

Economy + Finance

Growth forecast unchanged: HK's near-term economic fortunes will depend on how the euro-zone debt crisis is resolved, Financial Secretary John Tsang said. Although HK's exports had weakened in recent months, the government was maintaining its economic growth forecast of 1 to 3 per cent for the year, subject to revision, he said. As for the property market, he said there was a lack of direction in prices. Sentiment had turned cautious in the past two months due to the worsening euro-zone crisis, but continuing very low interest rates made the market prone to bubbles.

HK sales growth slows as mainlanders nip spending: Mainlanders kept a tight hold on their purse strings in May, putting a pinch on the fast growth of HK's retail sales. The Census and Statistics Department said that the total retail value in May was an estimated HK\$36 billion, up just 8.8 per cent from a year earlier, and the weakest month-on-month expansion in nearly three years. HK Retail Management Association chairwoman Caroline Mak said the key reasons for the slowdown were lower spending by mainland visitors and sluggish demand from HK consumers. A government spokesman said that while the job market conditions and inbound tourism would help prop the retail business, global uncertainties could weigh on consumer sentiment in the months ahead.

HK will allow non-residents to open yuan bank accounts: HK will allow non-residents to open yuan bank accounts and buy unlimited amounts of the currency from August 1 in a bid to attract overseas investors to invest in yuan products in the city, as it seeks to defend its claim as the leading global offshore-trading hub for the currency. But the move will create a double standard, as the rule change means HK residents will now face more restrictions than non-residents in buying the yuan. Since 2004, HK residents have been able to open yuan bank accounts in the city, but faced a daily exchange cap of 20,000 yuan (HK\$24,532), which will continue despite the decision to allow non-residents unlimited purchases. However, HK residents can send money to the mainland, while non-residents cannot.

HKEx seals deal for the London Metal Exchange: HK Exchanges and Clearing clinched its takeover of the London Metal Exchange (LME) on July 25. LME shareholders comfortably approved the £1.39 billion (HK\$16.67 billion) cash offer, which marks the biggest expansion in the history of the HKEx. The takeover still needs the approval of Britain's Financial Services Authority.

Domestic politics

C.Y. Leung sworn in as new HK leader: Leung Chun-ying, the millionaire property consultant seen as close to China's communist rulers, was sworn in as HK's new chief executive on July 1. The swearing-in came as HK marked the 15th anniversary of the handover, with President Hu targeted by protestors demanding greater democracy and railing against Beijing's meddling in local affairs. Leung was elected in March by a committee stacked with pro-Beijing elites.

Hu's speech seen as call to end split: The central government is concerned about conflicts within the Beijing-loyalist camp, analysts and politicians say, as maintaining social harmony topped the list of four expectations raised by President Hu Jintao in his speech. They said infighting among politicians in the camp was unprecedented, arousing Beijing's concerns about its effect on governance under new chief executive Leung Chun-ying. He also reiterated the importance of implementing the principle of "one country, two systems" and maintaining a high degree of autonomy under the Basic Law.

Pomp and protest for Leung: Tens of thousands of protesters were gathering in Victoria Park to express a range of grievances, from anger at the slow pace of democratisation to concern about human rights on the mainland. Many called for Leung to quit on his first day in office after the discovery of illegal structures at his home raised questions about his integrity. Rally organiser Eric Lai, of the Civil Human Rights Front, put the turnout at 400,000, while police say 55,000 people started the march in the park, with the total peaking at 63,000. Dr Ray Yep, an associate professor of politics at City University said the turnout was higher than expected, and said a desire to protest against the central government, as well as the city's leaders, was motivating a growing number of marchers.

Minister arrested by ICAC resigns: Secretary for Development Mak Chai-kwong resigned after just 12 days in the job, and was arrested by the corruption watchdog over his claim for housing allowance while a civil servant in the 1980s. Lawmakers across the political spectrum saw Mak's arrest as a blow to the authority of the new administration, which is already plagued by illegal-structure scandals involving at least three officials and Chief Executive Leung Chun-ying.

ICAC charges Kwoks, Hui with corruption: Sun Hung Kai Properties co-chairmen Thomas Kwok and Raymond Kwok, former chief secretary Rafael Hui, and two others appeared in court on July 13 afternoon to face charges over one of the highest-level corruption cases in HK's history. The ICAC said the offences allegedly took place between June 2000 and January 2009 when Hui was managing director of the Mandatory Provident Fund Schemes Authority and then chief secretary, the second highest ranking official in HK.

