

### Economy + Finance

**Slower, but still strong GDP growth forecast:** HK is expected to have more moderate economic growth in the second half of this year but strong domestic demand will still push its economy to expand by 6.2 per cent for the whole year, the University of HK forecasts. Spurred by buoyancy in the stock and property markets, low interest rates and continuous improvement in the job market, private consumption spending is projected to grow by 3.8 per cent this quarter and 4.1 per cent in the previous quarter. The figure for the whole year is expected to increase by 4.8 per cent.

**Mainland whims fire up HK real estate:** In the first half of the year, mainlanders bought more than one in three new luxury flats in HK, figures from a property agency show. Overall, home prices in the secondary market have jumped 48 per cent since January last year. Theoretically, it should be difficult for mainlanders to buy HK property because the yuan is not freely convertible and Beijing maintains strict controls over individuals converting yuan into foreign currency, including the HK dollar. But these limits are easily circumvented to buy expensive flats in the city. Property agents cite a variety of ways mainlanders manage to transfer money into HK for investments, such as via credit card transactions, funds transfers between companies that trade in HK and the mainland, parallel accounts, the mainland's underground banking system, and using friends to physically smuggle currency.

**HK set to sign tax treaty with France next month:** HK and France will sign a taxation accord next month, leaving the city one treaty short of the 12 needed to fulfill international standards and prove it is not a tax haven. HK has signed tax treaties based on the latest OECD standards with 10 economies - including the mainland. It needs 12 to satisfy the Organisation for Economic Co-operation and Development requirements and prove it is not a tax haven.

**Tourism fears over customs tax rules:** The impact on HK would be huge if the mainland customs adheres strictly to its tax rules on charging duty on items bought by cross-border visitors and mainland residents, James Tien, the HK Tourism Board's chief, said. Mainland media reported that the rules applied not only to electronic gadgets, but also to luxury goods such as handbags and watches. James Tien, who fears tourists could be taxed when bringing in items to the mainland while travelling to and from HK, said the board needed to seek more information on the regulations.

**Record 34m visitors now expected for this year:** HK received a record high of more than 26 million visitors in the first three quarters of this year. The Tourism Board attributed the sustained growth in visitors after the summer holiday to the extension to Shenzhen of a scheme allowing visits by individuals, not just tour groups. "Mainland visitors no longer travel to HK only during peak travel seasons and festive holidays, they also come for consumer-related visits over weekends," the board said. Nearly 29.6 million visitors came to HK last year. The HK hotel industry expects the annual figure to reach 34 million at the end of this year.

**HK retail sales rise 16.9pc in August:** Strong domestic consumption and tourist dollars helped push retail sales in HK almost 17 per cent higher year on year in August, the government said. Total retail sales for the month hit HK\$26.5 billion (US\$3.4 billion), up 16.9 per cent year on year and marking the 12th consecutive monthly rise. A government spokesman said, "Looking ahead, improvement in income and job conditions, coupled with thriving inbound tourism, should continue to bode well for retail business."

### Domestic politics

**Chief Executive's blueprint fails to convince his critics:** It was billed as a blueprint to tackle an overheating property market and the widening wealth gap, even perhaps to shape Chief Executive Donald Tsang's political legacy. But his penultimate policy address left observers asking whether it could leave a series of problems for his successor. As expected, Tsang unveiled plans for a new subsidised-housing scheme under which people priced out of the property market will be able to rent their way to buying a home. In response to public concerns about property buyers from outside HK driving up prices, the government has decided to temporarily remove property purchases as a qualification for becoming an investment migrant under the Capital Investment Entrant Scheme. To address an ageing population and demographic changes, Tsang asked the Steering Committee on Population Policy to launch studies. But it was the effectiveness of the measures aimed at tackling the red-hot property market that raised the most questions. For many people who are priced out of the property market, the rent-to-buy scheme may come too late and offer too little.

**Help for poor just a sop, say academics; better jobs and welfare the answer:** Measures in the policy address to narrow the gap between rich and poor are inadequate and just skim the surface, academics and social workers say. A HK\$10 billion Community Care Fund to be financed equally by the government and business is no substitute for a good welfare system and a fairer labour market. Christine Fang, chief executive of The HK Council of Social Service, said creating the fund did not absolve the government of its responsibility to offer welfare

services. "The government must solve the poverty problem that was caused by the unbalanced labour market through its policies," she said.

