

\$4.5b cost of trade war

By DUSTY CLAYTON

THE potential impact of a Sino-US trade war on Hong Kong would be worse than previously believed, the Government said yesterday.

A re-calculated assessment shows that US\$580 million (HK\$4.48 billion) in re-exports could be lost if the United States and China do not reach an agreement on protecting

intellectual property rights - about HK\$800 million more than announced a couple of weeks ago. That represents about 2.3 per cent of the territory's annual re-exports to America.

Economic growth could drop by 0.14 per cent instead of 0.1 per cent, and 4,700 people could lose their jobs instead of 3,700.

Deputy Secretary for Trade and Industry, Regina

Outlook for HK grows gloomier

Ip, said that the Government originally calculated the impact of a trade war with the assumption that US\$1 billion, rather than US\$1.08 billion worth of goods would be sanctioned.

But Stanley Ying, Assistant Director-General of Trade, cautioned against taking the estimates too literally. "We're looking into a

hypothetical future situation," he said.

"Another factor, of course, would be how our businessmen react to [a trade war]. That kind of thing you can't try to quantify at this stage."

The US has vowed to impose sanctions on China for failing to enforce copyright laws, and the mainland has

retaliated with proposed sanctions of its own.

All are scheduled to take effect on February 26.

The US list of Chinese products to face 100 per cent tariffs includes plastic items, answering machines and cellular phones, sporting goods and wooden articles, with a total value of about US\$1.08 billion.

Keith Ferguson, chief economist at BZW (Securities) said the Government's calculations gave a highly inaccurate picture of the damage to Hong Kong of a long trade war. "Their number hugely underestimates the impact of an all-out extended trade war," he said.

Enzio von Pfeil, chief regional economist at SG

Warburg, said it was never easy to look into a crystal ball. "It's difficult to calculate the final outcome."

Mr Ying emphasised that although the Government published total damage estimates, the fall-out of a trade war would hurt some businesses and leave others basically untouched.

For example, Hong Kong firms which only produced sanctioned goods would suffer much more than those with diversified interests.

"The numbers don't mean anything to me personally, but they mean a lot to individual companies caught in an unfortunate situation," Mr Ying said.

Ms Ip said although the total dollar amount of the Government's estimate had increased, the potential fall-out of a trade war within specific industries would be less than previously expected because the number of categories of goods had grown from about 21 to 35.

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