

Economy

Mainland banks to take more HK business: Mainland lenders will account for 40% of HK's market by 2010 as they continue to expand in the city, according to William Ryback, a deputy chief executive of the HK Monetary Authority. Speaking at the authority's annual review briefing, Mr Ryback said mainland banks, which now account for 25% of banking assets in HK, would continue to expand in the city to diversify as they were now more confident in their competitiveness. HK could also give them a chance to gain experience in managing business outside their home base, and could act as a springboard for expansion in the region and the United States.

Expanding financial role remains key: Donald Tsang promised to take HK's economy to the next level by strengthening its role as China's financial center and to revive the city's infrastructure investment if he is re-elected March 25. "We should further develop our financial industries and attract more quality companies to list in HK," Tsang told the press briefing to kick off his campaign.

Yam fears austerity impact in long run: The mainland's austerity measures may lead to "consequences beyond imagination," HK Monetary Authority chief executive Joseph Yam has warned, although he said the policies may achieve a short-term effect of cooling down both the stock market and property sectors. "The central government may be able to set aside the matter of imbalance of supply and demand by imposing relevant measures for now, but the economy may be faced with consequences beyond imagination eventually," Yam said in a briefing to the Legislative Council panel on financial affairs.

Change tax laws to help city compete: HK chamber: More needs to be done to promote to foreign businesses the advantages of HK's taxation system, says General Chamber of Commerce chief executive Alex Fong. Not that the system is perfect yet, the chamber believes. It advocates more tax allowances for small businesses and has long pressed for companies under a single group to be taxed on the group's profits, not individual companies', he said.

Three more undercut HSBC rate: Hongkong and Shanghai Banking Corp (HSBC), which set off the latest home-loan war by slashing its mortgage rate, now finds itself near the high end as three more lenders lowered their rates to undercut HSBC's 4.87%.

Tax giveaways are just the job for Tang: Armed with the highest fiscal surplus since the handover, Financial Secretary Henry Tang offered a list of sweeteners in the last budget of his tenure, which observers say will likely catapult him into the position of chief secretary in the next government. Tang proposed to hand out HK\$20 billion to the community in the form of one-off tax rebates or long-term tax relief, potentially benefiting 1.1 million taxpayers.

Business sector left unimpressed: The business sector is disappointed at Financial Secretary Henry Tang's failure to reduce profit tax. Although hailed as being generous to the middle class, some analysts said Tang's sweeteners lacked long-term vision.

Domestic politics: Election of Chief Executive

Tsang hits the street: Stressing he would get the job done, incumbent Chief Executive Donald Tsang vowed that, if re-elected, he would reduce salaries and profits tax, introduce other tax-relief measures and take positive action to reduce pollution. He failed to make any promise on full democracy for the SAR, saying only he would release a political reform green paper and initiate a three-month consultation exercise in mid-year.

Tsang sails home with 450 backers: Chief Executive Donald Tsang has already secured more than 450 nominations on the fourth day of his election campaign but vowed to continue scrambling for votes against his rival contender Alan Leong. Tsang's votes in the race to be the next chief executive is more than four times the number received so far by Leong, who said he has been promised 111 nominations.

Tsang will heed public opinion on democracy: The chief executive says he will not go against the wishes of the majority of HK people on universal suffrage. Donald Tsang also said he would strive for Beijing's approval for a timetable on full democracy if a plan to represent mainstream political opinion could be arrived at.

Leong enrolls for election in historic first: Pan-democrat legislator Alan Leong has formally registered as a candidate for the March 25 chief executive election, describing his campaign as a small but significant step on HK's road to democracy. Most of the 132 nominations he received from the 800-strong Election Committee came from avowed supporters of democracy. None were from the business sector.

Rules of engagement drawn up: Forum conveners for the first chief executive election debate on March 1 have confirmed incumbent Donald Tsang and challenger Alan Leong will attend - even though the public will be barred and there will be no cross-questions between the candidates. By keeping the man in the street out in the street and eliminating direct questioning, the chief executive election debate - the first of its kind since the handover in 1997 - looks more like a question-and-answer session in a controlled environment than a real duel.

Heat increases for Leong election bid: The pro-Beijing Chinese General Chamber of Commerce has thrown its support behind Chief Executive Donald Tsang, saying he has the right credentials to govern HK. The chamber also lambasted his challenger Civic Party legislator Alan Leong, without naming him, saying his suggestions to eliminate functional constituencies and give the chief executive the power to endorse official SAR appointments are warped.

Domestic politics: Universal Suffrage / Democracy

Tsang sets out his policy stall: now it's time for the haggling: Donald Tsang announced that his next government would issue a green paper in the middle of the year to gauge the public's views on universal suffrage. But his suggestion of a three-month consultation, with two or three options on universal suffrage presented after June, drew accusations of delaying tactics. Pressed on whether he would strive to achieve universal suffrage in 2012, Mr Tsang said: "Like other HK people, I hope we can achieve the goal of universal suffrage, as stated in the Basic Law, as soon as possible."

Tsang pledges action on road to democracy: Chief Executive Donald Tsang told Election Committee members he had never ruled out the possibility of full democracy in 2012. "I am even trying to shorten the process by completing the procedures in the next few months. I am taking the most active attitude to work on this issue," he said. But he stressed that democracy "cannot solve all problems."

