Hong Kong & Mainland China News – February-2020

China cuts tariffs on US$75b of US imports

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China cut tariffs on US$75 billion of U.S. imports including soybeans, pork and auto parts today in a trade truce with Washington while Beijing struggles with a costly virus outbreak.

The cuts follow last month's signing of a "Phase 1" agreement toward ending a long-running tariff war over Beijing's technology ambitions and trade surplus. Both sides have made conciliatory gestures but the lingering dispute threatens to chill global economic growth.

The reductions follow American tariff cuts last month on Chinese goods. There was no indication Beijing altered its own cuts in response to the rising cost of efforts to contain a virus outbreak that have depressed business activity by closing factories, restaurants and shops.

"The next steps depend on the development of the Chinese-U.S. economic and trade situation," said a Ministry of Finance statement. "We hope to work with the United States toward the final elimination of all tariff increases."

The tax rate on some 916 items including soybeans, pork and fish was cut from 10 percent to 5 percent, effective February 14, the ministry said. The rate for 801 items including auto parts will be cut from 5 percent to 2.5 percent.

Washington hiked tariffs on Chinese goods in 2018 in response to Beijing's multibillion-dollar trade surplus and complaints it steals or pressures companies to hand over technology. China retaliated by increasing duties on American goods.

Under the "Phase 1" deal in October, Washington canceled planned additional tariff hikes and Beijing committed to buy more U.S. farm exports.

However, most tariff hikes imposed previously by both sides on billions of dollars of each other's good are still in place.

Trump, Xi reaffirm faith in initial trade deal

by www.thestanadard.com.hk

Friday, February 7, 2020

US President Donald Trump and President Xi Jinping reaffirmed their commitment to implementing the phase-one trade deal signed last month, Bloomberg reports.

The two presidents “agreed to continue extensive communication and cooperation between both sides,” the White House said in a readout of the leaders’ call on Friday, China time.

“They also noted the great achievement of the recent United States – China Phase One Trade Deal and reaffirmed their commitment to its implementation,” it said.

Trump expressed “confidence in China’s strength and resilience in confronting the challenge of the 2019 novel coronavirus outbreak”, the White House said.

China announced Thursday that it would cut tariffs on US goods, reciprocating a US move and likely satisfying part of the trade agreement.

However, the virus outbreak has raised concerns that China might not be able to make the purchases it promised and fulfill the terms of the deal.

Earlier this week, Bloomberg reported that Chinese officials were hoping the U.S. will agree to some flexibility on the pledges in the deal, people familiar with the situation said, though it is unclear if such a request has been formally raised.

The phase-one deal is beneficial to China, the US and the world’s peace and prosperity, Xi was cited as saying in a separate report by China’s Xinhua News Agency.

China hopes the U.S. can work in concert with China to implement the consensus, and promote bilateral ties to develop on the right track this year, Xi said.

Xi also hoped the U.S. would “calmly evaluate the epidemic, and reasonably respond." The two sides should keep in contact and work together to contain the disease, he said.

“China has taken the most comprehensive and strict measures to prevent and control the epidemic,” Xi was quoted as saying. “There has been some progress. China is fully confident and capable of winning the battle against the epidemic. The long-term trend for China’s stable economic development has not changed,” he added.

China central bank says policy tools can soften virus blow

by www.thestanadard.com.hk
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China's vice central bank governor said today that there are plenty of policy tools to cushion the short-term impact of the novel coronavirus outbreak on the economy.

The epidemic might disturb economic activities in the first quarter of this year, but the impact is temporary, Pan Gongsheng, vice head of the People's Bank of China, told a press conference.

Given previous experience, the economy is likely to be steady shortly after the epidemic is contained, as the unleashing of pent-up demand will make up for previous weak economic performance, Pan said.

"China's sound economic fundamentals for long-term and high-quality growth remain unchanged despite the epidemic," he said.

Pan pointed out that China has leeway in its monetary policies as the country's macro leverage level remains stable.

The central bank will walk a fine line between supporting economic growth and keeping a lid on the leverage level, Pan said.

China Life prepares backdoor listing in HK

by www.thestanadard.com.hk
Wednesday, February 12, 2020

China Life Insurance (Group) Co., the parent company of China's largest life insurer, is planning a backdoor listing of its key businesses in Hong Kong this year, people with knowledge of the matter said, Bloomberg reports.

The Beijing-based conglomerate, which spans property and casualty insurance, banking and asset management, plans to inject its main assets into the listed China Life Insurance Co., which will in turn issue new shares to the parent, the people said, declining to be named because the plans are private.

Listing the group would be a key step in Chairman Wang Bin's bid to revitalize the firm, a drive unveiled last year to speed up market-oriented reforms at the 4.5 trillion yuan state-owned giant and focus on business value rather than size.

The move would also enable China Life Group to widen its access to capital markets without going through the more complicated and lengthy process of a separate initial public offering.

Still, deliberations are at an early stage and China Life hasn't made a final decision on the plan, the people said.

Representatives for China Life Group and the listed unit didn't respond to requests for comment. The China Life Group was set up in 1996 as part of a restructuring of then state insurer People's Insurance Co.

It later spun off its core life insurance assets into China Life Insurance Co., which listed in Hong Kong, New York and Shanghai. While the unit has long held the largest share of the nation's fast-growing life market, rival Ping An Insurance (Group) Co. -- known for aggressive reforms and innovation -- has expanded its market value in Hong Kong to almost double that of the state firm.

