

## Introduction

The September 12 Legco elections have been described as a milestone on the path to democracy despite the fact that the pro-democracy camp did not win the majority.

## Domestic politics

**Legco elections** : After a campaign marked by scandals, intimidation by pro China factions and no real political debate the democratic camp got 60% of the popular vote but only 25 seats on 60 in the new legislature. Comments in the media reflected the gap between the two camps: the pro-government papers hailed the victory of those who love HK and the motherland while pro-democracy commentators focused on the peaceful and orderly electoral process, on the important popular participation and on the political maturity of HK citizens who want universal suffrage.

**Spectre of art 23 looms again in Legco** : Just before the elections an editorial of the Wall Street Journal stated that Beijing's goal seems to be a rubber stamp legislature that will allow Mr Tung to push through a set of draconian « anti-subversion » laws. After the elections while the Liberal and DAB parties made a plea supporting the reintroduction of a national security bill in the new legislature, the chief executive in a surprise move rejected it until consensus was found on the issue. Some commentators noted that in case security is endangered, the NPC Standing Committee could insist that the mainland's national security law be applied to HK.

**Battle starts for the top job in 3 years**: Front runners are Leung Chung Ying and Finance Secretary Henry Tang. At the end of September the chief executive rating hit 2 year high but still falling short of passing grade of 50 points.

**Moderate democrats invited to Beijing** : Led by the chief executive a delegation of 240 HK personalities including 10 newly elected moderate pro-democracy lawmakers went to Beijing for the National Day celebrations. Core members of the democratic camp were not invited . President Hu urged the delegates to promote harmony and stability built on love of the city and the motherland

**Beijing shift in strategy towards HK**: Premier Wen hailed HK's elections as an advance for democracy in the SAR and said there should be frequent dialogue between Beijing and various sectors of the territory's society. Beijing plans bigger role in HK. There are rumors that the central government will issue a new set of directives to improve SAR governance which purpose is to catch with the new situation. It appears to have recognized the new political reality in HK and is willing to work with it.

**20<sup>th</sup> anniversary of the signing of the Sino-British Joint Declaration**: on September 26 1984 HK's future was sealed with the signing of a draft agreement on the return of the city to China. The Sino-British Joint Declaration was a visionary treaty which has since shaped the reality of HK.

**Ex-dissident thanks Tung for help with China visa**. Outspoken film-maker John Sham who allegedly helped dissidents flee China after the 1989 Tiananmen Square crackdown credits Tung with helping him get a home return permit valid for 10 years for the mainland

**Welfare benefits cut by 5,4% for elderly people** : many commentators have protested against the decision to reduce the pensions of the generation that built modern HK describing it as unfair and cruel.

## International affairs

**Outrage over arrest at German trade fair**. HK exhibitor has been expelled from fair and arrested for alleged infringement of Puma trademark. He was pulled out by hair after being wrestled to the floor by customs officials.

## Human Rights and Legal Affairs

**Freedom under threat during Legco election campaign** : Human Rights Watch has cited multiple incidents that it says point to Beijing's interference in HK. According to the NGO the intimidation of former commercial radio show hosts Albert Cheng and Raymond Wong was directly linked to the election which it defined as « marred » adding that 2004 is shaping up to be the worst year for civil and political rights in HK since the 1997 handover.

**Racism law under fire**. Activists have called proposed anti-discrimination legislation insincere as 3 months public consultation starts stressing its main shortcomings i.e. the exclusion of the application of the new law to mainland Chinese and to small companies with less than 6 employees The bill is set to come to effect in July 2005.

## Transborder Affairs

**Metropolis of 50 millions in 20 years:** urban planning specialists foresee in 20 years a 50 million metropolis comprising HK, Shenzhen and Guangzhou.

**Air pollution in the Pearl River Delta region worsening :** As in September air pollution hit record levels, HK clean-air team went on a mission to Guangdong. Commentators stressed that China's help is urgently needed to combat SAR pollution and that there is a lack of an overall , comprehensive strategy on the environment for the Pearl River Delta despite the Cooperation on PDR Air Quality Management Plan signed in 2003.

## Economy

**Watch exports to China under CEPA:** Watches and clocks were among the products eligible for zero tariff status under CEPA. HK watch industry representatives indicated that it would be difficult for the industry to benefit from the current arrangements (to meet 30% or above of value-added content incurred in HK) and proposed modifying the rules. HK Government stressed the need to find the proper balance between incentives to entice the setting up of manufacturing operations in Hong Kong and safeguards to protect the interests of workers. Meanwhile, HK Government has been discussing these issues with relevant Mainland authorities with the hope to arrive at some mutually acceptable arrangement. Hong Kong exported some US\$5.4 billion worth of watches and clocks in 2003, representing a solid 9% year-on-year growth.

