

**For discussion on
18 February 2020**

Legislative Council Panel on Commerce and Industry

Hong Kong's Participation in the Belt and Road Initiative

Purpose

This paper informs Members of the latest progress of work of the Commerce and Economic Development Bureau (CEDB) in promoting Hong Kong's participation in the Belt and Road Initiative (B&RI).

Background

2. Since the introduction of B&RI in 2013, it has gradually developed into a multilateral, multi-faceted and multi-tiered co-operation platform spanning Europe, Asia and Africa, etc. The Initiative promotes connectivity in various areas, and injects new impetus to Hong Kong's economic and social development. Since its introduction, B&R related co-operation agreements were signed between China and over 130 countries and 30 international organisations, covering such areas as finance, infrastructure, trade and commerce, exchange and co-operation, and others.

Strategic Direction

3. As set out by the Chief Executive in her Policy Address in October 2019, the Government capitalises on the opportunities brought by B&RI with the aim of opening up more markets for Hong Kong's enterprises and professional services. The current-term Government has been proactively playing the role of "facilitator" and "promoter" to consolidate Hong Kong's position as the prime platform and a key link for B&RI, with policies and measures being implemented to harness such opportunities. The Government has been adopting a whole-government approach, under which the CEDB is tasked to lead and co-ordinate the relevant work to promote Hong Kong's full participation in B&RI, seeking to leverage Hong Kong's advantages in meeting the country's needs. The Government is taking forward such work according to the following five-pronged B&R key strategy –

- enhancing policy co-ordination;
- fully leveraging Hong Kong’s unique advantages;
- making the best use of Hong Kong’s position as the professional services hub;
- promoting project participation; and
- establishing partnership and collaboration.

4. Moreover, to enhance the Hong Kong Special Administration Region (HKSAR) Government’s policy co-ordination and strategic efforts in promoting B&RI, we obtained a majority vote of the Finance Committee of the Legislative Council in April 2018 for the creation of the post of Commissioner for Belt and Road (CBR). The CBR assumed office in June 2019 and has been acting as the focal point of contact between the HKSAR Government and stakeholders on B&RI.

5. We are committed to connecting and collaborating with partners on B&RI. Since his assumption of office in June 2019, CBR has already called on various local chambers of commerce, the professional services sector, consulate generals and trade representatives of B&R related countries as well as other relevant stakeholders to introduce the HKSAR Government’s work in promoting the participation in the Initiative. The Government will continue to maintain communication with different parties to explore further room for partnership and collaboration.

Enhancing Policy Co-ordination and Stepping up Government-level Co-operation

6. On pursuing B&R related policy efforts, the HKSAR Government and the National Development and Reform Commission (NDRC) entered into an “Arrangement between the NDRC and the Government of the HKSAR for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative” (the Arrangement) in December 2017. The Arrangement, which puts forward 26 specific collaboration measures, seeks to support Hong Kong’s full participation in and contribution to B&RI. These measures cover six major areas in which Hong Kong enjoys distinctive strengths and positions, namely finance and investment; infrastructure and maritime services; economic and trade facilitation; people-to-people bond; taking forward the development of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as enhancing collaboration in project interfacing and dispute resolution services.

7. The Arrangement has established a direct communication platform between Hong Kong and relevant Mainland authorities (including the NDRC, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the Ministry of Commerce (MofCom), and the Ministry of Foreign Affairs, etc.) for Hong Kong to better leverage our strengths and to integrate further with the national development. A Joint Conference mechanism has been set up by both sides under the Arrangement to follow up on the implementation of the Arrangement and to strengthen co-operation under B&RI. The first two meetings of the Belt and Road Joint Conference were convened respectively in June 2018 and July 2019 in Beijing. The next Joint Conference is planned to be held in the middle of this year.

8. In addition, the HKSAR Government has been making determined efforts to boost our economic and trade ties, as well as actively seeking to forge Free Trade Agreements (FTAs) and Investment Promotion and Protection Agreements (IPPAs) with more trading partners (including B&R related countries and regions), with a view to helping enterprises and investors expand their overseas markets and promoting Hong Kong's long-term economic development. Hong Kong signed an FTA and an IPPA with the Association of Southeast Asian Nations (ASEAN) in November 2017, which has gradually come into force since 2019. The FTA signed with Georgia in June 2018 as well as the FTA and IPPA signed with Australia in March 2019 also came into force respectively in February 2019 and January 2020. An IPPA was also signed with the United Arab Emirates (UAE) in June 2019. The above agreements would further promote the opening up and liberalisation of trade between Hong Kong and the relevant economies. Besides, a memorandum of understanding on strengthening economic relations was signed with the government of Thailand in end-November 2019, which sought to broaden and deepen co-operation on trade and investment, enterprise partnerships, creative industries, financial services, technology start-ups and enterprises, and human resources development. Exploratory talks on negotiating a Hong Kong, China-Thailand Free Trade Agreement is also underway. The HKSAR Government will continue to expand our network of FTAs and IPPAs to support Hong Kong enterprises and investors in seizing economic and trade opportunities overseas.

