

Economy + Finance

Jobless rate may near Sars level: Unemployment could be close to its all-time high by next year, the financial secretary conceded, but business leaders were less pessimistic. John Tsang did not rule out a rise in the unemployment rate from the current 4.6% to 8%. However, he doubted it would surpass the record 8.7% rate the city experienced during the severe acute respiratory syndrome epidemic six years ago. Despite expecting the unemployment rate to further climb by 2 or 3%, businessmen believed measures to allow more mainlanders to visit HK would ease the tough economy.

Xi paints gloomy picture for HK economy: Vice-President Xi Jinping has warned that the worst of the financial crisis is yet to come, and that unemployment in HK is likely to rise to 6.5% as exports drop by a double-digit percentage this year. Mr Xi painted the gloomy picture in a speech to more than 100 HK and Macau delegates to the Chinese People's Political Consultative Conference, as they met in Beijing for the national advisory body's annual plenum.

Vice-governor criticises HK manufacturers in Guangdong: Struggling HK manufacturers were slammed for lacking long-term vision for their business development after they complained of unfavourable Guangdong government policies to the province's vice-governor. Wan Qingliang said that the provincial government did not have policies on forcing labour-intensive enterprises to quit, and told them they lacked competitive advantage.

Home prices and rents drop most in 10 years: Residential prices and rents, hit by the global financial crisis, recorded their biggest quarter-on-quarter drop in a decade during the last four months of last year, according to the Rating and Valuation Department. The annual property review by the department shows selling prices of mass residential units dropped 12.1% in the fourth quarter from the third quarter. The prices of luxury units fell 15.7% during the same period. Rental prices in the mass residential market slumped 11.5%, while rents of luxury properties dropped 10.9%.

Tsang to review economy midyear: Financial Secretary John Tsang will review the economy in the middle of the year to see what further complications HK will face if conditions worsen globally. Tsang is under pressure to provide additional relief measures since the release of his budget. He hinted at considering additional assistance if conditions worsen.

3,000 HK factories in delta idle: More than 3,000 HK factories in the Pearl River Delta region are closed or idle because they have no orders, despite expectations that they would have reopened by now after an extended Lunar New Year holiday. Danny Lau, chairman of the HK Small and Medium Enterprises Association, said he estimated that about 3,200 factories, or 5% of the 65,000 HK-invested factories in the delta, had not resumed operations after the holiday. Toy and clothing manufacturers had been hit hardest.

Slump sees jewel show lose glitter: HK's showpiece International Jewellery Show reported its first decline in attendance since 2001. While around 30,000 buyers came in for the five-day event, the figure was down 1,000 on last year, HK Trade Development Council assistant executive director Raymond Yip revealed. "However, we are fortunate in that at least our drop was moderate. A watch exhibition in Switzerland recently had 20% fewer buyers; a jewellery exhibition in Italy lost 40%, and another jewellery exhibition in Macau lost 40%," Yip said. The lower attendance - 15% fewer overseas buyers took part this year - had been expected, he said.

Worst is yet to come, warns finance chief: HK will face the full force of the global downturn and may need more government action to help shore up the economy, the financial secretary has told business leaders. "As a small, open and services-led economy, HK will be affected by global downturns," said John Tsang. "We've seen it before in varying degrees. But this time it is clear that, with all the numbers streaming in, we are going to be hit very hard."

Airport numbers grim: Cargo handled at HK International Airport slumped 19.7% last month from a year ago to its lowest since January 2004, while passenger traffic and aircraft movements dropped to three-year lows. Air cargo declined for the sixth straight month. The plunge came as the value of HK's total exports in January suffered its worst year-on-year decline in five decades, falling 21.8% while imports dropped 27.1% in January.

Vacancies slump as gloomy forecasts rise: The number of jobs available in HK has slumped to levels not seen since the city was gripped by the deadly SARS outbreak of 2003. And according to the HK Institute of Human Resource Management, things are going to get worse before they get better. Adding to the gloom is a prediction by human resources consultants HR-TotalSolution that the unemployment rate will surge to 7% in the first half of this year from its current rate of 4.5%. HK's unemployment rate peaked at 8.7% in 2003 during SARS.

