

A condensed press review prepared by the Consulate General of Switzerland in HK

Introduction

The Government formally kicked off a consultation about possible introduction of a goods and services tax (GST). It drew a lot of criticism from citizens, traders, unions and major political parties. There were rallies by two camps on 1st July, one celebrated reunification with China whereas another marched to demand universal suffrage. Retired senior officials of the HKSAR Government joined debates about democracy.

Economy

Henry Tang sets the GST ball rolling: The government has formally kicked off a nine-month consultation that could result in the introduction of a goods and services tax GST. The new tax, which is expected to yield annual revenue of \$20 billion - after deducting administrative costs and concessions - drew overwhelming criticism from all major political parties. Unveiling the consultation, Financial Secretary Henry Tang insisted the controversial policy was being put forward for the long-term good of HK. Tax reform was needed, he said, to broaden the city's narrow tax base, whereby only 1.2 million of the 3.4 million working population pays salaries tax; to allow for a possible cut in the profits tax rate to keep pace with HK's competitors; and to meet a growing fiscal burden presented by an ageing population. HK was also over-reliant on limited and fluctuating revenue sources such as the government's land and investment revenues, he said.

Big guns being wheeled out to fire first shots in battle over GST: Trade associations and companies in at least 10 sectors, including tourism, hotels, catering and jewellery retailing, have formed an anti-GST coalition. They say their aim is to preserve HK's advantages as Asia's "world city" and safeguard its attraction as a "tax-free shopping paradise". Lawmakers, traders and unions say the government's plan to widen tax base will hit business hard.

Rating agency lifts the outlook for HK: Fitch Ratings has raised the outlook from stable to positive for its AA- long-term foreign currency rating for HK, reflecting the city's improved fiscal health. But they warned the economy still suffered from unstable revenue sources and was susceptible to external shocks and mainland political risks.

Slight rise in jobless but economy is still in good shape: The economy remains robust, despite a slight rise in unemployment. Unemployment crept to 5 % from 4.9 %, figures for April to June show, while underemployment again rose, from 2.6 to 2.7 %.

Inflation in HK on the rise: Inflation in HK accelerated in June as housing rents and prices of food rose, latest consumer price index (CPI) figures showed. Consumer prices rose by 2.2 % in June compared with a year earlier. This was larger than May's 2.1 % growth, according to figures from the Census and Statistics Department. HK ended six years of deflation in 2005, as housing rents increased and growing consumer spending propped up prices.

HK seen slowing on global downshift, forecasted by academics : HK's economy will slow down in the second half of the year as the global economy shifts to a low gear in the face of monetary tightening, according to an economic research team's forecast. The APEC Study Center of the University of HK said in its latest macroeconomic forecast that third-quarter gross domestic product will "moderate to 5.9% compared with the same period last year" while real GDP growth in the second quarter will be "6.7% on a year-on-year basis".

CEPA 4 lift for some: More HK service companies, from law firms to travel agents, stand to benefit from improved mainland market access from next year, after the central government and the SAR administration agreed on new enhancements to the Closer Economic Partnership Agreement. But HK bankers were particularly disappointed as there was an unexpected delay in plans to set up a trading center for yuan-denominated bonds in the city.

Domestic politics

Empathy from Beijing ahead of rally: A mainland official said it was understandable for people to express their dissatisfaction on the ninth anniversary of the return to Chinese sovereignty. The remarks by Chen Zuoye, Deputy Director of the HK and Macau Affairs Office, came as the Democratic Party, Civic Party and their allies drummed up support for their rally for democracy. Former chief secretary Anson Chan made a last-ditch appeal for people to join the march on her blog.

July 1 one big party for patriots, one big protest for democrats: It was a day divided into very distinct halves. The morning was a carnival-like celebration of patriotism and HK's reunification with the

mainland. But by 3pm, when thousands had gathered in Victoria Park for the start of the pro-democracy march, the mood was more serious. The moderate turnout for the march, despite former chief secretary Anson Chan Fang's appeal for support, has exposed the unfavourable political climate for the fight for democracy. Demonstrators were noticeably less dissatisfied with both the HK and central government than on any other July 1 march since they began in 2003 in protest against proposed national security legislation.

Exco convenor takes a dig at former officials: Executive Council convenor Leung Chun-ying said former senior officials should not focus just on constitutional issues if they wished to get involved in politics. Mr Leung said there were other issues that needed to be addressed, such as livelihood and economic issues, and that the electoral system was not the only concern of the people.

Chief poses challenge to democracy champions: Politicians campaigning for democracy were challenged by Chief Executive Donald Tsang to come up with concrete proposals rather than relying on political slogans. He also described the suggestion of full democracy by 2012 as "very controversial".

Regina Ip backs a second term for Tsang: Former security chief Regina Ip backed Donald Tsang to run for a second term as chief executive and said she had no intention of forming a party. Mrs Ip, who announced the formal establishment of her Savantas Policy Institute think-tank, said she had not decided whether to stand in the 2008 Legislative Council election. She said that Savantas would act as a watchdog to monitor public policies, supply in-depth policy recommendations and foster HK's democratic development.

Chan seeks plan for universal suffrage: The former chief secretary Anson Chan is forming a group to come up with a constitutional reform proposal acceptable to the HK and central governments. Announcing the move, she said the government's work towards universal suffrage was too slow. She said she had no personal agenda and was not hungry for power, but remained cagey about her political ambitions. The Democratic Party said that Anson Chan should negotiate with them and their allies at an early stage to iron out differences over the electoral reform package she intends to put forward. Some democrats have warned that they have no obligation to rubber-stamp whatever Mrs Chan proposes.