9. Under the whole-government approach, relevant bureaux / departments of the HKSAR Government have been taking forward efforts to promote B&RI under their respective portfolios. The CEDB and the MofCom have established a Mainland and Hong Kong Belt and Road Task Group under the Mainland and Hong Kong Economic and

Trade Co-operation Committee to co-ordinate B&R related trade and economic co-operation between the Mainland and Hong Kong. The first two high-level meetings of the Task Group were respectively held in December 2018 and November 2019, at which various initiatives on promoting trade and economic co-operation between enterprises of both places under the Initiative were agreed. Such initiatives include trying out measures to facilitate business matching and collaboration between Hong Kong enterprises and selected overseas Economic and Trade Co-operation Zones (ETCZs); continuing to co-organise missions comprising Mainland and Hong Kong enterprises and professionals to “go global” en bloc; continuing to hold exchange and business matching activities; and promoting information sharing and project collaboration, etc.

10. Meanwhile, the CEDB is committed to expanding the network of overseas Economic and Trade Offices (ETO) with a view to enhancing Hong Kong’s external promotion and interactions, thereby bringing about new business opportunities. At present, there are 13 overseas ETOs located in major economies around the world, including the Bangkok ETO which commenced operation in end-February 2019. We are currently also engaged in the preparatory work for opening the Dubai ETO, and actively exploring the feasibility to establish ETOs in different countries to further strengthen Hong Kong’s trade network. Moreover, Invest Hong Kong has been organising investment promotion activities in various Mainland cities and B&R related countries and regions, with a view to promoting Hong Kong’s pivotal role under B&RI as well as encouraging Mainland enterprises and overseas businesses to use Hong Kong as a springboard to tap into the relevant markets.

Fully Leveraging Hong Kong’s Advantages and its Position as the Professional Services Hub

11. Hong Kong enjoys unique dual advantages under “one country, two systems”. Strategically located at the heart of Asia, Hong Kong has a supremely connected network of air, sea and land transportation, a well-established international business network, and world-class infrastructure. We are equipped with a comprehensive range of high-end, internationally-benchmarked professional services, covering financing and bond issuance, insurance, risk assessment and management, legal and dispute resolution services, etc. Hong Kong is the leading financial, trade and logistics centre in the region, as well as an important hub in promoting cultural exchanges between the East and West. With that, Hong Kong is well-positioned to contribute to B&RI and complement our strengths with Mainland enterprises for “going global” en bloc.

12. The HKSAR Government has been in earnest promoting partnership and collaboration with a view to fully leveraging Hong Kong's advantages, including the organisation of a host of sharing sessions in conjunction with relevant Mainland authorities for in-depth discussions on Hong Kong enterprises' participation in B&R projects. Such opportunities had also been taken to promote relevant professional services being offered in Hong Kong. Further to the staging of the seminar on "Strategies and Opportunities under the Belt and Road Initiative – Leveraging Hong Kong's Advantages, Meeting the Country's Needs" in February 2018 in Beijing, a series of "Belt and Road: Hong Kong – IN" forums and sharing sessions were organised by the HKSAR Government in August and December 2018 as well as February and November 2019 in Hong Kong. Themed exchanges on ETCZs, risk management, financial services and business growth, etc., were conducted between representatives of the Hong Kong industrial, business and professional services sectors as well as start-ups with Mainland enterprises, and partnership opportunities were jointly explored.

13. The HKSAR Government and the Hong Kong Trade Development Council (HKTDC) from time to time organise business and professional missions to B&R related countries and regions, with a view to enhancing economic and trade exchanges with local governments, identifying business opportunities therein and promoting Hong Kong's distinctive edge. Respectively in March 2018, March, June and November 2019, missions comprising Hong Kong industrial, business and professional services sectors as well as start-ups, etc., were led by CEDB to Cambodia and Vietnam; Georgia and Hungary; Spain, Serbia and the UAE; as well as Malaysia and Thailand. Some of these missions were joined by Mainland enterprises, and "one-on-one" business matching was also featured in some of the programmes, thereby fostering business matching and collaboration amongst Hong Kong enterprises and professional services sector, local businesses and Mainland enterprises.

