

ASEAN-Greater Bay Area (GBA) Corridor 2023

Fuelling Regional Growth



HSBC

Opening up a world of opportunity

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Series foreword

Trade and investment between the countries of ASEAN and the Greater Bay Area (GBA) comprising nine cities within mainland China's Guangdong province, Hong Kong SAR and Macau SAR, is becoming increasingly important as the two regional economies are among the fastest-growing in the world.

This is particularly so of ASEAN, where consumption is projected to reach \$4.5 trillion by 2030, and one in six households entering the world's consuming class will be in an ASEAN country.¹ ASEAN presents particular opportunities for GBA-based investors in the digital economy.

Mainland China's growth is projected to taper off after 2023 but remains strong when compared with many other regions of the world. As in ASEAN, foreign direct investment (FDI) inflows continue to rise, demonstrating persistent confidence in both regions. The GBA is a particularly important region to the mainland Chinese economy, with FDI to Shenzhen alone tripling between 2001 and 2020.²

This report considers the current state of trade and investment between ASEAN and the GBA. The ASEAN countries considered in detail in this report are Malaysia, Singapore, Indonesia, Thailand and Vietnam (referred to as ASEAN-5 in the scope of this report).

| Greater Bay Area (GBA) 11 members | ASEAN 10 members | "ASEAN-5" in the scope of this report |
|---|---|---|
| Nine cities within mainland China's Guangdong province: Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan, Zhuhai Hong Kong SAR Macau SAR | Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam | Malaysia, Singapore, Indonesia, Thailand, Vietnam |

The report details trade data in both directions between ASEAN and the GBA and shows the chief sectors for imports and exports between the two. Similarly, it highlights the sectors that are seeing the greatest FDI flows between ASEAN and the GBA. The report seeks to identify where corporates and investors might find the biggest opportunities in trade investment between ASEAN and the GBA, and the challenges that might be encountered.

It also looks at the existing free trade agreements involving mainland China and ASEAN nations and at the potential for the Regional Comprehensive Economic Partnership launched in 2022 between mainland China, the ten nations of ASEAN and five other major Asia-Pacific trade partners. The partnership represents the world's largest free trade agreement by members' GDP, according to one of its signatories, the Australian government.

This report forms part of our Asia-focused series of four reports.

Executive summary

The ASEAN-GBA corridor is growing in importance for both regions with economic growth predicted to continue following the pandemic, particularly in the five countries of the ASEAN trading bloc considered in this report. Growth is not expected to be quite so strong in mainland China, however, and a number of challenges persist for the global economy including geopolitical issues, high inflation and rising interest rates.

Still foreign direct investment inflows remain strong for both regions, suggesting investors remain confident in their futures. The Greater Bay Area (GBA) of mainland China comprising the nine southern-most cities in Guangdong province and the special administrative regions of Hong Kong and Macau is a key driver of the overall mainland Chinese economy. FDI to the Guangdong city of Shenzhen alone almost doubled between 2016 and 2021, from \$6.6 billion to \$10 billion.³

ASEAN-GBA trade corridor data is currently difficult to gather at the level of the nine cities in Guangdong (the large province has 12 other prefecture-level cities) but data based on ASEAN-Guangdong trade for January to May 2023 indicate the corridor is shaping well to become a strong driver of regional and global growth, with exports to ASEAN hitting \$12.5 billion in March alone. For Hong Kong SAR, trade data show strong flows with the Southeast Asian nations, with ASEAN imports from the special administrative region more than doubling in the decade to 2022. Hong Kong SAR's imports from ASEAN rose 75% during the same decade.⁴ The numbers point to a large degree of trading interdependence between ASEAN and the GBA.

As an indication of the bigger trade relationship, trade data also show strong flows between ASEAN and mainland China, with ASEAN imports from mainland China more than doubling in the decade to 2022. Mainland Chinese imports from ASEAN also doubled during that period.

Highlights

ASEAN-Hong Kong SAR trade flows at least doubled in the decade to 2022

Guangdong exports to ASEAN hit \$12.5 billion in March 2023

Regional Comprehensive Economic Partnership (RCEP) to drive trade between ASEAN and mainland China, benefiting the GBA

Free trade agreements are playing a large facilitating role in expanding trade between the two areas, with mainland China having longstanding agreements with Thailand⁵ and Singapore,⁶ while a number of multilateral trade networks involving both mainland China and ASEAN nations have been proposed. The most significant of these is the Regional Comprehensive Economic Partnership (RCEP), which took shape in 2022, between mainland China and the ten ASEAN countries, as well as major Asia-Pacific economies including Japan, South Korea, Australia and New Zealand.⁷

Executive summary

ASEAN is a particularly promising region for Mainland Chinese and Hong Kong SAR corporates and investors to look to, especially as its GDP growth is among the world's highest. ASEAN is now a \$3 trillion economy⁸ and it is expected to reach \$4.5 trillion by 2030.⁹ At this time, one in six households entering the world's consuming class is forecast to be in an ASEAN country. The five key markets driving this growth are Malaysia, Indonesia, Singapore, Thailand and Vietnam, referred to in this report as the ASEAN-5. The region's digital economy in particular presents significant opportunities for GBA-based investors.

Data from the International Trade Centre (ITC) and analysis from HSBC show an estimated \$54 billion opportunity for GBA-based corporates and investors in the ASEAN-5 markets up to 2027, with particularly notable gaps to be filled in the electronic equipment and machinery sectors.

For ASEAN corporates and investors looking to markets in the GBA, market disruption is creating headwinds in a number of sectors but also opportunities, particularly in sectors such as technology and digital, FinTech and green finance that are expected to drive the economy of the future.

Hong Kong SAR is well placed to act as a bridge between investors from ASEAN and mainland China due to its numerous advantages such as its highly liquid stock exchange and abundance of professional services expertise, as well as being able to bridge any language issues.

ITC and HSBC see an estimated \$52.7 billion opportunity for ASEAN-5 corporates and investors within the GBA up to 2027.



Summary infographics

1. GDP forecasts and trade data for ASEAN-Guangdong suggest good prospects in both directions of the ASEAN-GBA corridor

In early 2023 (Jan-May), Guangdong consistently exported more to ASEAN countries than it imported



Source: General Administration of Customs of the People's Republic of China, 2023

2. Trade frameworks and agreements are facilitating the ASEAN-GBA Corridor – Regional Comprehensive Economic Partnership is one to watch for

Key Stats - RCEP



Source: UNCTAD, 2021

3. ASEAN-5 markets present an estimated \$54 billion opportunity for the GBA up to 2027

\$54 billion

Estimated export potential of GBA to ASEAN-5 markets up to 2027

Source: ITC Export Potential Map, HSBC Analysis, 2023

4. Looking ahead, Hong Kong SAR's status as a regional green finance hub and ASEAN's digital economy both illustrate strong Corridor growth prospects

Green Finance in Hong Kong SAR

\$56.6 billion Green and sustainable debt issuance in Hong Kong SAR in 2021

\$19 billion Green bonds issued under the GGBP in Hong Kong SAR as of June 2023

97% of green bond volume originating from Hong Kong SAR obtained external reviews

Source: HKMA (2022),¹⁰ Hong Kong's FSTB (2023),¹¹ Climate Bonds Initiative (2022)¹²

**The ASEAN-GBA
Corridor is the fast lane
towards economic growth**



Global Macroeconomic Context

Current forecasts for global trade are mixed. Although trade returned to growth in the first quarter 2023, the UN Conference on Trade and Development's (UNCTAD) estimates suggest trade was weak in Q2, remaining at similar levels to Q1 for both goods and services.¹³ Moreover, several challenges persist for the global trade environment such as geopolitical tensions, a weakening global economy, and slowing industrial output from the world's two major economies – the US and mainland China.¹⁴ However, there are some factors that do augur well for global growth, such as increasing demand for commercial services such as ICT and the rebound in travel and tourism, trade supporting the green transition, and continued low shipping costs.¹⁵

GDP forecasts and FDI inflows suggest promising prospects for the ASEAN-GBA Corridor

Within this global context, the ASEAN-GBA Corridor is an increasingly important trade and investment conduit for both ASEAN and mainland China. The Corridor's latent potential is illustrated by both GDP forecasts and FDI inflows. GDP growth forecasts over the 10-year period 2018-28 for the ASEAN-5 markets suggest these countries are recovering strongly from the pandemic, and that they will maintain substantial economic potential over the next few years. However, mainland China's growth is forecast to taper off from 2023 onward, potentially tempering otherwise promising prospects for the ASEAN-GBA Corridor.

