To develop new growth potential in Guangdong-Hong Kong-Macao GBA: Foshan
The Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was officially released in February 2019. Over the past year, a series of major measures have been successively introduced. The Greater Bay Area (GBA) city clusters are rapidly integrating and is poised to be a world-class development that is suitable for living and travel.

This important national strategy reiterates the strategic position of Foshan city. With Guangzhou-Foshan, Hong Kong-Shenzhen and Macao-Zhuhai complementing one another, together they help facilitate the quality development of Foshan and provides the city with unprecedented development opportunities.

Foshan is the only pilot city in China set out for both manufacturing transformation and comprehensive reform, making it a city cluster in the Greater Bay Area with unique advantages. Following Shenzhen and Guangzhou, Foshan is the third city in Guangdong Province which has become a member of the “Trillion GDP Club”, an association of cities that boasts a combined GDP volume of more than a trillion RMB.

Manufacturing is the backbone of Foshan’s strength and competence. The city is regarded as the epitome and quality benchmark of the whole manufacturing industry in China. In the future, Foshan will play a leading role in developing the advanced equipment manufacturing industry on the west bank of the Pearl River, leading the transformation and upgrading of the manufacturing industry, and to achieve new heights in advanced manufacturing of the GBA.

PwC launched the Cities of Opportunity in the Greater Bay Area report series in 2019. This Foshan city report is the third in the series, focusing on the city’s overall situation, crucial regions, key industries, and preferential policies and development opportunities. The report also explains the new drivers for Foshan’s economic growth and the new blueprint for its urban development, and hopefully will provide useful reference and learning resources for policy makers, enterprises and investors.

The GBA city series will also cover Zhuhai, Dongguan and Zhongshan (to be released soon). At PwC, we have always shown great enthusiasm for the implementation plans for the GBA, and we will continue to play a part in driving this ambitious development strategy.
Contents

Foreword........................................................................................................... 2

I. Overview of Foshan...................................................................................... 4

II. Key districts in focus................................................................................... 7

III. Key industries............................................................................................. 13

IV. Development opportunities ...................................................................... 15

V. Preferential policies .................................................................................... 17

Conclusion........................................................................................................ 19

Contacts.......................................................................................................... 22
I. Overview of Foshan

Foshan is a prefecture-level city under the jurisdiction of Guangdong Province. It is located in the central part of Guangdong Province in the heart of the Pearl River Delta, bordering Guangzhou in the east and Zhongshan in the south. It is an important transportation hub in the GBA; a key part of the Pearl River-Xijiang Economic Belt; and an important manufacturing centre in China. Foshan is a city with a long history and rich culture. It is one of the origins of Lingnan culture and a popular hometown of overseas Chinese.
Foshan has a convenient transportation and complete modern transportation infrastructure. In order to further seize the development opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area, Foshan will further accelerate the interconnectedness with other cities in the bay area, particularly speeding up the construction of an integrated transportation network with Guangzhou and Foshan, fostering the assimilation of Guangzhou-Foshan city and the "one-hour living circle" vision.

Key initiatives of Foshan's transportation infrastructure include:

- Driving the construction of transportation facilities at the Pearl River Delta Hub (New Guangzhou) Airport - connecting Guangzhou-Zhanjiang High-speed Railway, Shenzhen-South High-speed Railway and Zhaoshun South Intercity with the airport, so as to connect all city clusters in the Guangdong-Hong Kong-Macao Greater Bay Area and achieve a one-hour traffic connection between Baiyun Airport and Shenzhen Airport.

- Driving the construction of Foshan high-speed rail, intercity rail and urban rail - extend the Guangzhou-Shenzhen-Hong Kong high-speed rail to Foshan West Station; promote the construction of the Guangzhou-Foshan Ring Road (Foshan West-Shenzhen South) and actively foster the city connection between Foshan's main urban area and east bank Guangshen Wanhui.

- Building Guangzhou-Foshan Urban Transport Network - accelerate the construction of Foshan Urban Rail Transit Phase 1 Line 2, Guangzhou Line 7 West Extension Shunde Section and accelerate the connection between Nanhai new transportation and Guangzhou South Railway Station.

- Speeding up the construction of the highway network - open up the east-bound passages such as the Humen Second Bridge, Shenzhen-Zhonghua Passage and the Lotus Hill Passage, so that the Guangzhou-Foshan area and Shenzhen-Hong Kong, Zhuhai-Macao area can be reached within one hour.

- Promoting the construction of the Pearl River Delta Hub (New Guangzhou) Airport - the Pearl River Delta Shinkansen Airport is planned to be located in Gaoming District in Foshan. The Shinkansen Airport is one of the key "5 + 4" backbone airports in Guangdong Province. It is expected to begin operations in 2022 with future routes covering Foshan, Guangzhou, Jiangmen, Zhongshan, Zhaoqing and other areas.

**Population and Economy Scale**

According to the Guangdong Bureau of Statistics, the preliminarily audited total GDP of Foshan in 2019 was RMB 1075.102 billion, an increase of 6.9% over the previous year. Among the cities in the Greater Bay Area, Foshan's GDP was the third largest following Shenzhen and Guangzhou. It was the third city in the Guangdong province with a GDP exceeding one trillion RMB, the 17th city on the trillion list in China.

Foshan covers a total area of 3,797.72 square kilometers. As of the end of 2018, Foshan's residential population was 7,905.7 million, with an urbanisation rate of 94.98%. Statistics show that Foshan's residential population reached 8,158 million at the end of 2019, exceeding the 8 million threshold for the first time. Foshan's residential population has increased by 252,900 in 2019. Such increase is second to Shenzhen and Guangzhou among the nine cities in the Pearl River Delta.

