



Unleashing Real Potential in Hong Kong-Indonesian Relations

Executive Summary

The case for strengthening Hong Kong-Indonesian relations has never been stronger. At an age of increasing multipolarity and geopolitical uncertainty, both Hong Kong and Indonesia stand out in Asia as beacons of internationalism and open engagement with partners and friends from afar and near. Indonesia is the world's fourth largest population, and the largest economy in ASEAN. Hong Kong remains, by far, the world's gateway into China, and a stronghold for liberalisation and globalisation on Chinese soil. It is in these virtues that the two economies can and must find greater room for complementarity and synergy. This paper argues that now is prime time for bilateral relations to be taken to a new level, based on four core principles:

First, a triangulation of the relationship in reflection of the rapidly deepening Sino-Indonesian friendship and relations at large.

Contents

Executive Summary	1
Introduction	3
Towards A New Vision and Framework for Bilateral Relations	5
Our Vision	5
Core Priorities	6
Four Core Areas of Reform	7
Area 1: Finance	
Area 2: Climate Change and Energy Transition	12
Area 3: Trade, Service, and Business	16
Area 4: Culture, Tourism, and Academic Exchange	21
Conclusion – The Path to Comprehensive Synergy	26



Second, constructive and robust engagement through shared values.

Third, collaboration across a number of dimensions – including on energy, cultural, educational, technological dimensions.

Fourth, Hong Kong and Indonesia draw strength from their firm commitment to people-to-people exchanges and bonds.

As Hong Kong seeks to reopen to the world, it must think globally, and look beyond conventionally defined territories of international collaboration. This paper champions reforms across four critical dimensions, in order to better enhance Hong Kong-Indonesian relations and facilitate win-win outcomes for both parties:

Firstly, Hong Kong and Indonesia must seek to reduce the barriers for mutual financial entry and access, expand the range of spheres and dimensions of financial synergy, and strengthen Hong Kong's role as a hub for Indonesian governmental financing.

Secondly, Hong Kong should step up to play a critical role in facilitating Indonesia's green and renewable

energy transition, through knowledge sharing, and competitive financing and advisory support. Seed funding for electric vehicles and batteries in Indonesia, is a pivotal linchpin.

Thirdly, Hong Kong and Indonesia should look towards diversifying bilateral trade in goods and services, streamlining human capital exchange and movement, and transforming Hong Kong into a hub that can comprehensively service ASEAN businesses, including Indonesian companies.

Fourthly, Hong Kong and Indonesia should advance joint cooperation projects in eco-tourism, cultural tourism, and historical and traditional preservation, as well as pursuing proactive, bottom-up cultural exchanges and collaborations. Hong Kong should serve as a multicultural knowledge hub hosting leading intellectuals and debates from all across Asia.

The future for Hong Kong-Indonesian relations is radiant, and there is every reason for us to be optimistic. Public and private actors alike have a crucial role to play here.

Introduction

We live in an era of increasing multipolarity. Indonesia's signature non-alignment foreign and trade policy reflects its commitment to multipolarity as it takes an increasingly preeminent role on the global stage. Hong Kong's strategic positioning is uniquely driven by its ability to draw upon the best of plural cultures – its close proximity to the sizeable Chinese market, talent pool, capital pool, and advanced technology and innovation in fields ranging from artificial intelligence to climate technology on one hand; and its common law jurisdiction, simple and low tax systems, free flows of capital and information, as well as cultural openness to all corners of the world. Hong Kong is in the ideal position to serve as Southeast Asia's gateway to Northeast Asia. Hong Kong and Indonesia thus make for a strong, resilient, and natural partnership.

Indonesia is rapidly rising in global influence and importance. As the tenth largest economy in the world (measured in purchasing power parity terms), the largest economy in Southeast Asia, and the fourth most populous nation in the world¹, Indonesia has much to offer to the world when it comes to exports, investment opportunities, and broader innovation-technological ventures that can capitalise upon the substantial demographic base and rapidly improving quality of human capital in the country. Indonesian leaders have committed to the ambitious yet distinctively impressive mission of transforming Indonesia into a top-five economy in the world², seeking to boost industrial output through digitalisation, deepen structural reforms through external investment and technology, and upgrade the country's human capital.

Hong Kong has a valuable role to play in contributing towards Indonesia's future, as a mediator, facilitator, and enabler of knowledge-driven transformations. As China's most economically liberal and international city³, Hong Kong offers Indonesian investors and

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businesses an invaluable gateway into Mainland China. In addition to the China factor, Hong Kong indeed has much more to offer. The city's financial sector embodies the productivity gains of the Fourth Industrial Revolution⁴ and the fruits of deep, systemic globalisation. Hong Kong is a leading Initial Public Offering (IPO) centre in the world, a fertile nexus for venture capital and private equity in Asia, and a pioneer when it comes to blockchain, financial, regulatory technology and ESG compliance. Its uniquely cosmopolitan outlook fuses the best of cultures all over the world, providing room and space for nascent ideas and technological metamorphosis over time. With five out of the world's top 100 universities, Hong Kong is by far Asia's premier knowledge hub⁵.

Hong Kong and Indonesia are naturally aligned economic and trade partners. Economically, Hong Kong and Indonesia have seen deepening commercial and trade ties progressively over the past two decades. In 2021, Indonesia was Hong Kong's sixth largest trading partner amongst the ten ASEAN member states⁶. Bilateral trade had increased by over 26% between 2020 and 2021. In 2022, Hong Kong was Indonesia's third largest FDI source – if combined with Mainland China, the total investment of US\$13.7 billion would put China (including Hong Kong) just ahead of Singapore in the volume of FDI investments. This came off the back of 2021, in which Hong Kong was Indonesia's second largest FDI source^{7, 8}.

¹ <https://www.worldbank.org/en/country/indonesia/overview>

² <https://www.globaltimes.cn/content/1168107.shtml>

³ <https://www.scmp.com/comment/opinion/hong-kong/article/3207063/hong-kong-its-best-when-it-open-world>

⁴ <https://www.mckinsey.com/industries/financial-services/our-insights/joining-the-next-generation-of-digital-banks-in-asia>

⁵ <https://thehkhub.com/5-hong-kong-universities-among-the-worlds-top-100-tertiary-institutes/>

⁶ <https://www.hketojakarta.gov.hk/en/relationship/indonesia.html>

⁷ <https://www.scmp.com/economy/china-economy/article/3186660/china-indonesia-trade-how-important-it-and-what-are-main>

⁸ <https://www.hketojakarta.gov.hk/en/relationship/indonesia.html>



Indonesia is an economic linchpin of the ASEAN; in seeking to engage the ASEAN, Hong Kong must necessarily engage Indonesia. Indonesia houses the ASEAN Secretariat. The ASEAN is Hong Kong's second largest trade partner⁹. The ASEAN-Hong Kong Free Trade Agreement came into effect in July 2020, paving a crucial step for Hong Kong's acceding to membership of the Regional Comprehensive Economic Partnership (RCEP)¹⁰. As the rotating chair of the ASEAN in 2023, Indonesia's strategic role in leadership – as a mediator, norm-contributor, energy and resource supplier, and the largest market – within the ASEAN, is set to increase in decades to come.

There is promising room for financial and innovation synergies between Hong Kong and Indonesia. Leading unicorns and virtual banks from Hong Kong have made their marks in Indonesia, eyeing in particular the country's burgeoning middle class and sizeable industrialisation and urbanisation¹¹. At a recent meeting with the Indonesian Investment Coordinating Board

at the World Economic Forum 2023, Hong Kong's Financial Secretary Paul Chan pledged to broaden the accessibility of Hong Kong's green and ESG financing for prospective projects and investors in Indonesia, which would prove vital as the latter undertakes a systemic green transition, e.g. developing a sustainable renewable energy vehicle ecosystem, cultivating robust infrastructure for green finance¹².

At its core, the Hong Kong-Indonesia relationship is underpinned by warm, enduring people-to-people exchanges and ties. As of 2015, there were 165,750 Indonesian citizens working in Hong Kong, and they constituted the second largest group of expatriate workers in the city¹³. Many Hong Kong citizens have long-standing family ties with Chinese-Indonesians who had emigrated abroad from Guangdong or Hong Kong over the past century. Such personal ties have been pivotal in fostering cross-cultural and -national understanding among Indonesia, Hong Kong, and Mainland China.

⁹ <https://www.scmp.com/comment/opinion/article/3199991/hong-kong-key-stronger-china-asean-ties>

¹⁰ <https://www.info.gov.hk/gia/general/201804/25/P2018042500684.htm>

¹¹ <https://www.forbes.com/sites/catherinewang/2022/10/18/with-900-million-in-funding-hong-kong-fintech-unicorn-welab-bets-big-on-indonesia/?sh=-396c926e446e>

¹² <https://www.businesstoday.com.my/2023/01/21/hong-kong-lures-indonesia-with-green-investment-financing/>

¹³ https://www.gov.hk/en/about/abouthk/docs/2016HK_in_brief.pdf

With that said, there is vast potential to be fully realised. It is imperative that Hong Kong – government and businesses alike – seizes the day and acts upon the abundant opportunities in strengthening its relations with Indonesia; it is equally valuable for Indonesia to diversify its strategic cooperation with China through consolidating ties with Hong Kong, a Special Administrative Region (SAR) of China. The recommendations outlined in this report are aimed at both public and private sectors in Hong Kong.

Towards A New Vision and Framework for Bilateral Relations

Our Vision

The moment is ripe for Hong Kong-Indonesian relations to be taken to the next level. Not only must Hong Kong and Indonesia conduct greater frequency of engagement; both should aspire towards qualitative leaps in bilateral ties. The following comprises the core defining tenets of our proposed vision:

Constructive Triangulation. Hong Kong's relationship with Indonesia must be pictured within the wider context of relations between China and Indonesia. This may be captured using a triangle – with Mainland China, Hong Kong and Indonesia as its three corners.

On one hand, Hong Kong is clearly institutionally, economically, and socio-culturally distinctive from the mainland – drawing upon these differences organically is a core tenet of 'One Country, Two Systems'. Hong Kong must maintain and progressively advance its distinctive legal and regulatory frameworks, as well

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as dexterously manoeuvre across supply chains and financial markets. Its relations with Indonesia, then, would in turn draw extensively upon such long-standing wherewithal and advantages.

