

April 2004 in Hong Kong

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A condensed press review prepared by the Consulate General in Hong Kong

Introduction

April did not bring any joke; the month developed in a highly charged political atmosphere marked by Beijing's ruling out universal suffrage for elections in 2007 and 2008. Just before, the National People's Congress Standing Committee's (SC) gave its interpretation of the provisions on electoral reform of HK's Basic Law, a move some considered as a big step back for democracy. It was followed by the chief executive's (CE) report on the need for political reform recommending guidelines considered as additional hurdles by the opposition. As to the economy, no obstacle prevented some 300 HK exhibitors from successfully returning back to Basel World.

Domestic Politics

The Interpretation of the Basic Law: This is the first time Beijing has intervened in such a way on its own initiative. For some observers, the announced interpretation was seen as the most significant step by Beijing to deflate HK pro-democracy movement since it strengthened with a 500'000 strong demonstration on July 1, 2003. During a meeting held on 31 March and seen as the first formal dialogue between democrats and Beijing since their relationship soared after the Tiananmen crackdown in 1989, the democrats explained that the interpretation would undermine the "one country, two systems" principle. For the conservative side, the interpretation would help forge consensus by pointing out a clear direction for HK's constitutional development. A candle-light vigil was held on April 2, with 3000 people protesting Beijing's decision to interpret the Basic Law. Clashes broke between Police and protesters at the central government offices. On April 4, HK told the United States not to interfere in its affairs after they expressed "serious concerns" over Beijing's decision to interpret the Basic Law. On April 6, the SC's interpretation said the central government had the power to decide whether there was a need for constitutional reforms but gave the CE the right to start the process. The latter should submit a report to the SC on whether there is a need to amend the methods of selecting the chief executive and Legco. If the SC accepts HK would start public consultation and table reform bill. Any changes passed into law would need final approval by Beijing: the mainland was given effective veto power at both ends of the reform process. On April 11 thousands (20'000 according to the organisers, 10'000 according to the police or 7'627 (!) according to a survey commissioned by the Government) join a march on the mainland's liaison office to attack their unpopular leader, adding their voices to the denunciation of the interpretation. Urged to publicise his report as soon as possible, but ignorant of a call to feel the public pulse and not to attach further conditions to political reforms the

Chief Executive (CE), Tung chee-hwa, submitted his report on the need for reform on April 15, recommending that changes be made to HK's electoral methods in and after 2007. However, he set out nine stringent conditions HK must abide by when proceeding with reforms. He stated that progress towards the Basic Law's ultimate aim of universal suffrage should progress in a gradual and orderly manner and should accord with the HK's actual situation to preserve its prosperity and stability. According to HK's only delegate to the SC the nine conditions were the result of discussions with the central government. Critics said the CE acted hastily, that the report turned its back on the citizens and did not propose specific changes. They added that the 9 principles effectively ruled out the introduction of universal suffrage by 2007. The CE was urged to send a supplementary report that would outline the public's democratic aspirations. Pro democracy lawmakers further condemned the CE' report in an unprecedented Legco debate. Three of them lobbying for the introduction of universal suffrage met a mainland official (a first encounter after 15 years), Mr. Li Fei, vice-chairman of the NPC' Legislative Affairs Commission who promised he would channel their views to the NPC. However, being of the opinion that HK has enjoyed unprecedented democratic rights.

Beijing ruled out the universal suffrage for selecting the CE and legislature in 2007 and 2008. The half-and-half ratio for members of Legco elected from functional constituencies and elected directly and the procedures for voting on bills and motions in Legco shall remain unchanged in 2008. The methods for elections could be appropriately modified, in accordance with the principle of gradual and orderly progress. As he did for the interpretation, the Deputy Secretary General of the SC, Mr. Qiao Xiaoyang, came to HK to explain the SC's decision. He said that HK lacks a proper understanding of the "one country, two systems" principle and that the electoral methods should be conducive to the balanced participation of various social strata including the business sector without which the original capitalist system in HK cannot be ensured. Angry pro-democracy camp says "one country, two systems" has been seriously undermined but was determined to keep on fighting. The Democratic Party Chairman said that the only way to oppose Beijing's official to rule HK was to vote on the September Legco election. The organisers of last July demonstration said a similar rally would be held this year. Ahead to his visit to Europe, premier Wen Jiabao pledged that the objective of having HK elect its CE and the legislature by universal suffrage had not changed.

