

Hong Kong, at the crossroads of the future



Hong Kong is one of the world's foremost cities. Now, it is poised for a new kind of greatness, and the opportunities are huge: for the city itself, for China, the UK and the rest of the world.

A mega-initiative in southeast China is bringing together 67 million people, more than the entire UK population, into one sprawling, prosperous conurbation – The Bay Area.

Some of the biggest infrastructure investment opportunities this century will be on offer here. PwC foresees a need for Asian infrastructure of a trillion US dollars a year, each year for 20 or 30 years.

The delta where the Pearl River flows into the South China Sea was once a main gateway for the ancient Silk Road. Its 21st century equivalent is a "city cluster" (11 cities) across 56,000 square kilometres – more than three times the size of the San Francisco Bay Area. Strategically located on the modern-day Silk Road, what China calls the Belt and Road Initiative, the Bay Area is attracting global attention.

In 2016, the Bay Area cities – including Hong Kong, Guangzhou and Shenzhen – generated US\$1.36 trillion worth of economic output. The infrastructure that will further bind them includes a 41.6-kilometre bridge linking Hong Kong, Macao and Zhuhai, and a high-speed railway connecting Hong Kong with Shenzhen and

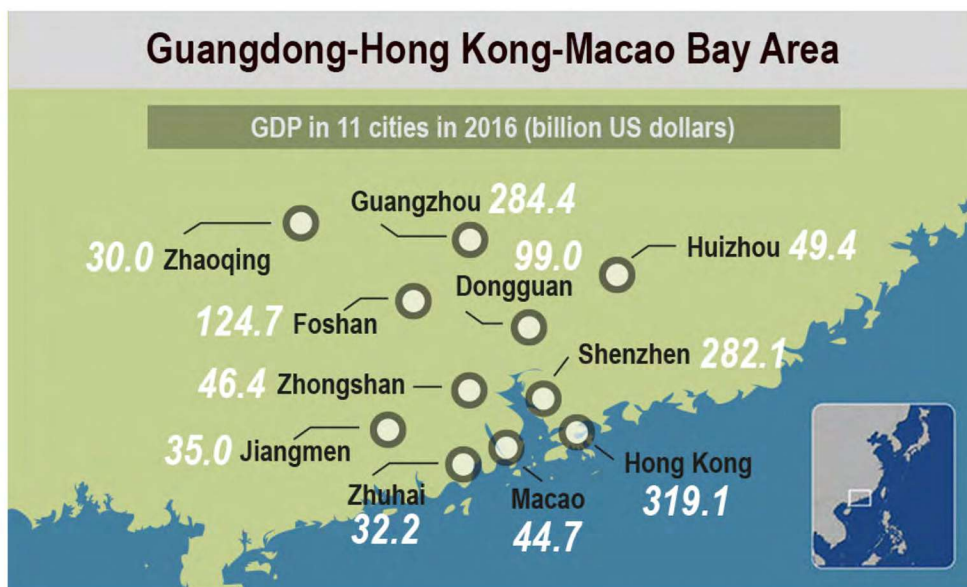
Guangzhou and plugging into the 22,000-km national express rail network. Driving time from Hong Kong to Macao, for instance, will be cut from three hours to 30 minutes.

Some of the biggest infrastructure investment opportunities this century will be on offer in the region. PwC foresees a need for Asian infrastructure of a trillion US dollars a year, each year for 20 or 30 years and public-private partnerships (PPPs) will play a significant role in financing mega projects. It is a model that China's central government has been assiduously promoting.



The Hong Kong SAR's Chief Executive Carrie Lam participated in the launch ceremony of the Bond Connect scheme, a new development enhancing mutual capital markets access between the Mainland and Hong Kong, at the Hong Kong Stock Exchange on July 3, 2017

Hong Kong has the right kind of financial infrastructure needed to channel capital to large-scale projects. A new cross-boundary Bond Connect scheme, for example, offers reciprocal access between the Hong Kong and Mainland bond markets via a collaborative platform designed to make trading easier for overseas institutional investors.



Norman Chan, Chief Executive of the Hong Kong Monetary Authority, notes that Mainland China now hosts the world's third-largest bond market but overseas investors account for less than 2% of holdings providing "ample room for a much stronger presence" by international investors. Through the Bond Connect platform, Hong Kong will serve as the gateway for overseas investors to enter the [RMB65 trillion] Mainland bond market", he says.

In turn, this will generate greater demand for Hong Kong's related financial services, such as asset management and risk management. Hong Kong is also a member of the Asian Infrastructure Investment Bank, which was launched in January 2016 with a view to enabling the region's infrastructure vision.

Melding China's national and Hong Kong's international financial expertise will help realise the nation's potential for investors within Asia – and elsewhere – since low growth rates in the UK and Europe linked to the uncertainty of Brexit are prompting investors to look further afield.

Through the Bond Connect platform, Hong Kong will serve as the gateway for overseas investors to enter the [RMB65 trillion] Mainland bond market.

— NORMAN CHAN, CHIEF EXECUTIVE OF THE HONG KONG MONETARY AUTHORITY

While a fragile UK economy and a soft pound may weaken the UK's demand for imports in the short term, Brexit is expected to galvanise more UK companies into looking beyond the EU to capture new business opportunities and new markets in Asia.

Brexit is expected to galvanise more UK companies into looking beyond the EU to capture new business opportunities and new markets in Asia.

Given its close historical, cultural and trade links with the UK, Hong Kong expects to play an important role in helping UK companies get established in Asia in general, and in China in particular.

For the UK, Hong Kong is already a primary market for exports worth £8 billion annually. More than 650 UK companies have a presence in the city. Jeffrey Mountevans, Chairman of Maritime London and former Lord Mayor of the City of London, has identified "many high-value opportunities for the UK and Hong

Kong to collaborate in the innovative industries of the future: smart technology, infrastructure, health care, sustainability, fintech and maritime services".

Here is the future taking shape. There will be investment opportunities in myriad areas within Asia's world city, and Hong Kong's mega-projects, matched with its silken skills in commerce, finance and banking, are likely to be large-scale attractions to the rest of the world.

Read about: [Connecting Investors to Asia via HK: The Big Picture](#)

Read about: [Hong Kong: Building Infrastructure, Connections and Expertise](#)