On the other hand, the Hong Kong-Indonesian relationship must also serve to strengthen and complement the Sino-Indonesian relationship as a whole. As China and Indonesia elevate their comprehensive strategic partnership to new levels through deepening ties in development, technology, multilateral trade, shouldering joint responsibilities as leading nations in the Global South^[14], and campaigning for the rights and interests of the global community with a shared future^[15], Hong Kong must sharpen and enhance its role in contributing to Sino-Indonesian relations.

Values-driven Engagement. Interest-based engagement is of paramount importance – indeed, the past decades have seen Indonesia and Hong Kong advance their respective economic, strategic, financial, and holistic interests through prolific engagement. In order for such ties to be truly resilient in face of adversities and challenges, bilateral engagement must be underpinned by a set of shared values or meta-values, e.g. consensus over rules of engagement, as well as the broad directions in which such collaboration is trending. Relationships must be underpinned by values and maintained with integrity.

¹⁴ <https://www.globaltimes.cn/page/202211/1279745.shtml>

¹⁵ <https://foreignpolicy.com/2021/06/07/indonesia-china-jokowi-natuna-sea-military-bri-cooperation-biden-united-states/>

Both Hong Kong and Indonesia firmly embrace internationalism and globalisation. The SAR has thrived through providing the world with unrivalled access to Mainland China, as well as a globally renowned, low-tax, economically liberal repository for capital and investment. Indonesia has a proven track record as an advocate of multilateralism, global stability and dynamic connectivity¹⁶. The two economies would benefit from embracing ideals of openness, seeking unity through difference, and balancing between East and West, as definitive anchors to the relationship.

Multi-dimensional Collaboration. It is imperative that Hong Kong and Indonesia considerably broaden the range of dimensions in which they collaborate. Trade and investment are important, but so are areas of sustainability and responding to climate change, arts and cultural exchange and collaboration, and education synergy and knowledge dissemination. Thinking creatively and spontaneously about how their peoples, not just governments can work together, would unlock significantly more potential for win-win advances in fledgling and established fields alike.

People-centric Synergy. One key element to discussions concerning bilateral relationship is trust. Trust anchors not just intergovernmental liaison, or joint commercial ventures, but is in fact the thrust of people-to-people exchanges. Going forward, both Hong Kong and Indonesia must mobilise and synergise with the long-standing ties between civil society actors – e.g. businesses and investors, academic institutions, tourists and service providers – as a means of securing mutually beneficial gains.

Hong Kong has long served as a world-leading knowledge hub spearheading prominent intellectual discoveries in fields, ranging from infrastructural capacity-building, establishment and refinements of the law, the intersection of business, technology, and macroeconomics, to medical and bio-technology and the frontier of humanities and arts. Hong Kong's higher education and professional services sectors could be made substantially more accessible and inclusive to top Indonesian talents, thus serving as a conduit for enhancing human capital¹⁷. Similarly, comprehensive people-centric synergy requires Hong Kong to invest

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in improving the quality of Indonesian knowledge and linguistic fluency (i.e. Bahasa Indonesia) in the city. Hong Kong and Indonesia must put their people first – and take their voices, interests, and needs seriously.

The above four principles can be summarised as TECS – Triangulating the relationship, Engagement through shared values, Collaboration across diversified dimensions, and Synergy rooted in people-to-people exchange.

Core Priorities

Following TECS, we propose four core pillars of priorities for Hong Kong and Indonesia to work on together, with significant dividends to accrue to both economies:

Area 1: Finance. Hong Kong and Indonesia must seek to reduce the barriers for mutual entry and access, expand the range of spheres and dimensions of financial synergy, and strengthen Hong Kong's role as a hub for Indonesian governmental financing.

Area 2: Climate Change and Energy Transition. Hong Kong should step up to play a critical role in facilitating Indonesia's green and renewable energy transition, through knowledge sharing, and competitive financing and advisory support. Seed funding for electric vehicles and batteries in Indonesia, is a pivotal linchpin.

Area 3: Trade, Service, and Business. Hong Kong and Indonesia should look towards diversifying bilateral trade in goods and services, streamlining human capital exchange and movement, and transforming Hong Kong into a hub that can

¹⁶ <https://en.antaranews.com/news/245357/indonesias-diplomacy-role-as-bridge-for-global-stability>

¹⁷ <https://www.thejakartapost.com/life/2017/01/18/university-of-hong-kong-sees-increase-in-indonesian-student-applications.html>



comprehensively service ASEAN businesses, including Indonesian companies.

Area 4: Culture, Tourism, and Academic Exchange. Hong Kong and Indonesia should advance joint cooperation projects in eco-tourism, cultural tourism, and historical and traditional preservation, as well as pursuing proactive, bottom-up cultural exchanges and collaborations. Hong Kong should serve as a multicultural knowledge hub hosting leading intellectuals and debates from all across Asia.

Four Core Areas of Reform

AREA 1: FINANCE

Context – Challenges and Opportunities

Indonesia. In spite of its rapid economic growth, Indonesia remains in need of structural solutions to shortfalls to cater to its needs, including under-banking and under-provision of financial infrastructure. A survey conducted in 2021 revealed that out of its adult population of 181 million, 23% qualify as well-served in financial needs, with 26% underbanked, and 51% of the adult population currently without access to basic

financial services¹⁸. These issues are compounded by sparse upstream financial infrastructure when it comes to inter-bank and bank-to-business loans, which have posed challenges for entrepreneurs and small and medium enterprises (SMEs) in the country¹⁹.

The present administration has admirably pledged to take on these issues through a combination of expanding and broadening the mandate of the Central Bank – with a clearer orientation around job creation and industrial development for nascent sectors²⁰; implementing progressive financial regulations to non-bank financial institutions, such as insurance and pension fund providers, and significant accountability- and transparency-enhancing measures on a governmental level²¹. There are clear signs of recognition of the structural issues and resolve to tackle them head-on as Indonesia undertakes financial modernisation.

On a macro-level, the Indonesian government is eyeing an expansion of the issuance and availability of government bond as a means of raising the necessary funds for the large-scale reforms and civic engineering

¹⁸ <https://fulcrum.sg/tackling-the-challenges-of-financial-inclusion-and-illegal-lending-in-indonesia/>

¹⁹ <https://www.worldbank.org/en/country/indonesia/publication/indonesia-economic-prospects-iep-june-2022-financial-deepening-for-stronger-growth-and-sustainable-recovery>

²⁰ <https://www.bloomberg.com/news/articles/2022-08-19/jokowi-renews-call-to-add-job-creation-in-central-bank-s-mandate>

²¹ <https://www.idnfinancials.com/news/31331/jokowi-urges-ojk-reform-non-bank-financial-institutions>

projects that it has planned for²² – this is a crucial field in which Hong Kong certainly has a role to play, in offering a legally reliable, politically neutral, and professionally maintained bond ecosystem. Hong Kong can play a sizeable role in providing the financing and monetary fuel for medium- to longer-term infrastructural undertakings in Indonesia, which would benefit from both institutional and non-institutional investors that possess the requisite cultural finesse to appreciate the country's unique circumstances and needs. Indeed, a prime example for such infrastructural projects would be the relocation plan of Indonesia's capital from Jakarta to East Kalimantan²³. With the Job Creation Omnibus Law implemented in 2020, Indonesia has opened up 14 of its sectors to foreign investment, thereby presenting external investors with sizeable investment opportunities²⁴.

Meanwhile, individual investors in Indonesia are likely looking for a secure, high-certainty, and high-yield investment ecosystem that can cope with escalating market volatility. Hong Kong sits as a cornerstone conjoining the Greater Bay Area (GBA) with the rest of the world. With an economy that rivals in size the Canadian economy, and a rapidly growing middle-class consumer market²⁵, the GBA is an appealing destination for Indonesian investors. Hong Kong possesses the resources and standing to confidently address the question of market accessibility by serving as the prime conduit for Indonesian capital to the GBA.

Hong Kong and China. A core value proposition Hong Kong consistently offers to the international community is its ability to consolidate and attract high-quality capital, with reasonable and not excessively restrictive regulations, promulgating sustainable dividends and returns. Whilst the city remains a prestigious IPO hub, with total funds raised set to double to US\$26 billion

in 2023 from 2022, it is vital that it consistently sources new and enduring sources of high-potential companies seeking listings²⁶. To that effect, Hong Kong must maintain its openness and free flows of capital and information while opening itself up for a wider range of financial partners.”

It is therefore vital that Hong Kong addresses existing shortcomings in its financial system, including a lack of diversification over IPO countries of origin (an overwhelming concentration of IPOs hails from Mainland China)²⁷, general need for greater understanding of the linguistic and social mores²⁸ of Southeast Asian nations (including Indonesia) and their business cultures, and the ensuing perception that Hong Kong is not an attractive site for Southeast Asian family offices.

These shortcomings can all be overcome, with the right level, direction, and application of capacity-enhancing reforms. Indeed, Hong Kong's added value in a financial and professional service setting renders it a vital constituent of China's vision for the Belt and Road Initiative to facilitate 'financial connectivity' as among the 'new drivers of shared development'²⁹. In forging closer ties with Indonesia, China would benefit from regulatory and legal professionals well versed in Islamic finance, a nexus that allows for free exit and entry of capital, and an arbitration and dispute resolution hub – these are all aspects that Hong Kong has to offer, especially with regards to the latter two features. As for Islamic finance, Hong Kong remains the most promising metropolis on Chinese soil that could draw in scholars from a rich and diverse range of backgrounds – straddling industry and academia; the city's multiculturalism and openness renders it the premier place for Chinese investors seeking to undertake secure yet effective forays into Indonesia.