Democracy timetable has stalled, says Britain: The British government released a strongly worded report saying that HK had made no visible progress on constitutional reform. In its latest six-monthly report on HK it said universal suffrage would be the only way to provide a mandate for strong governance. The warning follows an increase in political temperature over constitutional reform fuelled by retired chief secretary Anson Chan and former governor Lord Patten.

Environment

Fighting pollution a top priority for Tsang: Chief Executive Donald Tsang said tackling air pollution will be a priority for the rest of his term, which expires in less than 12 months. The chief executive said only a fifth of the city's air pollution was generated in HK, with vehicle and factory emissions elsewhere in southern China causing the rest. The government expected its negotiations with the two local power firms on regulatory reform after 2008 to eliminate about half the domestic pollution. Most of the rest came from vehicle exhaust fumes, and the Environment, Transport and Works Bureau was considering ways to reduce them.

Tougher air-quality standards promised for HK by 2009: HK is to introduce new air quality standards by 2009 after the first review in 20 years, made in the face of repeated calls from activists and the medical community. A steering committee of government officials, joined by experts and academics, will oversee a study to be launched early next year on how to comply with new World Health Organisation guidelines to be released in September. It will be followed by public consultation in 2008 before a set of new air quality objectives and an action plan are finalised, according to a paper to be discussed by the Advisory Council on the Environment.

Neighbours to meet over pollution: HK and Guangdong officials will meet early next month amid growing concerns over the region's declining air quality. "If left unchecked, air pollution will drive away talent, stifle investment, reduce tourism and ultimately choke economic growth." Chief Executive Donald Tsang said. He added that about 80 per cent of HK's pollution came from the Pearl River Delta region.

Transborder affairs

HK-Macau-Zhuhai Bridge: Chief Executive Donald Tsang said he expected the proposed HK-Macau-Zhuhai Bridge to be given the go-ahead before the middle of next year. The HK, Macau and Guangdong governments were striving to secure an early start on the project, but two major issues needed to be resolved, he said. The three sides were considering whether the mainland and both special administrative regions should perform immigration and customs checks at a shared checkpoint, or if setting up three checkpoints at different ends of the bridge would be a better option. Mr Tsang said the other issue was financing.

Legal affairs and human rights

Tsang team for law on fair competition: Legislation should be introduced in HK against anti-competitive practices across all sectors, a top-level advisory committee appointed by Chief Executive Donald Tsang has recommended. The Competition Policy Review Committee said a comprehensive law should specifically target anti-competitive practices such as price-fixing, bid-rigging, market allocation, sales and production quotas, joint boycotts, unfair or discriminatory standards, as well as abuse of a dominant market position. But the panel suggested that such a law will not regulate "natural" monopolies, or mergers and acquisitions.

UN accused of depriving refugees of their rights: A human rights group criticised the local office of the UN High Commissioner for Refugees for breaching its own guidelines on handling asylum cases. The Society for Community Organisation also called on the government to formulate an asylum policy.

Influx of asylum seekers prompts tighter visa rules: The number of asylum seekers entering Hong Kong each month has more than trebled, says the United Nations refugee agency. An Immigration Department source said they had tightened the visa policy after finding claimants were abusing the refugee or torture claimant application procedures. Last month, the UN High Commissioner for Refugees (UNHCR) received 200 applications for refugee status from asylum seekers, compared to a monthly average of 30-50 in 2004 and 2005.

Court go-ahead for wiretapping: HK's highest court has issued a carefully calibrated verdict on the administration's surveillance regime, which will allow the government to continue its warrantless wiretapping while pushing ahead with plans to have lawmakers vote its new snooping and surveillance bill into law on August 2.

Health

Health chief warns of 'guerrilla' flu: Likening dealing with bird flu to fighting guerrilla warfare, Secretary for Health, Welfare and Food, York Chow told lawmakers that HK had to remain constantly alert against the spread of bird flu. Dr Chow pointed to two human infections on the mainland in March and June to emphasise his case. He said: "The situation is worrying. There was no bird flu outbreak among birds before these patients caught the virus. And these cases all occurred in cities. "

China confident former HK health chief will be elected WHO director-general: Beijing is confident that HK's former director of health, Margaret Chan, will be elected the new head of the World Health Organisation, a Health Ministry official said. The comments came after the central government announced its decision to nominate Dr Chan for the top job at the UN agency.

Macao

N Korea ultimatum on Macau cash: North Korea demanded access to cash frozen in Macau bank accounts before it agrees to return to six-nation nuclear talks. Senior US and South Korean officials quickly rejected the call.

Varia

Tough anti-spam laws proposed for HK: The government has set an ambitious target to curb all forms of electronic junk messages sent to or from HK but has admitted its success will hinge on international collaboration.

Press articles related to Liechtenstein

Liechtenstein cleans up its banking image - Tiny state implements tight laws to fight money laundering and terrorism funding (SCMP, 3.7.2006): The cutting-edge architecture of a string of brand-new banks might seem incongruous in a village topped off with a medieval castle. But Liechtenstein - with 34,600 residents in an area a little more than double the size of Manhattan - is no ordinary corner of Europe. The nation sandwiched between Austria and Switzerland gained what fame it has as a banking and financial services centre - a place where ill-gotten assets could be safely stashed away and no one would ask questions. Now the regulations have changed - and it is time the rest of the world took notice of the efforts the country is making, says Prince Alois von und zu Liechtenstein.

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