**SCMP Article**

**HK must tap 'belt and road' opportunities**

The world was watching closely as President Xi Jinping visited the US last week. The tour represented another stage in China's rise as a world power. The nation is not yet the equal of the US, but at least in some respects it will surpass it in the years or decades ahead.

It is in this context that we in Hong Kong should see the "belt and road" initiative. I get the impression that many Hong Kong people see this as a slogan, but it is far more than that. The "belt" refers to the Eurasian landmass stretching from China to Europe, the "road" to the maritime routes connecting China, Southeast Asia and the Indian Ocean region - up to Africa and the Mediterranean. If this brings to mind the silk and spice routes of ancient times, that is the intention. But it is not just a gimmicky name.

It is a long-term initiative - think 20 or even 30 years. The aim is to improve economic connections throughout these continental and maritime regions. The key methods will be upgrading transport, communication and other infrastructure, deepening trading ties and integrating financial arrangements.

Chinese officials are discussing a wide range of possible projects internally and with counterparts in other countries. To give an idea of the geographical reach, nations that have so far signed memorandums of understanding include Kazakhstan, Russia, Cambodia, Pakistan, Egypt and Hungary.

The economic development and integration will involve more and freer flows of trade and investment. This will require such measures as lower tax barriers, streamlined customs procedures and better protection for intellectual property. Infrastructure is obviously a major part of this.

Many parts of these regions suffer from poor transport facilities, gaps in rail and highway links and bottlenecks in ports. The expansion of infrastructure would require new financial channels, such as the Asian Infrastructure Investment Bank. Development of trade and investment will also require better foreign exchange and settlement systems.

Chinese officials also see the "belt and road" concept in terms of coordinating policy and building trust between governments in these regions. It also hopes that it will promote closer social and cultural ties among the people of these different countries.

There are several driving forces behind the initiative.

One is to enable China and other regional partners to enhance cooperation as the traditional balance of power in the world changes. Officials see American influence over international trade and investment structures gradually declining in the era ahead. They are anticipating a reduced role for the US dollar in the global financial system. And they are thinking ahead to a world economy centred more on Asia than on America and Europe.

Beijing obviously feels it is in China's interests to help manage these trends. In the medium term, the country can put some of its overcapacity to good use by helping with infrastructure development in other countries. This can help China upgrade its own industry, encourage Chinese companies to invest in overseas production and boost domestic consumption. The "belt and road" idea will also improve China's access to resources.

Beijing's vision can only become a reality if all countries involved benefit. The initiative offers hope of greater prosperity in less developed areas like South and Central Asia and even Africa.

Hong Kong also stands to benefit, notably from fundraising and other activities related to financing infrastructure projects. We can also offer mainland companies a base with connections and expertise for expansion into Southeast Asia - and offer Southeast Asian companies similar help coming to China. And there will be long-term opportunities for our trading, logistics, shipping and other sectors.

I would not want to exaggerate and suggest that the "belt and road" initiative will transform the Hong Kong economy. But it will over time increase growth in many of our existing activities - like previous waves of growth in international trade and investment. We should certainly see it as more than just a slogan.