

Economy + Finance

IPO alarm for HK bourse: HK may soon be facing a threat to its status as the primary capital-raising center in Greater China, as the Shanghai Stock Exchange begins courting foreign firms and US listings of Chinese firms reach near-record highs. "This is a potential threat the HK stock exchange needs to monitor," said KGI Asia head of research Ben Kwong. "As the China stock market is very hot, it provides an opportunity for those companies to raise funds there and get a higher valuation."

Taxman took record HK\$155b last year: Tax revenue in the last financial year was a record HK\$155.1 billion, but the government expects that tax relief measures set out in the budget will reduce the figure by HK\$11 billion this year. Revenue last year was up 7% from 2005-06. The take from stamp duty raised the most, up 40%.

HK benefits as funds flow south: Six years after proposing "channelling water from the north to south", the hopes of HK Monetary Authority chief executive Joseph Yam finally became reality when the mainland announced that domestic banks could invest in the city's stock market. Mr Yam was the first HK official to bring up the idea to let mainland capital invest in the city in 2001. But that was not Beijing's priority at that time, as it needed to boost the mainland's economy and stock market.

Slower GDP growth seen as healthy: Lacklustre investment in machinery equipment, building and construction slowed economic growth in the first quarter to 5.6%; a level the government believes is more in line with HK's mature economy. "It's still a very good number because the economy has been growing very strongly for 14 consecutive quarters," acting government economist Helen Chan said. The official full-year projection remains 4.5 to 5.5%. The latest quarterly result comes off robust 8.1% growth a year ago and falls short of consensus estimates of 6.4%.

HK rents for expats the highest in 92-city survey: HK continues to be the most expensive city in the world for expatriates to rent a three-bedroom unfurnished flat, according to an annual survey by ECA International, a human resources association.

Yam warns of interest rate shock: The HK Monetary Authority, the territory's de facto central bank, said it is worried about the persistent weakening of the HK dollar as the city may suffer from an interest rate shock if lagging local rates suddenly jump to match US rates. The local currency hit a 22-year low, trading at 7.8256 to the US dollar as the HK dollar has been used by many arbitrage traders as a "carry trade" tool owing to its relatively low interest rates.

Offshore funds choose HK to dodge tax risk: Offshore private equity funds aiming to seize opportunities in the booming mainland economy may prefer to set up their regional offices in HK rather than across the border due to the corporate income tax law announced earlier this year, a PricewaterhouseCoopers partner at tax services said. Offshore private equity funds investing in mainland firms might have to pay tax based on income they generate both inside and outside China if they were recognised as a tax resident enterprise by the central government.

Domestic politics

Tsang promises to adopt new approach towards policymaking: Chief Executive Donald Tsang pledged a full-scale change in the government's attitude to policymaking, with public opinion at the core of its new approach. As well as seeking deeper and broader public involvement, the government would establish communication channels with the public early in the process, Mr Tsang said. "The key to getting the chief executive's job done is to get out of Government House," he said, in a reference to his re-election campaign slogan.

Tsang set to name old faces in his next team: Donald Tsang's next administration looks set to be dominated by old faces - serving and former civil servants, with the exception of one or two newcomers he is still trying to bring on board. Sources close to the chief executive said Mr Tsang was still finalising the government list for his new term, which begins on July 1, but a broad line-up had already taken shape.

Pan-democrats push for 2012 universal vote: Pan-democrat legislators launched a seven-week public campaign to seek backing for their proposal to have dual universal suffrage elections by 2012. Under the proposal, signed by 22 pan-democrats, the next chief executive will be elected by the people and not an election committee, and every member in the Legislative Council will be returned through universal suffrage.

Don't insist on 2012, warns chief: Chanting slogans demanding universal suffrage by 2012 without regard to the means of achieving it shows an outdated attitude and will not win the public's respect, the

chief executive warned pan-democrats yesterday. Donald Tsang said the subject of political reform had tortured society for two decades, and it was time it was brought to a full stop.

A timetable for suffrage in the offing: Beijing will offer HK a fixed timetable for universal suffrage if the constitutional reform plan launched by Chief Executive Donald Tsang can forge a consensual model to develop democracy in a gradual and progressive way as stipulated in the Basic Law, a pro-Beijing heavyweight believes. Cheng Yiu-tong, an executive councillor and president of the pro-Beijing HK Federation of Trade Unions, said he felt the earliest date universal suffrage can be introduced in the SAR is 2017, not 2012.

British foreign secretary calls for democracy: Margaret Beckett has pinpointed political reform in HK as one of the SAR's toughest challenges over the next 10 years, and said Britain would like to see universal suffrage introduced in the territory as soon as possible. "Democracy is the foundation of a thriving economy and stable society. The move toward universal suffrage is difficult, which I don't underestimate, but the prize is worth it," the British foreign secretary said.

Relations HK - Mainland China

Legco censure of Beijing blocked: Legco president Rita Fan blocked the tabling of a motion condemning Beijing for its crackdown on the 1989 Tiananmen Square pro-democracy movement, saying it would be "out of order" for the legislature to criticise the central government. The Legislative Council, being a local legislative body under the central government, also had no right to demand an end to the one-party rule the Communist Party enjoys under the constitution, she said in ruling against legislator "Long Hair" Leung Kwok-hung's proposed motion.