China Life Group's revenue topped 900 billion yuan last year, while third-party assets under management exceeded 1.4 trillion yuan, according to a Jan. 16 statement on its website.
China's banking and insurance regulator on Friday said it will implement a series of measures to shore up the nation's troubled smaller banks and insurers while continuing a clampdown on shadow financing and property speculation.

The China Banking and Insurance Regulatory Commission said it will introduce measures to eliminate bad loans and promote mergers, capital injections and the restructuring of high risk institutions. Other steps include setting up a resolution fund and bridge banks while introducing new investors and allowing market-oriented exits.

UK territory Cayman Islands, Seychelles added to tax haven list

by www.thestanadard.com.hk
Wednesday, February 12, 2020

The European Union has added four countries and jurisdictions to its list of tax havens, including the British overseas territory Cayman Islands.

EU finance ministers decided to also add Palau, Panama and the Seychelles to the list of jurisdictions that have not implemented the necessary tax reforms to be in line with EU standards.

The EU has set up the system to sanction those it deems guilty of unfairly offering tax avoidance schemes. Eight jurisdictions were already listed: American Samoa, Fiji, Guam, Oman, Samoa, Trinidad and Tobago, U.S. Virgin Islands and Vanuatu.

The addition of the U.K. territory of the Cayman Islands stood out considering that Britain just left the EU at the end of last month.

European lawmaker Markus Ferber, of the Christian Democrat EPP group, said it should serve as a warning to Britain as it tries to position itself in the global economy as a country outside the EU.

“The U.K. would be well advised to take note that EU Finance Ministers put a British Overseas Territory on the blacklist of tax havens. This sends a clear signal that the idea of turning the U.K. into a tax haven will not be acceptable to the EU,” Ferber said.

Being on the blacklist can affect the EU funds a nation can receive but EU Commissioner Valdis Dombrovskis said that the public shame was just as important.

“There are reputational consequences because being blacklisted by the EU clearly is a signal about the problems in tax governance,” Dombrovskis said.

Economist foresees more China monetary stimulus

by www.thestanadard.com.hk
Thursday, February 20, 2020

Capital Economics’ senior China economist Julian Evans-Pritchard says he expects the People's Bank of China to continue loosening monetary conditions in the coming weeks, especially given signs that the coronavirus disruptions have started to weigh on employment.

“But rate cuts alone will provide limited relief to the millions of small private firms that are suffering the most from the [coronavirus] epidemic and are poorly served by the formal banking.”

Earlier today, the People’s Bank of China cut benchmark borrowing rates, reducing the Loan Prime Rate for for one and five-year terms.

The one-year rate was lowered to 4.05 percent from 4.15 percent and the five-year rate, used as a reference for mortgage rates, was cut to 4.75 percent from 4.8 percent.

The loan prime rate is a rate commercial banks offer to best creditors.

HK economy remains solid: FS

by www.news.gov.hk

Wednesday, February 26, 2020

While the rapid spread of COVID-19 is dealing a severe blow to Hong Kong's economic activities and sentiment, Financial Secretary Paul Chan said the economy should be able to recover once the epidemic is over.

Delivering his 2020-21 Budget, Mr Chan said although the epidemic's impact on the economy could possibly be greater than the 2003 SARS outbreak and the labour market is also subject to significant pressure, Hong Kong's economic fundamentals remain solid and therefore core competitiveness will not be shaken.

He noted that the epidemic will also affect production and transportation on the Mainland and in Asia as well as the global supply chain operation. This will deal a further blow to the global economy.

Noting the development of US-China trade relations is the most significant uncertain factor facing the global economy, the financial chief said Hong Kong's economic outlook is far from promising in the near term.

Having regard to the stimulus effect of the fiscal measures, he expected Hong Kong's economy will grow by -1.5% to 0.5% in real terms in 2020.

He pointed out that subdued local economic conditions in the near term will contain the upward pressure on local costs. The moderation in residential rentals will also help lower overall inflation.

Therefore, he anticipated that the headline inflation rate and underlying inflation rate will ease to 1.7% and 2.5% respectively in 2020.

Mr Chan stressed that Hong Kong must strive to overcome constraints stemming from an ageing population, a dwindling labour force and land shortage.

The social incidents also reveal that conflicts still need to be addressed.

Balancing the various factors, he forecast that Hong Kong's economy will grow by an average of 2.8% per annum in real terms from 2021 to 2024, slightly lower than the trend growth of 2.9% over the past decade.

Profits tax for firms to be cut by up to HK$20,000

by news.rthk.hk
Wednesday, February 26, 2020

The Hong Kong government has announced a 100 percent cut in profits tax for 2019 – subject to a ceiling of HK$20,000 – to help local businesses which have been reeling under a combination of factors, ranging from China-US trade spat, anti-government protests and the coronavirus outbreaks.

Financial Secretary Paul Chan said the tax relief will reduce the government's revenue by HK$2 billion.

Chan said Hong Kong's economy is expected to contract by between 0.5 and 1.5 percent this year, saying it faces "enormous challenges".

"The outlook is far from promising in the near term", Chan said in his budget speech at the Legislative Council.

Chan said the government is also planning to waive business registration fees for the coming year, and is setting up low-interest loans for small and medium-sized enterprises.

Under this plan, the government will provide a 100 percent guarantee and the maximum amount of loan an enterprise can take out will be HK$2 million.