HK's financial market remains resilient: Hui

by rthk.hk
Friday, Dec 01, 2023

Financial services chief Christopher Hui on Friday brushed aside online remarks that Hong Kong is now just a “relic” of an international financial centre (IFC), saying the SAR’s market remains highly resilient.

Some online posts have recently emerged on mainland social media sites, saying Hong Kong being an international financial centre is now a thing of the past, following the stock market declines this year.

Writing on his official blog, Hui refuted these claims, saying the uncertain macro environment, unstable geopolitical situation, as well as “higher for longer” interest rates have inevitably hampered growth and the city’s fundraising ability.

However, he stressed the city’s financial market remains stable and resilient.

“Hong Kong's status as an IFC is not a tower or a monument that can be crushed by pressure,” Hui wrote.

“Hong Kong's success as an IFC relies on its unique position under the ‘One Country, Two Systems’ principle, the long-term efforts of the government, regulators and the industry, and the reputation of international investors and financiers.”

The financial services chief added that there’s been no significant capital outflow from the city’s banking system, saying total deposits with authorised institutions have grown 2.3 percent in the first nine months of the year.

Hui also noted that the total value of the securities market stood at HK$30.8 trillion at the end of October, up 17 percent from the same period last year.

Hong Kong’s stock market was among the worst performing this year, with the benchmark index shedding another 1.3 percent on Friday to the lowest level so far.

Xi Takes Flurry of Small Steps to Open China After Biden Thaw

by www.thestandard.com.hk
Friday, Dec 01, 2023

President Xi Jinping's government has vowed all year to restore foreign investors' shattered confidence in China. Since a meeting with US leader Joe Biden steadied ties, Beijing is gradually putting his words into action.

China has unleashed a flurry of market access concessions in the wake of last month's leaders' summit. Beijing approved a long-delayed Mastercard Inc. joint venture, then followed up by green lighting one of the world's largest technology mergers between US chipmaker Broadcom Inc. and cloud company VMWare Inc. Last week, officials announced visa-free access to China for six countries.

Translating "the San Francisco vision into actual policies and concrete steps" is a matter of "first-rate importance," the official Xinhua News Agency wrote this week. A meeting of the Politburo that Xi chaired on Monday called for "high-level opening up," a slogan associated with more market access.

The spate of conciliatory acts since the Biden meeting signals China's vast bureaucracy, which waits on clear instructions from Xi, is ramping up efforts to stop an exodus in capital. One gauge of foreign direct investment turned negative for the first time since 1998 this year, fueled by tensions with the US and Europe, the nation's slowing economy and higher interest rates abroad.

Small steps alone are unlikely to answer deeper concerns about policy swings, trade probes and a national security drive that might make it harder to move data overseas. But they could help reassure investors who have been demanding Xi back up his rhetoric on fairer treatment for foreign firms with real policy.

European business leaders now believe Beijing is moving beyond the charm offensive, with a genuine desire to deliver, said one person familiar with recent conversations between executives and China, who asked not to be named discussing private matters. The European Union and China are set to hold a long-delayed summit this month.

Eric Zheng, president of AmCham Shanghai, said in recent months Chinese officials from the central to local governments held listening sessions with senior executives at US firms. "We believe that our feedback has positively impacted some new government measures to support foreign-invested companies in China," he added.

Watching Washington

China's already fragile diplomatic ties with the US cratered during the Covid pandemic, and the Communist Party became a greater target for politicians in Washington. Beijing's close relationship with Russia after its invasion of Ukraine and mounting tensions over Taiwan deepened its rift with Western democracies.

The Europeans "listen" and take cues from Washington, according to Victor Gao, vice president of the Center for China and Globalization think tank who served as translator to the late leader Deng Xiaoping. "The Europeans are really very much influenced by the US perception or misperception of China."

Xi's decision to smooth ties with the world's largest economy at an economic summit in San Francisco — in a warm display that even indicated China will offer more pandas to American zoos — will likely make space for US allies to improve their ties with Beijing.

Already there are signs of improvement. At the beginning of last month, Australia sent its first prime minister to visit Xi in Beijing since 2016, as the two nations buried the hatchet on a $223 billion trade relationship.

China announced Thursday it had begun reviewing its tariffs on Australian wine, with Beijing likely to remove the taxes in the coming months to end years of punitive sanctions.

Last weekend, top Chinese top diplomat Wang Yi restarted in-person trilateral talks with his Japanese and South Korean counterparts after a four-year hiatus during which both nations drifted closer to Washington. Wang called for Seoul — which has yet to embrace US chip curbs on China — to "resist politicization of economic issues and ensure smooth operation of supply chains," according to a statement.

