

## Hong Kong & Mainland China News – Nov-2023

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### IMF raises China's 2023 GDP growth forecast

by rthk.hk

Tuesday, Nov 07, 2023

The International Monetary Fund (IMF) on Tuesday raised its 2023 economic growth forecast for China, citing stronger consumption and recent policy measures announced by Beijing.

After a tough year for the world's number-two economy, there have been flickers of life in recent weeks, with third-quarter expansion coming in more than expected.

The IMF said it saw gross domestic product expanding 5.4 percent this year, compared with a previous estimate of 5.0 percent, while it lifted its outlook 2024 to 4.6 percent from 4.2 percent.

Gita Gopinath, First Deputy Managing Director of the IMF, told a news conference in Beijing on Tuesday that the upgrade reflected "a strong post-reopening rebound in domestic demand, particularly consumption".

The economy grew 4.9 percent in July-September, slower than the previous quarter but a lot better than expected and a little shy of the government's goal of "around five percent" for the year.

Gopinath said the new forecast were made "reflecting stronger than expected growth in the third quarter and the new policy support that was recently announced".

But she warned that the IMF expected "weakness in the property sector to continue, and external demand to remain subdued". (AFP)

## **HK is one of the best places to do business: bankers**

by rthk.hk

Tuesday, Nov 07, 2023

International financial heavyweights said Hong Kong continues to be one of the best places to do business, thanks to its excellent connectivity to the mainland and the rest of the world.

During a panel discussion at the Global Financial Leaders' Investment Summit, HSBC chief executive Noel Quinn said growing integration between the SAR and the mainland is paying off.

"If you look at the flow of wealth from mainland China into Hong Kong just this year, we've seen growth in that activity of three to four times," he said.

"We've seen a return to the levels of the activity in wealth management here in Hong Kong, as a consequence of the integration with the mainland China."

Blackstone's president, Jon Gray, told another panel that Hong Kong is an important place for the world's biggest alternative asset manager to do business.

"Hong Kong is a terrifically important place for our business... obviously, it's a place where you can invest capital. It's the gateway to China as well. So, it's an important part of our firm, and we really enjoy being here," he said.

Speaking at the same occasion, Ken Griffin, CEO and founder of Citadel – a US-based hedge fund company – says Hong Kong remains attractive as an international financial centre.

"We have a great team on the ground. It's our most important team in Asia. Hong Kong is both for us an access to the entire continent and a gateway to mainland China," he said.

The summit brought together around 300 executives from the world's leading financial institutions, for a two-day discussion on topics ranging from the role of technology to the future of China's economy.

## **Xi's Big Week Ends With Rare Wins on US Ties, Taiwan, Economy**

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Friday, Nov 17, 2023

Chinese President Xi Jinping is set to finish his first visit to the US in six years on a high note, in a week that's seen a raft of rare good news for Beijing on everything from the economy to Taiwan.

Xi will be leaving San Francisco after a broadly positive trip that saw him agree with US President Joe Biden to better manage tensions and reassure Americans that China wants friendship, not war. That could reduce the risk of a crisis that raises military tensions at a time when Xi is struggling with a major property-market slump and a shakeup in senior leadership positions.

Xi's agenda at the Asia-Pacific Economic Cooperation forum also featured a warm welcome from some of the most important US business leaders — offering the world a valuable reminder of his nation's economic clout in the face of a pronounced drop-off in foreign investment. Xi on Thursday said more “heart-warming” measures were coming to make China more attractive to companies.

Back at home, fresh data suggested the economy may be putting some of its recent difficulties behind. And — perhaps most uplifting for Xi and his lieutenants — a new political alignment in Taiwan this week boosted the chances that a China-friendly leader will take power in a January election, ending the rule of a pro-independence party.

“There's a few pieces of good news for Xi, first of all the Xi-Biden meeting,” said Dongshu Liu, assistant professor specializing in Chinese politics at the City University of Hong Kong. “For Xi, he needs this kind of success to both signal China's willingness to be open to the international community of investors and to stabilize his domestic situation.”

