

Research Centre for Sustainable Hong Kong (CSHK)¹
City University of Hong Kong

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Panel Discussions at CSHK Inaugural Seminar - A Detailed Summary
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The inauguration ceremony for the Research Centre for Sustainable Hong Kong (CSHK) was officiated on 31 October by Mr Paul Chan Mo-po, Financial Secretary, The Government of the Hong Kong Special Administrative Region; Mr Herman Hu Shao-ming, the then Council Chairman of CityU, and Professor Way Kuo, University President.

CSHK, which houses the Sustainable Hong Kong Research Hub (SusHK Hub) and the CSHK International Hub for the Belt and Road, supports related research and collaborative activities with stakeholders from different sectors and regions. Professor Linda Chelan Li is the director of CSHK.

An inaugural seminar titled “Connecting Hong Kong Professional Services and Belt-Road Countries” was held after the ceremony on topics related to business opportunities and financing challenges involved in cross-border collaboration, and on the incubation of professional service talent in support of belt-road countries.

Insightful and constructive ideas on issues and challenges in relation to the belt and road initiative were shared among guests from various sectors, including, but not limited to, government officials and consuls, leaders in business and professional

¹ Established in June 2017 by a cross-disciplinary research team, the Research Centre for Sustainable Hong Kong (CSHK) is an Applied Strategic Development Centre of City University of Hong Kong (CityU). CSHK conducts impactful applied research with the mission to facilitate and enhance collaborations among the academia, industry, professional service sector, the community and the Government for sustainable development in Hong Kong and the Region. Professor Linda Chelan Li, Professor of Department of Public Policy at CityU, is appointed as Centre Director. In 2017, CSHK is granted by the Central Policy Unit (CPU) of the HKSAR Government to conduct a Strategic Public Policy Research (SPPR) project entitled “Hong Kong Professional Services in the Co-evolving Belt-Road Initiative: Innovative Agency for Sustainable Development” [S2016.A1.009.16S]. For more information about CSHK, please visit our website at www.cityu.edu.hk/cshk. Please send your comment to sushkhub@cityu.edu.hk.

services sectors, and academics in Hong Kong, the region and overseas. The following is a detailed summary of the panel discussions at CSHK inaugural seminar:

Panel 1: Business Opportunities and Financing Challenges of Cross-border Collaboration

Dr. Mehdi Fakheri, Consul General of Iran in Hong Kong

Question: In the future, say the next 10 years, there will be collaboration between Iran and China. What collaboration will you anticipate between the two countries regardless of their different social systems? Any problems or conflicts that would arise? Anything to do now to mitigate the conflicts in the future?

There are currently many international organizations like WHO and WTO. The 65 countries involved in the Belt and Road Initiative (B&R) consist of mostly developing countries. The Belt & Road project should be considered as a development-oriented organization. If all national interests are studied and taken into consideration and if all countries start to contribute, the plan will proceed. There is a need to see some mechanisms enhancing interactions among the organizations.

Most of the countries involved in B&R have China as their first trade partner. China has been the first trade partner of Iran since 2009. China can diversify its financing and investment in Iran. Iran is a strong exporter on energy, with mature industries on exporting oil, gas, petrochemicals and oil products and services. China mainly invests in those areas in Iran.

Iran has other aspects and capabilities as well. There are lots of opportunities for infrastructure projects that includes ports expansion and modernization, housing and urban development. These all should be considered. Moreover, when such infrastructures are well developed, transportation of goods among B&R countries can be easily done through Iran.

There is an emerging trend for a shift from American and European partners to Asian partners in the past 10 years. Out of 10 trade partners of Iran, 7 are Asian countries. Iran will continue this trend of partnerships in the future but would prefer diversifying its markets and exports.

East Asia and ASEAN countries are the number one priority of China in B&R. Central Asia is the second priority, in which trades go through Iran, Afghanistan and Pakistan. Those ports in these three countries are critical to facilitate trades Central Asia and the rest of the world.