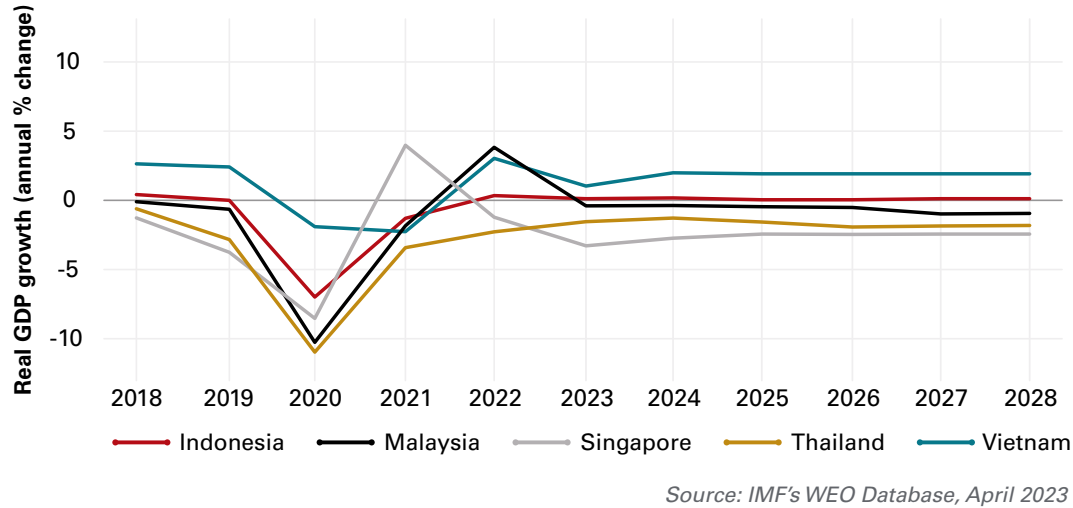
| ASEAN-GBA Connections and Opportunities: 2023 developments¹⁶ | |
|---|---|
| GBA-specific institutions | Key areas of focus |
| <ul style="list-style-type: none"> ▶ ASEAN-Greater Bay Area Economic Cooperation Initiative announced ▶ ASEAN-Greater Bay Area International Chamber of Commerce Alliance established ▶ ASEAN-China Think Tank Cooperation Partnership established | <ul style="list-style-type: none"> ▶ Technological innovation ▶ Industrial cooperation ▶ Talent exchange ▶ Cultural interaction |

FDI inflows were mostly on an upward trajectory in both ASEAN-5 and mainland China over the 10 years to 2021, indicating persistent confidence in both regions as investment destinations.¹⁷ An important engine driving regional FDI is the Greater Bay Area (GBA)—which makes up 11% of the combined GDP of mainland China, Hong Kong SAR and Macau SAR—is a key component of mainland China's growth story. The GBA is home to at least 20 Fortune 500 companies, including Tencent, AIA group and Ping An Insurance.¹⁸ FDI to Shenzhen alone almost doubled between 2016 and 2021, from \$6.6 billion to \$10 billion¹⁹ and Guangdong was the number 2 destination for FDI in mainland China in 2021 after Jiangsu, according to most recently available data²⁰.

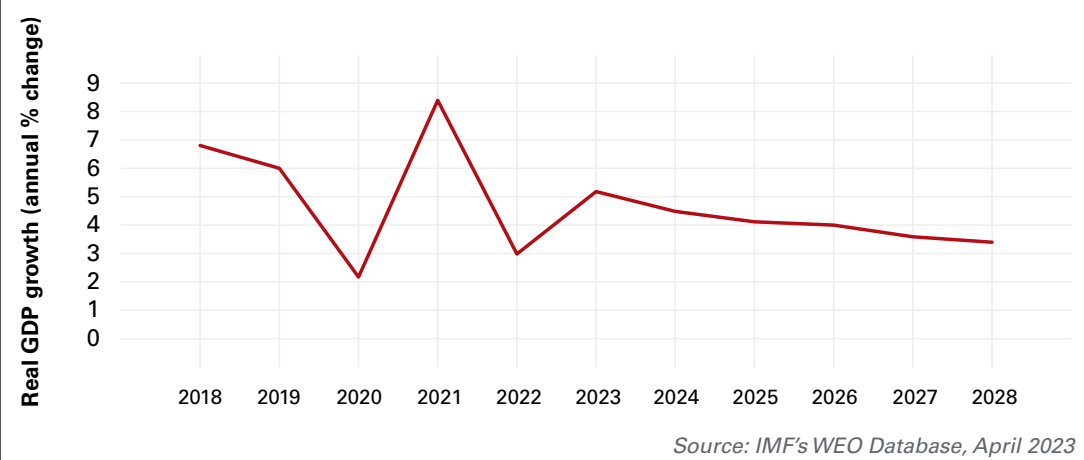
Many initiatives have started in the GBA in the last two years to attract and retain foreign investment, including Guangdong setting up the industrial-chain investment promotion alliance, Guangzhou launching a special team for stabilising foreign investment and issuing the country's first special RCEP cross-border e-commerce policy, and Shenzhen building a service workstation for foreign-funded enterprises. For Hong Kong SAR and Macau SAR, Guangdong reduced the negative investment list in the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), lowering the entry threshold for Hong Kong SAR and Macau SAR institutions to invest in the service industry in the GBA. This is a positive move for ASEAN businesses and investors looking to the two special administrative regions as their entry point into the GBA.

GDP Growth Forecasts: ASEAN-5 and mainland China

GDP Growth: ASEAN-5 countries are recovering strongly and are projected to return to pre-pandemic growth levels

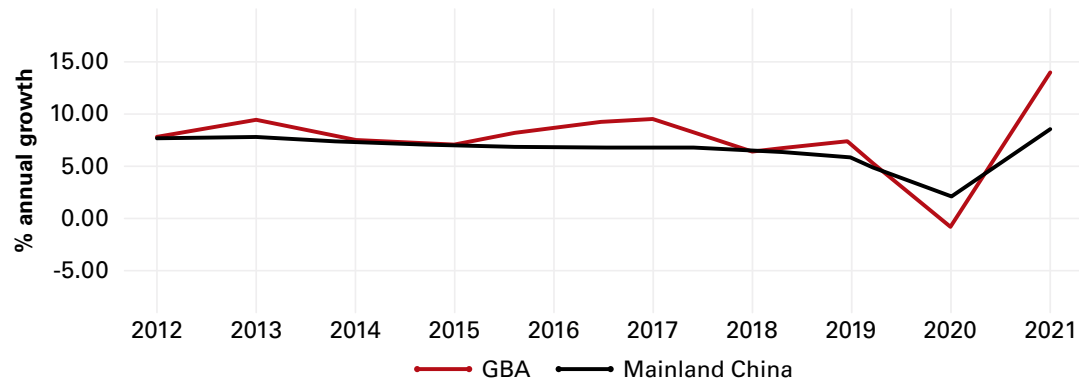


GDP Growth: Mainland China's growth is forecast to taper off from 2023 onward



GDP % Growth GBA and mainland China

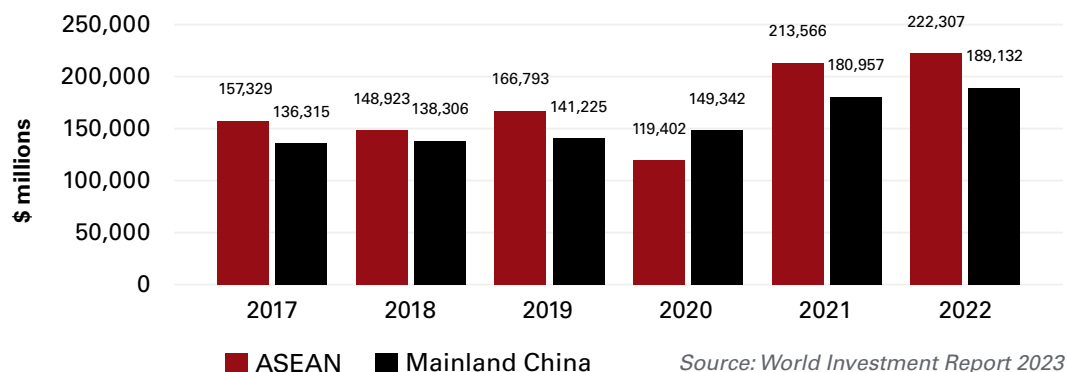
GBA GDP growth robust, outpaced mainland China's for most of 2012-2022



Sources: IMF's WEO Database, April 2023; Census and Statistics Department of Hong Kong, Macau DSEC, Bureau of Statistics of Guangdong Province, 2023

FDI Inflows: ASEAN and Mainland China

ASEAN and Mainland China FDI inflows (2017 - 2022) rebound strongly from pre-Covid levels



Top 5 source FDI countries and territories to top 3 ASEAN FDI destinations 2022, and mainland China

| Singapore Top 5 | FDI \$ bln | Indonesia Top 5 | FDI \$ bln | Vietnam Top 5 | FDI \$ bln | Mainland China Top 5 | FDI \$ bln |
|-----------------|------------|-----------------|------------|----------------|------------|------------------------|------------|
| United States | 24.5 | Singapore | 13.3 | Japan | 3.39 | Hong Kong SAR | 131.76 |
| Japan | 17.2 | Mainland China | 8.2 | Singapore | 2.12 | Singapore | 10.33 |
| United Kingdom | 8.9 | Hong Kong SAR | 5.5 | Mainland China | 1.36 | British Virgin Islands | 5.28 |
| Hong Kong SAR | 7.4 | Japan | 3.6 | Denmark | 1.32 | South Korea | 4.04 |
| Mainland China | 6.8 | Malaysia | 3.3 | South Korea | 1.12 | Japan | 3.91 |

Sources: SingStat, Indonesia Ministry of Investment, Vietnam General Statistics office, mainland China's National Bureau of Statistics, 2023

Good trade foundations also exist along the ASEAN-GBA Corridor

ASEAN-GBA trade corridor data is currently difficult to gather at the level of the nine cities in Guangdong (the large province has 12 other prefecture-level cities) but data based on ASEAN-Guangdong trade for January to May 2023 indicate the corridor is shaping well to become a strong driver of regional and global growth. Guangdong is where nine of the 11 GBA cities are based, thus serving as a useful proxy for the area. Regarding imports from ASEAN to Guangdong, the key supplying markets are Vietnam, Malaysia and Thailand, which together provided 67% of Guangdong's imports from ASEAN from January 2023 to May 2023. Regarding exports from Guangdong to ASEAN, the key export markets are Malaysia, Vietnam and Singapore, which together made up 61% of exports from Guangdong to ASEAN from January 2023 to May 2023.