²² <https://www.bkpm.go.id/en/news-event/detail/11/indonesian-government-entered-global-bond-market-to-finance-covid-19-stimul>

²³ <https://research.hktdc.com/en/article/MzU3OTQxMTQ2>

²⁴ <https://www.ashurst.com/en/news-and-insights/legal-updates/indonesias-omnibus-law---a-breakthrough/>

²⁵ <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/chinas-greater-bay-area-becomes-key-mega-region-in-global-economy-june22.html>

²⁶ <https://www.scmp.com/business/banking-finance/article/3202117/hong-kong-be-among-top-three-ipo-hubs-2023-fundraising-set-double-us26-billion-pwc>

²⁷ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/hong-kong-exchange-counts-on-mainland-china-for-growth-after-record-2021-results-69037306>

²⁸ <https://www.hkasean.org/uploads/file/202211/d22d9f1fa52b2dc1e4c0f4c2593c39.pdf>

²⁹ https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbdt_665378/202203/t20220330_10657688.html

Policy Proposals

The Hong Kong government should:

1. **Work closely with domestic and international communities and stakeholders** in facilitating the development and installation of a robust banking economy in Indonesia, especially in rural regions that have been highlighted as priorities by the Indonesian government:
 - a. Encourage and support homegrown digital banks (including existing and up-and-coming unicorns) through streamlining regulations and compliance processes, identifying prospective investors, and updating laws and ordinances concerning cross-border and international financing and banking;
 - b. Collaborate proactively with mainland Chinese financial authorities in identifying existing limitations to digital banking initiatives spearheaded as a part of the Belt and Road Initiative, with the aim of contributing institutional expertise and knowledge towards tackling said loopholes;
 - c. Fund and subsidise research into and innovation in blockchain-based Decentralised Finance (DeFi), especially DeFi that is compatible with Islamic finance (e.g. Blockchain *shukūk*³⁰), with the aims of meeting demands for improvements in security and scalability in Indonesian finance;
 - d. Pursue capacity-building mid-level civil servant exchanges between the Hong Kong Monetary Authority (HKMA) and the Bank of Indonesia (BI), as well as other relevant financial policymaking bodies, with the objective of cultivating long-term working relationships between finance professionals, policymakers, and regulators in both economies;
 - e. Collaborate with the Indonesian government in promoting financial literacy, through education-technology and media platforms, in Indonesia, with the thrust being one of dissemination of banking and credit norms and protocol widely adopted in Hong Kong;
 - f. With support from Hong Kong's private sector and economy, collaborate with neo-banks and traditional banks in Indonesia through provision of financial technology (FinTech), BigTech, and advanced e-commerce services;
2. **Continually and pragmatically reduce the barriers to IPOs and capital-raising** for Indonesian companies at the Hong Kong Exchanges and Clearing (HKEx):
 - a. Streamline and expedite regulatory processes for leading Indonesian companies seeking listings through the HKEx (see the SPAC listing regime), through reforming compliance requirements in reflection of sensitivities and needs of listers, without compromising overarching rigour;
 - b. Constructively ensure that the Growth Enterprise Market (GEM) board can serve as a conduit for small and medium-sized enterprises (SMEs), innovation-driven start-ups and enterprises, and firms that may strain to meet the initial overhead requirements for listing, to access Chinese capital;
 - c. Authorise and allow ASEAN businesses (including Indonesian firms) to issue yuan-denominated offshore bonds³¹;
 - d. Promote greater awareness and recognition of the significant and progressive move towards yuan-denominated share-based trading under HKEX³²;
 - e. Explore the possibility of dual listing opportunities for Indonesian companies on the Indonesian Stock Exchange (IDX);



³⁰ <https://www.emerald.com/insight/content/doi/10.1108/IJIF-06-2020-0120/full/html>

³¹ <https://www.scmp.com/business/banking-finance/article/3198267/hong-kong-well-positioned-help-asean-companies-tap-china-hedge-against-strong-dollar-officials-say>

³² <https://www.scmp.com/business/article/3194636/hong-kong-plans-introduce-yuan-denominated-stock-trading-market-maker?module=inline&pgtype=article>

- f. Establish a regular working-group and high-level strategic dialogue between senior leaderships of the HKEx and IDX;
3. **Strengthen and streamline international public financing** for the Indonesian government and its variety of public infrastructural projects:
 - a. Position Hong Kong as the premier and leading site for Indonesian government bond issuance, with complementary legal, advisory, publicity, and policy-related advisory support being situated predominantly within Hong Kong;
 - b. Actively engage Indonesia on co-investment and participation in the newly established Hong Kong Investment Corporation (HKIC)³³;
 - c. Coordinate key stakeholders in Hong Kong's insurance, private equity, venture capital etc. industries in engaging Indonesian counterparts on a multi-vectoral taskforce, aimed at organically synthesising Hong Kong's robust finance and capital pool with Indonesia's public infrastructural developments;
 - d. Consult and work closely with Indonesian regulators and Hong Kong private sector actors, to uphold the financial interests of corporations, investors, banks, and private equity firms in Indonesia;
 - e. Establish an index fund that tracks listed companies with significant exposure and presence in Southeast Asia (including Indonesia);
4. **Position Hong Kong as a leading, secure private wealth, family office, and asset management hub** for high-net-worth individuals in Indonesia and Mainland China:
 - a. Facilitate direct conversations between Indonesia-based business and financial leaders with the leaderships of institutions such as the Financial Services Development Council (FSDC), SFC, and HKEx, and prominent local banks;
 - b. Conduct closed-room consultation sessions and discussions in Indonesia, with leading family businesses and ultra-high-net-worth individuals, on their potential interests in and concerns over setting up family offices in Hong Kong;
 - c. Offer holistic perks and service-based support (e.g. advisory support and counsel on accessing China) to Indonesian family funds and offices that relocate to or are established in Hong Kong;
 - d. Work with banks and financial firms to reduce the entry barriers (e.g. assets under management requirements) for ASEAN family offices;
5. **Invest into the capacity of Hong Kong's financial sector to service the Indonesian market**, with the primary objectives of cultivating institutional resilience and knowledge, cognisance of core cultural sensitivities and nuances, and improving market confidence in Hong Kong's positioning as the premier Islamic finance hub in Northeast Asia (and as a leading Islamic finance hub throughout Asia):
 - a. Engage and work closely with firms with significant experience in Islamic finance and related concepts (e.g. Mudarabah, Msuharaka, Murabahah, and Ijara³⁴ sectors), including overseas and international MNCs, but also domestic actors in Indonesia, in improving Hong Kong's institutional knowledge in Islamic finance;
 - b. Subsidise and attract Islamic finance professionals and experts – from regions including but not limited to Southeast Asia, the Middle East, and North Africa – to relocate to Hong Kong and work in local financial institutions;
 - c. Work closely with higher education institutions in Hong Kong in attracting retired, senior finance professionals, policymakers and bureaucrats in Southeast Asia (including Indonesia), to engage them on capacity-building workshops and potential research or teaching posts in affiliation with Hong Kong.

Feasibility

The reforms proposed in this section are distinctly feasible. Hong Kong is a highly mature, sophisticated, resource- and experience-rich financial hub with a top-quality workforce and financial workforce to match. It is also the largest offshore RMB hub in the world, offering the mainland Chinese economy and the global

³³ <https://www.swfinstitute.org/profile/63502488d68aa29d9a0da8a5>

³⁴ Taqi Uskmani, 'An Introduction to Islamic Finance', Kazakhstan, 2015.

financial system a rare linchpin and conjoiner. The rich legacy and history of Hong Kong-based companies and investors' presence in Indonesia³⁵ offer a sizeable bank of wisdom and insights that the government should certainly tap into – especially when it comes to liaising and engaging with private sector actors and leading domestic companies within Indonesia.

Many of Hong Kong's institutions involved in these recommendations are among the most renowned and respectable in their respective fields. The HKEx ended 2022 with its busiest listing day in 30 months, and only narrowly closed behind Shanghai and Shenzhen (both Chinese exchanges) on the 2022 Refinitiv list³⁶. Efforts in fine-tuning the exchange's risk-tolerance levels, whilst concurrently adjusting its accessibility to SMEs and emerging markets, are ongoing and have yielded considerable progress. As the HKEx seeks to deepen and broaden its international outreach, strengthening financial collaboration and accessibility between Indonesia and Hong Kong has thus emerged to be a top priority. Hong Kong can and would benefit from considerably bolstering the involvement of key Indonesian and other Southeast Asian stakeholders in the assembling and aggregation of knowledge.

Anticipated Benefits

Indonesia. For Indonesia, greater international uptake and interest in securities and bonds –governmental and corporate alike – would be essential in facilitating the supply-side and infrastructural reforms being driven forward. Additionally, international investors' concerns with credit ratings and credibility of financial institutions in Indonesia can be assuaged through mutually advantageous partnerships between Hong Kong and Indonesian institutions, with the aim of boosting the country's overarching profile as an attractive destination for investment. Hong Kong's mature and adept legal service industry goes a long way in bridging expectations and norms between international capital and Indonesian firms.

Furthermore, Hong Kong remains the best gateway for Indonesian investors in accessing China – the emphasis

upon yuan-denominated bonds and financial products above skilfully draws upon Hong Kong's status as the focal point of the offshore RMB network, as a means of injecting greater volumes of mainland Chinese capital into Indonesian firms and the economy at large. With pioneering research across fields of cryptocurrency, financial technology, and decentralised finance at large, Hong Kong is ideally placed to assist with Indonesia's unlocking not just what China has to offer, but also the 21st century of financing -- for the future.

Hong Kong and China. Hong Kong has long served as a key investor in Indonesia, with FDI increasing substantially over recent years. Yet in terms of servicing the financing needs of Indonesian firms – especially start-ups and prospective unicorns – Hong Kong has much catch-up work to do. In part this has to do with the robust traditions of financial prudence and regulatory caution that have rendered Hong Kong a reliable and trusted site for financial operations; yet in part this also has to do with the institutional lacuna of understanding and insights into how rapidly emerging and populous economies, such as Indonesia, in fact function.

The above measures are designed to equip Hong Kong for the Asia of tomorrow, where Indonesia most certainly plays an essential role. Improving Hong Kong's tenacity and wherewithal in Islamic finance, understanding of Indonesia's financial and regulatory institutions, access and connections with the leading players in Indonesia, is a necessary prerequisite for the city to truly step up to spearheading Asia's financial expansion and modernisation efforts in the decades ahead. Hong Kong has everything to gain – from soft power and reciprocal goodwill, to understanding of and access to new investment opportunities and markets, as well as deepening its financial rapport with Indonesia.

