

### Economy + Finance

**Economy to grow 4 to 5 pc, predicts FS:** HK's economy is expected to grow by 4.0 to 5.0 percent in 2010, Financial Secretary John Tsang said in his annual budget speech. "I am cautiously optimistic about HK's economic prospects for 2010," Tsang said. But he said the city had to remain vigilant against any "possible relapse" in the economy. "In the short term, we must carefully adjust the exceptional measures introduced to combat the financial tsunami and tackle the risk of asset-price bubbles."

**FS unwraps his giveaways package:** Financial Secretary John Tsang delivered a HK\$20.4 billion relief package in his budget, including a tax rebate of up to HK\$6,000 and a property rates waiver for one year. With public coffers expecting to pocket a consolidated surplus of HK\$13.8 billion for the current financial year, he proposes a series of one-off relief measures. Tsang said he had no intention of changing HK's low and simple tax regime during the remaining two years of his tenure. The administration has handed out HK\$87.6 billion since February 2008 to counter the global financial crisis and cushion the impact of inflation. "I must stress that these exceptional means employed during these exceptional times cannot continue for long," the financial chief said. "Otherwise, they will affect the health of our public finances and dampen the enthusiasm for economic progress."

**New steps to expand HK's yuan business:** The Monetary Authority announced a range of measures to allow banks to conduct more business in yuan for corporate clients in HK and to permit local companies to issue yuan bonds. "The measures will allow HK to develop its role as an offshore centre for yuan business and help the yuan become an international currency," said HKMA chief executive Norman Chan. However, the new measures have two major restrictions. Yuan raised in these bond issues or trade settlement activities cannot flow back to the mainland, which is concerned about pressure to appreciate the yuan. In addition, the companies cannot use the proceeds to speculate in stocks, bonds or property. They must be used for trade settlement or to finance projects.

**HKMA chief warns of hot money outflow:** The Monetary Authority has signalled that the HK\$300 billion of hot money may flow out at any time. HKMA chief executive Norman Chan, however, played down concerns about the capital outflow, and said continued hot money inflows posed the greater risk. "We rather need to be worried about the risks related to more capital inflow. Asset bubbles would still be the major risks faced by HK." Chan said. From the fourth quarter of 2008, HK\$640 billion of capital had flowed into HK as the global financial crisis hit the United States and European markets, prompting invest to seek exposure to the fast-growing mainland economy.

**HK\$3.37b paid for Tseung Kwan O site:** A land developer won the bidding for a government-auctioned residential site in Hong Kong for HK\$3.37 billion, well ahead of consensus, in a sign the city's housing market is showing no signs of slowing down. Property prices in HK surged by nearly 30 per cent last year, and by even more in the luxury sector where they now top peaks reached in 1997 before the Asia financial crisis.

**18pc of top-end HK flats bought by mainlanders:** Cashed-up mainlanders snapped up almost one in five luxury flats sold in HK last year, a sign of their growing economic might in the city. It was the sharpest growth in mainland purchases in six years.

**HK unemployment rate stays at 4.9pc:** HK's unemployment rate stood at 4.9 per cent between November and January, as hiring continued in the service and export sectors. "As improving business sentiment and consumer spending should continue to boost labour demand during the Lunar New Year period, pressure on employment is expected to ease further." Secretary for Labour and Welfare Matthew Cheung said.

**Retail sales rise 16pc in December:** The total value of retail sales rose 16 per cent year-on-year in December 2009 to HK\$29.4 billion. Comparing December 2009 with December 2008, the volume of sales of jewellery, watches and clocks, and valuable gifts increased the most – by 30.4 per cent, the Census and Statistics Department figures showed.

