

Economy + Finance

HK signs latest Cepa deals: Government efforts to foster six new pillar industries will receive a major boost when an enhanced free-trade pact between HK and the mainland kicks in next year. A diverse range of professionals, including architects, doctors and book sellers, will have easier access to the market across the border. Highlighted in the seventh edition of the Closer Economic Partnership Arrangement, or Cepa, are concessions allowing HK businesses and professionals to establish wholly-owned hospitals in Shanghai, Chongqing, Guangdong, Fujian and Hainan, as well as related facilities. The new arrangement allows accredited companies in HK to test products according to the China Compulsory Certification System. Medical services and product testing are two of the new economic pillars the government hopes will help diversify the city's economy. The other sectors are education, environmental industries, innovation and technology, cultural and creative industries, and food safety. The new arrangement was signed in HK by Financial Secretary John Tsang and Vice-Minister of Commerce Jiang Zengwei. It will take effect on January 1. It includes 35 measures aimed at fostering trade and investment in 19 sectors. Of the measures, 27 focus on liberalising the mainland market in 14 service sectors.

HK economy bounces back from mauling: HK's economy has clawed its way back after being battered by the global downturn - with first-quarter GDP up 8.2 per cent to pre-crisis levels. Double-digit growth in imports and exports, an influx of mainland tourists and healthy domestic demand contributed to the year-on-year rebound. Government economist Helen Chan said officials were cautiously optimistic that the government's forecast for GDP growth of up to 5 per cent could be exceeded.

Budget surplus HK\$12b higher than estimated: The government underestimated its 2009-10 budget surplus by more than HK\$12 billion, official figures show. Almost HK\$10 billion more in tax, land premium and stamp duty revenues and HK\$2.2 billion in expenditure savings inflated the surplus from an estimated HK\$13.83 billion to HK\$25.9 billion. The year's surplus increased the fiscal reserves to HK\$520.27 billion, enough to cover 21 to 22 months of average government spending.

HK overtakes US as top business-friendly economy: HK and Singapore are the world's most competitive economies, demoting the United States from the top spot for the first time since 1993, an annual survey said. The study lists 58 economies according to 328 criteria that measure how the nations create and maintain conditions favourable to businesses – a formula that had favoured the US for 16 years. "They are so close in the rankings, that it would be probably better to define them as a leading trio," said Stephane Garelli, professor at the Lausanne, Switzerland-based IMD business school, publisher of the World Competitiveness Yearbook. Switzerland and Australia rounded out the top five. Mainland continued its rise in the survey, reaching 18th.

Land auction fetches HK\$3.4b in lacklustre sale: The big hitters of the HK property scene stayed out of a lacklustre government land auction, a sign they are waiting on the sidelines to see if efforts to cool housing prices will succeed. The residential site in Tung Chung was sold to a low-profile, privately owned company, for a price that was 5 per cent less than the lower end of market expectations.

Inflation gathers pace, and it's set to keep rising: Consumer prices continued to rise last month, and at a faster pace than in March. Economists expect inflationary pressure to continue rising as the economy recovers and interest rates remain low. The consumer price index rose 2.4 per cent year on year, compared with a 2 per cent rise in March, the Census and Statistics Department said.

Value of retail sales up 19pc year-on-year in March: The total value of HK retail sales in March increased by 19 per cent over March 2009 to HK\$24.7 billion. A government spokesman said retail sales continued to grow "robustly" in March. This was due to improved consumer sentiment, better labour market conditions and more inbound tourism.

Domestic politics

Low turnout in by-elections deals blow to pan-democrats: A record low turnout at the Legco by-elections dealt a blow to a campaign that had been touted as a referendum on universal suffrage. Only about 579,000 voters, or 17.1 per cent of 3.37 million eligible voters, turned out amid a chorus of discouragement by top officials and government allies. The elections were triggered by the resignations in January of five pan-democrat lawmakers who hoped to offer voters the chance to show they wanted "genuine" democracy. But Beijing condemned the exercise, government-friendly parties declared a boycott and Chief Executive Donald Tsang and his ministers said they would not vote. All five lawmakers - Tanya Chan and Alan Leong of the

Civic Party, and Leung Kwok-hung, Wong Yuk-man and Albert Chan of the League of Social Democrats - were re-elected with comfortable majorities.

