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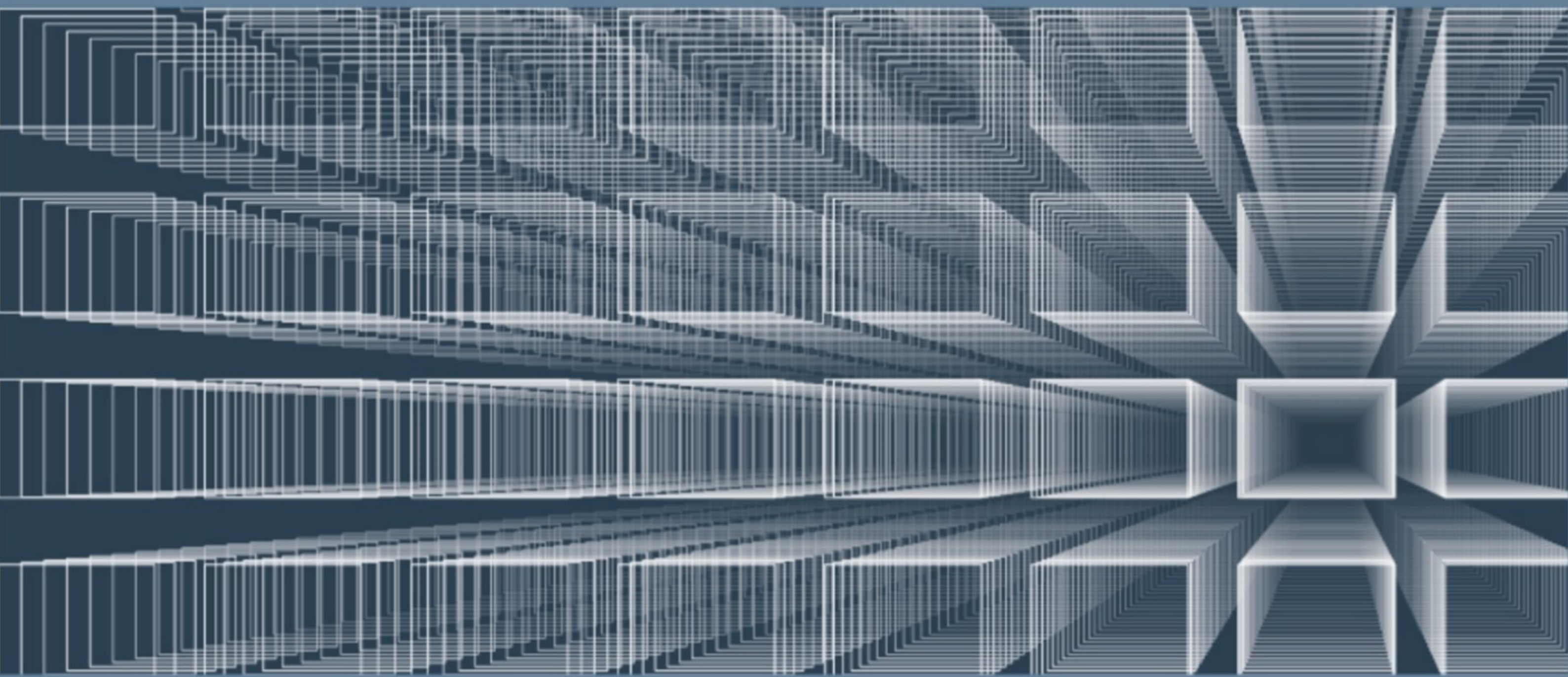
The Resilience of Hong Kong’s Trade Ecosystem Amid U.S. Tariff Escalation: A 2024 Analysis



Martin Cheung

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Author

Martin Cheung

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The Resilience of Hong Kong's Trade Ecosystem Amid U.S. Tariff Escalation: A 2024 Analysis

Martin Cheung, Principal Researcher

Abstract

In April 2025, the United States imposed a 145% tariff on imports from China, including Hong Kong, raising questions about Hong Kong's trade resilience (China Briefing, 2025). On April 16, 2025, USA Today reported a proposed 245% tariff on Chinese imports by the U.S., marking a significant escalation in the U.S.-China trade war (Anderson, 2025). This study evaluates Hong Kong's capacity to adapt without U.S. trade, using 2024 data to assess survival potential, import substitution, and export redirection. U.S. trade, at HK$264.42 billion (2.79% of HK$9,464.5 billion total trade), is minor compared to Hong Kong's diversified markets. Imports (HK$217.62 billion) can be sourced from Japan, South Korea, and Germany, while exports (HK$46.80 billion) can shift to China, ASEAN, and Europe. Despite short-term re-export challenges, Hong Kong's service-driven economy and free port status ensure robustness, bolstered by strategic diversification efforts.

1. Introduction

On April 9, 2025, U.S. President Donald Trump announced the imposition of a 145% tariff on goods originating from Mainland China, Hong Kong, and Macau, effective April 10. This marked a further escalation of the Sino–U.S. trade war (China Briefing, 2025). Several days later, in retaliation to China's tit-for-tat, Trump's government proposed raising it to 245%, marking a historic trade dispute between the two powers. The tariff regime began on February 4, 2025, with an initial 10% levy on Chinese imports, citing trade imbalances and the influx of synthetic narcotics such as fentanyl as justification (White & Case LLP, 2025). The rate was raised to 20% on March 5, and further increased by 34% on April 2, bringing the total to 54%. The U.S. government claimed that these measures were in response to China's economic policies and national security concerns (Hong Kong Free Press, 2025a). In retaliation, China imposed counter-tariffs of 84% on American goods, prompting President Trump to invoke national security and domestic economic protection as grounds to escalate the rate to 145% (China Briefing, 2025; The Guardian, 2025).

On May 2, 2025, the U.S. will abolish its de minimis exemption for parcels valued under US$800, replacing it with a 90% tariff or a per-item charge of US$75, to be raised to US$150 after June 1, 2025. The government states that the aim is to curb cross-border e-commerce and illicit drug inflows (Hong Kong Free Press, 2025b). Critics argue that such measures could violate World Trade Organization (WTO) rules and threaten global trade stability (Al Jazeera, 2025; Reuters, 2025b).

The Hong Kong Special Administrative Region (HKSAR) Government strongly condemned the tariff decision, denouncing it as "reckless" and "draconian." Chief Executive John Lee described the U.S. action as "bullying and barbaric," asserting that the Hong Kong government would intensify economic cooperation with China, ASEAN, and the Middle East, while actively pursuing new free trade agreements to mitigate the adverse effects of the tariffs (Hong Kong Free Press, 2025c). The HKSAR government also announced its intention to lodge a complaint with the WTO, emphasizing that its response would focus on market diversification rather than reciprocal punitive measures (RTHK News, 2025).

This latest round of tariff escalation is an extension of the protracted trade tensions between China and the United States that began in 2018. For Hong Kong, a longstanding trade hub closely linked with the U.S. market, this development poses a serious threat to its economic stability.

This study aims to assess Hong Kong's trade resilience in the face of this evolving situation. Based on trade data from 2024, it will address the following six key questions:

1. Can Hong Kong sustain its economy without trade with the United States?

2. What is the nature of Hong Kong's trade imbalance with the U.S.?
3. What are the primary goods imported by Hong Kong from the U.S., and what are their respective values?
4. Can these imports be substituted with goods from alternative markets such as Japan, Germany, or South Korea?
5. What are the principal categories of Hong Kong-made products exported to the U.S., and can these exports be redirected to other markets?
6. Excluding the unpredictability of Trump administration policies, what would be the impact on Hong Kong's GDP if the U.S. were to successfully implement a 145% tariff on its imports from Hong Kong?

Through the above analysis, this paper will assess Hong Kong's capacity to adapt to global trade disruptions and provide policy recommendations to inform its future economic strategy.

2. Methodology

This study adopts a mixed-method approach, combining quantitative analysis of trade data with qualitative assessments to provide a comprehensive understanding of Hong Kong's economic structure and the government's policy response capacity.

