

Economy + Finance

Flood of liquidity drives big response to SAR bond sale: HK's first government bond sale in five years has received an overwhelming response as ample liquidity and a low rate environment have driven money to sovereign bonds as a safe haven. The HK\$3.5 billion in two-year government bonds - which went up for auction - have attracted orders up to 6.45 times worth of subscription.

Doubled August flat sales strengthen recovery story: HK home transactions last month more than doubled from a year ago, further signalling a property market recovery. Apartment sales in August climbed to 11,250 units, up 112.9% from the same month last year and showing a fifth month year-on-year rise, according to the Land Registry. Transactions by value rose 173.7% to HK\$41 billion, a year-on-year increase for the second straight month.

Aviation show to have 33pc fewer exhibitors: The region's biggest showcase of civil aviation is about to open in HK with about one-third fewer exhibitors and fewer visitors as the airline industry struggles to emerge from the global downturn. A total of 356 firms will be exhibiting at the Asian Aerospace International Expo and Congress at the AsiaWorld-Expo venue. The last show in 2007 had 575 exhibitors. The number of visitors this year is expected to fall to 10,000, from almost 12,000. The influential trade show, which moved to HK in 2007 after 26 years in Singapore, is staged every two years.

HK among easiest places to do business: HK, along with two other Asia-Pacific economies – Singapore and New Zealand – were ranked by the World Bank as one of the easiest places to do business over the past year, when most of the region's economies carried out regulatory reforms in the face of a global economic crisis.

Finance minister flags recovery from downturn for HK economy: HK's economy is showing signs that it is emerging from the global downturn, but Financial Secretary John Tsang stopped short of predicting how fast or what shape the recovery would take. "Although it is too early to predict the pace or shape of recovery from the global financial crisis, recent economic data indicates economies including HK are emerging from severe recession, and they are preparing for take-off," Tsang said. His comments appeared to contradict those of outgoing Monetary Authority chief executive Joseph Yam, who had said recovery of the local economy might be "L-shaped". This suggested a return to fiscal health was still a long way off.

First sovereign bond sale outside mainland in HK: The Ministry of Finance said it would sell six billion yuan in yuan-denominated bonds in HK, the nation's first sovereign bond sale outside the mainland, in a move to internationalise the currency and promote the city as a financial centre. The sovereign bond issue could encourage more mainland institutions to issue yuan debts here, the ministry said.

Cloud over job market lifts: Signs of a rebound in the job market mean HK's economy is showing more "green shoots", even if some positive signals may come in a shade of brown. Banks and property agents are hiring again, employment advertising is rising, and even the pollution levels in Central have returned to growth - all signs the economy is getting back on track faster than many had predicted.

HK still world's freest economy, but city slips in judicial rankings: HK managed to hold on to its ranking as the most economically free market in the world, according to the Fraser Institute, but saw its score for maintaining a fair and impartial judiciary drop. Switzerland ranked the 4th for economic freedom.

Foreign direct investment reached record levels in 2008: Foreign direct investment in HK increased 15.8% to a record US\$63 billion last year, a United Nations survey found. The city held on to its position as Asia's second-most preferred destination for the eighth straight year and jumped three places to No 7 in the world rankings. But preliminary data for the first quarter of this year shows a year-on-year decline of almost 40% to US\$11.8 billion, InvestHK director general Simon Galpin said.

Wealth focus better idea, says SFC chief: HK should focus on becoming an international wealth center because of its growing ties within Greater China, says Securities and Futures Commission chairman Eddy Fong. He said that a financial center could have lots of speculative activity, which could lead to greater risks in times of crises. A wealth center, on the other hand, would lessen risk and help the economy grow.

HK office rent still steepest: HK remains the most expensive place in the world to run an office, according to Colliers International. In the latest Global Office Real Estate Mid-Year Review, which features 170 office markets across the globe, HK topped the list again despite seeing a 35% slide in Class A rent to US\$138.08 per square foot per year in June. "The rentals were 10% higher than those of London's West End, which took second spot in the list," said Colliers research and advisory director in HK.

HK sees third month of deflation: HK experienced falling prices for the third month running in August, with the composite consumer price index falling to minus 1.6%. Economists had forecast deflation of 1.3%.

A government spokesman attributed the deflation to low import prices and falling costs for businesses amid the global downturn. A return to rising prices was not expected in the months to come, he said.

