

### Economy + Finance

**Just seize the opportunity, urges Tsang:** HK must take full advantage of the mainland's robust economy to capture the tremendous opportunities in store, Chief Executive Donald Tsang said at the reception to mark the 58th National Day. He also pledged to strengthen the SAR's economic integration with the mainland. "The entire world is eyeing the tremendous opportunities brought about by China's rapid economic development. Amid this severe global competition, we in HK must further capitalize on our unique strengths to capture the opportunities ahead of others," Tsang said. "As enterprises in the mainland continue to grow and our financial system keeps improving, HK has become the most-preferred platform for them to raise capital.

**More foreign firms set up in HK, but care urged:** A record 6,440 overseas and mainland companies have offices in HK, according to a government survey. But even though HK remained an attractive city for foreign companies to open offices, InvestHK director general Mike Rowse warned against complacency. Mr Rowse said the high cost of office space, the need to improve air quality and the lack of international school places posed key challenges to the city in attracting investment.

**Sharp drop in property sales:** Weighed down by negative sentiment in the wake of the US subprime mortgage debacle, sales of all types of property plunged more than 20%, September figures show. Land Registry figures showed that 10,475 units changed hands last month, down 23.3% from August. Out of these, 8,753 were residential flats, sales of which dropped 23.8% from August.

**Single minded:** Chairman of HK Exchanges and Clearing Ronald Arculli played down the possibility of any merger or share swaps occurring between HK and mainland bourses, following the government's controversial move last month to raise its stake in the local bourse operator to 5.88%. "What the financial secretary suggested was only the government's point of view, not the HKEx's," Arculli said.

**Economist eases market crash fears:** Share valuations are overstretched and a bubble may have formed, but the impact of any market crash would not be as disastrous as it was a decade ago, government economist Kwok Kwok-chuen said. "There may be a bubble in the stock market. There are numerous views that the current stock market value is high, but there is no common view on how high it is". But Kwok says there is no property bubble, saying price levels have not hit the record highs seen 10 years ago. Kwok does not expect a market crash as in 1997, considering the different environment then and now.

**There's rich, and then there's HK rich:** It's no secret HK has more than its fair share of wealthy people - more than 9,000 joined the ranks of its US-dollar millionaires last year - but it is also home to some 1,330 "ultra-millionaires" with net assets of more than US\$30 million, a survey shows. In HK, 87,000, or 14 in every 1,000 people, is a US dollar millionaire - one of the highest concentrations of high-net-worth people - and their average net assets are the highest in the region, at US\$5.4 million.

**Foreigners put US\$42b into HK last year:** HK attracted US\$42.89 billion in foreign direct investment (FDI) last year, up US\$9.27 billion from 2005 and more than the combined total for Singapore and India. The city could show a similar performance this year, given the economy's robust growth, the government said. In the first six months of the year, direct investment in HK rose 30.9% to US\$27.1 billion, compared to US\$20.7 billion a year ago.

**HK jobless rate falls to 4.1%:** HK's unemployment fell to 4.1% in the three months to September on the back of a strong economy, government figures showed. The spokesman said the jobless rate might drop further on the back of robust economic growth and sanguine consumer sentiment.

**20pc of mainland foreign trade handled via HK:** Almost 20% of the mainland's foreign trade was now handled through HK, Secretary for Commerce and Economic Development, Frederick Ma revealed. "HK is an important gateway to mainland China. Last year, about 19% of the mainland's foreign trade - including re-exports - was handled via HK, making it a key player in the global supply chain".

**Rethink US\$ peg, top banker urges:** HSBC executive director Peter Wong has called on the HK government to begin discussions on changing the currency peg that has lasted more than two decades. "As the Chinese economy develops at a faster pace than before, that widens the difference between HK and the US economy," Wong said. His comments come nearly two weeks after President Hu Jintao told the Communist Party Congress that the mainland will improve the yuan exchange rate regime and gradually make the currency convertible under the capital account. Wong believes the HK dollar should be linked to a currency which better reflects the city's economic reality.

