

Economy + Finance

Beijing unveils trade boost for HK: The central government announced on June 27 new measures to boost economic ties with HK as the city prepares to mark its 15th anniversary of its return to Chinese rule. The official Xinhua agency reported the initiative would push forward joint ventures between the stock exchanges in HK, Shenzhen and Shanghai, and issue bourse-traded funds listed on both the HK and mainland stock markets. The mainland would also encourage foreign investors to make trade settlements and investments in Renminbi RMB in HK. Other financial policies included improving the variety of offshore RMB services in HK and facilitating long-term investment from HK in the mainland's capital market. In terms of trade and economic co-operation, Beijing would sign a new appendix agreement to the Closer Economic Partnership Arrangement (Cepa) with HK. The central government said it would encourage HK enterprises to invest and promote co-ordination among airports, harbours and train systems in the Pearl River Delta. The statement said the policy package covers co-operation in trade, finance, education, science and technology and tourism, as well as improved cross-border co-operation between HK and neighbouring Guangdong province.

Beijing to foster HK-Shenzhen ties: China is poised to announce measures promoting the integration of HK and Shenzhen, after issuing its fourth and largest batch of sovereign bonds in HK. A mainland official said Beijing would soon announce policies to strengthen ties between HK and Shenzhen's US\$45 billion Qianhai Bay Economic Zone. One of the policies could include a test zone for the yuan's free convertibility in Qianhai. The moves come as part of a show of support to mark the 15th anniversary of the handover. Beijing issued 23 billion yuan of sovereign bonds in HK. For the first time, Beijing dedicated 2 billion yuan of the bonds to overseas central banks and monetary authorities. Linan Liu, a rates strategist with Deutsche Bank, said Beijing's move to use the HK Monetary Authority as a channel for offering bonds to central banks would help confirm the city as an offshore yuan trading centre.

FS warns of gloomy economic outlook: HK's economy faces a "rocky" time ahead, the financial secretary said. The deepening debt crisis in the euro zone and global economic uncertainty add up to "turbulent" months ahead, John Tsang said. Tsang told the Legislative Council's finance committee that it was "difficult to predict" the extent of the fallout from Europe. He said the government was ready to tighten mortgage lending to alleviate a property bubble and might have to revise its forecast of economic growth of between 1 and 3 per cent this year. "Due to the turbulent circumstances, I can't rule out the need to again revise the economic growth forecast in the next few months," he said.

HK 'can ditch dollar peg'?: Former central banker Joseph Yam, who 29 years ago helped create the HK-US dollar peg, triggered wild debate by saying the city could "do away with the exchange rate target" to curb inflation and asset bubbles. The peg is considered a pillar of the city's financial stability and is such a sensitive issue that officials hardly ever talk publicly about it. Yam is the highest ranking former official to publicly question it. The HK government went on the defensive hours after the release of Yam's paper. Financial Secretary John Tsang said he was "surprised" at the former central banker's view. Chief executive-elect Leung Chun-ying dismissed it as "nothing new" and stressed he would maintain the peg as an effective means to protect monetary stability.

HKEx in deal to buy LME for HK\$16.6b: HK Exchanges and Clearing has agreed to pay £1.39 billion (HK\$16.67 billion) for the London Metal Exchange, the world's largest metals marketplace, marking the local bourse's first overseas acquisition. Local government officials threw their weight behind the deal because they say it helps achieve the city's plan to develop commodities trading as part of the mainland's 12th five-year plan. The deal is subject to the approval of LME shareholders, who are set to vote before the end of July. It also needs British financial regulatory approval, with the whole process expected to be completed in the fourth quarter.

No room for more visitors, Leung says: Chief executive-elect Leung Chun-ying has echoed concerns by Beijing's tourism chief over HK's ability to accommodate more visitors, dampening hopes of expanding the individual visit scheme. Leung said that the influx of tourists contributed to inflation of prices in the city. The number of mainland tourists to HK has increased from 8.5 million in 2003, when the scheme started, to 28.1 million in 2011. Leung's statement reflected the concerns of Shao Qiwei, director of the National Tourism Administration, who questioned whether HK's infrastructure could handle a further jump in numbers.

