

**Mega Trends of China's Development  
and the position of Mega-Metropolitans**

**FAN Gang**

National Economic Research Institute  
China Reform Foundation

**I. Mega Trends of China's  
Development**

## 1. Full-reaching industrial structure

- Past 28 years, China has become a manufacturing center of the world;
- But there still 300 million laborers as farmers, earning 50% of blue-collar non-farmer's wages;

### ● Meanwhile

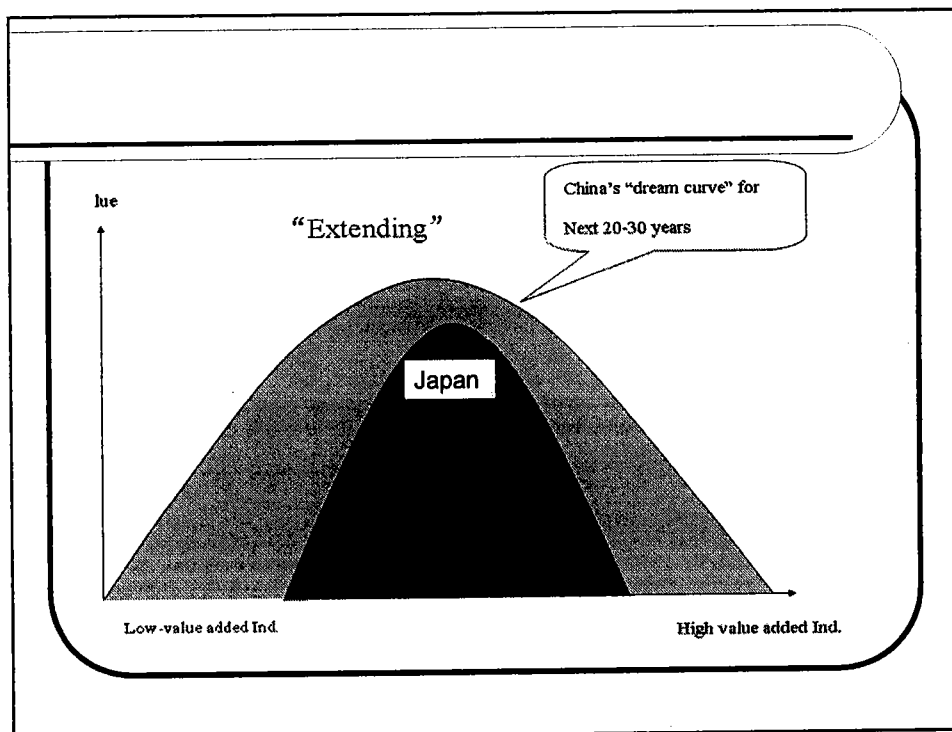
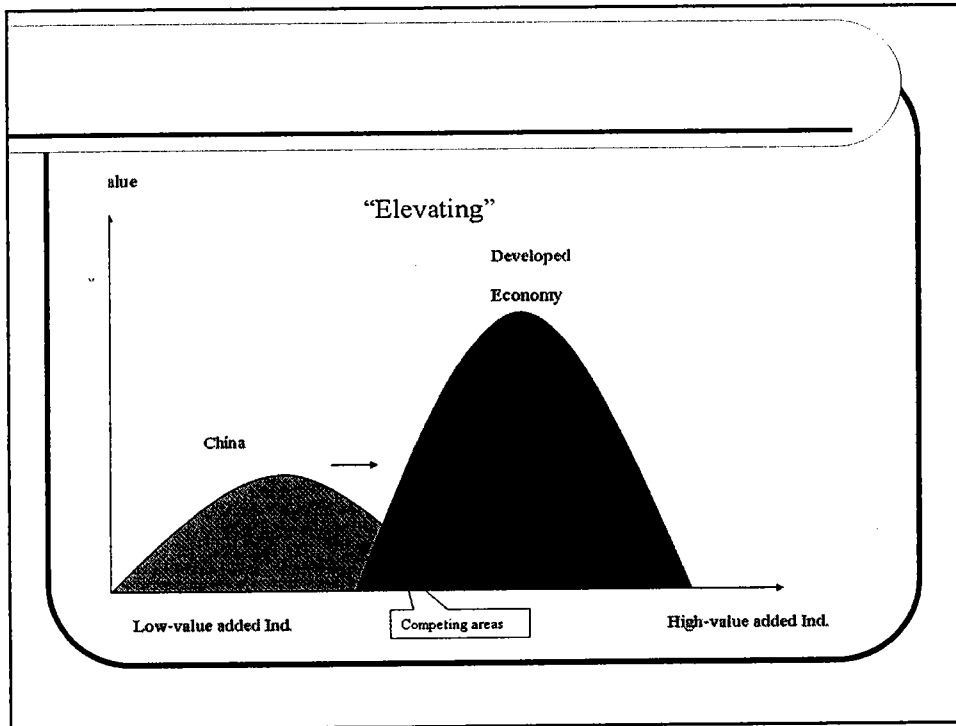
- Reforms of financial, legal, service systems continue;
- Education and R&D capability are improving;

