LCQ6: Supporting freight and logistics sector

Following is a question by the Hon Frankie Yick and a reply by the Secretary for Transport and Logistics, Ms Mable Chan, in the Legislative Council today (May 21):

Question:

There are views pointing out that although the United States ("US") has seen its ranking as Hong Kong's major important trading partner decline in recent years, the imposition of high tariffs on Hong Kong goods and the elimination of the duty-free de minimis treatment for small parcels continue to have a significant impact on Hong Kong's freight and logistics sector. Members of the sector have predicted that the US tariff trade war against China will lead to a sustained decline in Hong Kong's freight volumes and could trigger an immediate supply chain disruption crisis, and the measures taken under the five major strategies as indicated earlier on by the Secretary of Transport and Logistics will be difficult to see results in the short term. In this connection, will the Government inform this Council:

(1) whether it has assessed the specific impact of the tariff trade wars launched by US to date on Hong Kong's freight and logistics sector (including sea, land, and air transport);

(2) in order to make up for the shortfall resulting from the loss of the US market and to consolidate Hong Kong's position as a regional logistics hub, of the short-term measures taken by the authorities to assist the logistics sector in accelerating the development of new markets; and

(3) in response to cash flow problems faced by logistics companies due to shipment delays or cancellations caused by the tariff trade wars, of the support measures put in place by the Government, such as the consideration of providing low-interest loans to these companies to address their immediate needs?

Reply:

President,

Hong Kong has long supported and upheld the multilateral trading system. The imposition of tariffs and other trade protectionist measures by certain countries not only disregards Hong Kong's status as a free port with zero tariffs, but also damages the global multilateral trading system. Such measures disrupt global supply chains, harming all parties involved including the implementing countries themselves.

As previously announced by the Chief Executive, in response to the relevant developments, the Government will strengthen its strategy in seven areas, including to fully seize the opportunities in our country, China's development, and actively integrate into the national development; to strengthen international exchanges and deepen regional ties and co-operation; to accelerate industrial transformation; to intensify efforts to develop technological innovation; to vigorously advance international financial co-operation; to proactively attract foreign companies and capital to establish in Hong Kong; and to provide various support to help Hong Kong enterprises.

Having consulted the Commerce and Economic Development Bureau and the Hong Kong Monetary Authority (HKMA), our reply to the Hon Frankie Yick's question is as follows:

(1) Hong Kong recorded a 3.2 per cent year-on-year increase in air cargo volume in thefirst quarter of 2024, reaching 1.16 million tonnes. Container throughput of our port also grew by 2.7 per cent year-on-year to approximately 3.4 million twenty-foot equivalent units. The observed growth in cargo volumes is believed to be attributable to shippers' urgency to ship goods ahead of the anticipated implementation of reciprocal tariffs. Recently, our country and the United States (US) have reached a provisional agreement to reduce bilateral tariffs for 90 days. It is expected that shippers will maximise shipments during this window. However, it is expected such volume growth is unlikely to be sustained. In fact, the negative impact of the reckless imposition of tariffs by the US on global trade will be far-reaching. The overall global trade volume is expected to fall, and the logistics industry will inevitably be affected.

(2) In light of the new international trade environment, we must make preparations to avoid and mitigate risks while seizing new opportunities arising from the changing landscape. To this end, the Transport and Logistics Bureau will closely monitor developments, maintain proactive engagement with the trade, and lead Hong Kong's logistics sector to cope with challenges by adopting five major strategies.

Firstly, we will explore emerging markets including the Middle East and the Association of South East Asian Nations (ASEAN), while continuing our collaboration with the Hong Kong Logistics Development Council (LOGSCOUNCIL) to promote Hong Kong's logistics advantages by conducting promotional visits to and exploring other markets along the "Belt and Road". Secondly, we will strengthen collaboration with ports located in the Guangdong-Hong Kong-Macao Greater Bay Area, and establish a comprehensive "rail-sea-land-river" intermodal transport system, thereby developing new cargo sources. Thirdly, we are actively studying the exemption of the import and export licence requirements for certain products to attract more transhipment cargoes. Fourthly, we will deepen international port and shipping co-operation by pursuing digitalisation and green and smart transformation of our port to enhance Hong Kong's port competitiveness. Fifthly, we will further expand Hong Kong's maritime and aviation networks to diversify our markets and reduce reliance on the US market.

(3) The HKSAR Government has been assisting small and medium enterprises (SMEs) in addressing challenges and maintaining competiveness amid a complicated and ever-changing economic environment through various funding schemes and support measures. As regards alleviating cash flow pressure, the

Government has kept on enhancing the SME Financing Guarantee Scheme (SFGS) so as to meet the financing needs of SMEs during the economic downturn. Borrowing enterprises under the SFGS (including enterprises in the logistics sector) are now allowed to apply for principal moratorium arrangement for up to 12 months (the application period will last until November 17, 2025), and the maximum loan guarantee periods of the 80% and 90% Guarantee Products be extended to ten years and eight years respectively. At the same time, the partial principal repayment options will be offered to new loans so as to provide more repayment flexibility.

The HKMA, together with the banking sector, introduced in April 2025 additional support measures to further assist SMEs in obtaining bank financing and in their upgrade and transformation. In addition, all the 18 participating banks in the Taskforce on SME Lending have reaffirmed their commitment to actively implementing the "9+5" SME support measures launched by the HKMA and the banking sector in 2024. Referencing the principles under the Pre-approved Principal Payment Holiday Scheme, the banking sector will continue offering flexible repayment arrangements and deferment of repayment period. The total amount of dedicated funds for SMEs set aside by these banks in their loan portfolio has increased from $370 billion in October 2024 to more than $390 billion at present.

As regards export credit insurance, further to the 2024 Policy Address initiative on increasing the maximum indemnity percentage of the Hong Kong Export Credit Insurance Corporation (ECIC) to 95 per cent, ECIC already launched three more support measures on April 10, 2025, including extending the free pre-shipment cover for holders of the Small Business Policy (SBP); offering a 50 per cent discount on pre-shipment risks to cover premiums for non-SBP holders; and aligning the premium rates for new markets with those for traditional markets to assist exporters in tapping into the new markets. ECIC will also provide 20 additional free credit assessment service on the buyers in the Mainland, ASEAN and Middle East, collaborate with various financial institutions to provide financing support for e-commerce, and providing credit insurance for export services relating to multinational supply chain to support Hong Kong export trade.

Thank you, President.