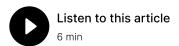
Why Hong Kong is again stirring the interest of Australian companies

Michael Smith North Asia correspondent

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Tokyo | Australian entrepreneurs and executives stung by Beijing's onerous COVID-19 restrictions and security crackdowns [https://www.afr.com/world/asia/hong-kong-back-in-business-despite-shadow-of-new-security-laws-20240201-p5flma] are gradually returning to Hong Kong, which is rebuilding its status as a stepping stone into China, says the head of an Australian business group.

Josephine Orgill, who became the new chairman of the Australian Chamber of Commerce in Hong Kong late last year, would not comment on a proposed security law unveiled by the Hong Kong government last week, but said the city's rule of law and access to China meant it was still attractive for many Australian businesses.



Josephine Orgill, chairman of the Australian Chamber of Commerce in Hong Kong.

Ms Orgill said more needed to be done to change perceptions of Hong Kong which was returned to Chinese rule by the British in 1997, and to attract tourists and talent back to the city, where an estimated 100,000 Australian passport holders live.

"What people do say when they come back here is that it does still seem a bit quieter than when they left. We need to get the crowds back. We are not back to pre-COVID levels of visitors to the city," she said in an interview.

"People who've come back after a long time are very positively surprised by the ongoing ease of the operating environment and that people see so much opportunity here. It's not to say things are the same, I don't want to be Pollyannaish about it.

"There is a huge amount happening, notwithstanding what we are seeing on the Hong Kong Stock Exchange and in other parts of the local economy."

Tens of thousands of professionals left the city since China cracked down on freedoms in 2020. This included expatriates who were frustrated at living under some of the world's toughest COVID-19 rules, and talented locals who moved to Britain, which was offering visas to residents of its former colony.

State governments step up

However, a year after pandemic controls were lifted, some are now returning, and several major business and cultural conferences and events have been scheduled this year, including Art Basel – an international banking conference, the Rugby Sevens and other events that are expected to be attended by Australian wine and healthcare companies.

High-living expatriate life in Hong Kong has also been put in the spotlight with a new Nicole Kidman streaming series, although the story is set before the national security laws were introduced.

Ms Orgill was confident that the authorities had recognised the importance of upholding the city's rule of law, which is the key attraction for foreign companies, and its status as an international finance hub. Confidence in the legal system had been eroded by the mass arrests of pro-democracy activists accused of breaching security laws, and the jailing of media tycoon Jimmy Lai.

The focus now, though, is on a new domestic security law

[https://www.afr.com/link/follow-20180101-p5ez2s], which would come on top of China's rules targeting espionage and treason that were introduced in 2020 following mass protests in the city. Last week, the government launched a four-week public consultation period, which some see as the latest setback to Hong Kong's efforts to revive its reputation as a regional financial hub.

"We appreciate consultation and certainty and transparency in all aspects of the operating environment in Hong Kong are as important here as they are in any jurisdiction. It is very important we go through due process," Ms Orgill said when asked about the new rules, known as Article 23. She said she could not comment directly on the proposal because the chamber had not had a chance to consult its members.

Acknowledging that National Australia Bank had moved out of the city as part of a broader restructuring, she said Australian healthcare, and food and beverage companies, were showing fresh interest in the city. State governments were also increasing their presence in Hong Kong.

Positive change in tone

"Austrade in Hong Kong services the highest number of exporters and clients of any Austrade post globally. They [companies] are not just approaching for assistance in the market, but they are being awarded contracts. It speaks to the level of interest," Ms Orgill said.

"The positive change in tone in Australia-China relations is a good thing. Hong Kong is seen as a good stepping stone to going back into China in a slightly more deliberate and less risky way. Hong Kong is a good place to start re-exporting. They are seeing this in F&B, HK is still the largest cargo hub."

The chamber's corporate members have increased to 240 from 230.

Australian healthcare companies such as Cochlear are increasingly looking at Hong Kong as a gateway to China. Medical devices and pharmaceuticals registered in Hong Kong and used in the city's public hospital system can be distributed in health networks in big cities in southern China under the Greater Bay Area scheme.

Ms Orgill has worked in senior roles in investment banking, asset management and industry associations in Hong Kong and is now a partner and director of HFL Advisors, where she advises hedge funds. She became chairman of the chamber late last year.

The chamber is looking at the new tax rules [https://www.afr.com/world/asia/border-rules-drive-australians-out-of-hong-kong-as-companies-stay-20220629-p5axt7] being considered by the Albanese government, which it says would mean Australians living in Hong Kong would be taxed in two different jurisdictions. Singapore, the US and mainland China have similar deals.

"As things currently stand, the proposed changes would result in a large majority of expats becoming tax residents both in Australia and in our case in Hong Kong," Ms Orgill said.

"If you're an employer of Australians in Hong Kong, that becomes quite a big concern because it will impact the extent to which people will want to go to Australia for work or whether they want to be based in Hong Kong or whether you now inherit a very complex compliance system."

The chamber has made a submission to the Hong Kong government regarding this issue. The city's annual budget is scheduled for later this month.

The planned tax shake-up, which is currently being considered by the Treasury, would limit the amount of time many Australians working overseas would be able to spend back home visiting family or friends to 45 days a year without facing double taxation.



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