It is also noted that we must distinguish different members of B&R. There are many Muslim populations in the Middle East, Central Asia, parts of West Asia and North

Africa. The rest of the countries have different cultures and population compositions. Iran has been a victim of terrorism for the past 5 years. Some argue that economic situations in the Middle East are less suitable for economic integration. This region may need some mechanisms to develop its economic potentials. Although Belt and Road is mainly an economic initiative, we need to pay attention to diversity in religion, ethnicity, ideology and political systems. These areas are vital for the consideration of long-term multinational cooperation among Belt and Road countries. Economic needs of both the developed and developing countries in B&R should be taken into consideration.

On trade policies, both trade liberalization and trade protection must be considered. Policies on setting tariffs and barriers are key issues for economic integration in B&R countries. A new economic position of China enables China taking a lead on economic globalization. It involves not only administrative works but also diverse societies and multinational firms. As USA administration feels less interested in taking its leadership role, China should show its resolution and willingness to take the lead. China and other B&R countries face different challenges that include USA administration's unilateral decisions and sanctions. Iran negotiated UN Security Council which agreed to abolish multinational sanctions on Iran. Iran is now facing a problem of being unable to trade normally with China because US banking system is putting pressure on Asian banks and has subsequently eliminated their appetite on working with Iran. Iran must have a vision of how these problems can be tackled and what position should be taken.

To conclude, B&R is not merely an economic integration. It involves communications and collaboration among people of different cultures.

Dr. Wilson Chan, Secretary of the Belt and Road Global Development Alliance

Question: Do you have any recommendation on how Hong Kong professionals can support corporations on their overseas business, especially those in ASEAN countries?

My attention should not be limited to ASEAN countries. Middle East countries should also be considered. There are five priorities on B&R collaboration, in which financial integration is just one of them.

A major difference in financial market between Hong Kong and Mainland China is their structure. Hong Kong is an over-the-counter market in which bank transactions can be done directly among banks. Mainland China still operates on China Foreign Exchange Trade System (CFETS), which is not an international standard. If an organization wants to conduct business with Mainland China, it should consider which financial market, either Mainland China or Hong Kong, should be used. An international corporation can come to Hong Kong, settling business transactions directly with at least 4 currencies RMB, HKD, USD and Euro. Dr. Chan suggested that Hong Kong

develop itself to be a hub of Corporate Treasury Centers (CTCs). A foreign corporation sets up a small office in Hong Kong, focusing on financing and financial transactions to support its huge B&R platforms. This advantage of Hong Kong can help push B&R forward, together with the newly established AIIB as a key part of B&R financing.

Mr. Kiam Seong Ho, Senior Executive Vice President, CEO Office, International, Maybank

Question: It was estimated that there is a shortfall of funds for B&R projects in 2030 amounting up to around USD25 trillion. At this moment some governments work together to chip in money and set up different funds to finance different projects. In the future, there should be a more efficient commercial setting to support financing of all sorts of business activities among B&R countries. How can we facilitate such market development? How can we develop the debt/capital market in the future?

There is a huge amount of funds to be raised in the next 15 years to support B&R projects. In the process of financing, both market and credit risks should be considered. China government need to work closely with corporations, identifying what sorts of transactions are in progress. Most projects that require financing are infrastructure-related projects. There is a need to conduct a thorough analysis on the end-consumer, i.e. the government, and obtain relevant risk information.

With regard to risk, project finance undertakes a lot of credit risk. Insurance companies might help take away some of its credit risk. Many other risks of project finance can also be transferred or mitigated through other channels. As an international financial center, Hong Kong will see many opportunities on capital market fund raising. Same as general lenders, investors in project finance look for projects with transparent cash flows and strong risk management. In addition, Islamic financing will be another potential market. We should develop a research center with reference to demographic information of the involved B&R countries. A market of Islamic financing should encourage conventional investors to take part in.

Dr. Kwok Leung Tse, Head of Policy and Economics Research, Bank of China (Hong Kong)

Question: Given the status of Bank of China as an international bank, how BOCHK can participate in B&R? What strategies of BOCHK are considered as a whole in participating in B&R?

Belt and Road is not a single project. It should include infrastructure projects in ASEAN countries. Right now, Hong Kong is not a main operation base for multinational financial institutions set up for B&R. The future of B&R remains to be ever-changing

that many parties should participate in it and collaborate. Hong Kong needs to do more in terms of innovations, especially on how to balance regulations and create models that are suitable for Belt and Road projects. Tax incentives should also be provided to attract more multinational financial institutions to use Hong Kong as the main operation base. Insurance is also an important factor for consideration. In general, the opportunities require more actions to be taken so that potentials can be fully realized.

