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**The future of collaboration between
Hong Kong and Qianhai: Interactive uniqueness and transformation**

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1. Introduction

On December 2023, the Central Government released three documents on the development of the Greater Bay Area (hereinafter GBA), namely the “Three-Year Action Plan for the Development of International First-Class Business Environment in the GBA”, the “Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” (hereinafter the “Qianhai Overall Development Plan”), and the “Overall Development Plan for the Guangdong-Macao In-Depth Cooperation Zone in Hengqin”. Among these documents, the Qianhai Overall Development Plan has the most direct and profound connection with Hong Kong, which this article will focus on.

Hong Kong has for long played a role in bridging the East and the West. The establishment of the Hong Kong Special Administrative Region under the “One Country, Two Systems” arrangement was intended to maintain Hong Kong’s special strategic position in China’s development after its return to Chinese sovereignty. Since the commencement of reform and opening-up in China in the late 1970s, Shenzhen was designated an “economic special zone” and has been at the forefront of reform. Hong Kong plays an important role in this process, with heavy involvement in Shenzhen’s industrialization and the development from scratch of its financial market and many facets of institutional reforms. Conversely, Shenzhen’s

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economic development also extended immense opportunities to Hong Kong and consolidated its position as an international financial centre.

The planning of Qianhai in Shenzhen is a major step in the evolving vision of deepening cooperation between Hong Kong and Shenzhen. The Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai Cooperation Zone) was first established in 2010 to implement “policies that are more special than those of the economic special zone”. The pronounced objective was “leveraging Hong Kong, serving the Mainland, and facing the world”. The ambitious Qianhai vision has sparked much discussion in Hong Kong, with various sectors hoping for special measures to remove the outstanding barriers to cooperation, in particular the limited access to Hong Kong’s professional services. Qianhai is still often referred as a “special zone within the special zone (of Shenzhen)” to this day.

In 2023, a renewed Qianhai Overall Development Plan reiterates this approach of “leveraging uniqueness” to add to an interactive cycle – as Hong Kong propels reform and institutional innovations in Shenzhen, the enhanced uniqueness and transformation in Shenzhen will in turn stimulate further development of Hong Kong’s institutional uniqueness in the “One Country, Two Systems” constitutional framework. In this vision of inter-institutional transformation, Hong Kong’s special “second system” will generate innovations in Qianhai benefitting the development of its economy, society, and governance systems, while Hong Kong will expand its market and extend its institutional impacts.

2. Status and Challenges

The Qianhai Cooperation Zone is located on the shores of Qianhai Bay in the western part of Shenzhen. According to the earlier Qianhai Overall Development Plan issued in 2010, the development strategy of the Qianhai Cooperation Zone is to expand international participation and promote institutional and mechanism innovation through deepening cooperation between Hong Kong and Shenzhen. As of end of 2022, the Qianhai Cooperation Zone has attracted over 10,000 foreign-funded enterprises, including 8,000 Hong Kong-funded enterprises, with actual foreign investment exceeding USD 58.6 billion. Modern service industries such as finance, modern logistics, information services, technology services, and professional services have become the main industries. In the fields of investment, trade, finance, and legal services, a total of 800 institutional innovations have been made, some of which have been replicated and promoted nationwide, serving as a model for pilot projects.

Table 1: Key innovation areas of Qianhai Cooperation Zone

Innovation Areas	Measures
1. Judicial System	<ul style="list-style-type: none"> • Allowing wholly-owned Hong Kong enterprises to adopt Hong Kong law • Appointing Hong Kong jurors and mediators • Establishing a commercial arbitration cooperation platform that allows Hong Kong, Macao, Taiwan and foreign legal professionals to provide arbitration services • Establishment of Shenzhen Intellectual Property Tribunal
2. Trade and Investment facilitation	<ul style="list-style-type: none"> • Introduction of new electronic filing of tax return and tax payment • Implementing “Shenzhen/Hong Kong land-air intermodal arrangement” • Paperless custom clearance • A single platform to provide one-stop service on matters such as business registration, bank account opening appointment and invoicing
3. Financial reform	<ul style="list-style-type: none"> • Allowing locally registered enterprises to engage in cross-border transactions (such as cross-border Renminbi lending, two-way cross-border cash pooling and two-way cross-border bond issuance) • Streamlining procedures for foreign-invested enterprises in relation to receipts and payments under the capital account • Introducing a regulatory regime for private equity funds

Source: Research Office of the Information Services Division of Legislative Council Secretariat.³

