

**A condensed press review prepared by the Consulate General of Switzerland in Hong Kong****Introduction:**

Hong Kong's international business community is urging the government to act quickly to tackle air pollution before conditions deteriorate further and deter top expatriate professionals from moving to the city.

**Domestic politics**

**Think-tank must heed UN, says Emily Lau:** Lawmaker Emily Lau urged the government to present to members of its prime policymaking body observations of the UN Human Rights Committee calling for universal suffrage to be implemented in HK. She said she feared members of the Commission on Strategic Development would choose to further enhance business interests if they were not reminded of the UN body's views.

**DAB wants to co-operate, says Ma Lik:** A pro-government party vowed not to work against the administration, after the second appearance in a week of senior government officials at party executive meetings. In an unprecedented move, Chief Secretary Rafael Hui and the minister for constitutional affairs, Stephen Lam attended the Democratic Alliance for the Betterment and Progress of HK's annual strategy camp in Dongguan over the weekend. The presence of the two ministers came just four days after Chief Executive Donald Tsang took the extraordinary step of attending the party's caucus meeting.

**Look beyond your ratings, Tsang told:** Lee Cheuk-yan (general secretary of the HK Confederation of Trade Unions) warned the chief executive against being carried away by his high popularity rating, saying he had yet to resolve deep-rooted conflicts in the community. Donald Tsang should know that his personal popularity alone did not guarantee he could finish the job. "At the end of the day, the chief executive will be judged not by how many marks he scored in opinion polls, but on what he has delivered." Mr Lee said Donald Tsang and his government had failed to resolve the overdominance of big business in both economic and political spheres, and the growing wealth gap.

**Democrats unite in key polls fight:** The two largest pro-democracy parties have announced an initiative that they say will make their presence strongly felt in the Election Committee - and even win them enough places to put up one of their own in next year's chief executive election. In December, about 160,000 electors from 38 subsectors will choose the 800-member Election Committee that nominates candidates and elects the chief executive.

**"Bewildered" Tsang dismisses claims of full democracy in 2012:** There are no plans to introduce full democracy in 2012, a government spokesman said. The administration was reacting to a local media report that Chief Executive Donald Tsang is seeking Beijing's approval to give HK universal suffrage in 2012. The spokesman said the report only "bewildered" Tsang and his top officials. "There have been no behind-the-scenes bargaining with Beijing. It is not foreseeable in the near future that there will be any talk of politics with the central government," the spokesman said.

**Red flags raised on universal suffrage:** Top mainland law experts yesterday (27.4.2006) delivered an unexpected attack on hopes for universal suffrage in Hong Kong, with one laying out six conditions that must be met before it can be achieved. The remarks from the so-called "guardians" of the Basic Law were made at a seminar on the mini-constitution held in the capital. Beijing has previously spoken through the legal experts on controversial constitutional issues, including political reform and the length of Chief Executive Donald Tsang's term.

**Transborder affairs**

**Shenzhen out to lure SAR banks' business:** The Shenzhen government is offering cash and land-purchase incentives to HK financial institutions and benefits for their senior management in a bid to lure their back-office operations across the border. The new policies are an attempt to tighten ties between HK and Shenzhen in the financial sector rather than compete in the high-value-added industry, said Shenzhen mayor Xu Zongheng at a seminar on Shenzhen-HK financial cooperation. He said HK's position as an international financial centre was irreplaceable.

**New HK-Shenzhen alliance to foster better business ties:** Cutting cross-border red tape and fostering government co-operation will top the agenda of a new Shenzhen-HK business alliance set up to exploit investment opportunities in the twin cities. The Shenzhen and HK Investment Alliance will comprise about 40 HK and 40 Shenzhen firms.

**Shenzhen eager to mine HK's brain power:** Shenzhen is banking on HK's brain power to help the border city become a national centre for innovation, its leaders say. The central government has given

Shenzhen the task of developing high technology and innovative industries. But while the city has made some progress, with technology firms such as Huawei, it lacks first-class universities and research centres. Shenzhen's leaders see HK as the best solution to the problem.

**Cross-delta bridge ruled out for at least five years:** A senior Guangdong official said it was "definitely impossible" for a cross-delta bridge linking HK, Macau and Zhuhai to be ready in the next five years - even by the most optimistic estimation.

### Legal affairs and human rights

**Beijing urges HK efforts to promote the Basic Law:** Senior mainland officials have called on the HK government to step up efforts to promote the Basic Law to the community. The remarks were made during Secretary for Justice Wong Yan's first working visit to Beijing as justice minister. Mr Wong said he believed the central government understood HK people's reservation about "casual" interpretations of the mini-constitution, although the issue had not been discussed yesterday.

**Mainland, HK close to pact on court judgments:** HK and the mainland are on the verge of signing a long-awaited agreement to make commercial court judgments delivered in each others' courts enforceable on both sides of the border. The legal community welcomed as a "cautious first step" the impending pact between HK and the mainland. They said the arrangement's scope would be limited and that many other jurisdictional issues still needed sorting out between the two sides, but that it could open the doors to more co-operation.