Chief Executive warns of public cynicism if reform vetoed: Chief Executive Donald Tsang has stood firm on his "disproportionate approach" to lobby support for the much-criticised 2012 electoral reform proposals, warning that a mood of pessimism and cynicism could set in if the package is vetoed by the legislature. He admitted his administration's proposals were a "far cry from full democracy" but said it was the best it could do in the wake of the constraints laid down by Beijing. As part of his publicity blitz themed "Act Now", Tsang has been mobilising his ministers to promote the electoral reforms. He has also invited the leader of the opposition Civic Party, Audrey Eu, to a televised debate next month.

Chief Executive under challenge from all sides: It seems that everyone now wants to debate with Chief Executive Donald Tsang - even his political allies. There is growing discontent on all sides after the chief executive challenged Civic Party leader Audrey Eu to take part in a televised debate on constitutional reform. Independent lawmaker Regina Ip said since Tsang had dismissed the so-called de facto referendum for universal suffrage, of which Eu's party was a core organiser, for not having public support, choosing Eu as a sparring partner was contradictory. Wong Kwok-hing, of the Federation of Trade Unions, earlier called on Tsang to engage all lawmakers in the debate, saying excluding government allies was unfair. The debate arrangements, along with the government's insistence that members of the public cannot take part - thereby ruling out questions from the floor - has angered both the Civic Party and the Democratic Party, which is also demanding to take part.

Trade-based seats are still in transition, minister says: The secretary for justice Wong Yan-lung said he felt there was no reason to depart from the stance that functional constituencies were merely "transitional arrangements" on the way to universal suffrage, in what appeared to be the administration's first public affirmation of this principle. Wong said the government had always maintained there was still time to debate the nature and future of functional constituencies in the context of functional constituencies. Wong stressed that the government was committed to the electoral model complying with principles of universal and equal suffrage - but that it was only authorised to propose reforms for the 2012 elections, which will not be conducted by universal suffrage.

Executive councillor advocates politically linked chief executive: Future chief executives should belong to a political party because it would make government more effective, transparent and accountable, an executive councillor Anna Wu says. Anna Wu also said it would be inconceivable for a chief executive candidate to campaign for election under universal suffrage without belonging to a party. She said the current political reform deadlock had got her thinking about the need for development of ruling political parties.

Relations HK - Mainland China

Beijing warns against another reform veto: In an open appeal for pan-democrats to support the government's constitutional reform package, Beijing's representative body in HK warned of a lose-lose situation if the Legislative Council vetoed the proposals again. Li Gang, deputy director of the central government's liaison office - in a rare speech on political reform - urged lawmakers to act "bravely" and "responsibly" to reach consensus. He said passing the package would "create favourable conditions for realising the universal suffrage timetable".

Beijing plea to Democrats on reform decision: A top central government representative in HK urged the Democratic Party, during a historic meeting with party leaders, to make a "responsible decision" to help move the political system forward. The call by Li Gang, deputy director of the central government's liaison office, came after the first meeting between the Democrats and Beijing since the Tiananmen Square crackdown in 1989. Li said the meeting had been arranged because the party had adopted a "rational and pragmatic" attitude in seeking a dialogue on political reform. But the Democrats said there were still huge differences between them and Beijing, and threatened to veto the HK government's proposal for the 2012 elections if the central government fails to make substantial concessions. The high-level talks sparked fears in political circles that the liaison office was now blatantly interfering in HK's affairs and acting as if it was the city's "second governing team" after the SAR government. Li denied the liaison office was acting as a "second governing team" in HK, saying the HK government was the only one.

