

# The Future of Trade

Highlights and analysis from the Asia House conference in Hong Kong



**HKEX**

30 October 2019





## The Asia House Future of Trade conference returns to Hong Kong

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From Hong Kong's role in the FinTech revolution to the challenges facing trade policy around the world, the Asia House Future of Trade conference put key issues affecting global business and policy in the spotlight.

Sponsored by InvestHK and HKEX, the conference assembled key figures from across global trade, tech, policy and the media to explore the forces shaping the future of trade in Asia and beyond.



*Policymakers and senior business leaders came together to discuss the forces shaping the future of trade.*

**250+ delegates**  
**25 media outlets**

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# A global media event

The Asia House Future of Trade conference attracted media from across the region, putting speakers and sponsors in the spotlight.



**25+** MEDIA OUTLETS IN ATTENDANCE

Including

- Bloomberg
- CNBC
- Financial Times
- Xinhua News Agency
- Cable TV
- CGTN
- RTHK
- HK Commercial Daily
- NOW TV
- Phoenix Satellite TV
- Metro Broadcast
- i-CABLE
- HKCD
- Sing Tao Daily News
- HKPPA
- South China Morning Post
- Commercial Radio
- Ming Pao Daily News
- Apple Daily
- HK01
- Finet Group Limited
- Hong Kong Commercial Newspapers
- Hong Kong Economic Times
- The Economist
- China Daily
- China News (ECNS)



# Carrie Lam hopes to end “distressing time for Hong Kong trade and business”

With the ongoing unrest in Hong Kong taking its toll on the region’s economic performance, Carrie Lam, Chief Executive of Hong Kong SAR, shared her thoughts with a packed-room of business and policy professionals. Recognising the challenges facing Hong Kong, the Chief Executive said ending violence was her top priority.

“This is a distressing time for Hong Kong trade and business,” Mrs Lam said. “Equally so for the community at large, the Hong Kong SAR government, and for myself.



“Nothing justifies violence, and the first priority must therefore be to end violence and restore law and order as soon as possible.”

Mrs Lam did, however, express hope that solutions to the crisis could be found through trade, investment and connectivity – some of the key themes explored at the dialogue, which was sponsored by InvestHK and HKEX.

She cited the plans for the Greater Bay Area and new free trade agreements that Hong Kong has entered into, including the ASEAN-Hong Kong FTA, as examples of the opportunities emerging for the SAR.

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## Lord Green warns of “existential danger” facing “whole of humanity”

There are “dangerous land mines on the road ahead” as Asia continues its remarkable rise, Lord Green, Chairman of Asia House, has warned.

In a major keynote speech, the former HSBC Chairman said, “all the elements which made for the European tragedy that followed in the twentieth century are clearly visible on what is now a Eurasian – not just a European – stage.”

“We all know what is at stake. As the human population continues to expand, and as developing countries continue to grow their appetite for the physical benefits and the standard of living which Europeans and – increasingly – East Asians take for granted, the impact on the planet becomes more and more severe with every passing year.

“We now have what the economists call a problem of the commons – and we have it on a huge scale.”

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However, Lord Green, author of the new book ‘The Human Odyssey’, identified one threat above all others: “The profoundly challenging planetary threat which is now the shared existential danger of the whole of humanity.”

“No one in any sphere of activity can afford to ignore the significance of this great crisis,” he said.





# Data, tech and state-structure tensions will shape the future of trade

The US-China trade war, slowing global growth and rising tensions over tech are creating disruption and uncertainty in world trade. The impact of these political and economic forces on global commerce was at the heart of the conference.

The big story in world trade remains the US-China tensions. Despite a 'phase one' deal offering hope of a breakthrough, market sentiment remains gloomy, Alicia Garcia Herrero, Chief Economist for Asia Pacific, Natixis, suggested during a panel session at the conference.

"I would just call it a painkiller," she said. "A painkiller is fine if you have a headache which is going to go away, but if you have a more serious illness, a painkiller's not going to help you." And according to Garcia Herrero, "we have a serious illness."

The economist highlighted the scale and impact of the tariffs currently in place compared to the concessions discussed in the phase one deal. "We're really talking about peanuts," she said.



**"Data is the biggest driver in new discussions around trade."**

"We all know that this is structural and more is going to happen [outside the deal] that is not so positive for the ultimate outcome," she added.