With reference to the Foshan Population Plan (2018-2030), the residential population of Foshan is expected to reach 8.1 million in 2020, which has already been achieved one year ahead of the schedule, and exceed 8.5 million in 2030. By 2020, the urbanisation rate of registered population in Foshan will increase to more than 93%. If the trend continues, Foshan will experience a rapid population growth in the next decade. Compared with the average level in Guangdong Province, the total dependency ratio of the residential population in Foshan is still relatively low with light social security expenditure burden. Foshan also enjoys rapid wealth accumulation brought by demographic

### Major Economic Indicators of Foshan (2016-2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Permanent residential population ('0 thousand)</th>
<th>GDP (RMB '00 million)</th>
<th>Per capita GDP (RMB/capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>746.27</td>
<td>8,757.72</td>
<td>117,606</td>
</tr>
<tr>
<td>2017</td>
<td>765.67</td>
<td>9,398.52</td>
<td>124,324</td>
</tr>
<tr>
<td>2018</td>
<td>790.57</td>
<td>9,935.88</td>
<td>127,691</td>
</tr>
</tbody>
</table>

Source: Foshan Statistical Yearbook
PwC’s point of view:

• Foshan has joined the league of the "trillion GDP" city club. Its GDP ranking remains steady over time at third place in Guangdong Province. The city is also accelerating its integration into the "one-hour traffic circle" of the Greater Bay Area. Though the city's population has already exceeded 8 million, it is still in a period of rapid population growth with robust growth momentum. Enterprises planning to explore potential markets and expand in the Guangdong-Hong Kong-Macao Greater Bay Area should take note of Foshan’s strategic position as a hub city in the GBA.

• A good ecological environment is a key factor in promoting high-quality development. Natural scenic environment is in itself a treasure. As a manufacturing city, a good ecological environment has created a good starting point for urban development in Foshan. Further optimisation of various city functions and comprehensive quality improvement will help attract more domestic and foreign investment.

Urban Competitiveness

PwC’s City of Opportunities 2019 report shows that out of the 38 administrative and economic centres in the country, Foshan ranks third in the metric of "sustainable development and natural environment", just after Haikou and Shenzhen. Foshan was awarded the title of "National Forest City" in 2017 and is committed to creating a high-quality forest city in the Guangdong-Hong Kong-Macao Greater Bay Area.

Foshan is a famous gourmet town and one of the origins of Cantonese cuisine. Shunde District was awarded the title of "World Gourmet Capital" by UNESCO in 2014.

Foshan is also known as the hometown of Cantonese opera, the pottery capital of southern China and the city of martial arts, all of which contribute to forming a cultural tourism industry with Lingnan characteristics. Foshan is actively promoting the construction of beautiful rural areas and reshaping the landscape of Lingnan Water Village.

In the 17th report on China's Urban Competitiveness issued by the Chinese Academy of Social Sciences, Foshan was selected as one of the top 20 cities in China in 2018 in terms of comprehensive urban competitiveness, ranking 12th. In 2019, Foshan earned the reputation as one of the "top ten cities for investment environment quality in China".
Approved by China’s State Council in 2016, the Foshan City Master Plan sets the overall development goal of building Foshan into a modern city with economic prosperity, harmony and liveability, ecology, vitality and distinctive characteristics. Foshan has five administrative districts, namely Chancheng, Nanhai, Shunde, Sanshui and Gaoming.

All five administrative districts were selected in the 2019 Top 100 National Districts Index of Comprehensive Strength, amongst which Shunde and Nanhai once again won the first and second place respectively. The index mainly evaluates and ranks urban areas according to five attributes: modern economic development, improvement of social livelihood, ecological environment construction, urban-rural integration development and efficiency of government services.

Cancheng District is located in the east of Foshan, surrounded by Nanhai District on three sides and connected to Shunde District in the south. It is the political and cultural centre of Foshan where the municipal government is situated. In 2018, the GDP of Chancheng District exceeded RMB 185.506 billion, with an annual increase of 6.3%. Chancheng’s first industry as a percentage of regional GDP is negligible, while the proportion of investment in the second and third industry is 7.4: 92.6. Investments in real estate development in 2018 increased by 36.3% over the previous year.

The manufacturing industry in the district is gradually transforming into advanced manufacturing. The key sectors include smart equipment, energy saving and environmental protection equipment, high-end electronic information equipment, new materials, biomedicine and high-performance medical equipment, automotive and new energy. The Chancheng District Government issued the “Automotive Industry Development Strategic Plan in Chancheng, Foshan” in 2018, which will facilitate the development of the district into a multi-billion automotive industry cluster with leading domestic advantages.

**Being the “central district”**

**Cancheng District:**

Cancheng District is located in the east of Foshan, surrounded by Nanhai District on three sides and connected to Shunde District in the south. It is the political and cultural centre of Foshan where the municipal government is situated. In 2018, the GDP of Chancheng District exceeded RMB 185.506 billion, with an annual increase of 6.3%. Chancheng’s first industry as a percentage of regional GDP is negligible, while the proportion of investment in the second and third industry is 7.4: 92.6. Investments in real estate development in 2018 increased by 36.3% over the previous year.

The manufacturing industry in the district is gradually transforming into advanced manufacturing. The key sectors include smart equipment, energy saving and environmental protection equipment, high-end electronic information equipment, new materials, biomedicine and high-performance medical equipment, automotive and new energy. The Chancheng District Government issued the “Automotive Industry Development Strategic Plan in Chancheng, Foshan” in 2018, which will facilitate the development of the district into a multi-billion automotive industry cluster with leading domestic advantages.