### Domestic politics: Policy Address (10.10.2007)

*The full text of the Policy Address is published under "www.policyaddress.gov.hk". A soft copy (pdf) of this official document can also be obtained from the Consulate on demand.*

**Poverty to be targeted in policy address:** Donald Tsang is set to launch a new campaign to alleviate poverty, this time aimed at getting business and community leaders to help the poor set up social enterprises to provide jobs and income. The movement will be a key component of the chief executive's policy address and follows Mr Tsang's controversial wage protection campaign for low-paid cleaners and security guards. It will be part of a range of measures aimed at helping the under-privileged, according to government sources.

**So many promises - now the hard part begins:** Donald Tsang's first policy address of his second term could not be more different from his address last year. If the azure cover of last year's speech signified calmness and restraint, Mr Tsang's choice of glowing gold this year was aimed at exuding a feeling of vitality and progress. In stark contrast with his slim speech last year, which comprised just 76 paragraphs and contained few policy initiatives, the chief executive almost doubled the length of his presentation to 130 paragraphs, peppered with dozens of initiatives. The "to-do" list runs so long it looks as if the city has stood still for the past decade. From country parks to youth drug abuse, small-class teaching to infrastructure projects, Mr Tsang was demonstrably eager to put a marker at the beginning of his five-year term.

**\$250b backbone:** Ten mega infrastructure developments will form the backbone of the city's development long past the 2012 expiry of Chief Executive Donald Tsang's term in office. The projects will create 250,000 jobs and cost in the region of HK\$250 billion, much of which will come from the private sector, and which will add HK\$100 billion annually to the economy. With the government's fiscal reserves set to reach HK\$400 billion, the chief executive said rates for salaries and profits taxes would come down to 15% and 16.5% respectively in the next budget.

**HK struggling to lure expats:** If Donald Tsang wonders how to make HK more attractive for international talent, he only needs to peer into the pall of smog hanging over the city for an answer. The Chief Executive's recent policy speech addressed the issue of attracting talent and rightly so since headhunters say expats are increasingly picking Singapore as a location over HK and that the erstwhile "fragrant harbour" is losing its attraction when compared with other regional financial centres. Migrant schemes and tax cuts may help, they say, but HK's smog and its corrosive effect on the quality of life on offer in the city are more important factors for prospective immigrants.

### **Domestic politics: Universal Suffrage, Democracy**

**Business wants say in political structure:** Businesses and other sectors should be given equal seats if all district councillors were included in the nomination committee for chief executive elections in future, the HK General Chamber of Commerce has said. The leading business group, while giving conditional support to universal suffrage no later than 2017, argued that it was essential to maintain "balanced representation" for all sectors when returning the future leader.

**Protests won't speed up poll reform, says Tsang:** Staging street protests and rallying would not help HK attain universal suffrage, the chief executive warned. He also said that HK's democratisation and the development of the rule of law could not serve as an example for the mainland. During a Legislative Council question-and-answer session, in the face of accusations from pan-democratic lawmakers that his policy address lacked a commitment to the introduction of universal suffrage, Donald Tsang said people had to be pragmatic if they were going to convince Beijing.

**Democracy can lead to chaos:** Donald Tsang drew fire from all points of the political compass after suggesting that democracy "taken to its full swing" led to episodes such as the Cultural Revolution. Even government supporters and an executive councillor joined the fray after the chief executive's remarks, made on an RTHK radio programme where he promised to deliver universal suffrage but cautioned that democracy could compromise social stability and government efficiency. "People go to the extreme, and you have a cultural revolution, for instance, in China. When people take everything into their hands, then you cannot govern the place," he said on the phone-in programme held to elaborate on his policy address.

**Tsang 'sorry' for Cultural Revolution gaffe:** Chief Executive Donald Tsang issued a personal apology for linking democracy with the chaos of the Cultural Revolution. It is believed to be the first time a chief executive has issued a public apology for comments he has made.

**Ip eyes 2012 as target for major election changes:** Legislative Council hopeful Regina Ip wants to mix Western democratic theories with the pragmatic situation in HK and end the 10-year dispute on constitutional reform. Unveiling her by-election platform, the former security chief said universal suffrage for the chief executive and Legislative Council elections could be achieved by 2012 under her proposal. But she has a fallback plan - putting off the Legco polls to 2016 at the latest and 2017 for the chief executive election.