Indonesia serves a crucial function within China's Belt and Road vision for a multilateral, multipolar financial world order. In particular, closer financial ties between Hong Kong and Indonesia can serve to expedite the digitalisation and internationalisation of the digital RMB, as well as the broadening of capital

³⁵ <https://asiatimes.com/2018/04/hong-kong-groups-now-fourth-top-investors-indonesia/>

³⁶ <https://www.scmp.com/business/banking-finance/article/3205080/hong-kong-pushes-seoul-aside-climb-third-place-refinitiv-2022-list-worlds-biggest-ipo-markets>

sources and investment destinations for Chinese capital³⁷. As the joint statement issued after the meeting between Presidents Xi Jinping and Joko Widodo at Bali noted, Beijing and Jakarta alike are looking to deepen collaboration on ‘rural revitalisation and development-oriented financing, speed up cultivation of fresh growth points such as green development and digital economy’³⁸. It would serve Hong Kong very well to seek to play an even greater role in facilitating Sino-Indonesian financial ties.

AREA 2: CLIMATE CHANGE AND ENERGY TRANSITION

Context – Challenges and Opportunities

Indonesia. Indonesia counts amongst the most vulnerable and exposed to the malaise of global warming – including rising sea levels, surface temperature increases, culminating in non-arable land with reduced fertility, intense and erratic precipitation patterns, and fundamental challenges to food security³⁹. Undertaking the green transition, then, has become a paramount objective for the incumbent administration, which has demonstrated admirable resolve and foresight in investing in alternatives to non-renewables, made pledges to reduce emission levels by 2030 by over 30% on its own (or roughly 43% with international support – indicative of the role that international capital and aid can play)⁴⁰.

The Indonesian government has invested significant resources in jumpstarting the electric vehicle (EV) and battery scene, which has attracted a reasonable level of corporate interest⁴¹. Yet industrial policy – even if green and centred around a universally agreeable proposition of weaning off non-renewable, carbon-emitting, inefficient energy sources – can be tricky to implement successfully. Indonesia faces several challenges on the

EV and battery fronts. The first concerns bottlenecks in financing and broader investment, both in terms of stability and volume of strings attached, into innovation and R & D. The second is the general need for expertise – which is especially vital in ensuring that domestic, homegrown companies can overcome the initially sizeable overheads that prove to be prohibitive for most early-stage start-ups⁴². The third is the difficulties in balancing the above considerations against the innate case for allowing greater organic market competition to weed out weaker players. The fourth is the balancing of interests in ensuring that the proper regulatory protocol can be introduced to facilitate compliance with labour and safety standards⁴³.

More generally, the shift towards renewables and away from non-renewable energy production – as a core engine of the green recovery process – is itself a highly costly and feasibility-demanding process, with significant requirements for storage facilities, infrastructure, and research laboratories that can conduct the necessary upstream research. The Roadmap for Sustainable Financing published in 2014 by the Financial Services Authority (OJK)⁴⁴ laid out the broad framework for green financing in Indonesia, but even with such burgeoning seeds of promising regulatory frameworks, investment and financing remains a potent concern⁴⁵.

Furthermore, Indonesia’s power generation remains dominated by relatively intransigent coal-powered plants, with the energy generated passing through isolated, fragmented grids that lack synchronisation⁴⁶. A penetration limit of 10% variable renewable energy from the daytime peak load has been imposed to ensure that the grid remains broadly stable – this, in turn, renders uptake more sluggish than is ideal.

³⁷ <https://www.linklaters.com/de-de/insights/blogs/fintechlinks/2021/march/hong-kong-extends-international-collaboration-on-cbdc-for-cross-border-payments>

³⁸ https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/202211/t20221117_10976784.html

³⁹ https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/202211/t20221117_10976784.html

³⁹ https://www.american.edu/cas/economics/ejournal/upload/measey_accessible.pdf

⁴⁰ <https://www.reuters.com/world/asia-pacific/indonesia-pledges-more-ambitious-carbon-emission-cut-2022-10-25/>

⁴¹ <https://www.wardsauto.com/nissan-triple-indonesian-car-output-nikkei>; <https://www.bloomberg.com/news/articles/2022-12-15/indonesia-plans-about-5-000-subsidy-for-each-ev-car-purchase>

⁴² <https://www.forbes.com/sites/martinzwilling/2013/02/18/10-ways-for-startups-to-survive-the-valley-of-death/>

⁴³ <https://think.ing.com/articles/indonesia-bets-big-on-electric-vehicles-cars-but-has-a-long-way-to-go/>

⁴⁴ <https://www.thejakartapost.com/news/2020/04/14/explainer-the-progress-and-challenges-of-sustainable-financing-in-indonesia.html>

⁴⁵ <https://www.adb.org/sites/default/files/project-documents/54152/54152-001-rrp-en.pdf>

⁴⁶ <https://www.irena.org/publications/2022/Oct/Indonesia-Energy-Transition-Outlook>



Expertise and knowledge concerning how to improve grid designs, as well as tactical urban and suburban planning shifts are needed to facilitate the rolling out of renewable energy.

Hong Kong and China. The HKEx leads the pack on the front of incorporating considerations of sustainability and the green transition into finance, via pioneering many initiatives and industry standards on the front of Environmental, Social, and Governance (ESG)⁴⁷. Beyond the compliance ecosystem and legal expertise, it has cultivated on green finance over the years through the HKEx and the Securities and Future Commission (SFC), Hong Kong is also a premier destination for countries seeking green financing. Hong Kong is the first government issuer in Asia to issue green bonds in three currencies – raising, indeed, US\$5.8 billion in the largest green bond issuance in Asia⁴⁸.

Hong Kong's green financing sector would certainly benefit from a scope expansion – that is, working in conjunction with sovereign states and governments beyond Mainland China and Hong Kong, with the objectives of improving the reach of its bond-issuing

infrastructure. Hong Kong has much room to explore in consolidating partnerships for green infrastructure and transition in the rest of Asia; with the substantial web of incentives – including grant schemes and tax incentives – to support its green bonds⁴⁹, the administration would certainly benefit from more bi-directional conversations with populous developing nations confronting the distinctive challenges of financing large-scale, significant green transition efforts over relatively compressed timelines.

On a more forward-looking level, Hong Kong must critically reflect upon how to finance and financialise initiatives aimed at adapting to and mitigating climate change. Green bonds are helpful, but by no means sufficient – it is high time to think strategically about the likely endurability and long-term security of the dividends generated by our investments, and consider embracing a green technology-oriented approach to our investments, in ways that match other leading sovereign wealth funds and government-backed investment vehicles in the region⁵⁰. Burgeoning industries in significant need of capital could turn out to generate reasonably robust profits.

⁴⁷ https://www.hkexgroup.com/Media-Centre/Insight/Insight/2022/HKEX/Exploring-the-Future-of-Markets-Part-2-ESG-Becomes-Part-of-the-DNA-of-Markets?sc_lang=en

⁴⁸ <https://www.regulationasia.com/hong-kong-raises-5-8b-in-asias-largest-green-bond-issuance/>

⁴⁹ <https://www.ird.gov.hk/eng/ppr/archives/22110901.htm>

⁵⁰ <https://www.temasek.com.sg/en/news-and-resources/news-room/news/2022/temasek-launches-genzero-aimed-at-accelerating-decarbonisation-globally>

Policy Proposals

The Hong Kong government should:

1. **Mobilise and engage in investments in green transition-oriented industrial sectors and leading firms within said sectors in Indonesia**, with the primary aims of contributing towards corporate government whilst ensuring Hong Kong's representation in these markets:
 - a. Encourage, via facilitation of information access and social networks, private investors to consider partaking in investments into sectors including but not limited to: the battery, the electric vehicle, and renewable energy sectors in Indonesia;
 - b. Work and liaise with investors in Indonesia⁵¹ in developing a comprehensive database of insights into green, renewable, and sustainability sectoral patterns and trends, with the objectives of lowering the barriers to entry and investment for domestic, homegrown Hong Kong capital;
 - c. Ensure that the Co-Investment Fund serves as a primary exploratory and research norm-setter in determining acceptable rates of return in investment into infrastructure and technology that is needed to fight climate change⁵²;
 - d. Collaborate with counterparts in Indonesia to provide competitive loans for the construction of public charging infrastructure and maintenance facilities for electric vehicles throughout Indonesia;
 - e. Share Hong Kong-generated regulatory standards, personnel, and frameworks with Indonesian corporations and governmental authorities, on fronts including but not limited to: ESG compliance, corporate governance and due diligence, and long-term risk and feasibility assessments of infrastructural projects;
 - f. Step up support to Indonesian firms on their green transition through equipping cohorts of legal professionals well versed in ESG/corporate law with resources and training opportunities that render them attuned to the idiosyncrasies and sensitivities of Southeast Asian countries and their climate change policies;
- g. Provide Indonesian nickel firms with leading personnel and research talents from Mainland China and Hong Kong, and subsidise such firms indirectly through joint ventures between Hong Kong and Indonesia;
2. **Strengthen Hong Kong and Mainland China's cooperation and alignment with Indonesia across the knowledge, research, innovation, and design sub-disciplines**, aimed at adjusting to the effects of climate change;
 - a. Engage in constructive dialogue with Indonesian counterparts in providing comprehensive advisory services (e.g. legal, accountancy, compliance with ESG standards, corporate governance) to joint ventures between Mainland China and Indonesia on renewable energy production and distribution;
 - b. Draw upon Hong Kong's expansive network of (retired) civil servants and professional expertise in advising Indonesian policymakers on maximising grid strength and connectivity, reducing overhead costs to renewable transition, and optimising urban design and planning to reduce deadweight energy loss and inefficient dissipation⁵³;
 - c. Provide conditional aid-based financing to Indonesian companies in fields including but not limited to: renewable energy vehicles, eco-construction, civic engineering, and sustainable healthcare and medical technology;
 - d. Encourage leading universities in Hong Kong to establish joint investigative and collaborative laboratories (in Hong Kong) with Indonesian counterparts, research into fields pertinent to the mitigation of and adaptation to the effects of climate change; such research could receive tax rebates on top of pre-existing grants and subsidies from the government;
 - e. Share and pool research teams on fronts of EV uptake, infrastructural capacity-strengthening, and the distributive and allocative challenges associated with climate change – with the aims of integrating Indonesia and Hong Kong's knowledge systems on climate change;

⁵¹ <https://indonesiabusinesspost.com/risks-opportunities/byd-group-tesla-in-final-stage-to-invest-in-indonesia-luhut-says/>

⁵² <https://www.scmp.com/comment/opinion/article/3196727/how-hong-kongs-policy-address-projects-could-give-city-edge>

