Bay Area — the key to region's growth, prosperity

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China Daily Asia Leadership Roundtable

Guangdong-Hong Kong-Macao Bay Area: Prospects for Hong Kong

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Zhou Li (left), editorial board member of China Daily Group and publisher and editor-in-chief of China Daily Asia Pacific, delivers his speech during the China Daily Asia Leadership Roundtable at the Asian Financial Forum 2018.

Financial, tech sectors 'poised to lead the pack'

By **CHAI HUA** in Hong Kong
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The financial industry and technology innovation will take the lead in leveraging the opportunities created for Hong Kong by the Guangdong-Hong Kong-Macao Bay Area, reckons Zhang Yuge, director of the Center for Hong Kong and Macao Studies at Shenzhen-based think tank China Development Institute.

The financial sector remains Hong Kong's core competitiveness and will be the first to be focused on, he told China Daily in an interview ahead of the China Daily Roundtable, themed "Guangdong-Hong Kong-Macao Bay Area: Prospects for Hong Kong", which was held as part of the 11th Asian Financial Forum in the SAR on Tuesday.

Asked how he thought such new opportunities could be seized upon, Zhang noted there're still certain financial regulatory curbs on the mainland, and Hong Kong could seek to have some of them removed in the bay area.

This would offer fresh opportunities for traditional financial institutions in the SAR, such as insurance and banking service providers, as all their products are still very competitive and irreplaceable in the area.

However, he cited the challenge brought about by internet-based financial tools that have become increasingly popular in Guangdong province, and this is one aspect Hong Kong's financial institutions should work on.

Technology innovation, he said, is another key industry that's most promising, and Hong Kong's big advantage is its research and development capability.

Hong Kong has attracted many of the world's high-end R&D (research and development) resources, not mentioning its own world-class universities. The Massachusetts Institute of Technology launched its first overseas Innovation Node in Hong Kong, while Karolinska Institute — a medical university from Sweden with a 200-year history — set up its first overseas branch at Hong Kong Science Park.

Zhang said they've chosen Hong Kong because of the city's comprehensive institutional and legal environment, high level of internationalization and solid protection of intellectual property. But, they're also eyeing the mainland market as the bay area's development could integrate Hong Kong's R&D ability with Guangdong's market and industrial support.

He stressed that the Lok Ma Chau Loop is key to such fusion. "The loop could become the starting point for Hong Kong and Shenzhen to jointly build an innovation corridor along the Shenzhen River."

This can link the development of the northeastern part of Hong Kong with Shenzhen's Futian and Nanshan districts, which house a cluster of high-tech startups and companies, he said.

Under an agreement unveiled last year, Hong Kong and Shenzhen will jointly develop an 87-hectare innovation and technology park at the Lok Ma Chau Loop. The first parcel of land is expected to be ready for construction by 2021.

Referring to a comprehensive national science center being planned in the development blueprint of the bay area, Zhang suggested that it should be set up it in the technology park, bridging high-tech resources on both sides.

So far, the central government has approved three of such centers nationwide — in Beijing, Shanghai and Hefei, capital city of Anhui province — with investment in each project worth tens of billions of yuan.



Zhang Yuge, director of the Center for Hong Kong and Macao Studies at think tank the China Development Institute, says financial institutions' products remain competitive.



Sharing their insights and wisdom on Hong Kong's role in the bay area's development, the distinguished panelists at the China Daily Asia Leadership Roundtable, themed "Guangdong-Hong Kong-Macao Bay Area: Prospects for Hong Kong" and held in conjunction with the 11th Asian Financial Forum at the Hong Kong Convention and Exhibition Centre on Tuesday, are all on the same page that Hong Kong stands out with its unique advantages in playing a critical part in the region's future economic progress. PHOTOS BY PARKER ZHENG / CHINA DAILY



Guests at the 11th Asian Financial Forum keep themselves focused on the participants during one of the panel discussions held on Tuesday.





Zhou Li (top center and left), editorial board member of China Daily Group and publisher and editor-in-chief of China Daily Asia Pacific, shares a light moment with some of the participants at the Asian Financial Forum.

Experts see HK playing crucial part in push to drive capital, talent for area's advancement

By **CORNELIA ZOU** in Hong Kong

The Guangdong-Hong Kong-Macao Bay Area is already one of the most significant epicenters of economic output in the world, with enormous manufacturing capacity, rapidly growing financial centers and a huge talent pool.

