

Plenary Session 1

Belt and Road: Growth Engine Driving New Era for Global Trade

Keynote Address

Dr Victor K Fung – Group Chairman, Fung Group

Panel Chair: Ben Bland – South China Correspondent, Financial Times

Panel Speaker:

Siddique Khan – CEO, Kerry Globalink Logistics

Li Guanpeng – Executive Director & President, Sinotrans Limited

Victor Fung, Group Chairman of the Fung Group, started the first plenary session by suggesting the Belt and Road Initiative could be divided into two parts: the northern overland part, which is the reincarnation of the traditional Silk Road, and a new Maritime Silk Road in the south. He believes the relative economic weight of the two is around three-to-one in favour of the south. For the northern route, he continued, the “strategic imperative” is the flow of commodities and energy into China. He said the southern Maritime Silk Road can be seen much more as an outbound route, facilitating the distribution of products and finished goods from China to the rest of the world.

Fung underlined the importance of the strategic imperative, saying around 70 per cent of China’s energy imports come through the Malacca Straits. The building of the northern Silk Road, he said, would relieve the pressure on that route and ease any geopolitical tensions resulting from over-reliance on the southern route.

He suggested that besides physical infrastructure, attention should be paid to the expected dramatic increase in connectivity among the 60 or so countries along the One Belt One Road route in the coming five years.

“What will happen to the flow of goods, people, funds, information, knowledge and culture along the route?”, he asked. “Five years is a short time.”

He said economic growth and increased consumption in the developing economies of China, India, ASEAN and others has already changed the pattern of global logistics. “It used to be source in the East, sell in the West, and all of the containers would come back empty. The supply chain seemed complex, but it was largely in one direction. Now the supply chain is more complex,” he said, suggesting that the countries in the Belt and Road Initiative will become the “premier platform” linking millions of new consumers in Belt and Road countries with the small and medium-sized enterprises that are springing up to serve them.

Fung said Hong Kong could play a critical role in putting together and financing Belt and Road infrastructure projects, and described the Pearl River Delta and the Guangdong-Hong Kong-Macau Bay Area as the “fountainhead of the Maritime Silk Road”.

Fung was followed by Siddique Khan, CEO of Kerry Globalink Logistics, who described the part his company has played in the creation of the “Eurasian land bridge”, connecting Western China to Central Asia and Europe, and the gradual reduction of transit times. “We moved our first container in 1994, which took more

than 35 days to get from Western China to Russia,” he said. “Today we are doing the same thing in less than two weeks.”

Current Chinese investment in fast-train infrastructure along the China-Inner Mongolia-Russia corridor should, he said, reduce the transit time by three days.

Li Guanpeng, President of the Chinese state-owned freight forwarder Sinotrans, observed that the economic centre of the world is moving from the developed countries to the developing nations – particularly China – and suggested that this trend should accelerate due to One Belt One Road. Li believes that One Belt One Road will stimulate consumption in China’s domestic economy, and spur on the transformation of the economy from production-led to consumption-led.

He said One Belt One Road will lead to new markets and offers a great development opportunity for logistics providers, however he warned of the challenges of inadequate physical infrastructure, a lack of international regulation and the sheer diversity – economic, religious, ideological and cultural – of the countries involved.

Responding to questions from the audience, the panel agreed that “the last mile” presents perhaps the most formidable challenge to the logistics industry along much of the Belt and Road. “You can get from a station in China to a station in Central Asia, but there are a lot of issues in that last mile,” said Khan.

Fung, responding to a question about the role of free trade zones along the Belt and Road, suggested that rather than being primarily useful for export, free trade zones can play a role in improving the speed of delivering goods to domestic consumers, particularly in the context of e-commerce. “Storing your stock in free trade zones, then going the last mile from there to the consumer, can dramatically improve your performance.”

Finally, the panel members addressed the issues of political stability and cultural difference in the many countries along the Belt and Road. Li suggested that internationalization could challenge each country’s politics and legal system. He strongly advocated respect for the local culture in each place, but suggested there must also be some convergence and compliance with international norms and standards.

Fung suggested that including a multilateral institution such as the Asian Development Bank in a project could buy a measure of political insurance. Putting such deals together and mitigating the risk involved has traditionally been a particular strength of Hong Kong, as has its role as an arbitration centre if things do go wrong. Hong Kong, he continued, remains the premier place where infrastructure projects and project financing are put together.

Hong Kong has also been at the centre of the global supply chain. “To continue this capability I would say two things,” Fung concluded, “first, we need to recognise now that we are not only facilitating inbound investments into China, but also outbound investments from China. We should be uniquely positioned in this two-way traffic. Second, we should remain open to people from overseas, people – especially professionals – who want to work in Hong Kong. That, I think, is the ultimate source of our strength and our capability.”