

# Capitalizing on growth opportunities in Hong Kong's international maritime centre

It was always Hong Kong's destiny to be an important maritime centre. Thousands if not millions of years ago this tiny island was blessed with a deep-water harbour. Being a part of its huge, wealthy neighbour, China, Hong Kong has ably exploited its position as a gateway to the world for more than 150 years.



Since those early days a virtuous circle has been created whereby the presence of ships attracts value-added marine services businesses. The strong presence of such businesses in turn attracts more shipping companies, as Orient Overseas Container Line chief executive, Andy Tung explains:

"The presence of shipowners attracts value-added service providers, such as shipbrokers, shipmanagers, as well as marine insurance and finance professionals to congregate in Hong Kong, forming a cluster of excellence in maritime services."

Today, Hong Kong's maritime cluster has the chance to piggyback three unique economic developments. Massive investments in infrastructure projects are at the heart of the Belt and Road Initiative. China's 13th five-year plan, with its directive that Hong Kong further develops its role as a maritime and trading centre. And, the recently concluded Free Trade Agreement with ASEAN. Collectively they present Hong Kong's maritime

cluster with the greatest opportunities for growth in a generation.

"China's Belt and Road Initiative will expand trading between the countries along the Belt and Road and China. Similarly, the Greater Bay Area development scheme will increase access to a larger rapidly growing market around the Pearl River Delta," says Mr Tung.

Many businesses in Hong Kong were alerted to the emergence of new opportunities for growth when the Chinese Government unveiled the Belt and Road Initiative in 2013. For those businesses that remained uncertain, in March 2016, the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China directly expressed support for Hong Kong in enhancing its status as a centre for international finance, transportation and trade.

"With the knowledge and experience gained within the maritime cluster, there will be more opportunities for Hong Kong maritime businesses to tap into. It is up to us in the cluster to take advantage of these developments!" Mr Tung insists.

## Arbitration

Just as Hong Kong's ties with the Mainland are important so are its differences. As a common law jurisdiction Hong Kong has a huge advantage as a venue for dispute resolution. Senior consultant to the Hong Kong Shipowners Association, Arthur Bowring explains:

"The success of a dispute resolution venue arises from 'trust in the process' " he says.

"Whether arbitration, mediation, litigation or other forms of dispute resolution, the venue will be an attractive place to settle disputes if and only if there is trust in the process.

"Hong Kong is well respected as an independent forum for the resolution of disputes, being supported not only by its common law system and up-to-date arbitration law, but also by the courts and an independent and well respected judiciary and a good



**Arthur Bowring,**  
Senior consultant  
to the Hong Kong  
Shipowners  
Association

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supply of well-known and reputable arbitrators and mediators. It is through these advantages that Hong Kong will become the preferred dispute resolution centre for disputes arising from the Belt and Road Initiative and the Greater Bay Area Development Scheme," he concludes.

## Insurance

Risk is an inherent factor in all projects involving massive infrastructure development and transportation of goods such as the Belt and Road Initiative. Fortunately, Hong Kong is home to around 90 international and domestic marine insurers. The TT Club is just one of the many insurers gearing up to manage the risks. Senior underwriter, Patrick Wong describes the scenario:

"We, and other insurers in Hong Kong, are on hand to provide comprehensive liability insurance cover to those through transport and multimodal transport operators as well as logistics service providers, port and



**Patrick Wong,**  
Senior underwriter  
TT Club

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terminal operators and shipping companies (for their carrying equipment and the associated liabilities). All these sectors are set to gain significant benefits from the Belt and Road Initiative of China," he says.

"We have seen an increase in enquiries and business coming directly and indirectly from the Belt and Road Initiative. We believe this trend will continue going forward.

"The Belt and Road Initiative covers many countries with different legal systems, cultures and practices. Companies doing business in these countries will need insurance expertise and professional advice to deal with their potential liability claims which may range from the most simple cargo loss or damage case to a sophisticated claim involving third party liability, fines and duties and even the financial and consequential losses of the clients," he adds.

## Finance

Home to one of the highest concentrations of banking institutions in the world and the eighth largest

equity capital market, Hong Kong is an obvious choice for shipowners to finance their floating assets.

Head of Shipping and Offshore, Asia, at Credit Agricole Corporate and Investment Bank, Kenneth Lam says:

"The Belt and Road Initiative and Hong Kong's membership of the ASEAN Free Trade Agreement are both positives for Hong Kong shipping and its sources of finance. Seaborne trade will grow substantially. More infrastructure has to be built along the Maritime Silk Road and more ships over time will be needed for the carriage of goods, commodities and equipment. All these will need to be financed and Hong Kong offers a wide range of products to capture such financing opportunities."

In the face of less than favourable global economic conditions Hong Kong's maritime hub has been offered a set of unique opportunities for growth. The testimony of the interviewees makes clear that those opportunities will not be missed.



**Kenneth Lam,**  
Head of Shipping  
and Offshore, Asia,  
at Credit Agricole  
Corporate and  
Investment Bank

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