**DAB firm on 2017 democratic vote for chief:** HK's largest political party has vowed to "spare no effort" to fight for fully democratic chief executive elections in 2017 while hinting that the possibility of retaining functional constituencies for legislature elections merits further attention. Tam Yiu-chung, chairman of the Democratic Alliance for the Betterment and Progress of HK, said his party was now taking a more proactive stance, since it had previously only expressed support for electing the chief executive by a one man, one vote system in 2017, rather than actually "strive" for it. But the chairman of the Beijing-friendly party denied that the fresh commitment to democracy resulted from any communication with the central government.

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

**HK must look more to future, says think-tank:** A plan to build a new container terminal on Lantau should be halted by the government, because the cargo handling industry in HK would be overtaken gradually by Shenzhen, a think-tank has reported. Civic Exchange also said the administration should introduce universal suffrage as soon as possible to improve governance, and review the system of relying on administrative officers in policymaking, which it said was ineffective. In its annual "alternative policy address" issued ahead of Chief Executive Donald Tsang's policy blueprint, Civic Exchange head Christine Loh said although HK would not be marginalised, it should consider ditching areas which were becoming less competitive. "HK is not marginalised by China's growth. HK needs to let go of areas where it has lost competitive advantage, focus on where it is competitive and create new strengths for the future," she said.

**Anson Chan adopts 2012 poll platform:** Anson Chan has unveiled a comprehensive campaign platform for the Legislative Council by-election in HK Island, seeking to introduce universal suffrage by 2012 and bring about a just and compassionate society. Saying people should vote for her rather than Regina Ip if they supported "genuine democracy", Mrs Chan also pledged to improve communications with Beijing, while calling for a fair verdict on the 1989 Tiananmen Square crackdown. "My central theme in this election platform is how to establish a society that is democratic, free, compassionate, and is a just society that looks after the interests of all sectors of the community," she said.

### **Relations HK - Mainland China**

**Don't meddle with us, warns Hu:** President Hu Jintao has issued a stern warning against any attempt by "external forces" to meddle in the affairs of HK and Macau, vowing Beijing will resolutely fight such a plot. The warning - apparently aimed at the United States and Western countries which have extended support to the pan-democratic camp in HK in the past - came in a hard-hitting, two-hour speech at the opening of the 17th Chinese Communist Party national congress. Hu, who is also party general secretary, also pledged the central government's continued support for the two SARs and the stepping up of further cooperation and exchanges.

**Zeng exit to have no major impact on HK, say experts:** The leadership reshuffle that saw the departure of Vice President Zeng Qinghong and other senior officials in charge of HK affairs is not expected to mark a significant shift in central government policy toward HK, according to political commentators. China watcher Lau Yui-siu said he believed the central government's political and economic policies for the SAR would remain unchanged. "Beijing will continue to support the SAR government with favorable economic policies. Yet, it will continue to adopt a tight stance on political issues as Beijing believes they're not tight enough. But the latter might upset some HK people," he said.

### **Legal affairs and human rights**

**Fresh call for minimum wage law:** Labour unions called on the government to introduce a statutory minimum wage, just three days before the delivery of the policy address by Chief Executive Donald Tsang. About 40 members of the HK Federation of Trade Unions marched to the Central Government Offices voicing their concern for low-income workers. They criticised the government's wage protection campaign as ineffective in combating exploitation and demanded the government include legislation for a minimum wage on the agenda in the policy address. "The wage protection movement has been carried out for a year and only about 30,000 workers have benefited from it. There are about 180,000 workers who are cleaners and security guards in HK which means most of them are still underpaid. The figures clearly show the movement has failed," FTU unionist legislator Wong Kwok-hing said.

**Work to begin on minimum wage law:** Employer and employee representatives on the Labour Advisory Board have agreed to begin discussions on preparatory work for a minimum wage law. The move came as Commissioner for Labour Cherry Tse Ling said the number of companies that had joined the government's voluntary wage protection movement was "far below expectations".

### **Environment**

**Greenpeace calls on HK to follow mainland's lead:** The mainland's pledge to phase out incandescent light bulbs has renewed calls in HK to impose a similar ban or step up measures to improve energy efficiency. Activists from Greenpeace in HK said the city, despite being the richest in the nation, has been lagging behind the mainland in green issues. "It is really time for the Chief Executive Donald Tsang to show his political will in supporting renewable energy development and energy efficiency" said Frances Yeung, climate campaigner for Greenpeace.