2.1: Reconciling U.S.–Hong Kong Trade Data Discrepancies

To begin with, there exists a significant discrepancy in the trade balance data between Hong Kong and the United States. According to the Hong Kong Census and Statistics Department (2024), Hong Kong exported HK$295.571 billion to the U.S. and imported HK$206.101 billion, resulting in a total trade volume of HK$501.672 billion and a trade surplus of approximately HK$89.47 billion.

In contrast, data from the Office of the United States Trade Representative (USTR, n.d.) reported U.S. exports to Hong Kong at US$27.9 billion (approximately HK$217.62 billion) and imports from Hong Kong at only US$6.1 billion (approximately HK$46.8 billion), amounting to a total trade volume of HK$264.42 billion and a U.S. trade surplus of **HK$170.82 billion**.

The discrepancy arises from differing statistical methodologies: Hong Kong includes **re-exports**—primarily goods from mainland China transshipped through Hong Kong—while USTR data accounts only for **domestic exports**, excluding the majority of re-exports. Based on Hong Kong's methodology, the U.S. was Hong Kong's third-largest trading partner in 2024, with total trade valued at HK$501.672 billion. Under the U.S. method, however, the U.S. ranked sixth, with total trade at HK$264.42 billion. As re-exports form a central part of bilateral trade, understanding and accounting for this methodological divergence is critical to avoid analytical misjudgement, particularly in assessing tariff impacts.

Given that the origin of most re-exported goods is mainland China, re-export data is not directly relevant to the core focus of this research. Therefore, **USTR data is predominantly adopted** when analyzing 2024 U.S.–Hong Kong trade figures in this study.

2.2: Additional Data Sources

Import data for agricultural products is sourced from the **United States Department of Agriculture (USDA, 2025)**, while export data is referenced from **Trading Economics (2023)**. These figures are extrapolated to 2024 using proportional estimation methods as the basis for analysis.

To assess the substitutability of U.S. goods from alternative markets, the study draws on **2022 data from the Observatory of Economic Complexity (OEC)** for imports, and **2023 data from Statista and the Hong Kong Trade Development Council (HKTDC, 2024)** for exports. Projections for 2024 are made using a **5% to 7% growth rate assumption**.

For qualitative analysis, this study references official government statements and media reports—such as those from **Radio Television Hong Kong (RTHK, 2025)**—to gain insight into the HKSAR government's policy direction and narrative framing.
It is important to note that due to the unavailability of complete 2024 product classification data, portions of the analysis are necessarily based on extrapolated historical data. To minimize bias, this paper employs **cross-validation from multiple sources** and adopts **conservative growth assumptions**. Where data gaps exist or precise figures are unavailable, such limitations are **explicitly acknowledged** in the analysis to maintain overall **transparency and credibility**.

3. Research Findings and Discussion

3.1: Can Hong Kong Survive Without Trade with the United States?

The extent to which Hong Kong can maintain economic operations without trade with the United States largely depends on the relative significance of U.S. trade within the overall economy, as well as the degree of economic diversification and the structural advantages of Hong Kong's economy. Given that Hong Kong has a highly diversified portfolio of trading partners and that its domestic economy is predominantly service-oriented, trade with the United States constitutes only a relatively small proportion of its total external trade—thus limiting the potential impact.

Table 1 presents the key trade figures for 2024, further illustrating that the United States does not play a prominent role in Hong Kong's total trade.

Table 1: Summary of Hong Kong's Major Trade Figures in 2024

Category	Value (HK$ billion)	Share of Total	Remarks
Exports from Hong Kong to the U.S.	46.8	1.03% of total exports (HK$4,542.3B)	Based on USTR figures (U.S. imports from Hong Kong)
Imports to Hong Kong from the U.S.	217.62	4.42% of total imports (HK$4,922.1B)	Based on USTR figures (U.S. exports to Hong Kong)
Total U.S.–Hong Kong trade	264.42	2.79% of total trade (HK$9,464.472B)	Total trade is the sum of total exports and total imports
Domestic exports to the U.S.	5.9	~10.0% of total domestic exports (HK$57.848B)	The value of total domestic export is based on 2024 data from the Hong Kong Census and Statistics Department
Total Hong Kong trade (exports + imports)	~9,464.472	—	Combined value of total exports and total imports

Sources: USTR (n.d.); Hong Kong Census and Statistics Department (n.d.1);

Hong Kong Trade Development Council (2025)

Table 2: Hong Kong's Top 10 Trading Partners in 2024 (by Total Trade Value)

Rank	Country/Region	Total Trade Value (HK$ billion)	Share of Total Trade (%)
1	Mainland China	4,826.321	50.99%
2	Taiwan	697.387	7.37%
3	United States	501.672	5.30%
4	Singapore	456.808	4.83%
5	South Korea	355.911	3.76%
6	Vietnam	308.568	3.26%
7	Japan	307.626	3.25%
8	Malaysia	210.372	2.22%
9	India	201.017	2.12%
10	Thailand	158.403	1.67%

Note: Total trade value with all countries and regions in 2024 amounted to HK$9,464.472 billion.

Source: Hong Kong Census and Statistics Department (n.d.2)

Hong Kong's ability to absorb the cessation of trade with the United States rests upon two fundamental factors: first, the relatively limited share of U.S. trade in its overall external trade; and second, the resilience and diversification of its economic structure. As shown in Table 1, the following insights can be drawn:

- Total trade between Hong Kong and the United States amounted to HK$264.42 billion, comprising HK$46.8 billion in exports and HK$217.62 billion in imports.
- This accounts for only 2.79% of Hong Kong's total trade, with exports to the U.S. constituting 1.03% of all exports and imports from the U.S. making up 4.42% of total imports.
- According to official Hong Kong data, domestic exports to the U.S. were valued at HK$5.9 billion—approximately 10.0% of total domestic exports (HK$57.848 billion) (Hong Kong Trade Development Council, 2025).
- Using U.S. data on total import value (HK$46.8 billion), the share of U.S.-bound exports in Hong Kong's total exports would still be approximately 1.03% (USTR, n.d.).

These figures collectively suggest that the United States is not a cornerstone trading partner for Hong Kong's economy.

While the U.S. ranks third among Hong Kong's trading partners in Table 2, with total bilateral trade amounting to HK$501.672 billion, it still lags significantly behind Mainland China (HK$4,826.321 billion) and Taiwan (HK$697.387 billion). Other economies that follow include Singapore (HK$456.808 billion), South Korea (HK$355.911 billion), Vietnam (HK$308.568 billion), Japan (HK$307.626 billion), Malaysia (HK$210.372 billion), India (HK$201.017 billion), and Thailand (HK$158.403 billion).

It is noteworthy that trade with Mainland China alone accounted for over 50.99% of Hong Kong's total trade in 2024, underscoring Hong Kong's deep economic integration with Asian markets—particularly with Mainland China—far exceeding its trade ties with the U.S. It should also be noted that discrepancies between U.S. and Hong Kong trade statistics arise from methodological differences. Hong Kong includes re-exports (primarily from China) in its export figures to the U.S., which account for over half of the reported export value. This is a necessary simplification in light of the sheer volume of trade flows.

Moreover, Hong Kong is a service-driven economy, with sectors such as finance, logistics,

and professional services contributing over 90% of its GDP. This reduces the city's dependence on goods trade. While merchandise trade remains important to Hong Kong's position as a global trading hub, the limited role of U.S. trade means that its withdrawal would not pose a critical threat to the broader economy.
Historically, Hong Kong has proven capable of withstanding external trade shocks—for instance, during the U.S.–China trade war that began in 2018. Leveraging its Basic Law Article 117 status as a duty-free port, Hong Kong has demonstrated the ability to swiftly adjust its market strategy. In response to previous rounds of U.S. tariff hikes, Hong Kong successfully redirected parts of its exports to other markets such as Singapore and ASEAN, reflecting its high degree of adaptability (RTHK News, 2025).

Hong Kong also maintains strong trade relationships beyond the United States, further reinforcing its economic resilience. For example, Hong Kong's investment relationship with ASEAN is evidence of its diversified economic network. According to the Hong Kong Trade Development Council (HKTDC, 2024), Hong Kong ranked as ASEAN's third-largest source of foreign direct investment (FDI) in 2023, contributing US$15 billion, or 6.5% of ASEAN's total FDI inflows that year. As of 2022, cumulative ASEAN investment in Hong Kong reached US$67.9 billion, with Singapore accounting for US$44.7 billion—the largest among ASEAN countries.