Asia House Chief Executive Michael Lawrence, chairing the discussion, shared a sense he had picked up from meetings with US officials on both sides of the public debate that anti-China sentiments are likely to endure in the US for some time. Ambassador Robert Holleyman, President and CEO of Crowell & Moring International and former Deputy US Trade Representative, agreed. But he also emphasised the increasing importance of data and how this will shape future conversations. "Data is the biggest driver in new discussions around trade," he said.



This is playing out differently around the world, Holleyman argued. “We’re seeing a Chinese approach to data which is highly restrictive and state controlled, we see a EU approach which is not state controlled but is a very rigid approach to dealing with data, we see an ASEAN where the approach is largely open but where the rules are yet to be written... and then we see Hong Kong which probably has the model approach to data of any economy in the world.”

He cited the new Australia-Hong Kong agreement as “the most forward-looking” of any economy when it comes to data provisions.

Iris Pang, Economist, Greater China, ING Bank, broadly agreed, but took issue with the description of China as having a state-owned approach to data.

“Most of the tech companies are private companies that grew by themselves,” she said, sparking a lively flash point in the debate. When Holleyman retorted with the “very clear position” China has on how it seeks “to control how its citizens get data,” Pang argued that “if you don’t cross the line” in China, “you are free to do anything.”

Pang used the example of companies being able to use WhatsApp in China to illustrate the point. “I have a journalist friend in Beijing, and the first time she called me on WhatsApp I was so surprised,” she said. But companies can apply to use the platform, she said. “It is not totally cut off.”

Of course, there are other factors beyond US-China tensions creating uncertainty in the global trade system. Brexit remains an unanswered question.

Anne Ruth Herkes, former State Secretary at the German Federal Ministry for Economic Affairs and Energy, and member of the Asia House Advisory Board, expressed a willingness for matters to be resolved quickly. “I hope the elections in the UK produce a meaningful and sustainable result, and that we can jump ahead of the curve and start shaping the future relationship,” she said.



Ambassador Robert Holleyman  
Former Deputy US Trade Representative



Anne Ruth Herkes, former State Secretary at the German  
Federal Ministry for Economic Affairs and Energy



Iris Pang  
Economist, Greater China, ING Bank



Alicia Garcia Herrero,  
Chief Economist for Asia Pacific, Natixis



# FinTech is the most disruptive force in Asian business



Lukas Petrikas  
Head of Innovation Lab at HKEX



Jessica Lam  
Group Head of Strategy at WeLab



James Kynge  
Global China Editor for the Financial Times



Charles d'Haussy  
Director Strategic Initiatives for Consensys

The FinTech revolution is causing widespread disruption across Asia's business landscape, with fierce competition among cities in the region to attract talent and investment. The conference brought key industry figures together to explore the impact of this revolution, including the technologies in play, the challenges that come with them, and how regional players, including Hong Kong, are attempting to stay ahead of the FinTech curve.

Michael Lawrence, Chief Executive of Asia House, noted the "phenomenal pace" of innovation in Asia and the strong regional competition Hong Kong faces in the FinTech space. How can Hong Kong establish itself as a leader?

For Jessica Lam, Group Head of Strategy at WeLab, Hong Kong was where they started their operations in 2013 – at a time when startups and FinTech enjoyed a fraction of the profile they do today. Although WeLab has now expanded internationally, Lam noted that Hong Kong is more than just a launchpad for them. They are building a virtual bank there, which Lam says could eclipse all their other businesses internationally.

"You can see Hong Kong as a launchpad, but you can also see it as being the most solid foundation and, on a standalone basis, being an extremely ripe and lucrative market to start a business," she said.

**"What's happening is revolutionary and the way that it will revolutionise Hong Kong and the rest of the region will be, I think, very dramatic."**

Charles d'Haussy, Director Strategic Initiatives for Consensys, agreed. He added that a key advantage that Hong Kong's FinTech ecosystem has is that it's growing organically, without too much interference in the form of subsidies.

"Government, regulators and key stakeholders are supporting the ecosystem," he said. "Subsidies and support are available, but they do not get too involved. And Hong Kong has very strong B2B financial services."

However, James Kynge, Global China Editor for the Financial Times, offered a different perspective, noting that Hong Kong was "lagging behind" when it comes to being a FinTech centre. He pointed to





India, referring to it as the “hottest tech story in the region at the moment” due to the rapidly increasing number of unicorns.

“India is a feeding frenzy for FinTech companies – not just local companies, but lots of international players as well,” he said. “FinTech is at the centre of India’s emergence.”

Kynge also highlighted mainland China, where digital payments are dwarfing that of the United States and where the People’s Bank of China is about to launch a digital currency.

“China is already digital. There is absolutely no psychological barrier to this at all, so in a way the ground has already been set.”

