

### Economy

**HK 2006 growth forecast raised to 6.5%:** The government has raised its economic forecast for this year following better-than-expected gross domestic product growth of 6.8% in the third quarter. Despite a slowdown in the US economy, the HK administration has increased the forecast in economic growth in 2006 from 5% to 6.5%, with inflation easing to 2%.

**Unemployment hits five-year low:** The seasonally adjusted unemployment rate declined from 4.7% in July-September 2006 to 4.5% in August-October 2006, the lowest since the second quarter of 2001. "Despite steady improvements in the general employment scene, the mismatch in human resources brought by the structural change in the local economy still needs to be addressed. The Government will continue to adopt a multi-pronged approach to promote employment on all fronts and strives to improve the business environment so that more job opportunities will be created in the open market," the government spokesman said.

**IMF predicts HK economy to expand 5%:** HK's economy is expected to grow 5% next year after a robust increase in the range of 5.5% to 6% this year, according to the International Monetary Fund (IMF). The IMF also expected that the budget surplus this year would be higher than the government's original forecast of HK\$5.6 billion.

**New York sees HK as threat to financial status:** New York risks losing its status as the world's primary financial center to fast-developing centers like HK, New York City mayor Michael Bloomberg said in a newspaper article. Bloomberg said New York is losing ground to other centers like HK and London, which are becoming leaders in capital formation. More money will be raised through IPOs in HK next year than in either London or New York.

**HK's mainland companies face tax squeeze:** Tens of thousands of HK factories on the mainland face severe difficulties and many might be forced to fold now that the rebates for value-added tax they pay on overseas sales have been removed or reduced, industry representatives and politicians said. The operators are feeling the pinch after the changes were announced and immediately implemented six weeks ago at a peak time for their operations, they said, warning the move could have a knock-on effect for HK.

**Delta growth could sideline HK:** A high-level government advisory body has added to the growing chorus of warnings that HK will have to work hard to avoid being marginalised by booming growth in the Pearl River Delta. Guangdong's rapid development of heavy and high-value-added industries poses severe challenges to HK as it will reduce reliance on the city's ports and logistics facilities, the Greater Pearl River Delta Business Council said. The council said it was generally expected that Shenzhen's container throughput would surpass HK's in two to three years' time.

**Better links to China's interior vital, business chief says:** HK must maintain its competitiveness by reaching beyond the Pearl River Delta if it wants to gain from China's economic growth, the chairman of the Greater Pearl River Delta Business Council said. Victor Fung told a HK General Chamber of Commerce lunch: "I have never thought for one moment that HK would be marginalised. But we have to plan ahead." His comments come only a week after the release of a government advisory body report that HK would have to work hard to avoid being marginalised by the booming growth in the Pearl River Delta.

**Retail sales surge as economy improves:** HK retail sales in September moderated from the five-month high recorded in August, but remained robust due to strong domestic consumption. Taking the first nine months together, total retail sales rose by 6.8% in value or 5.6% in volume over last year.

**Cepa 'benefits EU-linked firms':** Chief Executive Donald Tsang noted that since the Closer Economic Partnership Arrangement (Cepa) was implemented in 2004, more than 1,000 companies had secured service supplier certificates. "Of these 1,000-odd certificates, roughly half are held by foreign linked companies and 120 by EU-linked corporations," he said. Cepa provides tariff-free access to the mainland market for HK goods, as well as enhanced access in 27 services sectors.

### Domestic politics

**Treasury chief in new push for GST:** Secretary for Financial Services and the Treasury Frederick Ma has stepped up campaigning for the controversial goods and services tax, assuring lawmakers that the levy will create more stable revenue for the government. Giving figures in the Legislative Council, he said: "During the past eight years, revenue from land sales have fluctuated by up to 540%, stamp duties by 140%, profits tax by 85%, and salaries tax by 51%." But, if the proposed 5% GST is introduced, the revenue generated would fluctuate by only 25%, Ma said, noting his estimation is based on HK's economic situation in the past eight years.

