

### Introduction

Chief Executive Donald Tsang has nominated principal officials for the third term of the HKSAR Government. The Government Secretariat will be reorganised into 12 bureaux. The new officials will be sworn in on 1 July, when Hong Kong marks the 10th anniversary of its reunification with China. President Hu Jintao will visit HK and preside over the swearing-in ceremony.

### Economy + Finance

**New CEPA pact to expand trading ties:** The Closer Economic Partnership Arrangement between HK and the mainland is to be further expanded with the scope of liberalization extended to more than 10 service areas and 17 goods items. The fourth supplementary pact to the agreement will be signed on 29<sup>th</sup> June 2007. CEPA has been instrumental to the SAR's economic recovery following the Asian financial crisis, with more professionals and firms being granted access to the mainland market.

**Leung warns convertible yuan threat to SAR status:** If HK fails to take advantage of its status as China's financial center and further develop its financial markets, the yuan becoming a fully convertible currency in future will pose a threat to the city, former financial secretary Antony Leung warned. "HK so far has three advantages right now: a fully convertible currency, a separate set of laws and an individual taxation system," Leung said. "Once China's currency becomes fully convertible, more foreign enterprises will consider raising funds in the mainland. And if HK does not ride on its current advantages, its status as an international financial center will be at risk."

**Hands Off in HK:** The head of HK's de facto central bank said there is no need to intervene in the currency market if the HK dollar remains within its trading band. HK's currency is pegged at 7.80 per U.S. dollar and is allowed to trade between 7.75 and 7.85.

**Japanese experts see HK staying on top:** A study by Japanese think-tanks says HK will remain one of the world's most competitive economies in the next 10 years. The study, which ranked HK No1 for competitiveness out of 50 economies last year, says the city's strength will continue to grow as it spearheads the heavy industrialisation of the Pearl River Delta region. But pollution on the mainland remains a problem and can threaten the city's development.

**Lee eases fears of mainland fallout:** HK stock market investors need not be unduly worried about adverse effects of possible A-share turmoil as the two markets operate pretty much independently of each other, according to Charles Lee, former chairman of the HK stock exchange. HK stockbrokers are not allowed to offer yuan-related services in the mainland, and likewise, mainland securities brokerages cannot offer similar services in the city.

**Courage lost since handover:** In a stunning outburst just two weeks ahead of the handover anniversary, PCCW chairman Richard Li claimed the SAR government is losing its nerve over the need to consistently carry out the best and most stable policies for HK - a failing he says might deter investment and harm the economy. "I was disappointed that the courage of the prior [colonial] government has been lost since the handover, and that the new government has not stood firm concerning policies that will ensure a consistent business environment," Li - the youngest son of tycoon Li Ka-shing - told.

**Wage calls grow as wealth gap widens:** The latest household income statistics showed inequality in the city as measured by a statistical device called the Gini coefficient - high by international standards - had risen significantly in the past decade while it had been shrinking in other developed economies.

**Tang hands all tax-base moves to future team:** Any measure to broaden the tax base would be left to the next administration, Financial Secretary Henry Tang said on release of the government's tax-reform report. A goods and services tax, initially advocated by the government but later shelved, is among options to be discussed in the future. But the report put forward other options, including introducing a green tax, a land departure tax and luxury goods tax.

**Impact of inflation on poor to be monitored:** The government is expecting inflation to rise over the next five years but will closely monitor the financial impact of price increases on low-income households, legislators were told. Financial Secretary Henry Tang said the official inflation forecast for this year remained at 1.5 per cent.

**12.6pc rise in arrivals ends fears over scams:** Mainland visitors continued to pour into the city last month, pushing the total number of tourist arrivals above 2.2 million, a 12.6 per cent jump on May of last year, the Tourism Board said. Mainland arrivals topped 1.2 million, up 16 per cent from a year ago. The strong performance of the mainland market is a confidence booster for Hong Kong, which had feared the effects of news about recent shopping scams, and waning interest in travel to the city during the mainland's "golden week" holidays.