### Economy

**Small government best plan of attack:** The "small government" policy is HK's best weapon to avoid being marginalized by the mainland and meeting the challenges of globalization, a top government official said. Speaking at a conference on civil service reform, Chief Secretary for Administration Rafael Hui said HK will maintain a "business-friendly environment" to remain "one of the world's leading business centers."

**Premier Wen eases worries on marginalization:** The debate on HK being marginalized by the rapid development across the border has gained new impetus, with Wen Jiabao saying it will not happen. "I don't think the economic development of HK will be marginalized ... I have sufficient confidence in the future economic development of HK," he said in an interview with ATV. Wen was quoted as saying that HK enjoys "the freest economy in the world, the most comprehensive legal system, a group of entrepreneurs with international experience and a wide economic network with different countries and regions."

**Investor faith in the China boom is here to stay:** The Hang Seng Index is racing upwards alongside counterparts in New York, Tokyo, and elsewhere, but this rally may show the local market is now hitched more tightly to China's than that of the United States. Optimism is infectious, but market watchers maintain that much of the Hang Seng's momentum continues to stem from funds flowing into HK in anticipation of a rise in the Chinese yuan.

**HK supplies what mainland lacks, says AmCham chief:** Thanks to its link with the mainland, HK's future remains bright, according to the president of the American Chamber of Commerce in HK. Jack Maisano said he was confident HK would remain important to the mainland and that it was taking every advantage of this. His comment came after Premier Wen Jiabao called recently for an end to the debate on the city's future competitiveness and said it would not be marginalised by a booming mainland.

**All firms in study raise pay after five years:** The spoils of the post-Sars economic rebound have finally trickled down to all business sectors in HK, with 100 % of companies in a pay trend survey reporting rises for the first time in five years. According to the findings, all of the respondents reported pay rises this year ranging from 2% to 2.9%.

**CPI up 1.8% as housing rents accelerate:** HK's consumer prices rose 1.8% in March, driven largely by an acceleration in private housing rents, a trend analysts predict will continue, pushing up inflation for the rest of the year.

**HK's jobless rate stable at 5.2%:** HK's unemployment rate was at 5.2% in the first quarter of 2006, the same as in the three months to February. The latest level was also a 4.5-year low.

**JP Morgan sees QDII boost for HK:** US investment bank JP Morgan says the mainland's move to relax restrictions on companies and individuals holding foreign exchange and investing it externally will boost sentiment on the HK stock market. The dollar amount of qualified domestic institutional investment (QDII) funds released by the measure and possibly destined to come to HK would be quite small. But it is a boost to sentiment.

### Health

**Official admits gaps in food safety:** The government admitted there are loopholes in the monitoring system guarding the safety of vegetables and pledged to strengthen it. Permanent secretary for Health, Welfare and Food Carrie Yau Tsang said a small quantity of vegetables from

local farms was not tested before going to the markets. A Greenpeace report said that banned pesticides and chemicals residues were found in vegetables sold in the two main supermarkets chains.

## **Environment**

**HK told to clean up its act in delta:** HK has "a duty and an opportunity" to reduce the impact on the environment from its factories in the Pearl River Delta, business council chairman Victor Fung said. "HK owns and operates over 70,000 factories in the Pearl River Delta, so it's only natural for HK and the PRD to be concerned about air pollution," he said after a meeting of the Greater Pearl River Delta Business Council.

**Fears new Guangdong oil refinery will add to haze:** A plan to build an oil refinery just outside HK has sparked fears for the city's air quality. The US\$ 5 billion plant would be built at Nansha, 80km northwest of HK, in Guangdong. In addition to the impact on air, green groups are worried about the refinery's effect on the marine environment, and have asked the HK government to press Guangdong for details of the project. The city is already neighbour to an oil refinery in Daya Bay.

**Guangdong getting dirtier, says expert:** The concentration of sulfur dioxide in Guangdong's atmosphere has grown by an average annual rate of 7.8 % for the past five years despite government targets for clean air that require a decline. The increasing pollution may also have an ominous effect on HK, with the government under increasing pressure to make the city more environmentally hospitable to expatriates.

**Expats mobilised to press for air pollution curbs:** Expatriates in HK and foreigners planning to move to the city are being mobilised in an online signature campaign to pressure the government into taking urgent measures to curb air pollution. The move was announced yesterday (21.4.2006) at an air pollution forum organised by think-tank Civic Exchange and AsiaXPAT, an internet portal offering advice and services to foreigners moving to the city.

### **Environment treated like "second-class brother":**

Strong governance may be the war cry of Chief Executive Donald Tsang but the new Civic Party leader feels Tsang shows a vastly different degree of determination on various issues. The obvious two examples, Audrey Eu said, are environmental protection - which is always treated as a "second class-brother" - and Tsang's pet project, the new government headquarters at the Tamar site. "HK's environmental problems are a grave concern," Eu said in an interview. "The problem of sustainable development in HK is serious, whether it's air pollution, water quality, food safety or waste management.

