitive.

### Development of logistic services in Shanghai

<table>
<thead>
<tr>
<th>Year</th>
<th>Rail Freight (million tons)</th>
<th>Highway Freight (million tons)</th>
<th>Volume of Freight Handled in Coastal Ports above Designated Size (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10.55</td>
<td>283.69</td>
<td>204.40</td>
</tr>
<tr>
<td>2005</td>
<td>12.78</td>
<td>326.84</td>
<td>443.17</td>
</tr>
<tr>
<td>2010</td>
<td>9.59</td>
<td>408.90</td>
<td>563.20</td>
</tr>
</tbody>
</table>


The logistic services sector in Shanghai develops well, but it also faces many challenges. Some of these challenges are: trade protection policies adopted by some countries; uncertainties in local government policies and appreciation of RMB that leads to a decrease in exports and the weak global market. All of them are the challenges facing the current logistic services sector in Shanghai.

1. What are the achievements of Shanghai’s logistic services sector? Explain with examples.
   The Shanghai Port ranked first in terms of throughput; an increasing annual shipping volume; and it owns a powerful port and global container terminal operators.

2. What are the factors that led to the rapid development of logistic services sector in Shanghai?
   Relatively low shipping costs; rapid economic growth in China; supporting policies of the Central People’s Government; collaboration among local government and relevant authorities.

3. What are the challenges facing the logistic services sector in Shanghai?
   Some of the challenges facing Shanghai are: trade protection policies adopted by some countries; uncertainties in local government policies; appreciation of RMB and weak global market.

4. Name one plan of Shanghai in the development of its logistic services sector.
   Increase its investment in constructions and developments for inland shipping.
Each group member will make a report on what they have read. Jot down the key points in the following table.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Industrial</th>
<th>Financial</th>
<th>Commercial services</th>
<th>Logistic services</th>
</tr>
</thead>
</table>
| 1. Achievements | • Light industries had an increase in profits  
• A number of industrial enterprises in Shanghai are now in the world top 500 | • Shanghai had announced its plans for the 12th Five-Year Plan period to basically establish Shanghai as a global centre for innovation, transaction and pricing of RMB-denominated financial products by 2015  
• Investment in fixed asset by Shanghai’s financial sector had grown rapidly in the past few years.  
• the Shanghai stock market ranked sixth in the world in terms of market capitalization  
• The Shanghai Stock Exchange ranked third in the world in terms of value of share trading  
• The Shanghai Gold Exchange ranked | • An annual growth of over 10% in total commercial sales  
• International Tourism Receipts is another important contributor  
• Commercial services sector provided the largest number of jobs opportunity in the tertiary sector | • The Shanghai Port ranked first in the world in terms of throughput  
• An increasing annual shipping volume  
• Owns a powerful port and some internationally competitive container terminal operators |
first in the world in terms of spot gold trading volume
- The Shanghai Futures Exchange ranked among the top three largest global centre for pricing of non-ferrous metals

<table>
<thead>
<tr>
<th>2. Favorable factors</th>
<th>3. Challenges</th>
</tr>
</thead>
</table>
| • Supporting policies of the Central People’s Government (CPG): the development of heavy industry during the early years of new China  
• The reform and opening up of China in the late 1970s and the supporting policies for the sector | • Industrial restructuring, that is, the contribution of secondary industry as a percentage of GDP of Shanghai falls gradually and the contribution of tertiary industry as a
| • Supporting policies of the CPG: the proposal approved by the State Council in 2009 to make Shanghai a financial centre  
• A greater demand for financial services because of a rapid economic growth in the mainland | • Restrictions on conversion of RMB  
• A legal system that remains imperfect  
• The lack of free flow of information |
|  | • The current commercial transaction platform in Shanghai remains to be rather monotonous  
• Business planning and market regulation are far from satisfactory |
|  | • Trade protection policies by foreign countries  
• Uncertainties in local government policies; appreciation of RMB; weak global market |
|  | • Relatively lower shipping costs  
• Rapid economic growth in China  
• Supporting policies of the CPG  
• Collaboration among local government and authorities |
The percentage of GDP had surpassed secondary industry.