14. We will continue with our efforts in bolstering external relations, and are planning to visit other B&R countries within this year. Opportunities will continue to be taken to support Hong Kong enterprises and professional services as well as Mainland enterprises to "go global" en bloc, including our plan to co-organise a joint mission with MofCom again to some European economies this year with a view to jointly capturing the opportunities therein.

15. The HKSAR Government has also been striving to showcase Hong Kong's unique advantages at the international arena. The Chief Executive led a delegation which comprised nearly 70 members from various sectors of Hong Kong, including the political, business, professional services, innovation and technology sectors, the academia as well as public and community service organisations, to attend the second Belt and Road Forum for International Cooperation (the Forum) on 25 to 26 April 2019 in Beijing. The Forum was our country's major diplomatic event, as well as the highest-level international activity on promoting B&R co-operation. More than 6 000 political leaders, high-level representatives and guests from over 150 countries and 92 international organisations attended the Forum. Over 280 co-operation deliverables were reached, and agreements on project co-operation that totalled more than US\$64 billion were signed. Through our participation, the different sectors of HKSAR proactively showcased Hong Kong's various advantages as well as our functions and roles as an international hub. The Chief Executive delivered keynote speeches at the opening sessions of the thematic forums on "financial connectivity" and "sub-national co-operation". She highlighted Hong Kong's distinctive roles under B&RI, including the unique advantages that Hong Kong enjoyed under "one country, two systems" and its strategic geographic location, making it a bi-directional gateway connecting the Mainland and B&R countries and serving as the prime B&R services platform. The Chief Executive also added that Hong Kong was prepared to share its knowledge and expertise with the B&R counterparts, and to play a pivotal role in enhancing international and regional co-operation.

16. With the support of relevant Mainland authorities, the HKSAR Government at the thematic forum on "sub-national co-operation" organised a dedicated session on Hong Kong themed "Belt and Road: Hong Kong IN". The opportunity was taken to demonstrate Hong Kong's position as an international gateway and prime hub of our country, as well as our strengths as a one-stop destination of cross-sectoral expertise, covering finance and investment, legal and dispute resolution services, business and trade, professional services, capacity building and cultural exchanges, etc. All these serve to indicate the contributions that could be made by Hong Kong in promoting B&R international co-operations. Hong Kong's high-level participation at the Forum signifies the country's recognition of the unique strengths, roles and contributions of Hong Kong that the HKSAR Government has been promoting in the pursuit of the B&RI.

Promoting Project Participation as well as Fostering Partnership

17. Facilitating business matching and project participation is central to Hong Kong's contribution to B&RI. HKTDC's B&R Portal, which was engaged by the CEDB to be enhanced into a more comprehensive and up-to-date one-stop B&R platform, came into operation in July 2019. In addition to overviews on and market information of B&R related countries, information on B&R related investment projects is also available to further facilitate B&R participation of enterprises and the professional services sector. The Portal has also launched an "Infrastructure Tool Kit" to provide on-line practical guides for overseas project owners, investors and participants. Salient points and detailed reference materials regarding major phases of an infrastructure project cycle (e.g. the workflows and contract templates of infrastructure projects under public-private partnership, etc.) are made available. The Portal also lists out the corresponding professional services providers and relevant success stories, with a view to facilitating business matching of overseas project owners and investors with professional services providers in Hong Kong at various stages. Currently, there are over 520 projects on the Portal. The HKTDC will continue to explore ways to improve its user interface and providing more information on B&R markets to help enterprises capture business opportunities.

18. The HKSAR Government, in collaboration with the HKTDC, has successfully organised in Hong Kong four B&R Summits, which is renowned as the largest and most important B&R business and investment platform for the Mainland, overseas and Hong Kong enterprises. The fourth Summit, held on 11 to 12 September 2019, attracted over 5 000 government officials, entrepreneurs and professionals from nearly 70 countries and regions. More than 700 "one-on-one" business matching meetings for over 240 projects were arranged. The first "Belt and Road Week" was also staged. The Summit this year will be held on 9 to 10 September. As in previous editions, business matching meetings will continue to be featured, and senior officials of B&R related countries and regions, representatives of international organisations, business leaders and representatives will be invited to join the Summit.