⁵³ <https://www.scmp.com/comment/opinion/article/3196727/how-hong-kongs-policy-address-projects-could-give-city-edge>

3. **Consolidate Hong Kong's regional lead in green finance**, through both reforming and exporting the infrastructure abroad, in ways that reflect Hong Kong practices and norms:

- a. Issue, in conjunction with Indonesian authorities, Hong Kong-jurisdictional bonds aimed at financing Indonesian governmental efforts at tackling climate change; such bonds must bear designated purposes and comply with both Hong Kong and Indonesian issuance requirements;
- b. Collaborate with Indonesian counterparts in helping Indonesia cultivate homegrown green financial infrastructure, which would enable it to raise even greater volumes of funds in the medium to long term;
- c. Explore prospective partnerships between HKEx and IDX, over prospective reforms to Indonesian green finance infrastructure and streamlining/ harmonising ESG compliance requirements for listings;
- d. Extend subsidised scholarships and training opportunities – administered under the Green and Sustainable Finance Cross-Agency Steering Group – to top Indonesian financial talents, for them to enrol at and work in green finance in Hong Kong;
- e. Issue special-purpose sustainable and green HKSAR government bonds that is specifically designated for Islamic financial markets, aimed at financing green infrastructure and relevant transformations in ASEAN countries with significant Muslim populations⁵⁴;

4. **Consolidate Hong Kong's status as a world-class hub for ESG innovation, technology, and start-ups:**

- a. Develop comprehensive data sharing systems and methods that enable Indonesian, mainland Chinese, and Hong Kong to report and pool ESG data under standardised metrics;
- b. Leverage blockchain and decentralisation-oriented tools, as well as virtual and augmented reality technologies, to monitor and track carbon emissions and pollution; share such tools and related research with Indonesian counterparts;

- c. Invite cloud computing firms to create cloud-based carbon trading platforms – thus complementing, as opposed to competing against, regional counterparts such as Shenzhen and Singapore on the front of carbon emission trading.
- d. Empower citizens in Indonesia and Hong Kong through ESG education technology initiatives aimed at promoting understanding and enforcement of ESG regulations.

Feasibility

The policy proposals outlined in the above section reflect ongoing conversations and research that the HKSAR government has conducted in public. Recent statements by senior officials across Davos⁵⁵, Bali⁵⁶, and, indeed, at the inaugural Hong Kong-ASEAN Summit in 2022⁵⁷, have repeatedly stressed the urgency and need for Hong Kong to step up to greater responsibility and commitments as a premier green and sustainable finance hub, leveraging its access to deep, rich, and enduring venture capital and innovative technology, as well as its unrivalled-in-Asia legal repertoire and regulatory knowledge.

Furthermore, many of the above proposals – such as issuance of bonds in non-HKD denominations and in ways that are cognizant of the needs and sensitivities of buyers – have long been tried and tested. Hong Kong can consider investing public capital into such ventures, for the simple fact that deepening our collaboration with Indonesia on fronts of energy and green transition is not just practically advisable, but a moral imperative



⁵⁴ <https://www.asiaasset.com/post/26729-green-finance-1214>

⁵⁵ <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3207316/hong-kong-attract-middle-east-companies-aggressive-promotion-drive-citys-finance-minister-says>

⁵⁶ <https://www.thejakartapost.com/adv/2022/11/24/paul-chan-hong-kong-and-indonesia-cooperation-presents-tremendous-opportunities.html>

⁵⁷ <https://www.info.gov.hk/gia/general/202211/03/P2022110300426.htm>

through the lenses of combating climate change. Mobilising resources and knowledge on these fronts should pose no overwhelming, insurmountable barriers.

Indonesia is receptive and pragmatic towards Chinese investments and capital in sectors that require substantial initial investments and guarantees, e.g. the electric vehicle industry. As the preferred go-to listing destination and service provider for mainland Chinese tech giants, Hong Kong possesses the needed knowledge and experience to facilitate and smoothen the entry of these leading manufacturers and producers into Indonesia.

Anticipated Benefits

Indonesia. There are at least three dimensions of distinctive benefits that Indonesia gains from the above. First, a consistent, non-ideologically-motivated, and constructive source of funding that would supplement and enable the government to pursue its series of green transformations, ranging from subsidising renewable energy vehicle industries, to undertaking grid rewiring and urban design in minimising energy dissipation. Such investments would also be helpful in tying Indonesia over potential deficits and resource constraints in the short- to medium-term, given that most green investments' time horizons for profits (or breakeven) tend to be in the long-term⁵⁸.

Second, Hong Kong (and China as a whole)'s substantive technological expertise and knowledge can offer a helpful boost to Indonesia as it seeks to nurture homegrown technological and research talents on the fronts of climate change adaptation and mitigation. Hong Kong's status as a regional blockchain and decentralisation-technology hub further bolsters its credibility and contributory value.

Third, and finally, Hong Kong's ESG compliance advisory services would enable Indonesia to close the gap that has hindered its ability to attract ESG-conscientious investments. None of these is to suggest that Indonesia cannot do it alone – but that much more can be achieved, and faster, through Hong Kong and Indonesia's joining forces together.

Fundamentally, the success of our efforts in tackling climate change is contingent upon international collaboration. As two amongst the four most populous nations in the world, Indonesia and China should seek to bridge their differences and collaborate over green supply chains, pragmatic sharing of intellectual property and resources, and research tailored to their respective comparative advantages. Hong Kong has a strategic role to play here, as a nexus for communication, coordination, and liaison.

Hong Kong and China. Hong Kong has clearly indicated its aspirations to be Asia's, if not the world's hub for sustainable finance, as well as reach carbon neutrality by 2050. The former vision is directly relevant to the proposals raised above – and feeds into the broader strategy on Hong Kong's part to navigate the quagmire of international geopolitics and energy dynamics through its identity and positioning as a finance hub.

The latter target also behoves Hong Kong authorities to work closely with regional counterparts in spearheading mutually advantageous research that reduces carbon emissions, lowers dependence upon non-renewables, and allows for the preservation and protection of biodiversity amidst the habitat-destroying, deleterious effects brought on by climate change. Strategic investments in Indonesia's green and renewable industries would go a long way in aiding the government in creating favourable conditions for such a transition. Indeed, Indonesia is amongst the most nickel-rich nations in the world, and a prime partner that must be engaged for any enduring green transition undertaking⁵⁹.

AREA 3: TRADE, SERVICE, AND BUSINESS

Context – Challenges and Opportunities

Indonesia. Through the Hong Kong-ASEAN Free Trade and Investment Agreement, which took effect in July 2020, Indonesia can enjoy substantial trade ties and connections with Hong Kong. Yet Hong Kong-Indonesian trade remains somewhat limited, especially when taking into consideration the substantial population of Indonesia – Indonesia ranked as the

⁵⁸ <https://mea-finance.com/how-green-investing-can-create-long-term-value/>

⁵⁹ <https://www.csis.org/analysis/indonesias-nickel-industrial-strategy>



sixth largest trade partner out of the ten ASEAN economies for Hong Kong, accounting for merely 0.4% of total trade with Hong Kong⁶⁰. It does suggest that there may be missed opportunities for Indonesia to broaden, diversify, and deepen its trade and commercial engagements with Hong Kong.

Indonesia and (Mainland) China have seen growing trade and investment ties over recent years. With that said, access to Mainland China remains an area that could be considerably improved for Indonesian businesses, for three core reasons – firstly, the efforts to groom domestic, homegrown companies, which may exacerbate competitive difficulties for Indonesian firms in the technology and digital sectors; secondly, regulations governing (joint) ownership of corporations, despite their progressive removal and lifting in the 2010s⁶¹, subject Indonesian companies seeking to set up shop in mainland to considerable legal and ownership-related barriers and difficulties; finally, Indonesian companies and investors tend to prefer the more internationally adopted common law jurisdiction

as the basis for setting legal and arbitration disputes (though Indonesia itself uses a civil law system⁶²).

Hong Kong and China. As of 2021, there were only 16 Indonesian companies in Hong Kong, and none of them takes Hong Kong to be their regional headquarters⁶³. Most Indonesian companies tend to opt instead for Singapore, which they find to be significantly more open and friendly to firms from the region. This needs to be changed, and can be changed.

Historically, Hong Kong had relied heavily upon being the primary, if not only, site with much lower import duties in relation to Mainland China. Hong Kong's close economic relations with the mainland had enabled Hong Kong to serve as a maximally effective re-export/import centre, taking in Indonesian manufactured goods and re-exporting to the Mainland for far cheaper prices than if these goods were directly exported. Hong Kong has cultivated a role as a value-adding nodule in critical supply chains conjoining ASEAN countries and China⁶⁴.

⁶⁰ <https://research.hktdc.com/en/article/MzU3OTQxMTQ2>

⁶¹ <https://www.jonesday.com/en/insights/2020/02/chinas-new-foreign-investment-law>

⁶² https://law.unimelb.edu.au/_data/assets/pdf_file/0010/1546309/Indonesians_Trial_Process_and_Legal_System_Background_Notes1.pdf

⁶³ <https://research.hktdc.com/en/article/MzU3OTQxMTQ2> up.com/Media-Centre/Insight/Insight/2022/HKEX/Exploring-the-Future-of-Markets-Part-2-ESG-Becomes-Part-of-the-DNA-of-Markets?sc_lang=en

⁶⁴ <https://hongkongbusiness.hk/economy/news/hong-kong-could-be-indonesian-trade-hub>

Much of this has changed over the past decade. China-ASEAN trade has surged considerably over time – increasing from US\$235.5 billion in 2010 to US\$507.9 billion in 2019 – a whopping 18% of total trade of ASEAN. The 2019 figures were double of those in 2010, and almost four times of that in 2005, when ASEAN and China signed their goods trade agreement⁶⁵.

From the vantage point of Hong Kong's competitiveness as a trade nexus, it is clear that the city needs to diversify. Given the increasingly fractious geopolitical dynamics governing international relations, supply chains are being both disintermediated (with Hong Kong cut out of them) and rerouted (away from Mainland China in some cases, or directly towards the Mainland – without Hong Kong in between – in others). In the 14th Five Year Plan, the Central Administration in Beijing has repeatedly stressed the need for Hong Kong to 'enhance its status as an international transportation [...and] trade centre'⁶⁶. It is vital that we live up to these expectations.

