SCED speaks on trade issues

Following is the transcript of remarks by the Secretary for Commerce and Economic Development, Mr Edward Yau, at a media session on matters relating to trade conflict between China and the United States (US) after meeting with representatives of major chambers of commerce and associations of small and medium enterprises (SMEs) today (May 10):

Reporter: Do you mean the impact on Hong Kong trade and Hong Kong business has been minimal because Hong Kong trade has been expecting the tariff hike? Would the Government roll out more extra measures in spite of this? Are you expecting that a trade deal can be reached, and no more tariff hike?

Secretary for Commerce and Economic Development: Having discussed for the 12th time with all major (business) chambers in Hong Kong, the general reaction to the additional tariffs just imposed this afternoon is saddened but calm. Saddened in the sense that nobody wishes to see, particularly from Hong Kong's perspective, the US using tariffs as a trade protection measure to distort trade. Certainly it would add burden to not just manufacturers, exporters, traders, but eventually also consumers. From where Hong Kong stands, we obviously wish that any trade disputes should be settled through negotiations instead of exchanging, or doing tit for tat, sanctions.

The general feedback from the trade remains calm partly because this is not totally unexpected. We recall that since last September when we sat down to tackle the increase of additional tariff at 10 per cent, there were worries and preparations for further increase in tariff. That's why feedback from the trade said that they are getting prepared in a number of ways – in finding an alternative source of products for the US market, including relocation of certain factories and production lines outside the Mainland to Southeast Asia and further away; and also starting negotiations with importers on who to share the additional tariff. From the trade, the 25-per cent tariff is certainly a toll far beyond they can afford, therefore somebody has to foot the bill. That would be a matter of negotiation between exporters and importers. So all these have to be taken into account of and that explains why the reaction from the people I met today is calmer that I expected.

Certainly that (additional tariff) would pose a very negative impact on trade and our economy. We see in the first quarter (of 2019), export trade decreased at 2.4 per cent. Although the business sentiment has taken up in early months of this year, it would be dampened with this additional (tariff) measure. As to how hard it would hit Hong Kong's economy, I think it's yet to tell because the negotiation between the US and China is still going on and we still hope that there would be positive developments. As usual, both the Government and the trade are preparing for the worst but hoping for the best.

For the additional (government) measures, we have been getting ourselves prepared for this. A lot of measures were actually rolled out well before the scenario today. The export (credit) insurance has been enhanced with the reduction of premium and extension of services, which are used by about 1 300 policy holders. This demonstrates that more people are using the export credit insurance, which also covers pre-shipment. The Hong Kong Export Credit Insurance Corporation also intends to extend these special enhanced measures for another year until the middle of 2020.

The second batch of measures is related to financing. Liquidity is a major concern among SMEs (small and medium enterprises) in facing all these challenges. Since we stepped up the measures regarding the loan financing scheme, i.e. the financing guarantee for SME (special concessionary measures under the SME Financing Guarantee Scheme), additional loans approved (amounted) up to $3.9 billion and additional guarantee commitment of $3.1 billion. The total amount of guarantee approved under the scheme represents a 49 per cent of take-up rate of the commitment we have made for this scheme. We still have money around and certainly this (scheme) provides a timely relief for SMEs.

Last but not the least, the last seven to eight months has been a very active time (for the trade) as we see enterprises and SMEs seeking out to find new markets, new trading partners and new production locations. Essentially, they go out to the Mainland to look at the Mainland market. As a result, the applications for the SME funding (the Dedicated Fund on Branding, Upgrading and Domestic Sales) for the Mainland market jumped by 100 per cent. The new initiative, which allows them to use the funding on ASEAN markets, has received about 300 applications. We have also rolled out a new measure, which is still subject to Legislative Council's approval, an additional $1 billion for branding, upgrading and market development (the Dedicated Fund on Branding, Upgrading and Domestic Sales) for extension to markets which have entered into free trade agreements with Hong Kong.

All these measures are timely taken up, and hopefully, they will provide some buffer (to the trade) in this difficult time.

(Please also refer to the Chinese portion of the transcript.)