It's by no means a radical turnaround: The US took no step toward lifting tariff hikes or export controls, for example — and there's no guarantee the week's glow will last. Previous detentes have quickly been derailed, and Biden's off-the-cuff remark again calling Xi a “dictator” showed the entrenched divisions that could again upend relations.

But for a Chinese leader grappling with enduring corruption concerns at the highest levels, a stiffening security posture in regional neighbors and faltering domestic confidence in his economy, it clocks up to a positive stretch.

A gauge of Chinese stocks listed in Hong Kong is on track to cap its best week in a month. The Hang Seng China Enterprises Index gained about 1.7% this week as of 10 a.m. on Friday, after worries over US chip probe erased earlier optimism about easing geopolitical tensions.

“The agreements emerging from the Xi-Biden APEC dialogue are meaningfully more than what markets expected,” said David Chao, a strategist at Invesco Asset Management. “It's clear that guardrails have been placed on the world's most important bilateral relationship — which I think puts a floor on political risk premium to Greater China risk assets.”

Shortly after his hours-long session with Biden Wednesday, Xi mounted a charm offensive of business executives in San Francisco.

Xi stressed to the group, which included the chief executive officers of giants such as Apple Inc., BlackRock Inc., Boeing Co. and Pfizer Inc., that China won't fight a war with anyone and has no aim to challenge the US. Deepening US-China tensions in recent years have forced board rooms across the globe to reconsider how they think about supply chains that were originally set up only on the basis of cost efficiency.

Evoking the 1970s period, when US-China rapprochement focused on feel-good exchanges such as ping-pong diplomacy, Xi also appealed to Americans' fondness for pandas. Before his remarks this week, China's loaning of the iconic animals to US zoos appeared to come to an end.

"I was told that many American people — especially children — were really reluctant to say goodbye to the pandas and went to the zoo to see them off," Xi said.

More substantively, Xi and Biden hashed out a handful of deals to try to address the fentanyl crisis, restore high-level military communications and open a dialogue over artificial intelligence. Biden hailed the talks as "some of the most constructive and productive discussions we've had."

In another good sign for Xi, Biden stuck closely to the script with respect to Taiwan, after he pledged repeatedly in public to defend the democratically run island if Beijing were to invade.

Despite the dictator remark, Biden wasn't drawn on questions over Taiwan scenario planning, and instead simply reiterated the so-called one China policy after his meeting with Xi. US officials said they believed the Chinese leader indicated he wasn't readying plans for a mass invasion of Taiwan.

In Taiwan itself, prospects increased this week that the current ruling party, which rejects China's claim to sovereignty over the island, may lose its bid to retain the presidency in elections in January. The two main opposition parties agreed to team up, which could see a more Beijing-friendly government coming to power.

## Better Data

Xi will return to China weeks before top leaders are expected to meet to set economic targets for the new year. The country at one point looked like it would miss the 2023 target for growth of about 5%, thanks largely to a property slump that's seen sales, investment and valuations all decline.

Latest indicators suggest the expansion will surpass 5% for the year, however, as infrastructure investment plans kick in. Consumer spending and industrial activity expanded faster than expected in October. Even so, monthly credit data showed limited demand in the private sector to take on new loans, a sign of continuing confidence issues.

Today's challenges may appear more manageable than those back in early summer, when a communication freeze meant even a visit to Beijing by US Secretary of State Antony Blinken seemed out of the question and worries about China slipping into Japan-style stagnation were rampant.

"The week has illustrated President Xi will shift focus on domestic economy after a successful visit to the US," said Xing Zhaopeng, senior China strategist at Australia & New Zealand Banking Group. "Economic issues only took a backseat in the dialogue, but the important thing is the stabilization of China-US relationship."

(Bloomberg)

## IMF chief says Biden-Xi engagement an important signal for world to cooperate

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Saturday, Nov 18, 2023

International Monetary Fund Managing Director Kristalina Georgieva said on Friday this week's meeting between U.S. President Joe Biden and Chinese President Xi Jinping is a badly needed signal that the world needs to cooperate more.

"It sends a signal to the rest of the world that we must find ways to cooperate on those challenges where no country on its own can succeed," Georgieva told Reuters in an interview on the sidelines of the Asia-Pacific Economic Cooperation summit.

