

Economy + Finance

Growth to slow amid rise in inflation, say analysts: Inflation in HK is expected to climb to about 4% this year amid slowing economic growth and falling interest rates, the University of HK said. According to the university's Apec Study Centre, double-digit increases in food costs and rent would continue to fuel the rise in consumer prices. A weak US dollar also makes HK's imports relatively more expensive because of the city's currency peg.

Agents upbeat after best home sales for 10 years: With residential home transactions last year reaching a post-1997 high, real estate agents are upbeat that 2008 will be even more fruitful. Land Registry records showed there were 123,575 sales and purchases of residential units in the last 12 months, up by almost half from 2006. Market watchers attributed the buoyant market to the downtrend of interest rates beginning in September last year, sparking hopes of a return of negative real interest rates which last occurred in 1993 when bank rates dropped below inflation.

Big year as InvestHK helped 253 companies: A record 253 overseas, mainland and Taiwan companies were helped by Invest HK to set up or expand operations in the territory last year, with the amount invested totalling HK\$8.39 billion. The government investment promotion body expects the companies to create 8,134 jobs over three years. Last year the firms created 3,130 jobs and an additional 5,004 openings are expected in the next two years as these companies expand.

HK still freest economy, but gap narrows: Cut taxes and do not impose minimum wages or competition laws - this is the advice given by the compilers of the Index of Economic Freedom, who confirmed HK as the world's freest economy. HK claimed the top spot for the 14th straight year, but the gap between its archrival - second-place Singapore - narrowed slightly, according to the Heritage Foundation, which compiled the index with The Wall Street Journal.

Budget surplus tipped to be record HK\$100b: HK can expect to see a record budget surplus of more than HK\$100 billion this financial year, according to PricewaterhouseCoopers. The international accounting and consulting firm also said a less rosy outlook would not affect expected one-off tax concessions in next month's budget, such as rebates and rates waivers. In its pre-budget prediction, the firm said government coffers were expected to swell to HK\$105 billion in 2007/08, exceeding the HK\$86.9 billion recorded in 1997/98. This would swell the city's reserves to almost HK\$475 billion, enough to fund government spending for two years.

Yam cautious on outlook for 'difficult' year: Following a dip in investment income in the fourth quarter, HK's de facto central banker has sounded a note of caution on the outlook for reserve returns for this year, even as the HK Exchange Fund he oversees reported record earnings of HK\$142.2 billion for last year. Reflecting volatility in global financial markets, investment income attributable to the exchange fund - a pool of reserves that backs the HK dollar - fell nearly 46 per cent to HK\$33.4 billion in the fourth quarter from the third quarter.

Financial secretary expected to be more cautious in budget: The global stocks sell-off has made the financial secretary more cautious about cutting taxes and government spending in the coming financial year as he draws up his budget, government sources say. Separately, an academic said the government should save for a rainy day, since a recession in the United States would dampen consumption in HK and affect growth of the local economy. The government sources said the big falls on stock markets had lowered public expectations of the budget. The HK stock market's performance in the past few days had shown that this year's big budget surplus was largely the result of factors, including high stamp duty receipts from robust land sales and high stock market turnover, that may not be repeated next year.

Banking system sound but subprime may hit harder: HK Monetary Authority chief executive Joseph Yam said while the US subprime mortgage plight has not caused a systematic problem in the city's banking system, the impact might become aggravated. "Although there has been more volatility in the financial market, no systematic problem has emerged," Yam told the Legislative Council. Individual banks which have investments in asset-backed securities may suffer from lower profitability. However, it was unlikely this would affect the financial soundness of local banks, Yam said.

Finance chief sees HK growth cooling: "Economic growth last year was just above 6%" a spokesman for Financial Secretary John Tsang said. "We are cautiously optimistic despite an uncertain global economic environment, but we don't expect the growth rate to be as high this year as in the past few years."

'Through-train' remains stalled: The central government may have new concerns about the introduction of the "through-train" policy because of the recent turmoil in financial markets, according to the HK Monetary Authority. "The through-train policy should not be seen as a market-saving measure," HKMA chief executive Joseph Yam told legislators, adding he did not have any updates about the scheme that would allow mainland individuals to invest directly in the local bourse. Yam believes that although the US subprime problem and the

mainland austerity measures would slow down the HK economy, it would not lead to a recession. Secretary for Financial Services and the Treasury Ceajer Chan said HK still has good economic fundamentals.