By June 2023, there were 648 ASEAN companies operating in Hong Kong, of which 52 had established regional headquarters, accounting for 7.2% of all foreign enterprises in the city. In terms of tourism, visitor arrivals from the six major ASEAN countries reached 2.1 million in the first nine months of 2024, a substantial increase from 1.3 million during the same period in 2023 (HKTDC, 2024).

Admittedly, a complete cessation of U.S.–Hong Kong trade may lead to short-term disruptions, such as logistical bottlenecks or a decline in re-export volumes. For instance, following the suspension of Hongkong Post's parcel services to the United States in May 2025, such impacts may become more visible (Hong Kong Free Press, 2025b). Nevertheless, given that U.S. trade only represents 2.79% of Hong Kong's total trade, these disruptions remain within a manageable range.

In the long run, Hong Kong's economic sustainability does not depend on the United States, but rather on its strong connections with Mainland China, ASEAN, and other Asian markets. As reflected in Tables 1 and 2, Hong Kong possesses a diversified trade network and a robust service-based economic structure. These features collectively equip the city to withstand the loss of U.S. trade and to continue progressing on a stable trajectory with minimal long-term impact.

3.2: Hong Kong's Trade Deficit with the United States

In 2024, Hong Kong's trade relationship with the United States reflected a pronounced trade deficit, highlighting the city's reliance on U.S. imports. During that year, Hong Kong's total exports to the United States amounted to HK$46.8 billion, while imports from the U.S. reached HK$217.62 billion—resulting in a substantial trade deficit of HK$170.82 billion (see Table 1). Specifically, imports from the U.S. accounted for 4.42% of Hong Kong's total imports (HK$4,922.1 billion), whereas exports to the U.S. represented only 1.03% of total exports (HK$4,542.3 billion). This underscores Hong Kong's significantly higher dependence on U.S. goods compared to the limited share of its exports directed toward the U.S. market.

This trade imbalance carries two key implications. First, it reveals that Hong Kong primarily plays the role of a "consumer" in its trade with the United States, relying heavily on the import of high-value agricultural and technological products, rather than serving as a major exporter to the American market. Second, in the event of a complete cessation of trade relations with the United States, this imbalance may, in some respects, present an opportunity to improve Hong Kong's trade account. If Hong Kong can effectively source substitute goods from alternative markets in a cost-efficient manner, it could potentially reduce this HK$170.82 billion deficit without inflicting significant damage on the broader economy.

The feasibility of such import substitution will be further examined in the following section.

3.3 Major Products Imported from the United States by Hong Kong in 2024 and Their Values

Table 3: Hong Kong's Imports from the United States by SITC 2-Digit Classification (2023–2024)

SITC Code	Product Description	2023 Value (HK$ Billion)	Share (%)	2024 Value (HK$ Billion)	Share (%)
71	Power-generating machinery and equipment	57.862	31.92%	65.761	34.06%
89	Miscellaneous manufactured articles, not elsewhere classified	27.752	15.31%	24.662	12.77%
77	Electrical machinery, apparatus, and parts	18.318	10.11%	19.473	10.08%
79	Other transport equipment	6.186	3.41%	11.455	5.93%

76	Telecommunication and sound recording/reproducing equipment	8.377	4.62%	10.118	5.24%
87	Professional, scientific, and controlling instruments	7.566	4.17%	7.162	3.71%
75	Office machines and automatic data processing equipment	5.829	3.22%	6.888	3.57%
66	Non-metallic mineral manufactures, not elsewhere classified	6.912	3.81%	6.222	3.22%
01	Meat and meat preparations	4.047	2.23%	4.547	2.35%
55	Essential oils, perfumes, and cleaning/polishing products	4.570	2.52%	4.224	2.19%
Other	Other categories	33.853	18.68%	32.542	16.86%
Total		181.272	100%	193.054	100%

Source: Hong Kong Census and Statistics Department. (2025b)

According to **Table 3**, Hong Kong's total imports from the United States in 2024 reached **HK$193.054 billion** (based on official Hong Kong data). This figure offers a critical reference point for assessing the extent of Hong Kong's reliance on U.S. goods and the feasibility of pursuing future import substitution strategies. Drawing from the Standard International Trade Classification (SITC) at the two-digit level, the table outlines the major product categories and import values, forming the basis for analyzing the trade structure.

As detailed product-level data for 2024 has not been fully released, this analysis is based on a combination of 2023 and 2024 SITC data, along with historical trend projections. The findings suggest that Hong Kong's imports from the United States in 2024 comprised industrial and technological goods, consumer products, and agricultural commodities. The major categories and corresponding values include:

- **Power-generating machinery and equipment (SITC 71):** HK$65.761 billion, accounting for **34.06%** of total imports. This category includes engines, turbines, and generators used across industrial and energy sectors, underscoring Hong Kong's strong demand for high-end U.S. machinery.

- **Miscellaneous manufactured articles (SITC 89):** HK$24.662 billion (**12.77%**), covering a range of consumer goods such as toys, stationery, and sporting goods. This reflects Hong Kong's consistent import demand for U.S.-manufactured goods as a regional transshipment hub.
- **Electrical machinery and parts (SITC 77):** HK$19.473 billion (**10.08%**), including motors, transformers, and electrical components, highlighting the role of U.S. technology in Hong Kong's manufacturing and supply chains.
- **Other transport equipment (SITC 79):** HK$11.455 billion (**5.93%**), including ships, bicycles, and related parts, indicating a growing demand for transport-related imports.
- **Telecommunications and audio equipment (SITC 76):** HK$10.118 billion (**5.24%**), comprising telephones, broadcasting devices, and audio systems, underscoring Hong Kong's dependence on U.S. communication technologies.
- **Professional and scientific instruments (SITC 87):** HK$7.162 billion (**3.71%**), including medical and measurement instruments, reflecting strong demand for high-precision U.S. equipment.
- **Office machines and data processing equipment (SITC 75):** HK$6.888 billion (**3.57%**), including computers and office devices, highlighting reliance on U.S. information technology products.
- **Non-metallic mineral manufactures (SITC 66):** HK$6.222 billion (**3.22%**), such as glass and ceramics used in construction and industry.
- **Meat and meat preparations (SITC 01):** HK$4.547 billion (**2.35%**), primarily beef, reflecting Hong Kong's steady consumption of premium U.S. agricultural products.
- **Essential oils and personal care products (SITC 55):** HK$4.224 billion (**2.19%**), including cosmetics and cleaning supplies, indicative of demand for American personal care brands.
- **Other categories:** HK$32.542 billion (**16.86%**), comprising chemicals and miscellaneous items, illustrating the diversity of U.S. exports to Hong Kong.

The import structure reveals a **dual character**. On one hand, **high-tech products**—such as power-generating machinery, electrical equipment, and office machines—serve Hong Kong's commercial and industrial sectors, accounting for a substantial share of imports (SITC 71, 77, and 75 combined make up **47.71%**). On the other hand, **agricultural and consumer goods**—such as meat and cosmetics—meet local market needs, reflecting diversified demand.

Compared with 2023, total imports increased from HK$181.272 billion to HK$193.054 billion in 2024, representing a **6.5%** growth. Notably, **power-generating machinery** rose from HK$57.862 billion to HK$65.761 billion (up **13.7%**) and **transport equipment** surged from

HK$6.186 billion to HK$11.455 billion (up **85.2%**), indicating strong growth in industrial and transport-related demand. Conversely, imports of miscellaneous manufactured goods dropped by **11.2%**, and essential oils and cosmetics declined by **7.6%**, possibly due to shifting market dynamics or the emergence of alternative suppliers.

It is worth noting that the import total cited here (HK$193.054 billion) differs from that reported by the Office of the U.S. Trade Representative (USTR), which estimates the figure at HK$217.62 billion. This discrepancy may result from differences in statistical definitions or the timeliness of data. For the purposes of this analysis, the most recently classified data has been used to ensure accuracy in understanding import structure.

