

Asian Financial Forum 2017

Breakfast Panel on Positioning Hong Kong in the New World Order

Synopsis

The "new world order" has evolved with the launch of the Belt and Road Initiative, the increasing usage of RMB in international transactions as manifested by RMB's entry into the SDR on 1 October 2016, and the Paris Agreement on Climate Change (COP21) confirming increasing concern on environment and sustainable development. The rise of Fintech has brought in new financial institutions providing financial services to a large number of consumers and investors, as well as changing the ways banks and corporations interact with their clients and each other.

Hong Kong stands ready to ride on these very important new developments leveraging on its role as an international financial centre, a super-connector as well as an efficient intermediary. Hong Kong being the top offshore RMB business centre through which most of the international transactions denominated in RMB are intermediated is a good reflection of Hong Kong's role as a super-connector of substance.

In this session, a panel of distinguished speakers with in-depth knowledge on these subjects will discuss how businesses and investors in Hong Kong can get ready for the "new order" - to take the best advantage of the changes and keep abreast with the latest new developments.

Opening Remarks

- **The Hon Laura M Cha, GBS, JP**
Non-official Member of the Executive Council, Hong Kong Special Administrative Region of the People's Republic of China
Chairman, Financial Services Development Council
Non-Executive Deputy Chairman, HSBC Asia Pacific

Moderator

- **Mr Benjamin Hung, BBS, JP**
Regional Chief Executive Officer, Greater China & North Asia,
Standard Chartered Bank (Hong Kong) Limited

Speakers

- **Professor Frederick Ma, GBS, JP**
Chairman, MTR Corporation Limited
- **Mr Tim Freshwater**
Chairman, Goldman Sachs Asia Bank Limited
- **Mr Lei Zhang**
Founder, Chairman & CEO of Hillhouse Capital Management Group

The New World Order involves and depends on relations between the US and China, and will be affected by trade barriers, technological advances and social media. The world is becoming more uncertain, particularly given the incoming Trump administration. Global growth is expected to be around 3.4 per cent (as per IMF's forecast) in 2017 and China's economy is expected to

grow about six per cent. Innovation will be the key driver for China and Asia will be the largest contributor to global growth. Hong Kong has a key role to play in the development of green tech, Fintech and the Belt and Road Initiative.

Professor Frederick Ma, the MTR Chairman, said the present focus is on Brexit and Trump, particularly because of Trump's campaign rhetoric on trade policy and the obvious effect this could have on China and Hong Kong. However, we should focus on the Belt and Road Initiative as far as a New World Order is concerned, particularly since we can take a proactive stance on this whereas, with Trump, our stance will be mainly reactive and we cannot ignore the hawkish views of his advisors. Last year the MTR Academy was established to offer training to Belt and Road countries such as Kazakhstan that want to build light-rail systems. Prof Ma observed that Hong Kong has all the right institutions to issue green bonds and that the MTRC has issued a HK\$600m green bond, which was oversubscribed by HK\$1.2bn. He also recommends the continued internationalization of the RMB and warns against complacency, adding that although Hong Kong is good at airport and port management, rail transport, accounting, financing, legal services and arbitration, we need to develop high value-added industry as Shenzhen and Switzerland have done.

Tim Freshwater, the Chairman of Goldman Sachs Asia, believes that the New World Order will pivot on how the US-China relationship develops, but warns of a newly assertive Russia as well as relentless advances in technology, including social media, whose consequences we hardly understand yet. He feels that China will continue to grow, whatever the challenges, and that this is the key to Hong Kong's future.

He estimates that China will need about US\$1.5T to meet its green targets and that 85 per cent of this will come from private capital. The international financial community is increasingly interested, which offers opportunities for project financing, direct investment, green bonds and other new financial tools. Hong Kong is in a strong position, according to Mr Freshwater, because of its stable, well-developed regulatory framework, and well-established financial markets and legal system, which provide an opportunity to develop bond markets, especially with Bond Connect moving forward between Hong Kong and the Mainland, allowing investors to purchase bonds in each other's markets.

Finally, Mr Freshwater recommended that Hong Kong focus on remaining the world's premier offshore RMB trading center and on raising capital for Mainland firms, including green finance. He feels it would be good for Hong Kong if China's tech giants list on the HK Exchange. He is optimistic about today's youth and Hong Kong's future.

Lei Zhang, the Founder, Chairman and CEO of the Hillhouse Capital Management Group, warned against global trade barriers or even a trade war and disruption. In China he feels that the main risks are financial excesses or a property slowdown. He stresses that China imports nearly as much as it

exports and feels that the RMB should be floated. Mr. Zhang commented that about 44 per cent of the world's Fintech is in Asia, 85 per of which is in China, which raises concerns about bubbles and said that although Fintech makes financial services more relevant to consumers, it is hard for both employers and employees to adjust to and may destroy rather than create jobs. Mr Zhang believes that Hong Kong must be a model and a hub for Fintech and stressed the importance of education and travel for today's youth.

Ends