Policy Proposals

The Hong Kong government should:

1. **Establish Hong Kong as a premier Trade 2.0 hub in the region**, specialising in capital-raising (financing, loans processing etc.), operation and deployment technological capabilities, high-end professional services (e.g. actuarial and insurance services) in international trade and logistics:
 - a. Leverage Hong Kong's prospective accession to RCEP as a means of deepening and furthering trade with hitherto unexplored sectors in Indonesia;
 - b. Invest significantly and attract leading international personnel to transform Hong Kong into a digital command centre for Asia's supply chains, drawing upon nascent innovations such as blockchain, regulatory and financial technologies, and interface-immersive technologies to drastically reduce the clutter between manufacturers, intermediary logistic facilities, and consumers;
 - c. Explore and diversify markets of financial products derived from and based upon trade flows – especially in energy – between China and Indonesia; such products could in turn be marketed and sold to global investors (via HKEx);
 - d. Reach out to mainland Chinese and Indonesian firms in order to identify existing niches and incompatibilities in Sino-Indonesian trade, to which Hong Kong can contribute;
 - e. Consolidate Hong Kong's role as a trade financing hub, by exploring room for micro, small, and medium-sized enterprises in Indonesia and Mainland China to receive emergency loans and credit lines that would enable them to weather contingencies⁶⁷;
 - f. Undertake strategic reindustrialisation, with the aims of facilitating the development and consolidation of manufacturing-service-hybrid services, e.g. services that involve a degree of manual repair and (re-)manufacturing, and combines such with high-skilled service – e.g. clockwork and aircraft maintenance; jewellery and artisan product manufacturing;
 - g. Undertake digital transformation of payment, resource allocation, and registration structures in order to streamline cross-border and international trade;
 - h. Provide special rates for trade credit insurance for Indonesian firms in short- to medium-term trade, where substantial returns can be expected in the long term;
2. **Retrofit and enhance Hong Kong's readiness and wherewithal in serving as a regional hub for Indonesian companies** – both large and established, but also promising and up-and-coming:
 - a. Provide a basket of incentives (including targeted subsidies, housing and accommodation support, career development and training loans, and semi-visa-free travel access to Mainland China) to attract medium- to large-scale Indonesian corporations to set up global and regional headquarters in Hong Kong;

⁶⁵ <https://asean.org/our-communities/economic-community/integration-with-global-economy/asean-china-economic-relation/>

⁶⁶ <https://www.policyaddress.gov.hk/2021/eng/pdf/publications/14-5/14-5-full.pdf>

⁶⁷ <https://www.scmp.com/comment/opinion/article/3157042/how-small-firms-will-benefit-simpler-integrated-trade-finance>

- b. Establish a government-led, private sector-supported networking service platform that connects venture capital in Mainland China and Hong Kong, with start-ups and early-stage corporations in Indonesia, in exchange for these corporations to relocate to Hong Kong;
 - c. Liaise with homegrown unicorn companies in the Greater Bay Area, to encourage them to relocate their R & D and upstream research bases to Hong Kong, ideally in conjunction with universities that would then house their affiliated laboratories and research institutes;
 - d. Lower taxes and minimum office thresholds/requirements at large for Indonesian businesses, including SMEs, to set up sizeably staffed offices in Hong Kong;
 - e. Arrange for exchange and secondment opportunities for early-career professional personnel (e.g. in STEM or legal industries) in Indonesia/Hong Kong, to work temporary, for instance six-month stints in companies in the other economy;
 - f. Recruit from Indonesian economies (provided that they satisfy language requirements) Bahasa Indonesia-speaking industry experts to advise and liaise between the Hong Kong and Indonesian business communities;
3. **Expand and strengthen Hong Kong's commercial presence in Indonesia.** Liaise proactively with the Indonesian government in opening up access by Hong Kong capital and businesses into the Indonesian market:
- a. Set up a representative task force with diverse backgrounds, with the aims of improving Hong Kong's commercial outreach, trade, and engagement with the ASEAN region;
 - b. Liaise with existing key stakeholders (including the Indonesian Chamber of Commerce of Hong Kong, and family businesses associated with the Indonesian Chinese diaspora) with presence and experience in Indonesia, in advising, for instance providing guidelines of recommended 'Do's and 'Don't's that would serve as a useful reference for prospective investors entering Indonesia;
 - c. Empower and facilitate professional service providers that want to send their staff to

Indonesia in getting to know the market and economy; offer these posted personnel members with discretionary – if appropriate – flexible working visa arrangements;

- d. Broaden the scope of tax agreements between Indonesia and Hong Kong, such that select Hong Kong businesses investing and operating in Indonesia could pay parts of their taxes in accordance with the Hong Kong, as opposed to Indonesian, tax regime;
- e. Negotiate with key Indonesian authorities in identifying mutually agreeable proposals by which Hong Kong companies and investors can contribute directly towards the ongoing infrastructural undertakings in East Kalimantan.

Hong Kong's unrivalled logistical, transportation, exhibition infrastructure, paired with its all-encompassing ordinances and regulatory regimes and exceptional quality of life, renders it a very attractive gateway for firms seeking to make forays into the mainland.

Feasibility

Hong Kong certainly possesses the needed potential to morph from Trade 1.0 (e.g. re-export/import) to Trade 2.0 when it comes to China's trade with the rest of the world. Hong Kong is well-endowed with a highly skilled, bilingually broadly fluent, and – at the top-end – internationally connected and embedded workforce, with substantial institutional knowledge and access to Mainland China. Whilst China's trade with the ASEAN has continually surged, Hong Kong's rich experience as an entrepot has given it well-developed knowledge and logistical infrastructure to handle trade flows and reroutes. Moreover, with increasing interest (long overdue)⁶⁸ in re-industrialisation in the city, there is a real sense of optimism and policy confidence that the

⁶⁸ <https://www.legco.gov.hk/research-publications/english/2022issh28-re-industrialization-in-hong-kong-20221107-e.pdf>

city is ready to embrace the necessary transformations to acclimatise to a new era.

When it comes to the city's role as a business hub, Hong Kong's unrivalled logistical, transportation, exhibition infrastructure, paired with its all-encompassing ordinances and regulatory regimes and exceptional quality of life, renders it a very attractive gateway for firms seeking to make forays into the mainland. Hong Kong is robustly connected with the mainland, whilst its ties with Indonesia – in trade-related areas and personal connections – could certainly be further strengthened. There is a lot of easy, 'catch-up growth' that can be accomplished between Hong Kong and Indonesia. Consider, for instance, the value-added Hong Kong can contribute through digitalisation and post-manufacturing services, or through imports and re-exports of renewable energy produced in Indonesia.

Anticipated Benefits

Indonesia. Hong Kong's evolution from Trade 1.0 to 2.0 in relation to firms from the ASEAN would prove to be highly valuable in improving trade connectivity among ASEAN economies, and Hong Kong and Mainland China. The SAR's enhanced technological infrastructure would also prove to be invaluable to Sino-Indonesian collaboration in other areas, such as the 4.5 million square-metre Sino-Indonesian Economic and Trade Cooperation Zone in Greater Jakarta⁶⁹. Many of these reforms would further consolidate Hong Kong's positioning within the RCEP, enabling it to cultivate a unique and different role from the mainland in the world's largest free-trade agreement as well as appealing to trade partners within RCEP.

Trade between Hong Kong and Indonesia had been anticipated to increase in any case. Yet the objectives here are not only to boost Hong Kong's quantity of trade with Indonesia, but to improve its quality. Hong Kong's high product standards could in fact serve as a motivating and driving force in facilitating improvements to Indonesian goods, thereby enhancing their competitiveness all round. Furthermore, Indonesian governmental efforts at streamlining

procedures and improving ease of doing business would certainly be enhanced by the complementary support that Hong Kong could offer, as detailed above. Indonesia's 'Making Indonesia 4.0'⁷⁰ provides a perfect roadmap for Hong Kong's advanced, post-manufacturing service providers (e.g. hybrid secondary-tertiary sector firms) to find synergy and room for collaboration with their Indonesian counterparts. Indeed, Hong Kong could step up to serve as the base for many of these companies, as they turn their attention to the vast Chinese market.

Hong Kong and China. Global supply chains are shifting. The classic view that Hong Kong should serve as purely the nexus conjoining the East and West is, whilst still important, no longer the sole operating maxim by which Hong Kong defines itself. Hong Kong must cultivate greater dexterity and openness to serve Southeast Asian countries as they seek to tap into Mainland China, and vice versa. Hong Kong must move past the physical-logistical, and contemplate how it could add value to supply chains via high-end technology, tailored services, and reprocessing that draws upon high-end and mid-tier skilled labour.

Hong Kong firms and investors are likely to become increasingly interested in establishing a base in Indonesia. Whilst the SAR government need not bear the exclusive mantle of facilitating businesses in the country, it would certainly be very helpful for there to be a consistent and streamlined government-maintained repository of knowledge to which Hong Kong firms can turn for counsel and advice. There is a 'critical mass' argument in favour of the Hong Kong government liaising directly with its Indonesian counterpart, in fostering more favourable conditions and pathways for Hong Kong businesses to operate in the country.

Fundamentally, not only does Hong Kong stand to gain from its becoming more efficient and value-adding in relation to trade, Mainland China, too, benefits from the greater institutional knowledge and understanding available in Hong Kong, concerning the business climate, ecosystem, and norms adopted in Indonesia. If Hong Kong is to contribute towards

⁶⁹ https://www.chamber.org.hk/en/information/the-bulletin_detail.aspx?id=648

⁷⁰ <https://www.kearney.com/operations-performance-transformation/indonesia-4.0-the-transformation-opportunity>



Photo courtesy of M+

China's Dual Circulation Strategy⁷¹, it must continue to bridge China's gap with the world, by reducing clutter, minimising frictional costs, and improving bilateral communication and alignment on commercial and trade issues.

AREA 4: CULTURE, TOURISM, AND ACADEMIC EXCHANGE

Context – Challenges and Opportunities

Indonesia. There is an emerging foundational social and governmental consensus in Indonesia, that cultural traditions do require protection and preservation, and that Indonesia's rich, textured anthropological history counts towards its soft power and unique identity. Whilst many provincial governments have sought to manage and include intangible cultural heritage in their present approaches to tourism and community-building, the challenges of indigenous cultural and linguistic preservation remain pressing and real – especially for minority languages with dwindling populations⁷².

