

Economy + Finance

HK facing first-quarter contraction: HK's economy could shrink in the first quarter of this year due to weak export markets, before rebounding to post growth of 1.0-3.0 per cent over the year, Financial Secretary John Tsang said. Tsang warned the global economy was facing a downturn worse than the 2008 financial meltdown as he released his final annual budget for Hong Kong. In his last budget, Tsang promised HK\$80 billion (US\$10.31 billion) in measures to "better prepare our people for the difficult time ahead". He pledged to increase loan guarantees for lenders to small businesses, slash profits tax and spend more on education, including construction of a new International Cuisine College to train chefs. Seven one-off measures included a waiver of quarterly property rates amounting to HK\$11.7 billion and covering 90 per cent of properties, and a 75-per cent cut in salaries tax to a ceiling of HK\$12,000. The HK Government has been criticised for running up large budget surpluses – fiscal reserves stood at HK\$654.9 billion on December 31, last year – and clinging to a low tax regime instead of spending more to stimulate growth, boost employment and improve social services. The government says surpluses are required to prepare for an ageing population and guard against a possible economic downturn amid an uncertain global economic outlook.

Singapore threat to HK role as yuan trading hub: HK's role as a leading offshore yuan trading centre is facing a challenge, with some companies preferring to settle yuan trades in Singapore - claiming that it requires less stringent paperwork. Bank of East Asia deputy chief executive Brian Li said the bank's Singapore yuan business had doubled last year, although it still conducted more yuan business in HK. While HK has taken the lead in developing the fast-growing yuan business, London and Singapore are both eager to carve out market share. A Monetary Authority source said the customer complaints might stem from a simple misunderstanding. "Some banks think it's compulsory for them to check third-party documentation, but in fact we did not mean it as a mandatory requirement. It all boils down to a know-your-customer process." The source played down Singapore's threat to HK, saying banks also needed to check documentation in Singapore.

HK gets a little bit cheaper... relatively: HK is getting more affordable for residents, while five of the world's 10 most expensive cities are now in the Asia-Pacific region, including Singapore, a London-based survey shows. HK is 22nd in terms of the cost of living, a good few notches down its position of 14th last year and way below its third placing in 2002. One analyst points to the pegging of the HK dollar to the US dollar as a key factor. "Currency movements are the main reason why HK has fallen in the index," said Lee Quane, regional director for Asia at ECA international, a human resources consultancy group that publishes a similar cost of living survey. "The US dollar peg makes it relatively cheaper." The findings are part of the "Worldwide Cost of Living Index 2012", published yesterday by the Economist Intelligence Unit, the sister organisation of *The Economist*. The survey also shows Tokyo overtaken by Zurich as the world's least affordable city, while another Swiss city, Geneva, ties with Osaka to take the third spot.

HK to gain from revised US tax law, expert says: HK stands to gain from recent amendments of a new US tax law that cracks down on non-US financial institutions that help Americans hide their wealth, a tax expert says. The United States Foreign Account Tax Compliance Act takes effect next year and seeks to prevent US citizens or permanent residents from shirking their tax obligations by using offshore accounts. The law was aimed at forcing these institutions to become quasi-auditors for the US Internal Revenue Service (IRS). But it fell foul of client confidentiality regulations in some territories - including HK. Following complaints from a number of countries, the US Congress amended the law. Instead, the US will ask other governments to seek such information from banks in their countries. "In HK, like Switzerland, it's illegal to disclose financial information. Banks here would be more willing to disclose information to the HK government than the US government," said Kurt Rademacher, international tax practice director at Butler Snow.

Domestic politics

ICAC launches Chief Executive investigation: The Independent Commission Against Corruption has started a probe into chief executive Donald Tsang. The probe will focus on whether Tsang's acceptance of invitations from his tycoon friends may have breached HK's anti-corruption rules. Tsang was found to have travelled on private yachts and private jets and was planning to rent a Shenzhen penthouse from a mainland property magnate. Tsang is also facing possible impeachment proceedings in the Legislative Council. Lawmaker Paul Tse, a solicitor, claimed there was sufficient prima facie evidence that Tsang was involved in a "conflict of interest". A government source said Tse's proposal to move to impeach violated the principle of presumption of innocence and procedural justice. "The chief executive has spent decades in public service," the source said. "He didn't violate any laws but only fell short of public expectations. Tsang has sought to mollify public outrage by admitting recent events had taught him a "painful lesson". He has promised to attend a special question-and-answer session in Legco on 1st March.