One in 20 out of work: Five per cent of HK workers are out of a job - and the problem is likely to get worse. That was the bleak message from the government after 17,500 people lost their jobs last month, pushing the unemployment rate to a near-three-year high. "The short-term outlook for the labour market is obviously not

bright ... the jobless rate is expected to continue rising," Secretary for Labour and Welfare Matthew Cheung said. A flood of fresh university graduates will join the labour market this summer.

Finance chief plays down Shanghai threat: The financial secretary sought to play down fears HK faced competition from Shanghai, which has won the central government's backing to become an international financial centre, saying China could accommodate two global financial hubs. Financial Secretary John Tsang said it was reasonable to have two international financial centres in China. "China is a big country ... two international financial centres can serve different regions of the country," he said. The finance chief said HK would explore ways to co-operate with Shanghai to better serve the country.

City must act now to secure its future as financial hub, Exco convenor says: Hong Kong needs to take action now to map out its long-term future as a financial centre but is likely to develop differently from Shanghai, Executive Council convenor Leung Chun-ying says. Mr Leung said the public and private sectors in HK needed to study and discuss a long-term vision for the city after Shanghai was officially endorsed as the mainland's hub for global finance and shipping by 2020. HK has long been touted as a major hub for financial services, although much of its success over the past few years can be attributed to the mainland's economic growth and a packed pipeline of corporate listings.

Domestic politics

Public support for the budget dropping still further, poll finds: The public's satisfaction with the budget continues to fall, survey results show, with nearly 70% of respondents saying the job-creation measures announced by the financial secretary do not go far enough.

Relations HK - Mainland China

Wen offers HK four economic promises: Premier Wen Jiabao has reiterated the nation's support for HK, making four pledges to help the city overcome the financial crisis. Speaking at the end of the National People's Congress yesterday, Mr Wen stressed Beijing's commitment to help HK maintain its status as a financial centre. To do that, Mr Wen said plans had been drawn up for renminbi trade settlement in HK and would be implemented as soon as it was approved by the State Council. He vowed to speed up the construction of infrastructure connecting the mainland, HK and Macau, adding that work on the HK-Macau-Zhuhai bridge would start this year. Mr Wen also announced that a new supplement to the Closer Economic Partnership Arrangement would be signed this year, with initiatives to further increase HK access to the mainland's service sector.

Transborder affairs

Shenzhen HK travel curbs to be eased: Restrictions on millions of Shenzhen residents travelling to HK will be relaxed from next month and firms in HK will be allowed to settle trade payments between the city and Guangdong in yuan later this month. The measures are part of initiatives, which also cover education, environmental protection and transport, to further co-operation between HK and Guangdong unveiled by Chief Executive Donald Tsang following a meeting with top Guangdong officials in Beijing. Leaders in the travel and business sectors believe that the measures will boost HK's economy.

Crisis brings us closer, says Shenzhen mayor: The effort by Shenzhen and HK to overcome the financial crisis would strengthen the partnership between the cities, Shenzhen's mayor said. Xu Zongheng said the flow of people and cash between the two cities would increase in the coming year thanks to a new visa agreement and building of cross-border transport and economic infrastructure.

Legal affairs and human rights

City's deputies want action on labour law: Local deputies to the National People's Congress will submit a proposal to Beijing, hoping to clear up issues arising from the introduction of stricter labour laws on the mainland more than a year ago. "A lot of problems have arisen since its implementation," said Peter Wong, one of the deputies drafting the proposal. The law, which included tightened restrictions on layoffs and increased overtime pay, was introduced to better protect workers. But many HK businesses with operations on the mainland have criticised the requirements as too harsh and expensive.

Asylum seekers allowed to work: Asylum seekers will not be prosecuted for working in HK before their claims for asylum are decided, according to a judicial review ruling in the Court of First Instance. The finding was a victory for a group of 29 Pakistani asylum seekers facing a criminal prosecution that the Justice Department mounted against them for allegedly remaining unlawfully in HK.

