China’s City Clusters-
With a Focus on the GBA

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Why city clusters?

• Overcome obstacles
  – Fragmented markets
  – History of competition among cities
  – Overconcentration / overpopulation in key cities
  – Urban / rural divides

• Create advantages
  – Division of labor
  – Specialization
  – Greater urban carrying capacity
  – Labor market pooling
  – Use urban vitality to aid rural sector

The “physics” of city clusters

• One hour = easy commute
• Two hours = repeated face to face deals possible
• Three hours = joint distribution, service sector linkages, tight area
• Five to seven hours = efficient supply chains are possible
City clusters envisioned in the 13th Five-Year Program
China’s city clusters

• Some are tight clusters (GBA)
• Some are large, but looser clusters, where subcluster connections will dominate (YRD)
• Some are too spread to operate as integrated city clusters (Ch-Ch)
• Others are single urban areas with subcenters or satellite cities

• Different types of clusters will have different levels of integration and different gains from clustering
• But all should benefit from
  – Integrated transportation and infrastructure planning
  – Thoughtful division of labor
  – Greater physical and psychological connectivity
• So the plan will “work,” the question is how large the impact will be
The GBA and YRD are of completely different scales

<table>
<thead>
<tr>
<th>Pop mn</th>
<th>Land sq km</th>
<th>GDP bill RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>55,906</td>
<td>10,268</td>
</tr>
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<th>Pop mn</th>
<th>Land sq km</th>
<th>GDP bill RMB</th>
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<tr>
<td>153</td>
<td>213,103</td>
<td>16,519</td>
</tr>
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</table>
Sources of opportunity in the GBA

- Economic Size and Growth
- Greater Connectivity
- Variety and Division of Labor
- Economic Opening
- Policies and Programs
The GBA has a large and growing economy…

Sources: Hong Kong Census and Statistics Department, Guangdong Statistical Bureau, Macao Statistics and Census Service through 2017.
With several dynamic cities…
(GDP by City in the GBA)

Sources: Hong Kong Census and Statistics Department, Guangdong Statistical Bureau, Macao Statistics and Census Service.
New and improved links will provide much better connectivity and accessibility

Global Links
- New Air Capacity to Rest of World
- New Port Capacity to Rest of World

China National Links
- New Links between GBA and Rest of China
- New Links between GBA and Rest of Guangdong

GBA Regional Links
- New Links within Guangdong
- New Links, Crossings between Hong Kong, Macao, and Guangdong
New 1, 2, and 3 hour circles…

City groups within the GBA…

The agenda

- Share transport / land planning
- Share economic planning
- Move some industries and people
- Cooperation in social services; education; healthcare; livelihood, leisure, and entertainment services
The GBA shows a clear development trajectory...

"Inner Ring"

- Hong Kong-around Shenzhen-Dongguan-Guangzhou-Foshan-Zhongshan-Zhuhai-Macao will be the "Inner Ring"
- Most parts accessible in 2 hours (or even 1 hour) from other parts of the "Inner Ring"
- This will be a connected regional economy
- It will contain the main administration, tech, advanced manufacturing, high-end service centers

"Outer Ring"

- Heavier industry, labor-intensive
- Support for diversification
- "City clusters" of Guangzhou-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou, Zhuhai-Zhongshan-Zhongshan already cooperating to develop the outer ring
With different cities taking on complementary roles…

<table>
<thead>
<tr>
<th>City</th>
<th>Role Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangzhou</td>
<td>administrative, HQ, marketing, retail, distribution center for Guangdong</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>center for high-tech manufacturing, R&amp;D, logistics</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>international finance, trading, logistics, ideas, information</td>
</tr>
<tr>
<td>Macao</td>
<td>leading destination resort plus meetings center</td>
</tr>
<tr>
<td>Foshan and Dongguan</td>
<td>upgraded manufacturing, equipment / machinery suppliers, spillovers from Guangzhou and Shenzhen</td>
</tr>
<tr>
<td>Zhuhai</td>
<td>satellite service center for Western PRD, tourism and leisure center, spillover tech manufacturing</td>
</tr>
<tr>
<td>Zhongshan</td>
<td>manufacturing support for other cities, mid-tech manufacturing</td>
</tr>
<tr>
<td>Huizhou, Jiangmen, Zhaoqing</td>
<td>overflow capacity from their “city cluster” neighbors (people and industries), heavier industry to support the vertical integration and diversification of the PRD economy (chemicals, power, metals, paper, other materials, machinery, etc.), supplies for “Inner Ring”</td>
</tr>
</tbody>
</table>
And with distinctive conditions, some advantageous, some disadvantageous…

