

HAPPY NEW YEAR !**Economy**

Key indicators of HK's economic freedom all falling: A leading free-market watchdog sounded a warning for HK's economic freedom, saying the city had bucked world trends and experienced an accelerating decline in key indicators over the past 10 years. Mark Mullins, executive director of the Canadian-based Fraser Institute, said while HK was still ranked the world's freest economy, it should not take its position for granted. "In terms of the math, Singapore is very close behind". HK has topped the Economic Freedom Index of the World, published by the Fraser Institute, since the 1970s, although its overall score fell from a peak of 9.1 in 1995 to 8.7 in 2004, the latest score.

Parity 'won't change monetary policy': Parity between the HK dollar and the yuan will not affect the SAR's monetary policy, HK Monetary Authority chief executive Joseph Yam said, adding there is no logical reason why the yuan's appreciation should lead to any change in HK's currency. Yam said the authority could not rule out the possibility of a psychological effect on the market once the yuan reaches 7.80 to the US dollar, and will keep a close watch on developments.

Buoyant China economy tipped to act as buffer against slowdown: Although HK's exports are forecast to rise by just 6% next year - two percentage points less than expected export growth for 2006 - China will be a buffer against the global slowdown, the chief economist of the Trade Development Council said. Edward Leung expressed optimism on the performance of HK exports. "The mainland, accounting for almost half of HK's total exports, is projected to chalk up further robust economic growth in 2007," Leung said. A buoyant Chinese economy will augur well for HK exports. Domestic demand, which has been galloping along at an estimated 9% annually in recent years, will remain the bastion of growth on the mainland. However, HK manufacturers and exporters need to prepare for new challenges, particularly the mainland's regulatory system.

HK leads financial hub race for Asia: HK is the most competitive financial center in Asia Pacific, ahead of Japan and Australia, a survey has found. The city ranked high for its transparent business regulations and low tax base, among other advantages, according to a study by the Securities and Futures Commission. "HK is clearly ahead of other Asian markets in most factors," said the SFC study, which extracted and compared the scores of 12 regional economies.

Jobless rate falls for fifth straight month to 4.4%: HK's jobless rate fell for a fifth straight month in November to the lowest in almost six years, helping sustain the longest economic expansion in a decade. The seasonally adjusted unemployment rate for November declined to 4.4% from 4.5% in October. That was the lowest since January 2001.

Foreign firms punching above their weight: Foreign companies contributed 28% of HK's gross domestic product and hired 16% of its workforce, according to the government's first detailed study on their presence in the city. The study, conducted by the Department of Census and Statistics, found some 10,000 foreign firms employed 543,000 people and generated HK\$356.4 billion in 2004. Their dominance is most apparent in finance, insurance, real estate and business services, where they hired 217,000 staff and generated HK\$160 billion in added value - 45% of staff and 60% of value across the combined sectors.

Growth in exports defies predictions: HK's exports growth last month was faster than expected as demand picked up after slow growth in the previous two months. The value of total exports in November rose 14.2% from the same month last year to HK\$228.9 billion, up from a 7.9% year-on-year increase in October. The strong trade performance in November reflected "robust import demand worldwide on the back of still generally favorable global economic conditions," a government spokesman said. "Apart from the continued vibrant performance in the mainland market, exports to other major markets also showed considerable improvement in November," he said.

Domestic politics: GST

Sales tax sunk: Three days after China's No2 state leader Wu Bangguo told senior HK officials "to keep their fingers on the pulse of the people" and to foster "social harmony," the government announced Tuesday (5.12.2006) it was scrapping the proposed goods and services tax following its failure to convince the public. The surprise announcement was made by Financial Secretary Henry Tang, who admitted the plan had not won public support.

Economists hail 'wise' move but point to problem: Economists hailed the government's scrapping of the proposed goods and services tax as a "wise" move but said the need to broaden the tax base remains pressing. Imposing the GST would have resulted in a "disruption in economic activities," as consumers tend

to purchase more goods that are non-taxable, said Bank of East Asia chief economist Paul Tang. "But the tax base indeed faces a structural problem in the long run owing to an aging population, which would add to the government's expenditure on medical financing," Tang said.