Chief Executive bound by civil service code: The chief executive is bound by the civil service's code of conduct for principal officials, which bars them from accepting extravagant benefits, Secretary for Constitutional and Mainland Affairs Raymond Tam said. "The code reminds political appointees to avoid any conflicts of interest, embarrassments or damage to their reputation," Tam said on a radio show. He was speaking amid the growing scandal surrounding Chief Executive Donald Tsang over benefits he has received from tycoons. Donald Tsang appears to have found the bargain of a lifetime, following disclosure by his landlord that he will be charging Hong Kong's chief executive only 80,000 yuan (HK\$98,444) a month for his luxury apartment in Shenzhen despite spending more than 10 million yuan on its decorations and fittings. The disclosure comes amid growing concern over benefits Tsang has received from tycoons - including extravagant yacht and private jet trips.

Beijing gets its two-horse race as Tsang backs out: After days of apparent indecision, Tsang Yok-sing - Legislative Council president and a Beijing loyalist - finally said he would not run for chief executive of HK. The outcome of all that wavering could not have pleased Beijing more. Tsang's step back from the brink not only allows Beijing to secure its desired "two-horse" race (between former chief secretary Henry Tang and former Executive Council convenor Leung Chun-ying), but also avoids a possible abortive election, as well as maintaining the primacy of executive-led governance in HK. "I don't have enough time to work on a substantial platform," said Tsang, well aware that the nomination period for the city's top job ends on 29th Feb. He added that joining the race might trigger concern about party politics - which is supposed to be absent from the chief executive race - and could affect prospects for the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) in the September Legislative Council elections. Tsang is the honorary chairman of the DAB.

Albert Ho's first into race: Democratic Party chairman Albert Ho became the first candidate to secure nomination for the chief executive race, but failed to secure the support of all 205 pan-democrats on the Election Committee. Ho handed in 183 nominations - well over the 150 needed - when he registered at the Electoral Affairs Commission. He added that he hoped the March 25 poll would be the last "small-circle" election for the chief executive, decided by a 1,200-member election committee. The National People's Congress Standing Committee ruled in 2007 that Hong Kong could elect its chief executive by universal suffrage in 2017.

Tang signs up with tycoon boost: Casting aside any calls to stand down, scandal-plagued chief executive hopeful Henry Tang formally signed up for the race for the top job. He had the backing of 379 nominations from the 1,200-strong Election Committee. Nominators include the city's major tycoons. Tang vowed he would regain the confidence and trust of Hongkongers after being caught up in the latest scandal over illegal structures at a home owned by his wife and an earlier confession of "straying" in his love life. New People's Party chairwoman and former security minister Regina Ip also announced a bid - although she admitted she was not positive about securing "three-digit" nominations.

Leung signs up as Tang lashes out: Former Executive Council convenor Leung Chun-ying formally joined the race to be chief executive with 292 nominations, just 86 fewer than his scandal-plagued rival Henry Tang. Analysts raised doubts as to whether Tang, long considered the favourite, could win a three-horse race, saying all depended on Beijing's will and pointed out that nominations did not guarantee votes. Two hours after Leung submitted his nomination form, Tang made a veiled attack. In a speech to his campaign office staff, posted on his website, the former chief secretary said: "We are facing unprecedented attacks, which are wolf-like and fierce. But it doesn't mean our rivals will win," Tang said. He did not specify who was making the attacks, but Leung has long been dubbed a "wolf" by critics.

No legal issues over release of Leung papers: A key lawmaker says a full-scale investigation into conflict-of-interest allegations against chief executive hopeful Leung Chun-ying is unlikely to cause any legal difficulties. Members of the House Committee voted to schedule a Legco vote for 29th Feb. on whether to use the Power and Privilege Ordinance to force full disclosure of documents regarding the 2001 West Kowloon arts hub design contest and force key players in the scandal to testify under oath. Leung, a judge in that competition, was accused of failing to disclose a business link between one of the bidders and his company, DTZ.

Transborder Affairs

Call for calm as row intensifies over mainlanders: Political pundits and the Equal Opportunities Commission are calling for calm amid an intensifying conflict with mainlanders. The month-old furore shows no signs of abating, with a day-old Facebook group set up to oppose a government plan to make it easier for mainlanders to drive across the border drawing nearly 20,000 users. Professor Ma Ngok, a political scientist at Chinese University, said discussion on the dispute among Hongkongers had become emotional and irrational, and it would be difficult to end the conflict if the trend continued. His colleague, Ivan Choy agreed, saying the authorities should address the tension by doing a policy review. "The government has always been promoting the city's travel industry, but has failed to look at Hong Kong's capacity when doing so." The Equal Opportunities Commission said it was concerned about a newspaper advertisement that described mainland visitors as locusts that consumed resources in the city. Commission chairman Lam Woon-kwong called for tolerance and rationality.