International Affairs

Official visits: The president of the Czech Republic, Mr Vaclav Klaus and the president of Latvia, Mrs Vaira Vike-Feribergera paid a visit to HK.

A Memorandum of Understanding (MOU) on Cultural Co-operation between Singapore and HK was signed on April 1 in HK. It provides a formal framework to further strengthen the current state of active cultural exchange, and promote co-operation in the fields of culture and the arts.

Human Rights and Legal Affairs

Action demanded on 1997' phone-tap law. Secretary for Security was told to enforce the anti-bugging law endorsed by the Legco seven years ago or step down. The warning was issued after his Deputy failed to say when the government was expected to bring the Interception of Communications Ordinance into force. In 1997, Legco passed the ordinance, which would require a judge's permission for phone-tapping instead of authorisation from the chief executive or chief secretary.

Economy

HK & IMF : The global economy is set to grow at its fastest pace in a decade this year, led by the United States, China and other Asian economies, the IMF said yesterday in its biannual world economic forecast. It expects the mainland's economy to expand 8.5 per cent this year. The outlook for HK is also optimistic, with gross domestic product forecast to grow 5.5 per cent this year. The IMF predicts the mainland's economy will expand 8 per cent next year, while HK's will grow 4.5 per cent. In HK, "robust private consumption is driving a stronger recovery [and] deflation is abating", the IMF report says. HK experienced more than five years of unbroken deflation, one of the longest spells of falling prices anywhere in the world since the second world war, it adds. The IMF forecasts consumer prices will decline by half a percentage point this year, but rise by eight-tenths of a percentage point next year. The fund predicts unemployment in HK, which in February fell to 7.2 per cent, will average 6.4 per cent this year and 5.3 per cent next year. The IMF says the government should give priority to consolidating its budget deficit.

Budget Deficit : On April 28, the Government announced its provisional financial results for the year ended March 31, 2004. According to the provisional results, expenditure for the year ended March 31, 2004, amounts to \$247.4 billion and revenue to \$207.3 billion, resulting in a deficit of \$40.1 billion. The provisional deficit of \$40.1 billion is \$8.9 billion lower than the revised estimate of \$49 billion announced in the 2004-05 Budget Speech

Solo travel scheme for visits to HK is doubled A further 74 million people in 16 of the richest mainland cities will be eligible. HK can expect millions more mainland visitors from next month after the State Council doubled to 150 million the number of citizens allowed individual travel to the city. The scheme has been extended to residents of a further 16 of the country's wealthiest cities. Since last July, when mainland authorities began exempting some travellers from the requirement that they visit HK in tour groups, more than 1.6 million people from Shanghai, Beijing, and 14 cities in Guangdong, have visited. With each visitor spending an average of \$5,600, the economic benefit to HK has been almost \$9 billion. HK's tourism, retail and food sectors are promoting their wares ahead of the arrival of more than 400,000 mainland visitors during the May Day holiday week.

Property: High reserve prices offered for the first two sites to be auctioned after a 19-month freeze on land sales indicate the growing strength of the property market, experts say. Two residential sites in the New Territories will be auctioned next month with offered prices at the upper end of market expectations. Under the land sale system, a developer offers the Land Department a minimum price it guarantees to pay for a site. If that price meets the government's target reserve, the site will be brought to auction. The government announced the land sale suspension in November 2002 in a bid to shore up the housing market, which had slumped since 1997.

Hong Kong Exchanges and Clearing wins higher profile in Guangzhou and Shanghai: HKEx has been given approval to set up "contact points" in Guangzhou and Shanghai. The authorities allow foreign exchanges to have just one representative office in the mainland. The HKEx was granted the two contact points after opening its representative office in Beijing in November last year.

