

ITEM FOR FINANCE COMMITTEE

HEAD 181 – TRADE AND INDUSTRY DEPARTMENT Subhead 800 Departmental other non-recurrent

Members are invited to accept in principle the financial implications of Hong Kong hosting the Sixth Ministerial Conference of the World Trade Organization in 2004/2005, if Hong Kong's prospective offer to host the event is accepted by the World Trade Organization.

PROBLEM

We wish to make a formal offer to host the Sixth Ministerial Conference (MC6) of the World Trade Organization (WTO) in Hong Kong in 2004/2005. The financial commitment entailed cannot be assessed with certainty at this stage, but we need Members' acceptance in principle of the estimated financial commitment before we can make the offer to the WTO.

PROPOSAL

2 The Director-General of Trade and Industry, supported by the Secretary for Commerce, Industry and Technology (SCIT), proposes that, subject to Members' acceptance in principle of the financial commitment estimated to be in the region of \$250 million to \$300 million, Hong Kong should offer to host the WTO MC6 in 2004/2005.

JUSTIFICATION

3. Free trade is the cornerstone of Hong Kong's economic policy. Hong Kong has been a member of the multilateral trading body – WTO (and its predecessor GATT) – in its own right since as early as the mid-1980s. We are a

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staunch supporter of the multilateral trading system and maintain a high profile in the WTO which is the only international body dealing with the rules of trade between economies. It is also one of the few prominent international bodies whose membership is not limited to sovereign states. Its current membership stands at 146. It is therefore an extremely important forum for Hong Kong to sustain and enhance its international profile, and to underline the high degree of autonomy we enjoy in economic and trade matters.

4. Through years of active participation, Hong Kong has built up a sound reputation and participated in key small groups in the WTO, including the exclusive “green room” consultations where breakthroughs in negotiations at critical stages are usually achieved and deals brokered. The admission of China in December 2001 has posed new challenges to our role in the WTO. While we continue to be a full and separate member of the WTO, our involvement in key small groups can no longer be taken for granted as some WTO members may be wary of a “disproportionate” participation of delegations from the same country. We need to double our efforts in order to maintain our long established, highly constructive profile in the WTO.

5. The WTO Agreement provides that a Ministerial Conference (MC) shall meet at least once every two years. The MC is the highest authority in the WTO structure and can take decisions on all matters under any multilateral trade agreements. Since its inception in 1995, the WTO has held four MCs – 1996 in Singapore, 1998 in Geneva, 1999 in Seattle, and 2001 in Doha. The fifth MC will be held in Cancun (Mexico) from 10 to 14 September 2003. Venues of MCs are decided by all WTO Members.

6. On the trade front, the more significant benefits for Hong Kong if we are able to host MC6 are –

- (a) demonstrate, in a tangible manner, our commitment and contributions to the WTO as a full and separate member;
- (b) underline the successful implementation of “One Country, Two Systems” and the autonomy Hong Kong enjoys in trade and economic matters under the Basic Law;
- (c) further reinforce our image and profile as bastion of free trade;
- (d) ensure Hong Kong’s involvement in the key events (e.g. opportunities to attend Informal Ministerial Meetings) leading up to MC6 and enhance our involvement in all key negotiations as the

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current round of multilateral trade negotiations – the Doha Development Round⁽¹⁾ – moves forward; and

- (e) better safeguard Hong Kong's interests and influence the outcome of the Doha Round negotiations.

7. On the wider front, the more significant benefits are –

- (a) raise Hong Kong's international profile and provide an excellent opportunity to showcase Hong Kong as "Asia's World City" since MC6 will bound to be covered extensively by the international media;
- (b) serve as a strong vote of confidence by the international community in Hong Kong as we recover from the Severe Acute Respiratory Syndrome outbreak. The announcement (likely to be some time towards the end of 2003) that Hong Kong will host MC6 will signal to the world that some 180 countries and economies are happy to send their trade ministers, senior officials, journalists and non-governmental organizations to visit Hong Kong all at the same time;
- (c) induce considerable economic benefits in the form of tourist receipts from the very large number of delegates and visitors coming to Hong Kong for MC6. Immediately, the event will bring about 8 000 incoming visitors, contributing approximately \$100 million to the tourist receipts of Hong Kong assuming the visitors stay throughout the week-long conference; and
- (d) help to attract future international conferences and gatherings to Hong Kong as well as other business opportunities.