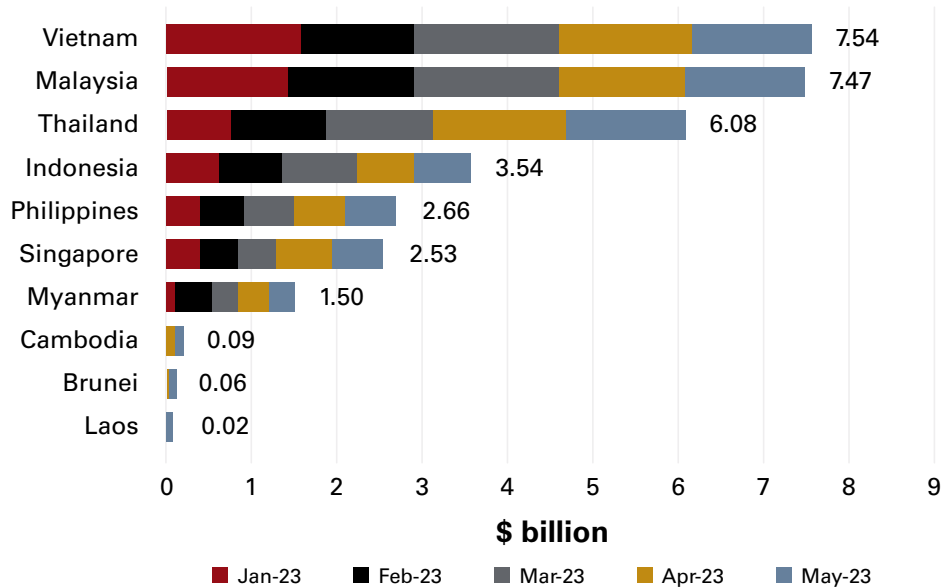
ASEAN-Guangdong Trade: January-May 2023

In Jan-May 2023, Guangdong consistently exported more to ASEAN than it imported



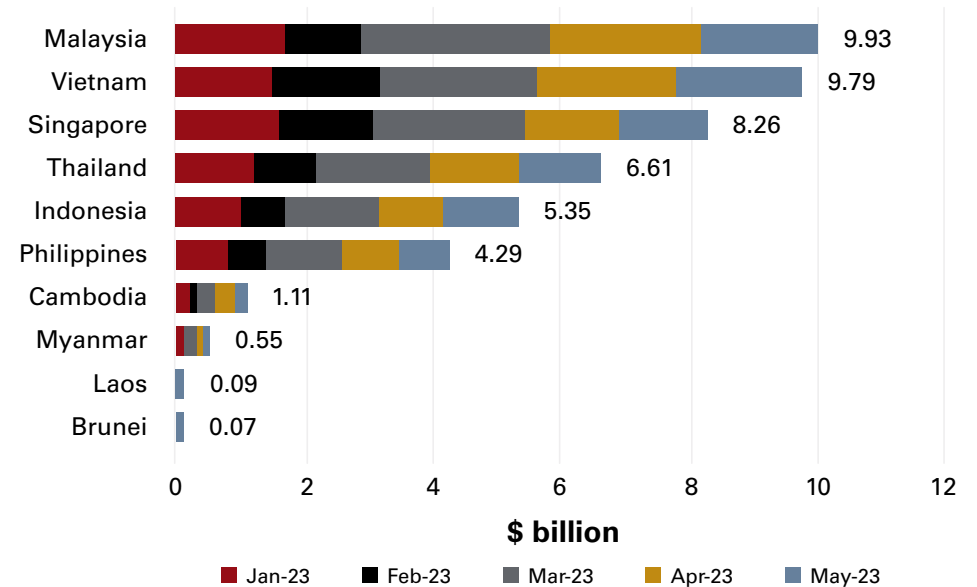
Source: General Administration of Customs of the People's Republic of China, 2023

Imports from ASEAN to Guangdong: Jan-May 2023



Source: General Administration of Customs of the People's Republic of China, 2023

Exports from Guangdong to ASEAN: Jan-May 2023



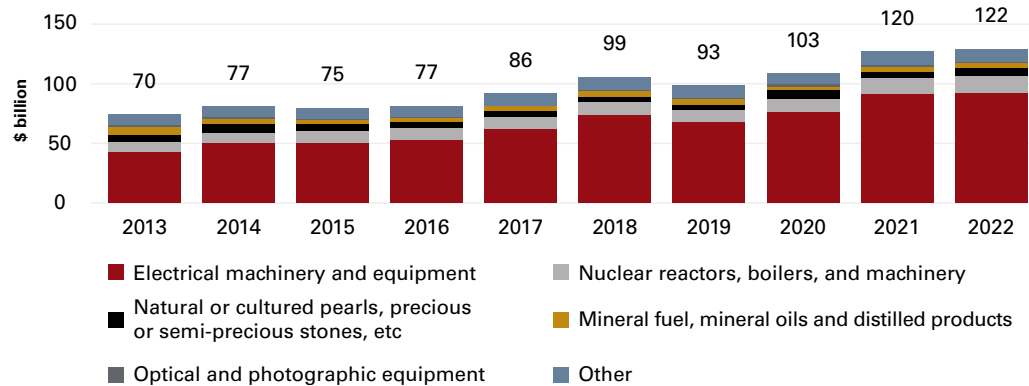
Source: General Administration of Customs of the People's Republic of China, 2023

For Hong Kong SAR, trade data show significant flows between ASEAN and the special administrative region, and vice versa. ASEAN imports from Hong Kong SAR more than doubled in the decade to 2022, from \$14 billion to \$31 billion. Conversely, Hong Kong SAR's imports from ASEAN rose by 75% in the same period to \$122 billion.

At the larger level of trade relationships, trade data also show significant flows between ASEAN and mainland China, and vice versa. ASEAN imports from mainland China more than doubled in the 10-year period to 2022, from \$198 billion to \$461 billion. Mainland China's imports from ASEAN also doubled between 2013 and 2022, from \$200 billion to \$408 billion. Even with mainland China's GDP growth projected to taper off from 5.2% in 2023 to 3.4% in 2028, the volume of trade flows will remain substantial just as they were at 3% GDP growth in 2022. A key insight from the data is the large degree of trade interdependence between ASEAN and mainland China & Hong Kong SAR, which should incentivise further collaboration between ASEAN and the GBA over the coming years.

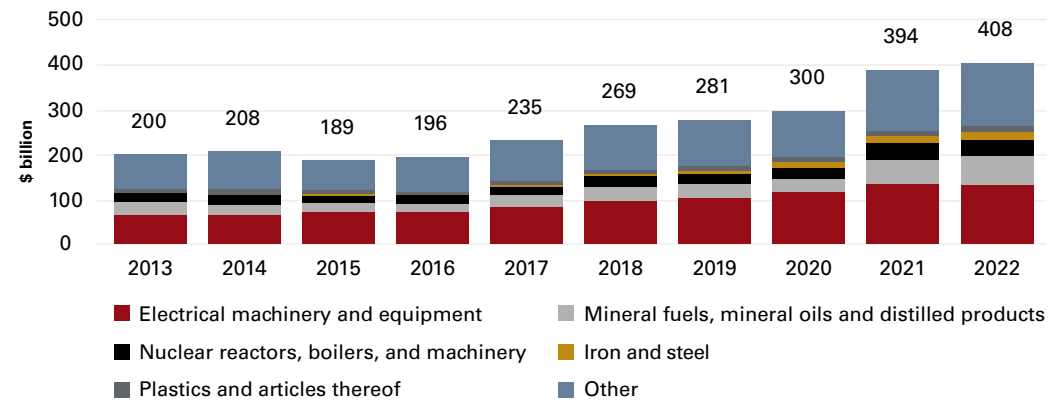
Hong Kong SAR Imports from ASEAN

Hong Kong's imports from ASEAN rose by 75% in the 10-year period from 2013-2022 to \$122 billion