Bonds: The HK government launched its first securitised bond issue. The bonds, worth \$6 billion, are backed by tolls from five tunnels and the Tsing Ma Bridge. Last year the government announced plans to sell \$112.5 billion of assets and debts within five years to tackle the deficit. Retail investors may subscribe to three-year bonds at an annual interest rate of 2.75 per cent, five-year bonds at 3.6 per cent or seven-year bonds at 4.28 per cent. By comparison, a two-year HK dollar fixed deposit earns about 0.8 per cent a year and savings accounts pay 0.001 per cent, or \$10 for every \$1 million on deposit. According to the Secretary for Financial Services and the Treasury the next step would be to issue \$20 billion in government bonds before the summer.

The HK Monetary Authority published its Annual Report for 2003 on April 26. The Report reviews recent trends and events in monetary and banking affairs and reports on the HKMA's work during the year. It also sets out plans for the coming year.

CEPA : Nearly 170 HK permanent residents have been given approval to open shops in Guangdong without mainland business partners. A total of 200 applications to open shops filed by HK and Macau residents have been approved so far, according to Guangdong authorities. Under the Closer Economic Partnership Arrangement (CEPA), HK permanent residents can set up stores in Guangdong without a partner.

The HK Gifts & Premium Fair 2004 opened on April 28: according to an opening speech this fair is the premier event of its kind in the region, this year with more than 3,400 exhibitors. It has long been recognised as the best sourcing hub in Asia and as a premier networking venue for industry players.

The first "**Survey on Business Attitudes to Intellectual Property**" reveals that the awareness level of intellectual property rights among the business sector in HK is remarkably high. More than 90% of respondents understood what items were protected by intellectual property and 95% of them considered that it was necessary to protect intellectual property rights in the business environment of HK. The respondents in general believed that the intellectual property infringement was now quite serious.

HK's economic development is being hampered by insufficient investment in science and technology-based industries, according to one of the world's foremost economists, Jeffrey Sachs. He said "From an economic development point of view, it is the capacity to mobilise science and technology that is the fundamental, long-term driver,"... "I would also commend it to HK because this incredibly dynamic society oddly lags behind the rest of the world in terms of its own science and technology. This is probably the one place in the HK economic structure that one sees a serious weakness." HK had achieved remarkable developments in its business, services and infrastructure, but had now been overtaken by countries where the average annual income was also more than US\$20,000 a year, he said. Their experiences had shown that innovation, rather than just business, further increased income.

Hong Kong in figures

To have and have not/The widening Gap: For almost a quarter of households it would take at least 3½ years to earn what Hutchinson Whampoa group managing director takes home in a day. Among the world's wealthiest economies, HK has the biggest gap between rich and poor. More than 500,000 households earn less than \$8,000 a month. Only a fifth of HK's 245,000 unemployed claim welfare. The number of households earning less than \$4,000 a month has risen almost a quarter since 1999 to almost 200,000. A family of four unemployed adults can receive \$4,830 in benefits on top of housing costs, about half UK levels in HK dollar terms.

In March, 2004, the value of total exports of goods (comprising re-exports and domestic exports) increased by 13.9% over a year earlier to \$162.9 billion, after a year-on-year increase of 28.2% in February. Within this total, the value of re-exports increased by 14.5% to \$153.2 billion in March, while the value of domestic exports increased by 4.5% to \$9.7 billion. Concurrently, the value of imports of goods increased by 15.4% over a year earlier to \$178.0 billion in March, 2004, after a year-on-year increase of 33.3% in February.

Health

There have been recent reports of confirmed and suspected Severe Acute Respiratory Syndrome (SARS) cases in Mainland China. HK therefore remains vigilant and prepared. The Government has enhanced SARS preventive actions. The current response level is *Alert Level (lowest level out of three response levels)*. Mandatory health declarations and stringent temperature screening checks are being maintained at border points. HK maintains close communication with the Mainland health authorities for updated developments. Since 23 April 2004, HK has used an enhanced surveillance system for reporting pneumonia patients with a history of travel to Beijing or Anhui Province during the 10 days before symptom onset. So far, none of these patients have tested positive for SARS. HK has been free from SARS since 2 June 2003.

Culture and Education

Merging Universities: Education chief said he welcomed recent studies by the Polytechnic University and City University over a possible merger, saying such a move would benefit the tertiary education sector in the long term. He also said that merging universities was a trend overseas. Last year he proposed a merger between Chinese University and HK University of Science and Technology, but the scheme failed because there was strong opposition from students and staff.