Fury at DAB chief's Tiananmen tirade: HK will not be ready for universal suffrage until around 2022 because the people lack national identity and many still believe there was a massacre in Tiananmen Square in 1989, the leader of the main pro-Beijing party said. In remarks that drew immediate condemnation from the pan-democratic camp, the chairman of the Democratic Alliance for the Betterment and Progress of HK, Ma Lik, said local students had not received proper "national education" since the handover and many still "care nothing" about the mainland. He said one example to show HK society was not mature was people's belief that pro-democracy activists were "massacred" in Tiananmen Square in 1989.

Beijing may veto leader under universal suffrage: Beijing could refuse to appoint a HK chief executive elected by universal suffrage, a member of Donald Tsang's cabinet has warned. Executive Council convenor Leung Chun-ying said people calling for universal suffrage had the responsibility to address the "constitutional clashes" that might arise. Mr Leung said people should not just focus on when universal suffrage could be implemented. "People will eventually exercise the power to elect the chief executive, but Beijing also has the power to appoint or veto. How are we going to resolve the clash when two powers are exercised together?"

Transborder affairs

Shenzhen official hopes for better HK relations: Shenzhen deputy Communist Party secretary Bai Tian expressed the hope that senior officials from the border city and HK can improve exchanges. "We should discuss the system and the contents of the co-operation [on building an international megalopolis] and define the detailed rules," he said during the 10th Guangdong party congress.

72% of foreign investment in Pearl River Delta comes from HK: HK-funded enterprises accounted for most foreign investment in the Pearl River Delta region - 72% - a survey by the Federation of HK Industries found. It showed that half the manufacturing enterprises in the region were fully or partially run using HK capital. The numbers of factories involved was 57,500 and they employed 9.6 million workers.

Tsang calls for freer goods flow in southern China: Chief Executive Donald Tsang called on pan-Pearl River Delta members to further improve customs clearance and remove barriers to a smooth cargo flow within the region. Addressing the opening ceremony of the Pan-PRD Customs Trade Facilitation Forum, Mr Tsang said that HK would work jointly with the mainland to achieve the ultimate goal of "an integrated electronic customs clearance system" and "a shared electronic database platform".

Legal affairs and human rights

Chief has duty to consider minimum wage, court told: The chief executive is constitutionally bound to consider setting minimum wage levels to guarantee a "decent living" for employees in HK, a court heard. The claim came at a judicial review of the government's refusal to countenance establishment of a minimum wage. The review, brought by a cleaner and by legislator "Long Hair" Leung Kwok-hung, is being heard by Mr Justice Michael Hartmann in the Court of First Instance.

Minimum wage could cost jobs, court told: Forcing the government to implement a minimum-wage scheme was a bad idea that risked putting people out of work and destabilising the economy, a court heard. The warning was issued on the second day of a judicial review into whether the government's refusal to consider such a scheme was constitutional.

Bosses and workers to duel over plan for minimum wage: Employer and labour groups are set to face off in the Labour Advisory Board 's first round of negotiations over setting benchmarks to gauge the success of the government's controversial "wage protection movement".

Lawyer warns over trademark claims by bogus companies: Bogus companies that claim to have the right to license international trademarks for use on the mainland are increasingly being set up in HK, Sebastian Hughes, a solicitor with the international law firm Jones Day said.

Health

Measures deter mainland mothers: The number of mainland mothers admitted daily for emergency births has dropped nearly 80 per cent. Acting deputy director of immigration David Chiu told legislators that an average of five non-local women a day were arriving at accident and emergency units in public hospitals compared with about 25 in February and March last year.

Database to help curb disease threat: A HK\$100 million communicable-disease information system - aimed at creating a comprehensive database for disease analysis - will provide HK with more resources for controlling disease outbreaks, the new head of the Centre for Health Protection says.

Environment

Chamber hopes to clear the air with anti-pollution pilot scheme: Almost 600 companies have joined the HK General Chamber of Commerce's air pollution initiative since its launch more than a year ago and hopes are high that a pilot scheme for 10 signatories will encourage firms to become more energy efficient. But David Eldon, the chamber's outgoing chairman, said the number of Clean Air Charter signatories was still "woefully low". "Many of these things are not, unfortunately, going to work without legislation, but I think the business community should opt to work towards doing things for themselves," said the former top banker.

Air pollution paper 'will not be enough': The Council for Sustainable Development's consultation paper on air pollution, due to be published in less than a month, has already come under attack. The document is said to list three broad categories - road pricing, energy consumption and what to do on days of high air pollution - for public discussion and comment. But Choy So-yuk, a member of the Legislative Council's panel on environmental affairs, believes it will not go far enough. "The measures are mainly about roadside pollution," said Choy, a member of the Democratic Alliance for the Betterment and Progress of HK. "Maybe because roadside pollution affects our international image the paper is concentrating on it, but there are more points that should be considered."