## Meaning:

- China may be able to develop more high-tech and service industries in the next stages of development;
- But China will remain as a manufacturing power until reached “full-employment” – if development would be really complete.

## And, meaning

- China may not “elevating” its industrial structure, like what happened in Hong Kong and other developed economies;
- But rather “extending” its industrial structures to include what it has not yet been able to do.



## Meaning:

- For China, quality is important, but scale or magnitude is also important, because of its large population and labor force.

## 2. Mass Urbanization

- The urbanization ratio at moment is only 45% officially;
- or 850 millions are still rural population; most of them (600 million) will eventually move to various large or small urban centers.

### 3. Mass Migration to Coastal Line

- As the only large continental country with only one coastal line and vast far reaching inner land, majority of population will be eventually concentrated in small segments of the coastal area, to form up there very large cities or city groups.

## II. Emergence of Mega-Metropolitans in China

- Given the above trends, it is highly predictable that there will be quite a great number of super metropolitans or super metropolitan regions to emerge along China's coastal line.
- They may only have scale and dynamicity at the beginning, but their "quality" may also get improving and reach the high international level eventually.

- In long run, the global leading mega metropolitan will not be defined by New York or London, but by some Chinese cities (which?), in terms of both quality and scale (10 million will be minimum for the category) !

## But, Why Mega-Metropolitans?

- The scale means dynamicity, the efficiency of infrastructures (including environmental protection), the market, the competition, opportunities, and innovations.

## III. Hong Kong and Shenzhen

- Both are now very dynamic large cities;
- Hong Kong is featured by high quality of market system and urban facilities, and competitiveness at high-end industries;
- Shenzhen is featured by its strong momentum in the growth of both manufacturing and high-tech and financial service industries, and great market potentials.

**Ranking of Competitiveness of main cities (2005-2006)**

		Overall	Scale	Efficiency	Growth	Employment	Structure
Hong Kong	score	0.68	0.29	0.09	0.24	0.22	0.59
	Ranking	19	10	10	83	81	3
Shenzhen	score	0.43	0.10	0.005	0.60	0.66	0.36
	ranking	73	41	74	6	7	14
Hong Kong + Shenzhen	score	1.11	0.39	0.11	0.84	0.88	0.95
	ranking	1	6	7	2	2	1

Source: Global City Competitiveness Report, 2005-2006, NI Penfei & others, Social Sciences Press, July 2006.

**Hong Kong, Shenzhen, and HKS in MasterCard Global Hearts of Commerce Index**

City	GCOC overall ranking	Ease of doing business	Financial Dimension	Business center
Hong Kong	5	12	13	3
Shenzhen	52	59	49	46
Shenzhen + HK	13	43	9	1

Source: MasterCard Global Center of Commerce Report, 2007.

## The Value of Shenzhen for HK

- Shenzhen, as part of China, has been fast changing, and will continue to change – it is catching up!
- As part of the Pearl River Delta region, Shenzhen is part of a manufacturing base for the world and will be one of the world's R&D centers;
- And, at the center of the fast growing metropolitan region of Pearl River Delta is a vast consumer market.

-- That Hong Kong is involved with Shenzhen and to be part of the Pearl River Delta mega metropolitan region will benefit Hong Kong too!