Citing a recent McKinsey report, Kynge also said that established banks risk becoming a “footnotes in history”.

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On the issue of intergenerational attitudes to the FinTech revolution, Lam acknowledged that there will be some who take longer to embrace innovations. “The key thing is that everyone is open minded and won’t resist change, because when you are resistant to learning new things, that is when things go wrong,” she warned.

Lukas Petrikas, Head of Innovation Lab at HKEX, noted that FinTech has a huge role to play in getting the current generations more proactive and excited about how they manage their wealth and assets.

“We need to ask ourselves challenging questions, like how can we make capital markets relevant to people? We need to associate them with the physical world around them.”

Meanwhile, D’Haussy believes that the change will be more natural. In his view, technologies such as blockchain will disappear from conversations entirely in one year because it will become part of normal day-to-day life.

“Today we’re thinking in all these complicated terms, but it’s going to be totally integrated into the economy.”

For Kynge, FinTech is bringing about change that hasn’t been seen for a hundred years.

“FinTech is where it’s at at the moment,” he said.

“There is no greater disruptive force in Asian business right now than FinTech.”



## More needs to be done on BRI sustainability despite progress

China is responding to concerns around sustainability in the Belt and Road Initiative (BRI), but there is still much distance to be travelled, leading industry figures told the conference.

The BRI has the potential to help close Asia's infrastructure gap, but concerns about the programme continue to be raised amid a tense global environment. Sustainability, which has emerged as a key issue across the infrastructure sector, is now a major BRI discussion point.

The Asia House Future of Trade Conference, held at HKEX in Hong Kong, put the issue in the spotlight with a panel discussion on sustainable investment in BRI infrastructure across ASEAN.

Conference moderator Michael Lawrence, Chief Executive of Asia House, kicked off the debate by pointing out the huge pushback against the BRI, asking panelists whether China has recalibrated its position following high profile issues in Sri Lanka and Malaysia.

Steve Okun, Senior Advisor at McLarty Associates, noted that there are two aspects of this criticism – the charge of debt diplomacy and sustainability aspects. China has made progress in how it presents both of these areas, Okun

said, but the BRI “is not there yet, it’s something they’re going to have to address.”

Okun pointed out that 40 per cent of BRI projects in energy are coal projects, which he believes is not the direction that Southeast Asia or the wider investment community is moving in.

“Until China really addresses those issues and walks the walk, it isn’t going to have fully recalibrated,” Okun added. “Hopefully they are going to go in that direction.”

**“There is now more of an in-depth due diligence approach before projects are adopted, as well as increased flexibility throughout the life of the projects.”**



Julian Vella, Head of Infrastructure for Asia Pacific at KPMG, agreed with Okun and added that a number of BRI projects have led to negative effects on local communities. However, this year's second BRI Forum in Beijing did include more of a sustainability narrative, Vella said, pointing out that this follows a trend of sustainability emerging as a "very big feature" in global infrastructure.

He added that there remains a "real need for private capital to participate in building BRI infrastructure," and this could help raise standards.

"Private capital requires certain standards to be met and certain behaviours to be adopted," he said. "I believe that the Chinese authorities are serious about wanting to upgrade the quality of infrastructure and bring in more international participation, including finance, but it's going to take a little bit of time."

Looking at the progress that has been made so far, Ada Li, Vice President, Senior Credit Officer at Moody's, who contributed to the latest edition of Asia House's Insights publication, said that, compared with 2016-17, there has been an evolution based on lessons learned.

"Compared with the past, which mainly relied on debt financing, there is now more of an in-depth due diligence approach before projects are adopted, as well as increased flexibility throughout the life of the projects," she said.

Fergal Whyte, Director of Arup, also acknowledged a shift in the way BRI projects are being thought about. Previously, there was more focus on linear construction, without consideration of what's going on around it. However, more recently, he said there has been greater attention paid to product's value to the society it's going into.

"There's a shift in what's being left behind for the society," Whyte said. "What we saw before was a piece of infrastructure being handed over to a local government which didn't have the capacity to deal with the project.

"There is now more focus on the operation and maintenance stage, as well as capacity building as part of the construction so that it can be handed over in a position where the society can take it forward."

Watch every minute of the conference at [asiahouse.org](http://asiahouse.org)



Julian Vella  
Head of Infrastructure for Asia Pacific, KPMG



Fergal Whyte  
Director, Arup



Ada Li  
Vice President, Senior Credit Officer at Moody's



Steven Okun  
Senior Advisor, McLarty Associates



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