Leveraging the different strengths of the cluster of 11 cities in the bay area is key to achieving the region's overall prosperity, panelists told a China Daily Asia Leadership Roundtable on "Guangdong-Hong Kong-Macao Bay Area: Prospects for Hong Kong", which was held as part of the 11th Asian Financial Forum in Hong Kong on Tuesday.

The bay area covers more than 56,000 square kilometers — larger than both the Greater Tokyo Area and the San Francisco Bay Area. It has a population of 67 million people spread across nine cities and two special administrative regions. With 1 percent of China's land area, it recorded a GDP of $1.3 trillion last year — 13 percent of the country's total.

"The bay area is a national level strategy but different from other strategies, such as the Belt and Road Initiative," said Zhang Yuge, director at the Center for Hong Kong and Macao Studies of Shenzhen-based think tank China Development Institute.

"It still has room for growth in terms of GDP per capita, tertiary industry ratio, the number of top global enterprises, as well as the cultivation of innovation in comparison with other developed bay areas worldwide."

"The biggest, most important and most urgent problem to solve is the free flow of key elements in the bay area," he said.

Solving these issues will be key to Hong Kong reaping the most benefits from the area's growth. And, the key elements at play — the ones that need to move most freely — are talent and capital.

Attracting more capital to the area is an important challenge that must be addressed quickly, said Zhang.

"SMEs (small and medium-sized enterprises) in China have a lot of challenges when it comes to borrowing money from external sources," said Susie Cheung, founder member and co-convenor of the Asia-Pacific Structured Finance Association. "Securitization is not the only means, but it's an effective means to bring in capital."

"For the enterprises in the bay area, the infrastructure projects need to attract revenue from institutional investors. We need to build up a pipeline of well-prepared bankable projects," she said.

In this push to attract more capital and talent, Hong Kong could play a critical role in being the undisputed financial leader in the region.

"Hong Kong is a world-class financial center. Among the 11 cities involved in this initiative, Hong Kong stands out in terms of its capabilities in the financing arena, in equity financing and debt financing," said Jing Ulrich, managing director and vice-chairman of Asia Pacific at JPMorgan Chase.

"Hong Kong can really become a leading financier for southern Chinese companies."

Ulrich noted that more than half of the companies listed on the Hong Kong stock market at present are of mainland background. The mainland's exposure to debt financing has also been increasing, accounting for over 30 percent of the total assets of Hong Kong-based banks.





Top and above: Members of the audience stay tuned as panelists expound their thoughts at the forum.

A super-connected city

On top of being a leader in finance, Hong Kong is super-connected, has advanced and reliable technology with good ICT (information and communications technology) infrastructure, and also is home to many world-class accounting and legal professionals.

"Hong Kong can become an important knowledge hub, not just a financing center in the bay area," said Ulrich.

Besides Hong Kong, Shenzhen's rapid development has impressed the world. The city's GDP has surpassed that of Hong Kong and Guangzhou.

"There's some healthy competition as well among the bay area cities," Ulrich added. "Hong Kong needs to work harder to avoid being marginalized.

Ginger Cheng, managing director and head of large and mid-cap corporates, institutional banking group, at DBS Bank (China) Ltd, told the forum: "This is an area where we've already seen rapid development in the past 20 years leveraging China's open-door policy. This is the most market-driven area in all of China."

"It's evidenced by how the privately-owned enterprises in the region developed in the past year and have become global players," she said.

Cheng thinks that a market-oriented culture is an asset for the bay area, and Hong Kong could tap into that.

"Hong Kong is already a leader in providing products and services to large companies via an equity capital market and offshore bond offering," she added.

This year alone, the total bond issuance of mainland corporates reached a historical high of $168 billion — almost doubled that of $88 billion in 2016.

"Hong Kong probably needs to think of more innovative financing products and solutions for SMEs in China, as well as startups," said Cheng.

Hong Kong Exchanges and Clearing — the city's stock market operator — has already made some progress by moving toward allowing biotech and healthcare companies without profit track records to be listed in the local stock market.

"Hong Kong took up half of the imports of the bay area in the past three years, and the bay area took up about 60 to 70 percent of the total imports of China. This is a huge asset," said HNA Innovation Finance Group's Chief Innovation Officer, Ding Lei. "The ratios for export are relatively lower but increasing."

"With such a huge imports and exports size, there's still a lot of space for development based on commodities, warehousing and logistics that are related to the real economy," said Ding.

A challenge, however, will be fostering innovation, particularly in Hong Kong.

