

### Economy + Finance

**Bank of China HK to offer yuan services to Taiwan lenders:** The HK unit of the Bank of China has been authorised to provide yuan cash settlement services for Taiwanese lenders operating in the city. It would benefit HK's development as an offshore trading centre for the yuan, as Beijing continues the internationalisation of the currency. Financial Secretary John Tsang said the arrangement showed Hong Kong's established yuan clearing platform was able to facilitate cross-strait co-operation. "This also underscores that HK, as a leading international financial centre in the region, can play an important role in cross-strait financial co-operation and development," Tsang said.

**Landmark yuan deal brings new products:** Standard Chartered and HSBC were the first banks off the starting blocks to offer yuan investment products after a landmark agreement between the HK Monetary Authority and the People's Bank of China was signed. The deal signed by HKMA chief executive Norman Chan and PBOC deputy governor Hu Xiaolian allows financial institutions to open mainland currency bank accounts and allows individuals to transfer yuan to and from them. This further relaxation of yuan trade is a key step towards allowing HK-based fund houses to set up yuan investments, brokers to trade yuan bonds and shares for clients, insurance companies to launch yuan policies and companies to raise funds in yuan shares or bonds.

**Peak land auction lands HK\$10.4b:** HK auctioned a plot of land for HK\$10.4 billion in its third-most expensive land sale. The deal was closely watched as prices at the auction are an indicator of mainland investors' appetite as they diversify their portfolios due to policy tightening at home. Analysts estimate that a fifth of buyers of HK's luxury apartments come from the mainland. The property market faces overheating worries, with housing prices rising by 10 per cent since the start of this year, after gaining about a third last year, driven by record-low interest rates and Asia leading in the global economic recovery. Including this sale, the government has generated HK\$26.1 billion from land sales since the start of the financial year in April. Its target is HK\$34.1 billion.

**New steps to mend HK image:** The government has given the Travel Industry Council three months to come up with concrete measures to address the deteriorating image of HK as a tourist destination amid anger at the treatment of mainland tourists by commission-hungry guides. The council has set up a special taskforce to look into the issue. The government and the travel trade are keen to quell the public fallout over the latest incident in which a tour guide was shown in a video clip berating members of a mainland tour group for not spending enough in a jewellery store. The clip was broadcast by more than a dozen television stations on the mainland, and stirred outrage in internet chat rooms. A number of incidents involving mainland tourists being forced to shop have tarnished HK's appeal as a tourist destination over the past few months. Mainland tour groups are often pressured to spend at designated shops to allow tour guides to earn a commission on their purchases.

**HK's jobless rate steadies:** The Census and Statistics Department said that its unemployment rate had held steady at 4.6 per cent between April and June, with employers "now in a better recruiting mood". HK's total employment increased slightly by around 8,800 to 3,492,100 between April and June, the first such rise since February. "That increase suggested "companies have become active in recruitment and that the new jobs created were able to absorb the concurrent increase in labour supply," said Matthew Cheung, the city's Secretary for Labour and Welfare.

### Domestic politics

**Low turnout, infighting at annual democracy march:** Amid uncertainty about the pace of democratisation - and fierce heat - the number of participants in annual July 1 march fell by at least a quarter from last year. Speaking after the march, convener Jo Lee said the lower turnout was expected because passage of the reform proposal had relieved pressure on the government, and the split among pan-democrats deterred others from taking part.

**Lawmakers raise questions about Chief Executive's authority:** The passage of the 2012 constitutional reform package marked the end of an important job for Chief Executive Donald Tsang, but it has also left lawmakers doubtful about how much he can do in the remaining two years of his term. Asked at Legislative Council question-and-answer session whether he was sidelined in the political negotiations between the Democratic Party and the central government, Tsang would only say the government had been a co-ordinator in the process. The Democrats said that Basic Law Committee vice-chairwoman Elsie Leung was a go-between for the party and the central government's liaison office for talks on reform. The legislature last month endorsed the government's reform resolutions, after Beijing accepted the party's proposal to allow

more than three million registered voters to elect five district council functional constituency legislators in 2012. Meanwhile, a survey conducted by the University of HK's public opinion programme found Tsang's popularity rating had risen slightly since the passage of the reform package.