Table 4: Top U.S. Agricultural Exports to Hong Kong in 2023 (by Value in HKD)

Product Category	Value (USD Million)	Value (HKD Billion)	Notes
Beef & Beef Products	415	3.237	up 6 percent from 2022; the United States is Hong Kong's second-largest beef supplier by volume, after Brazil.
Food Preparations (such as soups, baking mixes, and meal kits)	156	1.2168	up 7 percent from 2022
Tree Nuts	153	1.1934	
Seafood	144	1.1232	up 13.5 percent from 2022
Fresh Fruit	122	0.9516	up 16 percent from 2022
Poultry Meat & Products (such as chicken paws and wing tips)	105	0.819	
Alcoholic Beverages	44.2	0.34476	up 79 percent from 2022
Pork & Pork Products	31	0.2418	
Condiments & Sauces	11.8	0.09204	up 10 percent from 2022
Candies/Confectioneries	5.8	0.04524	up 78 percent from 2022
Total (Partial)	1,187.8	9.26476	Sum of listed categories

Note: Excludes eggs. Source: United States Department of Agriculture (USDA, 2025)

In 2023, the total value of U.S. agricultural exports to Hong Kong reached approximately **HK$9.265 billion**. While substantial, this accounted for only a small portion of Hong Kong's total imports from the United States (HK$217.62 billion; see Table 4).

Among agricultural products, **beef (HK$3.20 billion)** and **prepared food products (HK$1.20 billion)** were the largest categories, reflecting Hong Kong's steady demand for high-quality U.S. food. In contrast, non-agricultural imports emphasize Hong Kong's high dependence on U.S. **technology-related products**.

This **dual structure**—with a focus on food safety and quality for consumer goods on one hand, and technological sophistication for commercial applications on the other—defines the two essential dimensions that must be addressed in any future **import substitution strategy**.

3.4 Exploring the Possibility of Substituting U.S. Imports

Leveraging its status as a free port and its geographic proximity to major manufacturing hubs in Asia, Hong Kong possesses considerable capacity to replace goods originally imported from the United States with those from alternative suppliers. This flexibility enhances Hong Kong's ability to swiftly adjust its import sources in the event of disruptions to U.S. trade.

Table 5 outlines key product categories and their potential substitute origins, illustrating how Hong Kong can maintain the stability of its supply chain and economic operations without relying on U.S. imports.

Table 5: Potential Sources of Substitutes for U.S. Imports

Product Category	2023 Import Value from U.S. (HK$ Billion)	Potential Substituting Countries	Supporting Data Sources
Electrical machinery & computers	26.32 (as part of HK$193.05B total)	Mainland China, Taiwan, South Korea, Japan	Hong Kong Census and Statistics Department (2025b)
Beef	3.237	Australia, New Zealand	Statista: In 2022, U.S. accounted for 42%, Australia 32%, New Zealand 15% (Statista, 2022)

Tree nuts (e.g., almonds, walnuts)	1.193	Australia, South Africa, Turkey	USDA: Historically sourced from Australia & South Africa; Turkey is also a major global supplier (USDA, 2023)

For electrical machinery and computer-related products, Hong Kong is fully capable of shifting its import sources to other Asian economies. In 2023, Hong Kong imported over HK$2 trillion worth of such products from Mainland China. Other major suppliers included Taiwan, South Korea (US$5.7 billion), and Japan (US$5.2 billion). According to the *Observatory of Economic Complexity* (OEC, 2022), Hong Kong's total imports of these product types in 2022 reached HK$348 billion, with Mainland China and Taiwan as the primary sources.

These regions are known for their robust electronics industries—for example, Samsung in South Korea and Sony in Japan—ensuring stable and sustained supply. Additionally, high-quality machinery and electronic equipment from Germany (e.g., Siemens) serve as a valuable supplementary source. In 2023, Hong Kong's imports of relevant goods from Germany totaled US$7.4 billion (Statista, 2023).

In the case of beef, Hong Kong imported HK$3.237 billion worth from the United States in 2023. However, Australia and New Zealand have long served as key suppliers. In 2022, 32% of Hong Kong's beef imports came from Australia and 15% from New Zealand (Statista, 2022), demonstrating a well-established alternative supply network.

For tree nuts—of which HK$1.193 billion was imported from the United States in 2023—substitution is also viable. The United States Department of Agriculture (USDA, 2023) confirms that Australia, South Africa, and Turkey are all capable of providing stable and diversified supplies of nuts, including almonds and walnuts.

Hong Kong's position as a free port—protected under Article 114 of the Basic Law—ensures that goods can be imported duty-free, creating a favorable environment for diversifying supply chains. Moreover, since U.S. goods accounted for only **4.42%** of Hong Kong's total imports in 2024, a complete pivot to alternative sources would be both manageable and sustainable, given the existing capacity of other trade partners to scale up their exports to Hong Kong.

3.5 Hong Kong's Major Domestic Exports to the United States in 2024

Table 6: Hong Kong's Domestic Exports to the United States by SITC 2-Digit Classification (2023–2024, in Descending Order of 2024 Value)

SITC Code	Product Description	2023 Export Value (HK$ Billion)	2023 Share (%)	2024 Export Value (HK$ Billion)	2024 Share (%)
89	Miscellaneous manufactured articles, not elsewhere classified	4.154	67.07%	4.204	68.09%
84	Clothing and apparel accessories	0.356	5.75%	0.425	6.88%
09	Miscellaneous food preparations	0.322	5.20%	0.339	5.48%
Other	Other categories	0.274	4.42%	0.216	3.49%
66	Non-metallic mineral manufactures	0.235	3.80%	0.209	3.39%
77	Electrical machinery and apparatus, and parts thereof	0.166	2.69%	0.135	2.19%
68	Non-ferrous metals	0.416	6.72%	0.127	2.06%
04	Cereals and cereal preparations	0.104	1.68%	0.104	1.69%
54	Medicinal and pharmaceutical products	0.040	0.64%	0.062	1.00%

12	Tobacco and tobacco products	0.033	0.53%	0.050	0.81%
11	Beverages	0.037	0.59%	0.035	0.57%
Total		6.137	100%	6.176	100%

Source: Hong Kong Census and Statistics Department. (2025, c)

According to Hong Kong's official trade data for 2024, Hong Kong's total domestic exports to the United States (i.e., locally produced goods excluding re-exports) amounted to **HK$6.176 billion**, accounting for approximately **10.68%** of the city's total domestic exports (HK$57.848 billion). These figures are crucial for understanding the role of Hong Kong-made products in the U.S. market, and in evaluating which sectors would be most affected in the event of market loss—while also informing the potential for redirection to alternative markets.

The major export categories for 2024, ranked by export value, are analyzed below and compared with 2023 to highlight year-on-year trends:

- **SITC 89 – Miscellaneous Manufactured Articles (e.g., toys, stationery, sporting goods):**
  Export value reached **HK$4.204 billion**, making up **68.09%** of total domestic exports to the U.S. This category remains Hong Kong's largest export to the American market, reflecting robust demand for a wide variety of consumer goods.
- **SITC 84 – Clothing and Apparel Accessories:**
  Valued at **HK$0.425 billion** (**6.88%**), this category showcases Hong Kong's traditional strength in garment production and its enduring competitiveness in the U.S. market.
- **SITC 09 – Miscellaneous Food Preparations:**
  With exports totaling **HK$0.339 billion** (**5.48%**), this segment demonstrates Hong Kong's stable supply capacity for processed foods to the U.S.
- **Other Categories:**
  Valued at **HK$0.216 billion** (**3.49%**), these include various uncategorized goods such as small electronics and consumer items.
- **SITC 66 – Non-Metallic Mineral Manufactures (e.g., glass, ceramics):**
  At **HK$0.209 billion** (**3.39%**), these products are used in both industrial and consumer applications.
- **SITC 77 – Electrical Machinery and Components:**
  Worth **HK$0.135 billion** (**2.19%**), these exports show Hong Kong's niche participation in the U.S. technology supply chain.

- SITC 68 – Non-Ferrous Metals (e.g., aluminum, copper):
  Exports amounted to HK$0.127 billion(2.06%), catering to industrial demand in the U.S.
- SITC 04 – Cereals and Cereal Preparations:
  A relatively niche export at HK$0.104 billion(1.69%), including flour and cereal products.
- SITC 54 – Medicinal and Pharmaceutical Products:
  Valued at HK$0.062 billion (1.00%), this category includes pharmaceutical goods and medical supplies, indicating a modest market share.
- SITC 12 – Tobacco and Tobacco Products:
  Exported at HK$0.050 billion (0.81%), this remains a minor product category.
- SITC 11 – Beverages:
  At HK$0.035 billion (0.57%), including both alcoholic and non-alcoholic drinks, this category held the smallest market share.

