

\$25 billion trade talks deadlocked

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Our trade with the US

VITAL trade talks between Hongkong and the United States over the territory's \$25 billion a year textile exports are deadlocked and yet another round of negotiations has been scheduled.

The latest discussions, in Hawaii, broke up yesterday without the expected result — and delegates described the situation as "serious".

In another development, the Secretary for Trade and Industry, Mr Eric Ho, is rushing back to Hongkong to report on the impasse during the Honolulu talks in the past week.

He is due in Hongkong this morning and is expected to go straight into meetings with the Financial Secretary, Mr Piers Jacobs, and possibly the Governor, Sir Edward Youde.

Mr Ho will be back on a plane by Wednesday to rejoin the Hongkong team in Washington where the bargaining will continue later in the week.

Also heading for Washington from Honolulu will be a dozen industry executives who make up Hongkong's Textiles Advisory Board.

A brief Government announcement yesterday said the Honolulu talks had been "not easy, intensive, detailed . . . but inconclusive."

At stake in the talks are billions of dollars worth of textile and garment exports to the US, the major market for Hongkong products.

In addition there are possibly thousands of Hongkong jobs in jeopardy if the export of textiles and garments to the US — our major trading partner — are pared back.

The Americans have asked Hongkong to freeze its exports at 1985 levels but Hongkong has firmly resisted the American pressure.

Hongkong argues that a 1985-level freeze would amount to a serious cutback in exports.

Under a five-year bilateral agreement with the US which expires at the end of next year,

	TOTAL \$mil	TEXTILES	PERCENT
1980	22,591	11,515	50.9
1981	29,200	13,236	45.3
1982	31,223	12,801	41.0
1983	43,802	17,207	39.2
1984	61,374	24,902	40.6
1985	57,687	25,900	44.9

Hongkong is permitted growth levels ranging from 0.5 per cent to two per cent in various categories of textiles.

Hongkong argues that the American request to freeze exports at 1985 levels breaches this agreement and would treat such action seriously.

Last year saw a downturn in Hongkong's textiles exports to the US with trade volumes in some categories failing to reach agreed quota levels, although the total value of exports was up.

In other categories, not covered by the agreement, Hongkong's exports expanded and the US now is trying to have those categories put under the quota umbrella.

A first round of talks was held in Hongkong in March where local negotiators refused to meet the US request.

Later, the chief US negotiator, Mr Charles Carlisle, complained that Hongkong went into the March negotiations armed with the knowledge that the Americans were seeking a freeze at 1985 levels.

Since then a former US official, Mr Walter Lenahan, has been blamed for leaking that information to Hongkong, an allegation which he and Hongkong Government officials have denied.

But US anger over the allegations, which have led for calls for an investigation into Mr Lenahan by a Congressional ethics committee, has added a new dimension to the talks.

The March talks in Hongkong were due to last three days but broke up after two with the US emerging as the clear loser.

When the Director of Trade,

Mr Hamish Macleod, leader of the Hongkong negotiators, and members of his team left for Honolulu last weekend their second round of talks had been expected to last from Monday to Wednesday.

But even after extending the session until late on Friday they still failed to reach agreement.

Mr Ho went to Honolulu in his capacity as chairman of the Textiles Advisory Board, a Government appointed body which guides the negotiators.

Usually the negotiators report back to the Board in Hongkong but on this occasion it was decided to take the entire Board to Honolulu so that they would be on hand if talks reached the stage where a decision was needed.

The crucial nature of the new round of talks prompted the decision to take the Board on to Washington.

A source close to the Hongkong team last night described the atmosphere at the negotiations as "friendly and workmanlike" but observers interpreted this to mean the talks had got nowhere.

The decision by the two parties to continue their negotiations in Washington this week has meant a sudden change of plan for another round of talks, with Canada, which is due to begin in Hongkong tomorrow.

Mr Macleod, was due to head the Hongkong team for the talks with Canada but he has dropped out because of the greater importance of the Washington meeting.

Mr Paul Wong, an assistant director in the Trade Department, will take his place.