

16,000 jobs, \$35b at risk in trade war

By CHRIS CHAPEL

UNITED States trade retaliation against China could cost Hongkong up to \$35 billion in the first year if all items targeted on a preliminary Washington "hitlist" are slapped with punitive tariffs.

More than 16,000 jobs could be lost, and economic growth would be slowed, Government officials warned yesterday.

Secretary for Trade and Industry, Mr Chau tak-hay, said: "Our broad estimate is that if implemented to the full extent, our trade, including related trade flows, would drop by \$35 billion in the year of incidence."

The hitlist, issued on August 27, covers an annual US\$3.9 billion (HK\$30.1 billion) worth of Chinese exports to the US. The items on the list have been earmarked for punitive tariffs unless the two sides can agree on American access to the Chinese market before October 10.

The impact on Hongkong could be greater than the total value of affected trade because of flow-on effects of raw material movements and through-trade once punitive tariffs block Chinese exports out of the US market by making them uncompetitive.

"Arising from this loss in trade, there would be a loss of around 16,600 jobs," Mr Chau said.

"The growth rate of our gross domestic product would also drop by about 0.7 per cent of a percentage point."

The new numbers, the result of an analysis made by the Government since the list was released, will be used by Hongkong when lobbying the US Government not to retaliate against China for keeping its market closed to US exports.

The Government has not released copies of its full report on the predicted impact, preferring to wait until it has been presented to the US Government.

But from what has been released, it is clear the calculations have assumed a worst case scenario. No calculations have been released which assume some items currently on the list will be omitted from the final list as the US Government has said is likely.

The principal economist at the Economic Services Branch, Mr Esmond Lee, said China's ability to find new markets for exports priced out of the US market due to punitive tariffs had not been factored into his calculations.

"China and Hongkong could not find new markets overnight - it would take time," he said.

Mr Ian Christie, executive director of the Hongkong General Chamber of Commerce, said companies would try to make up their losses by trading elsewhere.

Mr Lee said that besides the manufacturing and trade sectors, the worst-hit parts of the Hongkong economy would be communications, warehousing, transport and banking and finance.

Mr Chau said he would raise the trade retaliation issue with his US counterpart at next week's Asia Pacific Economic Co-operation forum meeting in Bangkok, but most lobbying work would be left to the private sector.

"The Hongkong Government doesn't tell its manufacturers what to do," he said.

"It is up to exporters themselves to take action, with the Government playing as supportive a role as possible through research and education on the trade issue."

Mr Chau said the dispute between the US and China over the sale of F-16 fighters to Taiwan was unlikely to affect the outcome of the trade battle.

But others, including Mr Christie, said the political and business issues could not be separated.

"The situation is exacerbated by the recent arrest of Shen Zong in Beijing, which

will harden attitudes in the human rights lobby in the US, and the sale of F-16s to Taiwan, which will harden attitudes in Beijing," Mr Christie said.

The Hongkong Electronics Association and Chinese Manufacturers Association are among the many industry bodies planning lobbying missions to Washington.

The first of the negotiating sessions before the October 10 deadline for action under the terms of the US hitlist is in Beijing next week.

A public hearing has been scheduled in Washington from September 23 to 25.

Mr Christie warned that China "would not take retaliation lying down", with the US aviation and grain industries likely to suffer most from mainland retaliation on the trade front.

Mr Chau, who returned from a "familiarisation" trip to China on Wednesday, said he had discussed the Sino-US trade situation with the leader of the Chinese section 301 negotiating team, Mr Tong Chiguang, vice-minister of the Chinese Ministry of Foreign Economic Relations & Trade.

Mr Tong had said China had taken Hongkong's position into account and hoped an agreement would be reached before the deadline.