

**A condensed press review prepared by the Consulate General of Switzerland in HK****Economy + Finance**

**Mainland slowdown curbs HK growth:** HK registered its lowest rate of economic growth in more than two years in the first quarter, with a slowdown on the mainland having a knock-on effect. The city's GDP grew just 0.4 per cent from a year ago, sharply down on the 3 per cent growth recorded in the final quarter of last year. Much of the slowdown in HK can be traced to the mainland, where consumer inflation eased last month, with the consumer price index (CPI) rising 3.4 per cent year on year after gaining 3.6 per cent in March. It showed economic activity was slackening. HK government economist Helen Chan said the weaker performance was mainly due to a lull in exports, reflecting a difficult external environment. Almost all HK exports are mainland re-exports. Chan said the domestic sector was still strong and she expected the HK economy to pick up, helped by the stable mainland economy and improving US economy.

**Tax take hits record HK\$238b, up 14pc:** HK's tax revenue rose to a record HK\$238.3 billion in the 2011-2012 financial year, spurred by profits and wage tax gains. That was an increase of 14 per cent from the previous record in the preceding year. Owing to the city's narrow tax base, the highest-earning 200,000 individuals paid 80 per cent of the income tax. And just 10 per cent of roughly 91,000 firms had to pay profits tax. However, stamp duty revenue fell 13 per cent to HK\$44.4 billion due to fewer transactions in the stock and property markets after August because of the global economic jitters.

**Banks seek talks on new IPO rules:** Major investment banks want a separate consultation with the Securities and Futures Commission over its proposal to require the imprisonment of sponsors, such as brokers or bankers, who fail to ensure the accuracy of IPO documents. Banks have generally been positive about the SFC's proposed amendments to its code of conduct, but want a separate venue to discuss the issue of sponsors' liability, says Martin Rogers. Rogers is one of two HK-based lawyers who have been asked to advise more than two dozen banks on their responses to the SFC. The markets watchdog launched a two-month consultation on the proposals to tighten its scrutiny of sponsors, which, like referees, must ensure that a client's listing documents are not misleading. The consultation will close on July 6. SFC chief executive Ashley Alder said that there was no definite timetable for implementing the proposed regulatory changes.

**HK still China's most competitive city:** HK retained its top slot in competitiveness for the seventh straight year in 2011, against cities on the mainland and in Taiwan, according to a study by the Chinese Academy of Social Sciences. Dr Ni Pengfei, a researcher at the academy, said HK must improve people's livelihood and boost productivity to retain its competitive edge. Taipei jumped from fifth place in 2010 to second last year, while Beijing remained in third place. Shanghai slid back into fourth from second place, while Shenzhen dropped from fourth to fifth place. HK's edge in such areas as taxes and talent pool were shrinking, while high office rents hindered the development of small and medium-sized enterprises, the report said. The report noted that HK still had a clear competitive advantage in international finance and trade within the greater China region.

**HK to be new HQ for luxury carmaker Infiniti:** Infiniti, the luxury division of Japan's second-largest carmaker, Nissan, is moving its global head office to HK, the first time the city has been selected for the headquarters of a car manufacturer. "China is the largest prospect for us, and HK is not only a door open to China, but the rest of Asia," said Carlos Ghosn, chief executive for both Nissan and its long-term partner Renault. "There's no other market in the world [like HK] where 50 per cent of its car sales are luxurious ones," he said.

**Domestic politics**

**Halted filibuster starts new storm:** A 33-hour marathon filibuster came to an abrupt end on May 17 after Legislative Council president Tsang Yok-sing invoked for the first time powers in the rules of procedure to halt debate on a controversial bill to restrict Legco by-elections. The filibuster was an attempt by radical democrats to block the passage of the bill, which would ban lawmakers who resign midterm from standing in a by-election within six months. People Power legislators Albert Chan and Wong Yuk-man tabled 1,300 amendments to the proposal. Pro-government lawmakers tried to stop the filibuster. Pan-democrats criticised Tsang fiercely, saying it could set an "extremely bad precedent" by allowing the Legco president's power to expand "boundlessly", so that in future he could halt debate at will on other controversial bills, such as legislation on the national security law.

**Inefficiency reigns, says C.Y., urging a shake-up:** Chief executive-elect Leung Chun-ying expressed frustration at the inefficiency of policy implementation in recent years and said people had become used to things getting done at a snail's pace. If the city delayed his proposed reorganisation of the government, it would lose its competitive edge, Leung warned. He said HK's economy had fallen behind Singapore's in the past 10 years and his reshuffle was intended to speed up growth and solve housing woes.

