

## Economy

**China, local growth seen to reduce effect of slow US:** Uncertainty in the US economy is clouding the outlook for HK's economic growth in 2007, but economists believe domestic demand, excess liquidity and China's growth are likely to cushion any external shock caused by a US-led slowdown. HK's GDP growth this year is likely to be less than last year's but remains above-trend with economists' forecasts ranging from 4.3% to 5.6%.

**Surplus could swell to HK\$30b:** The budget surplus could reach as much as HK\$30 billion this financial year, as strong investment gains and robust stamp duty and tax revenues swell the coffers, the Taxation Institute of HK says. Pressure is building, however, for some gains to be returned to the public through tax cuts.

**Monetary authority denies any role in decline of local currency:** HK Monetary Authority denied that it was responsible for the HK dollar's sharp fall in recent weeks, saying it has not sold the currency to push it down to the weaker side. HKMA was responding to a suggestion by investment bank UBS that the authority had a hand in the HK currency's recent decline through intervening in the market to reduce the volatility and market speculation associated with the yuan crossing parity with the HK dollar. The local currency has weakened significantly in the past two weeks, trading below its official peg of 7.80 to the US dollar, but has remained within its permitted trading band.

**Economic pillars sinking:** HK has lost two of the four pillars of its economy, Lingnan University president Edward Chen warned. The economics professor said that of the pillars - logistics, tourism, finance and trade-related support services - the city had lost the opportunity to develop into a logistics hub and a "breakthrough" would be needed in tourism.

**City could lose economic top spot:** A minimum wage and other policies that impose price controls are threatening HK's position as the world's freest economy, say the compilers of this year's Index of Economic Freedom. HK retained its top ranking for the 13th straight year but could be in danger of slipping, as enforcing a "price floor" on labour would lead to unemployment, warned The Heritage Foundation.

**Capital 'free walk' tops action agenda:** The future well-being of HK will be determined largely by how well it can maintain and reinforce its status as a "globally significant" international financial-services center to the mainland, a focus group said in the SAR's action agenda on China's 11th Five-Year Plan. One of the newest concepts introduced by the financial-services focus group, chaired by Bank of East Asia chairman David Li, is the "free walk" scheme for capital in the mainland.

**Rich-poor gap growing, study says:** A study sponsored by a think-tank close to the chief executive has graphically underlined concerns that ordinary households have failed to benefit from robust economic growth in recent years, while the gap between rich and poor has widened. Median household income in 2005 was still 15.8% lower than the peak of 1997 and 11% below that in 2001, the study for the Bauhinia Foundation shows.

## Domestic politics: Universal Suffrage / Democracy

**We're ready to quit panel if our views are ignored: democrats:** Some democrats on a top government panel on universal suffrage are prepared to resign in protest if officials ignore their views in the final report due early this year. Lee Cheuk-yan, one of the seven pan-democracy figures on a panel of the Commission on Strategic Development, said it would be meaningless to stay on if the government insisted the trade-based functional constituencies in the Legislative Council were compatible with universal suffrage.

**Taiwan supports HK's call for universal suffrage by 2012:** Taiwan weighed into the debate over the pace of democracy in HK, saying it supports universal suffrage in 2012 or earlier. The island's Mainland Affairs Council chairman Joseph Wu said Taiwan stood ready to support the early implementation of democracy in the city. "We don't just support universal suffrage in 2012. Indeed the quicker, the better", he said, adding that the people of Taiwan were standing united with Hongkongers in the fight for democracy.

**Taiwan accused of HK meddling:** A Beijing official in HK accused Taiwan of interfering in the special administrative region's affairs a day after Taipei said it supported universal suffrage for the city in 2012 or earlier. The accusation came from an official at the central government's liaison office who sternly denounced Taiwan for meddling in HK's affairs.

