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Panel on Commerce and Industry

Meeting on 19 December 2017

Background brief on the Belt and Road Initiative

Purpose

This paper provides background information on the Belt and Road Initiative and the setting up of the Belt and Road Office ("BRO"). This paper also provides a summary of views and concerns expressed by members during previous discussions on the subject.

Background

2. On 28 March 2015, the National Development and Reform Commission ("NDRC"), the Ministry of Foreign Affairs and the Ministry of Commerce issued a document entitled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", outlining the framework, key areas of co-operation and co-operation mechanisms with regard to the Belt and Road Initiative. The proposed five areas of connectivity – policy co-ordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond – aim to foster the concurrent development of the Belt and Road countries and strengthen co-operation on the political, economic and cultural fronts.

3. In his 2016 Policy Address, the former Chief Executive ("CE") announced that as a highly open economy with extensive and strong external connections, Hong Kong uniquely demonstrated the characteristics of "two systems" among China's many cities. The Hong Kong Special Administrative Region ("HKSAR") Government would play an active role to facilitate the implementation of the Belt and Road Initiative. In this connection, the HKSAR Government would set up a Steering Committee for

the Belt and Road ("the Steering Committee")¹ to formulate strategies and policies for Hong Kong's participation in the Belt and Road Initiative. BRO would also be established for carrying out specific tasks to capitalize on the opportunities brought to Hong Kong by the Country's Belt and Road development strategy.

4. In July 2016, the former CE appointed a Commissioner for Belt and Road ("the Commissioner")² with effect from 1 August 2016 to 30 June 2017. The Commissioner assisted CE through the work of the Steering Committee and BRO to liaise with Government bureaux and departments, as well as various sectors of the community, to better seize the new development opportunities brought by the Belt and Road Initiative. The Commissioner also offered recommendations and advice to CE and the Steering Committee on the formulation and implementation of strategies related to the Belt and Road Initiative.

Belt and Road Office

5. Under the Commissioner's leadership, BRO's work includes liaising and communicating with various stakeholders and offering advice and assistance, where appropriate, regarding the issues and suggestions raised by them.

6. According to the Administration, BRO helped organize HKSAR's participation in the Belt and Road Forum for International Cooperation ("the Forum") held in Beijing in May 2017. BRO also co-organized with relevant Government bureaux a Belt and Road Experience Sharing Forum in June 2017 to enable Hong Kong young people to have a better understanding of the opportunities and challenges brought by the Belt and Road Initiative. Moreover, BRO has been following the progress of the Country's

¹ The Steering Committee for the Belt and Road ("the Steering Committee") chaired by the Chief Executive and comprising the Chief Secretary for Administration, Financial Secretary, Secretary for Justice, relevant Directors of Bureaux and the Commissioner for Belt and Road, is responsible mainly for formulating strategies and policies for Hong Kong's participation in the Belt and Road Initiative.

As of June 2017, the Steering Committee had held five meetings. It had monitored the progress of the Belt and Road work plans of relevant bureaux and departments, and discussed important issues, including participation of Hong Kong Special Administrative Region in the Belt and Road Forum for International Cooperation held in Beijing in May 2017, discussions with Mainland authorities on how to assist Hong Kong companies to participate in Belt and Road development, strategies to promote Hong Kong's edge, and to step up efforts to promote people-to-people bond.

² Miss Yvonne Choi Ying-pik was appointed as the Commissioner for Belt and Road ("the Commissioner") on pro-bono basis.

implementation of the Belt and Road Initiative, and has been liaising closely with relevant Government bureaux or organizations so as to assist the Government bureaux to formulate suitable policies and measures in a timely manner for Hong Kong's participation in the Belt and Road Initiative.

7. The former CE announced in his 2017 Policy Address delivered in January 2017 that the HKSAR Government had reviewed the work and set up of BRO, and considered it necessary to beef up its establishment and resources including the creation of directorate posts and other permanent posts to ensure it could take forward the work under the Belt and Road Initiative more effectively and on a long-term basis.

Major views and concerns expressed by Members

Special meeting of Finance Committee

8. In the light of the proposal to beef up BRO's establishment, some members enquired about BRO's staff establishment and expenditure involved for 2016-2017 and 2017-2018 at the special meeting of the Finance Committee on 6 April 2017 to examine the Estimates of Expenditure 2017-2018.