Year-on-Year Comparison:
Overall domestic exports to the U.S. rose slightly from HK$6.137 billion in 2023 to HK$6.176 billion in 2024—an increase of 0.64%, indicating overall stability. Key changes include:

- SITC 89 – Miscellaneous Manufactured Articles rose from HK$4.154 billion to HK$4.204 billion (+1.2%), with its share increasing from 67.06% to 68.09%, reinforcing its dominance.
- SITC 84 – Apparel and Accessories increased from HK$0.356 billion to HK$0.425 billion (+19.4%), with its share rising from 5.75% to 6.88%, signaling significant growth.
- SITC 68 – Non-Ferrous Metals declined sharply from HK$0.416 billion to HK$0.127 billion (-69.5%), likely due to reduced demand or intensified competition in the U.S. market.
- SITC 77 – Electrical Machinery dropped from HK$0.166 billion to HK$0.135 billion (-18.7%), highlighting challenges in the tech export segment.

Despite slight fluctuations across categories, Hong Kong's domestic exports to the U.S. remained resilient, hovering around HK$5.9–6.1 billion. The export structure continues to be consumer goods–oriented, led by diversified products such as miscellaneous manufactured articles and apparel, supported by food and industrial goods—indicating both stability and diversification.

This structure provides clear guidance for market redirection strategies. The leading categories—miscellaneous manufactured goods and apparel—due to their versatility and broad appeal, are well-positioned to shift toward other markets such as **Mainland China**, **ASEAN**, or **Europe**, where consumer demand remains robust. However, **technology-driven or industrial products** such as electrical machinery and non-ferrous metals may require **specification adjustments** to meet new market standards and may face **short-term transitional costs**.

Thanks to its free port status and extensive global logistics network, Hong Kong is well-equipped to pivot quickly to new markets. Nonetheless, **targeted strategies**—particularly for high-value goods—will be essential to maintaining competitiveness and securing future growth.

3.6 Alternative Markets for Hong Kong's Domestic Exports to the United States

According to official Hong Kong trade statistics and the data presented in Table 6, the total value of Hong Kong's domestic exports (i.e., locally manufactured goods excluding re-exports) to the United States in 2024 amounted to **HK$5.90 billion**, representing a **3.76%** decline from **HK$6.10 billion** in 2023. These exports accounted for approximately **10.2%** of Hong Kong's total domestic exports in 2024 (HK$57.848 billion), compared to **9.4%** in 2023 (HK$65.64 billion). Despite the slight year-on-year decrease in export value, Hong Kong's domestic export sector continues to demonstrate relative stability. Nonetheless, given the rising uncertainties surrounding U.S.–China trade tensions, Hong Kong must explore alternative markets to absorb goods originally destined for the U.S.

This section first identifies the key product categories Hong Kong exports to the United States and then assesses the feasibility of shifting these exports to other markets, particularly Mainland China, Japan, South Korea, ASEAN countries (notably Singapore and Malaysia), and Europe. The analysis is supported by relevant trade statistics.

Hong Kong's major exports to the United States are primarily **consumer goods**. According to Table 6, the core export categories in 2024 included **jewelry, apparel, food products, and electronics**:

- **Jewelry and miscellaneous manufactured articles** (SITC 89) topped the list at **HK$4.204 billion**, accounting for **68.09%** of total domestic exports to the U.S., encompassing jewelry, toys, and other high-value consumer items.
- **Apparel and clothing accessories** (SITC 84) followed, with exports valued at **HK$0.425 billion** (**6.88%**), reflecting the ongoing competitiveness of Hong Kong's garment sector.

- **Miscellaneous food products** (SITC 09) reached **HK$0.339 billion** (**5.48%**), indicating a steady supply capacity for the U.S. food market.
- **Electronic machinery and components** (SITC 77) accounted for **HK$135 million** (**2.19%**), demonstrating Hong Kong's participation in the tech and electronics space.

Together, these categories accounted for **82.64%** of total domestic exports to the U.S. Other notable categories with substitution potential include non-metallic mineral products (HK$0.209 billion) and non-ferrous metals (HK$0.127 billion).

To maintain export stability, Hong Kong can redirect these goods to other high-capacity markets—especially Mainland China, Japan, South Korea, ASEAN, and Europe. Mainland China, as Hong Kong's largest trading partner, offers enormous market capacity and sustained demand across jewelry, apparel, food, and electronics.

- According to **Statista (2024)**, the size of China's jewelry market in 2023 reached **RMB 820 billion** (approx. **HK$881 billion**). In 2022, Hong Kong exported jewelry worth **US$10.6 billion** (approx. **HK$82.6 billion**) to China, easily surpassing the **HK$4.204 billion** previously destined for the U.S.
- China's apparel market in 2023 was valued at **RMB 2.2 trillion** (approx. **HK$2.36 trillion**). In 2022, Hong Kong exported **US$0.150 billion** (approx. **HK$1.17 billion**) in garments to Mainland China—far exceeding exports to the U.S.
- China's food import market reached **US$200 billion** in 2023, with Hong Kong exporting **US$0.50 billion** (approx. **HK$3.9 billion**) in food products to the Mainland in 2022. This is more than sufficient to absorb the **HK$0.443 billion** worth of food (SITC 09 and 04 combined) exported to the U.S. (Qianzhan Industry Research Institute, 2023; Minieye Technology Co., Ltd., 2024).
- For electronics, China imported about **US$500 billion** worth in 2023. Hong Kong's electronics exports to China in 2022 reached **US$10.6 billion** (approx. **HK$82.6 billion**), again far exceeding exports to the U.S. (HK$135 million). Close trade ties, lower logistics costs, and market familiarity make Mainland China the most viable replacement market.

Japan and South Korea, as advanced Asian markets, also possess significant absorption capacity for Hong Kong's exports:

- Japan's jewelry market was valued at approximately **JPY 120 billion** (around **HK$6.7 billion**) in 2023. Hong Kong's jewelry exports to Japan reached **US$0.32 billion** (approx. **HK$2.5 billion**) in 2022, indicating strong substitution potential (Statista, 2024b).

- Japan's total apparel and accessories imports in 2023 amounted to **JPY 3.56 trillion** (approx. **US$23.1 billion** or **HK$180.23 billion**) (Fibre2Fashion News Desk, 2025).

Consumer preference for high-quality goods and longstanding trade relationships with Hong Kong position both Japan and South Korea as ideal alternative markets (see Table 7).

Table 7: Products Originally Exported to the U.S. That Can Be Redirected to Japan

Original Product (SITC Code)	2024 Export Value to U.S. (HK$)	Japan's Absorption Capacity	Supporting Justification
89. Jewelry, toys, gifts	4.204 billion	Very High	Japan is one of the largest importers of toys and decorative goods; demand for high-quality jewelry remains stable.
84. Apparel and accessories	425 million	High	Japan's 2023 apparel imports exceeded JPY 3.56 trillion; Hong Kong's 2022 exports to Japan reached HK$2.03 billion.
09. Food and prepared products	339 million	Strong	Japan relies heavily on imported seasonings and ready-made foods; Hong Kong brands like Lee Kum Kee are well-established.
66. Non-metallic mineral products	209 million	Moderate	Japan's watch and jewelry industries require steady imports of gems and glass (e.g., Seiko, CITIZEN).
77. Electronic components	135 million	High	Japan imports mid- to low-tier and re-exported electronic parts; Hong Kong can continue as a sourcing hub.
54. Medical and pharmaceutical goods	62 million	Niche Potential	Japan imports Chinese herbal ingredients and specialty health supplements despite a robust domestic pharmaceutical sector.