Domestic politics

C.Y. unveils his team of 'vision': Scandal-plagued chief executive-elect Leung Chun-ying unveiled the team that will lead HK's fourth post-handover administration, which he said would work to change the slow pace of development in recent years. Introducing an incomplete team within the existing government structure as his reorganisation plan is still stranded in the Legislative Council, Leung said his ministers were outstanding and shared his vision. Seven incumbent ministers will stay on in the new cabinet. Secretary for Development Carrie

Lam Cheng - the only woman in the cabinet team - will take over as the chief secretary. The others who are staying on will continue in their current roles, including Financial Secretary John Tsang. New faces include Secretary for Justice Rimsky Yuen Kwok-keung, a former chairman of the Bar Association succeeding Wong Yan-lung. Three of the new recruits are professionals and one is an Executive Councillor. Another two ministers were incumbent or retired civil servants. Lai Tung-kuok was promoted from undersecretary rank to become security minister. With two deputies for the chief secretary and finance chief, and two bureau heads missing, Leung said: "I will strive for the Legco passage of my government reshuffling plan as soon as possible." Facing questions about his integrity in handling the controversy over his illegal structures, Leung said he would settle the case and stand accountable to the public.

C.Y.'s revamp motion beaten by one vote: Incoming leader Leung Chun-ying suffered a huge setback when a proposal to fast-track his government revamp plan was narrowly vetoed by legislators leaving the new structure unlikely to be passed by July 1 when he takes over. To the surprise of the government and lawmakers of different factions, the government's motion failed by one vote to reach the required number that would have allowed the revamp to be tabled before other outstanding bills. Legislators said they believed it was unlikely the reshuffle plan would pass by July 1, meaning that only Leung and 15 top officials could be sworn in before a state leader in HK on the 15th anniversary of the SAR. The two proposed deputy secretaries and the ministers of two new bureaus will be left out.

C.Y. challenged over 'false' election claim: Incoming chief executive Leung Chun-ying faces a legal challenge to his March election victory over the controversy of illegal structures at his home on The Peak. The Democratic Party aims to file an election petition or a judicial review - or both - after accusing Leung of making false statements during the campaign when he claimed he had no illegal structures at his home. It was revealed there were six illegal structures at his two houses. The scandal has prompted Democrat chairman Albert Ho, a defeated candidate in the race for the top job, to ask the High Court to approve late requests for a legal challenge to the result. According to the law, Ho should have filed a petition within seven working days or a review within 30 days after the result was declared on March 25. But he said the court could use discretion to accept late requests, particularly where a judicial review was concerned. Leung offered another public apology, but insisted that he never intended to cover up the illegal structures at his home.

Arts hub inquiry voices 'dismay' at C.Y.'s conduct: A Legislative Council committee expressed "dismay" and "disappointment" in chief executive-elect Leung Chun-ying for failing to handle properly a conflict-of-interest check when adjudicating an arts hub contest 10 years ago. The committee report said there was a reasonable expectation on Leung, who was then convenor of the Executive Council, to endeavour to avoid possible conflicts of interest. It was "disappointing" that Leung did not inform DTZ of his appointment as a contest juror given that two of his former colleagues provided land value data for the Malaysian entrant, it said, and found that he had "unshirkable responsibility" in this regard.

My watershed moment came in 2008, Chief Executive says: Outgoing chief executive Donald Tsang said that the expansion of the ministerial, or accountability, system in 2008 was a watershed moment for his popularity during his seven years at the helm. Appearing at a Legislative Council question-and-answer session for the last time, Tsang also admitted his administration had failed to narrow the wealth gap and was not decisive enough in tackling high property prices. He again rejected calls from pan-democratic lawmakers to step down for accepting yacht and jet trips from his tycoon friends, insisting he needed to stay to ensure a smooth transition of government.