Domestic politics

DAB plans motion supporting suffrage schedule: The Democratic Alliance for the Betterment and Progress of HK is planning to put forward a Legco motion to try to force the pan-democrats to decide whether to support Beijing's universal suffrage timetable. The pan-democratic camp has yet to decide on how to proceed in its fight for full democracy after the National People's Congress Standing Committee opened the possibility of electing the chief executive in 2017 and Legco members in 2020.

DAB challenged to commit to poll reform details: The pan-democratic camp threw the ball back to the Beijing-friendly camp over which side was hindering universal suffrage, challenging it to commit to specifics for elections in 2017 and 2020. Democratic Party chairman Albert Ho said the camp was considering amending a motion to be moved by the Democratic Alliance for the Betterment and Progress of HK (DAB) that would call for cross-party support for Beijing's timetable. "How we will amend the DAB motion will depend on its wording," Mr Ho said. "What we fear is that the so-called NPC timetables are only empty promises and we will call for details on 2017 and 2020."

Tsang says radicals could hurt Beijing ties: Chief Executive Donald Tsang warned that radical political gestures would damage relations between Beijing and HK over the city's constitutional development. Mr Tsang said the first task for the community was to work on electoral reforms for both the chief executive and legislative elections in 2012. Pan-democrats, however, continued to urge people to join a march to protest against Beijing's decision to rule out universal suffrage by 2012.

Protest call to insist on 2012 suffrage: Pan-democrats are mobilizing supporters to demonstrate for dual direct elections by 2012 despite a statement by Chief Executive Donald Tsang that radicalism and empty slogans are not going to speed up constitutional development. Former Democratic Party chairman Yeung Sum said Tsang's speech on RTHK was specifically directed at the pan-democrats. "Our demonstrations are very peaceful and rational, they are not radical at all," Yeung said. He warned a delay in dual elections by universal suffrage could lead to a new upsurge of people power.

Accept reality, prepare for 2017 and 2020, Tsang urges: Chief Executive Donald Tsang has urged the business community and political parties to prepare for universal suffrage in 2017 and 2020. Mr Tsang said he understood some people had been disappointed. But he said 2012 was an impossible goal. "Now that a timetable has been set, I hope everyone will be able to focus on what is possible, rather than what is not," he said. In a landmark ruling last month, the National People's Congress Standing Committee allowed universal suffrage for the chief executive election in 2017 and the Legislative Council election in 2020.

Democrats under pressure to compromise on suffrage: Pan-democrats have come under increasing pressure to compromise on the roadmap to achieving universal suffrage for HK, a political analyst has warned. "Beijing actually is completely dominant in the steps to full election, having stated its powers on the topic. If pan-democrats don't compromise, what else can they do? They cannot beat Beijing on legal principles," said James Sung, of City University. His comments came as organizers claimed 22,000 people marched to government headquarters in Central demanding full democracy in 2012.

Tsang mounts clone defense on suffrage: The procedures and institutions to be put in place for universal suffrage in HK has to be workable, pragmatic and compatible, and should not be cloned from other countries, Chief Executive Donald Tsang said. In response to the European Union's expression of disappointment at the delay in implementing universal suffrage in HK, Tsang said it is a matter between the people of HK and Beijing. "It is not something which can be imposed from overseas."

Transborder affairs

Guangdong aims to tap HK to boost its services sector: Guangdong governor Huang Huahua vowed to increase co-operation with HK in the professional and services sectors after the province set a new target of "energetically developing the modern services industry". Mr Huang was speaking at the opening session of the 11th Guangdong People's Congress, attended by 790 congress deputies and 950 delegates from the Guangdong provincial People's Political Consultative Conference. He told the gathering that in the coming five years the province would "strengthen co-operation with HK and Macau on professional services such as law and accounting, and modern services industries such as logistics, finance, the events industry and tourism".

Legal affairs and human rights

UN alarm at HK race discrimination bill: The United Nations High Commissioner for Human Rights has told the HK government that its Race Discrimination Bill appears to prevent minorities from seeking legal redress against a substantial portion of government actions. The letter was sent to Sha Zukang, permanent representative of the Permanent Mission of China to the United Nations at Geneva, by Regis de Gouttes, chairman of the UN Committee for the Elimination of Racial Discrimination. Mr de Gouttes stated in the letter that the bill "does not appear to be in conformity with the committee's recommendation". He went on to say that the definition provided for "direct" and "indirect discrimination" in the bill was narrow and different from the Sex Discrimination and Disability Discrimination Ordinances.

