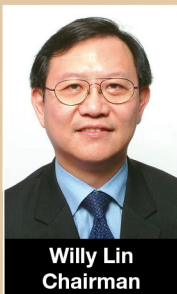




The Hong Kong
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香港付貨人委員會



Willy Lin
Chairman

Hong Kong must capitalise on invaluable B&R opportunities

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Like me, I am sure you have come across many different Belt & Road (B&R) maps from different sources. While these maps may share a common feature of East-West linkages, they sometimes show different routes with different origins and destinations. The Belt sometimes begins in northern Asia or Indo China, through the Siberian or the Middle East, and end up in Moscow, the Baltic states or Italy; while the new Maritime Silk Road sometimes starts in northern or southern China, traverses the ASEAN nations, countries in the Indian Ocean and end up in the Mediterranean, the East African coast, or northern European ports like London and Rotterdam.

The many different versions reflect the fact that B&R often begins as a vision or strategy instead of a well-designed and laid out plan. However, it is an important vision as it points out the direction of development, and calls for co-operation and joint actions for the realisation of such opportunities.

The 2008 global financial crisis virtually represents the end of high economic growth in the preceding decades. The growth model of developed economies relying on sovereign debts and over-spent private consumption and developing economies on foreign investments and borrowings has proven to be unsustainable.

It is clear that the world needs new drivers and markets and B&R offers a chance to achieve this.

Some 65 countries covered by B&R are

countries with prospects higher than the global average. Many of them are resource-rich and their development possibilities are untapped because of different reasons: being land-locked, inaccessible, unable to accumulate sufficient investment capital, political sanctions, failure to catch the attention of traditional investors, cultural bias, sub-par financial and foreign exchange systems and backward infrastructure. Nonetheless, should these constraints be liberalised, the potential for growth is far-reaching.

However, success depends on multi-front and multi-level co-operation. This vision must be recognised and shared by the governments and people along the B&R.

To succeed, it is necessary for these governments to work together. Critically, the alignment of economic development strategies and policies, regional co-ordination plans and measures, multi-level intergovernmental macro policy co-ordination and discussion mechanism, and trade and investment policies such as trade facilitation policies, investment protection policies, avoidance of double taxation policies, foreign exchange and remittance policies need to be achieved.

It is also necessary to establish connectivity through means of highways, rails, sea and air linkages, as well as communications.

The protocols, the technologies, the transaction platforms, intermodal systems, airports and ports infrastructure, fiber trucks, satellite signal networks and other means of creating sustainable



networks of communication must be achieved. There is also connectivity for human talents and resources and no single economy will have all the human talents and knowledge needed.

The question to ask would then be: are there sufficient platforms for the governments and other stakeholders to work out these co-operations? There are the Shanghai Co-operation Organisation (SCO), Asia-Pacific Economic Co-operation (APEC), Asia-Europe Meeting (ASEM), Asia Co-operation Dialogue (ACD), China-Arab States co-operation forum (CASCF), China-Gulf Co-operation Council Strategic Dialogue, Greater Mekong Sub-region (GMS), ASEAN Economic Community (AEC), Central Asia Regional Economic Co-operation (CAREC) and other groups to consider. Are there needs for these new organisations, or platforms? How are these organisations to be structured and function?

Moreover, all agreements and relationships will have to be formalised in agreements like the China-ASEAN Free Trade Agreement, ASEAN Economic Community (AEC) or bilateral agreements between countries. Are all talks and discussions proceeding in the right direction and do they possess the right agenda?

The formation of the Asian Infrastructure Investment Bank (AIIB) in June 2015 in Shanghai and the broad support that it received clearly indicated a full recognition of the needs and opportunities of the B&R regions. The AIIB was tasked to lead, guide, co-ordinate and finance major infrastructure

projects, including roads, railways, airports and other infrastructure projects in Asia.

Against such background, how should Hong Kong position itself? What are Hong Kong's own advantages and opportunities?

Hong Kong is the world's very first IPO centre, the world's first offshore RMB centre, the world's fifth forex trading centre, and the world's seventh bank centre. Hong Kong is also Asia's second asset management and Asia's second private equity hub, as well as the leading centre for cross-border investment businesses.

In 2014, Hong Kong was the world's largest source of foreign direct investment and also ranked as the world's second recipient of foreign direct investment. In short, our fair city knows how to find and manage money, as and when investment opportunities are identified.

These achievements rely on Hong Kong's well-established financial and banking sector, well-defined legal system, properly managed but still very user-friendly foreign exchange and remittance system and its cosmopolitan business environment.

It is important to note that infrastructure projects' pay-back periods are very long. Therefore, to attract investments, these projects have to be financeable, sellable, and

transferable. Hong Kong's financial sector could certainly help in coming up with suitable financial tools including equity, trust funds, bonds and loans as well as the marketing and trading of these necessary and important tools.

In addition, business matching, locating suitable partners and investors, setting up new companies, tendering and bidding, corporate and social governance and compliance and dispute resolutions are vital and Hong Kong excels in all these areas.

For the logistics industry, movement of goods will and must accelerate. There will be project cargoes, and increased volume of agricultural, mineral, forestry and consumer products. The relocation of manufacturing activities has begun and as the B&R regions develop, there will be increasing traffic of raw materials, parts and finished products. There will be the need for wider regional distribution, retro-logistics and as the region prospers, more movement of luxury goods and fresh produce.

B&R will bring ample opportunities and thus it is invaluable to ensure that Hong Kong actively involves and immerses itself in these opportunities to come.

