

**Happy New Year of the Dog  
Kung Hei Fat Choy!**

**Domestic politics**

**Chief Executive Donald Tsang reshuffles team:** John Tsang has been named Director of the CE's office, a move that seems certain to lead to higher posts in the future. The former commerce chief is a rising star whose leadership during last month's WTO ministerial meeting also gave him prominence on the international stage. Joseph Wong was appointed to replace him as trade minister and Denise Yue will become civil service chief. These appointments have been made with an eye on re-election of the CE in June 2007. The electoral campaign has already started.

**Courts cannot solve all ills:** HK Chief Justice warned that the courts could not provide a solution to political, social and economic problems. The function of the courts is limited to assessing the legality of government decisions and laws within the parameters of the Basic Law and statutes but is not a panacea. The proper functioning of the political process is the responsibility of the administration and the legislature. 2005 has seen several controversial issues brought to the courts through judicial reviews including covert surveillance, the Link Reit, homosexual age of consent and the length of the new chief executive's term. There were 149 such cases compared with 102 in 2002.

**Universal suffrage priority for advising committee:** After the defeat of the political reform proposals last month, universal suffrage will be taken out of the hands of lawmakers and become a top priority for the committee on governance and political development under the revamped Commission on Strategic Development. The Secretary for Constitutional Affairs, Stephen Lam, said that the defeat of the political package killed a good chance to build trust between Beijing and the Legislative Council.

**Tsang would be naive to shun us, democrats warn:** Donald Tsang was warned by democrats that he would be "very naïve" if he followed in the footsteps of his predecessor and distanced himself from them. The comment from Albert Ho, vice-chairman of the Democratic Party, comes with the democrats labelled the "opposition" camp following defeat of the government's electoral reform package last month. Mr Tsang and his senior aides have said the democrats acted against the public's views and had become the opposition.

**Ad campaign for universal suffrage:** A barrister's group has sponsored ads in favour of democracy calling the CE to exercise courageous leadership by asking Beijing authorities to set up a timetable for universal suffrage in HK.

**Importance of cooperation with the business sector stressed:** Cooperation is not collusion says Chief Secretary Raphael Hui. The Government cannot work for the public good if cooperation with the business sector is considered collusion and a transfer of interest. Partnership should be based on mutual trust.

**Survey asks to drop cultural hub for large green park:** According to a public survey there is little public backing for the massive and expensive cultural, commercial and residential project of West Kowloon. The site belongs to the people and not to developers and most Hongkongers want an urban oasis similar to Central Park in New York.

**Bonanza for civil servants :** Pro-business politicians and other groups are worried that workaholic HK will be forced to ease up on workers after Donald Tsang announced a five-day week will be introduced for civil servants, starting July. Chambers of commerce and the Liberal Party now fear small and medium enterprises will be forced to follow the government's lead or risk lowering morale.

**International affairs**

**Success of the world trade talks a badge of honour for HK:** The city enhanced its reputation and the world stands to benefit from the territory's hosting of the Sixth Ministerial Conference of the World Trade Organization, the meeting's chairman, John Tsang, said. "We were so determined to demonstrate our competence as Asia's world city by tackling whatever challenges the conference threw."

**Berlin office widens HK's Europe ties:** H K will set up an overseas office in Berlin this year to strengthen its economic ties with Europe. The office, to be headed by a middle-ranking directorate grade official, will be the government's fourth in Europe. It already has branches in London, Brussels and Geneva.

## Transborder affairs

**Shenzhen aims to be innovation supremo:** Shenzhen has launched an ambitious plan to turn the border city into a "national innovation centre" by teaming up with HK universities and opening its doors to talent from across the country. The plan announced by Vice-Mayor Liu Yingli calls for a significant increase in research and development funding and a lowering of restrictions on university graduates settling in the city. It pledges government support for "innovative ventures" in areas such as information technology and medical research.

## Legal affairs and human rights

**Immigration rules set for shake-up:** A scheme allowing foreign workers a maximum of a year to find jobs or start their own businesses in HK could be introduced within six months, the immigration chief said. The existing admission scheme requires applicants to find jobs before entering HK, but Director of Immigration Lai Tung-kuok said the new scheme would help ease the concerns of those who were considering moving to the city.

## Economy

**Strong end to year by businesses:** HK's economy closed the year with a surge in December, concluding 12 months of consecutive growth on a strong note thanks to a powerful run-up to Christmas, the latest purchasing managers' index shows. "This has been a buoyant 12 months for the HK economy," a spokesman for NTC Economics said. "We've experienced a year of uninterrupted growth across all sectors."

