

EXCLUSIVE

Ban on the re-export of e-cigarettes could be reversed by end of year

Possible U-turn on transshipment via land and sea part of bid to spur economy

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Hong Kong may reverse its ban on the re-export of e-cigarettes and other heated tobacco products via land and sea transport by the end of this year as part of efforts to stimulate the city's flagging economy, the Post has learned.

But an economist yesterday warned the move would undermine the credibility of local authorities if they backtracked on a promise to curb tobacco use and weaken the promotion of public health by the ban on e-cigarettes.

"Senior officials are thinking about relaxing the transshipment ban on re-exporting alternative smoking products from Hong Kong, given the significant values of the re-export," a government insider said. "The original intention of the amendment was to prevent the re-exported products

from slipping back to Hong Kong through other means. The new move would roll back the tobacco control regime."

Under the city's current laws, which were amended last year and took effect at the end of April, no one can import, sell or manufacture alternative smoking products such as electronic cigarettes, heated tobacco products and herbal cigarettes.

Offenders can be subject to a maximum fine of HK\$50,000 and up to six months' imprisonment. But consumers are still allowed to use vaping gadgets.

The legislation also prohibits smoking products from being transhipped through Hong Kong when brought in by trucks or vessels for onwards transport overseas, although air transshipment cargo and transit cargo that remains on the aircraft and vessels is exempt.

Before the ban was imposed,

Hong Kong was a major hub for the transshipment of vaping products from the mainland.

A report last December from the China Electronics Chamber of Commerce found 95 per cent of the world's vaping products were produced in the country, with more than 90 per cent exported

for a value of about 138.3 billion yuan (HK\$150.9 billion).

However, the Post has learned that authorities are looking at amending the regulation by the end of this year, which is expected to generate billions of dollars a year for the government coffers.

The Hong Kong Association of Freight Forwarding and Logistics in September said the curbs on the transshipping of e-cigarettes

via the city had also led to a reduction in the volume of outbound air cargo.

Based on a survey of the association's members, the affected e-cigarette cargo was estimated at 330,000 tonnes per year, translating to a loss of about 10 per cent in the city's annual export volume by air, it said. The association said the value of the re-export cargo affected by the ban was estimated to exceed 120 billion yuan.

Gary Lau Ho-yin, the group's chairman, had also warned the ban had shaken Hong Kong's status as a regional transshipment hub and dealt a huge blow to people's livelihoods.

Lawmaker Frankie Yick Chiming, who represents the city's transport sector and lobbied for easing of the ban, said the amendments to the law could include allowing the re-export of vaping products by sea-to-air transport as now there was a logistics system in place to prevent the products from slipping into the community.

"The Airport Authority has run a logistics park in Dongguan that serves as a joint checkpoint for the shipment of goods. It will cast a giant security net to seal off the goods," he said.

"When the shipment arrives at Hong Kong airport, the transit cargo will be put on board aircraft for re-export.

"The government was concerned about the risk of vaping products slipping into the community. Now, this new security system could plug the loophole surrounding transshipment of the products, so it feels safe to amend the law."

But Simon Lee Siu-po, an honorary fellow at the Asia-Pacific Institute of Business at Chinese University, said the government could risk undermining its credibility by making a U-turn on the re-export ban of vaping products by land and sea.

"The government is facing mounting fiscal pressure with poor revenue from stamp duty and land sales. It is understanda-

ble that it needs to generate some income from various means," he said. "But the U-turn might defeat the government's purpose of safeguarding public health, while the public may think the government hasn't kept its promise on the crackdown on tobacco products."

Financial Secretary Paul Chan Mo-po has projected a budget deficit exceeding HK\$100 billion for this year, almost twice the amount forecast, as revenue from stamp duties and land sales are predicted to fall far short of expectations amid the Covid-19 pandemic and a weak external economic environment.

But economist Lee said the government should look for long-term solutions to generate revenue such as diversifying sources of income instead of relying on those collected via land sales.

He added lifting the ban on re-exporting e-cigarettes could only provide some short-term financial relief for authorities. Additional reporting by Olga Wong



Under Hong Kong's current laws, no one can import, sell or manufacture alternative smoking products. Photo: Yik Yeung-man