Health

Drug abuse spreads to elite schools: Drug abuse has penetrated schools across the city, with students in well-off districts taking cocaine and those from underprivileged areas taking ketamine. Alarming figures from a city-wide chain of counselling centres for drug abusers show that 394 school students were found to have drug abuse problems between January last year and March this year.

Private hospitals beat the recession blues: Many private hospitals are going strong amid the global financial tsunami and are pressing ahead with expansion plans over the next few years. The financial crisis has

impacted the medical industry minimally and assumes it is because most people tend to invest more on protecting their physical being rather than spending on other things during such times.

Tsang promises action on recent drug blunders: Chief Executive Donald Tsang pledged to take more action to deal with recent blunders involving drugs produced by local manufacturers in HK. Health Minister York Chow admitted that government complacency brought about six drug blunders in the past two weeks in HK. Mr Tsang said that government departments would be investigating the drug procurement process to restore public's confidence in their safety.

Environment

Dirty tricks over clean air lashed: Lawmakers and green groups have accused the government of inflating the true cost of improving the air quality in an attempt to dampen public demand for cleaner air. Officials say a specially commissioned HK\$6 million consultancy report into how much it will cost to meet strict clean-air targets found it would cost HK\$28.5 billion and increase electricity bills and bus fares by 20 and 15% respectively. "They want to mislead the public because they only emphasize the short-term monetary cost without mentioning the benefits to public health," said Democratic Party lawmaker Kam Nai-wai.

Culture and education

'Bureau's fault' if HK misses out in Pisa test: The Education Bureau must accept responsibility if HK fails to qualify to take part in the 4th Programme for International Student Assessment test, a local assessor in charge of it has warned. Esther Ho, director of the HK Centre for International Student Assessment (HKCISA), said she did not want to see her decade-long effort being jeopardised by the government's "irresponsible" comment.

Parents set to vote on Peak school move: Nearly a third of German Swiss International School parents are expected to vote against a controversial proposal to send some of the youngest pupils away from campus on The Peak to a temporary site in Ma On Shan. It is expected that 150 out of 547 parents with voting rights will say no to moving pupils to Ma On Shan from next year - in order to make room for renovation works to The Peak campus - at two extraordinary general meetings at the school.

Innovation key to HK survival, says academic: HK's next generation needs to "think outside the box" and become more creative so that the territory's economy will stand out from neighboring cities, an expert on innovative management said. Ali Farhoomand, professor of innovation and information management at HK University, also warned that the SAR's education system, with its rigid and test-based curricula, will dampen motivation and hamper creativity. "Students here are trained to memorize things instead of trying to understand," Farhoomand said.

Macau

Macau casinos bet on cost cuts, visa talks after revenues slump: Casino operators' attempts to soften the blow of Macau's slowdown are starting to show results and optimists are hoping the worst may now be history. While no one expects the industry to return to the 50 to 60% growth rates it experienced a year ago at the height of the boom, analysts are starting to wonder whether the market's free fall finally found a bottom in the fourth quarter. Casino revenue declined for a third quarter in the three months to December and fell 2.5% from a year earlier for its first annual contraction in at least three years.

Tsang raises denials of entry with Edmund Ho: Donald Tsang expressed his concern to Macau's chief executive about the city's repeated barring of visitors from HK when the pair met in Beijing. Macau Chief Executive Edmund Ho said his administration would not do anything unfavourable to normal exchanges between the two special administrative regions, but insisted Macau authorities had legitimate reasons to enforce its laws. Politicians in HK have accused the Macau authorities of overreacting, and pressure is growing for the central government to step in.

Get lost: Macau played a hand of political poker as it turned back five firebrand HK activists but let in 28 more moderate members of the pro-democracy camp. Senior officials said the five posed a danger to Macau's "stability and public order" and barred them from entering under internal security laws. Macau's Public Security Police Force Commissioner Lei Siu-peng said the Macau government reserved the right to deny entry to those who violate the purpose of an intended visit and to preserve social stability and public order. Chief Executive Donald Tsang was urged to step up the fight for the rights of Hongkongers after five members of a group of 33 pan-democrats were turned away from the former Portuguese enclave.

