

## SCED speaks to media on impact of trade conflict between China and US on Hong Kong (with photo)

Following is the transcript of remarks by the Secretary for Commerce and Economic Development, Mr Edward Yau, and the Chairman of the Federation of Hong Kong Industries, Mr Jimmy Kwok, at a media session on the impact of the trade conflict between China and the United States (US) on Hong Kong after a meeting attended by representatives of major chambers of commerce and associations of small and medium enterprises (SMEs) today (July 16):

Reporter: Where does Hong Kong stand in this war and how big the blow will this be to the city and what has formally been done to rectify the situation?

Secretary for Commerce and Economic Development: This is in fact the fourth time that I have convened a meeting of this kind, with all the major chambers including SMEs associations and semi-government bodies like Hong Kong Trade Development Council, Hong Kong Export Credit Insurance Corporation, to look at possible impact the trade war would have on Hong Kong. As we all know, the first list was introduced in early July which has imposed a 25-per cent tariff on quite a wide range of products, about 19 per cent of which come through Hong Kong (are being affected), so there is a direct impact on trade through Hong Kong. As the US is now threatening to impose an even longer and wider list of tariffs, we have to keep a very close watch to see if the impact would be far beyond the first one.

Feedback from chambers said that while there is no single company being hard hit at the moment, there are anxiety and concerns, particularly on the order situation in the latter half of the year because the sentiment has changed. And a 25-per cent or even a 10-per cent tariff is no small sum to the cost of business. Somehow this cost would have to be passed on either to the production side or to the consumer side. In any case, I think Hong Kong, as a major trading centre, will easily be hard hit at the forefront, so we need to be very vigilant on that.

Previous discussions have covered financing schemes for SMEs. It is already there, and we will trigger it if needed. Additional measures provided by the Hong Kong Export Credit Insurance Corporation have been put in place to facilitate exporters. We are also watching very closely to see if there is any need for doing more together with the trade.

Reporter: What will the SAR Government do to mitigate and minimise the damage?

Secretary for Commerce and Economic Development: There are two things. For trade measures that are unfairly imposed on Hong Kong, like the tariff on steel (should be aluminium products) triggered by the US "Section 232

Investigation", that's a direct hit on Hong Kong, which we cannot swallow it, and therefore, we have taken measures directly with the US on bilateral and multilateral bases.

As for the "Section 301 Investigation", it is a US tariff imposed on Chinese products. But Hong Kong, as a trader and investor in the Mainland, is certainly feeling the heat. In that regard, I think the best tactic is to look at whether there is any hardship that needs to be relieved under the trade dispute, and that's why I mentioned about the SME Financing Guarantee Scheme or the additional measures to help people who take on export insurance.

One thing that we discussed today and in previous occasions, and was also briefly mentioned by the two chambers heads, is the constant urge for our investors to go to a wider market. That does not just happen now. For the past 12 months, we have been working very hard in exploring market opportunities arising from the Belt and Road, and essentially from the ASEAN (Association of Southeast Asian Nations) market, with which we have signed a free trade agreement. When it comes into implementation by January 1 next year, it would immediately bring down some of the tariffs imposed by ASEAN to us. That would offer a very timely attraction for industry and investment to take advantage of the ASEAN market. That's an ongoing exercise, the chambers agree with us and also urge the government to work even harder in looking into new markets.

Reporter: What's the worst case scenario and how possible is that going to happen?

Jimmy Kwok: For the time being, it is very difficult to have an accurate estimation because it is just about a week after the announcement of a 10-per cent tariff on over US\$2,000 billion (worth of Chinese products). However, we will continue to keep a close watch on how the trade war is going. Currently we know that, as the financial secretary (should be United States Secretary of the Treasury) has said, we would have another negotiation which might start in coming weeks.

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