**Radicals vow 500 motions on Leung's revamp plan:** A radical pro-democracy group intends to introduce hundreds of motions on a contentious government restructuring proposal at a Legislative Council meeting next month. Incoming leader Leung Chun-ying renewed his warning that should his planned reshuffle not be passed before July 1, it would affect his new administration and the realisation of his election pledges. It remains unclear whether a full Legco meeting on June 20 on the resolution of the proposed restructuring will leave enough time for his revamp plan to be approved. Legco president Tsang Yok-sing said debate on the restructuring would not run into filibustering, as lawmakers would not have unlimited opportunities to speak.

**Stephen Lam swaps politics for theology:** Chief Secretary Stephen Lam says he is not interested in joining the new government. Instead, he has a higher calling. The central government and chief executive-elect Leung Chun-ying had asked about his intentions to stay in the government. But the devout Protestant said he would study theology at Oxford University. Lam, who has consistently ranked the least popular minister in Donald Tsang's administration in many public polls, will end his tenure as chief secretary on June 30.

**Tang rules out running in Legco elections:** Defeated chief executive candidate Henry Tang ruled out running in the upcoming Legislative Council election. Tang lost to Leung Chun-ying after a bitter campaign. In a debate before the poll, Tang alleged that Leung had suggested during a high-level closed-door official meeting in 2003 that riot police and teargas should be used to deal with protestors in 2003. Tang said he did not regret making the remarks even though this might have breached the code of conduct of the official meeting, widely assumed to be the Executive Council. He said he spoken "out of conscience" to let people know Leung better.

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

**Beijing adviser calls for C.Y. to assert executive's role:** Chief executive-elect Leung Chun-ying should strengthen the executive-led system of government after he takes office in July, a top adviser to Beijing says. What we have to pay attention to now is the original meaning of 'one country, two systems,' Zhu Yucheng , a former deputy director of Xinhua in HK, said on the sidelines of the opening of Tsinghua University's first HK and Macau affairs think tank. "The political system [of HK] is an executive-led system, not a separation of powers between the executive, legislature and judiciary." It is not the first time a prominent mainland figure has offered such advice. During a visit to Hong Kong in 2008, Vice-President Xi Jinping said the three branches of the government should give each other mutual support and understanding. Democrat Cheung Man-kwong said that under the Basic Law, HK did have an executive-led system, but that did not mean the government's power was or should be unchecked.

**Across the line into protest country:** A new group of participants has emerged to bolster the ranks of local activists marching each year to demand Beijing's rehabilitation of the 1989 pro-democracy movement: mainland tourists. Many of the mainland participants said they learned about the bloody 1989 crackdown during trips to HK. The march on May 27 was organised by the HK Alliance in Support of Patriotic Democratic Movements in China to mark the 23rd anniversary of the Tiananmen Square killings. The alliance claimed 2,100 people took part, compared with 2,000 last year, 2,500 in 2010 and 8,000 in 2009. Alliance chairman Lee Cheuk-yan said the police had issued a letter of no objection for the annual candlelight vigil on June 4.

### **Transborder Affairs**

**Qianhai offers perks to lure HK talent:** On his next visit to HK, a national leader from Beijing may announce fresh incentives to attract local professionals to work in Shenzhen's new commercial hub, an official from the southern city said. These new measures, aimed at boosting the development of Qianhai , a 15 square kilometre development zone adjacent to HK, might include a discount of more than half on income tax, as well as judicial and educational assurances, Cao Hailei, head of the Qianhai Authority's office, said. Cao said some of the measures to lure professionals from Hong Kong and abroad had been approved by the State Council in Beijing and might be announced by a national leader in HK "at an appropriate time" - probably July 1, when the city celebrates the 15th anniversary of its return to Chinese sovereignty.

### **Legal affairs and human rights**

**Hongkongers rally for labour rights:** Thousands of Hongkongers marked the Labour Day holiday by marching for better work conditions, such as standard working hours and increased minimum wage. Labour groups campaigned to increase the minimum wage to HK\$33 per hour. The Minimum Wage Commission is currently reviewing the statutory wage, which is now at HK\$28.

