

## 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 (October 4):

Reporter: How are the new measures going to help SMEs? Would you expect the trade war and Hong Kong economy to worsen?

Secretary for Commerce and Economic Development: Coming back from the US and after discussing with the various chambers of commerce for the ninth time in the last seven or eight months, I think the general consensus is that the dispute between the US and China over trade is unlikely to be resolved in a short period of time. We therefore have to prepare for the worst and for this battle to be played long. That's why we have stepped up measures which would provide a timely relief to people in trade, in particular those small and medium businesses.

I have got the consent from the Financial Secretary to make improvements to the SME Financing Guarantee Scheme. This scheme has been running for a period of time. It is meant to be lapsed by next February, but we'll be extending this scheme, the 80 per cent loan guarantee, up to middle of next year as a first step. We have also introduced other improvement measures, including three parts. First, to raise the maximum loan amount from HK\$12 million currently to HK\$15 million, so as to make more room for guarantee for this scheme. The second part is to extend the maximum loan guarantee period from currently five years to seven years. This means the monthly repayment would be reduced immediately. The third improvement is to reduce the fee charged on people joining this scheme as a relief to SMEs.

We also see the need of diversification of markets as well as sourcing, so as to minimise the impact from the tariffs imposed by the US on China-made products. In this regard, we are happy to see that the improvements to the existing funding schemes, including the market development fund (SME Export Marketing Fund) and the SME branding, upgrading and development fund (Dedicated Fund on Branding, Upgrading and Domestic Sales) (BUD Fund) are receiving more applications. In this regard, the market development fund (SME Export Marketing Fund) has been given a top up from HK\$200 000 to HK\$400 000 on a matching basis. The application (for August 2018) has increased by 30 per cent, representing that more people are looking for a wider market and using this government financing scheme to help them. As regards the BUD Fund for the ASEAN market, altogether 75 applications were already received in the last two months so far. This scheme originally allows funding to be spent in the Mainland for branding and upgrading, we have also seen a marked increase by 60 per cent in applications, meaning that some firms would like to expand the Mainland market as a way to diversify their sales as well. We are seeing that all these funds, the timely topping up, the shortening and streamlining

of application procedures are bearing results already.

We will continue to step up our co-ordination with the Hong Kong Trade Development Council and through the Trade and Industry Department to talk to people in the trade on ways and how to improve the origin rule application as well as further explore the market.

Reporter: Do you see the new trade deal between America, Canada and Mexico will exacerbate the difficult time that Hong Kong is having? Can you elaborate a little bit?

Secretary of Commerce and Economic Development: It's hard to comment on individual trade agreement. But as a matter of fact, I think the re-negotiated USMCA (the United States-Mexico-Canada Agreement) clearly is confined to facilitating trade among the three countries in North America. I believe this trade agreement will be viewed by the wider trade communities including WTO (World Trade Organization) members from the perspective of its content, on whether it is a shrinking of market access to countries outside this bloc, or would it be a building block towards connecting with further trading entities. I think in this regard we have to look very carefully into the content, and also how it's going to play out.

But one very clear indication is that the overall global trading environment is not in peaceful water. With the lacking of progress in the bilateral talk between China and the US, I think in a short and medium future, we'll continue to see a rough sea ahead of us. Hong Kong on two fronts, both as a trading entity and for our self-interest, we are worried whether there will be spill over and collateral damage; on a wider front as a member of the WTO and also as a long term advocate of free trade, we are having a systemic concern on whether protectionist measures in various forms would prevail, and therefore further dampening the advocacy and practice of free trade. These are areas that Hong Kong will not be shy from speaking up as a member of the WTO and the vanguard of the multilateral trading system.

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