Source: ITC Trade Map, 2023

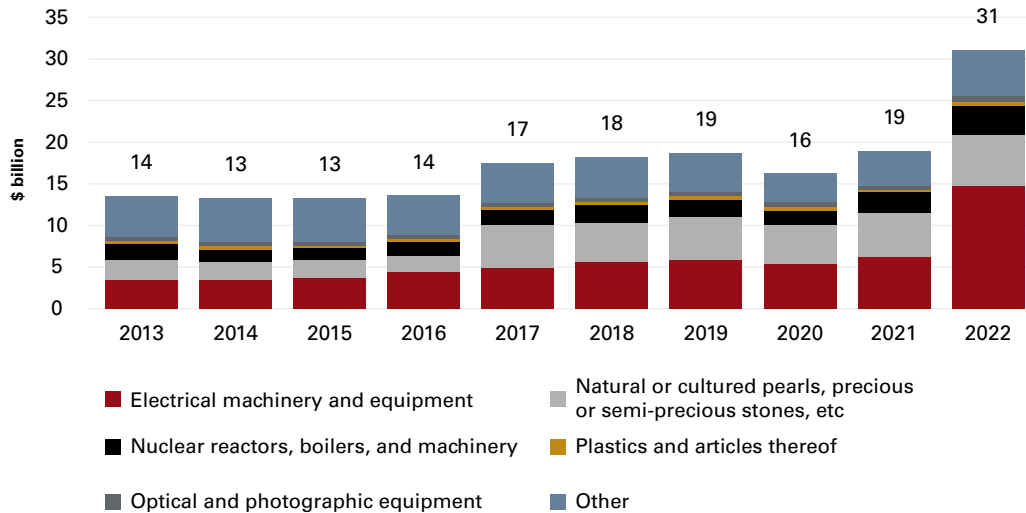
Mainland China's imports from ASEAN doubled over the 10 years to 2022, to \$408 billion



Source: ITC Trade Map, 2023

ASEAN's Imports from Hong Kong SAR

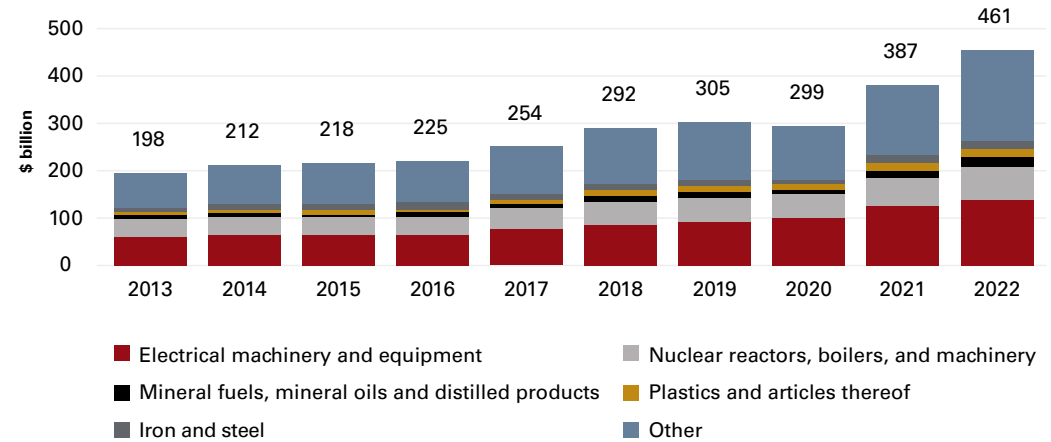
ASEAN imports from Hong Kong SAR more than doubled during 2013-2022, from \$14 billion to \$31 billion



Source: ITC Trade Map, 2023

ASEAN's Imports from mainland China

ASEAN imports from mainland China have more than doubled in the 10-year period 2013-2022, to \$461 billion



Source: ITC Trade Map, 2023

ASEAN is a key driver of trade with mainland China and vice versa. Mainland China was the largest market for ASEAN exports in 2022 at \$321 billion, according to ITC Trade Map data, and ASEAN-5 economies were each in the top 20 supplying markets to mainland China as of 2022. Also, mainland China is the second largest source of FDI for trade and investment in ASEAN as of 2022, providing \$14 billion, mostly in manufacturing, EV-related activities, the digital economy, infrastructure, and real estate.²²

RCEP to deepen trade relationships among members in ASEAN and mainland China

Mainland China has longstanding free trade agreements (FTAs) with Thailand²³ and Singapore.²⁴ Multilateral trade networks involving both mainland China and ASEAN nations have been mooted, such as the Free Trade Area of the Asia Pacific (FTAAP),²⁵ Comprehensive Economic Partnership for East Asia (CEPEA),²⁶ and the East Asia Free Trade Area (EAFTA)²⁷. The most significant such proposal is the Regional Comprehensive Economic Partnership (RCEP), which came into force in 2022. RCEP is a multilateral trade and investment partnership between mainland China and 10 ASEAN countries, along with major Asia-Pacific economies including Japan, South Korea, Australia and New Zealand²⁸ (India was part of RCEP negotiations but withdrew in 2019).²⁹

RCEP offers several potential trade and investment benefits to its member markets, such as the opening of services sectors to RCEP-based investors, promoting common rules of origin, and enhancing the business environment within the bloc, for example via better protection for intellectual property, improved competition laws, and greater support for SMEs.³⁰

Regional Comprehensive Economic Partnership (RCEP): Context & Key Stats

Context: Mainland China launched the Regional Comprehensive Economic Partnership (RCEP) with the 10 ASEAN countries and five other major Asia-Pacific economies. RCEP is the world's largest FTA, comprising almost a third of global GDP.³¹ RCEP may also serve in time as a catalyst for ASEAN-GBA integration.

Key Stats³²

15
Nations

30.5%
of global GDP

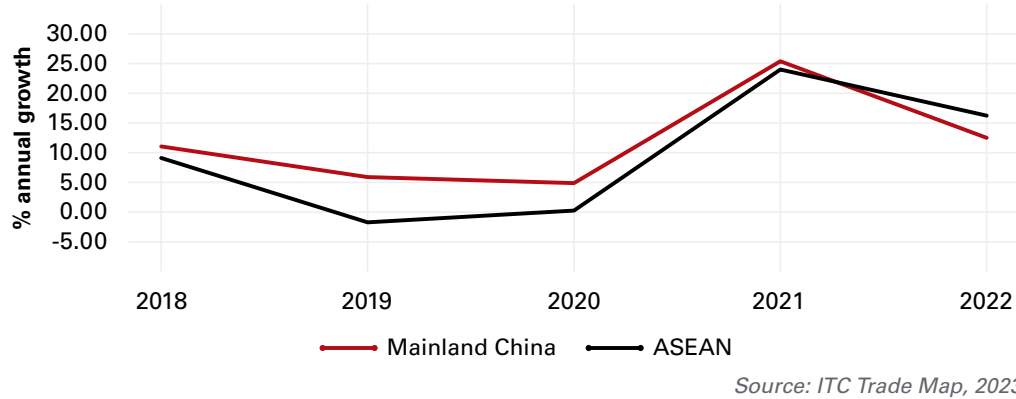
Jan 1, 2022
came into force

Source: UNCTAD, 2021

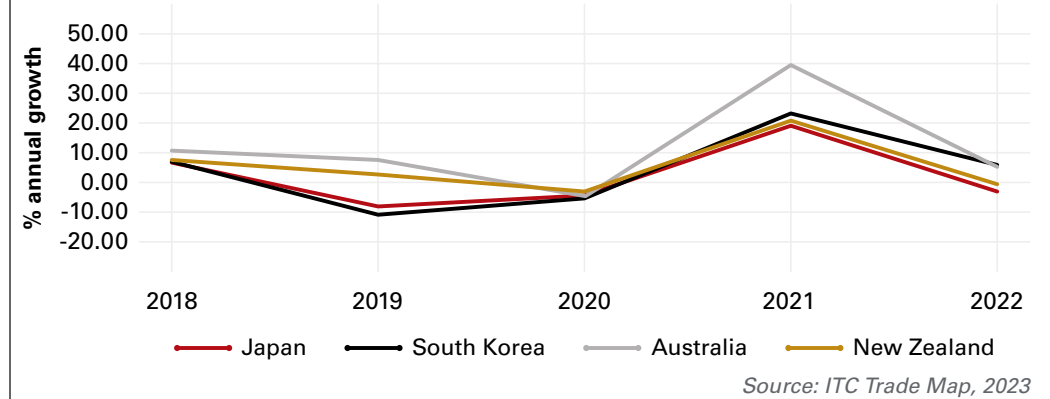
First year of RCEP: Too early to tell impact on intra-group exports

The RCEP agreement came into force on January 1, 2022. It is too early to tell whether it will materialise into something more tangible and it may not impact trade flows in the near to medium term, especially since a rival trading bloc – the US-led Indo-Pacific Economic Framework for Prosperity (IPEF) – is already in place. For the first full-year, data point to increases in the annual growth rate for exports from mainland China and ASEAN to other member countries compared to pre-Covid levels. There were no significant rises for the other member countries. However, it is difficult to accurately measure the impact of RCEP on mainland China and ASEAN exports in 2022, considering other factors such as broad economic recovery post-Covid and Sino-US tensions since 2019 that affected mainland China exports to the US and drove the People's Republic to substitute imports from other countries. Regardless, ASEAN's exports to mainland China as a proportion of the bloc's total exports to all RCEP countries rose from 48.18% in 2017 to 53.36% in 2022. In the other direction, mainland China's exports to ASEAN as a proportion of its exports to all RCEP countries increased from 49.52% in 2017 to 57.25% in 2022³³.