Guangdong's dirty seas put HK at risk: Guangdong's coastal waters have been turned into a huge rubbish dump, with massive amounts of pollution being discharged into the sea, according to an official report. Feng Weizhong, a senior engineer with the State Oceanic Administration's South China Sea Marine Prediction Centre, said HK was badly affected by pollution carried by currents from Guangdong.

UN expert: HK must set own target on emissions: HK has been urged by a leading international environmental scientist to set its own target for reducing greenhouse gas emissions, even though Beijing has yet to set any national targets. The call, from Ogunlade Davidson, came on the eve of a three-day international conference on climate change that has brought hundreds of representatives from 26 nations to HK.

Macau

Shots fired at Macau rally: Police fired shots in the air and beat protesters back with batons as a Labour Day march in Macau by thousands of workers erupted in violence. Incensed by a lack of jobs and low pay while mainland labour floods in to drive Macau's casino boom - and accusing the government of corruption - the protesters mounted the most direct challenge yet to Chief Executive Edmund Ho, calling on him to step down.

Macau could learn from HK's success stories: Scholars have divergent views on the future of Macau following Tuesday's violent protest march in which one person was struck by a bullet, with some suggesting the government could learn something from HK and others expecting a short-term bounce back.

Clashes lay bare a city's anger: The violent Labour Day clashes in Macau exposed deep-rooted social problems that workers believe stem from government corruption. Among the loudest calls at the rally were for a transparent labour-import scheme and an end to the influx of illegal workers. There were also fresh demands for the resignation of Chief Executive Edmund Ho and an end to "land giveaways", with angry workers expressing concern over developers getting land at prices far below market worth.

D-Day for democracy: The violent Labour Day clashes highlighted a make-or-break moment for the post-handover Macau government as political reforms have become a categorical demand from the public. The fury of 6,000 workers erupted from beneath a rosy economic outlook. Per capita gross domestic product in the gambling capital of Asia has risen about 60% since 2003 and stood at 227,508 patacas last year, overtaking HK's HK\$214,710. The city's gambling turnover outstripped that of Las Vegas last year. But

workers on the bottom rung of society complain about a lack of jobs and low pay while mainland labour floods in to drive the casino boom.

Problems cannot be solved overnight, says Macau casino investor: Problems arising from the booming casino business in Macau would not be resolved overnight, an investor said. But nearly a week after the violent Labour Day protest during which a policeman fired five shots, K Wah group vice-chairman Francis Lui said he was optimistic about the city's economic outlook.

Macau reporters complain of worsening media censorship: Critics are warning of worsening censorship despite the growth of the Macau media market and are urging the government to stop meddling with press freedom. The warning comes after a rare standoff between Macau journalists and the government.

Varia

Delivery of panda pair spurs rise in satisfaction with Beijing: Beijing's gifts of two giant pandas to HK has paid off, with a survey showing people's satisfaction with state policy towards the city surging to a 12-month high. Those happy with the central government's policies rose 7.5 percentage points to 49.3% over the past two months, according to the regular poll conducted by the HK Institute of Asia-Pacific Studies of Chinese University.

UK snubbed for handover celebrations: The HK and central governments have turned down requests for Britain to take part in the celebrations planned to mark the 10th anniversary of the handover. Officials have made it clear there is to be no role for HK's former rulers in the ceremonies, which include a flag-raising event on the morning of July 1 and the swearing-in of chief executive Donald Tsang for a new five-year term.

Western expatriates continue to leave HK in droves: 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 again last year. Arrival and departure records showed the number of Britons, Americans, Canadians and Australians dropped by 10% - from 79,190 in 2005 to 71,150 last year. Figures from the Immigration Department showed that between 2001 and last year, the number of western expatriates dropped by one-third from 106,740.

HK media fostering free speech over border: The HK media and the city's climate of free speech have played an important role in promoting freedom of speech on the mainland, veteran mainland journalist Li Datong said. The editor of mainland paper the "China Youth Daily", who was stripped of his position last year and in 1989 for initiating dialogue between journalists and central party leaders for reforming the mainland media, said although there were still governmental controls on free speech, the "yearning for free speech has never been more powerful" than today.

Mainland visitors up 30% despite fears of scams: The Labour Day "golden week" holiday turned out to be a tourism bonanza for the city despite initial fears to the contrary, with mainland arrivals jumping 30% cent year on year to more than 500,000, according to Immigration Department data.

Press articles related to Switzerland

Financial Secretary met Swiss bankers to promote HK's advantages (Wen Wei Po, 18.5.2007): Financial Secretary Henry Tang met Swiss bankers in Geneva and invited them to establish their regional offices in HK. He talked about recent economic development of HK and its status as an international financial centre. HK could serve as a gateway for overseas enterprises to explore the market in China and Chinese enterprises to go international.

Research offers bird flu hope (SCMP, 30.5.2007): Scientists in Switzerland have reproduced antibodies that can neutralise the H5N1 strain of bird flu, pointing the way to a treatment for people stricken with the deadly disease, according to a study published. "We are very confident that this data can be reproduced in humans," said Antonio Lanzavecchia, co-author of the study and director of the immune regulation laboratory at the Institute for Research in Biomedicine in Bellinzona.

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