**Number of Hongkongers in poverty at record high:** A record number of Hongkongers are living in poverty, with 1.26 million people - or 18.1 per cent of the population - making less than HK\$3,500 a month each. This the highest number of poor people since 2001. The HK Council of Social Service urged the government to introduce long-term measures to help the poor. It described current policies as "piecemeal" and "ad hoc".

**No Article 23 legislation for the rest of my tenure, chief says:** Chief Executive Donald Tsang has reached an understanding with Beijing not to reintroduce a bill to enact national security provisions under Article 23 of the Basic Law before he leaves office. Donald Tsang made the surprise announcement in his policy address. He said that, having repeatedly examined the issue, he felt it would be premature to force through legislation. Tsang said he was aware of diverse opinions against the bill and that the majority view was that it should be deferred.

**Pan-democratic parties call for suffrage law:** Large political parties in the fractured pan-democratic camp have issued a unified demand for the government to introduce one-off legislation laying out a clear roadmap towards universal suffrage. The call comes despite an earlier split in the camp in the wake of the so-called de-facto referendum and the passing of the government's electoral reform package for 2012. Civic Party lawmaker Ronny Tong, a member of the Alliance for Universal Suffrage, which negotiated with Beijing for the 2012 package, filed the amendment with the Legislative Council. However, the chance of Tong's amendment being passed is negligible as it will be opposed by pro-government political groups.

**Democratic Party radicals form new group:** A group of more than 20 disillusioned young Democratic Party radicals have set up their own pressure group to distance themselves from what they see as a moderate stance taken by the party over political reform. One of the founding members of the Neo Democrats, Gary Fan said: "The group provides a platform for the public to distinguish our stance on reform from the party in the so called 'post-reform era' and to mend the damaged relationship between the party and other pan-democratic allies."

### Relations HK - Mainland China

**More liberal approach seen from new man for HK:** Veteran diplomat Wang Guangya is Beijing's new man for HK, a move political observers believe heralds a more liberal approach in state policy towards the city. The State Council announced his long-anticipated appointment as director of the HK and Macau Affairs Office, succeeding Liao Hui who step downs after 13 years in the job. Mainland affairs analyst Johnny Lau said Wang's background as a diplomat who had been skilfully representing China in the United Nations pointed to a more liberal-minded approach on HK policy. The HK government said it looked forward to co-operating with Wang.

### International affairs

**HK calls for accountability over Manila tragedy:** HK people find Philippine President Benigno Aquino's scaled-down punishments of the officials responsible for the Manila hostage tragedy "hard to accept", the Chief Executive's Office said. HK said it would convey its demand for the officials to be held accountable to the Philippine government via the proper channels. "The eventual actions to be taken against the persons involved must live up to their pledge to be accountable to the public. This is also what is owed to the dead and the injured," the statement said.

### Transborder affairs

**Envoy basks in mutual attraction of HK, Taiwan:** Ties between HK and Taiwan are blossoming despite its direct links with the mainland, with unofficial contacts more than compensating for the lack of official ones. In the first eight months of this year, 533,000 HK and Macau residents visited Taiwan - an increase of 6.7 per cent from a year ago. In the same period, 1.6 million Taiwanese came to HK, a rise of 1.7 per cent - making the city their most popular destination, ahead of the mainland and Japan. "Good cross-strait relations are positive for ties between HK and Taiwan. They lead to an increase in activities of many kinds between the two and China." Lo Chi-cheng, director of the Kwang Hwa Information and Culture Centre, an unofficial body that represents Taiwan in HK.

### Legal affairs and human rights

**Pyramid law update to cast a wider net:** A tougher law against pyramid schemes is likely to be passed in the first half of next year. Commerce minister Rita Lau outlined the first update of the ordinance in 30 years to a panel of lawmakers yesterday. And she invited comment on whether participants in such schemes, not just their promoters, should be held to have committed a criminal offence. Under the present law, a pyramid scheme must involve the selling of goods or services by a participant. But under the update proposed by the secretary for commerce and economic development, any scheme in which new participants must make a payment and attract new members would be covered, whether or not it involves the sale of goods or services.