China's announcement of a one-year trial of visa-free travel for the European Union's top five economies — Germany, France, Italy, Spain and the Netherlands — came as Chinese Premier Li Qiang met French Foreign Affairs Minister Catherine Colonna in Beijing.

Beijing has also reached out to UK businesses, with top economic official He Lifeng holding a rare meeting with the chair of the China-Britain Business Council in Beijing this week.

Those overtures won't only reassure foreign companies, according to Michael Hirson, a China economist at 22V Research LLC, who said that domestic Chinese firms are also sensitive to geopolitical tensions.

"An important motivation for lowering tensions is Beijing's desire to revive growth and foreign direct investment," added the former US Treasury attache in Beijing. "While the more pragmatic tone is positive, foreign businesses have deep concerns that are unlikely to reverse."

Bloomberg

Investment promotion pact signed

by news.gov.hk
Thursday, Dec 07, 2023

Chief Executive John Lee and Saudi Arabia's Minister of Investment Khalid Al-Falih today witnessed Hong Kong and Saudi Arabia sign a memorandum of understanding (MOU) to foster co-operation on investment promotion exchange and support.

It was signed by Director-General of Investment Promotion Alpha Lau and Ministry of Investment of Saudi Arabia Associate Office Director-China Ayidh Alyami.

Mr Lee noted that the signing of the MOU between Hong Kong and Saudi Arabia marks a new milestone between the two places in terms of investment promotion exchanges.

He pointed out that under "one country, two systems", Hong Kong has the distinctive advantages of enjoying the strong support of the motherland and being closely connected to the world.

While Hong Kong is also an important investment hub in the Asia-Pacific Region, Mr Lee said the city will make good use of its roles as a superconnector and a super value-adder to assist Mainland and overseas enterprises to respectively tap into the Mainland market and go global.

Meanwhile, Saudi Arabia is a leading economy in the Gulf Region and an important source of foreign direct investment in the world.

Mr Lee said he is confident that following the signing of the pact, there will be deeper and further co-operation on investment promotion between the two places.

The MOU aims to enhance co-operation on investment promotion between Hong Kong and Saudi Arabia. It also strengthens the economic relations between the two places in the field of promotion of direct investment by encouraging exchange of visits and expertise, organisation of events such as meetings and conferences as well as exchange of information related to business and investment climate.

Apart from signing the agreement, Hong Kong has also launched formal negotiations with Saudi Arabia on an Investment Promotion & Protection Agreement (IPPA), and both sides are intending to conclude the negotiations as soon as possible.

The IPPA aims to protect, enhance and open investment, and helps strengthen investor confidence and increase bilateral investment flows for boosting closer economic relations between Hong Kong and trade partners.

HK is a global city: PIF chief

by rthk.hk

Thursday, Dec 07, 2023

The governor of Saudi Arabia's Public Investment Fund (PIF), Yasir Al-Rumayyan, on Thursday said Hong Kong was chosen as a host of the FII PRIORITY Summit because it is a global city.

Speaking on the first day of the forum, Al-Rumayyan also praised the SAR's position as an innovation hub and gateway to the mainland.

"We decided to branch out internationally. So we went to London, to New York, to Miami. And this is the first Asian branching out, which is Hong Kong. And the question is, why Hong Kong? Because Hong Kong is a global city," he said.

"It's one of the major hubs, not only in the capital market or the financial markets, but also with innovation, and also its proximity from not only China, but the rest of Asia."

Al-Rumayyan said the PIF already has offices in Hong Kong, New York and London, and is looking to set up offices on the mainland and in India next.

"The [Asian] region is expected to grow by about 4.6 percent in 2023. Also, China is home to 26 percent of the world's unicorns. And Hong Kong is basically the international gate city and a trading hub and also a innovation hub. And we knew this long ago since we started doing our international investments."

He added that Saudi Arabia is working on an AI strategy and regulatory framework, noting that the popularity of OpenAI and ChatGPT has shown the world how powerful AI development is.

HK can play key role in shaping global megatrends: CE

by www.rthk.hk
Thursday, Dec 07, 2023

Hong Kong can play a key role in shaping the megatrends of the 21st century being as it is one of the world's most competitive and freest economies and a major international financial centre with the "One Country, Two Systems" principle and a robust legal system, Chief Executive John Lee said on Thursday.

He made the remarks at the FII PRIORITY Hong Kong Summit, adding that the two-day event is yet another significant step in deepening ties between Hong Kong and Saudi Arabia.