Panel 2: Incubation of Professional Service Talents to Support Belt-Road Countries

Mr. Kim Man Wong, CFO of Hong Kong Electric (Panel Chair)

Mr Kim reflected that professional services such as legal area, banking industry and accounting services take up quite a high percentage of GDP in HK.

Mr. Francis Law, President of Hong Kong Mediation Centre

Question: Have you encountered disputes on B&R in the last couple of years. If so, what can you do in the future?

China Council for the Promotion of International Trade/ China Chamber of International Commerce Mediation Center (CCPIT/CCOIC Mediation Center) have already been set up for international dispute resolution. Street level service is also required as investment of organisations cannot go on because of concern of local people, cultural issues or requirements in local areas. To execute B&R despite limitation of different legal jurisdictions, there is a need to team up professionals to provide services such as extensions of legal advice, local culture business environment and pre-investment analysis to organisations going out. The collaboration of different professionals offers a big platform and opportunity to share and work out dispute resolution for investments across countries and cultures. The Chinese government takes an important step to set up a dispute resolution system in ASEAN countries. There is a great demand of training for Chinese lawyers and Chinese judges for dispute resolution in commercial cases. It is a new way for our professionals in Hong Kong to serve in B&R.

Mr. Thomas Wong, Partner, CW CPA.

Question: How do you experience business outside Hong Kong? What will be your next step? How can you encourage young people to go out of Hong Kong?

To avoid competition in Hong Kong, Mr Wong started “outward bound” to look for business opportunities in Latin America and Spain more than ten years ago, at that time he had already obtained his CPA qualification. He called it his Blue Ocean Strategy. He had since established good networks. His second Blue Ocean Strategy will concentrate on countries still using common law system, the same system Hong Kong is still adopting, the ASEAN countries and India. He will stay away from the familiar and will go to countries people dare not go. He advised the young people to have a global mindset and not to fixate their mind in Hong Kong and China. To encourage the newer generation to go out of Hong Kong, his penetration angle is to tell them there will be something for them, namely, a different culture, different food, different music and football games. The youngsters will shun away if he tells them there are good business opportunities. Pursuing Belt and Road Initiatives from the business end (good profit and good business for professionals) and social end (teach youngsters have a global mindset), Hong Kong will continue as a centre of financial hub.

Mr. Tri Tharyat, Consul General of Indonesia in Hong Kong

Question: How do you open the arms to welcome HK professionals to come to Jakarta in order to support the economic development over there?

Hong Kong is more than welcome to help development and investments in Indonesia by bringing in not only capital investment but also expertise in finance, project, risk management, insurance and many other aspects of the commercial sectors. Service professionals from HK in areas like mass transit, finance, tourism, property and media etc. are also much needed. Indonesia will maximize what Hong Kong expertise can offer to help develop and attract more and more investments to Indonesia.

Another aspect for the Indonesian business communities both in HK and Indonesia to look up to is the business dispute process adopted by HK which is considered reasonable and fair.

Mrs. Lucie Nebesarova, Consul General of the Czech Republic in Hong Kong

Question: As English is not a common language in Eastern Europe, if HK professionals should take an opportunity or explore their business in Eastern Europe, what should they do and prepare?

The problem is not just languages but also the challenges that many of the countries that lie on Belt and Road are not traditional partners and thus do not have sufficient experience and knowledge in trading with China. Foreign investors may not be happy with the less than transparent government systems in Czech Republic but the situation

is improving in view of the friendly relationship with China. Students, e.g. in Czech Republic, are picking up English as their second language and communication using English is getting better.

Dr. Kelvin Wan, PMO Lead/Global Master Trainer (PM), HSBC

Question: How are talents being discovered for the opportunities that B&R provide?

HSBC branches are established in many countries involved in the Belt and road. Incubation of human resources should be put into focus. Recruitment age and language capabilities should be considered when hiring talents for jobs outside of Mainland China.

Challenges for new generations include defining work objective and obtaining on-the-job experience. An adventurous mind set for exploration in other countries is required in order to grasp the opportunities provided by Belt and road.