Solution to birth tourism promised: Guangdong governor Zhu Xiaodan has assured Hongkongers a solution will be found to the problem of large numbers of mainland women giving birth in HK, but he would not provide details. Zhu, who was in HK, said he had discussed the issue with Chief Executive Donald Tsang. "You can rest

assured. There will be ways to solve it," he said. At the same event, Secretary for Constitutional and Mainland Affairs Raymond Tam said the city's government had proposed to Guangdong that they co-operate to stamp out the middlemen and agencies that arrange for pregnant mainlanders to come to HK. Tam said the governor was aware of HK's concern and the two sides would continue to negotiate on this issue.

Hospitals may ban mainland mothers: Public hospitals may stop admitting pregnant mainlanders seeking to give birth in HK to make more facilities available to local women, a senior Hospital Authority official said. Dr Cheung Wai-lun, the authority's director of hospital groups, said: "We are evaluating next year's quota for non-local pregnant women. There is a chance we might further lower it or we may even stop admitting them." A quota of 3,400 births has been set for non-local women in public hospitals this year, down from 10,000 last year, and Cheung said it could be lowered even further. He said the primary aim of public hospitals was to meet local needs.

Basic Law 'last resort' to stop mainland mums: It would be difficult - and strictly a last resort - for HK to seek a reinterpretation of the Basic Law to stem the influx of mainland women giving birth in the city, the chief executive has said. "We will consider resorting to these extreme means only if our executive measures cannot solve the problem," Donald Tsang said. HK had passed on the names of agencies that helped arrange mainland women to cross the border - and the number plates of vehicles they used - to Guangdong Governor Zhu Xiaodan for follow-up action, Tsang said. Addressing the current cross-border exchanges of ill will, he urged locals to be accommodating and said he believed mainlanders would try to abide by HK's rules during their visits.

Pledge on mainland cars fails to impress protesters: The transport minister pledged to tread carefully in implementing a plan to allow a small number of private cars from Guangdong into the city - but her assurances failed to pacify hundreds who gathered to protest against the scheme. "This [cross-boundary private cars quota] scheme will be experimental ... before it becomes a permanent policy," Secretary for Transport and Housing Eva Cheng said. "It will be carried out in a very cautious way." The plan could start as early as next month with a maximum of 50 HK cars a day travelling freely across the border, followed by talks with the Guangdong authorities over a timetable to allow mainland cars into HK.

Liberals against letting more mainland cars into HK: The normally government-friendly Liberal Party piled more pressure on the troubled plan to allow more mainland cars into the city for short visits, announcing it would oppose the scheme. The party's three lawmakers are expected to join 23 pan-democrats in voting against the cross-border driving plan, which will need the backing of the majority of the 60-member Legco chamber. Opponents of the plan say an influx of mainland-registered cars will add to pollution and congestion on the streets of the city. Some argue that mainland drivers, unused to right-hand-drive cars, will cause safety problems.

Legal affairs and human rights

Appeal launched against maids' residency ruling: The government launched an appeal against a landmark court ruling which grants thousands of foreign maids the right to seek permanent residency in the city. Government counsel David Pannick told the Court of Appeal the original ruling was mistaken as it restricted the authorities' ability to determine who can permanently reside in HK and who cannot. The High Court ruling on September 30 gave Filipina domestic worker Evangeline Banao Vallejos the right to request permanent residency status, something that had been denied to foreign maids until then. He said the city authorities should be given some discretionary power to decide who was eligible for residency, rejecting arguments that restrictions on maids were unconstitutional and discriminatory.

Officers didn't overstep mark, police chief says: Police Commissioner Andy Tsang denied that his officers had overstepped security arrangements agreed with the University of HK ahead of Vice-Premier Li Keqiang's visit to the Pok Fu Lam campus last summer. He insisted that only a "minimal level of force" had been used on protesters. The remarks came a day after a HKU review committee accused police of using "unjustifiable and unreasonable force" on protesters; of breaching an agreement with the university that absolutely no force would be used; and of extending previously agreed restricted areas. Tsang said he was prepared to face a legal challenge from one of the protesters. But the HKU report concluded the police action did not amount to false imprisonment as the students could have left the stairwell if they had wanted to, evidence showed.