In his keynote speech, Lee said he was delighted that the Future Investment Initiative (FII) Institute chose Hong Kong to host the conference, and the SAR can help shape global megatrends in finance, innovation and sustainability.

"Hong Kong is the world's pre-eminent gateway and a 'super value-adder' for economies, cultures and peoples, East and West," Lee said, adding that the city's free flow of capital and information, robust common law system and multilingual workforce contribute to the city's status as a major international financial centre.

"Of course, all this is made possible by the unique 'one country, two systems' principle. It affords us unparalleled access to the mainland of China and the rest of the world. And we will continue to play an engaging role in defining and shaping the megatrends of this 21st century," Lee said.

Pointing to a 25 percent increase in the number of fintech companies operating in Hong Kong, Lee said about 1,000 start-ups are providing "inspiring and ground breaking solutions" in areas such as digital payment technology, decentralised finance and digital identity.

He added that Hong Kong has also invested over US$25 billion in innovation and technology, which, along with the city's financial strengths, allows tech companies to tap into the capital market to further expand.

"Collins Dictionary has named 'AI' (artificial intelligence) this year's 'word of the year'. Interestingly, Merriam-Webster's word of the year is 'authentic'. Make of that what you will. But know that Hong Kong believes in AI, authentically, sincerely," Lee said

The CE said the SAR will establish an AI supercomputing centre next year to support the demand for computing power, adding that the city's InnoHK research clusters take AI, robotics, as well as healthcare as primary focuses.

He added that the city is also committed to the "global green revolution", and authorities are deploying some US$30 billion to cut carbon emissions by half by 2035, before achieving carbon neutrality before 2050.

Meanwhile Laura Cha, chairwoman of Hong Kong Exchanges and Clearing, said geopolitical risks and macro challenges mean the world needs connectivity now more than ever, and the city's stock exchange will closely look into and seize on financing opportunities in the Middle East, China and elsewhere in Asia.

China says it will step up policy adjustments to spur recovery in 2024

by www.thestandard.com.hk
Tuesday, Dec 12, 2023

China will step up policy adjustments to support an economic recovery in 2024, state media said on Tuesday, following an agenda-setting meeting of the country's top leaders.

Investors are closely watching for clues on next year's policy and reform agenda as Beijing has been struggling to spur a post-pandemic economic recovery amid a deepening housing crisis and mounting local government debt.

China will focus on boosting effective demand next year, and make concerted efforts to expand domestic demand, state media said, citing the annual Central Economic Work Conference held from Dec. 11-12, during which top leaders set economic targets for 2024.

China will strengthen counter-cyclical and cross-cyclical macro policy adjustments, state media said.

"To further promote economic recovery, we need to overcome some difficulties and challenges," state media said. "The main problems are insufficient effective demand, overcapacity in some industries, weak public expectations, and many hidden risks."

China will stick with a proactive fiscal policy and a prudent monetary policy next year, state media said.

The Politburo, a top decision-making body of the ruling Communist Party, said on Friday that fiscal policy would be moderately strengthened and will be "flexible, moderate, precise, and effective" to help spur the economic recovery.

Authorities will "consolidate and enhance the economic recovery", aiming for reasonable economic growth next year with an emphasis on higher quality expansion, state media said.

Prior to the meeting, government advisers had told Reuters they would recommend economic growth targets for 2024 ranging from 4.5 percent to 5.5 percent, with the majority favouring a target of around 5 percent - the same as this year.

Top leaders traditionally endorse a growth target at the December meeting, which is then publicly announced at the opening of the annual parliament meeting, usually held in March. China's growth is see on track to hit the government's target of around 5 percent this year.

Last week Ratings agency Moody's slapped a downgrade warning on China's credit rating, saying costs to bail out debt-laden local governments and state firms and control its property crisis would weigh on the growth outlook.

Top leaders also pledged to “facilitate stability through progress", which may signal greater emphasis on growth, and "establish first before demolishing”, which could indicate more support for the troubled property sector.

China plans to implement structural tax and fee cuts, and looks to new round of fiscal and tax reforms, state media said.

China will speed up the establishment of a new model of property development, quickening construction of affordable housing, and coordinate the resolution of local debt risks and stable development, according to state media.
(Reuters)

Views on global tax sought

by news.gov.hk

Thursday, Dec 21, 2023

The Government today launched a consultation exercise to gather views on the implementation of the global minimum tax under the international tax reform proposals drawn up by the Organisation for Economic Co-operation & Development.