Domestic politics: Elections

Richard Li repeats call for 'real democracy': PCCW chairman Richard Li continued his high-profile call for "real democracy" as he cast his vote, saying the public should be allowed a wider say in selecting the chief executive. Mr Li, who is contesting the Information Technology sub-sector as a member of the IT20 group, urged eligible voters to go to the polls.

Poor response from electors hardly a vote of confidence: On the face of it, it was hard to imagine this was a big day for HK because even areas where candidates were supposed to canvass were exceptionally quiet. Piles of election fliers, on tables set up by candidates of opposing camps near major polling stations across the city, remained largely untouched as the voting for the Election Committee got under way.

114 for Leong - race for chief is on: A contested chief executive race looks likely for the first time in 10 years after the pan-democrats made surprise inroads in the Sunday poll to form the panel that will choose HK's next leader. Of the 137 candidates affiliated with the Civic Party, Democratic Party and their allies, 114 won seats on the Election Committee, a result that took the parties' leaders as well as Beijing and the office of Donald Tsang by surprise. Together with 20 allied lawmakers on the committee, Civic Party legislator Alan Leong is expected to secure 134 nominations, more than the 100 required to stand against Mr Tsang in the March race.

Liberal Party to support Tsang: The Liberal Party will support a second term for Donald Tsang as chief executive if he maintains his present level of popularity in March, party chairman James Tien said. Mr Tien said neither his party nor the Democratic Alliance for the Betterment and Progress of HK planned to field any challengers to Mr Tsang and he hoped the chief executive would include the Liberals in a ruling coalition in his administration.

Domestic politics (other matters)

Tsang 'more willing to bend on labour policy': Chief Executive Donald Tsang has made a breakthrough in his labour policy by accepting that legislation for a minimum wage, as advocated by labour unions, may be possible in HK, the head of the Federation of Trade Unions said. Wong Kwok-kin, whose FTU is the key supporter of Beijing and holds 37 seats on the 800-member Election Committee, said he had noticed a change in the chief executive's view on the issue since Mr Tsang took up the post last year.

Tsang out to build ties on Beijing trip: Chief Executive Donald Tsang will use his annual duty visit to Beijing to consult top state leaders on his blueprint governance proposals for the next five years, and build up his links with the heads of mainland financial and banking institutions. During the 3-day trip from December 26-29, Tsang will brief President Hu Jintao, Premier Wen Jiabao, Vice President Zeng Qinghong, who oversees HK and Macau affairs, and director of the HK and Macau Affairs Office Liao Hui on the outcome of the Election Committee subsector elections earlier this month. Tsang will also say how he will meet the challenge from the Civic Party's Alan Leong in the chief executive race next March. Views will also be sought from Beijing on HK's economic development, possible reintroduction of the controversial Article 23 national security legislation, constitutional reform and the key ministers in Tsang's new team.

Leaders urged to start listening: The government is facing increased pressure to adopt a new language of communication with the public and to learn a lesson from the Star Ferry protests, say academics and social activists. The call comes as the battle to preserve HK's heritage moves to neighbouring Queen's Pier, where a series of events, seminars and forums are being held. A full-page advertisement published in newspapers called on the administration to "initiate direct communication with the people".

HK not ready for democracy: Regina Ip: HK is not ready for universal suffrage by 2012, former secretary for security Regina Ip Lau said. Mrs Ip, now chairwoman of the board of governors of the Savantas Policy Institute, said that, while she supported democracy in HK, she would not advocate setting a date by which universal suffrage should be achieved.

International affairs

Cardinal Zen lashes out at China's latest bishop ordination: Cardinal Joseph Zen of HK lashed out at China's latest ordination of a bishop without papal approval - the third such known case this year - accusing Beijing of reneging on a promise to the Holy See to stop the practice. Cardinal Zen's comments highlighted new tensions in Sino-Vatican relations.

