

Vision of the Belt and Road Initiative

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(A) Aims of the Belt and Road Initiative

There are five aims for this Belt and Road Initiative, including

- (i) Policy Co-ordination
- (ii) Infra-structure Connectivity
- (iii) Increased Investment and Trade among participating countries

The Belt and Road Initiative covers 60% of the world's population, 30% of the world's G.N.P. and 30% of the world Exports.

(B) Historical Background

President Bill Clinton proposed the "New Silk Road" concept many years ago. The U.S.A. did not invest any money to promote this, so this concept died out quietly. In 2016, President Xi of China proposed the "One Belt One Road" concept to promote trade between participating countries along the old silk road in Asia and Europe. This was gradually extended to include other countries and became the present Belt and Road Initiative.

Since 2016, the Asian Initiative Investment Bank (AIIB) was formed with a paid up capital of US\$100 billion. The 57 AIIB Founding members included China, England, France, Italy and Germany – its current membership is 80. Also formed were:-

- (i) Silk Road Fund – US\$40 billion direct Chinese investment.
- (ii) New Development Bank (NDB) with capitalization of US\$50 billion – a de facto BRICS bank
- (iii) MENA (Middle East and North Africa) bank.

These countries have 65% of global oil reserves and 45% of global natural gas. This group includes 12% of the world's oil exporting countries.

(C) Geographical Considerations

The oil coming from the Middle East must pass through the Gulf of Hamus and the Strait of Malacca. Both of these strategic positions are vulnerable to blockade by hostile countries. By opening the Belt and Road initiative, China has a third and safer route for its import of oil and natural gases from the Middle East.

(D) Recent Investments by China with the Belt and Road Initiative

- (i) Burj Khalifa – tallest building in the world
 - Glass panes on building produced in Shenzhen
 - Many engineers from Hong Kong are engaged to furnish this building
 - Many Chinese are working and living in Dubai. The Chinese population in Dubai goes from 30,000 to 500,000 now.
 - Many small jobs are completed by small to median sized companies from Hong Kong.
 - The sky train is run by the Hong Kong MTR company.
- (ii) Sharjah (in United Arab Emirate) is the third largest emirates in the UAE, consisting of 10% of UAE. Many Chinese are working here.

- (iii) China Pakistan Economic Corridor is built to by-pass the straits of Malacca blockage by hostile countries. Roads, power plants and hotels are built in the Gwadar Industrial Zone by China as a link between the 3 billion people of Asia and Europe. This reduces the distance from 16,000 KM to 5,000 KM between Asia and Europe. The Belt and Road Initiative create 700,000 jobs for Chinese university graduates.
- (iv) In East Africa
 - Djibouti to Addis Ababa railway
 - Mombasa to Nairobi railway are 90% financed by China Exim bank
- (v) Bangladesh - China – India – Myanmar Economic Corridor – in 2013, proposal to build this corridor jointly by China and India.
- (vi) Other Major railway links between China and Europe
 - Chongqing to Duisburg Railway (goods shipped by boats require 60 days, but by railway require 13 days)
 - Chengdu to Lodz, Poland. Poland is the first EU country between China and Europe
 - Zheng Zhou to Hamburg by railway
 - Yiwu to Spain by railway

(E) China Overseas Trade

In 2016, 70% of Chinese trade was with non Belt and Road countries and 30% of trade was with the Belt and Road countries. There is much room for expansion from the 30% base point.

Besides direct trade, there was also trade carried on by Chinese companies from contracted projects such as road and railway construction.

The Belt and Road Initiative is also closely connected with China's "going-out" strategy. There has been a tremendous increase with China's Foreign Development and Investment (FDI) since 2004.

(F) Strategic Role of Hong Kong

There is a strategic role of Hong Kong in China's outbound finance. At present, Hong Kong already plays a significant role in China's external trade, as 59% of Hong Kong's re-exports are to China.

Hong Kong follows the British common law system and this offers Hong Kong law firms and arbitration boards an important role, e.g.

- (i) Dubai has a dual legal system: -
 - British common law in certain specific regions
 - Sharia law system in the other regions
- (ii) Legal Aspects
 - International Finance Centre
 - Platform for Belt and Road Initiative
 - Legal firms
- Arbitration
 - Arbitration (Discipline Resolution Centre)
 - Logistics
 - Regional Trading Hubs