**Democracy road map postponed yet again:** The government has again pushed back the date by which a panel of advisers is expected to present conclusions about a road map to democracy for HK. "We cannot rush things," Secretary for Constitutional Affairs Stephen Lam said. "We hope to come up with the report

this year, given that the terms of commission members end on June 30. I believe we don't have to wait too long - at least not until the end of 2007."

### **Domestic politics: Election of Chief Executive**

**Chief executive race begins in earnest:** The race for chief executive got off the ground yesterday (20.1.2007) when 33 Election Committee members signed nomination forms for Civic Party legislator Alan Leong. While his likely challenger, incumbent Donald Tsang, remained silent on when he was going to declare his candidacy, the two engaged in a veiled war of words.

**Hu leaves no doubt Tsang is Beijing man:** President Hu Jintao praised Chief Executive Donald Tsang and his government for steering HK's booming economy and for enhancing cooperation with Beijing. The lavish praise removed any doubts that Beijing would give Tsang its blessing should he decide to run for a second term of office in March.

**Tsang signals he will seek second term:** Chief Executive Donald Tsang clearly indicated that he is preparing to run for a second term in March and will announce his platform later. However, he stopped short of a formal announcement of his candidacy. "My role as the chief executive still comes above all else. Meanwhile, I am preparing to be a responsible candidate," said Tsang.

**Ahead of poll, Tsang cements ties with key allies:** Political and trade union groupings loyal to Beijing pledged their support "on all fronts" for Donald Tsang's re-election. Leaders of the Democratic Alliance for the Betterment and Progress of HK, Federation of Trade Unions (FTU), Liberal Party and The Alliance gave their backing at a meeting with the chief executive, a spokeswoman for Mr Tsang's campaign office said.

### **Domestic politics (other matters)**

**Tsang urged to map out vision for financial services:** HK should set out its vision as a financial services provider to the mainland in the city's long-term strategy for development, a panel of experts advising the chief executive on China's 11th five-year plan has recommended. Referring to the views by the financial services focus group, one of four appointed by Mr Tsang, a senior government official said the chief executive believed that positioning HK as China's international financial centre would serve a dual purpose. It would enhance the country's status and competitiveness in the world, while at the same time helping the city to grow and prosper.

**We'll share the wealth, says finance chief:** Financial Secretary Henry Tang pledged the government would "share its wealth with the public" when the economy is good, and said he had heeded calls to cut taxes and rates. Mr Tang said he was confident of achieving a surplus of several billion dollars this year, but stressed a balance had to be struck between, on the one hand, adhering to the principle of keeping expenditure within the limits of revenue and striving for a fiscal balance in drawing up its budget, as stipulated under the Basic Law, and, on the other hand, sharing wealth with the public.

### **Transborder affairs**

**Cross-delta ties to draw even closer:** The economic ties between HK and Guangdong will get even closer as the province reaches out to the international community in the next five years, a Guangdong academic said. Feng Bangyan, dean of the College of Economics at Jinan University in Guangzhou, said the economic restructuring of Guangdong, one of the country's economic powerhouses, would provide huge impetus for HK's economic development.

### **Legal affairs and human rights: Minimum wage**

**Minimum wage law in the works:** The government will start laying the groundwork for legislating a minimum wage even before it finishes its two-year-long voluntary wage campaign, Secretary for Economic Development and Labour Stephen Ip said. Interpretation of the government's move was varied, but at least one political analyst speculated it was intended to defuse criticism in the labor sector ahead of the chief executive election in March to boost support for incumbent Donald Tsang.

**Chambers bemoan lack of unity over minimum wage scheme:** Major business chambers are divided on promoting the government's "wage protection movement", with one sending a circular to members that has been criticised for dissuading them from joining the scheme. In a letter to more than 4,000 members last month, the HK General Chamber of Commerce warned of the movement's possible drawbacks, including rising wage bills and legal liabilities.

**Lawmakers press labour chief to set timetable for wage law:** Unionist lawmakers coerced the labour chief into setting a timetable for drafting and planning a minimum-wage law, insisting it should begin within a month. But a business chamber said it would only foil the government's efforts to help low-paid workers with its voluntary "wage protection movement".