### Health

**Health plan details leave room for doubt:** The government has for years been trying to find a way to fund health care, as an ageing population puts an increasingly heavy strain on the public system. While most agree that the burden on public hospitals must be eased, not all are convinced by the details of the voluntary health

insurance scheme - unveiled to the public as a three-month consultation process began. Under the Health Protection Scheme, as it is officially known, insurers must report annually all costs, claims and expenses to an independent monitoring body to keep premium adjustments reasonable. They cannot reject high-risk patients and must guarantee renewal for life. Policies are portable between insurers and employers and the maximum premium would be capped. Alliance for Patients' Mutual Help Organisations was worried about a drop in the quality of public health care. It is also unclear whether the key players in insurance and medical services will get on board the scheme, given the government's list of regulatory requirements.

### **Environment**

**Lawmakers back motion to scrap landfill plan:** Lawmakers voted overwhelmingly for a motion scrapping a chief executive's order to take part of a country park for a landfill. It sets the stage for a possible court battle with the government, whose lawyers say the motion is unconstitutional. Chief Executive Donald Tsang refused to say if his administration would take legal action, saying the issue was being looked at by Secretary for Justice Wong Yan-lung. Unless the government persuades a court to overturn the motion, the move to extend the Tseung Kwan O landfill into five hectares of the Clear Water Bay Country Park will be blocked, cutting three years from the life span of the tip.

**Landfill vote puts incinerator on front burner:** In the wake of the opposition to the landfill extension plan at Tseung Kwan O, the government is being backed into a corner to put incineration back on the agenda as a solution to the city's mounting waste problem despite its notorious unpopularity. The government has tried to convince the public that incineration using the latest technology is much less polluting than the type of incinerators used in the 1970s. HK's last incinerator closed in 1997 and since then the city has relied solely on landfills.

**Heated pools and Deep Bay views, but it's still just a sludge incinerator:** The HK government announced that it had awarded a contract to design, build and operate a sludge incinerator (which generates energy for 3,000 homes and incorporates heated swimming pools as well as an environmental education centre) to a French company. Edward Yau, the environment secretary, said that it would incorporate the latest incineration technology and meet the most stringent emission standards in the world. Able to handle 2,000 tonnes of sludge a day, the facility will take all of the 800 tonnes now produced each day, which is expected to grow to 1,500 tonnes in 2014.

### **Culture and education**

**Design for arts centre unveiled:** Two cubic edifices made from aluminium bricks dominate the latest Jockey Club design for the Central Police Station heritage project. The design by Swiss architects Herzog and de Meuron was unveiled, with the two buildings rising 80 metres above sea level - half the height of the 160-metre transparent tower in their 2008 plan. The two buildings will be used for exhibition galleries, a multi-purpose performance and lecture venue, and a centralised plant room for air conditioners. The F Hall of Victoria Prison will be kept, in line with the public's wishes.

### **Varia**

**4 more weeks for Games bid consultation:** The public consultation period for HK's bid to host the 2023 Asian Games has been extended by four weeks. The move comes after major political parties in the legislature opposed the plan. It would mean the government might fail to obtain majority support from the legislature's Finance Committee to implement the HK\$40 billion project.

### **Press articles related to Switzerland and Swiss matters**

**Swiss see light at the end of world's longest tunnel (SCMP, 16-10-2010):** At 57 kilometres, the Gotthard Base Tunnel will be the longest major tunnel in the world and will cut the journey time from Zurich to Milan by 60 minutes to 2-1/2 hours. Since laying the tunnel's preparations in 1996, around 2,500 workers have taken part in building the 10 billion Swiss franc (HK\$81.5 billion) project, blasting their way through 13 million cubic metres of rock. Scheduled to open in 2017, the tunnel is expected to relieve pressure on congested Alpine roads that connect northern Europe and Italy.

**Press Freedom Index 2010 (Ming Pao, 21-10-2010):** Reporters Sans Frontières announced the Press Freedom Index 2010 that Switzerland, together with Finland, Iceland, the Netherlands, Norway and Sweden ranked 1<sup>st</sup> among 178 countries and regions. HK ranked 34<sup>th</sup> whereas Mainland China ranked 171<sup>st</sup> and Taiwan ranked 48<sup>th</sup>.

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