**12 years on, HK still freest economy:** HK has again been held up as a poster economy for fiscal conservatism, with its rating as the world's freest economy being boosted this year by lower government expenditure and less intervention in the market. The city has ranked No1 throughout the 12 years that the Index of Economic Freedom, compiled by The Heritage Foundation and The Wall Street Journal, has been published.

**HK office space rates as Asia-Pacific's most expensive:** HK office space is Asia-Pacific's most expensive, followed by Tokyo and Seoul, according to a recently released survey. HK emerged as the most expensive location in Asia Pacific with occupancy costs escalating 61 %, the highest percentage increase over the past decade and back to the level in 1995, to 15,000 US dollars per workstation per annum.

**UBS tops in Asia deals:** Switzerland's UBS beat out rivals Citigroup and Morgan Stanley to top last year's revenue rankings of Asia Pacific investment banks outside Japan, data firm Dealogic said Monday. UBS pocketed US\$371 million (HK\$2.8 billion) in revenue, compared with US\$294 million for Citigroup and US\$254 million for Morgan Stanley. Investment banking in Asia was driven by a 19 percent increase in merger and acquisition volumes and an 18 percent rise in equity issuance.

**Credit Suisse to own 15 % in China Poly joint venture:** China Poly Group, which has diversified into real estate and the art market since starting life as the trading arm of the mainland military, plans to set up a financial venture this year with Credit Suisse, Switzerland's second-biggest bank, as a 15 % partner. The venture, Poly Finance, will provide the mainland parent with financial advisory, deposit-taking, borrowing and purchasing services, said Credit Suisse, which declined to reveal the amount of its investment.

**Home sales worst since SARS crisis:** December was the worst month for new home sales in HK since the SARS epidemic as rising interest rates sidelined buyers and developers held new flats off the market in hopes of better prices down the road. The Land Registry said 4,426 new homes were sold in December.

**Jobs boom in HK for skilled workers:** HK is experiencing a jobs boom for skilled workers, with more companies looking to hire than at any time in the past eight years and higher bonuses being paid to staff, according to a survey of Japan, HK, Singapore and the mainland.

**HK firms slow to cash in CEPA:** Local companies have still not taken full advantage of preferential treatment under the cross-border free-trade pact despite a drastic rise in the value of goods exported to the mainland, the trade director said. With the emergence of an increasingly wealthy and discerning middle class in the mainland, the demand for quality products with a 'made in Hong Kong' label, such as food, clothing, watches, medical and health products, will increase, and these are all within the scope of CEPA. The HK government has cleared more than \$ 3.5 billion worth of goods for export to the mainland tariff-free under the pact. Since the arrangement began, 915 HK service companies have successfully applied for the Certificate of HK Service Suppliers to operate their businesses in the mainland.

**Overseas firms in rush to start operating in HK:** HK had one of its best years for attracting foreign companies to set up operations in the city, with investors putting in nearly \$9 billion last year, nearly double the \$4.65 billion invested in 2004. Jobs created as a result topped 7,900 last year, an improvement from the 7,600-plus posts created in 2004. However, Mr Rowse, director-general of Invest HK, said HK needed to keep an eye on its cost competitiveness and boost its language standards, especially in English, to remain attractive to investors. He said more needed to be done to tackle worsening air pollution and a lack of international school places in the city.

**Don't abuse labour scheme, bosses told:** Senior manpower officials vowed that they would not tolerate employers who abused a pilot labour import scheme by replacing local garment factory workers with

mainlanders. The scheme allows garment manufacturers to employ up to four migrant workers for every local they hire in garment production.

**23 million visitor arrivals in 2005:** HK's travel industry is optimistic about prospects for this year after visitor arrivals passed the 23 million mark last year. The figure represents a 7.1% increase on 2004. Visitor numbers from international markets jumped 13.1% to a record 10.8 million. Arrivals from the mainland reached 12.5 million, a mere 2.4% rise compared with the double-digit growth of the past few years.

**HKMA upbeat on bank profits:** The Hong Kong Monetary Authority expects profitability indicators for HK's banks to continue to improve as robust economic growth overshadows the effects of increasing competition and mounting cost pressures. "The banking system remains in sound condition, with pre-tax operating profits recording healthy growth in 2005," said William Ryback, deputy chief executive of the HKMA.