Wu pledges greater opening on telecoms: As the ITU's Telecom World 2006 industry conference began in HK, a top official committed China to further opening up its information and communication technology (ICT) industries to foreign investors. He also said it would devote more efforts to protecting intellectual property rights. Wu Bangguo, chairman of the Standing Committee of the National People's Congress and a Communist Party politburo member, made the pledge while inaugurating the opening

ceremony of the world's biggest telecommunications trade show, which will be held at AsiaWorld-Expo from 4 to 8 December.

Transborder affairs

National planners step in on Delta bridge: The national planning body will co-ordinate the construction of the bridge connecting HK, Zhuhai and Macau, after repeated delays to the major infrastructure project that will link the city to the western part of the Pearl River Delta. Chief Executive Donald Tsang said after meetings with six ministries and commissions in Beijing that the State Council had ordered the establishment of a special taskforce headed by National Development and Reform Commission vice-chairman Zhang Xiaoqiang. Representatives from HK, Macau, Zhuhai and the Ministry of Communications would also be on the taskforce.

Legal affairs and human rights

Law best option to tackle low pay: More than half of HK's opinion leaders believe legislation is the most effective way of protecting low-paid workers, and few are optimistic that the government's voluntary wage protection movement will achieve its purpose. The findings of the latest monthly SCMP/TNS Opinion Leaders' Survey came as the city's four major business chambers and the Employers' Federation revealed they had received just over 500 applications to join the movement by the end of last month - a fraction of the 20,000 employers they represent.

Minimum wage fight in courts: A cleaning woman, backed by activist lawmakers Leung Yiu-chung and "Long Hair" Leung Kwok-hung, has applied to the High Court for a judicial review of the government's failure to legislate a minimum wage, opening a new front in the long-running battle to fix a living wage for HK's low-income workers.

Environment

Lot of hot air on pollution, claims Tien: The Liberal Party has joined the chorus of voices demanding a more effective government response to air pollution, questioning the administration's sincerity in tackling a crisis that the party says "transcends party lines and business interests." "Our pollution crisis may be much more critical than we previously thought because the government is simply not taking it seriously enough," said lawmaker James Tien, the Liberal Party's longtime chairman, warning that failure to address the issue would lead to "dire consequences."

Our future up in the air: "Boomtown to Gloomtown." That's how CLSA Asia-Pacific Markets titled a September report on HK's worsening air pollution. Last month, Merrill Lynch analysts called on the city's government to "wake up and smell the airborne cocktail" choking its future. It's a funny thing, really. HK is routinely rated the world's freest economy thanks to low taxes, a duty-free port, the free entry of foreign capital and the rule of law. And yet nowhere in analyses do observers measure the right to breathe. HK claims to be tackling its smog problem, one that's encouraging a growing number of skilled expats to leave the city of 6.9 million amid mounting health hazards.

Business sentiment hit hard by pollution: Business leaders are increasingly concerned about HK's deteriorating air quality, with 84% expressing dissatisfaction about the environment in an annual General Chamber of Commerce survey. Last year, 66% expressed similar concerns. The concerns about the environment were revealed three weeks after the chamber said it was disappointed by the lukewarm response of businesses to the Clean Air Charter, which at the time had been signed by only 500 local companies. The charter, part of a campaign to improve air quality, was launched a year ago by the chamber and the HK Business Coalition on the Environment.

Emissions-trading plan a step closer: The HK and Guangdong governments have taken another step towards launching a cross-border emissions-trading scheme to cut pollution from power plants. But they are still not ready to release details of the scheme or say when it will be launched. They did agree to set up a joint management team to oversee the pilot scheme covering plants in the Pearl River Delta. The team will be headed by HK's Environmental Protection Department and Guangdong Environmental Protection Bureau. It will be responsible for promoting and implementing the voluntary scheme. This will involve registering and scrutinizing emissions trading transactions between power producers.

Macau

Top Macau official arrested in graft probe: In the highest-profile arrest in Macau's history, Secretary for Transport and Public Works Ao Man-long has been seized in an anti-corruption probe that has also snared an undisclosed number of HK people. The arrests, which have shocked the former Portuguese enclave, were announced yesterday (7.12.2006) by Macau Chief Executive Edmund Ho, who said the probe had been a joint effort between graft-busters in HK and Macau.