Over the past 13 years, Qianhai Cooperation Zone has aimed to develop modern services and high-end industries. Before its expansion in September 2021, Qianhai Cooperation Zone covered an area of 14.92 square kilometers.⁴ In the first half of 2021, its GDP exceeded RMB 90.3 billion, accounting for about 6% of Shenzhen’s total GDP. Calculated per square kilometer, the economic output of Qianhai Cooperation Zone, pre-expansion, was RMB 6.057 billion, compared to the city-wide average of RMB 721 million.⁵

³ Chueng, Denise 2022, *Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone*, Research Office of the Information Services Division of Legislative Council Secretariat, viewed 9 February 2024, <https://www.legco.gov.hk/research-publications/english/essentials-2022ise04-qianhai-shenzhen-hong-kong-modern-service-industry-cooperation-zone.htm>.

⁴ The Central Committee of the CPC and the State Council issued the “Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” on 6 September 2021 (the “Plan”). The Plan proposes to expand the total area of the Cooperation Zone from 14.92 square kilometers to 120.56 square kilometers, which includes Shekou (蛇口) and the Dananshan and Xiaonanshan areas (大小南山片區), the airport and its surrounding areas, Convention & Exhibition New Town and Shenzhen New Marine City, and Bao’an Central Business District (寶安中心區) and Dachan Bay area (大鵬灣片區).

⁵ GDP of the expanded Qianhai Cooperation Zone reaches RMB 98.3 billion as of June 2023, which is also about 6% of total GDP of Shenzhen (1629.7 billion RMB).

Table 2 Comparison of GDP per square kilometer between the Qianhai Cooperation Zone and Shenzhen City (first half of 2021)

	Qianhai Cooperation Zone	Shenzhen City
GDP in the first half of 2021 (RMB)	90.3 billion	1,432 billion
Area (square km)	14.92	1,986
GDP per Square km (RMB)	6.057 billion	721 million

Source: Statistics from the Shenzhen Government

Significant challenges persist, despite the substantial progress, however. According to estimates by Knight Frank, the vacancy rate of commercial buildings in the 14.92 sq.m (pre-expansion) Qianhai Cooperation Zone reached 28.9% in the third quarter of 2023, over 5 percentage points higher than the average vacancy rate in Shenzhen during the same period. While thousands of companies have registered their presence in the area, many do not actively engage in business in Qianhai. As of June 2021, a total of 11,500 Hong Kong-invested companies registered in Qianhai, of which only about 20% had registered capital exceeding USD 10 million (approximately HKD 77.5 million).⁶ These over 10,000 Hong Kong-invested companies only utilized HKD 29.5 billion in foreign investment in 2020, averaging HKD 3.65 million per company.

Table 3 Comparison of vacancy rate of commercial buildings between Qianhai and other major cities in China

	Qianhai	Shenzhen	Beijing	Shanghai
The 3 rd Quarter in year 2023	28.9%	23.2%	15.1%	17.1%

Source: Reuters.⁷

All these suggest that Hong Kong's production factors are not yet actively engaged in production activities in Qianhai. The conventional theory of the development of modern service industry requires the aggregation of capital, technology, talent, and data, which relies heavily on good market environment and rule of law. Excellent hardware facilities and attractive fiscal and tax policies are helpful but in themselves insufficient drivers. The facilitation of factor mobility between Hong Kong and Qianhai and aligning business rules in Qianhai with those in Hong Kong and internationally have been the objectives of Qianhai since the early

⁶ Data from the Hong Kong Legislative Council

⁷ David Kirton, [China's not-so-special economic zone embodies a harsh new reality](#), *Reuters*, 16 November 2023. According to the research report by Knight Frank, the Qianhai statistics refers to the Qianhai Cooperation Zone before its expansion in September 2021. See: Knight Frank, [Shenzhen Grade-A Office Market Report \(Q3 2023\)](#), 24 October 2023.

years. Despite official promotion, not many Hong Kong residents actually work and live in Qianhai.⁸ Only around 2,000 Hong Kong residents are reportedly insured under the social security program within the original Qianhai Cooperation Zone. The lag in the alignment of business-related rules between Hong Kong and Shenzhen also made it difficult to promote the mutual recognition of professional qualifications in many fields, limiting the scope of business activities for Hong Kong professionals and companies.