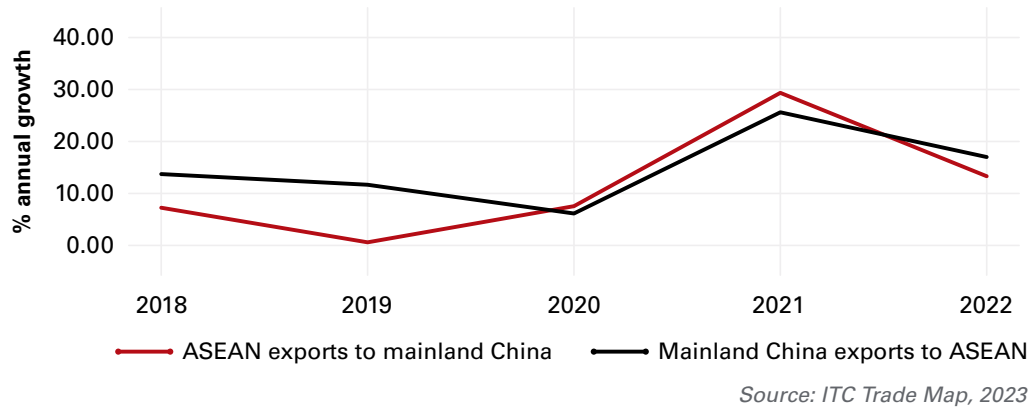
Mainland China, ASEAN exports to each other and to other RCEP member countries 2018-2022: Too early to tell RCEP impact for first full-year 2022



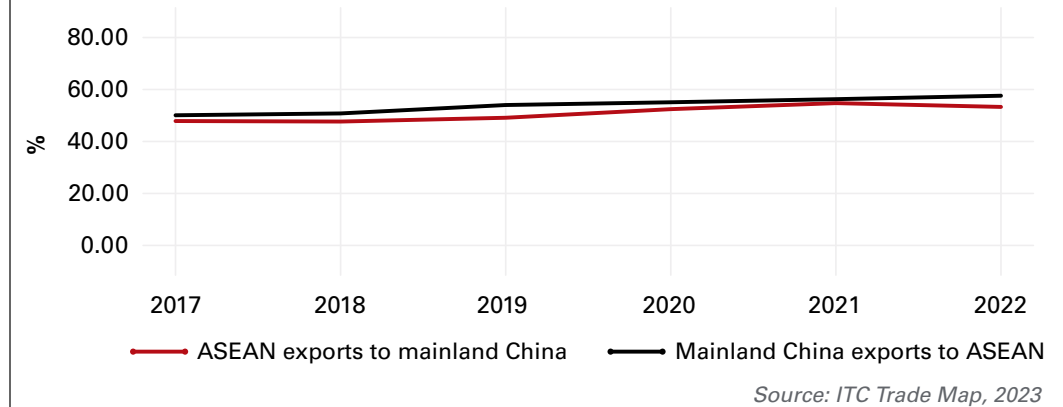
Exports: RCEP member countries ex-Mainland China ex-ASEAN see no significant export % rises from pre-RCEP levels for first full-year 2022



Intra-mainland China, ASEAN exports surged post-Covid



ASEAN's and mainland China's exports to each other as proportion of their exports to all RCEP countries increasing year-on-year



Hong Kong SAR has applied to join the RCEP. It already has substantial trade links with the current members of the RCEP, with total trade with the 15 members reaching to around \$860 billion in 2022, which accounted for over 70% of Hong Kong SAR's total trade³⁴.

Prospects for the ASEAN-GBA Corridor are overall positive, with numerous opportunities to strengthen trade ties such as ASEAN's consumption boom and through further leveraging Hong Kong SAR's role as a super-connector between the regions. These and other opportunities form the basis of the analysis in the next two sections of this outlook.

**Ways for GBA corporates
to thrive in ASEAN markets**



Overview & Trends: Tapping into opportunities presented by consumption boom in ASEAN

GDP growth in ASEAN exceeds that of much of the rest of the world. The region's GDP grew 30% from 2011 to 2021, compared with global growth of 23% over the same period.³⁵ ASEAN is now a \$3 trillion economy.³⁶

Consumption in the region will be driven by a GDP that is projected to reach \$4.5 trillion by 2030 and a population forecast to reach 723 million,³⁷ while one in six households entering the world's consuming class will be in an ASEAN country. Other factors fuelling ASEAN's consumption boom include urbanisation, developed ecosystems for digital trends, the rise of Tier 2 cities in the region, high-value-added services, and export trade. Within ASEAN, five key markets are driving growth: Malaysia, Indonesia, Singapore, Thailand and Vietnam (the "ASEAN-5" in the scope of this report). As of 2021, the ASEAN-5 countries accounted for 84% of ASEAN GDP and 72% of the region's population.

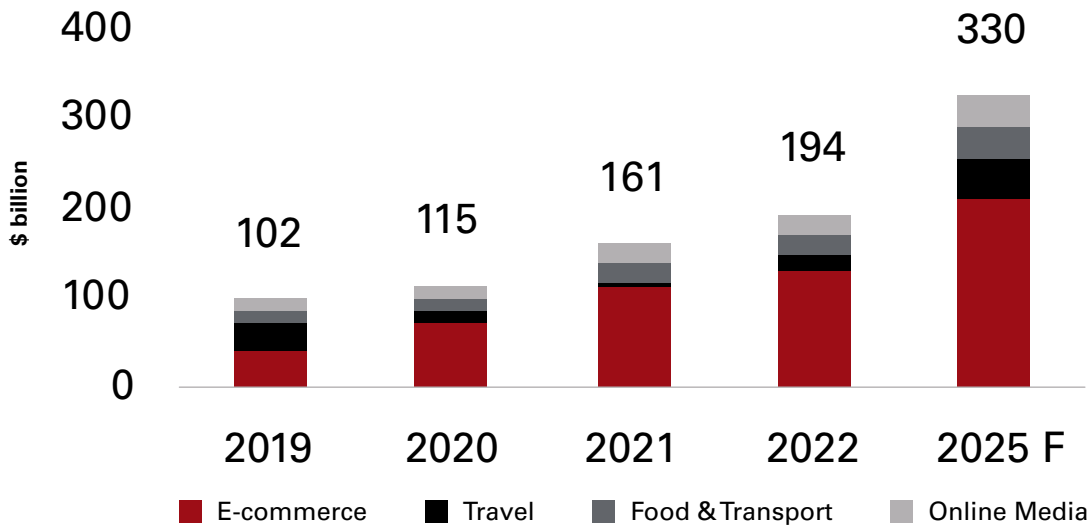
ASEAN's digital economy presents numerous opportunities for GBA-based investors. It was valued at almost \$200 billion in 2022 in terms of gross merchandise value (GMV) and this is forecast to rise to \$330 billion by 2025, having already doubled across the three years to 2022. Four high-growth sectors power ASEAN's digital economy, or 'e-economy': e-commerce; travel; food and transport; and online media. For illustration, the charts on the next page break down growth and projected growth by sector, and the projected increases in deal activity by country.^{38 39} Vietnam and Indonesia are the most likely of the region's economies to attract investors in the long run, indicating investor confidence in their potential for growth.

At the same time, several challenges to market entry into ASEAN exist for aspiring GBA-based corporates. Some examples are the high degree of diversification between economies within ASEAN, the absence of a common regional currency, a lack of open borders, separate regulations for each market, and geography. GBA-based corporates and investors will need to be familiar with the potential impacts of these issues and prepare their timelines accordingly.⁴⁰

| ASEAN DIGITAL ECONOMY | |
|---|--|
| Leading Sectors | Nascent Sectors |
| <ul style="list-style-type: none"> ▶ E-commerce: Marketplaces, Direct-to-Consumer, Groceries ▶ Transport & Food: Transport, Food delivery ▶ Online travel: Flights, Hotels, Vacation rentals ▶ Online media: Advertising, Gaming, Video-on-demand, Music-on-demand ▶ Financial services: Payments, Remittances, Lending, Insurance, Investments | <ul style="list-style-type: none"> ▶ Healthtech ▶ SaaS ▶ Web3 ▶ Edtech |

