



CHINA REFORM MONITOR

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November 13, 2023 Joshua Eisenman

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CHINESE FIRMS DIVERSIFYING OUT OF CHINA: HSBC CEO

Diversification away from manufacturing in China is increasing, said HSBC CEO Noel Quinn. There has been a 70% jump "in activity in helping Chinese clients diversify their business model outside of the land mass of China," Quinn said. There are more "Chinese clients going out of China at this point in time than there is activity into China." They are diversifying their supply chains "into other parts of Asia, other parts of the world," he added. Chinese firms are investing in manufacturing overseas to lower their costs, while Western firms are moving out to reduce their exposure to increasing geopolitical uncertainty in China. (CNN, November 8, 2023)

BRITAIN AND TAIWAN EXPAND TIES, CHINA NOT HAPPY

Britain's Trade Minister, Nigel Huddleston, has hosted Taiwan Deputy Economy Minister Chen Chern-Chyi in London to ink an enhanced bilateral trade partnership agreement. China's embassy in London responded with a statement opposing contacts with "China's Taiwan region." "We urge the UK to abide by the one-China principle and stop using trade cooperation as an excuse to engage in official exchanges or enhance substantive relations with Taiwan," it continued. Britain and Taiwan both maintain *de facto* embassies in each other's capitals, but London does not officially recognize Taipei. Last year, Britain exported submarine parts and military technology to Taiwan. (Reuters, November 9, 2023)

ESTONIA APPROVES TAIPEI OFFICE, PRC ENVOY THREATENS TO LEAVE

Last week, the Estonian government approved the opening of a Taipei representative office in Tallinn to promote economic, educational, and cultural ties. China's ambassador to Estonia, Guo Xiaomei, has threatened to leave the country if the office is in fact established. Guo also expressed her concern about Taiwanese foreign minister Joseph Wu's visit to Estonia on November 8th and his meeting with the 16 members of the Estonia-Taiwan parliamentary friendship group, whom he has invited to visit Taiwan. "For Estonia, establishing relations with Taiwan is promoting value-based foreign policy, as a result, we will gain a democracy and open a new export market for Estonian companies," MP Kristo Enn Vaga has maintained. (Estonian World, November 9, 2023)

CHINA'S LARGEST CHIPMAKER SEES 80% DROP IN THIRD-QUARTER PROFITS

China's largest chipmaker, Semiconductor Manufacturing International Co. (SMIC), has posted an 80% drop in third-quarter profits, as compared to a year ago. SMIC also reported revenue of \$1.62 billion, a 15% year-on-year decline, and income of \$93.98 million, well below analyst expectations of \$165.1 million. Excess chip inventories among smartphone and PC makers have contributed to a fall in prices. According to SMIC, chip inventories at "high levels after a short supply for three years" have caused customers to "tighten their orders." In 2020, SMIC was put on a U.S. trade blacklist, limiting its ability to acquire U.S. technologies, including advanced chips and the equipment needed to produce the most advanced semiconductors. (CNBC, November 10, 2023)

THE PHILIPPINES ACCUSES CHINA OF "UNPROVOKED COERCION"

The Philippines condemned China's coast guard for "unprovoked acts of coercion and dangerous maneuvers" after its vessels used a water cannon against a Philippine boat in the South China Sea. The craft was "subjected to extremely reckless and dangerous harassment at close proximity" by Chinese coast guard inflatable boats inside the shoal, Manila has maintained. China's actions have "put the lives of our people at risk" and call into question the "sincerity of its calls for peaceful dialogue." The resupply missions support Philippine troops stationed in an intentionally grounded dilapidated warship on the Second Thomas Shoal, a disputed atoll that China calls Renai Reef. China said two Philippine transport ships and three coast guard ships entered the area without permission. The incident follows "intentional" collisions between Chinese vessels and two Philippine ships on October 22nd. (Reuters, November 10, 2023)