The Biden-Xi meeting is "important at a time when geo-economic fragmentation has indeed deepened with negative consequences for the prospects for accelerating growth," Georgieva said.

Biden and Xi agreed on Wednesday to open a presidential hotline, resume military-to-military communications and work to curb fentanyl production, showing tangible progress in their first face-to-face talks in a year.

The meeting did not alter a growing array of national security-driven trade and investment restrictions between the world's two largest economies, but Georgieva said the resumption of communications was important at a very uncertain time for the global economy.

Georgieva said the U.S.-China thaw had a positive effect on leaders at the APEC summit, where her key takeaway was that "the spirit of cooperation is demonstrably stronger. And the world does need it."

Georgieva said revived U.S.-China communications will also help foster cooperation on global challenges, especially climate change, with the COP28 climate conference due to start at the end of November.

U.S.-China engagement also will be an important factor on negotiations over World Trade Organization reform, including restoration of its dispute settlement system. WTO ministers are due to meet in February in the United Arab Emirates.

#### GAZA WAR IMPACT

Israel's war against Hamas continues to be "devastating" for the population and economy of Gaza, with "severe impacts" on the West Bank's economy, Georgieva said as well.

It is also putting pressure on the neighboring economies of Egypt, Lebanon and Jordan, which are seeing reduced tourism and higher gas costs, she said.

Israel, too, will see an economic slowdown, as nearly 8% of its workforce has been diverted to military service, she said.

For Egypt, the IMF is "seriously considering" a possible augmentation of the country's \$3 billion loan program due to economic difficulties posed by the Israel-Hamas war. An IMF staff team is currently holding virtual consultations with Egyptian authorities on the program.

The Israel-Hamas war has had "a very, very limited impact" on the global economy as an initial run-up in energy prices was not sustained, but impacts could grow if there's an "accident" that widens the conflict or it is prolonged, Georgieva said.

"We are already seeing the impact of antisemitism and Islamophobia, raising their ugly heads all over the world. The sooner this war ends, the better," she said.

#### IMF SHAREHOLDING REFORMS

U.S. Treasury Secretary Janet Yellen said during meetings last week with her Chinese counterpart that a key outcome of U.S.-China economic engagement was Beijing's support for a 50% increase in IMF quota-based resources, without an immediate rise in shareholding for China.

Georgieva said it was important for the IMF to start quickly on revamping its shareholding formula to boost the representation of fast-growing developing economies: "The world needs an IMF that is financially strong, and that is also legitimate."

(Reuters)

## **Xi ends Apec trip with call for free trade, innovation**

by [www.rthk.hk](http://www.rthk.hk)

Saturday, Nov 18, 2023

President Xi Jinping on Friday called on economies in the Asia-Pacific to safeguard free trade and foster innovation as he wrapped up his visit to San Francisco for the Apec summit.

Speaking at a final meeting of the Apec leaders, Xi also reiterated China's opposition to the politicisation and weaponisation of economic and trade issues.

"Apec has always been on the frontier of openness and transformation. We have created a world-followed Asia-Pacific region. Now the current world economy is facing multiple risks. We must reflect upon this situation," he said.

"What can we do to create a new Asia-Pacific region? And the next step is to create a new Asia-Pacific region. How can Apec play a bigger role in that regard? We must adhere to the spirit of cooperation, echo the call of the era, and have win-win cooperation. By joining hands, we hope to create a community for the Asia-Pacific region."

Xi stressed the key role of the World Trade Organisation as the centre of a multilateral trading system.

"We will support open trade, development, and innovation. And we will also support the development of the multilateralism principle, upheld by the WTO, to ensure steady and smooth trade worldwide. We will also accelerate the establishment of a mechanism of the Asia-Pacific region."

The head of the Hong Kong delegation, Financial Secretary Paul Chan, was also present and sat next to Xi. He talked to the president for a few minutes before the meeting.

Indonesian President Joko Widodo, Australian Prime Minister Anthony Albanese, and International Monetary Fund chief Kristalina Georgieva, also spoke to Xi before the meeting.

US President Joe Biden sat with Peruvian President Dina Boluarte, who will be hosting the Apec summit next year.

