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Panel on Commerce and Industry

Meeting on 18 May 2021

Updated background brief on the Belt and Road Initiative

Purpose

This paper provides updated background information on the Belt and Road Initiative,¹ and a summary of the views and concerns expressed by members of the Finance Committee ("FC") and the Panel on Commerce and Industry ("the Panel") during previous discussions on the subject.

Background

2. In 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 development ideas and blueprint of the Belt and Road Initiative. The Belt and Road Initiative features cooperation priorities in enhancing policy coordination, strengthening infrastructural facilities connectivity, facilitating unimpeded trade, deepening financial integration and building people-to-people bonds among countries along the routes.

3. In 2017, the Hong Kong Special Administrative Region Government ("HKSARG") entered into the "Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative" ("the Arrangement") with NDRC. The Arrangement provides a blueprint for mutual cooperation and identifies six major areas of cooperation with a total of 26 specific measures.

¹ "Belt and Road" refers to the land-based "Silk Road Economic Belt" and the seafaring "21st Century Maritime Silk Road". The routes with strong emphasis on connectivity and international cooperation cover countries across Asia, Europe and Africa.

The six major areas of cooperation are finance and investment,² infrastructure and maritime services, economic and trade facilitation, people-to-people bonds, taking forward the Guangdong-Hong Kong-Macao Greater Bay Area Development, and enhancing collaboration in project interfacing and dispute resolution services. To oversee the implementation of the Arrangement, the Belt and Road Joint Conference was established for direct and regular communication for both sides.³

4. The current-term Government plays the role of "facilitator" and "promoter" to implement policies and measures to seize the opportunities brought by the Belt and Road Initiative. The Administration has formulated a five-pronged key strategy in the pursuit of the Belt and Road Initiative, including: (a) enhancing policy coordination; (b) fully leveraging Hong Kong's unique advantages; (c) making the best use of Hong Kong's position as the professional services hub; (d) promoting project participation; and (e) establishing partnership and collaboration, with a view to establishing Hong Kong as both a key link and the prime Belt and Road services platform. The Commerce and Economic Development Bureau, with the support of the Belt and Road Office ("BRO"), has been tasked to lead and coordinate HKSARG's work on the Belt and Road Initiative.

Recent developments

Mainland's overseas Economic and Trade Co-operation Zones

5. The Chief Executive stated in the 2019 Policy Address that the Administration would seek the policy support of the relevant Central authorities to extend the incentives and facilitations currently enjoyed by Mainland enterprises to Hong Kong enterprises intending to set up businesses in the Mainland's overseas Economic and Trade Co-operation Zones ("ETCZs"). At the policy briefing on 15 January 2021, members noted that the Administration had preliminarily identified five ETCZs in the Association of Southeast Asian Nations ("ASEAN") countries, including those in Thailand, Malaysia, Cambodia and Indonesia (two ETCZs); and was planning to promote pilot matching of interested Hong Kong enterprises with these ETCZs. To explore opportunities in ETCZs, the Hong Kong Trade Development Council ("HKTDC") introduced the SME Transformation Sandbox (i.e. "T-box") in April 2020 to share ETCZs-related information with Hong Kong enterprises and provide assistance to interested entities.

² The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area further confirms and supports Hong Kong as a platform for investment and financing serving the Belt and Road Initiative.

³ The third meeting of the Belt and Road Joint Conference was convened in August 2020.

Mainland Enterprises Partnership Exchange and Interface Programme

6. To consolidate Hong Kong's position as the prime platform and a key link for the Belt and Road Initiative, the Chief Executive announced in the 2020 Policy Address that the Administration would launch a Mainland Enterprises Partnership Exchange and Interface Programme in 2021 to facilitate exchanges and networking between Hong Kong's professional services sector and Mainland enterprises, strengthen the capacity building of both sides, and enhance the international outlook, market orientation and professional standards of various projects.

Previous discussions

7. The Administration's staffing proposal in relation to BRO was discussed at the Panel meeting on 19 December 2017 and FC meeting on 27 April 2018. The Panel also discussed with the Administration issues related to the Belt and Road Initiative at the policy briefing-cum-meeting on 16 October 2018. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Work direction

8. Members considered that instead of aiming for all 60-odd Belt and Road economies, it might be more effective to establish an assessment mechanism and identify about five to 10 places with better business opportunities for priority strategic development in trade relations between these places and Hong Kong.

9. The Administration advised that following the signing of the Free Trade Agreement and the Investment Agreement with the 10 member states of ASEAN in November 2017, the Administration would spend more efforts on the ASEAN member states at the government-to-government level. Besides, the Administration kept an eye on other traditional markets such as the United Kingdom ("UK"). In March 2018, the Secretary for Commerce and Economic Development and the UK Secretary of State for International Trade issued a Joint Statement which set out the areas for closer collaboration between Hong Kong and the UK. In addition to traditional areas relating to trade and investment, financial technology and creative industries, Belt and Road Initiative was also included in the Joint Statement. This apart, the promulgation of the Belt and Road concept could prompt more traditional markets, such as the member states of the European Union and North American countries such as Canada, to use more of professional services in Hong Kong when taking part in the Belt and Road Initiative. Such situations would boost

opportunities for professionals in Hong Kong.