Source: Census and Statistics Department (2025e)

ASEAN markets, particularly **Singapore** and **Malaysia**, also show potential:

- In 2022, Hong Kong exported approximately **US$0.25 billion** (HK$1.95 billion) in jewelry to Singapore and **US$1 billion** to Malaysia. (UN Comtrade, 2023; TrendEconomy, n.d.)
- Apparel exports to Singapore and Malaysia were about **US$80** and **US$5 million** respectively (World Bank WITS, 2022).
- ASEAN's 2023 import growth rates by product category:
  - Jewelry: +5%
  - Apparel: +4%
  - Food: +3%
  - Electronics: +5% (ASEANStats, 2023)

These figures suggest a growing demand for both consumer and industrial goods and semi-finished goods as ASEAN economies rebound post-pandemic.

Hong Kong's domestic exports to the United States account for only **10.2%** of its total domestic exports, indicating ample room for expansion into other markets. Mainland China alone could absorb **40%** (approx. **HK$23.2 billion**) of these exports; Japan, South Korea, and ASEAN combined could take in another **20%** (approx. **HK$11.5 billion**), while Europe could potentially absorb **10%** (approx. **HK$5.7 billion**). Collectively, these markets have far greater capacity than the **HK$5.9 billion** Hong Kong exported to the U.S. in 2024.

Nevertheless, market diversification is not without challenges. Exporters must address **logistics costs**, **market adaptation**, and **competitive pressures**. For instance, shipping costs to Europe may reduce profit margins, and local brand competition in Japan and South Korea may require product repositioning and marketing adjustments.

In conclusion, Hong Kong's domestic exports to the United States—primarily jewelry, apparel, food, and electronics—totaled **HK$5.906 billion** in 2024, down **3.76%** from **HK$6.137 billion** in 2023. Mainland China stands out as the primary substitute market, while Japan and South Korea are suitable for jewelry and electronics. ASEAN and Europe are well-positioned to absorb apparel and food exports. Hong Kong's status as a free port and its well-established trade networks position it to pivot quickly toward these markets and maintain export stability. Going forward, **targeted strategies** that respond to market preferences and competitive landscapes will be crucial for successful export diversification.

4. The Impact of a 245% U.S. Tariff on Hong Kong's GDP

In 2024, this city of 7.5 million records a GDP of HK$3,176.993 billion, reflecting its enduring role as a vital link between East and West. Yet on the horizon, a seismic shock looms: a proposed 245% U.S. tariff on Chinese imports, encompassing Hong Kong. This part of the research report assesses the implications of such a policy on Hong Kong's GDP, tracing the reverberations across exports, re-exports, the logistics sector, and the economy's broader interdependencies in a hypothetical manner. Since a tariff of this scale has never been implemented before, it is necessary to make certain conjectures regarding parameters—such as Hong Kong's free port trading advantage—for an initial impact assessment.

4.1: The Initial Shock

Domestic Exports Falter The tariff's most immediate impact falls upon Hong Kong's domestic exports to the United States, valued at HK$46.8 billion in 2024. Though relatively modest in size, these exports represent a critical channel for local manufacturing and production. A tariff of 245% would render these goods substantially less competitive in the U.S. market. Applying the principle of price elasticity of demand, analysts estimate a 95% contraction in volume.

Export Loss = HK$46.8 billion × 0.95 = HK$44.46 billion

HK$46.8 billion: The total value of Hong Kong's domestic exports to the United States in 2024.

0.95 (or 95%): The estimated percentage reduction in export volume due to the imposition of a 245% U.S. tariff. This reduction estimate is based on the price elasticity of demand—i.e., when prices rise sharply, demand falls drastically.

HK$44.46 billion: The total value of exports lost as a result of the U.S. tariff. This figure represents the portion of exports that would no longer be sold in the U.S. because of the sharp price increase.

This direct loss translates into a reduction in GDP via the expenditure formula: GDP = C + I + G + (X − M)

The above equation is known as the expenditure approach to calculating Gross Domestic Product (GDP), one of the most widely used formulas in macroeconomics.

Term-by-Term Interpretation

Symbol	Meaning	Description
C	Consumption	Spending by households on goods and services (e.g., food, transport).
I	Investment	Spending by businesses on capital goods (e.g., machinery, buildings).
G	Government Spending	Public sector expenditure (e.g., education, infrastructure, defense).
X	Exports	Goods and services produced domestically and sold to foreign buyers.
M	Imports	Goods and services produced abroad and purchased domestically.

So, (X − M) means net exports. It shows how much of the domestic production is consumed by the rest of the world, minus what domestic consumers spend on foreign goods.

This formula tells us:

"A country's GDP is the total value of what people, businesses, and the government spend on goods and services, plus what it sells abroad, minus what it buys from abroad."

It is a demand-side view of the economy.

That means GDP is calculated by adding up all the money households spend, all the investments made by businesses, all the government spending, and then adding exports while subtracting imports. In this analysis, the U.S. tariff reduces exports by HK$44.46 billion. That affects the X (exports) in this equation which directly reduces GDP. Where the amount of exports in terms of value declines, GDP follows. The damage is immediate and measurable—a foundational pillar of Hong Kong's trade is struck.

4.2: A Secondary Blow

Re-export profits shrink Hong Kong is not merely a producer—it is an orchestrator of global trade, serving as a vital re-export node, particularly for goods originating from Mainland China. In 2024, these re-exports to the U.S. totaled HK$150.72 billion, yielding an estimated profit of HK$15.072 billion (based on a 10% margin). With U.S. importers disincentivized by the tariff, re-export volumes are expected to plummet similarly—by 95%.

Remaining Profits = HK$15.072 billion × 0.05 = HK$0.754 billion

Profit Loss = HK$15.072 billion − HK$0.754 billion = HK$14.318 billion

Although re-export profits do not factor directly into GDP under the expenditure approach, their erosion has material effects: companies downsize, wages fall, and consumption contracts. These indirect consequences are economically real, if not formally recorded in GDP.

4.3: The Logistics Sector

The sheer trade volume of total exports is the lifeblood of Hong Kong's logistics industry, which constitutes 18.8% of GDP—or HK$596.69 billion. (Wen Wei Po, 2025, February 20). Declines in exports and re-exports inevitably reduce demand for shipping, warehousing, and freight services. Analysts project a 0.5% to 2.0% drop in logistics output due to this shock.

Low-End Loss = HK$596.69 × 0.005 = HK$2.98 billion

High-End Loss = HK$596.69 × 0.02 = HK$11.93 billion

This loss is directly reflected in GDP. Port workers face reduced hours, shipping lanes become underutilized, and a previously humming logistics sector slows—highlighting how tightly interwoven trade and local services are in Hong Kong's economy.

4.4: The Multiplier Effect

Cascading damage occurs because economic downturns rarely happen in isolation. The multiplier effect demonstrates how initial shocks amplify through the economy. When exporters lose HK$44.46 billion and logistics firms cut HK$11.93 billion in output, their suppliers, employees, and service providers all feel the pinch.

Initial Shock (exports + re-exports + logistics low-end) = HK$44.46 + 14.318 + 2.98 = HK$61.76 billion

Multiplied Loss X 1.1 (10% expected)= HK$67.94 billion

Multiplied Loss X 1.5 (15% expected) = HK$92.64 billion

4.5: A Buffer Against the Storm

The free port advantage yet, Hong Kong possesses a powerful mitigating factor—its free port status. Unlike most economies, the city levies no tariffs on imports or exports. This creates an opportunity: as global supply chains reroute to avoid China's duties on the U.S. products, some firms may use Hong Kong as a strategic market to ensure entry point of some consumer goods into China, such as electronic products and telecommunication products.

Depending on how extensively this adaptive behavior occurs, analysts estimate that 10% to 20% of GDP losses could be offset:

Net Impact = HK$67.94 – HK$13.59 (20% of HK$67.94) = HK$54.35 billion

Explanation of the above formula: Net Impact = HK$67.94 billion – HK$13.59 billion = HK$54.35 billion

- **HK$67.94 billion**:
  This is the **total GDP loss** that Hong Kong would suffer **without any mitigating factors**, based on the **initial shock** (loss from exports, re-exports, and logistics) and applying a **multiplier effect** of 1.1.
- **HK$13.59 billion (20% of HK$67.94)**:
  This is the **expected offset**—analysts assume **Hong Kong could recover 10% to 20%** of the losses because:
  - It is a **free port**, imposing **no tariffs** on imports and exports.
  - It could become a **neutral hub** for re-routing global trade to avoid reciprocal tariffs.