<table>
<thead>
<tr>
<th>Markets</th>
<th>Ability to locate</th>
<th>Experiments in opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Larger and more affluent consumer market in the future</td>
<td>• World-class finance and HQ activities</td>
<td>• GDFTZ, CEPA, exploration through Hong Kong and Macao</td>
</tr>
<tr>
<td>• Deeper, more diversified industrial market in the future</td>
<td>• Increasingly world-class R&amp;D</td>
<td>• GBA continues to be an area of experimentation for economic opening</td>
</tr>
<tr>
<td>• BUT, with all the frictions associated with three different customs zones, and three different systems, even with streamlining</td>
<td>• High-tech manufacturing</td>
<td>• Work on pilot projects and programs that will spread to the rest of China</td>
</tr>
<tr>
<td></td>
<td>• Mid and low-tech manufacturing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• World-class global logistics and other producer services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Local marketing and sales for a province of &gt;100 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• World-leading meetings and exhibitions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• All in a cost-effective manner, all within a 3 hour radius</td>
<td></td>
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</tbody>
</table>
And a new overarching policy framework…

1. Background
2. Overall Requirements
   1. Guiding Ideology
   2. Basic Principles
   3. Strategic Positioning
   4. Development Objectives
3. Spatial Layout
4. Developing an International Innovation, Tech Hub
5. Expediting Infrastructural Connectivity
6. Building a Globally Competitive Modern Industrial System
7. Taking Forward Ecological Conservation
8. Developing a Quality Living Circle Living, Working Travelling
9. Strengthening Cooperation, Jointly Participating in BRI
10. Jointly Developing GD-HK-MA Cooperation Platforms
11. Implementation of the Plan
Crucial to the ultimate impact will be…

- How the Central Government works to overcome traditional obstacles to integrated development
- Willingness of local governments to cooperate
- A mechanism to sort out the “big ticket” duplication items
- The mindset of people within the region, us and us versus us and them
Thank you

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City clusters led by Metropolitan areas

LU Ming (SJTU)
陆铭（上海交大）
• Geography

• Large country, large population

• Only half livable

• One side coastal

• Seaports frozen in the North
Residents-Hukou pop.
2 Distances

• **National** : Distance to the major seaports

• **Regional** : Distance to local large cities
Closeness to Major Seaports and City Growth

Distance (km)

Growth (%)

-9 -8 -7 -6 -5 -4 -3 -2 -1 0

0 200 400 600 800 1000 1200 1400 1600 1800 2000

Long run

Short run
Closeness to Large Cities and Growth: “Townization” Strategy Should be Adjusted
Inland provinces should seek comparative advantages

• 集聚 Population agglomeration (to coastal regions and large cities in middle and western provinces)
• 产业转移 Middle provinces receiving relocated industries of coastal provinces
• 比较优势 Industries with unique natural conditions (comparative advantages)
  • Agriculture/Mining and other nature resources/Tourism
• 低运输成本 Industries with low transporting cost
  • Chips, software, calling center, live-stream
• 国内需求 Industries serving domestic demand
  • Inland airport hub, specialized markets, cultural industry (studio town)
• 人力资本 Investment in human capital
  • Education (universities)
The core metropolitan areas can still develop larger to lead the city clusters.
- Great Tokyo Metropolitan Area
- 13400 km²
- 3700 million
- Shanghai Metropolitan Area
- 12000 km²
- 3000 million
## Jing-Jin-Ji, YRD, G-H-M

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
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<td><strong>JJJ</strong></td>
<td>Human resources in BJ; Headquarters</td>
<td>Lack rivers; Seaports frozen; BJ controlling size</td>
</tr>
<tr>
<td><strong>YRD</strong></td>
<td>Yangtze River; Population size; Edu and Health care</td>
<td>SH controlling size</td>
</tr>
<tr>
<td><strong>GHM</strong></td>
<td>Inter-city complementarities; Innovation in Shenzhen; Market institutions</td>
<td>Border effects; Relatively weaker edu (except HK)</td>
</tr>
</tbody>
</table>
THANKS!