## Health

**HK will become smoke-free by 2009 if new plan is approved:** HK will be a "smoke-free" city no later than July 1, 2009, under a two-phase plan, a government source said while admitting to a political compromise. Instead of giving a 90-day grace period after a law was enacted this year, as was planned, the government said it would ban smoking in all restaurants, billiard rooms, karaoke lounges and bars open to all age groups by January 1 next year. Bars open to people aged 18 and over, mahjong parlours and clubs, bathhouses and nightclubs will be smoke-free by July 1, 2009. "Cigar-tasting rooms" in cigar shops will be exempt. Government sources last week said the plan was to implement the bans in 2007, 2009 and 2011.

**Health chiefs in rallying call for food safety centre:** Health chiefs appealed to legislators and staff to support the government's Centre for Food Safety initiative because delaying it would not be prudent. The move came a day after legislators rejected for a second time the government's plans for setting up the centre, saying they lacked clarity. A joint meeting of the Legco food and environmental panels questioned the need for 44 health inspectors and a second permanent secretary, why a doctor needed to head the centre, and why control at mainland sources of food was being side-stepped.

**Bird flu is back, but officials urge calm:** Inspections of HK's 145 chicken farms are being stepped up after the return of H5N1 to the city. But government officials say the discovery is no reason to fear an outbreak of the deadly virus is any nearer. The virus was found in tests on an oriental magpie robin discovered dead in a village in Tai Po 10 days ago. The species is native to HK and large parts of South and East Asia. "It is only one dead wild bird so there is no cause for alarm," said Thomas Sit Hon-chung, acting assistant director of the Agriculture, Fisheries and Conservation Department.

## Environment

**AmCham chief sees foul air as the death of HK:** Combating piracy and air pollution is key to enhancing HK's attractiveness to foreign investors, the new chairman of the American Chamber of Commerce said. The chamber announced it planned to establish a taskforce to explore how it could better contribute to improving the environment. Mr Marcopoto stressed there was "a sense of urgency" in tackling this issue.

## Macau

**Tourism hits high in Macau:** The number of tourists visiting Macau leapt 12% to a record in 2005, a pace local officials hope to maintain. Total visitors reached 18.7 million in 2005, up from 16.7 million a year earlier, mainly driven by increasing numbers of mainland tourists, who accounted for 56% of all arrivals. HK visitors made up 30% of visitor arrivals.

**Macau aims to double airport capacity:** Operator awaits government approval for project designed to handle 12 million passengers annually. Macau is planning to double the passenger capacity of its airport to handle the anticipated influx of international travellers as the city's investment boom boosts its reputation as a leisure destination, according to an official.

## Press articles related to Switzerland

**The Enchanting Art of Paper Cutting (HK Economic Journal, 16 Jan. 2006):** The Swiss Consulate presents an exhibition of paper-cutting works from Switzerland and Foshan, China at the University Museum and Art Gallery of the University of HK. Felicitas Oehler Weiss, President of the Swiss Association of Friends of Paper-cutting, talks about her association and the history of paper-cutting in Switzerland. There are brief descriptions of Swiss paper-cuts: their subject matters, styles, techniques, colours, materials.

**Paper-cuts: China and Switzerland (Ming Pao Weekly, 21 Jan. 2006):** The exhibition shows the works of the members of the Swiss Association of Friends of Paper-cutting and the Foshan Folk Art Research Institute. The subject matters of paper-cuts from Foshan China are traditional. Some of them are even political. Swiss paper-cuts show daily life and countryside scenes but they are more individualistic. Compared with Foshan paper-cuts, the subject matters of the Swiss ones are more varied, bold and contemporary.

**Investigator convinced of secret CIA jails (South China Morning Post, 26 Jan. 2006):** The Swiss investigator Dick Marty mandated by the European Parliament looking into illegal CIA activities in the "war

on terror" believes European governments have been complicit in helping the agency run secret prisons. "It's not possible to transport people from one place to another in such a manner without the secret services knowing about it".

**Tamil Tiger rebels agree to resume peace talks in Switzerland (South China Morning Post, 26 Jan. 2006):** The Tamil Tiger rebels agreed yesterday to hold talks with the government of Sri Lanka next month, raising hopes the country may avoid sliding back into the war. The rebel's approval came after Norwegian envoy Eric Solheim met the reclusive leader of the Tigers. He said it was Norway's suggestion to hold the talks in Geneva, Switzerland.

**Summit to focus on the Asia boom (South China Morning Post, 26 Jan. 2006):** Leaders from the overlapping worlds of business and politics gathered in the Swiss Alps resort of Davos amid concerns over energy supplies and the US economy and a scramble to handle Asia's emerging powerhouses. China and India feature heavily on the agenda of the World Economic Forum, with Vice-Premier Zheng Peiyan, the guiding hand of Beijing's five-year economic planning cycle, a keynote speaker on opening day.

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