8. The timing of MC6 will be guided by sentiments in the WTO and progress in the Doha Round negotiations. WTO members have committed themselves to concluding the Doha Round by the end of 2004. While progress has been extremely slow so far and some key negotiations are stalled due to various political factors, it is not totally inconceivable – provided the political will is there from the major economies to compromise – that the Round might be concluded by MC6. If so, this would probably mean MC6 may be held in November/December 2004. If the Doha Round can be brought to a successful

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⁽¹⁾ For background information on the launching and the elements of the Doha Round negotiations, Members are invited to refer to the relevant Legislative Council Brief dated 14 December 2001.

conclusion at MC6, hosted and held in Hong Kong, this would be an added “feather in Hong Kong’s cap”. However, it would also mean that the Chair of MC6 (SCIT) and his supporting staff would come under enormous pressure and work in terms of persuading the major economies (e.g. the US, the EU, Japan, etc.) and the key developing members of the WTO (e.g. India, Brazil, South Africa, etc.) to compromise. On the other hand, if the Doha Round needs to be extended, MC6 would likely be held some time in 2005. It would still be an important event for ministers to provide political steer to sustain the momentum of the Doha Round of trade negotiations.

9. Most of our major trading partners and other key members of the WTO have voiced support, on a confidential basis, to Hong Kong hosting MC6. Taking the opportunity of his recent attendance at an informal WTO ministerial meeting in Egypt, SCIT sounded out a number of African and South American countries, the position of which would also be crucial to our bid. They expressed support as well. In the days and weeks ahead, SCIT and the head of our Hong Kong Economic and Trade Office (ETO) in Geneva will continue to lobby more WTO members. Our current game plan is to offer, on a formal basis, at the MC5 to be held in Cancun (Mexico) this September, to host MC6 and to obtain WTO members’ consensus to Hong Kong’s offer. We will adjust the game plan, especially the timing of our offer, depending on the dynamics between WTO members and other potential bidders.

10. In recent years, WTO, G-7, G-8, etc. gatherings have attracted a lot of demonstrations against globalization, the widening North-South divide and exploitations of the environment and of the Third World by the rich nations. We do not under-estimate the likelihood that MC6 would also attract protesters from all over the world. Our Police Force has the experience and expertise in dealing with such demonstrations. With the support of the Police and many other concerned parties, we are confident that Hong Kong will be able to host MC6 successfully.

FINANCIAL IMPLICATIONS

11. A WTO MC and its events usually last about one week. For MC6, we estimate that around 180 delegations (146 WTO members and 34 countries in the process of acceding), 76 international organizations with observer status, journalists, parliamentarians, and representatives from non-governmental organizations may take part, involving a total of about 8 000 people.

12. The host will be responsible for organizing the MC and its associated events. Activities will include the MC itself, accession ceremonies for new members (if any), briefings to non-governmental organizations, parliamentarians, press conferences, interviews, etc.

13. The WTO practice is for the member hosting a MC to bear all the expenses beyond those which would have been met by the WTO if the MC was held in Geneva. Therefore, if Hong Kong is successful in its offer to host MC6, we will need to provide local logistics and facilities for the conference, including a convention hall for the plenary, meeting rooms, related furniture and equipment, stationery, printing service, interpretation service, telecommunication facilities, media centre, etc. We will also provide shuttle, limousine and transport services within Hong Kong. We will provide appropriate security protection to the visiting ministers and other relevant dignitaries. We will also pay in full the expenses of the WTO Secretariat contingent coming to Hong Kong for MC6. As a usual practice, some 200 staff of the Secretariat will be deployed to take part in the running of a MC. In addition, we will pay the expenses of the delegations from the least developed WTO members (about 50) coming to Hong Kong to attend MC6. We will also provide entertainment and other social activities.