- Counterfeit and shoddy goods and a market environment without integrity management and fair competition.

4. Plans Ahead

- Make Shanghai an international financial centre by 2020
- Develop the Yangtze River Delta region as an important global centre for modern services sector
- Increase its investment in constructions and developments for inland shipping

**Plans and difficulties faced by the Yangtze River Delta region in developing its industries, financial, business and logistic services**

According to the Regional Plan for Yangtze River Delta approved by the State Council in 2010, Shanghai will be the heartland of the Yangtze River Delta region in the development of the region. The region will enhance its high value-added services and be developed into an influential and competitive metropolitan city. For example, Shanghai will be developed as an international logistic centre and the transportation network in the region will be strengthened. Moreover, the Yangtze River Delta region will strengthen the competitiveness of its financial markets. In summary, the Yangtze River Delta region will be high technology and financial capital initiated. It will also strengthen the development of its industrial parks for enhancing competitiveness of the region in the global market.

Though the Yangtze River Delta region is enjoying a rapid development, it also faces a lot of difficulties. The Yangtze River Delta region is a large region with different local areas developing at different paces. As a result, it is not surprising that the development gaps and inter-city competition among the areas are common. On the other hand, the development of service sector lags behind other industries in the Yangtze River Delta region. The quality of service industry needs improvement for meeting the demand of the growth of external trade. Lastly, the Yangtze River Delta region is rather open and facing keen global competition. There are lots of uncertainties brought by the unstable international financial market.
Will Shanghai replace Hong Kong as an international financial centre?

On 29 April 2009, the State Council approved the proposal to make Shanghai an international financial centre by 2020. Some financial commentators believe that the rise of the financial sector in Shanghai would bring challenges to Hong Kong as an international financial centre. Financial commentators stated that Shanghai apparently becomes a core city following the rapid economic growth in the mainland in recent years. Meanwhile, the city’s solid financial strength makes it attractive to foreign investors. A number of international investment banks have already run their businesses in Shanghai over the past few years. Therefore, it is just a matter of time for Shanghai to become an Asian financial centre or even an international financial centre.

### Ranking of Xinhua-Dow Jones International Financial Centers Development Index

<table>
<thead>
<tr>
<th>Ranking</th>
<th>City (Country)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New York (United States)</td>
</tr>
<tr>
<td>2</td>
<td>London (United Kingdom)</td>
</tr>
<tr>
<td>3</td>
<td>Tokyo (Japan)</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong (China)</td>
</tr>
<tr>
<td>5</td>
<td>Singapore (Singapore)</td>
</tr>
<tr>
<td>6</td>
<td>Shanghai (China)</td>
</tr>
</tbody>
</table>


**The Xinhua-Dow Jones International Financial Centers Development Index**

provides a comprehensive valuation of the development capacity of various global financial centers from the following five aspects: financial market, growth and development, industrial support, level of services and the related development environment.
Active cooperation to explore business opportunities

Hong Kong and Shanghai have developed a mechanism for economic cooperation since 2003. The mechanism covers the development and management of airports and ports, investment and trade, financial services, talent exchange, education, etc. There is lots of opportunities for the two cities to collaborate.

Certain academics believed that Hong Kong should strive to develop industries such as education, environmental industries, innovation and technology, cultural and creative industries, testing and certification and medical services, apart from maintaining its status as an international financial centre, so as to exploring new business opportunities between Hong Kong and Shanghai.
Enterprises in Shanghai have put their eyes on the global market in recent years. Other than financial, consultancy and marketing services, they also need to acquire internationally-recognised inspections and certifications. Meanwhile, Hong Kong can help them by providing these services. In addition, it is expected that investment and capital controls in the mainland would be relaxed gradually and there would be an increasing demand from the mainland enterprises for cross-border financial services. Banks in Hong Kong can help them with services in this regard. Furthermore, Hong Kong can also be the gateway to the mainland for enterprises that wish to tap into the mainland market. Therefore, the rapid economic development in Shanghai can lead to win-win situations and it would present a lot of opportunities for cooperation between Shanghai and Hong Kong.