### Domestic politics

**By-elections to be held in May:** The Electoral Affairs Commission announced that the Legislative Council by-elections would be held on May 16. A commission spokesman said: "The by-elections would be held to fill one vacant office for each of the five geographical constituencies of the Legislative Council. The five district by-elections were brought about by the collective resignation on January 26 of five pro-democracy lawmakers – Alan Leong and Tanya Chan of the Civic Party, and Albert Chan, Leung Kwok-hung and Wong Yuk-man of the League of Social Democrats. The lawmakers resigned to force the by-elections, which they view as a de

facto referendum on the pace of democratisation. The resignations have drawn criticisms from Beijing, pro-Beijing parties and the government.

**Radical confrontation and slogans condemned by CE:** Chief Executive Donald Tsang stopped short of encouraging people to vote in forthcoming by-elections, while condemning "vicious radical confrontation" and "radical slogans" as stalling political development. He told people to refocus discussion on the government consultation, by distinguishing "rational debate" from "radical confrontation". He said the question of political reform was difficult, although consensus was not impossible.

**Government may boycott by-elections:** Signs of a government boycott of the forthcoming Legislative Council by-elections are emerging, with ministers shying away from saying if they will vote. Their reluctance to state their position comes after Chief Executive Donald Tsang said he might not vote in the by-elections as they had been "deliberately engineered".

**'Our differences have narrowed':** The government has conceded that differences between it and moderate pan-democrats over the pace of democratisation have narrowed. "The distance between us has become smaller," Secretary for Constitutional and Mainland Affairs Stephen Lam said as a three-month consultation on electoral reform in 2012 ended. "It will widen the basis of our discussion," Lam said after meeting members of the Democratic Party and the Association for Democracy and People's Livelihood, who he said no longer insisted on universal suffrage for the election of the chief executive and the legislature in 2012. The Democratic Party stood back from moves by the Civic Party and the League of Social Democrats to trigger a "referendum" on political reform by orchestrating the resignations of five legislators.

**Growing concern of a Basic Law breach:** A think tank led by former chief secretary Anson Chan has warned that a key element of the government's proposal on electoral reform may breach the Basic Law. Concern about the proposal to give more power to district councillors has also been expressed by the Bar Association and Law Society in their responses to the government's consultation paper on changes for the elections of the chief executive and Legislative Council in 2012. "This proposal appears to contravene Article 97 of the Basic Law because it turns district councils into de facto organs of political power," Chan said. "The government's proposal does not make the Legco election process more democratic. On the contrary, it removes the right of ordinary citizens to elect members of Legco by giving it to district council members who have been elected for an entirely different purpose, with far fewer votes." Article 97 of the Basic Law states that "district organisations which are not organs of political power may be established ... to be consulted by the government of the region on district administration and other affairs, or to be responsible for providing services in such fields as culture, recreation and environmental sanitisation".

### **Relations HK - Mainland China**

**Beijing warming to 'growing rational discussion' of reform:** The central government's liaison office has praised what it sees as the increasingly rational discussion of electoral reform, and has pledged to convey Hongkongers' views to Beijing. A pro-democracy coalition, which is seeking dialogue with the central government on reform, sees the remark as a positive sign. Peng Qinghua, director of the liaison office, said, "I have noticed that rational voices discussing the issue of constitutional reform have been growing stronger recently. In the public consultation, most citizens have expressed their wish for the political system to move forward. The central government fully understands what HK citizens think. As the central government's representative body in HK, the liaison office will comprehensively and objectively reflect the opinions and demands from HK."

**Beijing official urges pan-democrats to talk:** The central government's top advisory body has spoken out on HK's constitutional reform, calling on pan-democrats to talk to the HK government and warning against radicalism. Speaking at a gathering with HK and Macau reporters in Beijing, Zhao Qizheng, the spokesman for the Chinese People's Political Consultative Conference, said blocking the HK government's electoral reform proposals would lead to instability in the city.

**No promises from messenger Fan:** Former Legislative Council President Rita Fan says she will act as a messenger for moderate democrats who want to talk to Beijing about constitutional reform - but she's making no promises. Fan, who is also a Hong Kong deputy to the National People's Congress, said she held a meeting with 10 members of the Alliance for Universal Suffrage and was convinced of their sincerity. "They are very sincere, so I promised to convey their request to some of my friends in Beijing," she said, adding she could not guarantee central government officials would agree to such a meeting.