Relations HK - Mainland China

Record turnout for June 4 vigil: A sea of candles lit up Victoria Park on June 4 as a record number of mourners gave public voice to their grief at China's only large-scale event commemorating those killed in the 1989 Tiananmen Square crackdown. Organisers say 180,000 people took part in the vigil, but police put the number at just 85,000. It took place against a backdrop of growing public fears that freedom in HK will be eroded when Leung Chun-ying takes over as chief executive next month. Lee Cheuk-yan, chairman of the HK Alliance in Support of Patriotic Democratic Movements in China, which organised the vigil, said that it was "encouraging to see more mainlanders and young people" joining the memorial. Activist Fang Zheng, whose legs were crushed under a tank in Tiananmen Square, told the crowd he wanted to see the democracy movement vindicated in his lifetime.

Mistrust of Beijing at post-97 high: Hongkongers' mistrust of the central government is at its highest point since May 1997, a survey found. The poll, conducted this month by the University of HK's public opinion programme, showed 37 per cent - up 3 percentage points from March - of 1,003 respondents distrusted Beijing, compared with 44 per cent in May 1997. Dr Robert Chung, director of the public opinion programme, said the high level of mistrust was "probably due to the incidents of [disgraced Chongqing party boss] Bo Xilai, [blind activist] Chen Guangcheng and [the recent suspicious death of Tiananmen activist] Li Wangyang".

Hu to face growing anger on HK visit: President Hu Jintao is expected to announce a string of initiatives designed to boost Hong Kong's economy when he arrives on June 29 to celebrate the 15th anniversary of the handover. But commentators and activists said his presence was likely to magnify public anger over controversies

here and on the mainland, including the scandal over the death of dissident Li Wangyang. July 1 will see the annual protest rally organised by the Civil Human Rights Front. The organisation expects at least 50,000 people to join the march but hopes to beat last year's figure of 218,000 following the recent outrage over the suspicious death of Tiananmen activist Li and the discovery of illegal structures at the home of the incoming chief executive, Leung Chun-ying.

Transborder Affairs

HKU staff set for Shenzhen role: Seven professors from the University of HK will head sections at the university's Shenzhen hospital, due to open next month. Dr Leong Che-hung, who is the university council chairman, was still worried about differences in culture and practices between HK and the mainland - including corruption and sourcing of transplant organs - but hoped they would be solved in the trial period. The University of HK-Shenzhen Hospital was funded by the Shenzhen government and managed by the university.

Immigration proposal sparks debate: An academic's controversial proposal to allow mainland parents of HK-born babies into the city to boost the local workforce has renewed debate over the government's say in who can immigrate under the one-way permit scheme. Critics said the proposal by University of HK Professor Paul Yip would not be successful if the government did not have the right to select which mainlanders could move to the city under the scheme. The scheme has a daily quota of 150 places, but the selection process is solely under the control of the central government.

Legal affairs and human rights

After 110 rocky hours, by-election bill passes into law: Legislators set a record in marathon bill-vetting, as they voted down the last of the amendments to a controversial by-election bill and passed it into law at the end of a 110-hour process. The passage of the bill also marked the pro-government camp's success in defeating a filibuster attempt initiated by radical People Power lawmakers. The bill was passed in its third reading, with 29 pro-government lawmakers voting in favour, after 11 days of filibuster and eight days of voting. All the pan-democrats boycotted the sitting and no one voted against the bill.

Competition law finally passed after years of debate: The Legislative Council narrowly passed HK's first competition law, ending more than a decade of debate over the government's effort to rein in anti-competitive practices. The law will probably not take effect until 2014, after the new Competition Commission and a tribunal to review complaints are set up. Most of the city's 580 statutory bodies will be exempted from the law. Concessions on the size of penalties for larger businesses and the introduction of a turnover threshold to limit prosecutions for smaller businesses have also dampened enthusiasm.