New labour law 'setback for HK': The new labour contract law has come under attack from several HK members of the Guangdong provincial Chinese People's Political Consultative Conference who are worried it will hurt HK businessmen in the delta. Poon Siu-chung, chairman of Perfectech International Holdings, said in Guangzhou that the new labour law was another setback for HK toy factories, following the after-effects of a series of toy recalls last year. He said the law had been passed without sufficient consultation with HK, and was certain to increase labour costs by at least 10%.

Why were Falun Gong banned, judges ask: The government has been put on notice that it has so far provided insufficient evidence to account for why more than 70 Falun Gong practitioners were refused entry to HK five years ago. The Court of Appeal described as "astounding" a government assertion that all records of why the practitioners were turned away had been destroyed three weeks after the incident as a matter of routine policy. The government has said that those turned away constituted a threat to public order at the time, when the Falun Gong was holding a conference in HK, but not afterwards.

Environment

Smog in Guangdong worst since founding of People's Republic: Guangdong was plagued last year by the worst smog in 59 years, with 27 major cities and counties reporting record numbers of smoggy days, according to the province's meteorological bureau. A bureau report reviewing the atmospheric state of Guangdong last year said the average number of smoggy days reported was the highest since 1949 when the People's Republic of China was founded. In HK, smog last year was the third-worst since 1968, with the number of hours with reduced visibility reaching 1,298. December was also the worst recorded month of reduced visibility - 305 hours.

Co-operation urged to help tackle smog: Guangdong's environment chief called for co-operation in the Pearl River Delta region to tackle air pollution instead of trying to apportion blame over the problem. Li Qing, director of the Guangdong Environmental Protection Bureau, also conceded that the large amount of industrial pollutants emitted in the delta region had contributed to the heavy smog that has reduced visibility in the area. Mr Li's remarks came amid rising concern over the level of pollution in the region after the province's meteorological bureau reported that last year, Guangdong had been plagued by the worst smog in 58 years.

Culture and education

International galleries to converge on city for art fair: Representatives of 100 of the world's leading art galleries will gather at the Convention and Exhibition Centre for a modern and contemporary art fair that has been branded the largest of its kind in Asia. Fifty galleries from Asia and another 50 from the rest of the world will be represented at Art HK 08.

Macau

Macau snapping up HK showbiz talents: Increasing numbers of HK people with entertainment skills are finding work in Macau's casinos for double the pay they can earn in HK, a veteran drama director says. Chung Ying Theatre Company artistic director Ko Tin-lung said Macau's booming entertainment business - boosted by Las Vegas-style developments - had drawn talent, especially stage managers.

Do locals want democracy?: A group of Macau residents asked about their desire for democracy in Macau agreed that direct elections of the Chief Executive (CE) and the Legislative Council would be positive for the SAR, however some hold little hope of the implementation of universal suffrage. The subject of democracy has received growing attention from political activists and the media since the mainland announced in December that HKers could go to the polls to elect their CE in 2017. Many Macau residents also hope that they will have the chance to elect their leader.

Macau casinos lure gamblers from Jockey Club: The HK Jockey Club, a 124-year-old institution steeped in history and tradition, is facing a decidedly modern threat - glitzy new casinos built by Las Vegas operators in nearby Macau. The new competitors are draining away at least HK\$18.74 billion a year in betting revenue, or 20% of its annual take, estimates HKJC chief executive Winfried Engelbrecht-Bresges. "Our customers are definitely their prime targets." He said HK gamblers account for about 40% Macau's gaming revenue.

Casinos help Macau reduce tourism gap: The number of visitors to Macau increased by nearly 23% last year to more than 27 million, narrowing the gap with HK, which attracted a record 28 million arrivals. Macau is trying to repackage itself as an international destination with Las Vegas-style attractions. HK, which has long positioned itself as a key tourism hub, is worried the rapidly rising profile of its neighbour will prove to be tough competition and dilute its appeal.

27 years behind bars : Macau's high-profile corruption trial ended with the city's former transport and public works chief Ao Man-long sentenced to 27 years in jail.

Varia

Chamber chief in fraud case steps aside: The first woman to lead the HK General Chamber of Commerce in its 147-year history has stepped aside after becoming embroiled in an ICAC investigation into stock option fraud. High-profile businesswoman Lily Chiang has agreed to take "leave of absence".