---

**District Distribution of Foshan’s GDP in 2018**

- Shunde
- Nanhai
- Chancheng
- Sansui
- Gaoming

Source: Foshan Municipal Statistics Bureau
(Charts prepared by PwC)

**Total GDP of Chancheng District in 2014-2018 (RMB billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total GDP (RMB billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>137</td>
</tr>
<tr>
<td>2015</td>
<td>147</td>
</tr>
<tr>
<td>2016</td>
<td>160</td>
</tr>
<tr>
<td>2017</td>
<td>172</td>
</tr>
<tr>
<td>2018</td>
<td>186</td>
</tr>
</tbody>
</table>

Source: Foshan Municipal Statistics Bureau
(Charts prepared by PwC)

Note: The economic data of the 5 districts are updated as of 2018.
Shunde District is adjacent to the cities of Guangzhou, Zhongshan and Jiangmen. It is located in the Guangzhou-Foshan Metropolitan and south of the Guangzhou-Foshan-Zhaoqing Economic Circle. It is one of the important core areas in Foshan to connect with Guangzhou. The regional GDP of Shunde District in 2018 was RMB 316.393 billion, an increase of 6.2% over the previous year. The proportion of the tertiary sector to the economy was 1.4: 56.1: 42.5. Among the real estate development investments, investment in commercial housing increased by 54.1% in 2018 compared to the previous year.

In 2018, Guangdong Province officially approved Shunde District to establish an innovative and experimental zone for reforming high-quality development system and mechanism in the province. The “Implementation plan of the experimental zone for a high-quality development reform system and mechanism in Shunde, Foshan” was published in February 2019. Its aim is to build a "Shunde Model" and "Shunde Showcase" by 2022 to facilitate the high-quality development in Guangdong Province.

Since 2018, Shunde has actively promoted, in its "Number One Project", the transformation of village-level industrial parks, making room for high-quality development of the manufacturing industry. A series of supportive policies were introduced in tandem to cultivate new innovation platforms, step up investment promotion and steer the direction of traditional industries towards intelligent development.

"Panyu-Shunde-Nansha" is one of the core areas in the Guangzhou-Foshan Metropolitan. It will transform and upgrade the traditional manufacturing industry with a key focus on cooperation in intelligent automotive, smart manufacturing and robotics, etc.

Shunde’s total value of foreign trade ranks first among the five districts of Foshan. The total trade value was RMB 18,674 million in 2018, an increase of 5.8% over 2017. The major exports and imports are mechanical and electrical products, steel products, plastics and other raw materials.

Building a “Shunde” model

Shunde District:

In 2018, Guangdong Province officially approved Shunde District to establish an innovative and experimental zone for reforming high-quality development system and mechanism in the province. The “Implementation plan of the experimental zone for a high-quality development reform system and mechanism in Shunde, Foshan” was published in February 2019. Its aim is to build a "Shunde Model" and “Shunde Showcase” by 2022 to facilitate the high-quality development in Guangdong Province.

Since 2018, Shunde has actively promoted, in its "Number One Project", the transformation of village-level industrial parks, making room for high-quality development of the manufacturing industry. A series of supportive policies were introduced in tandem to cultivate new innovation platforms, step up investment promotion and steer the direction of traditional industries towards intelligent development.

"Panyu-Shunde-Nansha" is one of the core areas in the Guangzhou-Foshan Metropolitan. It will transform and upgrade the traditional manufacturing industry with a key focus on cooperation in intelligent automotive, smart manufacturing and robotics, etc.

Shunde’s total value of foreign trade ranks first among the five districts of Foshan. The total trade value was RMB 18,674 million in 2018, an increase of 5.8% over 2017. The major exports and imports are mechanical and electrical products, steel products, plastics and other raw materials.

Since China’s economic reform and opening-up, Shunde has been persistent in developing its industrial sector and real economy. It has become one of the "four little tigers" in Guangdong. From being home to China’s first enterprise of "three-plus-one" trading mix to the world’s top 500 companies like Midea and Country Garden, Shunde has always encouraged the development of private enterprises. The city’s growth trajectory features industrial clusters, independent innovation, private sector economy and the culture of Shunde business.

Home appliance and machinery manufacturing are the current two multi-billion industries in Shunde. It is the centre for home appliance manufacturing in China and the world. The eight pillars of manufacturing in Shunde include home appliance, machinery and equipment, electronic communications, textile and apparel, fine chemical, furniture, printing and packaging, pharmaceutical and healthcare.

Key districts in focus
Nanhai District is located in the hinterland of the Pearl River Delta, connected to Fangcun District and Panyu District of Guangzhou on the east, and surrounding Chancheng District. In 2018, Nanhai District has a regional GDP of RMB 208.809 billion, with an annual increase of 6.2%. The proportion of tertiary sector to the economy was 1.6: 55.0: 43.4. After enjoying two years of rapid growth in real estate investment (with a growth rate 33.8% in 2016 and 24.8% in 2017), the growth rate slowed to 4.2% in 2018.

Nanhai District has a manufacturing cluster worth more than RMB 20 billion, covering automobile, machinery and equipment, metal products, non-ferrous metal processing and other industries. At present, Nanhai District is building a modern industrial system of "two high" (high-tech manufacturing and high-quality service) and "four new" (new energy, new materials, new biomedicine and new generation of electronic information), with a vision to achieve high quality development in the district.

