

Government gives breakdown on damage if Sino-US trade war goes ahead

4,700 jobs on the line

By Peta Firth and agencies

HONG KONG now stands to lose 4,700 jobs and its economic growth will be damaged if the United States and China fail to avert a trade war.

But government figures released yesterday point to smaller cash losses from a Sino-US trade war than had previously been feared.

And China said yesterday it would try its best to avoid a trade war over copyright protection, but made it clear that it had no intention of bowing to "exorbitant demands".

China "does not hope to see a trade war triggered as it will benefit neither China nor the United States", Foreign Ministry spokesman Chen Jian said.

Meanwhile, US Trade Rep-

resentative Mickey Kantor said yesterday he expected "the Chinese to be flexible".

China's quick response this week to an invitation to resume talks suggests "some flexibility", he said. But he warned that the US wants "a good agreement, a solid agreement, an enforceable agreement".

Following hard on the heels of the trade row, but in what was said to be an unrelated incident, China has cancelled the purchase of 630 million tonnes of US corn — saying it was due to high prices.

According to a revised Hong Kong government estimate released yesterday, the territory will lose \$4.5 billion if the sanctions unveiled on Saturday go ahead. This is \$1.7 billion smaller than an earlier

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government estimate and a massive improvement on provisional government estimates of an \$11 billion loss.

The picture for Hong Kong's workforce, however, was more grim. A government spokesman said yesterday: "Taking into account the likely spill-over effects on other trading and economic activities, this could affect up to 4,700 jobs in Hong Kong."

The government also expects up to 0.14 of a percentage point of the territory's gross dom-

estic product growth will be lost in the year the sanctions begin to bite.

The revised government estimate is based on Saturday's list from Washington of the \$8.42 billion worth of products that will face punitive tariffs. Previously, there were fears the US could slap tariffs on up to \$21 billion worth of goods.

The actual impact on specific sectors would vary, depending on the circumstances of the individual industries or firms in Hong Kong, the spokesman said.

The stock market has so far escaped losses over trade war fears — chiefly because most analysts still expect the US and China to settle their differences. Plastics manufacturers will suffer by far the biggest losses of nearly \$300 million, giving that sector the highest risk of job losses.

Losses to the other 32 export categories on the hitlist which come through Hong Kong will be much more evenly spread.

Watch makers and cellular telephone and answering machine companies will suffer, as will fishing rod suppliers, bicycle makers and water sport equipment makers.

But with the exception of plastics manufacturers, no sector will lose more than \$42 million worth of business. The

government spokesman reiterated that Hong Kong was powerless to stop the losses.

The matter was a bilateral trade issue between China and the US, he said.

"The government will continue to take vigorous enforcement action within Hong Kong to stamp out violations of intellectual property rights," he said. The territory has been criticised for the easy availability of pirated software.

But the spokesman said the government was hurrying forward legislation to increase penalties for infringement of copyright and to provide extra resources to the Customs and Excise Department.

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4,700 jobs under threat

Veteran legislator Jimmy McGregor claimed yesterday that any impact on Hong Kong caused by a Sino-US trade war would initially "not be great".

But he warned it would be "unbelievable and unacceptable" for the two sides to enter a trade war simply as a result of the breakdown of talks on the pirating of intellectual property.

Mr McGregor, Legislative Council representative for Hong Kong General Chamber of Commerce, said: "The initial effect would see Hong Kong lose confidence, but the net effect will not be great.

"We have a massive external trade in Hong Kong and would lose a few thousand jobs, but it wouldn't affect our immediate situation."

■ China, undaunted by US

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accusations that it is pirating computer software, is now complaining that some of the American programs contain viruses.

Chinese scientists, quoted by the Xinhua News Agency yesterday, issued a warning about a new "very destructive" computer virus called "Spectre" contained in software from the US.

The virus, which can take up to 400 billion different forms, "is designed to destroy software that specifically detects and destroys viruses", the experts said.

One of these viruses was recently discovered in Jiangsu province, east China. "It usually operates every 1 April and can destroy all documents

and disable entire computer systems in an instant," they said.

The experts cautioned against "buying or copying software indiscriminately and advise buying high-quality virus-prevention software".

The scientists' criticisms are certain to draw an angry response from US officials since the threat of a Sino-US trade war was triggered by Chinese pirating of software and compact discs.

Unless agreement on copyright protection is reached, the billion-dollar sanctions the two sides announced against each other will come into effect on 26 February. US and Chinese negotiators are due to resume their talks in Beijing on Wednesday.

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