**Democratic Party restates its position:** Amid speculation that the Democratic Party is slowly leaning towards the pro-establishment camp after its eight lawmakers voted for the government's political reform package, party chairman Albert Ho clarified after the 80-member meeting that they would remain a "pragmatic opposition". "Unless there is a democratic system, we will never join the government's ruling team," he said after the session, aimed at re-stating the party's position.

**Minister rejects Democrats' proposal on new seats:** The minister in charge of electoral arrangements has shot down an idea by Democrats that seeks to broaden the pool of candidates eligible to stand for the five new district council functional constituency seats in 2012. Secretary for Constitutional and Mainland Affairs Stephen Lam said the government was inclined to let only incumbent district councillors stand for the new seats. Lam said the Democrats' proposal was not in line with the government policy position and could raise legal concerns. He agreed, however, to explore a proposal to lift the limit on election expenses for the seats. Under the Democratic Party's idea, which it put to Chief Secretary Henry Tang at a meeting, anyone who has substantial connections with district councils - including former district councillors or even defeated candidates in previous polls - should be allowed to run for the new seats in 2012.

### International affairs

**Trade won't come before rights, UK official says:** The new British coalition government will not place its trade and business relationships with China before human rights and democracy issues, Foreign Office Minister of State Jeremy Browne said. In a two-day visit to HK, he also said his government was enthusiastic about the passage of the city's constitutional reform package. While saying what form of universal suffrage the city should ultimately implement was up to the people of HK, Browne said the fact that Beijing had given the green light to democratising the political system was an interesting development. British consul-general Andrew Seaton said the British government would continue to monitor the reform process ahead of the 2017 and 2020 chief executive and Legislative Council elections.

### Transborder affairs

**Pro-Cantonese rally to hop the border into HK:** Mainland protesters determined to defend the Cantonese dialect plan to shift their campaign from tightly controlled Guangzhou to freewheeling HK on August 1, where they will join local activists in a rally in Wan Chai. They are inspired by the recent gathering in Guangzhou, when hundreds defied authorities' orders and rallied to defend the local dialect. The Wan Chai rally will be the first one to bring Cantonese speakers in HK and Guangdong together on an issue hotly debated in both places. The Guangzhou demonstration was part of a public backlash against an official proposal earlier this month to switch programming on the main channels of Guangdong TV from Cantonese to Putonghua. Government officials said the move would make the city friendlier to visitors from other provinces during the Asian Games in November, but it has angered Cantonese speakers and triggered a spirited debate about the need to preserve the local dialect.

### Legal affairs and human rights

**Legislators pass minimum wage law after 41-hour debate:** HK finally has a minimum wage law after a 41-hour debate by legislators. "It marks a very important milestone in the protection of our labour, particularly for ordinary workers in HK. I would say it actually opens a new page in our socioeconomic history," Secretary for Labour and Welfare Matthew Cheung said after the vote. He said the government would monitor developments in the jobs market closely because foreign experience had shown that the real impact of a minimum wage would emerge about two years after its implementation. Unionists said the bill's passage was not the end of the battle, but the beginning of another fight as the Provisional Minimum Wage Commission had yet to recommend the minimum hourly rate to Chief Executive Donald Tsang. Unions have demanded a rate of no less than HK\$33, while employers' groups have suggested rates between HK\$24 and HK\$25. The commission is due to recommend the wage rate by the end of next month. Legislators will vote to accept or reject the rate decided by the chief executive. The law is scheduled to take effect in the first half of next year.

**Freedom of expression under threat, journalists' group says:** The Journalists Association warns that free speech is in jeopardy in HK, citing some recent incidents it says threaten media freedom. The association pointed to a deteriorating political climate reflected by growing official intolerance. Signs of government suppression included the arrests and prosecutions of protesters, and scuffles between police and demonstrators. But a government spokesman said human rights and freedom - including press freedom - are protected under the Basic Law. The spokesman also said the police had respected the public's right to participate in peaceful gatherings and processions, and to express their views.

