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\$485m summit bill is passed to the banks

Bloomberg

Hong Kong's wealthiest Government agency has asked the private sector to pick up the \$485m bill for the 1997 World Bank conference.

The Government, with its \$19bn surplus, and the Hong Kong Monetary Authority, with assets of \$449.8bn, are seeking sponsorship of the conference to reduce or even eliminate the cost of the meeting to taxpayers.

The conference, to be held in September 1997, will be the first international event staged in the territory after the hand-over and is intended to bolster world business confidence in Hong Kong under Chinese rule.

The move to seek sponsorship follows criticism by legislators and other public figures at the cost of the event and queries over what benefits it will bring Hong Kong.

"The meetings are very prestigious events... [which] will

help boost local and international confidence in Hong Kong... and enhance Hong Kong's status as an international financial centre," Joseph Yam, the monetary authority's chief executive, said in a letter sent to some of the 170 banks and 500 corporations in the territory.

Yam asked the companies for assistance "in cash or in kind to cover part of the substantial expenses".

Bankers who received Yam's request say that the Government is asking them to donate money when it could absorb the costs without a dent to its own finances.

Given the precedent of the new airport and container terminal projects, the Government is acutely sensitive to China's concern that it will inherit a debt-strapped legacy from the British.

Many of the companies that received Yam's letter said they believe this is the reason for the Government's cap-in-hand approach, but the administration rejects the idea.

"It's not a question of not wanting to spend the money because of other considerations," the authority's executive director in charge of external affairs, James La, said.

The finance committee of the Legislative Council has approved the \$485m, and will pay the entire amount if Yam does not succeed in getting corporate sponsorship, he said.

"If no one comes up with the money, then the Government would pay."

The Legislative Council's finance committee chairman, Peter Wong, said that since the territory's banks will benefit most from the World Bank Conference, they should contribute.

Yam, he said, will "call in his favours" and get donations to cover a hefty chunk of the costs.

"That's the bottom line. We expect HKMA to do better than actually spending the \$485m," Wong said.

Hong Kong's abundant reserves should not be spent on

"sexy, one-off things like World Bank meetings", he said.

It should be used for other purposes, like the poor, the sick, and disabled.

While most economies exceed the spending limits on government programmes, Hong Kong generally spends less than it has budgeted.

To some bankers, sponsoring the IMF/World Bank meetings is an investment that will pay off handsomely in the future.

"It makes good business sense if you are committed to the market and the region, and are trying to make serious inroads for your business," Paul Smith, the executive director in debt capital markets at Union Bank of Switzerland Hong Kong, said.

A corporate sponsorship, he said, is more effective than advertising in a magazine, which is probably what "those who raise their eyebrows at Yam's request" will do, he said.