3. Adjusting the Mindset and Deepening Cooperation with Qianhai Cooperation Zone

In the latest Qianhai Overall Development Plan promulgated in December 2023, new performance goals were designated for the next three years. Hong Kong-invested enterprises should reach 11,000 by 2025, a 30+% increase from end of 2022. The number of Hong Kong residents employed in the Qianhai Cooperation Zone should increase by 70% to reach 10,000. The capacity of cross-border administrative services are to be doubled to gear to the expected increased cross-border travels. In addition, an important shift in factor mobility policy sees that Qianhai will unilaterally recognize the professional qualifications of overseas (and Hong Kong) professionals through a filing and practice system. For example, in terms of talent policy, the Overall Development Plan pledges to “establish an accreditation list of international vocational qualification certificates, formulate regulations on overseas professionals’ practice, allow individuals possessing Hong Kong, Macau, or international professional qualifications in the fields of finance, taxation, planning, culture, tourism, etc. to register and provide services in Qianhai, and to recognize their overseas professional experience.” This is a major departure from the previous talent mobility policy which requires mutual recognition of professional qualifications.

The unilateral registration and related filing and practice system is first applied, as a pilot reform, in the field of engineering construction in September 2020 in Qianhai. By July 2023, this system has enabled 50 professional institutions and 444 professionals to obtain practice qualifications in Qianhai, involving a total of ten Hong Kong professional enterprises and 74 Hong Kong professionals participating in Qianhai projects.⁹ This measure has been recognized by the National Development and Reform Commission and promoted nationwide.¹⁰ In an earlier policy paper released in 2019,¹¹ we suggested that the flow of human capital – rather than materials – has become the key bottleneck to Guangdong-Hong Kong-Macao cooperation. It is thus essential to transcend the historical focus on reciprocity in recognition of professional

⁸ Chan, Lin 2023, ‘Qianhai: The Eye of Greater Bay Area (2) (前海：大灣區之眼 (中))’, *Wen Wei Po*, 21 February, A23, <https://dw-media.tkw.hk/epaper/wwp/20230221/a23-0221.pdf>.

⁹ Qianhai Authority (2023), “[The announcement of three major achievement between Shenzhen & Hong Kong at the Qianhai Cooperation Zone](#)” (前海建設領域深港合作三大成果發佈).

¹⁰ Notice of the National Development and Reform Commission on Promoting and Drawing on the Typical Experience and Innovative Measures of the First Batch of Authorizations for Shenzhen Comprehensive Reform Pilot Projects (國家發展改革委關於推廣借鑒深圳綜合改革試點首批授權事項典型經驗和創新舉措的通知), 13 October 2022, viewed 15 February 2024, https://www.ndrc.gov.cn/xxgk/zcfb/tz/202210/t20221014_1338566.html.

¹¹ Linda Li, et.al (2019), “[A new way of thought for factor movement in the Greater Bay Area, beyond equal and unequal](#)” (大灣區要素流動的新思考方向: 超越對等與非對等), CSHK Policy Paper 14 (In Chinese Only)

qualifications, so as to facilitate the participation of Hong Kong professionals and institutions in the mainland market – a direction which the latest talent flow policy has apparently taken.

Table 4 Major social and economic development targets for Qianhai Cooperation Zone

Category		Indicators	Figures in 2022	Target in year 2025
Shenzhen-Hong Kong Cooperation	1	Hong Kong-invested enterprises	8,274	11,000
	2	Hong Kong permanent residents taken up employment in Qianhai	5,879 people	10,000 people
	3	Number of cross-boundary public services available in Hong Kong & Macau	238	400
Reform and Open Up	4	Number of new national replicated and promoted institutional innovations	11	30-50
	5	Number of new case for institutional openness	10	40-60
	6	Utilized foreign investments	5.864 billion USD	28-32 billion USD
	7	Number of international organizations	1	3-5
	8	Annual passenger traffic for Shenzhen International Airport and its region	5.25 million people	10 million people
	9	Container throughput for the western port area of Shenzhen Port	15.91 million TEUs	17 million TEUs
Development of Modern Service Industry	10	Value added of modern service industry	102.25 billion	136 billion
	11	Introduction and cultivation of global service providers in Qianhai	50	40-50
	12	Number of foreign law-related legal service institutions	42	60
	13	Number of Hong Kong invested and foreign invested financial institutions	191	300
	14	Number of registered overseas professionals	517	1000

Source: Qianhai Overall Development Plan.