The development of the hydrogen energy industry in Nanhai is a breakthrough. "The Development Plan for the Hydrogen Energy Industry in Nanhai, Foshan (2020-2035)" was officially announced in February 2020, highlighting a "standard-led, core-driven, brand-powered" development strategy. It aims to enhance key technologies for hydrogen fuel cells in Nanhai and support domestic production of major equipment, which will propel the total output value of the hydrogen energy industry to exceed RMB 150 billion by 2035.

There are two provincial-level development zones in Nanhai District, including Foshan Nanhai Economic Development Zone and Foshan Nanhai Industrial Park. In addition, the national-level development zone - Foshan Hi-tech Industrial Development Zone Nanhai Park, also known as the Nanhai Hi-tech Industrial Development Zone, is a core part of the five-park system in the Foshan Hi-tech Zone. Foshan Shadi Airport, one of the top ten civil airports in Guangdong, Hong Kong and Macao is also located in Nanhai District.
Sanshui District faces Guangzhou in the east, Sihui in the northwest, Qingyuan in the north and Gaoyao across the Xijiang River. Sanshui District has a regional GDP of RMB 122.796 billion in 2018, with a growth rate of 7.5% over 2017. The proportion of the tertiary sector to the economy was 2.5: 71.8: 25.7. Investments in real estate development increased by 175.7% over the previous year.

Sanshui District has a clear edge in its transportation system. It is well-connected by Guangzhou-Maoming Railway, Guangzhou-Zhuhai Railway, Guizhou-Guangzhou (South-Guangzhou) High-speed Railway and the Guangzhou-Foshan-Zhaohou Intercity Railway, Zhaohua (Zhujuan Ring) Expressway and West Second Ring Road Expressway. In addition, there are two cargo import terminals, namely Sanshui Port and Xinan Port. Sanshui District is also known for its cultural heritage, rich tourism resources and beautiful ecological environment.

In 2019, the People's Government of Sanshui District issued the "Opinion on Policies Supporting the Development of Real Economy in Sanshui District, Foshan (Revised in 2019)". The state directive emphasised the further strengthening of measures to improve the environment, enhance business confidence and releasing vitality to support real economic growth as well as high-quality development in the district.

Sanshui District has a strong manufacturing background and is an important production house for auto parts and medical equipment in China. It is also "China’s capital of beverages". The district features Sanshui Park in Foshan High-tech Industrial Development Zone and Foshan Sanshui Industrial Park in Provincial Development Zone. Huadu-Sanshui is located in the northernmost section of the Guangzhou-Foshan Metropolitan. Auto manufacturing is a key industry jointly created by Huadu and Sanshui, showcasing an advanced production base in the northern part of the Pearl River Delta.
Gaoming District is located in the west of Guangdong Province and on the west wing of the Pearl River Delta. It has a mild climate and fertile soil and is known as the "Land of Fish and Rice". The place is rich in water resources with the quality of drinking water at the national second-class standard. The forest coverage in the area is 58.9%, being one of the key forest areas in the Pearl River Delta. The air quality continues to rank first in the city. Gaoming District is rich in tourism resources with two national 4A-level scenic spots, namely Zamushan Scenic Area and Yingxiang Ecological Park, as well as cultural landscapes of kilns from the Tang Dynasty.

Gaoming District realised a regional GDP of RMB 87.949 billion in 2018, with an annual increase of 5.5%. The GDP per capita of the region was RMB 199,182, ranking first in the city's five administrative regions. The proportion of the tertiary sector to the economy is 2.3: 74.9: 22.8. The pillar industries of Gaoming District include plastic products, textiles and clothing, household building materials, fine chemicals, metal products, electronics and food and beverage. Investments in real estate development in the whole year of 2018 was RMB 13.065 billion, achieving an annual increase of 108.5%.

In recent years, the government of Gaoming District has positioned the development of the district as "the comprehensive transportation hub in the western part of the Greater Bay Area, the new advanced manufacturing base in the West Pearl River and the new rural city showcase of Lingnan". The leading, distinctive and high-quality development leads to a sustainable and rapid development of the local community and economy.
Foshan Hi-tech Zone is a state-level, high-tech zone approved by the State Council. The management system of “One Zone and Five Parks - Centralised planning with separate park management to achieve innovative services” has become the main driver for Foshan’s technological innovation and industrial upgrading. The Foshan Hi-tech Zone achieved a regional GDP of RMB 156.328 billion in 2018, an increase of 7.51% over the previous year. The total output value of industrial enterprises above designated size was RMB 480.93 billion, an increase of 8.73%.

The Foshan Hi-tech Zone is dominated by real and private sector economies, with a wide range of categories in manufacturing. It has formed new industrial clusters such as the three “100-billions” of automobile and parts, high-end equipment manufacturing and optoelectronics; and three “billions” of new materials, smart living and biomedicine. New sectors or business activities such as industrial robots, drones, 3D printing and smart home appliances have also emerged. It has developed into an important advanced manufacturing base nationwide, gathering 96 Fortune 500 investment companies, 76 companies listed on the National Equities Exchange and Quotation (NEEQ) and 1,512 high-tech companies.

PwC’s point of view:

- Based on the economic data of the five districts in Foshan, the regional GDP of Shunde and Nanhai account for about 60% of Foshan’s total GDP, leading the city by measure of various economic indicators. The five districts of Foshan all made it to the 2019 Top 100 National Districts Index of Comprehensive Strength, while Shunde and Nanhai once again won first and second place. They are the role models of high-quality development in Guangdong and even among the prefecture-level cities across the country.

- Shunde’s positioning as the innovation experimental area for Guangdong Province’s high-quality development system and mechanism reform will help the city realise industrial transformation and upgrading. It will attract a group of highly competitive small and medium-sized enterprises with high growth potential to explore the path for upgrading the Pearl River Delta Industrial Park.