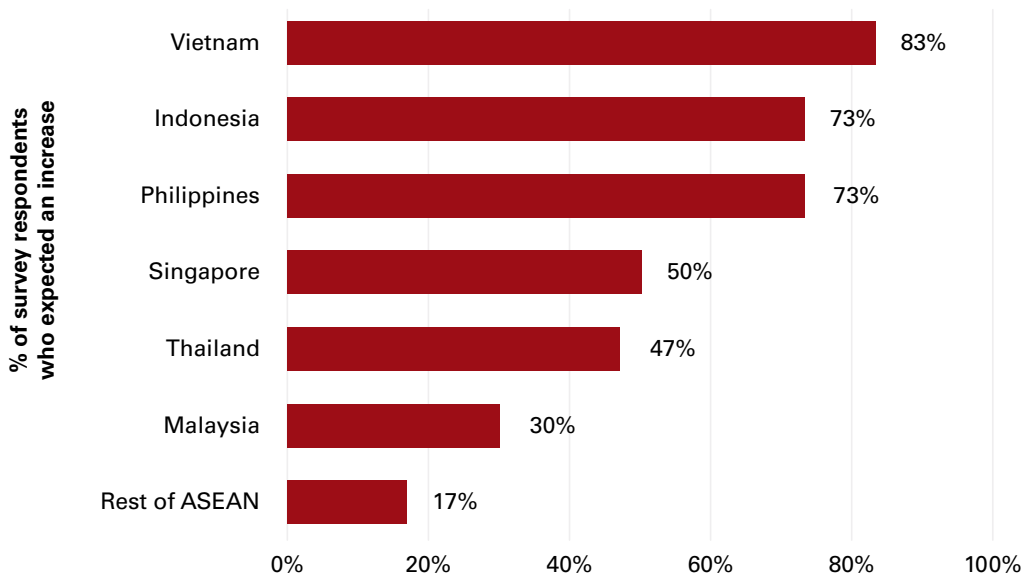
Source: Google, Temasek and Bain, 2022

ASEAN Digital Economy 2019-2025



Source: Google, Temasek and Bain, 2022

Expected increase in deal activity in 2025-2030 vs currently

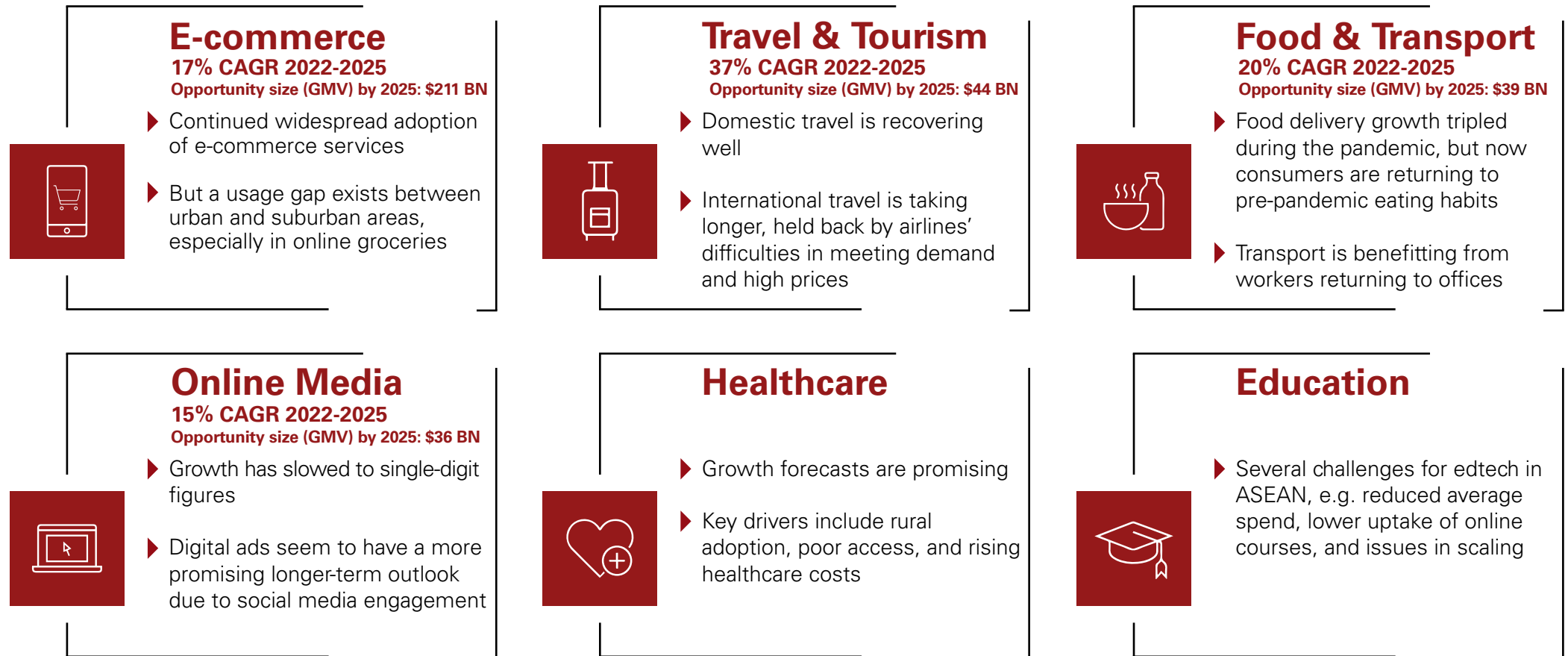


Source: Google, Temasek and Bain, 2022



Regarding other potential sector opportunities in ASEAN for mainland Chinese corporates and investors, young digital natives and affluent urban users are key drivers of ASEAN's digital economy. And although key emerging sectors vary by country, some popular sectors occur across each of the ASEAN-5 markets. These include: e-commerce; travel & tourism; food & transport; online media; healthcare; and education. A 2022 report from Google, Temasek and Bain elaborated on some of the current trends in these sectors:⁴¹

Current trends in ASEAN's digital economy – leading and nascent sectors



Finally, with the rapid growth of ASEAN markets, it is crucial for GBA-based corporates to tailor their various strategies for these economies, such as market entry, customer, distribution, and other strategies. As such, GBA-based corporates should take heed of other Asia-focused key success factors and trends that are relevant to succeeding in ASEAN, such as the growth of regional enterprises, supply chain adaptations, the rise of the digital economy, and a growing focus on workforce and ESG aspects.⁴²

Overall opportunity: \$54 billion export potential for GBA-based corporates and investors to ASEAN-5 markets

Data from ITC and HSBC's own analysis suggest an estimated \$54 billion opportunity for GBA-based corporates and investors to the ASEAN-5 markets up to 2027. This figure is estimated based on the wider export potential for mainland China and Hong Kong SAR to the ASEAN-5 markets, which stands at \$495 billion. Vietnam and Malaysia are the largest markets in terms of export potential for mainland China and Hong Kong SAR combined, and show an estimated \$20 billion and \$9.7 billion, respectively, of export potential to the GBA alone.

\$54 billion

Estimated export potential of GBA to ASEAN-5 markets up to 2027

| Market (\$ million) | | | | | | |
|--------------------------------|-----------|----------|-----------|----------|---------|--------|
| Exporter | Indonesia | Malaysia | Singapore | Thailand | Vietnam | TOTAL |
| Estimated GBA export potential | 8,646 | 9,735 | 7,271 | 8,701 | 20,097 | 54,450 |

Source: ITC Export Potential Map, 2023⁴³, HSBC Analysis, 2023



Key sector opportunities for GBA-based corporates: ASEAN's consumption boom presents significant opportunities in various sectors

Data from ITC on the sectors with the greatest untapped export potential highlight the most promising opportunities for mainland China and Hong Kong SAR-based corporates, based on export gaps up to 2027. Within ASEAN-5 markets, the most sizeable export gaps for mainland China and Hong Kong SAR-based corporates, where the GBA is based, are in the following sectors:

Most sizeable export gaps for mainland China and Hong Kong SAR-based corporates to ASEAN-5

| | Electronic equipment | Machinery | Precious metals | Jewellery | Metal products | Synthetic textile fabric | Plastics & rubber |
|-----------|----------------------|-----------|-----------------|-----------|----------------|--------------------------|-------------------|
| Indonesia | ◆ | ◆ | | | | | |
| Malaysia | ◆ | ◆ | ◆ | ◆ | | | |
| Singapore | ◆ | ◆ | ◆ | ◆ | | | |
| Thailand | ◆ | ◆ | | | ◆ | | |
| Vietnam | ◆ | | | | | ◆ | ◆ |

Export potential opportunities: Mainland China and Hong Kong SAR to ASEAN-5 markets

| | Indonesia | | Malaysia | | Singapore | | Thailand | | Vietnam | |
|--------------------------|-------------------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------------------|-------------------------|------------------------|-------------------------|--------------------------|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
| Exporter: Mainland China | Machinery, electricity | 6,800 | Electronic equipment | 15,000 | Electronic equipment | 9,100 | Electronic equipment | 7,900 | Electronic equipment | 36,000 |
| | Electronic equipment | 3,900 | Machinery, electricity | 6,500 | Machinery, electricity | 5,000 | Machinery, electricity | 4,100 | Machinery, electricity | 13,000 |
| | Miscellaneous manufactured products | 2,000 | Plastics & rubber | 1,900 | Miscellaneous manufactured products | 1,200 | Metal products | 1,600 | Synthetic textile fabric | 5,300 |
| Exporter: Hong Kong | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
| | Electronic equipment | 622 | Precious metals | 534 | Precious metals | 852 | Electronic equipment | 554 | Electronic equipment | 684 |
| | Machinery, electricity | 212 | Electronic equipment | 415 | Electronic equipment | 380 | Precious metals | 272 | Machinery, electricity | 106 |
| | Plastics & rubber | 82 | Jewellery & precious metal articles | 196 | Jewellery & precious metal articles | 163 | Machinery, electricity | 206 | Plastics & rubber | 58 |