9. The Administration replied that the provision of BRO for 2016-2017 was \$25.429 million and BRO had 13 non-permanent posts.³ In 2017-2018, BRO planned to create 16 permanent posts⁴ to replace the existing non-permanent establishment and increase manpower to ensure that it could take forward the work under the Belt and Road Initiative more effectively and on a long-term basis. The estimated overall expenditure of BRO for 2017-2018 is \$35.038 million which would be mainly for salaries and other operating expenses.

10. Moreover, in 2017-2018, BRO would strengthen and do more comprehensively its work in the following areas: (i) connect and communicate with various stakeholders to understand and help solve the general problems encountered by Hong Kong enterprises in participating in

³ The 13 non-permanent posts were one Commissioner (appointed on pro-bono basis with effect from 1 August 2016 to 30 June 2017), one Deputy Commissioner for Belt and Road (Post-retirement Service Contract post), one time-limited Administrative Officer ("AO") grade post, two time-limited Trade Officer ("TO") grade posts, one Executive Officer ("EO"), one Personal Secretary and three Clerical grade posts on loan from the General Grades Office, one Motor Driver grade post on loan from the Government Logistics Department and two non-civil service contract posts (one for administrative work and the other research work).

⁴ The 16 permanent posts to be created include two Directorate grade posts, two AO grade posts, two TO grade posts, one Information Officer grade post, two EO grade posts, and seven posts belonging to the Secretarial, Clerical and Chauffeur grades.

the Belt and Road Initiative; (ii) liaise with relevant Central Authorities to establish mechanisms to enhance the exchange of information on the Belt and Road Initiative, particularly regarding policies, development plans and projects; and (iii) collect and analyze information to assist Hong Kong enterprises and professions to better seize the opportunities arising from the Belt and Road Initiative.

Council questions

11. Members also asked two oral questions about the work of the Steering Committee and BRO at the Council meetings on 1 June 2016 and 14 June 2017 respectively.

12. At the Council meeting of 1 June 2016, Mr Christopher CHEUNG enquired about the efforts in taking forward the Belt and Road Initiative, including whether the Steering Committee and BRO would examine Hong Kong's edge in taking forward the Belt and Road Initiative.

13. The Administration advised that the emerging markets along the Belt and Road had good growth potential and their demand for financial services would correspondingly increase. Hong Kong could make best use of its strengths in financial integration by promoting Renminbi internationalization and the development of a Belt and Road investment and financing platform. Hong Kong could provide countries along the Belt and Road with financial services for the investment, fund raising and asset management of infrastructure projects and help expand their financing channels. Moreover, a major area of the Belt and Road Initiative would be to promote the development of infrastructure projects along the Belt and Road. Hence, the Administration expected the demand for financing and fund management in the Belt and Road would bring about enormous business opportunities to the financial services sector in the region.

14. At the Council meeting of 14 June 2017, Mr Jimmy NG enquired whether the authorities had assessed the effectiveness of the various tasks undertaken by the Steering Committee and BRO since their establishment. Given that CE had led a cross-sectoral HKSAR delegation to attend the Forum held in Beijing on 14 May 2017, Mr NG also enquired about the follow-up work to be carried out by the Steering Committee and BRO in the next step.

15. The Administration advised that the Steering Committee had monitored the progress of the Belt and Road work plans of relevant Government bureaux and departments (details are in footnote 1 above). Meanwhile, to promote Hong Kong as a key link and "super-connector" under the Belt and Road Initiative as well as its unique edge and the contributions it can make, BRO had produced a promotion video and a

compendium, and had also set up the "BELT AND ROAD INITIATIVE · HONG KONG" website to provide information related to the Belt and Road Initiative. Besides, BRO had helped organize HKSAR's participation in the Forum held in Beijing in May 2017 and co-organized the Belt and Road Experience Sharing Forum in June 2017 (details are in paragraph 6 above).

16. As regards the follow-up work to be carried out, the Administration advised that the Joint Communiqué of the Leaders Roundtable of the Forum ("Joint Communiqué") was agreed at the Leaders Roundtable of the Forum. The Joint Communiqué reaffirmed the commitment to uphold and advance the principle of open economy. The HKSAR Government welcomed and supported the Joint Communiqué. Furthermore, before and during the Forum, 76 items comprising more than 270 concrete results in five key areas (namely policy co-ordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond) were achieved. BRO together with relevant policy bureaux would analyze the list of deliverables of the Forum, so that the new term Government, after discussion with various sectors, could formulate and implement suitable policies and initiatives in a timely manner.