**Chamber asking big firms to come clean on pollutants:** Major companies will soon be called on to identify the type and amount of air pollutants they emit and come up with measures to reduce emissions. An alliance of business groups spearheaded by the HK General Chamber of Commerce is drafting the guidelines. Leaders are meeting to finalise the action plan for Project Clean Air, launched by the chamber and the HK Business Coalition on the Environment. The International Business Chamber and the Greater Pearl River Business Council will also join the exercise.

## **Macao**

**Number of HK workers in Macau soars to record high:** Macau's economic boom is attracting a soaring number of HK workers, making them the second-largest group of imported labour. HK workers in Macau have overtaken labour from the Philippines, reaching a record high of 7,540 in January, up 560 % over January 2005. There were only 630 HK workers in Macau in January 2004. Mainland workers still represent the largest imported labour group.

**Macau's casino industry gets back on a roll:** Macau's casino industry has shown a strong recovery in the first two months of this year after recording its lowest recent year-on-year growth last year. Latest figures provided by the Macau government economist Lao Pun-lap also show that the gaming sector remained its largest source of tax revenue, despite Beijing's call for a more diversified economy. The industry recorded gross revenue of \$7.7 billion for January and February, up 14.8 % over the same period last year. The sector's annual revenue growth rate was 11.3 % last year, the lowest since the handover of the former Portuguese enclave to China in 1999.

**Macau trumps HK for efficiency, says developer:** Macau is faster and more efficient than HK when it comes to completing negotiations with developers on land premiums and grants, according to a developer. Far East Consortium International deputy chairman David Chiu said the government of the former Portuguese colony was more flexible in approving large-scale projects.

## **Varia**

**Zen hopes for private papal audience in next few weeks:** Cardinal Joseph Zen is hoping to meet the Pope for a private audience in the next few weeks to discuss the role of the leader of the Catholic Church in HK in Sino-Vatican relations. Items expected to top the agenda for the audience are the role Cardinal Zen can play in bridging the Sino-Vatican divide, where the Holy See now recognises Taipei but has a strong desire to switch diplomatic links to Beijing. The cardinal said he

would ask the Pope to take into account the welfare and feelings of people in Taiwan over an imminent cut in diplomatic relations.

**Alarm raised as expats opt to shun HK:** Warnings that HK is becoming less attractive to top foreign professionals have been underlined by figures indicating that the number of western expatriates working and living in the city plunged last year. Arrival and departure records of foreign expatriates showed the number of Americans, Britons, Canadians and Australians dropped by 14 % - from 93,000 to 79,190 - continuing a steady decline in recent years. A top government adviser and academics said the city must act quickly to restore its appeal, which they said was being damaged by worsening pollution, high costs and a growing tendency for foreign companies to base their staff on the mainland.

**Suicide rate dips to lowest in two decades:** A booming economy and a series of successful anti-suicide initiatives has seen the number of people taking their own lives in HK drop by 18 % to its lowest level in two decades. The number of people who committed suicide in 2004, the last year for which full data is available, was 1,053 – 18 % less than the previous year and the first year-on-year decline since 1996.

#### Press articles related to Switzerland

**Swiss set to take action over luxury watch tax (South China Morning Post, 6.4.2006):** The Swiss government is preparing to take action against China in a trade dispute over a surprise move by Beijing to slap a 20 % tax on luxury watch imports that has Swiss watchmakers up in arms. Beijing imposed the tax on pricey watch imports - a specialist industry in Switzerland - on April 1. Swiss watchmakers say it will hurt their business on the mainland. "We will intervene because we believe it is discrimination against Switzerland. In the luxury watch segment, 99.6 % of the watches imported into China come from Switzerland," said Christophe Hans, spokesman for the Swiss Economic Affairs Department.

**Quality of living (various local Chinese press, 11.4.2006):** According to a survey about quality of living conducted by Mercer in 2006, Zürich ranks 1<sup>st</sup>, Geneva ranks 2<sup>nd</sup> and Bern ranks 9<sup>th</sup> out of 215 cities in the world. HK ranks 68<sup>th</sup> (pollution drags down the ranking), Shanghai ranks 103<sup>rd</sup>, Beijing ranks 122<sup>nd</sup> and Guangzhou ranks 133<sup>rd</sup>.

**York Chow meets Swiss health officials (South China Morning Post, 20.4.2006):** Secretary for Health, Welfare and Food York Chow was on a visit to Switzerland - discussing healthcare funding and ways to deal with bird flu. Dr Chow and Swiss health officials in Bern also discussed measures to regulate health insurance products and premiums. The Health Secretary visited the Swiss Federal Office of Public Health as he began his official visit to Europe. Those who met Dr Chow included Office Director Thomas Zeltner and deputy head of Office's Health Insurance Supervision Division Theodor Laubscher. Dr Chow said the meetings provided a good chance for HK to learn more about the issue. This was because the Swiss health care system was largely financed through a mandatory health insurance scheme.

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