14. If and when WTO accepts Hong Kong's offer to host MC6, we will need to discuss the above requirements in detail with the WTO Secretariat. The host's obligations will be set out in a comprehensive legally binding contract to be signed by the Government of the Hong Kong Special Administrative Region and the WTO Secretariat.

15. To be a successful host for MC6, we will need additional staffing resources (probably including a few former trade hands at senior directorate level) for a limited duration to work on various trade issues which Hong Kong would not normally attend to (e.g. agriculture which has no significant economic implications for us), to travel to the capitals of those WTO members with strong commercial interests in these trade issues as necessary to further the negotiation process, and to provide support to SCIT as the Chair of MC6. We will also need to strengthen staffing support at the directorate and non-directorate levels for the Geneva ETO for a limited period of time to enable the ETO to undertake intensive preparation work at the Geneva end. We will also need to set up a dedicated team to negotiate and liaise with the WTO Secretariat, and to plan and manage the logistics side of MC6. We will assess the staffing requirements more accurately in due course, and where necessary seek approval from the Establishment Sub-Committee and the Finance Committee for supernumerary directorate resources.

16. At this preliminary stage and in the absence of any discussions with the WTO Secretariat, we cannot estimate, with reliability, the likely costs of Hong Kong hosting MC6. Reliable information on the costs incurred by the hosts of previous WTO MCs is not available. In the circumstances, we have made reference to the International Monetary Fund/World Bank (IMF/WB) Meetings in 1997⁽²⁾ which is comparable in nature and scale. On this basis, we believe the costs of hosting MC6 would likely fall within the region of \$250 million to \$300 million, inclusive of staff costs arising from the additional requirements mentioned in paragraph 15 above. For illustration purposes, a tentative breakdown by main expenditure components is at Enclosure.

17. We wish to emphasize the indicative nature of the breakdown at Enclosure. We will be able to work out a more reliable and detailed estimate after we have completed discussions with the WTO Secretariat and after we have had the opportunity to assess the prospects of securing commercial sponsorships. We will submit a detailed budget to Finance Committee for approval in due course.

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

18. We consulted the Legislative Council Panel on Commerce and Industry on 7 July 2003. Members generally supported Hong Kong making a formal offer to host WTO MC6 and noted the likely range of financial commitment.

Commerce, Industry and Technology Bureau
July 2003

⁽²⁾ The expenditure on the IMF/WB Meetings was \$375.6 million, including staff cost but excluding sponsorship.

**Indicative financial implications of hosting WTO MC6
in Hong Kong in 2004/2005**

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| 1. | Venue hire <i>(conference venue, media centre, centre for non-governmental organizations, etc.)</i> | \$15 million |
| 2. | Fitting out of venue and restoration thereafter <i>(WTO Secretariat offices, delegation Offices, WTO committee offices, etc.)</i> | \$30 million |
| 3. | Technology services <i>(audio and visual recording, web services, LAN system, telecommunication services, etc.)</i> | \$40 million |
| 4. | Office equipment, furniture, stationery, etc. <i>(including printing and translation cost, medical services, publicity cost and miscellaneous services)</i> | \$40 million |
| 5. | Interpretation | \$10 million |
| 6. | Security | \$30 million |
| 7. | Transportation <i>(limousine service for heads of delegation, shuttle buses, freight costs of documents etc. for WTO Secretariat, etc.)</i> | \$20 million |
| 8. | Sponsor WTO Secretariat <i>(airfare, hotel accommodation, etc.)</i> | \$15 million |
| 9. | Sponsor least developed WTO members <i>(airfare, hotel accommodation, etc.)</i> | \$5 million |
| 10. | Hospitality <i>(dinners, cultural performance, spouses' programmes, etc.)</i> | \$10 million |
| 11. | Staff costs | \$45 million |
| | <i>Sub-total</i> | <i>\$260 million</i> |
| | Contingency | \$40 million |
| | Total | \$300 million |