**Copyright bill delayed amid calls to shelve it:** The government has postponed the Legislative Council debate on the controversial copyright amendment bill - but has stopped short of demands for the change in the law to be shelved completely which are now coming from pro-government lawmakers and the pan-democrats. The three- to four-week delay, announced by Commerce and Economic Development Secretary Greg So, casts doubt on whether the bill, which makes all copyright infringement a criminal offence, will be approved by the end of the Legco session in mid-July. It is feared a catch-all approach to copyright infringement could see, for example, people who modify copyrighted material for political parody end up in court.

**Law reform commission backs class action suits:** The Law Reform Commission is proposing that HK allow class action lawsuits, which permit a large group of people to bring a single suit. The commission said the

proposal would widen access to justice but recommended a "cautious" approach, phasing them in to avoid encouraging a flood of unnecessary litigation. The system should start with consumer cases, "which would bring within the net potentially the largest segment of cases suited to class actions", it says in a report. Class actions suits, organised by a group of people with the same legal problem and whose claims raise the same questions of law or fact, are most common in the United States.

### **Environment**

**'Clean energy means higher power bills':** The government's "clean energy" policy will mean higher power bills for consumers, the chief of HK's biggest power company, Michael Kadoorie, said. In a rare tycoon broadside against the government, Kadoorie, chairman of CLP, cautioned the new administration not to meddle in the sector and said the "inevitable" outcome of an energy policy based on importing cleaner but more expensive gas from the mainland would be higher power bills. Lawmaker Wong Kwok-kin said CLP's "threat" to raise tariffs meant the government must consider importing electricity from the mainland.

**Chief Executive 'did little' to improve air:** The city's air quality has improved only slightly during Chief Executive Donald Tsang's tenure because of his lack of action to tackle pollution, a green group says. Improvements in roadside air quality since the handover were instead due largely to measures worked out by the administration of Tsang's predecessor, Tung Chee-hwa, Friends of the Earth said. It urged Tsang's successor, Leung Chun-ying, to roll out more assertive measures to combat the problem.

### **Culture and education**

**E-textbooks may help parents cut costs:** The government will not publish textbooks for schools, nor will it screen publishers through a central tender to bring down book prices, Secretary for Education Michael Suen says. Instead, encouraging the use of electronic textbooks might be a better alternative in reducing costs for parents, Suen said. Publishers were accused of creating unnecessary teaching materials, such as CDs, and giving them free to schools while factoring the production costs into the prices of textbooks for pupils' use. Suen said a government-appointed task force had found market intervention was inappropriate and central tendering would be ineffective.

### **Macau**

**Young rally for democracy in Macau:** Hundreds of young people in Macau staged a rally calling for universal suffrage. They were protesting against their government's legislative and election reform plans and "unprecedented" censorship of media coverage of the public consultation. Protesters said the media were portraying the public as having reached a consensus on the government's proposals. The protest was the first such experience for many young people in Macau. A SCMP photographer was barred from entering Macau for the third time. Zoe Hung, vice-chairwoman of the HK Journalists Association, condemned the Macau government and demanded a detailed explanation on the decision to deny him entry.

**Macau could seize luxury HK\$20b La Scala site:** The site of the HK\$20 billion luxury La Scala development could be seized by the Macau government at the end of the corruption trial in which two HK tycoons are accused of paying a HK\$20 million bribe to a disgraced top official. Macau's chief executive, Fernando Chui Sai-on, declined to rule out his government seizing the five plots of land involved. Tycoons Joseph Lau and Steven Lo deny that they paid a bribe to get the land for the development to the disgraced former secretary for transport and public works, Ao Man-long, who is serving a 28 {+1}/ {-2}-year jail term for corruption.

### **Varia**

**HK-Taiwan visa breakthrough:** HK is to offer free visas online for Taiwanese visitors from September 1, in another breakthrough in relations between the two sides. The city moved to reciprocate Taiwan's free online visas for Hongkongers, which have been available since September 2010. "By introducing the new measure, we hope to encourage more Taiwanese people to visit HK," Financial Secretary John Tsang said on a visit to Taipei, where he inaugurated the HK Economic, Trade and Cultural Office - HK's first representative office on the island. The two sides agreed in 2010 to each set up a representative office. Taiwan opened its office in HK last year.

**Population ageing faster, panel says:** The problem of HK's ageing population has accelerated, with the proportion of people in the labour force expected to fall, according to the latest government population-policy report. The Steering Committee on Population Policy warned that a shrinkage of the labour force as a result of the ageing population could hinder the city's development. It called for measures to deal with the threats to productivity, and fluctuations in the population due to movements between HK and the mainland.

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