Many such rich and dynamic cultures merit platforms, funding, and training to curate, maintain, and disseminate; yet these resources may not always be available, given budgetary constraints.

Indonesia has a very young population. There were nearly 46 million youths (defined as 15-24yo) in Indonesia in 2020, as compared with a population of approximately 272 million – converting to almost 17% of the total population⁷³. Estimates suggest that nearly a significant proportion of 15- to 19-year-olds are neither in education, employment, nor training⁷⁴. Youth unemployment remains a concerning issue that requires redress. Educating and empowering Indonesian youth is thus not only a core pillar of the present government's policy agenda, but also an area in which international friends and partners to Indonesia, for instance Hong Kong, have a significant role to play, whether it be offering internships, exchange opportunities, or targeted advice on strengthening the quality and infrastructure of education.

⁷¹ <https://www.bruegel.org/report/what-behind-chinas-dual-circulation-strategy>

⁷² <https://www.atlantis-press.com/proceedings/icocspa-17/55909039>

⁷³ <https://knoema.com/atlas/Indonesia/topics/Demographics/Age/Population-aged-15-24-years>

⁷⁴ <https://www.unicef.org/indonesia/education-and-adolescents>

Finally, tourism is emerging to be an increasing policy priority for the Indonesian government and its people. President Widodo noted in January this year that ‘this year [2023] will be a moment of revival for Indonesian tourism’⁷⁵. The country has faced substantial disruption and diminution in tourist numbers induced by the pandemic and pandemic response policies. Additionally, growing competition from other Asian countries such as Thailand and Japan may affect the influx of Chinese tourists post-reopening from the country.

Hong Kong and China. Hong Kong has always thrived best when it successfully allows for the organic and creative and unflinching mixing of cultures and traditions from the East and West. As Hong Kong re-opens up post-pandemic, it is vital that the city reopens itself to old friends and acquaintances from afar, enhances its image through genuinely conducive soft-power investment, and seeks to kindle depoliticised, genuine, humanistic ties with prospective friends from afar. All of these objectives require, in turn, a sophisticated and comprehensive cultural exchange policy – one that takes conversations, dialogues, dialectics between cultures seriously, and that does not reduce culture into purely commercialised entities. A core thrust of art preservation of course requires resources and investment, collection and trade; yet there should also be more to art and culture than merely monetisation. It is this ethos that underpins Indonesia’s approach to arts and culture; it is also such ethos that we ought to take seriously.

Hong Kong has exceptional set of infrastructure that renders it uniquely equipped to host, convene, and facilitate cutting-edge exhibitions and displays of an impressive array of arts. The M+ Museum, the Hong Kong Palace Museum, as well as the Hong Kong Museum of Art, are core pillars to the city’s arts engagement and education approach, besides serving as key tourist attractions that pull in art enthusiasts from all corners of the world⁷⁶. Yet the city’s exchange infrastructure – as defined by its ability to support large-scale, systemic, and comprehensive collaboration and ties between local and international artists –

remains a work in progress. It is conducive to Hong Kong and the region for Hong Kong to broaden its cultural exchange and interactions with counterparts from other countries⁷⁷. More generally, profound understanding of Southeast Asian cultures and history remains deficient amongst the general populace – there is much work that remains to be completed per artistic and cultural literacy.

As the SAR looks set to reopen in full and welcome the world’s return, Hong Kong must seek to diversify its sources of tourists – looking to markets with substantial potential, such as Indonesia, is hence essential. It would be in Hong Kong’s interest to broaden and deepen its population’s overall proficiency and familiarity with Indonesian languages (including dialects) and cultures.

In late 2022, a series of high-profile in-person conferences – including the Global Financial Leaders’ Investment Summit, the Hong Kong-ASEAN Summit, and the Asia Global Dialogue 2022⁷⁸ – attested to the fact that Hong Kong remains a thriving nexus for intellectual conversations. Going forward, Hong Kong must bear the torch of such healthy, focussed debates, and keep the dialogue alive and going.

Policy Proposals

The Hong Kong government should:

1. **Work closely with the Indonesian national government and municipal governments of key cities of cultural importance, in facilitating cultural exchange among Mainland China, Hong Kong and Indonesia:**
 - a. Subsidise exchange artist-in-residence programmes to enable Indonesian/Hong Kong artists, especially early-career or mid-career artists, to gain valuable experience from working with and living in different artistic and social communities;
 - b. Work in conjunction with leading pan-Asian and Indonesian not-for-profit organisations, artistic groups, and festivals (e.g. the Bali Arts Festival, the Festival of Indonesia⁷⁹) in

⁷⁵ <https://en.tempo.co/read/1685440/2023-an-opportune-time-for-accelerating-tourism-growth-president-jokowi>

⁷⁶ <https://www.discoverhongkong.com/uk/explore/neighbourhoods/west-kowloon/west-kowloon-m-plus-to-open.html>

⁷⁷ <https://www.scmp.com/comment/opinion/article/3202400/be-truly-world-class-cultural-hub-hong-kong-needs-much-more-just-hardware>

⁷⁸ <https://www.asiaglobaldialogue.hku.hk/>

⁷⁹ <https://www.thejakartapost.com/news/2010/03/23/rachel-cooper-indonesia-flowing-through-her-veins.html>

facilitating Indonesian arts and cultural troupes' performances – potentially even stationing – in Hong Kong;

- c. Organise in-depth workshops and symposia featuring leading, veteran members of the artistic and cultural communities of Hong Kong and Indonesia, with the primary objectives of enabling knowledge dissemination through dialectical exchanges and debates over cultural theories and practices;
- d. Subsidise in-depth arts and cultural deep-dive tours and visits for Indonesian students to Hong Kong and Mainland China, and Chinese and Hong Kong students to Indonesia;
- e. Collaborate with the UNESCO in convening a joint exhibition between the Hong Kong and Indonesian design communities at Bandung, an officially designated UNESCO Design City;
- f. Establish a Hong Kong-Indonesian Cultural Exchange Forum, which serves to pair private donations from philanthropists and firms with aspiring artists and art groups in need of funding, as well as equipping the latter with mentorship and advisory support;
- g. Host semi-regular Southeast Asian fashion festivals, with the objectives of promoting greater awareness and understanding of traditional Southeast Asian fashion and culture

(e.g. the kebaya), as well as platforming up-and-coming designer works from the region.

2. Develop Hong Kong into a creative education and capacity-building hub within the Greater Bay Area, and Greater China:

- a. Subsidise leading universities in Hong Kong to establish research centre(s) with the remit of researching best practices, pitfalls, and metrics of measuring successful cultural change;
- b. Liaise with local and international gallery owners in identifying ideal spaces for the establishment of arts and cultural spaces playing host to contemporary Southeast Asian and Chinese art pieces;
- c. Incorporate elements of creative arts into the curricula and syllabi of non-arts subjects in local secondary schools, e.g. encouraging teaching and learning history via studying artwork, contexts and origins, and histories of appreciation;
- d. Pair up Hong Kong-based practitioners with counterparts and interlocutors on the mainland who share similar interests and methodological approaches; subsidise to incentivise cross-border cultural collaborations;
- e. Engage international arts auction houses on efforts to promote cross-border arts trade and auctions;



- f. Promote the works of prominent contemporary Chinese artists, whilst inviting them to run masterclasses and workshops in Hong Kong on a semi-regular basis;
 - g. Sponsor top-quality, emerging grassroots art groups from a variety of disciplines in art on tours throughout Southeast Asia;
 - h. Establish a Museum of Diasporic History, focussing on the lived experiences, cultures, arts, and everyday lives of ethnic Chinese immigrants in Southeast Asia in the 19th and 20th centuries.
3. **Seek to further deepen and strengthen cooperation with the Indonesian public and private sectors on the front of cultural preservation and dissemination – e.g. via encouraging Hong Kong's private sector capital and philanthropists to support Indonesia's cultural heritage restoration and maintenance efforts:**
- a. Invite prominent traditional artists and cultural theorists from Indonesia to share their works via Hong Kong-based digital platforms and spaces, as well as to teach students in Hong Kong;
 - b. Work with prominent private sector actors and not-for-profit organisations to contribute towards Indonesia's arts and cultural preservation efforts;
 - c. Conduct in-depth discussions and brainstorming with Indonesian counterparts so as to learn from them their approaches to cultural preservation, with the primary objectives of applying the insights to Hong Kong's context;
4. **Qualitatively and quantitatively bolster Hong Kong's education and academic ties with Indonesia:**
- a. Offer an increased number of bonded scholarships (partial and full) (cf. the Hong Kong Scholarship for 'Belt and Road' Students from Indonesia⁸⁰) in conjunction with not-for-profit organisations for Indonesian students to enrol at Hong Kong universities and top secondary schools; these students would be required to work in both Hong Kong and Indonesia for a fixed number of years upon graduation;
 - b. Expand the aforementioned scholarships to include professional and vocational courses, as well as part-time post-graduate degree programmes⁸¹;
 - c. Offer subsidies and sponsorships for Hong Kong students who study in Indonesian universities; these students would be required to work in only Hong Kong for a fixed number of years upon graduation;
 - d. Recruit leading academics, researchers and writers in Indonesia to higher education institutions in Hong Kong;
 - e. Facilitate the establishment of Hong Kong campuses for top Southeast Asia-based universities, and the establishment of Indonesian campuses for top Hong Kong-based universities;
 - f. Offer Bahasa Indonesia as an elective subject that students can sit for public secondary school examinations;
 - g. Position Hong Kong as and develop it accordingly into a leading hub in East Asia for China studies and Chinese learning for Indonesian scholars and academics;
5. **Work with the Indonesian government, the Indonesian Chamber of Commerce and Industry, the Indonesian Hotel and Restaurant Association, and other leading related organisations and associations in Indonesia, in facilitating mutual enhancement in tourism:**
- a. Engage in targeted, locally customised promotion campaigns of Hong Kong as a premier tourist destination;
 - b. Offer Indonesian tourism agencies and interested bodies the opportunities to promote their country via roadshows, mass broadcasts, and flagship events – e.g. music and cultural festivals – in Hong Kong;
 - c. Facilitate greater alignment and coordination between departments involved in policymaking over technology, tourism, culture, and small and medium enterprise, united under the overarching banner of 'Tourism Economy' (see Indonesia for reference)⁸²;