**New co-operation mechanism between the HKSAR Government and the Beijing Municipal Government:** It was established to further enhance exchanges and co-operation between Hong Kong and Beijing, in particular in the trade and economic fields. They agreed that the opportunities created by the CEPA between the Mainland and Hong Kong and the 2008 Beijing Olympic Games would benefit both places, and further boost their mutual development and prosperity.

**Consumer price:** Consumer prices in July rose 0.9%, marking the first year-on-year rise in 68 months and signalling a milestone in recovery from an economic decline that began with 97-98 Asian Financial Crisis and was prolonged by SARS.

**Retail sales:** It rose to provisional HK\$16.2 billion in July (up by 10.8% and 8% in value and volume respectively compared with July 03) due to flourishing tourism, improved property and labour market and strong consumer sentiment.

**Survey by the World Bank:** Hong Kong is the world's 4th easiest place to do business, after New Zealand, USA, and Singapore. Switzerland ranked the 11<sup>th</sup>.

**UBS upbeat about HK economy :** UBS mentioned on a local English paper " the Standard " that a slew of recent agreements between Mainland and Hong Kong would spur investment and consumption in Hong Kong. The most recent measures include an extension of CEPA, more flights to mainland for HK airlines and a streamlined approval process for Chinese companies to set up and invest in Hong Kong.

**Unemployment :** August unemployment fell month on month to 6.8%, the lowest level in 3.5 years. Underemployment also fell month on month from 3.5% to 3.3%. The restaurants, communications, manufacturing, amusement and recreational services, decoration and maintenance are the sectors seeing gains in employment. The total employment figure reached to 3,294,000 people, a historical high. In the past 12 months, Hong Kong created about 100,000 jobs. Economists said unemployment rate would drop further but bottom out around 6.5%. Hong Kong still has structural issues to solve.

**Business receipts :** Comparing the 2nd of 2004 with the 2nd quarter of 2003, business receipts of the hotels industry surged by 190%. Business receipts of the financing (except banking), transport and insurance industries also increased notably by 42%, 35% and 29% respectively. The increase in business receipts of the hotels industry was largely attributable to the remarkable growth in inbound tourism, and a relatively low base of comparison when inbound tourism was seriously affected by SARS.

**Foreign direct investment :** Hong Kong retained its position as Asia's second largest (11<sup>th</sup> largest in the world) destination for foreign direct investment (FDI), according to the "World Investment Report 2004" by the United Nations Conference on Trade and Development (UNCTAD). Despite SARS and significant economic challenges, the FDI flow to Hong Kong in 2003 reached US\$13.6 billion, up by 40% from an adjusted US\$9.7 billion in 2002. The only larger recipient of FDI in Asia was the Mainland with US\$53.5 billion. It reflects Hong Kong's strengthening position as a two-way platform for overseas investors accessing the Mainland and rest of the region - and for Mainland companies looking toward regional and global expansion. Invest Hong Kong, HKSAR Government, promotes Hong Kong to Mainland enterprises as a springboard and strategic base to expand overseas at the 8th China International Fair for Investment and Trade (CIFIT) in Xiamen, Fujian on September 9.

## **Varia**

**Organised crime** Police expect bloody turf war as HK and mainland gangs flood the market . Triads fighting for control of South Africa's drug trade made the headlines.

**Sars breakthrough** : HK scientists make SARS breakthrough team by identifying molecules to stop virus being infectious.

## **Macau**

**Macau may loose cultural appeal** : imitating Las Vegas Macau is booming and risks loosing its cultural appeal.

## **Press articles related to Switzerland**

**South China Morning Post**, 09.09.04: Among the people who have made Hong Kong the SCMP cited Felix Bieger, noted Swiss hotelier and former manager of the Peninsula Hotel. He believes that a sharp memory is the key to a successful career in hotel: "You must remember people s faces and their likes and dislikes. Guests always appreciate it when you remember them and their tastes."

**The Standard**, 21.09.04: Trade fair hopes for drop in piracy. Baselworld organiser Rene Kamm says that jewellery industry associations are doing their bit to inform exhibitors about piracy laws. HK exhibitors accounted for less than 10 of the 21 intellectual property right infringement cases at this year at Baselworld watch and jewellery trade fair and organisers expect his number to fall steadily in the coming years. Cases are arbitrated on by an in house panel and can result in an exhibitor being banned from the fair. In 2004 there were 362 HK exhibitors at Baselworld making HK the third largest contingent behind Switzerland and Italy.

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