Exclusion of statutory bodies opposed: Pan-democrat lawmakers are considering moving an amendment to have a competition bill cover all statutory bodies, after most were excluded under the proposed law. They were upset to learn that just six of 575 statutory bodies would be covered by the law, which aims to curb anti-competitive behaviour and provide a level playing field for companies. Among bodies excluded are the Trade Development Council, Urban Renewal Authority, the Housing Authority and the Housing Society. They will instead be governed by an existing Competition Policy Advisory Group. The six statutory bodies that come under the proposed law include the Federation of Hong Kong Industries and its general committee.

Health

Low risk of rubella in HK babies, says minister: HK babies have a low risk of contracting German measles, despite two cases of the highly contagious virus in infants born to mainland mothers in the city, the health minister said. "Hongkongers are usually vaccinated against the virus when they are young," Food and Health Secretary Dr

York Chow said. "Around 90 per cent of local girls and women have immunity to the disease, and the children they carry will naturally gain immunity from the mother. So the risk of infection to other babies from [the two cases] is very low."

Environment

Officials accused of delaying air quality objectives: Green activists have accused the government of delaying the introduction of new air quality objectives by opting for time-consuming legislation. They say environment officials could enact the objectives through administrative means instead of legislation. The Environment Protection Department's draft bill will be tabled in Legco in the next legislative session beginning in October. After approval, the new objectives are expected to become law by 2014. But the department also intends to allow a three-year grace period for projects whose environmental impact assessments have already been approved. As a result, the new objectives will not be fully in force until 2017 for some projects.

Culture and education

Space running out at international schools: A consultant's report has revealed the extent of the shortage of primary places at international schools, with only a handful still with openings. Some critics say the authorities should ease the shortage by allowing vacant schools to be reopened as international campuses. As of December, only two on HK Island had places for Primary One pupils. The shortage was less acute in the New Territories and Kowloon, where four schools had places. In December 2011 the chairman of the American Chamber of Commerce, Rob Chipman, said a shortage of international school places could become a "deal breaker" for expatriates considering a move to the city.

6-month wait for place in school: More than 70 per cent of applicants to international schools have waited less than six months before being admitted, according to the first city-wide government survey. The study on international school demand was commissioned last year by the Census and Statistics Department as the government came under pressure from foreign chambers of commerce and expatriate groups to build more schools. The report also found that only one in four students in international primary schools plan to apply for secondary school places in HK. The findings are set to complicate the debate over the provision of international school places "Quality of teaching staff was most commonly considered the most important affecting the choice of school," the government report said. "Many households [also] considered the reputation of the school and curriculum as the most important selection factor." Business chambers have warned that a lack of school places near main business districts and long waiting lists could turn away international talents and hurt HK's competitiveness.

Press articles related to Switzerland and Swiss matters

City can 'help recover ill-gotten gains' (SCMP, 23rd Feb. 2012): HK can help foreign countries recover assets squirrelled away by their dictators by freezing the money and returning it to the people. That was Swiss ambassador Valentin Zellweger's message to the city's Department of Justice, where he paid a courtesy call yesterday. Switzerland made grave mistakes on an international level, and we have learned our lessons," Zellweger, head of the Directorate of Public International Law under the Federal Department of Foreign Affairs, said in a public address at the Foreign Correspondents' Club. That was why, in an attempt to rid the country of an image as a favoured location for ill-gotten gains, Bern introduced the Act on the Restitution of Illicit Assets in February last year, among other policies, he said. And HK - whose reputation as Asia's prime financial centre has attracted illegal wealth, drawing criticism from rights activists - could adopt similar policies. "We are looking for closer co-operation among financial centres worldwide, with a view to applying similar standards," Zellweger, also legal adviser to the Swiss Foreign Ministry, said. Since the law took effect last year, Switzerland has frozen 830 million Swiss francs (HK\$7.06 billion). Those were assets of Tunisia's former president Zine al-Abidine Ben Ali, the late Libyan leader Muammar Gaddafi and former Egyptian president Hosni Mubarak. The move bought time for foreign prosecutors to build a case for restitution of funds.

351.0 - HWR/LEE/KZF/CHW/KSW/NHA

Disclaimer

This is a review of the Hong Kong media and does not necessarily represent the opinion of the Consulate General of Switzerland. The Consulate General of Switzerland in Hong Kong does not bear any responsibility for the topicality, correctness, completeness or quality of the information provided. Liability claims regarding damage caused by the use of any information provided, including any kind of information which might be incomplete or incorrect, will therefore be rejected.