**HK yuan bond sale hailed as milestone:** The first issuance of China's yuan- denominated bonds in HK by China Development Bank is available for retail subscription with the minimum investment set at HK\$20,000. "This is a very significant milestone for Hong Kong being the country's international financial center," Financial Secretary Henry Tang said. "It signifies further consolidation and development of the complementarity, as well as cooperation between Hong Kong and the mainland."

### Domestic politics

**Chief Executive unveils new cabinet:** Chief Executive Donald Tsang unveiled the team that will lead HK's third post-handover administration, and said the teething troubles of the ministerial system were over. Eight of his current ministerial team will stay on in the new cabinet, some with new roles. Of the six new faces in the line-up, all have a civil service background except an academic Chan Ka-keung as the Secretary for Financial Services and the Treasury. Some legislators including those from the Liberal Party and Democratic Party criticized the dominance of former civil servants in the cabinet.

**Nominating body 'not at odds with UN':** Reasonable restrictions on nominating candidates for direct election as HK's chief executive could be consistent with international conventions. This view emerged at a seminar marking the 10th anniversary of the Basic Law attended by more than 30 delegates from HK, the mainland, Taiwan and Macau. Most of them are academics and researchers.

**Public urged to face reality on polls:** HK cannot have universal suffrage without Beijing's blessings, and HK people have to face it, executive councillor and lawmaker Jasper Tsang said. Tsang, a former chairman of the pro- Beijing Democratic Alliance for the Betterment and Progress of HK, said there will be "party politics" in future. "Sooner or later, the mainland leadership will realize we can't ban political parties from the executive government forever".

**Democracy is not a cure-all, says Tung:** Universal suffrage is not the solution to all of HK's problems, former chief executive Tung Chee-hwa has said. "I can name many, many countries where there is universal suffrage but the tension between the executive and the legislative branches is enormous."

**Trust in Beijing dives after autonomy remark:** The public's trust in the central government and the "one country, two systems" principle has weakened significantly since a state leader's comments about the limitations of the city's autonomy. The results of a University of Hong Kong poll published revealed a drop of 8 percentage points in people's trust in Beijing and a 5 percentage point drop in people's confidence in the "one country, two systems" principle.

**Democrats raise the pressure on suffrage:** Lawmakers pushing for democracy have stepped up pressure on the chief executive, with a new opinion poll showing more than 50 per cent public support for universal suffrage by 2012. The models proposed by democrat lawmakers and former chief secretary Anson Chan on chief executive elections also received 52 per cent and 45 per cent support respectively, the study by the Public Opinion Programme of the University of Hong Kong found.

**Exco to stick to its discreet principles, says Donald Tsang:** The government said principles of confidentiality and collective responsibility in the chief executive's cabinet would remain unchanged, despite claims by the Liberal Party that rules would be relaxed. Amid calls to clarify how the Executive Council is to operate after July 1, Chief Executive Donald Tsang announced that all 15 cabinet members would remain in his new term, with the outgoing chief secretary Rafael Hui as the only new face.

### Relations HK - Mainland China

**NPC warns on HK autonomy:** The head of the National People's Congress has issued an unambiguous reminder to HK over the limits to its power: it only has as much autonomy as already laid down by Beijing. Wu Bangguo told a forum to mark the 10th anniversary of the implementation of the Basic Law that there was no question of the city being entitled to "residual power" - power to manoeuvre in areas not overtly granted to it by Beijing.

**Wu warning on limited power stuns HK:** A stern warning from National People's Congress chairman Wu Bangguo in Beijing that HK's powers are limited has sent shockwaves through the territory. Legislators held differing views on Wu's warning, while political commentators said it served as a reminder to the people of HK about who was the boss, and that the central government has adopted a hardline approach toward the SAR's future political reform. Wu emphasized that the SAR government was an executive-led system and should not blindly follow Western models, as stated by the late paramount leader Deng Xiaoping. Veteran Democratic Party lawmaker Martin Lee questioned indignantly the motive behind Wu's comments on the eve of the 10th anniversary of the handover.

