

BVI drives connectivity to China's Belt and Road initiative

As Hong Kong and London lock horns over which city should be the Belt and Road's financial hub, Elise Donovan says that the British Virgin Islands (BVI) offers its business companies as cross-border conduits of choice.

On the first day of the two-day Belt and Road Forum for International Cooperation, concluded in Beijing on May 15, 2017, Hong Kong chief executive Leung Chun-ying insisted his city was "the preferred destination" for capital flows from the mainland.

However, Philip Hammond, British Chancellor of the Exchequer, swiftly challenged Leung's bid – citing the sheer scale of funding required for China's Belt and Road initiative.

It promises to be in the trillions of US dollars and would require mobilising the world's capital markets. Hammond said Leung's pitch was "elegantly made" but responded by saying: "London is not an alternative to Hong Kong."

Will it be Hong Kong or London as the Belt and Road's financial hub?

Either way, what remains undisputed is that for almost 30 years, BVI business

companies have proven to be successful for Chinese investors and corporations doing cross-border trade.

"And," says Elise Donovan, director of BVI House Asia in Hong Kong, "they will continue to be the vehicles used in cross-border trade around the world, including Belt and Road projects."

DRIVING TRADE CONNECTIVITY

The Silk Road Economic Belt and the 21st Century Maritime Silk Road, proposed by PRC president Xi Jinping in 2013, aim to revitalise trade and investment links between Asia, Europe and Africa.

The network passes through more than 60 countries and regions with a total population of 3.5 billion.

The countries along those routes account for about 40% of the world's gross domestic product.



ELISE DONOVAN

BVI House Asia

At the Belt and Road Forum in Beijing, the influence and benefits of the initiative could be seen to be increasing, says Donovan, as China signed deals

with 68 countries to jointly develop infrastructure along the new Silk Road trade routes.

At the forum, Xi committed USD113 billion to help fund global infrastructure projects, on top of the USD60 billion in Chinese investment pledged since the Belt and Road initiative began.

To date Chinese companies have established 56 economic and trade cooperation zones in more than 20 countries, contributing nearly USD1.1 billion in taxes and creating around 180,000 jobs.

At the forum, all of the participating countries agreed to promote trade and investment along the Belt and Road to buttress regional and global economic growth.

PROMOTING TRADE AND INVESTMENT

The employment rate and people's incomes in countries along the route are projected to further improve.

"The Belt and Road initiative provides enormous opportunities to participate for a wide range of businesses," says Donovan. "This ranges from small, medium-sized enterprises to multinational corporations."

Situated at the center of the Belt and Road initiative and uniquely equipped to help businesses and investors are BVI business companies – which, she explains, are ideal vehicles for cross-border trade.

"BVI business companies have been utilised in joint venture structures as part of mergers and acquisitions transactions, structures for project

finance, and for the setting up of private equity funds," adds Donovan.

"The BVI demonstrates its flexibility and ability to cut through the complexity of different industries by arranging structures for projects and transactions in such areas as oil and natural gas, petrochemicals, metal industries, manufacturing and electronics."

CLEAR ATTRIBUTES

According to the 2017 edition of the Vistra 2020 report, launched in late April 2017, the BVI remains the top offshore jurisdiction worldwide.

"The BVI is 'an embedded brand' and still the go-to for most structuring conduits," stated the report.

The BVI's attributes – a legal system based on English common law, internationally-compliant regulations and tax neutrality – make it an especially attractive jurisdiction to channel outbound Chinese investment along the modern Silk Road Economic Belt and 21st Century Maritime Silk Road.

"The BVI is well-known for being trustworthy and robust, all of which plays a part in the globalised demand for the use of BVI structures," says Donovan.

"The BVI offers tax and jurisdictional neutrality, administrative convenience

and country risk mitigation, among other benefits."

If there are disputes, the BVI business companies offer legal and commercial certainty and protection of investors and creditors via English common law.

In Asia and in China, particularly, there is a wide availability of seasoned and highly-skilled professionals who deal with both the legal and financial aspects of working with BVI structures.

"For close to 30 years, BVI business companies have been vehicles of

choice for successful Chinese firms trading across the world. BVI business companies are among major businesses listed on the London, New York and Hong Kong stock exchanges," adds Donovan.

"Well-respected companies worldwide use BVI business companies to manage their cross-border activities," she explains.

During that time, she says the BVI has served as a conduit for capital, connectivity and cooperation.

'As a result, the BVI stands ready to support companies that continue to reach out to Belt and Road markets,' she adds. ■

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