In his remarks to the summit's closing session, Biden urged Asia-Pacific economies to work together to ensure that artificial intelligence brings change for the better, not to abuse workers or limit potential.

Biden said he had briefly discussed AI with Xi Jinping in talks on the sidelines of Apec on Wednesday.

"We're going to see more technological change in the next 10 years than we've seen the last 50 years," Biden said, as Xi looked on a few places to his left at a circular conference table. "Together we have to make sure it changes for the better."

Biden said digital technologies like AI must be used to "uplift, not limit, the potential of our people," and noted that the United States had brought together leading AI companies in the summer to agree voluntary commitments "to keep AI systems safe and trustworthy."

The steps, he said, included committing to ensuring the security of AI systems before releasing them to the public, watermarking AI-generated content to show it has been generated by artificial intelligence and minimizing the risk AI systems posed to society, such as by promoting bias or discrimination.

(RTHK/Reuters)

## **HK backs free trade**

by news.gov.hk

Tuesday, Nov 21, 2023

### **Financial Secretary Paul Chan**

This year, I am pleased to see your faces. I am also pleased to tell you that we have come out of the pandemic. Business is back, and Hong Kong's economy is rebounding. The GDP (gross domestic product) growth this year is forecast to be 3.2%.

For those of you who are coming by air, I hope you have had a smooth and comfortable flight. Indeed the capacity of Hong Kong International Airport is rapidly recovering. It is expected to reach 80% of the pre-pandemic level this year and will achieve a full recovery next year.

This week, the spotlight is on our logistics, maritime and aviation industries. I am told more than 2,000 of you are attending the two-day conference, with some 70 speakers from 15 countries and regions. And you represent stakeholders from every sector of the value chain.

The theme of the conference centres around the future of the global and regional supply chains. This is important and timely not only for the industry, but also for the world at large.

### **The global agenda**

As you may know, I spent the last week in San Francisco attending the APEC (Asia-Pacific Economic Cooperation) Finance Ministers' Meeting, and, on behalf of the Chief Executive, the Economic Leaders' Meeting. At these meetings, the global economic prospects, and global issues such as climate change, digitalisation, fragmentation of supply chains, sustainable and inclusive development, were high on the agenda.

Shipping, aviation and logistics are global businesses. Allow me to take a few minutes to share with you some of the discussion that may be of interest to you.

First, the global economic outlook. It is undoubtedly challenging given the complex and rapidly changing economic and geopolitical environment. Global economic growth in 2024 will be slower than that of this year and tilted to the downside, with many economies still struggling to return to pre-pandemic growth paths. The interest rate environment will be "higher for longer". Governments worldwide have limited monetary policy options due to the overriding priority of combatting high inflation. They also have limited fiscal space due to large deficits resulting from pandemic expenditure over the past three years, and borrowing ratios of many economies are already quite high. Therefore, governments are very keen to rebuild the resilience of their economy and fiscal space to cushion future shocks.



Second, combatting climate change is a significant and pressing task. And that calls for a significant amount of investment. For instance, Asia alone will need US\$66 trillion in the coming three decades to fund its green transition. Governments alone would not be able to fund all these, and private-sector resources would be pivotal to reaching net-zero targets.

Third, rising protectionism, geo-fragmentation, and the consequential disruptions to international trade, investments and supply chains are worrying. How to get the world together to return to a rules-based multilateral trading system and strengthen the interconnectedness and co-operation, is an important issue to address.

Fourth, innovation and digital economy. While emerging technologies such as AI (artificial intelligence) are transforming the economy and bringing tangible benefits, there is a consensus to manage the associated risks and to enable better inclusion so that the benefits will be shared by all.

### **Insights for us**

So what do these trends tell us? How would they impact on the global supply chain and the logistics industry? What are the challenges and opportunities? And how should we respond? I think the best is to leave answers to you, the many experts and thought leaders here to reflect on and share your valuable insights. But from Hong Kong's perspective, allow me to highlight just one point.

Given the lingering geopolitics and geo-economic fragmentation such as re-shoring, friend-shoring or even on-shoring, while traditional markets such as Europe and the US will remain important, the need to diversify will drive people to look for new markets and new sources of supply.