**HK charter proposed to foster green culture:** Large corporations and major government-funded public bodies have pledged to form a green purchasing charter to promote sustainable buying practices in HK. The voluntary charter will mark a major step towards creating stronger demand for green products and, its signatories hope, pave the way for future green purchasing networks and product databases.

### **Culture**

**English needs higher priority:** Chinese-medium schools should give students more opportunities to speak English, the education chief Michael Suen said. While native English-speaking teachers had been employed,

the results had not met his expectations. "HK is an international city and we have to produce graduates who can master both our mother tongue and English," said Mr Suen.

## Macau

**Venetian Macao luring way more visitors than Disneyland:** It is just a month since it opened, but Macau's newest casino resort has already overtaken HK Disneyland in terms of daily attendance. Since the Venetian Macao opening on August 28 it has received 1.7 million visitors - an average of 55,000 a day - according to Mark Brown, president of Sands Macao and of the Venetian Macao. HK Disneyland received 5.2 million visitors in its first year of operation, or fewer than 15,000 a day.

**Thousands take graft, labour issues to Macau's streets:** Thousands took to the streets of Macau in a peaceful but politically charged National Day protest against government corruption, illegal labour and enactment of a deeply unpopular traffic law. "For Chinese people to sacrifice their National Day holiday to come out and protest shows how fed up they are with the situation in Macau," legislator Jose Coutinho said.

**Macau light rail goes ahead without stops in poor areas:** Poor neighbourhoods in Macau will be bypassed by a HK\$4 billion light rail, work on which will start in January and be finished in late 2011. The 20km line will run along the eastern and southern fringe of Macau Peninsula and onto Taipa Island through a bridge, linking various casinos with the Border Gate checkpoint, the HK-Macau Ferry Terminal and the airport. There will be 23 stops on the elevated line, which will be able to move 16,000 passengers an hour. Traffic jams have become a frustration as the number of private cars has surged with the casino boom.

**'Trial of century' set for Macau:** Macau's "trial of the century" is set to start on November 5, with former minister Ao Man-long battling 76 counts of bribe-taking, money laundering and abuse of power. Earlier this year, graft-busters found cash, bonds and various luxury goods belonging to Ao and his wife worth 800 million patacas. Graft-busters have named five large projects in which Ao is suspected of abusing his power and taking bribes between 2004 and last year.

**Corruption, triads on rise in Macau:** Corruption is out of control in Macau and triad societies are gaining more power in the world's biggest gambling centre, a former top HK policeman has warned. Steve Vickers, who now heads security firm International Risk, told a British Chamber of Commerce breakfast that Beijing was becoming increasingly concerned at the number of officials spending corruptly obtained funds on the territory's gambling tables. "This is of concern to the mainland government because this money is clearly the proceeds of corruption and money they should not be spending," Mr Vickers said.

## Varia

**Warning on hotel crunch:** Urgent measures must be taken to ease the city's hotel-room crunch, James Tien, chairman of the HK Tourism Board, has warned. Most property developers prefer to build offices instead of hotels as returns are higher, and hotels continue to be demolished to make way for office towers, exacerbating the room-supply problem, Tien said.

**International schools facing space crunch:** Top international schools are struggling to find extra space to ease overcrowding on campuses as demand for places continues to grow. Applications for admission next year have soared by up to 40%, with many parents putting down their child's name at birth in an attempt to gain entry to their chosen school.

## Press articles related to Switzerland

**Nationalists storm Swiss poll (SCMP, 23.10.2007):** The nationalist Swiss People's Party has ridden an anti-immigrant wave to the best showing of any party since the first world war, building its lead in parliament. With the results in from all but one canton and projections for the last one, the right-wing party gained seven seats while the Green Party added five seats, reflecting concerns for the environment on the left. The Social Democrats, the second-largest party, were the big losers on Sunday, dropping nine seats, according to results and projections.

**Hamilton lured by Swiss bliss (The Standard, 31.10.2007):** Lewis Hamilton is moving to Switzerland to escape the public and media glare in Britain following his sensational rookie year in Formula 1. Hamilton insisted his decision to move was based on media and public intrusion, not the more favorable tax rates in Switzerland.

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