Diplomats voice fears over Macau entry row: The row over Macau's denials of entry to Hongkongers has escalated to the international level, with foreign consulates expressing their concerns to the former enclave's government. Maria Castillo-Fernandez, head of the European Commission's Office in HK, said it had been following the cases and "expressed concerns" to the Macau government during a meeting last month.

Those concerns include whether the denial of entry for Hongkongers, as well as the passing of the Article 23 national security bill, would have any impact on future visits by European politicians who might be outspoken against China. The British consulate also said it had raised concerns with the Macau government.

Varia

Mainland visitors help lift retail sales by 7.4 per cent: Shoes and supermarket goods topped people's shopping lists in January as the Lunar New Year holiday and an influx of mainland visitors helped lift retail sales by 7.4% in value, the biggest year-on-year increase in five months. A government spokesman said efforts to promote inbound tourism from the mainland should help boost the retail trade amid the global downturn. The number of mainland visitors soared 31.3% in January to over 1.89 million and accounted for more than two-thirds of the total, Tourism Board data showed.

Singapore edges HK in qualities to push tourism: HK has been overtaken by Singapore this year on qualities to develop the travel and tourism industry, a study by the World Economic Forum has found. Although HK rose two places to 12th in this year's travel and tourism competitiveness report, the city's rating for environmental sustainability was down on last year. HK also ranked lower in terms of human and natural resources as well as tourism and communication infrastructure.

Minister's Taiwan trip 'to spur closer ties': HK and Taiwan are tipped to enter a new era of closer ties following a historic visit to the island by a high-ranking official from the city. "I believe that after the Second World Buddhist Forum, relations between the two places should be able to develop a step closer, and I expect the ties between Taiwan and HK will rise to a new development stage," Secretary for Home Affairs Tsang Tak-sing said. Mr Tsang became the most senior HK official to visit the island since the city reverted to Beijing rule in 1997. He joined more than 700 Buddhist leaders from around the world who arrived to take part in the forum's closing ceremony in Taipei.

Press articles related to Switzerland (+ Swiss matters) and Liechtenstein

UBS picks former finance minister as chairman (SCMP, 5.3.2009): UBS has nominated former finance minister Kaspar Villiger as its chairman, replacing Peter Kurer after just one year amid a United States investigation into whether Switzerland's largest bank helped wealthy Americans evade taxes. Mr Kurer's departure comes less than a week after UBS called former Credit Suisse Group chief executive Oswald Gruebel out of retirement to replace its chief, Marcel Rohner. UBS is being sued by the US over the names of as many as 52,000 clients after agreeing last month to hand over details of a few hundred customers to avoid prosecution on a charge that it helped rich Americans evade taxes. The bank is cutting 11,000 jobs after more than US\$50 billion in losses from the credit crisis, and clients withdrew US\$195 billion of assets last year.

Principality joins battle against tax offenders (SCMP, 13.3.2009): Liechtenstein offered to conform to global rules in the fight against tax avoidance and said it would seek agreements with other states in an attempt to shed its status as a rogue tax haven. The principality, one of three on the list of unco-operative tax havens compiled by the Organisation for Economic Co-operation and Development, said it would comply with standards for transparency and information exchange set by the OECD. "We are currently experiencing a fundamental and rapid change at the global level in the direction of stronger cross-border co-operation and international regulation," Crown Prince Alois said in the "Liechtenstein Declaration".

Switzerland to ease bank secrecy, join global fight against tax cheats (SCMP, 14.3.2009): Switzerland would adopt the Organisation for Economic Co-operation and Development's rules for combating tax evasion, allowing the government to provide tax information in specific cases, Finance Minister Hans-Rudolf Merz said. "Banking secrecy does not protect tax crimes. International co-operation on taxes has become more important given the globalisation of financial markets and in particular against the background of the financial crisis," Mr Merz and Swiss President Pascal Couchepin said. However, Switzerland would not drop bank secrecy altogether and would only pass on information following detailed requests on individual cases from other countries.

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