

Blog post by the Financial Secretary:

Please note that the following is an unofficial English translation of the blog post and should be used for reference only. Please refer to the blog post at: <https://www.fso.gov.hk/eng/blog/blog20250406.htm>

Respond calmly and seize opportunities

Last week, the United States announced the imposition of so-called "reciprocal tariffs" on almost all countries and regions in the world, such bullying actions seriously violate the rules of the World Trade Organization and willfully undermine the multilateral trading system, which is the cornerstone of international trade. Unilateral acts cannot solve the problems of the United States itself and will endanger global economic development and the stability of the supply chain, we are firmly opposed to them. In fact, after the announcement of the relevant measures in the United States, many major economies around the world have proposed countermeasures, and the United States stock market has plunged for two consecutive days, which is estimated to have wiped out more than \$6 trillion in market value. One after another, financial institutions have sharply lowered their forecasts for U.S. and global economic growth, and there are predictions of a recession in the United States, a worsening job market and inflation, and working class Americans are bearing the brunt of the impact.

As the central government has repeatedly stressed, trade wars and tariff wars have no winners, and protectionism has no way out. We firmly believe that trade differences can only be resolved through consultations with countries around the world, including China, in a manner of equality, mutual respect and mutual benefit.

The actions of the United States have caused the market to worry that the era of the rules-based multilateral trading system has passed, and the global trade

and economy will enter an era of uncertainty and instability. In view of the escalating risk of an international trade war, which is gradually increasing, putting heavy pressure on the global economy and international trade, the market has turned pessimistic. At this stage, we need to be vigilant and fully prepared with a bottom-line thinking.

We firmly believe that openness and cooperation are the trend of history, and mutual benefit and win-win results are the aspiration of the people. We will continue to maintain the status of a free port, implement a free trade policy, and safeguard the free and convenient flow of goods, capital and information, which are all protected by the Basic Law.

As an international trade hub, Hong Kong will inevitably be affected in the short term. The SAR Government has been closely monitoring and assessing the situation and developments, and has provided support to local enterprises in various ways, including (1) capital turnover, for example, by continuing to strengthen export credit insurance support for enterprises engaged in trading through the Export Credit Insurance Corporation; (2) exploring new markets, such as through the BUD Fund, to support Hong Kong enterprises in brand development, upgrading and transformation, and expanding into new markets; (3) support enterprises to accelerate digital transformation and seize e-commerce opportunities through funding schemes; and (4) provide timely information to help them better understand market conditions and manage risks.

In response to rising unilateralism in recent years, Hong Kong businesses have also made adjustments to their export markets in the past few years. Data show that the market share of the United States in Hong Kong's overall goods exports has shrunk from 8.6% in 2018 to 6.5% last year. At the same time, the market shares of ASEAN and the Middle East increased from 7.4% and 2% to 8.7% and 2.9% respectively. Since 2019, ASEAN has surpassed the United States to become Hong Kong's second largest export market for goods, ranking second

only to the Mainland. Over the past few years, economic, trade and industrial co-operation between the Mainland, Hong Kong and ASEAN has become increasingly close.

In addition, in recent years, we have vigorously promoted the development of Hong Kong's innovation industry, accelerated the transformation and landing of scientific research results, and linked up with the development of innovation and high-end manufacturing in the Guangdong-Hong Kong-Macao Greater Bay Area, accelerated the cultivation of new growth drivers in Hong Kong, opened up new markets, and enhanced the resilience of Hong Kong's economy. On the other hand, the steady development of the national economy, the promotion of consumption and the strong operation of the internal circulation have provided huge opportunities for Hong Kong businesses and strengthened our confidence.

What is certain is that despite the various disturbances, obstacles and uncertainties faced by global economic development, the future global industrial chain and supply chain will always converge to regions with higher production efficiency and cost advantages. Money will also flow into markets and technology with more growth potential. The international community is willing to respect each other and build trust, and economies with more stable economic, trade and foreign policies will also form a larger cooperative sector.

The industrial chain and supply chain that China has built with ASEAN and other regions is an efficient, full-chain and all-round industrial cooperation system in the world. Since the beginning of this year, China has made major breakthroughs in frontier science and technology such as artificial intelligence and robotics, and international capital has successively increased its allocation in the Mainland and Hong Kong markets. In the first quarter of this year, Hong Kong stocks rose 15% year on year, and the average daily turnover in the same period exceeded HK \$240 billion, an increase of 140% year on year. From the Third Plenary session of the CPC Central Committee last year to the national

two sessions last month, the country has stressed adhering to a high level of opening-up and providing a friendly and predictable investment environment and reliable cooperation for international investors. At the recent China Development Forum, a record number of multinational companies participated for the first time.

In this instance with the coexistence of challenges and opportunities, we must continue to consolidate our links with traditional markets, further accelerate the linkage of emerging markets in the "Global South", open up new channels and new markets for Hong Kong and Mainland enterprises, and at the same time help and consolidate the deep integration of regional industrial chain layout and efficiency optimization.

We also need to step up our efforts to attract investment and encourage Mainland and global enterprises to make good use of Hong Kong as an international platform of "connecting the Mainland with the outside world", as well as the advantages of pooling capital, talents and free and convenient information, in order to develop their business, manage their financial resources and even explore new markets.

On Tuesday, we will announce the fourth batch of key enterprise partners, and the introduction of key enterprise office will sign letters of intent with more than a dozen key enterprise partners. Among the new batch of enterprises, there are enterprises that deeply cultivate high-precision artificial intelligence, and the intelligent transportation products and solutions developed by it have been applied in more than 50 cities across the country; There are enterprises focusing on commercial service robots, whose products have been exported to more than 40 countries and regions around the world; There are also medical companies focusing on surgical equipment, which has successfully treated more than 300,000 cancer cases worldwide and has applied for more than 900 patents worldwide. It can be said that the technologies, products and services

of these key enterprises are highly competitive internationally.

The more than 80 key enterprises that Hong Kong has successfully attracted in the past two years or so are expected to bring a total investment of nearly \$50 billion and create more than 20,000 jobs in Hong Kong in the next few years, and will also help Hong Kong accelerate the promotion of new industrialization and inject new momentum into Hong Kong's development.

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