From the perspective of Hong Kong, government officials in Hong Kong have reiterated how Hong Kong will play an important role in several key aspects of the implementation of the Qianhai Overall Development Plan:

Financial Services: *Hong Kong will support Qianhai enterprises to make use of Hong Kong as a platform for fundraising, establishing overseas operations and issuing green bonds; and fostering collaboration in fintech.*

Legal Services: *Hong Kong will continue to develop itself into a centre for international legal and dispute resolution services in the Asia-Pacific region , and support Hong Kong legal practitioners who have obtained the Lawyer’s License (GBA) to practise as legal consultants in law firms in Qianhai*

Professional Services: *Hong Kong supports Qianhai in seeking more policy breakthroughs on a pilot basis under the Qianhai Overall Development Plan, such as facilitating Hong Kong enterprises and professionals of the construction and related engineering sectors that have acquired corresponding qualifications by way of registration to provide services at planning and designing stages, and also support local accounting firms to launch non-audit services with Hong Kong accountants*

Obviously, Hong Kong will need to expand its existing unique advantages in these important areas. President Xi Jinping publicly states that “One Country, Two Systems” (and the embodied institutional differences therein) is an important reason why Hong Kong and Macau have significantly contributed to mainland China’s reform and opening up. In addition to bringing in new capital, technologies, international rules and development experiences, Hong Kong and Macau have deeply participated in the institutional evolution and business development in the economic special zones, and in the national system reform. Hong Kong and Macau will continue to enjoy a special status and unique advantages in the new round of national reform and opening up and play an “irreplaceable role”.¹² Hong Kong’s “systems” – different from the mainland’s --- provide a valuable diverse perspective and are the foundation of its “unique advantages” to benefit the development of the mainland.

We have argued in an earlier article that the key to the Greater Bay Area policy is how to effectively use the “One Country, Two Systems” framework to promote the development of the Greater Bay Area and further radiate the impact of the institutional variations between the two systems to the rest of China.¹³ China urgently needs to improve its economic transformation and social governance. It is important to handle international business disputes properly, promote corporate efficiency and social responsibility, and adequately resolve social conflicts. Making good use of Hong Kong’s “second system” to extend the reform

¹² [“Speech during the visit of Hong Kong-Macau delegation of celebrating the 40th anniversary of the country’s reform and opening up by President Xi Jinping”](#) (習近平會見香港澳門各界慶祝國家改革開放 40 周年訪問團時的講話), People’s Daily Online, 12 November 2018.

¹³ Linda Li & Kin On Li (2017): [“Thoughts on national strategic role of Guangdong-Hong Kong-Macau Greater Bay Area: Leveraging on “One Country, Two Systems” in Hong Kong, envisioning advantages of soft power capacity of the Bay Area”](#), CSHK Policy Paper No. 2

space of the Greater Bay Area will make the Greater Bay Area a pioneer in the country's development strategy.

As the most open cities in China, Hong Kong and Shenzhen should go beyond the focus on regional integration to actively participate in international division of labor. For Hong Kong's development, while maintaining its unique institutional characteristics, further extending its internationalization and high degree of openness, expanding international connections, and strengthening its competitiveness will continuously attract international production factors and consolidate its economic status.

4. Conclusion

Both Guangdong and Hong Kong are facing dire challenges in economic development in 2023. Guangdong's GDP (at RMB 13.57 trillion) ranks the first amongst all provinces in China, but its 4.8% growth rate trails after Shanghai (5%), Beijing (5.2%), Chongqing (6.1%), amongst others. Hong Kong's projected GDP growth rate (around 3%) falls short of earlier expectation of a strong post pandemic rebound. In this context, Qianhai Cooperation Zone's special strategic role becomes ever more important. It carries a bold vision of developmental breakthrough via a pathway of institutional innovations and reforms, and is thus more than just adding value to the national GDP. By referring to Hong Kong and international standards and practices, Qianhai kick-starts with innovative economic and institutional reforms to instill openness in China's 'first system'. With measures on reforming the market rules and management systems, optimizing the rule of law environment, and facilitating the exchange of information, technology, and other elements, Qianhai Cooperation Zone can take a lead to reduce transaction costs and improve the production efficiency of factors in Shenzhen and then in the rest of China.

The development and construction of the Qianhai Cooperation Zone is also an important opportunity for the economic and social development of Hong Kong. Guo Lanfeng, member of the CPC leadership Group in National Development and Reform Commission (NDRC), pointed out at a press conference of the State Council Information Office in December 2023 that the Qianhai Overall Development Plan is formulated with an aim at "fully supporting Hong Kong in consolidating and enhancing its competitive advantages". Hong Kong will benefit in this cooperation in developing new economic growth points, deepen its economic structural transformation, and expand further Hong Kong's "second system".