Promotion of Hong Kong's participation in the Belt and Road Initiative under the current-term Government

17. In October 2017, CE announced in her 2017 Policy Address that the Commerce and Economic Development Bureau ("CEDB") had been tasked to coordinate the work of the HKSAR Government on the Belt and Road Initiative. To ensure that CEDB would be able to take forward the work on the Belt and Road Initiative more effectively and on a sustained basis, the Administration would provide additional resources to reinforce the manpower for BRO.

18. Moreover, to fully participate in and capitalize on the opportunities brought about by the Belt and Road Initiative, CE announced that the HKSAR Government would step up communication with the Central Authorities to gain a deeper understanding of the policy directions and implementation of the Belt and Road Initiative and co-operate with enterprises and chambers of commerce to translate policies into business opportunities. In this regard, the following efforts were set out in her 2017 Policy Address.

Arrangement for Advancing Hong Kong's Full Participation in the Belt and Road Initiative

19. The HKSAR Government is in discussion with the Central Authorities with the aim of entering into an agreement of Hong Kong's full participation in the Belt and Road Initiative with NDRC by the end of 2017. The Arrangement for Advancing Hong Kong's Full Participation in the Belt and Road Initiative ("the Arrangement") will guide and serve as the blueprint of mutual co-operation. The Arrangement will identify the major areas of co-operation to fully leverage Hong Kong's competitive edges. It will also put forward specific collaboration measures, covering various areas such as finance, infrastructure, economic and trade facilitation, people-to-people bonds, project interfacing, dispute resolution, as well as the Guangdong-Hong Kong-Macao Bay Area development. A joint working mechanism will be established with a view to strengthening communication and co-operation, and overseeing the implementation of the Arrangement.

Information sharing platform on the Belt and Road projects

20. To facilitate Hong Kong businesses' effective participation in the Belt and Road Initiative, the HKSAR Government together with the Mainland authorities are looking into the possibility of establishing an information sharing platform on the Belt and Road projects so that enterprises of the two places will have a better grasp of relevant information to facilitate more effective project interfacing and enterprise collaboration.

Strategic partnership between enterprises in Hong Kong and on the Mainland

21. According to the Administration, efforts will also be made to promote strategic partnership between enterprises in Hong Kong and on the Mainland for joint investment in Belt and Road projects and collaborative development of overseas economic and trade co-operation zones, thus exploring overseas markets together. These will include conducting market study on, and trade and investment promotion at priority countries along the Belt and Road; as well as providing professional services to enterprises with a view to establishing Hong Kong as the high-end professional services platform for the Belt and Road Initiative. In that regard, the Administration will enhance the role of the Hong Kong Trade Development Council ("HKTDC") in the promotion of and participation in the Belt and Road Initiative. HKTDC will also be tasked for organizing more trade missions to countries along the Belt and Road for identifying business opportunities, and efforts will be made to strengthen its capabilities in risk profiling research, project scoping and business matching on the other, with a view to better supporting Hong Kong enterprises.

22. The second Belt and Road Summit ("the Summit"),⁵ co-organized by the HKSAR Government and HKTDC, was held on 11 September 2017, attracting more than 3 000 government representatives of different countries and leaders of different sectors from more than 50 countries and regions to take part in the Summit. The one-day Summit included a series of panel sessions and concurrent investment and business matching sessions, as well as investment project presentations and networking sessions, with the latter focusing on transport and logistics infrastructure, energy, natural resources and public utilities, and urban development. Building on the success of the Summit, the HKSAR Government plans to continue to work with HKTDC and stage the event every year, making it a key platform to promote and foster Hong Kong as an international commerce and trading platform for the Belt and Road Initiative.

Major views and concerns expressed by members

Panel on Commerce and Industry

23. The Panel on Commerce and Industry ("the Panel") was briefed by the Administration on the multi-pronged approach above to be adopted with a view to translating the Belt and Road Initiative into tangible benefits for Hong Kong businesses and professionals at the policy briefing-cum-meeting of on 17 October 2017.