Tourism industry moves to cash in on Macau boom: Despite a double-digit growth that generated HK\$130 billion last year, HK's tourism sector is eager to turn its competition with Macau into profitable cooperation. "Just as New York has Atlantic City and Los Angeles has Las Vegas, HK has Macau, and it helps attract people to the territory," aid Travel Industry Council executive director Joseph Tung. HK Tourism Board figures show Macau is on track to surpass HK in terms of attracting tourists. Macau and HK received 27 million and 28 million visitors in the year to December, respectively.

Vatican nod for bishop to succeed Cardinal Zen: The Vatican has named Auxiliary Bishop John Tong coadjutor bishop of the HK diocese, paving the way for Cardinal Joseph Zen to step down. The Holy See announced the appointment by Pope Benedict with "immediate effect" after Cardinal Zen turned 76 two weeks ago. According to canon law, the coadjutor bishop enjoys the right of succession. "This means Bishop John Tong would automatically become the successor to Cardinal Zen once the latter goes into formal retirement," the diocese said.

Press articles related to Switzerland and Swiss matters

A timely move (The Standard, 2.1.2008): Swiss watchmaker Blancpain opened its flagship store in HK, with TVB actress Bernice Liu and veteran singer Eliza Chan the guests of honour. Witnessing the growing demand of quality timepieces in the Greater China region, Blancpain decided to open its flagship store at Canton Road, where other world-famous brands are clustered.

Swiss inflation rate highest since 1995 (HK Economic Journal 5.1.2008): Fuelled by rising oil price, consumer prices in Switzerland rose by 2% in December 2007, the highest inflation rate since October 1995. Economists expect inflation rate to rise by 2.5% in the next few months and the Swiss National Bank will therefore be under pressure to raise the interest rate.

Switzerland may confiscate fake watches worn or brought by visitors (Metro 10.1.2008): In order to fight against fake watches, Swiss customs officers may confiscate fake watches worn or brought by visitors when they enter Switzerland. However, there will be no prosecution against these visitors as it will be difficult to prove that they have bought fake watches by intention. The Swiss watch industry loses more than US\$ 700 million per year due to the impacts of fake watches.

Swiss dressage team quit HK Olympics events (SCMP, 10.1.2008): The Swiss dressage team have decided to withdraw from competing at this year's Olympic equestrian events in HK after raising fears for the well-being of its horses. The withdrawal was announced by the Swiss equestrian federation. Olympic organisers switched the event to HK following concerns over equine disease and quarantine complications in Beijing. But due to the sweltering heat and humidity of HK, which is 1,900km from the capital, the Swiss camp decided to withdraw from the competition believing the climatic conditions could cause serious harm to the horses.

Credit Suisse, Founders forge ties to catch up on mainland listings (SCMP, 11.1.2008): Credit Suisse, the second-largest bank in Switzerland, plans to set up a mainland securities brokerage with Founders Group in the hope of catching up with rivals UBS and Goldman Sachs in underwriting domestic initial public share offerings. The two partners intend to apply for mainland approval in the near future, according to a Credit Suisse statement. Credit Suisse will hold a 33% stake in the joint venture.

Swiss consul at pains to show what kind of cloth his nation is cut from (SCMP, 17.1.2008): Perhaps they're tired of being neutral, but the Swiss consulate decided to throw a gala dinner on Tuesday night to show the landlocked nation's fashionable side. With the InterContinental hotel ballroom full of high-ranking officials and business guests, they were elegantly informed that Switzerland is more than just chocolate and cheese. "When I came to HK, I discovered Switzerland is most known for watches, jewellery and Swiss gold," said consul general Hans Roth. "I want to get Hongkongers interested in other Swiss things so I chose Swiss textiles."

Global economy tops Davos meeting agenda (SCMP, 21.1.2008): The icy Swiss mountains are to host the world's business and political elite for their annual gathering in Davos where the cooling temperature of the world economy is set to focus minds. The Davos event, a unique spectacle of wealth, power and debate, begins on Wednesday when chief executives and heads of state gather for five days of public discussions and private deal making. Started in 1971 and known as the World Economic Forum, the gathering provides a unique opportunity to gauge the mood of some of the world's most powerful people. This year's invitation list includes 27 heads of state or government, 113 cabinet ministers and stars from the world of entertainment.

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