# Hong Kong and Zhejiang forge new ties to navigate US trade barriers and boost tech collaboration



Hong Kong Chief Executive John Lee’s recent visit to Zhejiang province in mainland China marks a significant step towards closer collaboration between Hong Kong and Chinese cities amid ongoing global trade tensions, particularly those arising from the tariff war between the United States and China. The visit, which lasted four days in late April, was a strategic move aimed at seeking ways to help businesses diversify their supply chains and circumvent disruptions caused by US tariffs.

During his trip to Zhejiang, an important tech hub in China, Mr Lee was accompanied by senior officials including commerce minister Algernon Yau and technology and innovation minister Sun Dong. The delegation engaged with government officials, business leaders, and representatives from some of the province’s leading tech startups, known as the “Hangzhou six little dragons.” These startups include AI firm DeepSeek, video game developer Game Science, and robotics companies Unitree and Deep Robotics, among others. Mr Lee’s visit included tours of two of their facilities, though specific details about the nature of cooperation with these startups have not been disclosed.

One of the key outcomes of the visit was the agreement between Hong Kong and Zhejiang to establish a new mechanism designed to provide tailored supply chain services that will help mainland companies bypass the disruptions caused by US trade restrictions. Mr Lee highlighted at a forum in Ningbo that Hong Kong’s role as an international trade centre and multinational supply chain hub, combined with Zhejiang's strengths in the digital economy, positions the city to assist Chinese businesses in exploring new markets and mitigating investment risks linked to the US.

The state-run China Daily described Mr Lee's visit as a "smart, prudent and proactive response" to the US tariffs, which have reached rates as high as 145% on various goods from China, including those from Hong Kong. Similarly, an editorial in Hong Kong’s South China Morning Post praised the visit as a strengthening of Hong Kong’s integration with the mainland, noting the benefits expected from the cooperation mechanism, a range of signed deals, and the push into high-tech industries.

In addition to exploring supply chain solutions, Mr Lee signed agreements covering more than 50 projects across sectors including technological innovation, trade, and housing. Experts have emphasised the broader significance of the visit. Professor Sonny Lo from the University of Hong Kong’s politics department told The Straits Times that the trip is the beginning of a comprehensive strategy to strengthen logistical supply chains between Hong Kong, the Greater Bay Area (which includes Macau and several cities in Guangdong province), and the rest of mainland China. He noted that Hong Kong’s expanding tech and artificial intelligence (AI) sectors could benefit significantly from closer ties with Zhejiang’s flourishing tech ecosystem.

From an economic perspective, investors see potential for Hong Kong to support Zhejiang’s tech startups in financing and market access. David Yin, a partner at Silicon Valley venture capital firm Informed Ventures, remarked to The Straits Times that engaging with Zhejiang’s startups early will enable them to consider Hong Kong as a preferred location for listing shares, given Hong Kong's regulatory flexibility compared to the stricter listing requirements on mainland exchanges and US stock markets.

An important area where Hong Kong can assist Zhejiang firms is in the acquisition of AI chips, critical components for tech innovation, especially as access to cutting-edge chips from US companies like Nvidia is increasingly restricted. Since 2022, US export bans have targeted advanced Nvidia chips to China, affecting both mainland and Hong Kong markets, though Hong Kong reportedly has a small black market for these products. Recent tighter restrictions on certain Nvidia chips have posed challenges for Zhejiang’s AI startups, such as DeepSeek, which developed an AI model resembling ChatGPT powered by the now-restricted chips.

A venture capitalist familiar with the Chinese tech industry shared with The Straits Times that Hong Kong’s status as a free-trade zone with fewer regulatory obstacles provides an advantage in navigating around some of the supply chain and capital control issues faced on the mainland. Unlike mainland China, Hong Kong does not impose foreign exchange controls, facilitating smoother money flow and trade transactions.

Mr Lee's visit to Zhejiang, including his direct engagement with tech startups and signing of numerous collaboration deals, demonstrates Hong Kong's intent to deepen economic integration with mainland China while responding strategically to international trade challenges. Analysts regard the visit as a foundational step for Hong Kong’s role in supporting mainland enterprises in overcoming the complexities of the evolving global trade environment.

Source: [Noah Wire Services](https://www.noahwire.com)

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