24. Some members enquired about the division of work between CEDB and other public organizations such as HKTDC in the promotion of and participation in the Belt and Road Initiative.

25. The Administration advised that CEDB would assume a steering and co-ordinating role within the HKSAR Government, and act as the major contact point with the Central Authorities on Belt and Road-related matters. CEDB would collaborate with the Constitutional and Mainland Affairs

⁵ Hong Kong hosted the inaugural Belt and Road Summit ("the inaugural Summit") on 18 May 2016 to explore business opportunities presented to the world by the Belt and Road Initiative. More than 40 senior government ministers from countries located along the Belt and Road routes as well as business leaders from Hong Kong, the Chinese mainland, Association of Southeast Asian Nations ("ASEAN") and other regions spoke at the inaugural Summit, sharing insights from a wide range of perspectives. The event welcomed more than 2 400 participants, including investors, project owners and services professionals.

The full-day event comprised a high-level symposium, a keynote luncheon and panel discussions on such topics as policymaking, cross-border connectivity and Hong Kong-ASEAN partnership. As part of the programme, three concurrent investment and business matching workshops spotlight infrastructure; urbanization and utilities were held.

Bureau ("CMAB") to take forward the Belt and Road Initiative through the five offices in the Mainland under CMAB and the 12 overseas Economic and Trade Offices ("ETOs") under CEDB, and collaborate with the Innovation and Technology Bureau as well as HKTDC on related matters.

26. Some members enquired about the existing measures taken by the Administration to share information on the Belt and Road projects besides looking into the possibility of establishing the information sharing platform on the Belt and Road Initiative with the Mainland ministries.

27. The Administration advised that HKTDC had set up a dedicated portal on the Belt and Road Initiative for sharing relevant information. In collaboration with HKTDC, CEDB would continue to jointly organize the annual Summit which served as a key platform to promote and foster Hong Kong as an international commerce and trading platform for the Belt and Road Initiative.

28. Noting the immense development opportunities presented by the Belt and Road Initiative, some members enquired whether the Administration had, apart from Thailand, plans to set up new overseas ETOs in other countries along the Belt and Road region, and the additional manpower and resources required for the purpose.

29. The Administration advised that apart from Thailand, it was planning to set up a new ETO in South Korea, and exploring the feasibility of establishing additional ETOs in other countries/regions (including countries along the Belt and Road region), namely India, the Middle East, Russia, Africa and South America. With the shift of the global economic and trade developments to Asia and in order to capitalize on the opportunities brought by the Belt and Road Initiative, the Administration saw a strong need to set up new ETOs in India, the Middle East, Russia and Thailand. In addition, the Administration would seek the Panel's support for the staffing proposal for creation of directorate posts in BRO, and would brief the Panel on its focus and approach of work in pursuing the Belt and Road Initiative in Hong Kong by the end of 2017.

Latest position

30. The Administration will seek the Panel's support for the staffing proposal of creation of directorate posts in BRO, and brief the Panel on the HKSAR Government's focus and approach of work in pursuing the Belt and Road Initiative in Hong Kong.

Reference

31. A list of relevant papers is at the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
12 December 2017

List of relevant papers

Date of meeting	Meeting	Paper
1/6/2016	Council	Question No. 5 on "Efforts in taking forward Belt and Road Initiative" raised by Hon Christopher CHEUNG (Hansard) (page 10859-10869)
6/4/2017	Special meeting of the Finance Committee to examine the Estimates of Expenditure 2016-2017	Administration's replies to Members' initial written questions (Reply serial no. CEDB(CIT)003, CEDB(CIT)033, CEDB(CIT)052, CEDB(CIT)096, CEDB(CIT)171 and CEDB(CIT)181)
14/6/2017	Council	Question No. 6 on "Work of steering committee for the Belt and Road and Belt and Road Office" raised by Hon Jimmy NG (Hansard) (page 9671-9681)
17/10/2017	Panel on Commerce and Industry	Administration's paper on "2017 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)20/17-18(01)) Administration's paper on "2017 Policy Address - Policy Initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland co-operation and Taiwan affairs" (LC Paper No. CB(1)20/17-18(02)) Administration's paper on "2017 Policy Address - Policy Initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)32/17-18)