Domestic politics (other matters)

Lawmakers reject public rent cut call: Lawmakers have rejected a motion calling for further rent cuts for public housing tenants. The motion, moved by Frederick Fung of the Association for Democracy and People's Livelihood, proposed that the Housing Authority waive two months' rent and reduce rents by up to 20%. It was voted down by more than half of the lawmakers representing the functional constituencies in the Legislative Council. The motion, if passed, would have cost the authority HK\$4 billion in revenue annually.

Groups march to seek better protection for workers: According to tradition, the third day of the new lunar year is when arguments can occur - and this was certainly the case as a number of groups marched to Government House seeking more protection for workers. Members of the HK Confederation of Trade Unions called for legislation on minimum wage, maximum working hours and a pay rise of between 6.5% and 7%. It also called on the government to tighten legislation to prevent employers absconding with wages unpaid and to improve work safety.

Health

Health law proposal targets private property: Under a proposal put forward by health authorities, the government will have the power to commandeer private property such as empty homes, vehicles and medicines to fight disease during a "state of public health emergency". The amendments are aimed at complying with the World Health Organisation's International Health Regulation.

More birds test positive: Health authorities confirmed that two birds found in Mong Kok carried the H5N1 avian influenza virus, bringing the total number of birds officially declared to be infected this year to 10.

Bird flu panel says proposals ignored: Advice from a panel of flu experts suggesting that controls over birds bred in captivity be tightened has been ignored by the government, a committee member said. The Centre for Health Protection's Scientific Committee on Emerging and Zoonotic Diseases has also advised that the government adopt the European Union's protocols and ban the import of birds bred in captivity. "The real risk is the illegal bird trade - bringing in captive wild birds from across the border in poor condition for various reasons.

Environment

Pollution scheme off to hazy start: Shortly after the government unveiled the long-awaited cross-border emission-trading scheme, which aims to improve the Pearl River Delta region's worsening air quality, it was faced with the ultimate irony: HK's own air-pollution level reached dangerous heights. Thick smog from vehicles and power plants in the city nudged pollution monitors into the "very high" level Wednesday. The Environmental Protection Department's air-pollution index passed the critical 100 mark, which meant that one or more pollutants were posing immediate health effects to those with heart or respiratory illnesses.

Business urged to fight warming: HK's business chambers were urged to join the push for environmental protection or bear responsibility for the havoc that may be caused by climate change. Brandishing the first-ever report on climate change implications for the Pearl River Delta, Civic Exchange think-tank chief executive Christine Loh and Hoi Ping Ventures president Alexandra Tracy Friday described climate change as a business issue and one that needs to be addressed immediately.

Emission-trading plan draws fire: The lack of controls, scope and evidence over the pilot Pearl River Delta emission-trading scheme has left lawmakers fuming. The voluntary nature and the exclusion of key greenhouse gases in the framework announced January 30 drew fire from members of the Legislative Council's environmental affairs panel. Lawmaker Choy So-yuk voiced disappointment with the framework, saying it will not cut pollution. "Since it is voluntary, there is no need to take part. How can we expect companies to voluntarily dip into their pockets? These rules and laws aren't going to reduce emissions," Choy said.

Guangdong pollution at its worst in decades: Guangdong recorded its worst air pollution in decades last year despite repeated government promises to clean up the environment. The average number of smoggy days, when visibility is below 10km, reached 75 across the province, up 20% from the 63 days recorded in 2005, according to the "2006 Guangdong Economic and Social Development Statistics Report". It was the highest figure since 1980.

Macau

Macau-based bank still a key piece in the North Korean nuclear jigsaw: The strange case of Macau's Banco Delta Asia hangs over the deal to end North Korea's nuclear programme and looks set to play a key role in the days ahead. Within hours of the deal, US officials announced that "legitimate" accounts now frozen in Macau could soon be released - an apparent compromise despite earlier efforts by Washington to separate North Korean financial crimes and the nuclear talks.

US officials in talks on sanction-hit bank: A US Treasury Department delegation was in Macau to resolve sanctions against a Macau bank accused of helping North Korea launder money - a key condition in Pyongyang's agreement to give up its nuclear weapons program. The meeting with Macau officials came about two weeks after North Korea agreed in six-nation nuclear talks to take initial steps to abandon its nuclear weapons program in return for aid.

Varia

Brain drain fear on low real wage rise: A projected 1.5% rise in real wages for SAR workers this year due to rising inflation, coupled with a rapidly narrowing salary gap between HK and the mainland, has fueled fears of an accelerating northbound migration of management talent.

Experts sound welfare alert over ageing population, wealth gap: The government will face growing pressure to pay for more social and medical services due to an ageing population and a widening wealth gap, experts have warned. Whether taxpayers would ultimately have to fork out more depended on whether economic growth could help the government collect more revenue to pay for the services, the Taxation Institute of HK said. Figures released by the government showed the median age of the population rose from 34 in 1996 to 39 last year.

Oasis waits for Vancouver route: Budget airline Oasis expects to get government approval on Friday to start flights on the lucrative HK-Vancouver route. Oasis applied to the Air Transport Licensing Authority on February 2 for permission to fly to Vancouver.

Singletons threat to growth: More HK men and women remain unmarried, further threatening the population's natural growth, according to official figures released. Many of the unmarried women had schooling to higher education level.

Warning of airport delays as HK tightens security: Air travellers have been warned to expect delays next month when tough security measures come into effect limiting the amount of liquids that can be carried on board. The Civil Aviation Department said all liquids, gels and aerosols in cabin baggage would have to be carried in containers with a capacity not greater than 100 millilitres.

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