Mortgage war seen easing: The most aggressive mortgage lenders in the market are likely to scale back special offers following a warning from the HK Monetary Authority about containing risks, bankers said. Some customers were able to secure interest rates as low as 2%. "The more aggressive pricing in the market will be adjusted to a level more or less in line with most of the banks in HK," ICBC (Asia) director Stanley Wong said. However, local lenders are unlikely to substantially increase mortgage rates, Wong said.

SFC issues post-Lehman proposals: The Securities and Futures Commission presented a series of proposals on how to shore up the sale and distribution of financial products, saying market confidence remained shaky in the wake of the Lehman Brothers minibond scandal. The market watchdog issued a 93-page paper with recommendations on how to improve each stage of an investment lifecycle - pre-sale, sale and post-sale. It gave the public until December 31 to comment on the proposals.

August turning point for retail sales: The decline in HK's retail sales eased in August, as a buoyant stock market and a recovering property market encouraged Hongkongers to go out and spend. The value of retail sales last month fell 0.2% year-on-year to HK\$22.7 billion, beating analyst forecasts of a 3.5% decline and easing from the 5.3% drop recorded in July. August marked the seventh straight month of declines in retail sales.

Domestic politics

Pan-democrats threaten to quit over suffrage: Chief Executive Donald Tsang has two opportunities left to deliver a road map towards genuine universal suffrage - in 2017 and 2020 - or risk all 23 pan-democrats stepping down from the legislature on July 1, 2011. That was the message the Civic Party sent to Tsang following discussions about how to advance constitutional reform and pressure the government into committing itself to suffrage for the chief executive and Legislative Council elections.

Electorate 'will surely' choose the chief executive in 2017: The use of universal suffrage in the chief executive elections in 2017 was a solemn pledge and would definitely happen, Chief Executive Donald Tsang said. A public consultation on constitutional reform plans for 2012 will be launched in the fourth quarter. Tsang outlined several major issues - financial problems, human swine flu and youth drug abuse - that he would touch on in his policy address on October 14.

The big race - heavyweights step forward: The battle for the 2012 chief executive election has informally begun, with two likely candidates openly promoting their strengths as leaders. While Executive Council convenor Leung Chun-ying gave his clearest hint yet that he would run by saying he now regretted remarks he made in 1996 when he ruled out ever running for the post, Chief Secretary Henry Tang portrayed himself as a magnanimous leader who would not rely on spin-doctoring.

Pan-democrats closer to 'referendum' deal: Differences between pan-democrats on a proposed de facto referendum on universal suffrage narrowed after a meeting between leaders of the League of Social Democrats and the Civic Party. The two parties agreed that voters should be asked to back a call for a road map on how full democracy could be provided by the government in the forthcoming reform consultation, if universal suffrage cannot begin in 2012. The league had earlier insisted on the 2012 demand, while the Civic Party was open to slower reform if the government could promise a road map for electing the chief executive and all members of the legislature by universal suffrage in 2017 and 2020 respectively.

Beijing loyalists seeking ties with Catholic Church: A Beijing-friendly political party is seeking ties with the Catholic Church in HK now the diocese is being led by a bishop who is less confrontational than his predecessor. In an unprecedented meeting with Bishop John Tong, the Democratic Alliance for the Betterment and Progress of HK sought to open up co-operation with the church on family affairs.

Relations HK - Mainland China

30 lawmakers set for Sichuan visit to assess projects funded by HK: Thirty lawmakers will pay a three-day visit to Sichuan province to check on earthquake reconstruction projects funded by the HK government. It will be the legislature's second visit since the quake in May last year. The long-awaited trip was finally approved by the Sichuan provincial government, which replied to a Legislative Council's request for half of the 60-member legislature to make the trip.

Exco convenor to press issue of Xinjiang beatings: A pro-Beijing heavyweight and an Exco convenor Leung Chun-ying has promised to take up the case of police brutality by Xinjiang authorities against three HK journalists covering unrest in the autonomous region. Hundreds of journalists took to the streets in HK to condemn the Xinjiang government's handling of the case.