- While the real estate sector has entered a slowdown phase in recent years, Foshan is still experiencing rapid growth in real estate development investment. The real estate investment in Gaoming, Sanshui, Chancheng and Shunde continue to grow at a high rate, with the regional policy ensuring a stable and healthy development of the overall real estate market.
Foshan took advantage of its close geographic proximity to Hong Kong in the early stage of economic reform and opening up. It has relied on the model of "Store at the front and factory at the back" to develop its "three to one supplement" processing trade. Such trend has given birth to many local private companies, some of which are reputable national brands. These labour and capital-intensive manufacturing enterprises have become important pillars of Foshan's economy.

Foshan has a regional GDP of RMB 1,0751.02 billion in 2019, an increase of 6.9% compared to the previous year. The added value of the first industry was RMB 15.692 billion, an increase of 3.0%; the second industry at RMB 604.462 billion with an increase of 6.3%; and the third industry was RMB 549.948 billion, a rise of 8.1%. The proportion of the tertiary sector to the economy of Foshan was 1.5: 56.2: 42.3 compared to that of Guangdong Province of 4.0: 40.5: 55.5.

Foshan has always been focused on manufacturing, and equipment manufacturing is the city's largest pillar industry. Equipment manufacturing occupies an important position in the manufacturing industry on the west bank of the Pearl River. The priority of developing the manufacturing industry is to create an industrial cluster with a promising outlook. Foshan is one of the earliest cities in China that has proposed the "trillion industry development target".

Foshan proposes a new development pattern of "2 + 2 + 4" manufacturing clusters by relying on the advanced equipment manufacturing industry on the west bank of the Pearl River as the starting point. It strives to cultivate two advanced manufacturing clusters worth over a trillion RMB by 2020, including equipment manufacturing and home furnishing. By 2025, there will be two industrial clusters worth more than RMB 300 billion including automobile and new energy, military-civilian integration and electronic information, and four industrial clusters worth more than RMB 300 billion consisting of intelligent manufacturing equipment, robotics, new materials, food and beverage, biomedicine and healthcare. This strategic setup will allow Foshan to form a new pattern of "2 + 2 + 4" industrial development.

The added value of Foshan’s industrial enterprises above a designated size increased by 7.0% in 2019, 0.7% higher than that of the previous year. The pillar industries have contributed much to support the city’s industrial development. The growth rate of auto manufacturing was 9.9%; general equipment manufacturing was 12.2%; metal products 13.1%; and electrical machinery and equipment manufacturing was at 11.9%. The industrial added value of advanced manufacturing was RMB 223,358 billion, an increase of 8.7%, and high-tech manufacturing was at RMB29,312 billion, an increase of 5.6%.
The private sector economy in Foshan is the most developed in China. Private and small and micro enterprises make huge contribution to Foshan’s economic development. They are also the backbone of the transformation and upgrading of the manufacturing industry. There were 690,000 units of private enterprise in Foshan as of 2018, accounting for 96% of the city's private sector. The added value of the private sector economy accounted for 62.5% of the regional GDP, contributing 80.1% to the city's industrial growth.

In 2019, Foshan's imports and exports continued to grow rapidly with a total value of RMB 482.76 billion, a 5% increase over the previous year. Exports were RMB 372.77 billion, a rise of 5.7%; while imports were RMB 1.099 billion, up 2.6%. The trade data in 2018 suggested Hong Kong and the United States were the two destinations for exports with the fastest growth rate of 9.6% and 16.8% respectively.

Foshan will work hard to build a modern industrial system with international competitiveness as a next step. The focus of development will be in the area of equipment manufacturing, household, automotive and new energy, electronic information, intelligent manufacturing equipment and robots, new materials, food and beverage, biomedicine, healthcare and other industries.

According to the “Plan for Key Construction Projects 2020” announced by the Guangdong Provincial Development and Reform Commission, the focus of investment in Foshan in the coming years will continue to be robotics, new energy vehicles, new materials and intelligent equipment.

\[\text{PwC’s point of view:}\]

- Foshan’s manufacturing industry is the epitome of China’s manufacturing strength. Innovation should be the primary driving force for the continuous transformation and upgrading of manufacturing and high-quality development. The emphasis on fundamental research on core technologies and intellectual property protection is much needed. The city needs to cultivate emerging industries of strategic importance such as smart living, industrial robotics, new energy vehicles and hydrogen energy to leverage the advantages of different industrial clusters and build a modern industrial system.

- Actively promote the digital transformation of industries. Guangdong Province will target to achieve 5G network coverage for prefecture level cities to achieve continuous coverage of the central urban area of the Pearl River Delta by 2020. Relying on China’s 5G technology combined with its own industrial advantages, Foshan should seize the opportunity to build a smart city with strengthened integration between emerging technologies and traditional manufacturing.

- Foshan's economy is dominated by the private sector with huge potential for organic growth. Amid market uncertainties, companies should adjust their strategies in a timely manner to respond to the changes in the international and domestic markets. This is where Foshan’s core advantage lies.
Following the blueprint of the Greater Bay Area construction

The Guangdong-Hong Kong-Macao Greater Bay Area development plan brings a new wave of policy dividends to Foshan's development. The plan which involves Foshan's development is elaborated in Chapter 6, “Building a globally competitive modern industrial system” and the specific contents include:

- Maximise the driving force for city development - strengthen the leading role of Foshan by leveraging the integration of Hong Kong-Shenzhen, Guangzhou-Foshan and Macao-Zhuhai; deepen the cooperation between Hong Kong and Shenzhen, and Macao and Zhuhai; expedite the integrated development of Guangzhou and Foshan; enhance the overall city competency and its global influence; and leading an in-depth cooperation between Greater Bay Area cities and international organisations.

