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$78b at stake on trade status

From SETH FAISON
in Beijing

A SENIOR trade official yesterday put a price tag of US$10 billion (HK$78 billion) on the pending decision in the United States on China's preferential trading status.

In the first official estimate of how much China may lose if the US does not renew Most Favoured Nation (MFN) status next month, Deputy Trade Minister, Mr Shen Jueren, said such a loss – nearly 20 per cent of China's total exports – would have a "very big impact".

Although his figure was higher than the US$6 billion some Western economists predict, a shift in MFN would have a dramatic effect on China's and Hongkong's exports as well as on overall Sino-US relations.

As for China's expected retaliation, Mr Shen specified that high tariffs would be re-imposed on US goods sold to China, without providing any specific examples.

"It's reciprocal. If the US withdraws this kind of treatment, China will do the same," Mr Shen told a news briefing at his ministry.

However, Mr Shen was unable to offer any assurance that China would take steps to counter a growing trade surplus with the US which American officials fear could climb to nearly US$10 billion this year if there is no change in MFN.

"In a word, our trade conditions depend on competition. If US products are very competitive, we will buy them," he said.

Hearings in the US Congress begin today on the MFN issue, and the President, Mr George Bush, has until June 3 to recommend an annual waiver that would allow China continued MFN status.

A diplomat said the chances for a renewal of MFN were currently estimated at "about 50-50", but added that the emotional factors involved in Sino-US relations made it difficult to predict with any certainty.

China's exports to the US last year totalled more than US$12 billion, including goods transported through Hongkong, many of them clothing, toys and footwear made in Guangdong and Fujian provinces.

Hongkong-based traders would lose more than US$5 billion in two-way trade, the American Chamber of Commerce has estimated.

Mr Shen added that his US$10 billion estimate did not include the "ripple effect" of related unemployment and other losses from a change in trading policy, which many Chinese fear may affect their standard of living and contacts with the West.

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Saying repeatedly that China hoped no such change would occur, Mr Shen appealed to American interests to see the benefits of continued trade with China.

"Consumers can enjoy low prices, farmers can sell us their grain, manufacturers can sell their products to the Chinese market," Mr Shen said.

With a nod towards the geo-political benefits of Sino-US political co-operation, Mr Shen pointed to the peace and stability in the Asian region that had grown during the era of increased US-China trade.

He also warned that it would be difficult to re-build the trade relationship that has grown since diplomatic relations between Beijing and Washington were formally established in 1979.

"It was not easy for the two countries to reach this stage in trade relations," he said.

Asked about lobbying efforts in Washington, Mr Shen said Chinese officials were "talking to their friends" about the dangers of further disrupting US-China trade relations.

"Both sides should cherish this trading relationship very much," he said.