In this case, **20%** is applied:
HK$67.94 × 0.20 = HK$13.59 billion.

- **HK$54.35 billion**:
  This is the **Net Impact** on GDP **after subtracting the estimated recovery**, i.e., **the net GDP loss**.

In short, if the U.S. tariff causes an initial HK$67.94 billion loss to Hong Kong's economy, and Hong Kong manages to regain HK$13.59 billion through alternative trade flows due to its free port advantage, the final net economic loss would be HK$54.35 billion.

4.6: Scenario Analysis: Mapping the Path Ahead To illustrate the potential impact range, we model three scenarios:

4.6.1 Optimistic Scenario

Under the optimistic scenario, Hong Kong experiences an initial economic loss of **HK$61.76 billion**, primarily resulting from a sharp decline in exports, re-exports, and a modest contraction in logistics output due to the 245% U.S. tariff. The model assumes a relatively conservative **economic multiplier of 1.1**, indicating limited secondary effects across related sectors. Applying this multiplier, the total economic loss expands to **HK$67.94 billion**.

However, given Hong Kong's status as a free port and its strategic role in global supply chains, it is assumed that **20% of this total loss**, or **HK$13.59 billion**, can be offset. This recovery would likely occur through trade rerouting, as companies adapt their logistics networks to circumvent U.S. tariff exposure by leveraging Hong Kong's neutral trade environment.

After accounting for this offset, the **net economic loss** under this scenario is reduced to **HK$54.35 billion**, which corresponds to a **1.71% contraction** in Hong Kong's GDP. This scenario reflects a situation where policy advantages and market flexibility effectively cushion the economy against external shocks.

4.6.2 Baseline Scenario

The baseline scenario assumes a more pronounced disruption, where the initial shock to Hong Kong's economy reaches **HK$74.71 billion**, incorporating a mid-range estimate of logistics sector losses. Given a slightly stronger spillover effect, the model applies an **economic multiplier of 1.2**, which increases the overall economic loss to **HK$89.65 billion**.

In this case, analysts estimate that only **15% of the total loss**, or **HK$13.45 billion**, can be offset through trade diversification and Hong Kong's capacity to redirect global shipping flows. This modest recovery acknowledges structural limitations in how quickly and extensively global firms can adapt to the new tariff regime.

Consequently, the **net loss to GDP** under the baseline scenario stands at **HK$76.20 billion**, translating to a **2.40% decline** in annual economic output. This scenario represents a moderate but significant impact, where Hong Kong's economic resilience is tested by both direct trade losses and reduced multiplier-driven consumption and investment.

4.6.3 Pessimistic Scenario

In the pessimistic scenario, the economic shock is assumed to be less in initial magnitude at **HK$70.71 billion**, but the **multiplier effect is heightened to 1.5**, reflecting deeper intersectoral linkages and more severe downstream consequences. As a result, the total amplified loss reaches **HK$106.07 billion**.

Under conditions of widespread geopolitical tension and supply chain inertia, only **10% of the losses**, or **HK$10.61 billion**, are expected to be recouped through trade substitution. This limited offset assumes that global companies find it more difficult to restructure trade flows via Hong Kong in a high-risk and highly protectionist international environment.

Subtracting the partial recovery, the **net GDP loss** is estimated at **HK$95.46 billion**, equating to a substantial **3.00% contraction** in the city's GDP. This scenario underscores the vulnerabilities inherent in Hong Kong's intermediary trade model and the scale of potential macroeconomic damage should mitigation measures fail to materialize.

In short, the three scenarios collectively illustrate a spectrum of economic outcomes for Hong Kong, contingent on the severity of the initial trade shock, the strength of economic multipliers, and the effectiveness of the city's structural advantages in offsetting losses. While the optimistic scenario envisions a manageable impact buffered by Hong Kong's free port policy, the baseline and pessimistic cases highlight the broader risks associated with global supply chain disruptions and intensified Sino-U.S. economic decoupling.

4.7: Conclusion

Interpreting the Depth of Impact Through GDP Parameters The imposition of a 245% U.S. tariff on imports from China and Hong Kong is not merely a symbolic escalation of trade tensions—it delivers a quantifiable shock to Hong Kong's economy. Our analysis suggests that this policy could reduce Hong Kong's GDP by 1.7% to 3.0%, translating into economic losses ranging from HK$54.35 billion to HK$95.46 billion. The precise degree of contraction, however, hinges on several interconnected parameters.

First, the tariff rate itself is a primary driver. The escalation from an earlier proposed 145% to 245% represents a sharp cost inflation for end-users in the U.S. market, leading to more pronounced substitution effects and a steeper drop in demand. The higher the tariff, the greater the expected elasticity response, particularly for price-sensitive categories like consumer electronics and apparel—two sectors heavily represented in Hong Kong's re-export portfolio.

Second, the price elasticity of demand for Hong Kong's exports and re-exports plays a pivotal role. A highly elastic demand implies that even modest price hikes, let alone a 245% increase, will cause significant volume contraction—estimated here at 95%. Should actual elasticity prove higher, the GDP loss would be more severe.

Third, the profitability structure of re-exports directly influences the magnitude of the secondary shock. A lower profit margin, say below 10%, would buffer the absolute loss figure; conversely, higher margins would exacerbate the revenue gap from lost trade flows.

With re-export profits derived primarily from logistics, warehousing, and financing activities, the exposure of these segments becomes a multiplier in itself.

Fourth, the sensitivity of the logistics sector—contributing 18.8% to GDP—makes it a critical transmission channel for external shocks. A fall in cargo volume reverberates through port operations, freight forwarding, and supply chain services, leading to compounding losses in both output and employment.

Fifth, the multiplier effect magnifies all initial losses, depending on how tightly sectors are interlinked. A multiplier of 1.5 suggests that each dollar lost in exports could generate an additional HK$0.50 in downstream losses, especially in consumer spending and business investment.

Finally, Hong Kong's policy flexibility and institutional advantages, particularly its free port status, serve as countervailing forces. The potential rerouting of global supply chains through Hong Kong—as a workaround to avoid tariff exposure elsewhere—may recover 10% to 20% of the lost activity. However, this offset is contingent upon international trade responsiveness, shipping cost differentials, and the geopolitical climate affecting global routing decisions.

In addition, it is important to note that 95% of total trade between China and the United States may also cease under the 245% tariff scenario, which could further affect Hong Kong's re-export role and logistics throughput. Given Hong Kong's unique position in facilitating Sino-American trade, this broader disruption amplifies the risk to its intermediary trade model.

In sum, the economic repercussions of a 245% tariff cannot be assessed in isolation. They result from a complex interplay of tariff magnitude, demand elasticity, sectoral dependencies, profit structures, multiplier dynamics, and policy adaptability. Hong Kong's resilience will depend not only on mitigating immediate trade losses but on recalibrating its regional trade role in a more fragmented and protectionist global economy. The city's reputation as a global entrepôt may be tested, but if these parameters are effectively managed, it may once again reaffirm its place as a nimble and indispensable node in international trade.

5. Summary of Key Concerns

This section addresses the primary concerns raised by various sectors of society, supported by concrete data:

5.1: Data-Driven Clarification for the Hong Kong Public

In 2024, the total trade volume between the United States and Hong Kong amounted to **HK$264.42 billion**, representing only **2.79%** of Hong Kong's total annual trade volume of **HK$9,464.47 billion**. Of this, exports accounted for **1.03%** (HK$46.8 billion), and imports **4.42%** (HK$217.62 billion). Compared to the over **HK$5 trillion** in trade that Hong Kong conducts with Mainland China, ASEAN, and the European Union combined, the U.S. trade share is relatively insignificant. These figures demonstrate that even in the event of losing the U.S. market, Hong Kong possesses sufficient resilience to adapt. This conclusion is grounded in factual data, rather than speculative assumptions.