Source: ITC Export Potential Map, 2023

**Success routes
for ASEAN corporates
into the GBA**

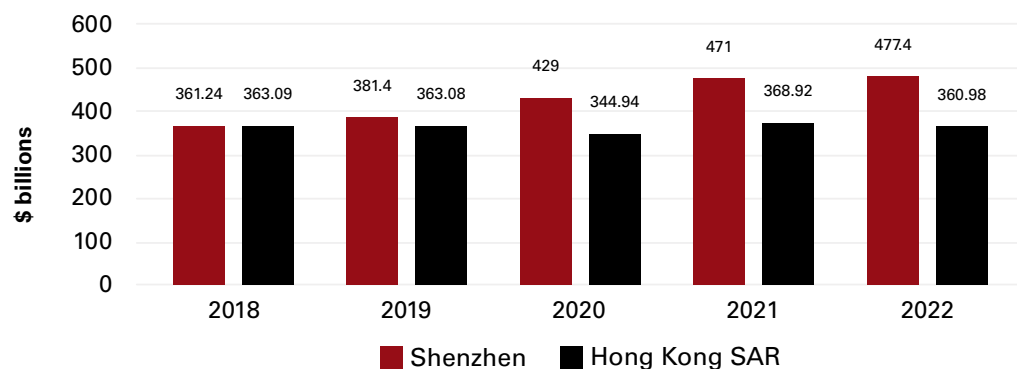


Cross-sectoral industry disruption is a hallmark of the new economy. Disruption is creating headwinds but also opportunities for the global economy, particularly in sectors seen as driving the economy of the future such as Tech & Digital, FinTech and green finance. For the GBA and ASEAN, these sectors are particularly relevant in unlocking the next level of economic growth.

ASEAN-GBA Opportunities in Tech and the Digital Economy: The Shenzhen-Hong Kong SAR Factor

Within the GBA, Hong Kong SAR's closest city in mainland China is Shenzhen - it takes all of 18 minutes to get from the former to the latter via a bullet train service. The two economic powerhouses in their own right are also connected by the Shenzhen-Hong Kong Stock Connect, a cross-boundary investment channel that links the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. The connection between two of the GBA's most international cities should incentivise ASEAN and GBA businesses and investors for a variety of reasons, chief of which are digital and tech-related, with Hong Kong SAR facilitating technology finance as a leading international financial centre and world's largest offshore renminbi hub according to the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Shenzhen acknowledges the need for it to boost connectivity with Hong Kong SAR as part of the GBA in terms of infrastructure, policies and standards.⁴⁴

Shenzhen GDP outpacing Hong Kong SAR's



Sources: IMF, Shenzhen Daily, PRC State Council Information Office, 2023

Shenzhen-Hong Kong SAR

Qianhai in Shenzhen has been positioned as a gateway to the GBA in mainland China. The Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone has been operating since the early 2010s and is a key platform for cooperation and connectivity between Shenzhen and Hong Kong SAR.

An ASEAN-GBA meeting in July 2023 identified technological innovation as a key focus area. Shenzhen has been dubbed 'Mainland China's Silicon Valley' and in 2021 the city was home to 21,000 state-level high-tech enterprises;⁴⁵ it is the headquarters of some of mainland China's biggest tech firms, including Huawei, BYD and Tencent, as well as start-ups. Under its 2021-2025 plan, Shenzhen aims to become mainland China's "core engine" of reform and to power growth and innovation in the GBA. The ASEAN-GBA aim is for Southeast Asia to learn from innovations that are first tested in Shenzhen, with a longer-term view to lower-cost manufacturing in Southeast Asia, such as in Vietnam, as the GBA focuses on being a centre for high-value, high-tech manufacturing.

Overview & Trends: Tapping FinTech

There are numerous areas for the GBA to develop in the FinTech space, such as cross-border trade finance and payments.

Additionally, the GBA may develop into a hub for business-to-consumer (B2C) FinTechs in sub-sectors of the industry such as WealthTech, RegTech and InsureTech⁴⁶. The GBA has a number of advantages to offer for FinTechs, such as fast-growing markets, as a test market for new products and services, and as a gateway to other regions in mainland China for global companies.⁴⁷ The combination of Shenzhen and Hong Kong SAR in the GBA has the potential to further facilitate innovation and financing of FinTechs.

Green finance in the GBA – a hub to watch

Hong Kong SAR has in recent years emerged as a key hub for regional green finance, buoyed by government backing and market activity that leverages the territory's existing strengths as a fixed income hub and premier listing venue. With a stated goal of carbon neutrality by 2050, Hong Kong SAR continues to make strides on several fronts. It is arguably now ahead of rival Singapore as the region's main green finance centre.⁴⁸ Some of the areas that the Financial Services and Treasury Bureau (FSTB) highlights are:⁴⁹

Government green bonds:

Hong Kong SAR's Government Green Bond Programme (GGBP) was launched in 2018, and as of June 2023 around US\$19 billion equivalent of green bonds have been issued, targeting global institutional investors and covering US dollar, euro and renminbi tranches in multiple tenors, thus confirming investors' confidence in Hong Kong SAR's long-term credit strengths. Hong Kong SAR also issued its debut retail green bond worth HK\$20 billion in May 2022 and the world's first tokenised government green bond valued at HK\$800 million in February 2023.

Funding schemes:

As part of its attempts to deepen the local green and sustainable finance ecosystem, Hong Kong SAR's government launched the three-year Green and Sustainable Finance Grant Scheme in May 2021, which provided subsidies for eligible bond issuers and loan borrowers. The government also launched the three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme in December 2022 to help build capacity and awareness in Hong Kong SAR around developing a low-carbon and sustainable economy.

Cross-agency collaboration:

In May 2020, the government established the Green and Sustainable Finance Cross-Agency Steering Group and followed this up with a strategic plan in December 2020 that set out six key focus areas and five near-term action points to bolster the ability of Hong Kong SAR's financial ecosystem to support a greener and more sustainable future.

Recognising the potential for green and sustainable finance within the wider GBA, HSBC launched its US\$5 billion (HK\$39 billion) GBA Sustainability Fund in May 2022 and subsequently increased it to US\$9 billion in August 2023. This fund helps business by providing financial support to help them avail business opportunities in the sustainability sector while transitioning to a low carbon economy. The scheme covers multiple sustainable finance solutions including green loans and sustainability linked loans.⁵⁰

The GBA Sustainability Fund, which runs through November 2024, is available to a wide assortment of GBA based companies such as manufacturers and real estate developers, in sectors covering climate change adaptation, pollution prevention, clean transportation, renewable energy, sustainable water resources, and waste management. Sustainability rating company Sustainalytics will provide external review of the eligibility of proposed green projects.⁵¹

HSBC Greater Bay Area ESG Index, launched in 2022, is the first-of-its-kind to track ESG progress within the GBA. It uses a combination of macro and micro methodologies and is updated regularly. At the macro level the Index analyses the region, cities and industrial characteristics from five areas: policy, environment, economic and social development, corporate governance, and green and sustainable finance. At the micro level, five first-level indicators are used: environmental, social, governance, green and sustainable finance and external assurance.

The ESG disclosure rate of GBA companies increased from 71% in 2021 to 73% in 2022, led by companies based in Hong Kong SAR and Macau SAR. HSBC's ESG Index analysis says that this coincided with the tightening up of the GBA's ESG disclosure requirements, especially with regard to climate-related issues.

**\$56.6
billion**

Green and sustainable
debt issuance in Hong
Kong SAR in 2021

**\$19
billion**

Green bonds issued
under the GGBP in
Hong Kong SAR as of
June 2023

97%

of green bond volume
originating from Hong
Kong SAR has obtained
an external review

Source: HKMA (2022),⁵² Hong Kong's FSTB (2023),⁵³ Climate Bonds Initiative (2022)⁵⁴

Leveraging Hong Kong SAR's role as a super-connector with ASEAN and tapping the GBA's core advantages

Hong Kong SAR's role as super-connector between the GBA and ASEAN stems from its historical role as the gateway to mainland China and advantages such as a developed and highly liquid stock exchange, a strong professional services landscape, and the territory's enabling of trade into and from mainland China.⁵⁵ Moreover, Hong Kong SAR is well-placed to act as a bridge between mainland China and ASEAN due to the presence of global professional services based in the special administrative region that combine deep ASEAN expertise with extensive knowledge of mainland Chinese markets.

