



How the strengthening ties between China, Hong Kong, and the UAE will boost economic growth for these countries and their regions

Amidst a global environment largely characterized by geopolitical uncertainty and conflict, it is heartening to see nations and blocs explore or strengthen partnerships in areas that are key to their mutual economic and strategic goals. The three-way relationship between China, Hong Kong, and the UAE is one such example. It has been characterized by healthy GDP growth, increased trade, and sizeable investments, bilateral agreements, and pragmatic trade facilitation. The cooperation between these countries, which spans sectors ranging from energy to technology, has deepened over the years and bodes well for their collective prosperity.

The UAE is Hong Kong's largest trade partner in the Middle East. Conversely, Hong Kong is the UAE's tenth largest trade partner. Businesses from the two countries are exploring areas of cooperation in the spheres of fintech, biotech, green technology, energy, smart cities, logistics, and more.¹ Hong Kong is also an important link between China and the UAE and other markets in the Middle East. With Asia becoming increasingly important in the global economic scenario, Hong Kong will play a big role in enabling business from the UAE and other nations of the world to explore opportunities in China. The free trade agreements that Hong

¹ <https://www.chinadailyhk.com/article/314780#UAE-looks-forward-to-more-investment-from-Hong-Kong>

Kong has with China and ASEAN will help UAE-based companies tap into new business opportunities in those regions, including in emerging technologies such as Blockchain, Artificial Intelligence, Big Data, and Cloud Computing.²

China and the UAE have been long been allies, with cooperation in economic, political, and cultural areas. They have had a comprehensive strategic partnership since 2012, covering politics, economy, security, energy, and culture.³ The two nations are now looking to extend their cooperation to renewable energy, real estate (smart city infrastructure), manufacturing, technology, health, transportation, and digital transformation. China's economic engagement with the Middle East over the years has yielded good results, with trade and investments growing strongly over the past couple of decades.⁴

COOPERATION IN KEY AREAS

The partnerships between the three nations in recent years span key areas that have potential to boost economic growth, drive greater innovation, and deepen cultural exchanges. Let us touch briefly upon some of them.

Finance, Business, and Trade: Earlier this year, the Hong Kong Monetary Authority and the Central Bank of the United Arab Emirates announced their intention to collaborate on financial infrastructure, financial market connectivity, virtual asset regulations, and ways to facilitate cross-border trade settlement. UAE-based banks are already operational in Hong Kong, facilitating financial transactions and investments between the two countries.

An important part of the discussion between the two central banks was how UAE-based companies could use Hong Kong's financial infrastructure platforms to access Asia and the Mainland markets – like Mashreq does, by connecting Chinese firms to opportunities in MENA. More recently, the Dubai Multi Commodities Centre also signed an MOU with the Hong Kong-Middle East Business Chamber to enhance commercial ties, including knowledge transfer and trade support.

Within the broader context of partnerships between China, Hong Kong, and the UAE, the Multiple CBDC Bridge (mBridge) project holds substantial benefits from streamlining cross-border payments to enhancing secure financial connectivity amongst the nations. By using central bank digital currencies (CBDC) for

² <https://gulfnews.com/gn-focus/hong-kong-the-gateway-to-opportunities-in-china-and-beyond-1.1675924292828>

³ <https://www.moec.gov.ae/en/-/uae-and-china-explore-strengthening-of-cooperation-in-trade-investment-energy-manufacturing-technology-health-transportation>

⁴ <https://www.cnbctv18.com/views/world-view-chinas-bold-approach-in-the-middle-east-heres-a-closer-look-at-this-aggressive-engagement-17217561.htm>

international fund transfers between participating banks, the m-Bridge project is expected to foster an environment conducive to mutual economic growth.

Technology: Of Hong Kong, China, and the UAE, the latter two have been in the thick of technology collaboration. China's technical expertise is evident in the 5G telecommunications infrastructure that has been established in the UAE. China's space technology enterprise Origin Space, the UAE University's National Space Science and Technology Centre, and the University of Hong Kong's Laboratory for Space Research have recently agreed to jointly build a R&D centre in Abu Dhabi, where researchers and engineers from China and the UAE will work together on building remote-sensing satellites and space telescopes and pursuing deep space exploration missions. Businesses from the UAE and China have long been collaborating to support sustainable-energy-related projects. In yet another development on this front, Emirates Nuclear Energy Corporation signed three agreements with China National Nuclear Corporation and its subsidiaries to explore collaboration in nuclear energy operations and maintenance.

Belt and Road Initiative: The UAE has been an active participant in the Belt and Road Initiative (BRI) since its launch, with the Khalifa Port and Industrial Zone acting as a hub for trade between China, the UAE, and other Middle East countries. Data for the first half of 2023 indicated that UAE's non-oil trade with countries within the Belt and Road Initiative amounted to USD 305 billion – almost 90 percent of the UAE's non-oil trade during that period and a growth of 13 percent over the first half of 2022. The UAE has pumped USD 10 billion into a joint China-UAE investment fund to support BRI projects in East Africa and signed 13 Memorandums of Understanding with China for investing in the UAE.

Energy and Oil: China's state-owned oil companies, such as CNOOC and PetroChina, collaborate with UAE national oil companies like ADNOC on various energy projects and related aspects such as exploration, production, and refining.

The cooperation between the UAE, China, and Hong Kong is a transformative force that will help in shaping the economic landscapes in those countries and their respective regions. The aforesaid initiatives provide a base for private sector corporations in these countries to explore deeper engagements, build trust, increase investments, and strengthen cooperation towards mutual sustainability goals. To that end, businesses will need to define a clear, ambitious roadmap that intertwines short-term, medium-term, and long-term objectives, guided by key performance indicators to measure collective success and prosperity for all stakeholders involved.