- Build important node cities - support Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing and other cities to fully unleash their potentials, deepen reform and innovation and strengthen the overall capability of the cities, so as to form important and competitive node cities with distinctive characteristics and complementary functions. Enhance the coordination of development, strengthen the interaction and cooperation with central cities, drive the development of nearby cities and towns and collaborate to raise the quality of urban city clusters development.

- Optimise the future development plan of the manufacturing industry - improve the quality of development of the newly industrialised demonstration base. Position Zhuhai and Foshan as the core cities leading the advanced equipment manufacturing industry on the west bank of the Pearl River. Take advantage of Hong Kong, Macao, Guangzhou and Shenzhen's strong innovation and research capabilities and their centralised headquarters, as well as the complete production chains in places like Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing to boost the complementary and collaborative development in the Greater Bay Area. Support Foshan to carry out further pilot testing to reform and upgrade the manufacturing industry.

- Support Hong Kong, Macao, Guangzhou and Foshan (Shunde) in promoting a specially food culture and building the world's gourmet capital. Jointly promote the development of the sports industry and sports affiliated industries in the Greater Bay Area and organise a number of international and regional brand events. Promote the development of equestrian sports and equestrian industry and sports affiliated industries in the Greater Bay Area.

- Support Hong Kong and Foshan in initialising offshore trade cooperation - encourage the establishment of a Belt and Road shared project repository. Strengthen the information exchange between the Mainland and overseas agencies of Hong Kong and Macao, jointly launch services to promote investment and trade and help Foshan, Hong Kong and Macao to jointly execute the "go global" and "bring in" strategies.

- Support Foshan Nanhai to promote high-end service cooperation in the Greater Bay Area, build important economic connections in the GBA through strengthening key economic factors such as market connectivity and talent information technology.

- In order to further implement the "GBA Development Plan Outline", the Guangdong Province Leading Group issued the "Three-year Action Plan for Promoting the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020)" in July 2019, which further emphasises on:

- Supporting Foshan and the GBA cities on the construction of a high-end service demonstration zone - riding on the foundation of the manufacturing industry, attract high-end services companies such as those offering finance, industrial design, technology services and offshore trade services in Hong Kong and Macao to set foot in Foshan, and create a high-end innovation cluster. Build a "Hong Kong + Foshan" in-depth collaboration zone. Speed up the construction of major projects such as Jihua Lab. Create a high-quality ecological and liveable innovation demonstration zone focused on smart manufacturing, artificial intelligence, digital economy and smart city construction.

- Strengthening intellectual property applications - accelerate the construction and operation of China (Guangdong) Intellectual Property Protection Centre and China (Foshan) Intellectual Property Protection Centre and support the China-Singapore-Guangzhou Knowledge City to carry out comprehensive national intellectual property use and protection experiments. Research on establishing an IP trading platform in the Guangdong-Hong Kong-Macao Greater Bay Area. Improve the intellectual property evaluation and pledge financing mechanisms, and explore the development of intellectual property financing and leasing services, intellectual property investment and loan linkage financial services, and pilot test in intellectual property securitisation.

Foshan will take the construction of the Greater Bay Area as a “guide book” to steer the development path of the Guangdong-Hong Kong-Macao Greater Bay Area, support the construction of Shenzhen’s pilot demonstration area and accelerate the pace of new regional developments.
Expedite the integrated development of Guangzhou and Foshan

The “Outline Development Plan” mentioned that it’s necessary to speed up the integrated development of Guangzhou and Foshan. Situated in the core area of the Pearl River Delta urban cluster, Guangzhou and Foshan are complementary to each other with interlinked cultures and close geographic proximity. Together, the two cities will help further improve economic efficiency. In May 2019, Guangzhou and Foshan signed the “Memorandum of Co-construction of the Guangzhou-Foshan High-quality Development and Integration Pilot Area”. The memorandum aims to drive the momentum of the development of the two cities through the pilot area demonstration, and to enhance their connectivity in terms of infrastructure facilities, industry development, ecological civilisation and public services sharing. This will allow the two cities to achieve higher levels of urbanisation, efficiency, fairness and a more sustainable development.

According to the preliminary research results of the city planning departments of the two cities, the pilot area will form a “1 + 4” integrated development pattern around the 197 kilometer boundary line of Guangzhou and Foshan. As such, “1” refers to the Guangzhou South Railway Station-Foshan Sanlong Bay-Liwan Hailong Area. This area should access the best resources of Guangzhou and Foshan and be given the priority for city and infrastructure development. The area should target Nansha, Qianhai and Hengqin as its core supporting platforms to become the national model of integrated development in the new era. “4” refers to Liwan Fangcun-Nanhai Legui, Nansha Lanhe-Shunde Desheng New District, Baiyun Shimen-Nanhai Lishui, Huadu-Sanshui Area, driving steady and progressive integrated development.

Promote “innovation in Shenzhen + industrial development in Foshan”

The “Action Plan on Supporting Shenzhen in Building a Socialist Pilot Demonstration Zone with Chinese Characteristics (2020-2025)” issued by Foshan states that Foshan should fully support Shenzhen in building a leading socialist demonstration zone with Chinese characteristics, learn from Shenzhen’s experiences and practices, strengthen collaboration with Shenzhen and achieve coordinated economic development across the two cities.

