

LCQ16: Attracting investors from Islamic countries to Hong Kong

Following is a question by the Hon Mrs Regina Ip and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 10):

Question:

There are views that the numerous Islamic countries along the Belt and Road (B&R) are the key links of the eight major steps to support high-quality B&R co-operation, and attracting investors from these countries will bring enormous opportunities to Hong Kong. However, the lack of understanding of Islamic culture and financial system in Hong Kong society has hampered the Government's strategic goal of strengthening the promotion of financial co-operation with Islamic countries. In this connection, will the Government inform this Council:

(1) whether the Government has, in order to attract more investors from Islamic countries to establish their bases in Hong Kong, formulated measures to facilitate the needs of Muslims in their daily lives, such as promoting the supply of Halal-certified food products and providing more prayer rooms in public places; if so, of the details; if not, the reasons for that;

(2) as it is learnt that Hong Kong currently lacks talents familiar with Islamic culture and Sharia principles, whether the Government has measures in place to nurture the relevant talents, including encouraging local students to study Arabic or to study in the Middle East countries, and encouraging local universities to offer relevant courses, so as to enhance Hong Kong's attractiveness in the eyes of investors from Islamic countries; if so, of the details and the implementation timetable; if not, whether it will consider formulating the relevant measures;

(3) whether it will draw on the experience of Singapore and Malaysia in offering courses related to Islamic finance education and providing relevant training, so as to enhance the financial sector's understanding of the Islamic financial system; if so, of the details; if not, the reasons for that; and

(4) whether the Government has formulated other measures, apart from the issuance of sukuk, to foster the development of the local Islamic financial market, including developing new products and assisting the financial sector in examining whether its products are Sharia-compliant and meet market needs; if so, of the details and the implementation timetable; if not, whether it will consider formulating the relevant measures?

Reply:

President,

Hong Kong is an active participant, contributor and beneficiary of the Belt and Road (B&R) Initiative. We have been fully participating and contributing to the B&R Initiative. Apart from serving as a "super connector", Hong Kong will also leverage our strengths to be the "super value-adder" for the next stage of our country's B&R development. We are committed to strengthening the exchanges and co-operations with B&R countries (including Islamic countries), capitalising on our role as the functional platform for the B&R.

Having consulted the Commerce and Economic Development Bureau, the Education Bureau, the Home and Youth Affairs Bureau, and the Hong Kong Monetary Authority (HKMA), the consolidated reply is as follows:

(1) Currently, Hong Kong's global economic and trade network covers 128 countries, including Islamic countries. For the overseas Economic and Trade Offices (ETOs) of the Government of the Hong Kong Special Administrative Region (HKSAR), the Jakarta and Dubai ETOs cover such Islamic countries as Brunei Darussalam, Malaysia, Saudi Arabia, the United Arab Emirates and Bahrain, which help deepen Hong Kong's understanding of Islamic countries. Invest Hong Kong and the Hong Kong Trade Development Council will each set up two additional consultant offices along the B&R (including Islamic countries) in 2024-25 to strengthen our investment and trade promotion efforts.

Separately, in February and July last year, the Chief Executive led two high-level delegations to visit a total of five B&R countries (including Islamic countries) in the Middle East and Association of Southeast Asian Nations (ASEAN). The HKSAR Government also organised the Eighth Belt and Road Summit (the Summit) in September last year, with the addition of the Middle East Forum. The Summit attracted nearly 6 000 senior government officials, business leaders and representatives of enterprises from over 70 B&R-related countries and regions. Apart from gaining friendship with these countries/regions, promoting Hong Kong's advantages and further tapping into the markets of Islamic countries, these activities facilitate our understanding of the investment and daily needs of the countries concerned as well as formulation of suitable responses by the Hong Kong market.

On promoting the supply of Halal-certified food products, there are relevant Islamic organisations in Hong Kong providing Halal certification for food products in accordance with Islamic law and procedures. Many Halal-certified restaurants are operating in Hong Kong as well. With the increasingly frequent economic and trade exchanges between Hong Kong and the Middle East, we will strengthen the liaison with the relevant organisations in catering for the daily needs of the Muslim community. For example, there is an industry association exploring the feasibility of establishing a certification body in Hong Kong on Halal certification for food products. Moreover, there are established channels for the Government to respond to their other needs. For example, regarding religious facilities, the Government has been in close dialogue with religious bodies and welcomes their applications for using vacant Government land for religious purposes.

(2) and (3) The Government attaches great importance to enhancing and optimising the human capital to cater for the evolving development needs of Hong Kong and maintain Hong Kong's overall competitiveness.