"I see a lot of new talents and capital flowing into Shenzhen or Zhuhai very quickly. It's easy to find human resources in these cities, but the policy is a bit tighter in Hong Kong for the financial industry," said Ding. "Although the Hong Kong government is trying to push innovation in the city, there's not much support."

Strengths and weaknesses

Hong Kong does have a lot of strength that places it in a good position to attract talents and innovation. But, it also has weaknesses.

"Hong Kong's No 1 weakness is its high cost," said Ulrich. "Doing business in Hong Kong is very expensive. To attract the necessary talents into Hong Kong, the government can do more by offering attractive prices for entrepreneurs and startups."

Ulrich further pointed out that improving education in Hong Kong is another way to enlarge the local talent pool.

"There needs to be a more effective coordination mechanism for the 11 cities," she said. "We have three different currencies, three different customs, different immigration policies and different divisions of government. The central government can help coordinate the efforts in the bay area to make the movement of professionals much more expedient."



Ding Lei (right), HNA Innovation Finance Group's Chief Innovation Officer, says Hong Kong's huge imports and exports volume ensures vast development potential.



Alfred Romann, contributing editor of China Daily Asia Pacific, addresses the China Daily Asia Leadership Roundtable.



Guests keep themselves updated with the latest China Daily edition before the start of the China Daily Asia Leadership Roundtable at the Asian Financial Forum.

"The integration of employment can be achieved by improving the commuter system of the metropolitan area and the custom clearance policy," said Zhang.

Ding also said mainland conglomerate HNA will expand its operations in the bay area as it offers great opportunities for bulk commodities trading, warehousing and logistics.

The financial arm of HNA, which has diversified interests in aviation, tourism and real estate, was launched in Hong Kong in March this year, principally engaged in commodity trade, financial investment and consumer finance which, Ding believes, has huge potential and can play a key part in promoting internationalization of the yuan.

In less than one year since its launch, HNA Innovation Finance Group has sealed two deals. In March, it entered into an agreement to acquire a 51-per cent equity interest in Swiss commodities trader Glencore's oil products storage and logistics business for $775 million. It also agreed to acquire Singaporean logistics firm CWT in a $1-billion takeover late last year.

The group is still looking for other merger-and-acquisition opportunities in areas linked to its core business, Ding said.

Such acquisition plans are in line with the nation's strategy, he said, and the group wants to use its strengths to participate in the Belt and Road Initiative, the bay area development and renminbi internationalization.

SMEs can look to innovative financing models for support

By **EDITH LU** in Hong Kong
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Banks in Hong Kong will support small and medium-sized enterprises (SMEs) through innovative financing models — accounts receivable financing and supply-chain financing — which may break new ground for the Guangdong-Hong Kong-Macao Bay Area, according to a DBS banker.

Hong Kong is favored by diversified corporates in the bay area for its convenience in asset financing. Large and mid-cap corporates also prefer to set up trading centers in the city as the stepping stone to international development, says Ginger Cheng, who heads DBS' institutional banking group for large and mid-cap corporates.

However, for most SMEs, asset financing seems a large problem, but is in demand. The lack of background information and poor credit rating makes it hard for them to win the trust from banks, she said.

She proposed that accounts receivable financing and supply chain financing models be used to solve the problem. DBS will approach suppliers of major clients and target them as potential SME clients. SME clients can use their outstanding invoices or money owed by large corporates as collateral to get accounts. After that, the bank will keep supporting clients of SMEs in other financing deals.

"These financing models combine the business for large corporates and that for SMEs, and help build a database of all related trustworthy SMEs," said Cheng. "At the same time, these corporates shall be located close to each other for geographical convenience. If they are all in the bay area, it will become a good model and lead the trend."

However, all these financial service models and products need e-platforms to support them, especially in the bay area, a place in a strong financial technology atmosphere.

"In terms of financing services, now the policy in Hong Kong is not very encouraging for innovation," Cheng said. She thought the SAR has to catch up a little bit in the fintech field. On the other hand, she expected Hong Kong to take up this opportunity because the city has the advantage in policy flexibility.

As policies on the mainland and in Hong Kong are a little different, Cheng mentioned three important aspects for the bay area — the flow of capital, flow of talents and the flow of goods.

"I believe the policy for capital will be relaxed in the bay area, but it will take time. Also, it will be easier for talents from different places to work in each other's city. In terms of goods, having a number of harbors and airports represents the strength of the bay area," she said.

She expects "all flowers to bloom together" in the bay area as every city plays its own role well.



Ginger Cheng, head of DBS' institutional banking group for large and mid-cap corporates, offers the bank's support for