**Democrats field 104 candidates for Election Committee polls:** The pan-democratic camp has fielded 104 candidates for the sub-sector polls of the Election Committee which selects the next chief executive in March. They hope 80% of those vying for seats on the 800-strong committee will be successful in the polls on December 10. If they succeed, the pan-democrats believe their candidate for chief executive post, Alan Leong, would have a good chance of getting the 100 nominations needed to bid for the top job.

**Integrate or city will be left behind:** A think-tank close to Chief Executive Donald Tsang added to the warnings that HK faced being marginalised unless it could integrate quickly with the mainland. And it cited as an example the city's slowness in integrating with the mainland's transport network.

**Legco rejects universal suffrage again:** For the second successive week, the Legislative Council has rejected a motion which would see the introduction of universal suffrage by 2012. And for the second time, it was the non-democratically returned functional constituencies that put paid to the aspirations of the democrats. Last week, they voted against a motion calling for the chief executive to be returned by universal suffrage by 2012. Yesterday (29.11.2006), the largely business-orientated functional constituencies rejected by 20 votes to seven, with two abstentions, a motion calling for the entire Legislative Council to be elected by universal suffrage on or before 2012 and which had been passed by the directly elected representatives by 17 votes to nine.

### International affairs

**EU wants to beef up ties with HK, Macau:** Europe wants closer links with HK and Macau to help protect intellectual property rights and crack down on Europeans using the cities to avoid tax. A proposal released on 31.10.2006 also calls for a host of relationships from customs, trade and finance to academic links. Funding should also be provided by the EU to encourage these kinds of relationships to develop, says the document, which is entitled The European Union, HK and Macau: Possibilities for Co-operation. Earlier this month the EU named HK as a suspected destination for European tax cheats.

**Margaret Chan wins WHO race in coup for China, HK:** HK's former director of health Margaret Chan made history when she was nominated World Health Organisation director-general in a resounding victory that saw her lead all the way in four rounds of voting. Dr Chan, 59, is expected to be endorsed by the 193-member World Health Assembly, making her the first Chinese to lead a United Nations agency and the first from HK to lead any important international agency.

### Legal affairs and human rights

**Competition law could be ready by next year:** A fair competition law covering all types of business could be ready for lawmakers' scrutiny next year if supported by the public, Secretary for Economic Development and Labour Stephen Ip said. But he said the administration remained open-minded on the need for a law, despite the recommendation for one by a government-appointed review committee. Announcing a three-month consultation, Mr Ip said it was necessary to ensure HK's competition policy was in step with the times.

### Health

**Most firms in bad shape for pandemic:** A survey has found most firms to be woefully unprepared should HK be hit by a flu pandemic. The HK Institute of Human Resource Management said proper planning and preparation are vital to allow firms to resume critical functions partially or completely within a short time after a disaster or disruption. According to the results of the survey, more than three quarters of firms have no procedures for business continuity during a pandemic. Almost half did not know the methods of infection and transmission for viruses.

### Environment

**Air pollution affecting competitiveness, warns IMF:** The poor air quality in HK and around the Pearl River Delta is not only a regional problem, but a global concern that could undermine the SAR's competitiveness, the International Monetary Fund has warned. "Concern was raised over the adverse impact of increased pollution on the SAR's competitiveness, and this has been reflected in the difficulties the territory is facing in attracting and retaining high-skilled workers," the fund said. "While there was broad support for the HK government's growing recognition of these concerns and recent efforts to address them, many felt that initiatives to reduce cross-border pollution were urgently needed and that greater emphasis could be placed on market-based mechanisms."

**Air could be cleared for HK\$51b, says report:** HK's air pollution could be cleaned up for HK\$51 billion if all the drastic measures proposed by the Council on Sustainable Development were implemented immediately. The 70-page Report on Better Air Quality, released by Chief Secretary Rafael Hui, estimates it would cost HK\$28.1 billion if the same 23 options were adopted gradually. The measures are aimed at reducing emissions of pollutants by the city's power generators, vehicles and factories. The HK\$51 billion covers such things as one-off costs for installing flue-gas desulfurisation units at power stations and fitting catalytic converters on heavier vehicles.