1. With reference to Source 1, which sector in Hong Kong will face challenges brought by the Yangtze River Delta region? Explain your answers with example.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial sector</td>
<td>The financial sector in Shanghai is enjoying a rapid growth and the Central People’s Government is determined to make Shanghai an international financial centre by 2020. With supporting policies and benefited from the blooming economy in the mainland, Shanghai is on the way to become an international financial centre. The source shows that Hong Kong ranked fourth in the world in the Xinhua-Dow Jones International Financial Centers Development Index, while Shanghai ranked sixth. It shows that the financial sector of Shanghai is threatening Hong Kong.</td>
</tr>
</tbody>
</table>
2. Summarise the information above. To what extent the financial sector in Shanghai would threaten Hong Kong’s status as an international financial centre?

Shanghai has solid financial strength that makes it attractive to foreign investors. Benefited from the blooming economy of the mainland and with supporting policies, Shanghai could pose a direct threat to Hong Kong’s status as an international financial centre.

However, the financial sector in Shanghai cannot impose an immediate threat to Hong Kong’s status as an international financial centre. It is because the Shanghai Stock Exchange is still not as mature as that of Hong Kong. Shanghai has much to learn from Hong Kong regarding its financial sector. Hong Kong has a fair environment for doing business, a sound legal system and free flow of information. Moreover, Hong Kong still out-performs Shanghai in terms of its competitiveness in the aspects of economics, society, environment and culture.

3. With reference to Source 3, what are the opportunities that Shanghai can bring to Hong Kong? Explain with examples.

Enterprises in Shanghai have put their eyes on the global market in the recent years. Other than financial, consultancy and market management services, they also need to acquire internationally-recognised inspections and certifications. Meanwhile, Hong Kong can help them by providing these services.

In addition, it is expected that investment and capital controls in the mainland would be relaxed gradually, hence, Hong Kong businesses may provide the mainland enterprises with cross-border financial services and help those foreign enterprises to tap into the mainland market.

Moreover, apart from maintaining the status as an international financial centre, Hong Kong should strive to develop high value-added and knowledge-based industries such as education, environmental industries, innovation and technology, cultural and creative industries, testing and certification and medical services, so as to exploring new business opportunities between Hong Kong and Shanghai.
Challenges and opportunities brought by the Yangtze River Delta region to Hong Kong

The economic development of the Yangtze River Delta region has brought challenges and opportunities to the economy of Hong Kong. For challenges, as enterprises and merchants across the country seek business opportunities in Shanghai, it would be easier for foreign enterprises to find their partners in Shanghai or the Yangtze River Delta region so as to tap into the mainland market. In addition, the Yangtze River Delta region has been devoted to developing its financial and trading businesses which have been Hong Kong’s traditional pillar industries. Therefore, Hong Kong must understand its strengths so that it can maintain its competitiveness and complementary relationships with cities in the Yangtze River Delta region.

Hong Kong is a metropolitan city with sound legal system and integrates with the global economy. Foreign enterprises are more confident about investing in Hong Kong as its well established regulations are in line with international standards. Therefore, Hong Kong can serve as a platform for the enterprises of the Yangtze River Delta region to explore global business opportunities and help them to tap into and integrate with the global market for its economic development. In addition, Hong Kong can also provide offshore Renminbi clearing services for the mainland, participate in the establishment and development of financial institutions in the Yangtze River Delta region, provide professional advices and services to them and enhance cross-boundary investments. Moreover, Hong Kong can work with the mainland to further implement the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and to strengthen the economic and trading co-operations between Hong Kong and the mainland.
The economy of the Yangtze River Delta region

Comparison of the two economies

The economy of Hong Kong

Present situation

Stage of economic development (mainly secondary industry)

Future

Plans in economic development (e.g. Regional Planning of Yangtze River Delta and strengthening the development of logistic and financial sectors)

Competitive and complementary relationships

Opportunities and challenges brought to the economy of Hong Kong (e.g. CEPA and offshore RMB clearing services)