**Make illegal sale of data an offence, privacy chief says:** The Privacy Commissioner has urged the government to give serious consideration to making unauthorised sales of personal data a criminal offence. Roderick Woo, who is investigating the HK\$44 million sale of the details of 1.9 million Octopus Card holders,

said it should do this as part of a review of the privacy law, which is now under way. Under the law as it stands, the sale of personal data by data users for profit without the consent of the subject is not a criminal offence and there is no penalty for misuse of personal data in direct marketing. Octopus has come under heavy criticism since Octopus Holdings chief executive Prudence Chan disclosed that the card issuer had not only been passing personal details of holders to its partners in a rewards scheme but had made HK\$44 million in the past 4-1/2 years from selling the data.

### **Health**

**Plan for 'high-risk pool' to take heat off health insurers:** The government is considering subsidising a separate insurance pool to cover Hongkongers at high risk of medical problems or those with pre-existing conditions who sign up for a voluntary medical insurance scheme it is proposing. The idea removes a big obstacle to the proposed scheme, which the Food and Health Bureau will put to public consultation later this year. Health minister York Chow will brief the Health and Medical Development Advisory Committee on the government-developed but industry-run scheme, whose goal is to cover at least 500,000 people and thereby relieve financial pressure on the public health system.

### **Environment**

**Roadside air quality worse in first half:** Health-threatening roadside air pollution continued to get worse in the first half this year. The latest air-quality monitoring data shows the number of hours at street level with a very high level on the air pollution index rose by a fifth from 2009. In response to queries about air quality, an Environmental Protection Department spokeswoman said comparing air quality changes over a short period of time might not be representative because of possible shifts in weather and emission patterns.

**Low-emission zone likely to be put on back burner:** A government plan to set up a low-emission zone in busy districts, including Central, Causeway Bay and Mong Kok, is unlikely to get off the ground before the current administration ends its term in mid-2012. In an attempt to improve air quality, officials proposed last year that only public buses with emission levels of Euro IV and above should enter such areas. But with only 160 buses currently meeting that standard, the Environmental Protection Department now proposes looking at an option of fitting Euro II and Euro III buses with a filter that could meet Euro IV emission standards. However, as Undersecretary for the Environment Dr Kitty Poon told lawmakers, a study of fitting a catalyst reduction device - said to be effective in cutting nitrogen oxide emissions by 60 per cent in buses - would take up to a year, and would not start until next year.

**Minister plugs planning loophole to protect beach:** The environment minister Edward Yau has promised to plug a planning loophole that allowed a developer to work on a private retreat at the picturesque Sai Wan beach. He said a statutory zoning plan would be drafted for the sensitive site. It also came after it emerged that other sensitive sites such as Hoi Ha and Lai Chi Chong, which are in or near country parks, have been falling into the hands of private companies. Yau said a development permission area plan - briefly outlining the broad land use intentions - would be drafted by the Planning Department and endorsed by the Town Planning Board. After such a development permission area plan is introduced, any change in land use that is not compatible with the plan will require approval from the board.

### **Culture and education**

**HK, Korea sign education pact:** HK and South Korea have signed a deal to strengthen collaboration in education and promote educational exchange. Secretary for Education Michael Suen signed the memorandum with Korean Minister of Education, Science & Technology Ahn Byong Man in Seoul. The pact recognises and supports extensive collaboration between the educational communities of the two places, and strengthens partnerships and strategic collaboration that support internationalisation of education and lifelong learning. It also enhances excellence and creativity in teaching, learning and research conducted by their educational institutions, and contributes to professional development in the education sector.

**Museum move to Central site causes splash:** The relocation of HK Maritime Museum to the new Central harborfront has drawn lively discussion in the first meeting of the Harbourfront Commission. As the six-year lease of the Maritime Museum at Stanley's Murray House expires next month, the newly formed commission proposed to move it to Central Pier 8 where it will sit as "the home of HK's maritime heritage." "If it is moved to Central, we expect to increase visitor flow to more than four to six times," a representative from the museum relocation project told the meeting.

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