**HK smog prompts cut in office ratings:** HK's air pollution led Merrill Lynch to cut share ratings of three office property companies in the city based on concerns professionals will leave to escape the smog. It is the first time the broker has downgraded companies because of the city's pollution. Investors were advised instead to buy the shares of three Singapore developers and landlords. "It's a very strong unprecedented message," Andrew Thomson, chief executive of the city's Business Environment Council, said and indicated a "new level" of concern among businesses.

**Planning for climate change crisis 'ignored':** HK is unprepared for a climate change catastrophe despite predictions that a minor rise in mean sea level aggravated by a storm surge could cause disastrous flooding of the city and Pearl River Delta, environmentalists said. They said the city had yet to take necessary steps to research the impact of such events, prepare for them and initiate cross-border efforts to combat their effects.

**Firms slow to back air quality campaign:** A high-profile campaign to improve air quality in HK has drawn a cool response from the business sector, with only about 100 of the tens of thousands of HK-owned factories operating in the Pearl River Delta signing up. Among those still to join the voluntary scheme are businesses owned by executive councillors and lawmakers. The Clean Air Charter, launched a year ago by the HK General Chamber of Commerce and the HK Business Coalition on the Environment, was touted as the first step to combating air pollution in the Pearl River Delta. But it had garnered only about 500 signatures, nearly half of them from business chambers and the services sector, which generate little emissions.

**Business clean-air 'lethargy' slammed:** Options that may drastically change people's lifestyles - including ways to commute on days when air pollution becomes critical - have been proposed by the Council for Sustainable Development to solve HK's worsening air pollution. Chief Executive Donald Tsang told a green forum for the business sector the council will soon consult the public with a view to forging consensus on the measures. And David Eldon, chairman of the HK General Chamber of Commerce, attacked HK's business community for making only "lethargic efforts" in the drive for clean air. Eldon said it would require "a lot more" firms to join the Clean Air Charter campaign for it to carry any weight.

## Macau

**Thriving Macau lures more mainland business migrants:** Macau's economic boom has lured an increasing number of business immigrants, especially from the mainland, who have poured in billions of patacas in capital investment in recent years. A total of 2,464 applications for capital investment immigration were filed in Macau last year, compared with 495 in HK. In 2003, before the economic boom began in the former Portuguese enclave, the number of applications stood at 1,750.

**Call for casinos in HK as Macau lures mainlanders:** Calls for HK to open casinos have followed monthly figures for mainland tourists visiting Macau under the individual traveller scheme nosing ahead of HK in September for the first time since the scheme was introduced in 2003. A total of 427,097 mainland solo travellers visited Macau in September, compared with 427,026 to HK, according to statistics from the two governments.

**Macau sets the ball rolling on minimum wages:** Macau Chief Executive Edmund Ho has gone well ahead of his HK counterpart Donald Tsang by introducing a minimum wage for the Special Administrative Region's poorest paid workers. In his policy address, Ho also announced a pay rise for the public sector and tax cuts on more than 10 items designed to boost small and medium-sized enterprises and improve the people's livelihood. In his 28-page policy address, Ho said civil service pay will increase by 4.76% next year.

## Varia

**Hongkongers warming to national identity:** Hongkongers' acceptance of their national identity has grown in the years since the handover, although they still love the city more than the country and the Chinese Communist Party, a survey has found. The poll, conducted by Chinese University's Centre for Communication Research, shows Hongkongers are more positive towards symbols linked with the mainland, including the People's Liberation Army, the national flag and the national anthem.

**80% tax on wine too high, says lawmaker:** The lawmaker for the catering industry has repeated calls for alcohol duties to be cut, three months before the financial secretary delivers his budget speech. Tommy Cheung, of the Liberal Party, said the wine tax of 80% was too high. "The heavy alcohol duties have made the related industries like hotels, tourism and entertainment unable to compete regionally," he said. Macau imposed a tax of 15% on wine, while on the mainland it was fixed at about 29%.

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