Role of Hong Kong's professional services in the Belt and Road Initiative

10. Members enquired how Hong Kong's small and medium enterprises and professionals could participate in national-scale infrastructure projects under the Belt and Road Initiative and what support the Administration would provide in the regard.

11. The Administration advised that the Belt and Road Initiative had created another opportunity in the role which professionals in Hong Kong could play in the future. This involved two major groups of professions. One was on buildings and infrastructure related projects, such as railway, harbour, airport development, road and urban planning. The other group was related to financial investment. The Belt and Road Initiative required financing, investment and risk management services, as well as commercial development and commercial services arising therefrom. The Administration encouraged the professional services sectors to collaborate with chambers of commerce in identifying development opportunities under the Belt and Road Initiative.

Belt and Road Joint Conference

12. Some members sought details of the Belt and Road Joint Conference mechanism and the Administration's effort in forging ties with the relevant Mainland authorities. The Administration advised that the Belt and Road Initiative was a key impetus in driving Hong Kong's future social and economic development. HKSARG would strive to take forward the Belt and Road Initiative, and would make the most of the Belt and Road Joint Conference mechanism to strengthen communication, collaboration and mutual support with the central ministries. The Joint Conference would be convened at least once a year.

Belt and Road Office

13. Members considered that there should be clear division of work among BRO, HKTDC, HKSARG's Mainland Offices and the overseas Economic and Trade Offices ("ETOs"). The Administration advised that HKTDC was an important strategic partner of BRO on Belt and Road collaborative efforts. BRO would explore with the relevant Mainland authorities for information on Belt and Road projects for referral to HKTDC, and would share experience of coordination and liaison with Mainland authorities and enterprises to HKTDC to act in synergy with its promotion work. While BRO was tasked to assist in the formulation of the policies and strategies relating to the Belt and Road Initiative, overseas ETOs and Mainland Offices would be responsible for rolling

out corresponding measures in regions under their respective purviews.

14. Some members suggested that concrete key performance indicators in terms of, for example, the amount of foreign investment and collaboration projects to be facilitated, be set for the post of the Commissioner for Belt and Road so that the work performance of the post could be effectively evaluated. The Administration advised that instead of meeting quantitative performance indicators, BRO would focus on the promotion and coordination work to assist businesses from the Belt and Road countries to set foot in Hong Kong, as well as to enhance cooperation with Belt and Road countries at both government and industry levels.

Council question

15. At the Council meeting of 24 March 2021, Mr Jimmy NG asked a written question on the latest work progress in assisting Hong Kong enterprises in developing businesses in ETCZs.

16. The Administration advised that ETCZs were invested, developed and managed by Chinese enterprises and their operation was generally based on market principles. The admission criteria and conditions for individual ETCZs varied and were subject to negotiations between the respective host countries and the concerned Chinese enterprises, as well as prevailing local policies. Having considered the views of Hong Kong enterprises and the Ministry of Commerce, five ETCZs in four ASEAN member states, namely Cambodia, Indonesia, Malaysia and Thailand, had been selected as pilot for encouraging Hong Kong enterprises to make use of them in business development. Due to prevailing travel restrictions, the original plan for organizing Hong Kong enterprises to visit the selected ETCZs in 2020 was deferred till when the Coronavirus Disease-2019 epidemic situation stabilized. The Administration would invite the management of some of the above ETCZs to meet with Hong Kong enterprises through videoconferencing within 2021 so as to enhance mutual understanding. This would facilitate the latter to better understand the investment environment of the relevant ETCZs and their host countries, and the admission criteria and applicable preferential terms of those ETCZs. In turn, Hong Kong enterprises could conduct analyses of the feasibility and risks of developing businesses in the concerned ETCZs.

Latest position

17. The Administration will brief the Panel on 18 May 2021 on the development and work of HKSARG in promoting Hong Kong's participation in the Belt and Road Initiative.

Relevant papers

18. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
11 May 2021

List of relevant papers

Date of meeting	Meeting	Paper
19/12/2017	Panel on Commerce and Industry	<p>Administration's paper on "Proposed creation of directorate posts in the Belt and Road Office, Commerce and Economic Development Bureau" (LC Paper No. CB(1)340/17-18(05))</p> <p>Background brief on the Belt and Road Initiative prepared by the Legislative Council Secretariat (LC Paper No. CB(1)340/17-18(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)605/17-18)</p>
26/3/2018	Establishment Subcommittee	<p>Administration's paper on the proposed creation of directorate posts in the Belt and Road Office (EC(2017-18)19)</p> <p>Minutes of meeting (LC Paper No. ESC154/17-18)</p>
27/4/2018	Finance Committee	<p>Administration's paper on the proposed creation of directorate posts in the Belt and Road Office (FCR(2018-19)3)</p> <p>Minutes of meeting (LC Paper No. FC85/18-19)</p>
11/2/2020 (issue date)	Panel on Commerce and Industry	<p>Administration's paper on "Hong Kong's Participation in the Belt and Road Initiative" (LC Paper No. CB(1)401/19-20(05))</p> <p>Updated background brief on the Belt and Road Initiative prepared by the Legislative Council Secretariat (LC Paper No. CB(1)401/19-20(06))</p>
24/3/2021	Council	<p>Question No. 14 on "Assisting enterprises in exploring overseas business opportunities" raised by Hon Jimmy NG (Government press release)</p>