### Transborder affairs

**HK tipped to get lion's share of bridge benefits:** Hong Kong will be the main beneficiary when the Hong Kong-Zhuhai-Macau Bridge is up and running, National Development and Reform Commission deputy chairman Zhang Xiaoqiang said. A mainland study showed Hong Kong would enjoy 64 per cent of the economic benefit brought by the long-awaited bridge. "The bridge will be effective in helping Hong Kong expand its hinterland," he said. The mainland study, which projected the economic gain brought by an expected increase in cross-border traffic, also estimated that Guangdong would secure 26 per cent of the

benefits and Macau 10 per cent. The 29km bridge is still at the planning stage despite a decade of negotiations.

### Health

**Think-tank floats levy of up to 5pc for health funds:** A pro-government think-tank proposed that all workers contribute between 1 per cent and 5 per cent of their salary to a mandatory medical savings account scheme. They said that there were three big problems with the health care system: over-reliance on treatment, but insufficient emphasis on prevention and personal health; an imbalance between the public and private medical sectors; and an unsustainable financing system.

### Environment

**Air pollution top issue as SAR fails major green tests:** HK has received a failing grade in all major environmental areas 10 years after the handover, with air pollution remaining its worst problem, according to a study released by Friends of the Earth. The group, saying haze blanketed the city on more than twice as many days last year than it did in 1997, urged the government to formulate a strategy to boost environmental protection. The group said it had chosen several indicators to illustrate the city's decline over the past decade and that air quality remained the most discouraging aspect.

**EDP consultant to clear the air:** Tough measures are being taken to fight HK's worsening air pollution which has been blamed for a dramatic exodus of senior executives of multinational companies from the territory, and made headlines in international news magazines. The Environmental Protection Department has now hired a consultancy firm to draw up a new set of air quality objectives.

**Sewage treatment scheme 'a success':** Secretary for the Environment, Transport and Works Sarah Liao told an international conference on marine pollution that a lot of improvements have been made including the eastern and the central parts of Victoria Harbour.

### Macau

**Immigration underpins allure of Macau:** The rising number of expatriate workers and investment immigrants continued to underpin demand growth for residential properties in Macau. Prices for residential apartments and rents were on the rise amid brisk transactions in the first quarter. With its prosperous economic outlook and relatively stable political environment, Macau will continue to draw investor attention.

**Macau labour unrest prompts revision of law:** Growing labour unrest has prompted the government to update obsolete laws which have been criticised for favouring employers. After a 10-year wait, the legislature has been handed a labour relations bill by the administration. It is expected a new labour relations law will be enacted by the end of the year, replacing one that dates back to 1989.

**Macau bank makes funds transfer:** Most of the North Korean assets held in a blacklisted Macau bank were transferred, raising hopes that the deadlock over a nuclear disarmament deal will be broken. The money had been frozen in 2005 due to US allegations of money-laundering and counterfeiting.

### Press articles related to Switzerland

**Free rides for Euro 2008 ticket holders (The Standard, 1.6.2007):** Ticket holders at Euro 2008 will enjoy free public transport throughout Austria and Switzerland, the first time that such a step has been taken at a major sports event, organizers said. Tickets will cover free rides on buses, trains and lake ferries in both countries on their match day and for 12 hours thereafter. Services on local and national transport networks in Austria and Switzerland will also be expanded during the tournament, organizers said.

**Swissair managers cleared in trial of collapsed airline (SCMP & The Standard, 8.6.2007):** All 19 managers and consultants accused in the collapse of former national carrier Swissair were acquitted and would receive compensation totalling more than three million Swiss francs, the leading judge said. The defendants in Switzerland's largest corporate trial had all denied charges that included damaging creditors, mismanagement, making false business statements and forging documents. Some blamed the big Swiss banks and the September 11 attacks for the airline's downfall. Union representatives and the courtroom audience expressed anger over the outcome.

351.0 - ROH/MUJ/SRA/CHW/KSW/ILE

#### **Disclaimer**

This is a review of the Hong Kong media and does not necessarily represent the opinion of the Consulate General of Switzerland. The Consulate General of Switzerland in Hong Kong does not bear any responsibility for the topicality, correctness, completeness or quality of the information provided. Liability claims regarding damage caused by the use of any information provided, including any kind of information which might be incomplete or incorrect, will therefore be rejected.