### **Transborder affairs**

**CS vows to push through cross-border projects:** Chief Secretary Henry Tang has pledged to push forward regional infrastructure development with Guangdong despite recent heated protests in HK against a cross-border express railway. Tang said opposition in HK would pose no barriers to cross-border development and HK had to strengthen economic ties with Guangdong in order to push development to a new level.

**Oxfam calls halt after 'warning':** Oxfam HK is suspending a programme to train volunteers from mainland universities until it receives clarification about a notice, apparently issued by the Ministry of Education, which calls the charity "ill-intentioned" and warns students to avoid dealings with it. The notice, posted on some university websites but apparently directed at all mainland students, says Oxfam HK is "an organisation that has been trying hard to infiltrate mainland China, with its head being a key member of the opposition camp".

### Legal affairs and human rights

**Pan-democrats warn against security laws:** Pan-democrats warned the government against making national security laws amid the electoral reform, after a National People's Congress deputy said he would submit a related proposal to Beijing next month. They said Chief Executive Donald Tsang should not rush to push forward legislation on Article 23 (national security laws) of the Basic Law, which would stir up further controversy in the city. Democratic Party chairman Albert Ho described such legislation as unnecessary, saying HK already had laws against acts of violence and terrorism.

### Health

**Study shows risk of eye infection from swine flu:** Swine flu is more efficient than seasonal flu strains H1N1 and H3N2 in infecting the conjunctiva, referring to the cells lining the surface of the eye, according to an HKU study. Eye hygiene was therefore important and people should wash their hands before touching their eyes and noses to reduce the chance of catching swine flu, researchers said.

### Environment

**HK Electric plans HK\$3b offshore wind project:** HK Electric Holdings said that it planned to develop a wind power project comprising about 28 to 35 wind turbines on southwest Lamma. The project was expected to cost up to HK\$3 billion and have a capacity of about 100 megawatts (MW). This meant it could provide power for 50,000 households. The project is expected to be completed in 2015.

### Culture and education

**School reforms 'don't breach the Basic Law':** The Court of Appeal upheld the constitutionality of the government's schools management reforms in 2004, which the Catholic Diocese of HK said would remove its autonomy in running its schools. The court judgment said the reforms, which were intended to give transparency to the management of aided schools, were not in breach of the Basic Law. It held that the schools still remained autonomous under the reforms in the sense that they ran themselves through their own committees.

**Alarm as children at 90pc of schools admit using drugs:** Youth drug abuse figures show that more than 90 per cent of primary and secondary schools have pupils taking psychotropic drugs, according to a survey conducted in HK schools. The security chief Ambrose Lee called the figures alarming. Chief Executive Donald Tsang said the youth abuse drug problem was serious but not irrevocable.

### Macau

**Casinos rake in record 14b patacas in January:** In Macau, the buoying effect of Beijing's economic stimulus measures has been directly and dramatically experienced on the high-stakes baccarat tables. Casino revenue in Macau soared to a blockbuster 14 billion patacas last month, up 63 per cent from a year ago. An abundance of hot money from the mainland has translated into a hot streak for Macau in recent months. Now, as Beijing begins to rein in new loans to prevent inflation and take some air out of asset bubbles, analysts see a potential slowdown in the pipeline for Macau, too.

### Varia

**City-wide check of 4,000 old buildings begins:** The Buildings Department began to inspect about 4,000 Hong Kong dwellings over 50 years old to ensure they were safe, a department spokesman said. This follows the collapse of an old building in Kowloon. The tragedy claimed four lives and left 17 families homeless.

**HK population up 0.5%:** Hong Kong's population reached 7,026,400 at the end of last year, up 37,500 or 0.5% on a year earlier, the Census & Statistics Department says. Births and the inflow of one-way permit holders from China were key constituents of the overall population rise.

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