Language is a barrier that Hong Kong SAR-based firms can also help surmount when mainland China stakeholders interact with their ASEAN counterparts, given that Chinese is not widely spoken across most ASEAN countries. Additionally, Hong Kong SAR's legal system, which is based on English common law, allows it to interface well and act as a conduit between mainland China and other common law jurisdictions in ASEAN such as Malaysia.⁵⁶

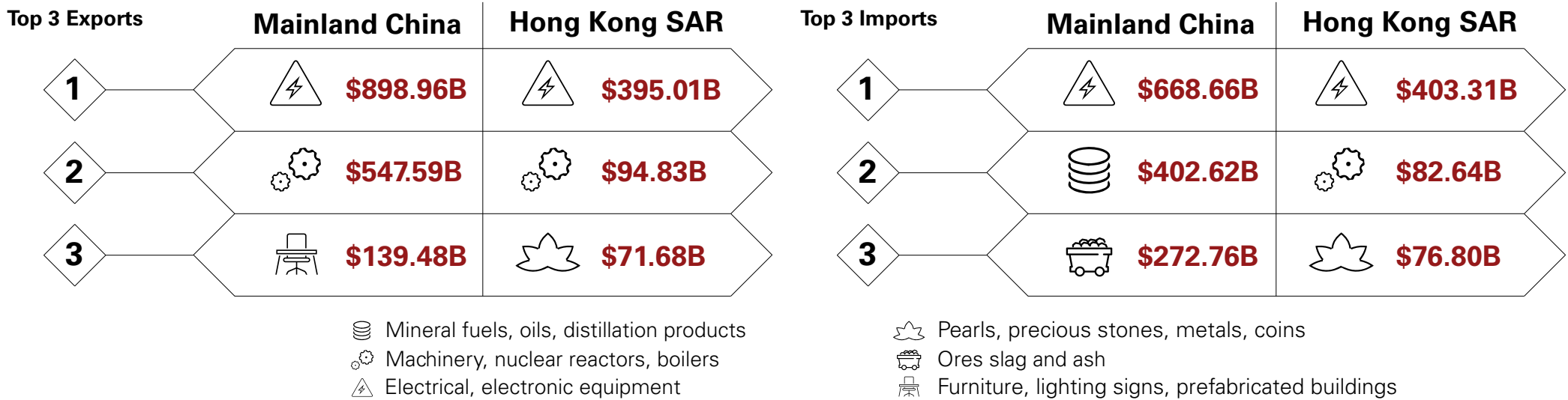
On the GBA's core advantages, HSBC's Navigator survey revealed that international businesses identify these as: leading technological advancement and research capabilities; a rapidly expanding middle class; and a highly skilled workforce. These factors are particularly conducive to doing business in the GBA, especially in sectors such as technology, manufacturing and trade.⁵⁷

Hong Kong SAR's role as a super-connector with ASEAN:

- ▶ **Gateway to mainland China:** first international port of call for ASEAN and the world into mainland China via GBA
- ▶ **International financial hub:** a leading global financial centre and the world's largest offshore renminbi hub according to the Society for Worldwide Interbank Financial Telecommunication (SWIFT).
- ▶ **International trade hub:** longstanding commitment to free trade with strong legal framework and well-developed logistics network. In 2021, Hong Kong SAR exported the highest value of merchandise among GBA members, at \$638.11 billion versus second-placed Shenzhen's \$298.59 billion⁵⁸.
- ▶ **Connectivity and infrastructure:** well-connected airport, seaport and high-speed telecommunications network
- ▶ **Professional services:** legal, accounting, consulting, advisory services facilitating cross-border transactions, investments, and business collaborations

Key trade sectors for mainland China and Hong Kong SAR

Mainland China and Hong Kong SAR each have sizeable volumes of imports. In March 2023, imports into mainland China were valued at \$227.4 billion.⁵⁹ Imports into Hong Kong SAR in the previous month were valued at HK\$331.56 billion (US\$42.2 billion).⁶⁰ These figures suggest both markets present ample opportunities for ASEAN-based corporates. To provide some context on the current strengths and potential trade gaps, the charts below present a bird's-eye view of the leading export and import sectors for mainland China and Hong Kong SAR in 2021, which may help inform ASEAN corporates on the opportunities they can seek in these markets.⁶¹



Source: UN COMTRADE, 2023

Overall opportunity: \$52 billion estimated export potential for ASEAN-5 corporates and investors to GBA

Data from ITC and HSBC's own analysis suggest an estimated \$52.7 billion opportunity for ASEAN-5 corporates and investors from the GBA up to 2027. This figure is estimated based on the wider export potential for ASEAN-5 exporting countries into mainland China and Hong Kong SAR, which stands at \$478 billion. Vietnam, Singapore and Malaysia are the largest exporters in terms of export potential for mainland China and Hong Kong SAR combined, each with export potential of more than \$100 billion, and each with more than \$10 billion of estimated export potential to the GBA alone.

\$52 billion

Estimated export potential of ASEAN-5 to GBA market up to 2027

| Market (\$ million) | | | | | | |
|---------------------------------------|-----------|----------|-----------|----------|---------|---------------|
| Exporters | Indonesia | Malaysia | Singapore | Thailand | Vietnam | TOTALS |
| GBA estimated export potential | 5,368 | 11,440 | 13,310 | 8,470 | 14,080 | 52,668 |

Source: ITC Export Potential Map, 2023⁶² HSBC Analysis, 2023

Key sector opportunities for ASEAN-5 based corporates: GBA offers abundant opportunities in various sectors based on export potential figures for mainland China and Hong Kong SAR

Data from ITC on the sectors with the greatest untapped export potential highlight the most promising opportunities for ASEAN-5 based corporates, based on export gaps up to 2027, in the mainland China and Hong Kong SAR markets. Within these two markets, where the GBA is based, some of the most sizeable export gaps are in the following sectors:

Most sizeable export gaps for mainland China and Hong Kong SAR-based corporates to ASEAN-5

| | Electronic equipment | Machinery | Plastics & rubber | Jewellery & precious metals articles |
|----------------|----------------------|-----------|-------------------|--------------------------------------|
| Mainland China | ◆ | ◆ | ◆ | |
| Hong Kong SAR | ◆ | ◆ | | ◆ |

Export potential opportunities: ASEAN-5 to mainland China and Hong Kong SAR markets

| Exporter: | To Mainland China | | To Hong Kong SAR | |
|-----------|--|-------------------------|---|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
| Indonesia |  Ferrous metals | 4,100 |  Electronic equipment | 336 |
| |  Mineral resources | 3,100 |  Jewellery & precious metal articles | 213 |
| |  Motor vehicles & parts | 1,500 |  Apparel | 117 |

| Exporter: | To Mainland China | | To Hong Kong SAR | |
|-----------|--|-------------------------|--|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
| Malaysia |  Electronic equipment | 15,000 |  Electronic equipment | 4,200 |
| |  Machinery, electricity | 6,400 |  Jewellery & precious metal articles | 511 |
| |  Chemicals | 3,400 |  Optical products, watches, & medical instruments | 414 |

Source: ITC Export Potential Map, 2023

| Exporter: Singapore | To Mainland China | | To Hong Kong SAR | |
|--|-------------------|---|------------------|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
|  Electronic equipment | 14,000 |  Electronic equipment | 2,100 | |
|  Machinery, electricity | 7,000 |  Machinery, electricity | 1,700 | |
|  Optical products, watches, & medical instruments | 2,800 |  Jewellery & precious metal articles | 1,500 | |

Source: ITC Export Potential Map, 2023

| Exporter: Thailand | To Mainland China | | To Hong Kong SAR | |
|--|-------------------|---|------------------|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
|  Electronic equipment | 5,500 |  Electronic equipment | 1,400 | |
|  Plastics & rubber | 3,800 |  Jewellery & precious metal articles | 715 | |
|  Machinery, electricity | 3,700 |  Machinery, electricity | 364 | |

Source: ITC Export Potential Map, 2023

| Exporter: Vietnam | To Mainland China | | To Hong Kong SAR | |
|--|-------------------|--|------------------|-------------------------|
| | Top Sectors | Export Gap (\$ million) | Top Sectors | Export Gap (\$ million) |
|  Electronic equipment | 30,000 |  Electronic equipment | 3,900 | |
|  Machinery, electricity | 5,100 |  Machinery, electricity | 208 | |
|  Plastics & rubber | 4,100 |  Apparel | 193 | |

Source: ITC Export Potential Map, 2023

Conclusion

Both mainland China's Greater Bay Area and the markets of ASEAN present numerous opportunities for investors and corporates of the two regions.

ASEAN holds enormous promise due to its large and growing population and economy. It has a rapidly expanding consumer base driven by trends including urbanisation, high-value-added services, and a developed export trade. The digital economy holds particular promise for an increasingly digitally savvy population base, driven largely by the e-commerce, travel, food and transport, and online media sectors.

There remain challenges for market entrants to the region, however, such as their highly diversified economies, currencies and regulatory regimes, and a lack of open borders. GBA-based corporates seeking to make headway in ASEAN markets will need to design strategies tailored to each, and will need to take heed of key success factors and trends such as supply chain adaptations and a heightened focus on workforce and ESG aspects.

Future trends will similarly present challenges but also opportunities for ASEAN-based corporates and investors seeking to enter markets in mainland China's GBA such as green and sustainable finance and FinTech. Hong Kong SAR, as well as being a major and growing market in its own right, is an excellent conduit for those seeking to tap into the mainland, and in particular the major cities of Guangdong province.



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