Beijing official invokes Basic Law in rejecting 2012 voting proposal: A Beijing representative in HK held his latest groundbreaking negotiations on constitutional reform - and rejected a proposal by moderate pan-democrats to allow the public to elect district council sector lawmakers in 2012. Li Gang, a deputy director of the central government's liaison office in HK, told the Alliance for Universal Suffrage in their first meeting that its suggestion was inconsistent with the legislative intent of the Basic Law regarding functional constituencies. He also made it clear that neither his office nor the HK government had the power to handle electoral arrangements beyond 2012, unless there was another decision by the central government. The alliance said the talks ended in stalemate because of substantial differences between the two sides.

Legal affairs and human rights

HK lags on global terrorist, cash laws: After nearly two years of making little headway on strengthening the city's anti-terrorism and anti-money-laundering policies, HK officials are scrambling to show progress before a report to international watchdogs is due in June. In its 2008 report, the Financial Action Task Force (FATF) found that while HK had a "good legal structure to combat money laundering and terrorist financing", its policies were deficient in 19 of 49 areas. Of 16 priority areas, HK was deficient in six. These deficiencies include: the lack of a law to ensure financial institutions perform due-diligence checks on customers; minimal regulation and enforcement of record-keeping by financial firms; and significant shortcomings in implementing United Nations guidelines on the seizure of terrorist funds. Despite the deficiencies, HK is in the top 50 per cent of countries evaluated by the task force, according to a survey of its reports.

Trade protections may be extended to cover services: The trade description law should be extended to criminalise some much criticised sales practices of service businesses such as beauty, telecommunications and pay TV companies, the government proposed. The new criminal offences would cover false description of services, omission of vital information such as extra charges, the use of high-pressure tactics and accepting prepayment without the intention or ability to provide services.

Health

Swine flu vigilance to decrease: HK will soon lower its guard against swine flu - just over a year after the pandemic reached the city and with 90 per cent of the flu vaccine ordered at the height of the scare unused. Undersecretary for Food and Health Professor Gabriel Leung said that unless a World Health Organisation general meeting on May 17 suggested otherwise, "we will lower our response level from emergency to alert".

Environment

Rejection of plans to cut bus runs foils fight on roadside pollution: More than half the government's proposals made in the past three years to cut and rationalise bus routes were vetoed by district councillors, hampering efforts to reduce roadside air pollution. Environmental officials said that chopping bus routes is the most cost-effective way to control roadside emissions. Such proposals are usually not welcomed by district councils, which say passengers would have to pay higher fares in switching to other transport operators if bus routes are cut short.

Culture and education

HKU best in Asia again, and two other universities in the top four: The University of HK has been ranked the best university in Asia for the second year running in a league table of nearly 450 tertiary institutions across 11 countries. HK again claimed three of the top four places in the QS Asian University Rankings - HK University of Science and Technology came in second and Chinese University fourth - and had a record six universities in the top 50.

Macau

40 hurt as Macau labour rally turns ugly: At least 41 people were injured when protesters and riot police clashed on May 1 in the most violent Macau rally since 2007. Water cannon and pepper spray was used against workers who charged at a police cordon in a protest against illegal labour and runaway house prices. Political commentator Professor Larry So of the Macau Polytechnic Institute, said both the police and protesters were to blame. He said the police had deliberately overreacted to the protesters' violence in a show of force. "They wanted to show the central government that they were cracking down hard on troublemakers," So said.

Varia

One in nine living below breadline in HK: The number of people living in poverty in HK shot up by 19 per cent in the first three quarters of last year, leaving more than one person in nine below the breadline. The latest figures show almost 850,000 people were in poverty at the end of September, a situation an academic described as alarming. The government said the increase was largely a result of the global financial and economic crisis. Critics said it showed measures to ease poverty were not working and that the official belief that the trickle-down effect of an improving economy would help lift people out of poverty was "totally an illusion".

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