Helpers can take residency case to highest court: Two foreign domestic helpers fighting for the right to apply for permanent residency can take their case to the city's highest court, the Court of Appeal ruled. Evangeline Banao Vallejos and Daniel Domingo were granted permission to appeal to the Court of Final Appeal because the key issue - the constitutionality of an immigration law - was of "great general public importance", Mr Justice Andrew Cheung said. The top court will decide whether section 2(4)(a)(vi) of the Immigration Ordinance is inconsistent with the Basic Law and should be declared invalid. It says foreign domestic helpers - unlike other foreigners - are not "ordinarily resident" in the city, denying their right to apply for a permanent identity card. Other foreigners can apply for right of abode after seven years of uninterrupted residence.

Controversial copyright bill shelved: The government has shelved a controversial bill to amend the copyright law, in what commentators say is a way to facilitate the passing of Leung Chun-ying's government revamp plan before the current legislature's term expires. As it won't be dealt with before the current Legislative Council sessions end on July 18, the whole process will have to start from scratch when lawmakers resume proceedings in September. This represents a step back from the government's previous stance of supporting the criminalisation of parodies, despite strong opposition from the public.

Environment

West wing's demolition to proceed despite alert: The government will proceed with its plan to demolish the west wing of its former headquarters despite an alert from a world body that advises the United Nations on heritage sites. The International Scientific Committee on Twentieth Century Heritage (ISC20C) raised the alert on its website to draw global attention to the fate of the west wing, which it said was an indispensable part of the city's Government Hill. Development Secretary Carrie Lam said she was aware of the alert but had no intention of changing her decision to demolish the building and replace it with an office tower.

Culture and education

Vacant schools earmarked to go international: Four vacant schools are being offered for bids as potential sites for international schools. The move is part of a raft of government measures to boost the number of school places in the city. The Education Bureau says the sites - two in Kowloon and two on HK Island - are open to applications from all non-profit-making international-school operators over the next two months. The deadline for bids is on August 27. The government's latest move is in response to reports that the lack of international school places has made HK a less-preferred destination for expatriates looking to relocate. Aside from offering school sites, the

government also encourages expanding existing international-school campuses, allocating greenfield sites where schools can be built and providing interest-free loans to non-profit-making operators for the construction of schools.

Varia

Wealth gap hits a 30-year high: The gap between rich and poor in HK, as measured on an internationally recognised scale, now stands at its widest in at least three decades, government figures show. The city's Gini coefficient has reached 0.537 based on income data from 2011. It is among the highest in the developed world with poverty advocates saying it shows that neither the economic growth of the past few years nor government relief measures have succeeded in improving the plight of the poor.

Press articles related to Switzerland and Swiss matters

Swiss enthusiast cites freedom of expression in HK as he hands works over for display in future museum (SCMP, June 13): HK's freedom of expression influenced a Swiss collector's decision to hand Chinese artworks valued at HK\$1.3 billion to HK's future museum of contemporary art. In a deal signed between Dr Uli Sigg and the West Kowloon Cultural District Authority, the veteran collector donated 1,463 Chinese contemporary works to the permanent collection of M+, which is due to open by 2017. In a part-gift, part-purchase agreement, Sigg also sold 47 Chinese contemporary artworks from the 1970s to the 1980s to M+ for HK\$177 million. Sigg, who has been collecting Chinese contemporary artworks for three decades, said he chose to donate the collection to M+ because the museum would be in HK. The city, he said, was part of China but not subject to the same restrictions as the mainland.

Standing ovation for Suu Kyi at Swiss parliament (SCMP, June 15): A rapturous standing ovation greeted Aung San Suu Kyi at the Swiss parliament on the second day of her landmark European trip. "It is a great honour that Switzerland was chosen as the first European country to be visited," the head of the lower chamber of parliament, Hansjoerg Walter, said as he welcomed Suu Kyi. She began her European trip with a speech to an International Labour Organization conference, calling for "democracy friendly" investment in her impoverished country and a political settlement to end ethnic bloodshed.

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