Pillar Two of the reform proposals, commonly known as BEPS 2.0, was promulgated by the organisation in October 2021 to address base erosion and profit shifting risks arising from the digitalisation of the economy. Hong Kong joined more than 130 jurisdictions that year in committing to implement BEPS 2.0.

The package comprises global anti-base erosion (GloBE) rules for ensuring large multinational enterprise (MNE) groups with consolidated annual revenue of at least 750 million euros pay a global minimum tax of at least 15% on income derived by their constituent entities in every jurisdiction where they operate, thereby putting a floor on competition over corporate income tax.

Hong Kong will need to amend the Inland Revenue Ordinance to implement the necessary corresponding measures and the consultation exercise has been launched to take forward the legislative exercise.

A consultation paper has been published to explain the concepts of the GloBE rules, which will be strictly followed by Hong Kong and other jurisdictions, and the Hong Kong minimum top-up tax (HKMTT), and seek views on specific issues.

These issues include the Government's proposed approach with respect to certain areas relating to the implementation of the GloBE rules, the design and implementation of the HKMTT and the tax compliance and administration framework.

As announced in the 2023-24 Budget, Hong Kong will apply the 15% global minimum effective tax rate on in-scope MNE groups from 2025 onwards. Only in-scope large MNE groups will be subject to the global minimum tax, while the vast majority of corporate taxpayers, including local small and medium enterprises, will not be affected.

Under the global minimum tax, if the effective tax rate of an in-scope MNE group in Hong Kong is lower than 15%, other relevant jurisdictions have the right to collect top-up tax in respect of the low-taxed Hong Kong MNE entities concerned.

To preserve Hong Kong's taxing rights with respect to such entities instead of ceding them to other jurisdictions, the city will apply the HKMTT to in-scope MNE groups starting from 2025 so that the effective tax rate of these entities will be brought up to 15%.

By introducing the HKMTT, in-scope MNE groups will be spared the need to pay top-up tax in every jurisdiction where they operate, a move that helps reduce their compliance burden.

Secretary for Financial Services & the Treasury Christopher Hui said that Hong Kong, being an international financial centre and a responsible member of the international community, has all along supported global efforts to enhance tax transparency and combat tax evasion.

Additionally, the Government proposed business-friendly features in the overall framework of the global minimum tax and the HKMTT. These include aligning the design of the HKMTT, including the scope and tax rate, with that of the global minimum tax to ensure simplicity of the regime; and allowing in-scope MNE groups to decide on how the HKMTT payable is allocated among its Hong Kong entities to provide for flexibility.

The business-friendly features also comprise safe harbours in the framework to relieve compliance burden; and requiring in-scope MNE groups to only furnish a single top-up tax return for the purpose of both the global minimum tax and the HKMTT.

Views can be sent by email or by post to the Financial Services & the Treasury Bureau on 24/F, Central Government Offices, 2 Tim Mei Avenue, Tamar, by March 20, 2024. Subject to the consultation outcome, the Government aims to introduce the legislative amendments into the Legislative Council in the second half of the year.

Hong Kong is the 12th richest region in the world: Global Finance

by www.thestandard.com.hk
Tuesday, Dec 26, 2023

Hong Kong is the world's 12th richest region in 2023, according to a report released by Global Finance magazine, lagging behind Macau which comes in fifth.

In the report released last Thursday, Global Finance ranked the countries and regions based on an indicator called GDP per capita, calculated using their gross domestic product and purchasing power parity.

The former measures the value of all goods and services produced in a nation or region, and divides this output by the number of full-time residents, while the latter is a nation's or region's average standard of living after taking into account inflation rates and the cost of local goods and services.

Ireland is crowned the richest country, followed by Luxembourg and Singapore in the second and third place respectively.

The U.S. and the U.K. ranked ninth and 31st respectively, while China ranked 77th.

Global Finance noted that Macau – dubbed the Las Vegas of Asia – has a population of about 700,000, and more than 40 casinos spread over a territory of about 30 square kilometers.

"When Covid struck, global traveling came to a halt, and for a while Macau even slipped out of the 10 richest nations ranking," it said.

"Today, after more than three years since the start of the pandemic, Macau is slowly returning to business as usual."

As for Singapore, which has been constantly viewed as Hong Kong's post-Covid competitor, Global Finance said it "is an affluent fiscal haven where capital gains and dividends are tax-free."

It also said Singapore pulled itself up by its bootstraps through hard work and smart policy to become one of the most business-friendly places in the world.

"Today, Singapore is a thriving trade, manufacturing and financial hub and 98 percent of the adult population is now literate," compared to the 50 percent literacy rate in 1965.

Click here to view the full report by Global Finance magazine.