NPC delegate defends beating of journalists during Xinjiang chaos: A senior HK member of the National People's Congress has defended the Xinjiang armed police's use of force on city journalists, saying the officers were under pressure and Hongkongers should wait patiently for Beijing to handle the matter after National Day. Deputy convenor Maria Tam was speaking after a meeting of the delegation at the central government's liaison office. The delegates would not make a joint statement about the incident.

Ministry owns up to lost Ceps chances: The Ministry of Commerce has admitted that business opportunities brought about by the cross-border free-trade pact have not been fully used in the past six

years due to inadequate promotion and supporting policies on the mainland. Not enough effort had been made in promoting and selling the measures under the Closer Economic Partnership Arrangement (Cepa) and as a result some places on the mainland had inadequate knowledge of the pact, Vice-Minister of Commerce Jiang Zengwei said.

Stand on your own feet and start thinking: HK should stop relying on favours from Beijing and improve its competitiveness, says Lu Ping, the official who was in charge of the city's affairs in the central government in the run-up to the handover. Twelve years after retiring, he still worries about the future of the city he thinks of as his son. He says it is being marginalised by the rapid development of the mainland and risks falling behind Shanghai, Guangzhou and Shenzhen.

Tsang powers up after meeting Xi: In a surprise move, Chief Executive Donald Tsang has met with Vice President Xi Jinping, who is tipped to take over from President Hu Jintao in 2012. The meeting in Beijing took place as Tsang leads a 200-strong delegation to celebrations for the 60th anniversary of the People's Republic of China.

Legal affairs and human rights

Surprise as top judge goes early: Chief Justice Andrew Li, widely credited with maintaining confidence in HK's judicial system for the 12 years since the handover, shocked the legal community by announcing he will retire early. The move raises concerns about who will succeed him as the head of the judiciary, a position seen as crucial to the independence of the courts. The judiciary is regarded by many as the ultimate guarantor of the freedoms enshrined in the Basic Law and Sino-British Joint Declaration for HK in its 50-year transition from British rule.

Appeal court criticises government secrecy: The Court of Appeal has criticised the government for not disclosing information backing its ban on four Falun Gong practitioners in February 2003. It said the government had breached its duty of "full and frank disclosure".

Health

Act on deaths, hospitals told: Health minister York Chow wants answers in the wake of medical blunders at public hospitals. Chow has told the Hospital Authority to come up with an improved clinical audit system within two to three weeks. "The recent few cases are repetitions of mistakes of the same kind, usually affecting a routine and the usual regular and basic procedures, rather than the difficult and demanding procedures," he said after meeting authority chief executive Shane Solomon. "We feel that this is an opportunity for us to have a fresh look at the clinical audit system of the Hospital Authority."

HK to scale back surveillance for swine flu cases: HK is to scale back its swine flu surveillance programme after a Centre for Health Protection review showed the virus was milder than first thought. It is estimated that as many as half a million city residents have been infected with the disease - 20 times the number of confirmed cases - but cases have been so mild that a majority have gone undetected. The scaled-back programme followed advice from World Health Organisation head Margaret Chan, who said that the city should focus its efforts on reducing serious cases.

Culture and education

51 vying for top post at arts hub: Fifty-one people are competing for the top job at the West Kowloon arts hub, lawmakers were told. Sin Chung-kai, chairman of the remuneration committee of the West Kowloon Cultural District Authority Board, said: "We are not just looking for someone who has worked in a cultural organisation - that is not enough. We need someone who has had actual involvement in arts. "We stress the importance of the candidates' professional standing and leadership in the cultural sector."

Banned history book's HK release to go ahead despite warnings: The author of a history book banned on the mainland for criticising traditional Chinese culture has decided to defy the authorities' orders not to release the work in HK. Xiao Jiansheng, 54, said Chinese History Revisited would go on sale despite his being told by mainland authorities earlier this week to scrap the plan.

Macau

Macau casino operators look set to pull aces for rest of year: After a losing streak that lasted nearly a year, Macau is once again heating up and casino operators there look set to pull a number of aces from their sleeves in the remaining months of the year. Casino revenue soared 17.2% from a year earlier to 11.27 billion patacas last month - the city's single biggest monthly takings ever. Macau's bumper haul in August was slightly more than triple the Las Vegas Strip's US\$471.25 million in average monthly casino revenue during the 12 months to June.