Riding on the competitive edge of Foshan’s manufacturing industry and Shenzhen’s innovation in science and technology, the two cities jointly create an innovative ecosystem containing “basic research + technical application + commercialisation of research findings”. It also drives the synergy of "innovation in Shenzhen + industrial development in Foshan" in which Shenzhen can serve as an important driver in promoting the development of western GBA while boosting research and development in Foshan with its technology achievements and innovation capability.

Technology and innovation 35

In May 2019, in their first official policy statement, the Foshan municipal government published a number of policies and measures for the comprehensive construction of a national innovative city, abbreviated as “technology and innovation 35”. The policies call for talent acquisition, basic research and core technology upgrade, support for corporate innovation, construction and enhancement of technological innovation platforms and carriers, and integration of technology and finance.

Foshan invests no less than RMB 500 million each year to support the creation of Sanlong Bay's high-end innovation cluster and the Foshan National High-tech Zone. It strives to build Sanlong Bay into a "Foshan gateway hub connecting Guangzhou, Shenzhen, Hong Kong and Macao", a core area of innovation and development and high-quality development demonstration, setting a good example for urban construction. Foshan National High-tech Zone is expected to develop new growth potential in the region.

PwC’s point of view:

• Actively tap into the development opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen Pilot Demonstration Area, and actively deepen cooperation with Hong Kong and Macao in the fields of financial and professional services. In parallel, enhance the "Shenzhen Innovation + Foshan Industrial Development" synergy and achieve coordinated economic development across the two cities.

• The integration of Guangzhou and Foshan is an important milestone for the development of the two cities. It is also a model of regional integration which will create more future opportunities. The integration trend should be taken into consideration when planning for infrastructure facilities and city and industrial development in order to build a high-quality "two cities" ecosystem and life circle. It should also further leverage social capital and stimulate diversified investments.

• Talent is the essence of urban development. Therefore, innovation and accumulation of innovative resources should be accelerated. Foshan has the potential to become a first-class talent hub for the manufacturing industry. Actively introduce and nurture high-quality skilled personnel, call for domestic and foreign scientific and academic resources, and build innovative technology application centres and incubators for high-end technology corporations.
High-tech enterprise preferential policies

According to the "Technology and Innovation 35", for enterprises that join the provincial high-tech enterprise talent hub, the municipal finance department will provide them a one-time subsidy of RMB 50,000. For other enterprises recognised and approved by the high-tech enterprises, the one-time subsidy will be RMB 100,000. The subsidy amount will be the same for high-tech enterprises that have completed relocation and set foot in Foshan, and with technology enterprise status validity of more than a year. Foshan will select a group of exceptional high-tech enterprises in the city and grant RMB 2 million to each of the selected companies, with the municipal and district finance departments sharing 50% of the cost.

Foshan will establish a national gazelle enterprise database in the High-tech Industrial development zone.

Foshan will grant RMB 250,000 to each new enterprise joining the gazelle enterprise database. The city will support and provide funding of RMB 1 million to qualified enterprises and new research and development institutions to lead and collaborate with universities and scientific research institutions to form an industrial technology innovation alliance. In addition, the city will support and fund of RMB 500,000 to leading high-tech enterprises in the industry to take the lead in forming high-tech enterprise innovation alliances.

The "No. 1 Document" also clearly gives guidance to banks to increase credit support for technology-based enterprises, set up credit risk compensation funds for technology-based enterprises in Foshan and increase the credit product risk sharing ratios up to 90%. The accumulated amount of credit granted by banking institutions to technology-based enterprises exceeded RMB 10 billion.

Encourage commercial banks to set up science and technology sub-branches and subsidise RMB 200,000 for newly identified technology sub-branches. They are also urged to offer a one-time subsidy of RMB 50,000 to each technology sub-branch and financing amount of more than RMB 3 million to a newly raised technology enterprise, with a maximum subsidy of RMB 500,000 for each sub-branch per year. A one-time funding of RMB 2 million will be granted to sub-branches that have a loan balance of RMB 500 million for the first time at the end of the year.

In addition, there are plans to encourage equity investment institutions to invest in Foshan’s technological innovation projects. Private equity funds are also urged to invest in the city’s innovative and entrepreneurial teams, high-tech enterprises, technology-based SMEs and incubator projects. For each accumulated investment exceeding RMB 5 million, the fund management institution will be given a subsidy of RMB 100,000, capped at a maximum of RMB 2 million.

Preferential policies for individual income tax

In October 2019, the Foshan Municipal Finance Bureau, the Municipal Science and Technology Bureau, the Municipal Human Resources and Social Security Bureau and the Municipal Taxation Bureau jointly issued the “Interim Measures for the Administration of Fiscal Subsidies on the Implementation of the Preferential Policies on Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area”. Overseas talents working in Foshan and highly sought after talents are given financial subsidies according to the differences in their personal income tax burden.

According to the “Interim Implementation Measures”, financial subsidies will be given to high-end overseas talents working in Foshan and talents in short supply, equivalent to their personal income tax amount in excess of 15% of their taxable income. The subsidy is exempted from personal income tax. Preferential policies will be implemented from 2019 onwards with declaration and approval carried out once a year. In principle, there will be no quota for the number of approved subsidy. Applications for financial subsidies for 2019 will be processed after 1 July 2020.

The high-end overseas talents and talents in short supply referred in the “Interim Implementation Measures” need to meet the basic requirements for verification. For example, the applicant must be a permanent resident of Hong Kong or Macao; a Hong Kong resident who has joined the Hong Kong Entry Programme; a resident of Taiwan; a person of foreign nationality, a returning overseas student or overseas Chinese who have obtained long-term residency abroad; the person must work or employed in a Foshan enterprise or institution; or provide independent personal services in Foshan.