5.2: U.S. Standing Among Hong Kong's Top Trading Partners and Concerns of Trade Disruption

Public anxiety about a potential "collapse" in trade or economic stability is largely unwarranted. Hong Kong maintains strong and well-established trade relationships beyond the United States. For example, in 2024, bilateral trade between Mainland China and Hong Kong reached **HK$2,415.66 billion**. While the U.S. ranks as Hong Kong's **third-largest** trading partner (when re-exports are included), it would fall to **fifth or sixth** when re-exports are excluded. Compared with Mainland China, the EU, Japan, and South Korea, the U.S. occupies a **mid-tier** position and is not irreplaceable in maintaining the flow of Hong Kong's external trade.

According to Table 2, the United States ranked third among Hong Kong's top ten trading partners in 2024 with a total trade value of **HK$501.672 billion** (based on Hong Kong statistics, which include substantial re-export activity and differ methodologically). This figure trails behind Mainland China (**HK$4,826.321 billion**) and Taiwan (**HK$697.387 billion**), but still exceeds that of Singapore (**HK$456.808 billion**), South Korea (**HK$355.911 billion**), Vietnam, Japan, Malaysia, India, and Thailand. While the U.S. remains significant, its influence diminishes when re-export activities are excluded. Should South Korea's trade with Hong Kong continue to rise, it may surpass the U.S. in ranking (Source: HKTDC, 2024).

5.3: Import Substitution Strategy

The total value of U.S. exports to Hong Kong amounted to **HK$217.62 billion**, covering goods such as electronics and beef. These products are readily substitutable through alternative sourcing countries such as Japan (2023 exports to Hong Kong: **US$5.2 billion**), South Korea (**US$5.7 billion**), Germany (**US$7.4 billion**), and others including China and Taiwan. Hong Kong can leverage its established supply chains and **free-port, tariff-free status** to facilitate this substitution (Sources: Statista, 2023; OEC, 2022).

5.4: Export Market Diversification

Assuming discrepancies between Hong Kong and U.S. trade statistics stem from differing methodologies, U.S.-recorded **HK$46.8 billion** in domestic exports (primarily garments and toys) and Hong Kong-recorded **HK$40.7 billion** in re-exports (mainly electronics) from Hong Kong could be redirected to other markets such as Mainland China, ASEAN, and Europe. However, given the specific product preferences in the U.S. market, some re-exported goods may require **adjustments in design, compliance, or packaging** to meet the standards of alternative destinations (Source: HKTDC, 2024).

6. Discussion

Hong Kong's trade system has demonstrated notable resilience. Although trade with the United States accounted for only **2.79%** of Hong Kong's total trade volume in 2024, the city's diversified trade relationships with numerous other economies mitigate the potential impact of a decline in U.S. trade. Hong Kong has actively sought alternative import sources from Japan, South Korea, and Germany, while redirecting its export focus toward Mainland China, ASEAN countries, and Europe. These efforts align closely with the HKSAR Government's policy direction in recent years to deepen ties with non-U.S. markets and participate in the **Regional Comprehensive Economic Partnership (RCEP)** (RTHK News, 2025).

Furthermore, Hong Kong's economy is long characterized by a strong reliance on the **services sector**, which contributes over **90%** of its GDP. This, coupled with a historical capacity to adapt to trade shocks, positions the city well to endure external fluctuations in global trade.

Nevertheless, adjustments to **re-export activities** entail certain risks. Many goods previously destined for the U.S. were tailored to meet specific American consumer demands. Redirection to other markets may require **reconfiguring product specifications, packaging, and regulatory compliance**, potentially resulting in **short-term losses**.

As previously suggested by *Path of Democracy* in its research report — *Knowledge, Attitudes and Behaviours of the International Business Community towards Doing Business in Hong Kong* (Project Number: 2023.C19.001.23C, funded by the Public Policy Research Funding Scheme of the Hong Kong SAR Government) — and in alignment with the Government's broader policy direction, **swift and strategic diplomatic engagement** to stabilize existing trade relationships and explore new markets is imperative for safeguarding Hong Kong's economic stability.

7. Policy Recommendations: Enhancing Resilience in Hong Kong's Trade System

In light of the U.S.'s escalation to a **245% tariff** on goods imported from Hong Kong, the city must respond with **pragmatism rather than panic**, transforming crisis into opportunity by strengthening institutional frameworks and restructuring market orientation. *Path of Democracy* recommends the Government pursue the following five measures:

7.1: Clarify Discrepancies in U.S.-Hong Kong Trade Data to Prevent Misinterpretation

There is a notable divergence in trade statistics: U.S. figures capture only domestic exports, while Hong Kong's include re-exports. Without proper explanation, the public may misinterpret the reality of trade flows, generating unnecessary fear. The Government should proactively issue clarifications and enhance statistical coordination with international institutions to bolster credibility in trade negotiations.

7.2: Support Local Exporters in Transitioning and Reinforce Free Port Status

Although U.S. tariffs primarily affect domestic exports—only **1.03%** of Hong Kong's total exports in 2024—the impact on industries such as apparel, toys, and electronics warrants attention. The Government should provide **transformation subsidies**, **market expansion guidance**, and strengthen **regional trade channels** to leverage Hong Kong's geographic and institutional advantages as a **free port and transshipment hub**.

7.3: Develop Alternative Export Markets to Diversify Risk

Hong Kong's **US$15 billion** investment in ASEAN in 2023 illustrates strong regional ties. Mainland China's **RMB 820 billion** jewelry market further reflects vast regional demand. The Government can facilitate market diversification through **promotional subsidies**, **B2B matching programs**, and **customs clearance facilitation**, helping businesses access new markets in **Japan, South Korea, ASEAN, and the Middle East**.

7.4: Closely Monitor U.S. Policy Volatility and Avoid Over-Reliance

Given the unpredictable nature of former President Trump's policies, Hong Kong should establish a **long-term monitoring mechanism** and a **real-time information platform** with the business sector to mitigate policy risks. Proactive strategy is preferable to reactive response, and Hong Kong should deepen discussions on **free trade agreements** with **RCEP members, Europe, and the Middle East**.

7.5: Support Hong Kong-Invested Manufacturers in Mainland China

Many Hong Kong businesses operate manufacturing facilities in Mainland China and are heavily reliant on exports to the U.S., making them particularly vulnerable to tariff impacts. The Government should consider offering **subsidies for market redirection**, **guidance on production transformation**, and **export reorientation support**, while leveraging **trade offices and chambers of commerce** to provide on-the-ground resources.

8. Conclusion

Trade with the United States accounts for only **2.79%** of Hong Kong's total trade, a relatively minor proportion. Given Hong Kong's highly diversified market structure, the city is well-positioned to withstand the impact of losing access to the U.S. market. **Substituting imports from Japan, South Korea, or Germany**, and **redirecting exports to Mainland China, ASEAN, and Europe**, are all **viable and data-supported strategies**. The 2024 trade data clearly shows that **Hong Kong is demonstrating resilience, not collapse**.

As long as Hong Kong implements **timely and strategic responses**, and proactively **consolidates new suppliers and export destinations**, the city's economic outlook will remain stable and even improve. With Hong Kong's longstanding adaptability, it is well-equipped to **offset the negative impacts** arising from the imposition of punitive U.S. tariffs and continue its trajectory of economic resilience and growth.

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民主思路

召集人:	湯家驊		
榮譽顧問（筆劃序）:	施永青	盛智文	翟紹唐
聯席召集人:	龍家麟 （國際）	潘學智 （研究）	黃頴灝 （內務及地區事務）
理事（筆劃序）:	朱柏陵	陳進雄	陳譽仁
	梁邵麟	黃志雄	麥慶歡
地區幹事:	葉浚生		

關於我們

民主思路是一個具使命感和目標為本的智庫，我們期望在一國兩制、港人治港、高度自治的大原則下，爭取民主發展的最大空間。 我們相信，民主發展需以溫和的態度進行互信的溝通。為此，民主思路致力於打造和創立一個平台，以:

- 凝聚社會上大多數的民主派主持者;
- 以進取的方式推動溫和路線，在社會中開拓新的政治空間;
- 設定議題，建立有系統的論述;
- 透過研究、對話、互動，與各持份者共同確立特區在政治、社會、經濟及文化方面的新思維。

查詢: 蔡淑汶（總經理）
地址: 香港灣仔軒尼詩道 19-21 號金鐘商業大廈 3 樓
電話: 2509 3131
傳真: 2509 3130
網址: https://pathofdemocracy.hk/