HK International Film Festival: The curtain went up on April 6, 2004 on the 28th HKIFF. It featured 300 movies from about 40 countries. The Festival director said "...while at the beginning it was primarily focused on local films and audiences, we are now moving it towards being a truly international festival." The festival ended on April 21.

Varia

Spiritual Focus: Middle class Hongkongers have increasingly turned to religion in recent years amid the difficulties of the economic downturn, according to clerics in mainstream religions. There are now more than 230'000 Catholics and almost 300'000 protestants in HK. Ninety-two adult catechumen – people being taught the principles of Christianity – were baptised in the Catholic Cathedral over Easter. The diocese's Chancellor said the economic downturn was not a dominant factor, but said people have increasingly felt the need to find value in life. According to another source, as more people turn towards religion to fill a spiritual void, interest in fung shui and New Age spiritualism is also on the rise.

Press articles about Switzerland

South China Morning Post 07.04.04: HK is not ready to accept euthanasia, says academic (this article was written following HK quadriplegic Tang Siu-pun's appeal for the right to die) **Excerpts:...** In Switzerland, the laws are possibly the most relaxed because assisted suicide is legal there, although active euthanasia is not. The former requires that the person wanting to die has to be able to carry out the act themselves, whereas in the latter, a doctor has to do the deed... But in Zurich, there are medical facilities that allow outsiders to end their lives, as long as they have the correct paperwork from their doctor. This has led to concern among Swiss authorities and private organisations that Zurich is in danger of getting a reputation for "death tourism". Dignitas, a group founded by Swiss human rights lawyer Ludwig Minelli to assist suicides, has 2,000 members and welcomes foreigners. Mr. Minelli, whose group's slogan is "Live with dignity, die with dignity", has also widened his brief to include those suffering from schizophrenia...

Apple Daily (local Chinese Press), April 16, 2004. (Summary) Financial Secretary Mr. Henry Tang and Mr. Fred Lam, Executive Director (Designate) of the HK Trade Development Council, headed the HK delegation (333 exhibitors, more than 2000 staff) to return to the Basel World 2004 and officiated the opening ceremony of the HK Pavilion. The article recalled the hard feelings of what happened to HK exhibitors last year due to the SARS. It also mentioned that the HKTDC has reached an agreement with the organiser of the Basel World. HK exhibitors can return to Basel with prime location and it is guaranteed for the next 6 years. Similar articles were published in the local Chinese press : **HK Economic Journal** on 16.04, **HK Daily News** on 17.04.

South China Morning Post, 30.04.04: And then twenty-five became one. Call me a sentimental old fool, but I do not care. Try as I might, I cannot get my head around the fact that come tomorrow, Lithuania will be part of Europe, Switzerland still will not be...With 450 million people, the new-look Europe will have the third largest population grouping in the world after China and India...The conveniences of European enlargement aside, a nagging doubt persists: what is a European and does it matter if you aren't one? Swiss and Norwegians clearly do not worry, as they have resisted the call to join the European Union... The post also reproduced an article from **The Christian Science Monitor** with the title «Pressure mounts on the nations of «Sin» a wry acronym for Switzerland, Iceland and Norway called an unusual troika united only by their obdurate refusal to take up membership of the EU...

South China Morning Post 30.04.04 (Bloomberg in Bern) **Laundering safeguards a must for Switzerland:** Stringent anti-money-laundering rules are the only way for Switzerland to preserve its 70-year-old banking secrecy laws, according to J.-B. Zufferey, of the Swiss Federal Banking Commission...Swiss bankers spent 20 per cent of their workday on compliance issues, a study released earlier this month by the University of Zurich's Swiss Banking Institute showed. Banks last year devoted 50 per cent more money than in 1998 to meet rules including tougher anti-money-laundering laws... After cutting personnel costs, the next legitimate question for a banker is: how can I cut down on regulation costs?" Mr Zufferey said... "That's why we try to strike a balance and to act only when necessary". Switzerland's regulator was still less intrusive than financial supervisors elsewhere, he added.

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