19. To further enable the Hong Kong professional services sector to better grasp opportunities arising from B&RI, the Professional Services Advancement Support Scheme (PASS) administered by the CEDB will continue to provide funding support to enhance external promotion for our professional services and to better equip the professional services sector in seizing the relevant opportunities and meeting the challenges. The

Belt and Road Cross-Professional Advancement Programme (the Programme) spearheaded by the Hong Kong Polytechnic University is one of the projects funded by PASS. Supported by the Hong Kong Chinese Enterprises Association and various professional associations in Hong Kong, the Programme, lasting for around one year, was launched in end-2018. By means of meetings, workshops and cross-professional networking and sharing sessions, the Programme seeks to connect Hong Kong professionals, business leaders and academics from B&R related countries and regions, thereby facilitating mutual exchanges and experience sharing. The strengths of Hong Kong's professional services are also promoted and partnership between businesses and professionals encouraged. The HKSAR Government will continue to render necessary support and assistance to enterprises and the professional services sector, with a view to encouraging their participation in B&R projects and enhancing their capacity on B&R development.

Progress of Policy Initiatives in the 2019 Policy Address

Opening up New Markets and Exploring Opportunities

20. The Mainland has established a number of overseas ETCZs along the B&R, some of which are located in the ASEAN markets where Hong Kong enterprises are familiar with, hence an ideal entry point for the latter to participate in B&RI. Exploration of opportunities at ETCZs will also facilitate our professional services sector in entering B&R markets, and enable Hong Kong enterprises to tackle the challenges arising from the present international trade environment and the local economic situation. Promoting Hong Kong enterprises to set up businesses in the ETCZs is one of the priorities of our upcoming work on B&RI.

21. We strongly support the HKTDC to explore business opportunities arising from ETCZs for Hong Kong enterprises. The HKTDC plans to set up in its "SME Centre" a B&R ETCZs service desk to collect, consolidate and share information on ETCZs. Hong Kong enterprises intending to set up businesses in ETCZs will be provided with information related to ETCZs, including on local trade and investment policies, business environment, as well as the ETCZs themselves. In addition, the CEDB had staunchly supported the staging of the seminar on B&R trade and investment policies and measures in Hong Kong in November 2019, which focused on ETCZs. Participating representatives from Hong Kong chambers of commerce and enterprises were briefed by Chinese economic and commercial counsellors based in a number of B&R related countries together with persons-in-charge of some ETCZs.

22. Furthermore, the CEDB is exploring incentives and facilitation measures with the MofCom, including actively encouraging ETCZs to provide support for Hong Kong enterprises to establish a presence there; collating and disseminating to enterprises information on matters relating to Mainland bonded goods, such as measures on No Levy and No Return (of tax); and promoting further collaboration between HKTDC and Mainland business and industrial organisations in providing back-end sales support in the Mainland for those Hong Kong enterprises operating in ETCZs, thereby assisting them in developing the Mainland market. The CEDB and the MofCom will try out, on a pilot basis, business matching of two to three identified Hong Kong industries that are interested in developing businesses in ETCZs, with two to three selected ETCZs in ASEAN. In-depth analyses on local market situation and industry needs will also be conducted with a view to facilitating industry matching and co-operation.

Enhancing Professional Capacity Building under B&RI

23. Hong Kong enterprises have a rich pool of professionals whose services are benchmarked against international standards and practices. They have not only accumulated a wealth of valuable experience regarding overseas investment projects in our neighbouring B&R regions, but are also familiar with the operation of the international market and relevant laws and regulations, having an established network of connections. By working together in taking forward B&R projects, and with the support of Hong Kong's diverse and high-level professional services, Mainland and Hong Kong enterprises can complement each other and create synergy.

24. With rich experience in city management, Hong Kong can assist in equipping and enhancing the professional knowledge and experience of B&R related countries and regions in such areas as airport management, railway operation and clean governance, etc. For instance, the Mass Transit Railway (MTR) Corporation has been involved in the development and operation of a number of railway and related projects in Hong Kong, the Mainland and overseas over the years. The MTR Academy also has extensive experience in training personnel in railway management and operation worldwide. As such, the HKSAR Government is encouraging the MTR Academy to explore with relevant Mainland authorities collaboration opportunities on human resources development under B&RI.

25. In addition, the HKSAR Government (in collaboration with the HKTDC, chambers of commerce, professional bodies and organisations, etc.) launched the Policy Exchange and Capacity Building Programme with relevant Mainland authorities in December 2019 with the aim to better aligning with international rules and standards and enhancing professional capacity. 15 members from 11 relevant Mainland authorities / agencies including the NDRC participated in the inaugural programme, which included a series of thematic seminars, exchange sessions and site visits covering the areas of finance, business and trade, legal and dispute resolution, city management, aviation, logistics and railway transportation, as well as professional services, etc. The CEDB plans to organise the second edition of the programme within this year.

Advice Sought

26. Members are invited to note the content of this paper and give views on the B&R strategic direction and related work as set out above.

**Belt and Road Office
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