That means there will be more business with the ASEAN (Association of Southeast Asian Nations), the Middle East, and indeed the Belt & Road countries. In other words, the demand for logistics, maritime and aviation services with and within this region will rise rapidly. The trade figures published by China and economies in these regions have demonstrated such a clear trend.

And Hong Kong will remain committed to our superconnector role and be a platform providing high value-added logistics, maritime, aviation, financial and risk management services. We will continue to be a steadfast supporter of free trade and multilateralism, advocating for the reduction in trade barriers, and the free flow of goods and services, people and capital.

*Financial Secretary Paul Chan gave these remarks at the Asian Logistics, Maritime & Aviation Conference 2023 on November 21.*

## **Xi says China must protect foreign firms' rights, intellectual property**

by [www.thestandard.com.hk](http://www.thestandard.com.hk)

Tuesday, Nov 28, 2023

Chinese leader Xi Jinping has ordered greater protection for international firms' rights and intellectual property, state media reported Tuesday, as Beijing works to lure in foreign companies spooked by a crackdown and an ailing economy.

US and European firms in China have said that doing business is harder than ever as geopolitics, an anti-espionage law, raids on multinationals and favourable treatment for domestic competitors weigh on morale.

But Beijing has shown signs that it is now seeking to draw foreign companies back.

Xi in a written speech to an APEC summit of chief executives this month invited firms to invest, promising "heart-warming" measures "to make it easier for foreign companies to invest and operate in China".

And at a meeting on Monday of China's Communist Party Politburo -- the country's top decision-making body -- he said China must ensure "comprehensive, open and transparent" legal treatment of foreign entities, state broadcaster CCTV said.

China's legal system should "strengthen protection of intellectual property rights", he said, as well as "safeguard the legitimate rights and interests of foreign enterprises".

Beijing must "create a market-oriented, legal and international first-class business environment", Xi said.

Foreign entrepreneurs have long complained about vague and arbitrary regulations in China, chief among them being intellectual property theft -- an issue raised by US officials during visits to China this year.

US and European enterprise lobbies warned in September that foreign business confidence in China had reached its lowest in years as slowing growth and geopolitical tensions hit investment prospects.

But the business lobby is seeing signs that things could be improving following increased US-China engagement and a meeting between Xi and President Joe Biden this month.

(AFP)

## Bill on foreign gains tax passed

by news.gov.hk

Wednesday, Nov 29, 2023

The Government welcomed the passage of the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Bill 2023 by the Legislative Council today that refines Hong Kong's foreign-sourced income exemption regime (FSIE).

The refinement to the FSIE regime expands the scope of assets in relation to foreign-sourced disposal gains to cover assets other than shares or equity interests, it added.

Secretary for Financial Services & the Treasury Christopher Hui said that with the bill's passage, the city's FSIE regime will be brought in line with the latest requirement of the Guidance on Foreign Source Income Exemption Regimes updated by the European Union in December 2022.

The tax regime is further strengthened to counter cross-border tax avoidance and prevent double non-taxation, he noted.

Under the refined FSIE regime, foreign-sourced non-intellectual property (IP) disposal gains will continue to be exempt from tax if the multinational enterprise entity has adequate economic substance in Hong Kong.

For foreign-sourced IP disposal gains, the extent of the tax exemption will be determined by the nexus approach promulgated by the Organisation for Economic Co-operation & Development.

While the scope of assets in relation to foreign-sourced disposal gains is expanded, exemption and relief have been put in place to minimise the compliance burden of the affected multinational enterprise entities, thereby maintaining the tax competitiveness of Hong Kong, Mr Hui said.

To provide the necessary continuity and tax certainty for taxpayers, other parts of the existing compliance framework of Hong Kong's FSIE regime will continue to apply to the refined regime.

This covers the availability of double taxation relief and treatment of disposal loss as well as business facilitating measures to reduce compliance burden, enhance tax certainty and ensure tax transparency. [Click here](#) for details of the Foreign-sourced Income Exemption.

The refined foreign-sourced income exemption regime will be implemented from January 1, 2024. The Government will request the EU to remove Hong Kong from its watchlist on tax co-operation as soon as possible.