We encourage Hong Kong students to learn the languages of the B&R countries and regions in addition to Chinese and English. For instance, the Arabic language is included in the international examinations administered by the Hong Kong Examinations and Assessment Authority. Through learning multiple languages, students can participate in the implementation of the B&R Initiative more readily and communicate with the local people in the B&R countries.

On tertiary education, some tertiary institutions are offering courses on Islamic culture and Islamic finance as part of the undergraduate and postgraduate programmes. The Government will also consider the manpower requirements of various sectors of the community when formulating plans (including allocation of student places and funding) for University Grants Committee (UGC)-funded institutions.

Apart from introducing suitable courses, the Government and tertiary institutions have been encouraging students to participate in learning experience programmes outside Hong Kong to widen their horizon. To facilitate exchanges between local tertiary students and those from the B&R countries and strengthen education collaboration with B&R countries, the Government has introduced the Belt and Road Scholarship (the Scholarship) since the 2016/17 academic year to support students from B&R countries/regions to pursue post-secondary programmes in Hong Kong. The Scholarship currently offers 100 places per annum, covering students from all countries/regions along the B&R pursuing publicly-funded full-time undergraduate and research postgraduate programmes in Hong Kong. The Government also subsidises post-secondary students in Hong Kong to participate in short-term internship or study in B&R regions through the Scheme for Subsidy on Exchange to Belt and Road Regions for Post-secondary Students, with a view to encouraging students to seize new opportunities brought about by the B&R Initiative while facilitating education and cultural exchanges between Hong Kong and the B&R regions. All the above schemes cover exchange activities in Islamic countries.

The Government and the UGC will continue to promote the interaction of industries and education to enable universities to grasp the development opportunities of different industries (including the financial industry), proactively respond to the manpower needs when devising new programmes, and keep the current programmes updated by covering more innovative elements tailored to the development trends of industries.

(4) To promote the development of Islamic finance (including the sukuk market) in Hong Kong, we have taken concrete steps to build a conducive platform for sukuk issuance, including amending our laws in 2013 and 2014 respectively to provide for a tax structure for sukuk issuance comparable to that for conventional bonds, and include such issuances under the Government Bond Programme (GBP).

In 2014, 2015 and 2017, three sukuk of different structures and tenors totalling US\$3 billion were issued under the GBP to demonstrate to the global market the strengths of our Islamic finance platform, with a view to attracting more issuers and investors to participate in the capital market of Hong Kong. The three issuances have successfully demonstrated the viability of the Hong Kong platform, and that our legal, regulatory and taxation framework can readily support sukuk issuances, including sukuk of different structures. We believe that these market development efforts help enhance the attractiveness of Hong Kong's sukuk platform vis-a-vis other financial centres in the region. An array of Islamic financial products and services have been introduced in Hong Kong, including the listing of global sukuk on the Hong Kong Exchanges and Clearing Limited (HKEX), Islamic funds, Shariah-compliant equity indices and Islamic banking windows.

We have been stepping up the promotion of the advantages of Hong Kong's financial system and market, so as to attract foreign investment or financing activities to Hong Kong, and further consolidate Hong Kong's status as an international financial centre. For instance, the Global Financial Leaders' Investment Summit hosted in November last year and the inaugural PRIORITY Asia Summit organised by Saudi Arabia's Future Investment Initiative Institute in December last year, saw active participation by market institutions and persons interested in taking part in Hong Kong's Muslim financial activities. The Government will co-organise the Asian Financial Forum (AFF) with the Hong Kong Trade Development Council on January 24 and 25 this year, with a distinguished congregation of influential leaders from governments as well as the financial and business sectors around the world (including those from Islamic countries) to exchange insights on the opportunities and challenges that global economic development bring to the Asian financial and commercial sectors. A discussion session featuring "Islamic Finance: Principles, Practices, and Global Impact" will be included to facilitate exchange of views on the Islamic financial market development.

The HKMA also held bilateral meetings with the Central Bank of the United Arab Emirates (CBUAE) and the Saudi Central Bank (SAMA) in May and July last year respectively. Discussions covered a number of areas, including financial infrastructure development and market connectivity. The HKMA will continue to deepen the collaboration in financial services with the CBUAE and the SAMA, with a view to promoting investment and financial market connectivity between the Middle East and Asia.

On new products, the first Saudi Arabian Exchange-Traded Fund (ETF) in Asia was listed on the HKEX in November 2023. As a milestone of financial collaboration between Hong Kong and Saudi Arabia, the ETF provides unique Middle East investment opportunities for regional and global investors.

In face of the ever-developing international financial market landscape, we will continue to keep track of developments of the local and global Islamic financial markets as well as other emerging trends and opportunities, and map out the next steps as appropriate.