Macau market is sitting pretty: Strong economic fundamentals, signs of stabilizing interest rates and a robust tourism sector underpinned Macau's property market during the third quarter this year. Capital values and rents for both the retail and high-end residential markets were broadly stable. The retail market

was underpinned by robust internal and external demand fundamentals. Macau's GDP grew by 17.7% in the first half of 2006 while visitor arrivals increased by 14.8% to 14.1 million in the first eight months of the year, translating into stronger consumption. Private consumption expenditure and total retail sales grew by 6.7% and 18% respectively in the first half. Retailers are generally optimistic about Macau's market in the long term, though some of them are cautious about expanding aggressively in an immature market in the near term.

Protest as Macau marks anniversary: More than 600 workers and citizens took to the streets of Macau on the seventh anniversary of the handover to protest over the government's labour policy and calling on it to tackle corruption problems. The two workers' unions that organized the march said it was the first time such a protest had been organized on the handover anniversary. An analyst said the march reflected the grievances of the public and represented their hopes for an open and democratic society.

Varia

Entrepreneur warns on poor Putonghua: The lack of Putonghua skills in HK is a barrier to attracting investment from parts of China where Cantonese is not spoken, a Guangdong entrepreneur warned. Cai Shuqiang said although language difficulties would not deter mainlanders from investing in the city, it remained a barrier. He urged government officials to speak Putonghua more often when dealing with mainland investors. Mike Rowse, director-general of InvestHK, said up to June, 736 Guangdong enterprises had received approval to invest US\$2.98 billion in the city.

Coalition wants alcohol tax halved: A coalition of hotels, restaurants and bars has urged Financial Secretary Henry Tang to slash the duty on wine and spirits by half. The HK Wine and Spirits Industry Coalition, which represents 90% of the industry, also pledged that any cut in the tax on alcohol would be passed on to consumers. They want the 80% wine duty and 100% levy on spirits to be halved. If the proposals are accepted, consumers can expect a 22% drop in the price of wines, with spirits being a quarter less expensive.

Best Christmas spending in a decade: HK people are splurging in the best Christmas shopping season in a decade, with retail turnover expected to exceed HK\$20 billion as consumers spend big on meals, expensive gifts and trips abroad.

Bishop wants the hope back in HK: Social insecurity and work pressures have drained the hope from HK's people, says the outgoing head of the Anglican Church. "People are living, but they are not living a real life," says Peter Kwong Kong-kit, the head of the church since 1981. While the economy may appear to have improved, the archbishop said, more elderly people were forced to work beyond retirement and there was no stability for workers. The government should be doing more to protect the underprivileged, he believes.

Press articles related to Switzerland

Nestle acquires Novartis food division for US\$2.5b (South China Morning Post, 15.12.2006): Nestle, the world's largest food group, is buying the medical nutrition business of Swiss pharmaceutical group Novartis for US\$2.5 billion. The deal, which was the subject of wide speculation, will propel Nestle to the No2 position globally in the niche business of providing specialized food to hospital patients and boosted its shares. Under chief executive Peter Brabeck, Nestle has been moving steadily toward high-margin, value-added food production along with its core operations in food staples.

Swisscom to buy back stake (South China Morning Post, 20.12.2006): Swisscom will buy back a 25% stake in Swisscom Mobile from Britain's Vodafone Group for 4.25 billion Swiss francs in a long-awaited deal to fortify its home market position. The debt-financed purchase, which is more costly than analyst expectations of about 3.5 billion to 3.75 billion francs, would boost Swisscom's annual profit by about 180 million francs starting next year, Swisscom said. The deal will enable Swisscom, which is majority held by the government, to strengthen its domestic position after the government blocked foreign takeovers while for Vodafone the proceeds will allow it to reduce debt.

351.0 - ROH/MUJ/SRA/CHW

Disclaimer

This is a review of the Hong Kong media and does not necessarily represent the opinion of the Consulate General of Switzerland. The Consulate General of Switzerland in Hong Kong does not bear any responsibility for the topicality, correctness, completeness or quality of the information provided. Liability claims regarding damage caused by the use of any information provided, including any kind of information which might be incomplete or incorrect, will therefore be rejected.