⁸⁰ <https://jakartaglobe.id/news/indonesia-hong-kong-boost-cooperation-education/>

⁸¹ https://www.hketojakarta.gov.hk/en/going_to_HK/studying.html

⁸² <https://www.creativetourismnetwork.org/interview-with-mr-sandiaga-uno-minister-of-tourism-and-creative-economy-of-indonesia/>

- d. Supply highly trained and qualified events management leadership personnel from Hong Kong to Indonesia, to advise the latter on prominent flagship tourist events (e.g. the upcoming 2023 FIFA World Cup U-20 and Jakarta E-Prix)⁸³;
 - e. Identify, invest and research into forms of tourism including eco-tourism, cultural tourism, suburban and rural tourism that straddle both Hong Kong and Indonesia – with the aims of generating mutually applicable and utile insights;
6. Consolidate track-2 exchanges and conversations between Indonesia, Hong Kong, and Mainland China, e.g. dialogues between mostly senior, non-governmental actors with significant influence in the private and non-profit sectors, which may also feature some governmental representation (i.e. track-1.5)⁸⁴:
- a. Work closely with leading non-profit organisations and foundations in conducting closed-room dialogues, workshops, symposia and conferences among leading policymakers, academics, civil servants in Indonesia, Mainland China, and Hong Kong;
 - b. Convene alternately in Hong Kong and Jakarta, via leading not-for-profit organisations, a regular public lecture series on ‘Sino-Indonesia Relations’ featuring high-profile, established guests, so as to enable better understanding and knowledge in China and Indonesia of each other’s politics, economy, culture, and society;
 - c. Establish a regular Hong Kong-Indonesia-Mainland Chinese three-way mid-ranking civil service exchange/secondment programme;
 - d. Support the establishment of and work closely with research groups and units, and think-tanks, aimed at improving Hong Kong’s institutional literacy and understanding of Southeast Asian affairs;
 - e. Fund research centres and non-profits aimed at promoting people-to-people exchanges between Hong Kong and Indonesia.

Feasibility

There are three distinctive reasons that render the above reforms highly feasible. The first, and in relation to the cultural and educational/academic spheres in particular, is that Hong Kong has a highly involved and enthusiastic private sector that can be counted upon – provided the right framework, resources, and definitive objectives are offered – in funding, providing facilities, and supporting exchange initiatives and programmes. Not-for-profit organisations and philanthropists are the primary driving forces in funding and supporting arts and cultural preservation across the world⁸⁵. Hong Kong needs to count on its private sector to work organically in tandem with the government in backing cultural exchange and education programmes. More importantly, Hong Kong can also tap into vast Mainland Chinese capital and funding for cultural symposia that aid with enhancing China’s overarching regional and global soft power.

The second is Hong Kong’s world-class infrastructure that puts it in an ideal position to host a wide range of exhibitions, festivals and events, serving as a cosmopolitan and bustling regional tourist hub. Such infrastructure extends beyond the pristine hardware (e.g. the hotels, resorts, and exhibition halls that Hong Kong is renowned for); it also includes the events management personnel and highly trained professional service sector that has been the core pillars to the higher end of Hong Kong’s tourism industry. Going forward, the administration must draw upon such pre-existing strengths, in appealing to the hearts and minds of prospective tourists.

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⁸³ <https://invest-islands.com/eight-world-sports-events-are-scheduled-to-take-place-in-indonesia-throughout-2023/>

⁸⁴ <https://www.usip.org/publications/2019/07/primer-multi-track-diplomacy-how-does-it-work>

⁸⁵ <https://www.campaignforthearts.org/the-arts/funding/>

The third, is that the ‘One Country, Two Systems’ continues to be a pivotal anchor to Hong Kong’s international positioning. The visionary framework has enabled Hong Kong to maintain a high level of autonomy and inclusion for discussions and debates on topics that are perhaps less oft-discussed on the mainland. This exceptionally thought-out and designed system ensures that Hong Kong will continue to be the most progressive, open-minded, and internationally plugged-in city on Chinese soil, one that is uniquely equipped and well-suited to conduct multilateral dialogues and conversations over the future of Asia.

Anticipated Benefits

Indonesia. The three prongs of policies above – culture, tourism, and education exchanges – place a significant emphasis upon a comprehensive upgrade to the level of ties and interactions between Hong Kong and Indonesia. These ties provide Indonesia with supplementary capital, knowledge, and connectivity that can play a steering role in driving forward its ongoing efforts at improving indigenous and minority inclusion in official cultural policies, as well as at revitalising and stimulating greater tourism interest in the aftermath of the pandemic.

On education and track-II exchanges, there are two distinctive benefits for Indonesia. The first is the opportunity for intellectual and knowledge diffusion through the fostering of interpersonal ties between Hong Kong and Indonesian youth, academics and intelligentsia, which would be conducive towards bridging the Sino-Indonesian knowledge gap in the long run. There are few places better than Hong Kong in the world as a front seat to observe and track the fascinating developments within China.

The second is the substantial value that can be gained from establishing closer and better ties between the prominent players within the Indonesian and Hong Kong business, academic, and social spaces. Such conversations can serve to amplify, reinforce, and clarify – where needed – official communications, which certainly would only increase in frequency and depth over the coming years.

Hong Kong and China. As Hong Kong seeks to recover from the pandemic, attracting international travellers to the great city has become a prime priority. Indonesia, with its rapidly emerging middle class, ought to be amongst one of the key partners in Hong Kong’s outreach. The above measures aim to build clearer and more enduring synergy between Hong Kong’s and Indonesia’s tourism sectors, as well as enable more practically necessary coordination (e.g. with regards to organised tours and mass visits).

Hong Kong counts amongst the most culturally, ethnically and historically diverse cities in the world. The cultural industry remains vastly underdeveloped in the city – especially as a source of employment and soft power. Monetisation of the arts has been vastly successful in Hong Kong, through fixtures such as prestigious and exclusive cultural performances, Cantopop, and the auctioning and trading of internationally renowned art (e.g. Hong Kong was the second largest auction market for artworks in the world in the first eight months of 2020, sweeping up 26% of the global share⁸⁶). Indeed, the 14th Five Year Plan has emphasised the need for Hong Kong to become a centre for China-foreign culture and art exchange, a more culturally progressive and cosmopolitan Hong Kong is certainly in the interests of China⁸⁷.

The proposed cultural reforms advance three core, new value propositions: cultural preservation (learning from Indonesia as to how this could be undertaken effectively); cultural exchange (through facilitating exchanges between practitioners, critics, artists, cultural theorists, academics, curators etc. between Hong Kong and Indonesia), and cultural bricolage (through enabling artists to come together and collaborate in this city – where China meets the world). These reforms are in turn echoed by the general move towards more closed-room, small-scale dialogues, conversations, workshops between academics and researchers on both ends – crucial in enabling that Hong Kong maintains a good grasp of the regional and international pulse. The best means of cultivating an international city, is through providing our youth, our citizens, with the room to learn from peers and counterparts abroad. It is these friendships, these relationships, that we must come to cherish the most.

⁸⁶ <https://www.artsy.net/article/artsy-editorial-hong-kongs-art-market-emerges-tumultuous-year-optimism>

⁸⁷ <https://research.hktdc.com/en/article/NzkyNDE2MTI2>

Conclusion – The Path to Comprehensive Synergy

The future for relations between Indonesia and Hong Kong is brimming with opportunities. The path ahead to comprehensive synergy between Hong Kong and Indonesia is clear. There is much that both can gain from one another – not just through increasing the quantity of ties and exchanges between them, but also through improving the quality of such bonds. In this report, we have surveyed four critical means by which such bolstering can occur.

Economic and financial synergy between the two economies can be vastly improved through Hong Kong's contributing towards strengthening Indonesia's digital and banking finance sectors, reducing barriers to entry for Indonesian firms whilst enabling public financing for the Indonesian government. Hong Kong must also invest in rendering its economy more equipped for the rise of Indonesia – and render its infrastructure more amenable and conducive for high-net-worth individuals and families seeking a secure asset management centre.

Such financial strengths can be in turn capitalised upon in transforming Hong Kong into a leading green finance and sustainable innovation hub in the world – one that conjoins capital, innovation, with cutting-edge research aimed at tackling climate change and its ensuing effects. Through fostering closer capital and knowledge ties between Hong Kong, Mainland China, and Indonesia, Hong Kong can once again step up to its long-standing role as a pioneer of institutional change and norm shifts in Asia.

On the front of commerce and business, it is high time for Hong Kong to advance from Trade 1.0 to Trade 2.0. This requires Hong Kong to not just contemplate and act upon reflections concerning how it can genuinely add value to supply chains – including for Sino-Indonesian trade, it also behoves the government to take seriously the interests and needs of Hong Kong businesses and investors currently in Indonesia, and seek to foster a more conducive information and knowledge repository that lowers the barriers to entry there for businesses from Hong Kong.

Culture, tourism, and education are vital and conducive dimensions and facets of people-to-people exchanges. This is also where our society has a core role to play. From facilitating cross-cultural collaboration and hosting art exhibitions, to enabling conferencing and gathering of like-minded artists and cultural practitioners, to advancing scholarships for underprivileged yet talented youth from Indonesia and beyond in ASEAN, these are all initiatives in which we have a clear role to play, qua businesses or non-profits, communities or private citizens.

We must triangulate the Hong Kong-Indonesian relationship to reflect duly the interests and role of the rest of China, too. We shall seek to engage our international counterparts and friends through a framework of shared commitments to non-alignment, pacificism, and internationalism. For at the core of Hong Kong-Indonesian relationship lies our people. It is our people that make us great, and that make our friendship truly endure.

Here's to a better, brighter future for Hong Kong and Indonesia!

We shall seek to engage our international counterparts and friends through a framework of shared commitments to non-alignment, pacificism, and internationalism. For at the core of Hong Kong-Indonesian relationship lies our people. It is our people that make us great, and that make our friendship truly endure.



Hong Kong-ASEAN Foundation Limited serves as a platform to promote mutual understanding between Hong Kong and the ASEAN, and to deepen cultural and economic ties between the two areas.

We seek to promote public interest, mutual understanding, appreciation, and to support education, research and studies in ASEAN cultural heritage, histories, customs and cultural properties as well as foster greater awareness of collaboration opportunities for the benefits of Hong Kong and the ASEAN.

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