### **Health**

**HK can handle threat of bird flu, says Chan:** In Geneva, the new head of the World Health Organization Margaret Chan expressed confidence that HK's health officials can cope with bird flu, the key

concern of global health. But in Causeway Bay, where a dead wild bird tested positive for the H5 influenza virus, residents were concerned about the possible spread of the virus.

**UN bird flu officials call for vigilance:** United Nations bird flu officials urged Asian countries to be on heightened alert for new outbreaks ahead of the upcoming Lunar New Year and Tet holidays, amid a resurgence in the deadly virus around the region. The call came after the global health chief Margaret Chan warned the world not to drop its guard against a possible flu pandemic, highlighting the fact that 2006 was a record year for human bird-flu deaths.

### Environment

**Expert urges action plan to beat water shortages:** Internationally acclaimed water expert Peter Wilderer has urged HK to adapt a more innovative approach in water sustainability by embracing what he calls a "paradigm shift in water management" to help the region combat shortages. He said the water management system can be worked out by encouraging cross-sector participation and legislation. Wilderer said HK, as a world city, can combine its international experience with the mainland's expertise to develop the most sufficient water and wastewater management system suitable for the country.

### Macau

**Booming casinos help Macau narrow visitors gap with HK:** The number of visitors to Macau, lured by the city's booming gaming industry, has soared to a new high and is closing in on HK's total. Macau welcomed 21.9 million visitors last year, a 17% increase on 2005, while HK saw 25.2 million, an 8% increase but short of tourism authorities' 27 million target.

**Rising awareness protects Macau landmarks:** Macau's success in packaging city landmarks and having them included in the World Heritage List has set it apart from HK in cultural conservation. A natural outcome of that success, growing public awareness of conservation, has helped protect the city's heritage from breakneck urban development, critics say. The Historic Centre of Macau, featuring streetscapes and piazzas with more than 20 monuments, was inscribed in the Unesco World Heritage List in July 2005.

**Long money-laundering fight ahead, warns US:** Macau still has far to go in its fight against money laundering, the US State Department said in a report to Congress. The 2006 International Narcotics Control Strategy Report urges Macau to pass and implement the anti-money laundering and counterterrorism bills submitted to the Legislative Assembly last fall after years of drafting.

**Macao catches up with Las Vegas:** Macao appears to have surpassed the Las Vegas Strip to become the world's biggest gambling center in 2006, according to industry analysts and government figures. Fueled by a casino investment boom and the millions of Chinese who are flooding into the former Portuguese colony that was returned to China in 1999, Macao said that its gambling revenue had soared 22% in 2006, to US\$ 6.95 billion.

### Varia

**HK builds on exhibitions hub dream:** The government is studying the development of phase 3 of the HK Convention and Exhibition Centre and the early expansion of the AsiaWorld-Expo site to maintain HK's competitiveness in the exhibitions sector, Secretary for Commerce, Industry and Technology Joseph Wong said. Last month Premier Wen Jiabao said the central government would ensure that HK's position as an international exhibition and conference center, as well as its logistics and financial hub status, was strengthened.

**Fund backs equestrian event in HK:** An Olympic fund was set up to drum up community support for 2008 Beijing Games equestrian events to be hosted by HK. The fund, chaired by former justice secretary Elsie Leung, will raise money from businesses and the public to support cultural, education and community involvement. "The fund will also help enhance the value of sports in general and the Olympic spirit in particular," said a spokesman for the Home Affairs Bureau.

**Protect heritage and growth, urges Tsang:** Being overzealous in saving the past may hurt HK's competitiveness, Chief Executive Donald Tsang warned, but he pledged the government will "keep pace with public sentiment" on heritage preservation. "The community must understand that investment in infrastructure is vital if HK is to remain a dynamic and thriving world city," Tsang said, calling the so-called investment slowdown "worrying."

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