The applicant must also meet one of the relevant qualifications within the tax year the subsidy is granted, including shortlisted candidates for major talent projects in the country and Guangdong province; holder of the Guangdong Talent Card; key laboratory, scientific research and technical team members from national and provincial laboratories as well as high-level innovation research institutions, etc.; leading talents recognised by the Foshan Human Resources and Social Security Bureau; talents who have obtained Guangdong Foshan A- or B-cards; talents who have obtained a doctorate degree or post-doctorate qualification.

In the “Interim Implementation Measures”, Foshan put forward many innovative measures to ease the financial burden of individuals. All declarations and subsidy applications will be processed via the Foshan Fucitung platform, which helps increase the operation efficiency by saving the time of the application unit and the applicant in submitting the required materials.
Pension insurance policy

Trial implementation of Hong Kong and Macao talents to enjoy Foshan’s basic pension insurance deferred policy. For Hong Kong and Macao employees who work in the city for non-government affiliated institutions, have reached the legal retirement age and have paid less than 15 years of contributions, they can choose to defer the payment of their corporate pension insurance. If the payment is postponed until the age of 65 for men and 60 for women and their year of contributions is still less than 15 years, a one-off payment will be allowed.

Employers are encouraged to establish a multi-level insurance system such as commercial supplementary pension medical insurance for foreign talents. For foreign high-end talents and employers who work in the city but fail to enjoy any social insurance benefits, or have reached the legal retirement age and have paid less than 15 years of contributions in total, employers can use financial funds to cover the purchase of the commercial pension and medical insurance for them during their tenure. Employers should also formulate their own management protocols for using financial funds to purchase commercial insurance.

PwC’s point of view:

• Various preferential measures and policies will bring more investment opportunities for enterprises and individuals and facilitate the flow of talents, materials, technology in Foshan, Hong Kong, Macao and the Greater Bay Area. Enterprises should pay attention to the latest policies in a timely manner, make good use of preferential policies and manage risk in a reasonable manner.

• COVID-19 will have a major impact on manufacturing and particularly export-oriented companies over the short term. Proactive measures have to be taken by manufacturing SMEs to minimise such impact as soon as possible while maintaining their market share and competitiveness in the global supply chains. The pandemic has exerted a huge impact on the global economy and global demand may continue to weaken. It is necessary to reexamine the situation of the export market and further boost domestic demand.
In 2019, Foshan became the third city in Guangdong Province of the “Trillion GDP Club”. The city is accelerating its integration into the “one-hour traffic circle” of the Greater Bay Area, and is still experiencing a period of rapid population growth and strong economic development momentum.

Foshan is regarded as the epitome and quality benchmark of China’s manufacturing industry. The city should continue to pursue new heights in manufacturing and promote the transformation of traditional industries into intelligent manufacturing. It should implement an innovation-driven strategy, increase investment in research and development and technological transformation, actively participate in the formulation of industry standards in technology and strengthen intellectual property protection. It should also proactively nurture strategic and emerging industries, make the most out of the industrial sectors and achieve coordinated economic development with Guangzhou and Shenzhen.

Foshan should actively promote industry digital transformation. In 2020, Guangdong Province will strive to achieve 5G network coverage and basic constant coverage of the central Pearl River Delta. Foshan should seize such opportunity to ride on the strength of China’s 5G technology to build smart cities and strengthen the integration of emerging technologies and traditional manufacturing.

2020 is going to be a challenging year. The outbreak of COVID-19 will bring downward pressure on China’s overall economy and add to uncertainties in the international markets. The private sector economy and small sized enterprises will take the blunt of negative consequences, especially those with greater reliance on exports. Proactive measures have to be taken by manufacturing SMEs to minimise the impact as soon as possible and maintain their global market share while expanding domestically.

In the long run, the impacts of the public health crisis should be well-contained. Cities in the Greater Bay Area, such as Foshan, are still benefitting from rapid economic development. The government and enterprises should work together to navigate through the challenges, while private enterprises, with their exceptional strength and resilience, should be able to respond swiftly and turn the crisis into opportunities.
1. 《完善陆水空铁网络，提升建管护运水平，奋力开创佛山市交通运输高质量发展新局面》，佛山市交通运输局，http://jtys.foshan.gov.cn/zwgk/ghjh/content/post_643847.html
2. 《2019年我市地区生产总值初步核算增长6.9%》，佛山市政府网 http://www.foshan.gov.cn/gzjg/stjj/gzdt_1110959/content/post_3589898.html
5. 《佛山市禅城区2018年国民经济和社会发展统计公报》，http://www.chancheng.gov.cn/chancheng/mlsc/jjfz/content/post_3278214.html
7. 《政府工作报告—2020年1月14日在广东省第十三届人民代表大会第三次会议上》，http://www.gd.gov.cn/gdywdt/gdyw/content/post_2875129.html
Acknowledgments

**Editorial and writing**
Lan Lan
Shan Liang
Sherry Liu

**Project management**
Helena Lee
Claire Cheung

**Design**
Zona Chu
Contacts

**Elton Yeung**  
Strategy and Innovation Leader,  
PwC China  
+86 (10) 6533 8008  
+852 2289 8008  
elton.yeung@cn.pwc.com

**Thomas W Leung**  
Mainland China and Hong Kong Markets Leader, PwC China  
+86 (10) 6533 2838  
+852 2289 8288  
thomas.w.leung@cn.pwc.com

**Chen Gang**  
Foshan Client Relationship Partner,  
Guangdong-Hong Kong-Macao Greater Bay Area working team, PwC China  
+86 (20) 3819 2566  
gang.chen@cn.pwc.com