

16,600 JOB LOSSES FEARED OVER 301

BY SANDY LI

HONGKONG would lose \$35 billion and 16,600 jobs if the United States imposed Section 301 Action against China, the Government warned yesterday.

Secretary for Trade and Industry Brian T H Chau said the long term effects of the trade sanctions could be even worse.

The Government's estimate of losses due to the 301 investigations, which end on 10 October, is much higher than the United State's US\$3.9 billion (HK\$30.419 billion) preliminary hit list against China.

Mr Chau said this was because it included losses to the related overall trade flows.

He said the US-Sino trade war would strip away \$4.8 billion of national income and around 16,600 jobs if the proposed trade sanctions were fully implemented.

This represented a 0.7 per cent reduction in Gross Domestic Product in the year of incidence, and a reduction of 13.4 per cent (\$14 billion) in Hongkong's re-exports from China to the US.

"The longer term knock-on effects, while not readily quantifiable, are likely to be more serious," Mr Chau said.

"They include weakening of investment interests by Hongkong and foreign companies in China, undermining of Hongkong's role as a gateway to China and major entrepot, and reducing Hongkong's longer-term growth potential."

The Government, economists and industry leaders expressed grave concern about

the huge damage. They said the territory would feel the severest losses next year as the US would not retaliate until October.

Government economist K Y Tang said the impact on Hongkong would be serious as the 16,600 jobs would cause 0.6-per cent rise in unemployment, currently hovering at about 2.1 per cent.

Economic Services Branch principal economist Esmond Lee said apart from the trading sector, other industries directly affected included transportation, communication, banks and warehouses.

Mr Lee said about 75 per cent of the earlier estimated US\$2.4 billion of China-made products re-exported to the US via Hongkong directly affected local industries.

China has already made substantial concessions in the 301 investigations.

It has agreed not to enforce any unpublished law or administrative guidance governing trade, and to issue regulations to that effect.

It has also delivered a comprehensive list of import bans, restrictions and quotas, and promised to eliminate many of these.

China has pledged to eliminate import substitution policies and administrative non-tariff barriers.

The mainland also said it would revise its multi-tiered exchange rate structure to phase out the black market.

Despite the potential suffering to Hongkong in the US-Sino trade war, Mr Chau said the territory could not interfere in the matter.