Macau gaming shares soar: Macau stocks soared as reports of record gaming revenues in August prompted analysts to call the start of an economic recovery in the territory. "While the competition in the gaming sector could remain tough, we believe the growing revenue pie is likely to stimulate further new investments and a better employment outlook," Credit Suisse analyst Cusson Leung said.

Macau casino revenues on pace to match record: Macau casino revenues are up 60% year on year after the first 20 days of the month and are on pace to repeat last month's record-setting haul, according

to gaming analysts. (...) Casino executives generally regard September as a soft month, but based on the first 20 days, this month is on pace to come within striking distance of last month's record-setting monthly haul of 11.27 billion patacas. "Macau is back in a big way ... We are even more excited about the earnings recovery, given the sector-wide heavy cost cutting, reduced junket commissions and high operating leverage," said Aaron Fischer, CLSA Asia-Pacific Markets head of Asian consumer and gaming research.

Varia

Palin poised to spread her wings with HK stop on first visit to Asia: Former governor of Alaska Sarah Palin, who lost the US presidential election last year as running mate to Republican contender John McCain, will visit HK on her first trip to Asia. She will address more than 2,000 fund managers and businessmen at a meeting organised by the CLSA Investors' Forum on September 23.

HK still the spam capital of the world, with 4,000 'zombies': HK's computers are under siege as never before, with more than 90 per cent of e-mails sent to the city's users last month being spam, according to an internet security report that calls the city the world's spam capital. The report by the New York-based internet security firm MessageLabs set last month's spam rate at 93.4% - up from just over 80% on average last year.

HK to entice Taiwanese visitors lost to direct links: HK's tourism sector will launch more promotions to make up for the loss of Taiwanese visitors resulting from the recent advent of direct transport links across the Taiwan Strait. Board data shows that nearly 1.4 million Taiwanese visited HK in the first eight months this year, a fall of 10.6% compared to the same period last year. After the mainland, Taiwan was the second-largest source of visitors to HK and made up almost a tenth of total visitor arrivals.

Grim outlook for one in four teens seeking jobs: More than a quarter of HK's teenage workers are looking for jobs, the highest level in four years and 50% more than before the collapse of the world economy a year ago. The latest jobless figures show the overall unemployment rate held steady at 5.4% last month. But 28.7% of people aged between 15 and 19 were out of work in July, compared with 24.3% in June.

US tax snoops zero in on HK: US tax authorities are spreading their global dragnet wider in an attempt to snare tax evaders, and the income of Americans in HK may be about to come under more scrutiny. The United States Internal Revenue Service (IRS) is moving closer to being allowed to examine the tax liabilities of the 60,000-plus US citizens living in HK. Next month the Legislative Council will resume discussion on an amendment to the city's tax laws that would allow tax authorities to gather information on expatriates' tax liabilities and hand it over to their home countries. (...) Disclosures have picked up sharply in the wake of a watershed agreement by Swiss bank UBS to avoid charges of assisting American clients with tax evasion. The bank agreed to pay US\$780 million in fines and hand over a list of a couple of hundred clients who may have been involved in wrongdoing. The US has since pushed UBS to expand that list to over 4,000 names.

Record number of people living under poverty line: The number of people living under the poverty line in the first half of the year reached a record high of 1.23 million, with the elderly and teenagers hit hard, a study showed. (...) Across the age groups, people aged 65 and over were revealed to be the most seriously poverty-stricken, with 32.1%, or 270,000, living below the poverty line. The council expressed concern about poverty among young people between the ages of 15 and 24.

Press articles related to Switzerland and Swiss matters

Swiss topple US as most competitive economy: Switzerland knocked the United States off the position as the world's most competitive economy as the crash of the US banking system left it more exposed to some long-standing weaknesses, a report said. The World Economic Forum's global competitiveness report 2009/10 showed economies with a large focus on financial services such as the US, Britain or Iceland were the losers of the crisis. HK retained its 11th position, and continued to figure in the top 10 in five of the 12 categories. It continues to top the financial sector, "although its score and lead are eroding", the report said.

Polanski's arrest by Swiss shocks rest of Europe: European government ministers, directors, writers and intellectuals expressed shock and outrage after the arrest of Oscar winning director Roman Polanski on three-decade-old child sex charges. His lawyers have vowed to fight extradition from Switzerland to the US to face judicial authorities over his 1977 admission that he had sex with a 13-year-old girl.

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