C.Y. offers HK\$7b of sweeteners: Chief Executive Leung Chun-ying gave out HK\$7.35 billion of sweeteners in his first question-and-answer session as he sought to move beyond a series of scandals that have battered his fledgling administration. Faced with plunging popularity ratings and the resignation of a minister, Leung turned his appearance at the Legislative Council into a "mini-policy address". He laid out plans to create a special old age allowance, build youth hostels and let eligible buyers purchase second-hand Home Ownership Scheme flats from January 2013. Political scientist Ivan Choy, of Chinese University, believed Leung adopted an evasive strategy because he was running out of ways to save his popularity.

Lawmakers bid farewell as Legco term ends: The Legislative Council's traditionally fierce rhetoric and political rivalry were put to one side on July 17 as lawmakers bade farewell at the end of their four-year term. Before the deadline, lawmakers rushed to complete outstanding business. The thorny issue of Chief Executive Leung Chun-ying's government restructuring plan is the only proposal that will have to go through the legislative process again from scratch when the new Legco term begins in October.

Court rejects bid for review of C.Y. victory: Defeated chief executive candidate Albert Ho and radical lawmaker "Long Hair" Leung Kwok-hung have been denied a chance by the Court of First Instance to lodge a judicial review of Leung Chun-ying's election victory. The pair's application for leave to mount a review - meant to call to question the chief executive's credibility amid a scandal over alleged illegal structures at his Peak homes - was rejected by Mr Justice Johnson Lam on the ground that the contentions would be dealt with in an election petition already filed by Ho. The judge ruled that the election petition was the only means to challenge the poll result under section 32 of the Chief Executive Election Ordinance. The election petition hearing is due back in court on August 15, when lawyers for Leung Chun-ying plan to have it struck out.

Chan appointed development secretary: Accountancy-sector legislator Paul Chan was appointed on July 30 as the new secretary for development, taking over from Mak Chai-kwong who has been arrested over allegations of abusing a government rent allowance 30 years ago. Before Mak's resignation, there had been speculation that Chan would become deputy financial secretary, a position that would be created under Leung's restructuring plan which has not yet been approved by Legco.

Relations HK - Mainland China

Activist's suspicious death stirred many to turn out for annual march: More than half of the protesters attending July 1 huge rally said the suspicious death of dissident Li Wangyang prompted them to take to the streets, a straw poll by the South China Morning Post found. Some of the estimated 400,000 marchers held fans or posters showing Li together with slogans demanding a full and open investigation into his death last month. Political scientists said the protests could put pressure on officials in HK and Beijing. "The protest must put some pressure on the central government in dealing with the incident," Professor James Sung, of City University, said. "It will take time for the country's leaders to settle Hongkongers' nerves." He said the dissident's suspicious death had been a turning point in political activism for people from the city and the mainland, with many visitors from across the border joining July 1's protest, taking advantage of a rare opportunity to pay tribute to a human rights activist.

Activists sent to camp because of HK protests: Two mainland activists were sentenced to terms in a labour camp because they took part in HK's July 1 protest march, according to the written judgment in a trial conducted by police. HK rights groups said it was the first time mainland activists had been punished for taking part in the city's annual march, and the first time an official document had called such participation an offence. This year's march was sensitive for Beijing since one theme was the suspicious death of June 4 dissident Li Wangyang, according to the Civil Human Rights Front, which has organised the event for the past decade. "It is sending out a very strong message, threatening mainlanders not to learn the protest culture from HK people," said Eric Lai, the front's convenor.

Transborder Affairs

Red tape over double taxation causes confusion: It was good news for many Hongkongers when new tax rules were launched last month that ease their double-taxation burden when they work on the mainland. But the rules are being applied differently in various cities, resulting in potential new hurdles for HK- and Macau-based expats who work part of the year over the border, according to accountants close to the issue. The new system lightens the tax load for employees of HK-based companies who work on the mainland by calculating their taxes on a pro-rata basis - depending on what proportion of their time was spent, and income earned, on the mainland. Some cities, however, require more paperwork from taxpayers than others.

Mainland baby issue a top concern for minister: Secretary for Justice Rimsky Yuen said that resolving legal issues regarding babies born to mainland mothers in HK would be a top priority in his five-year term. But he said seeking an interpretation of Basic Law clauses covering those issues was not an appropriate solution. Yuen said his team had begun reviewing ways to alleviate the crisis over mainland mothers giving birth in the city without resorting to a controversial appeal to the central government. The controversy stems from a 2001 Court of Final Appeal ruling that all babies born to mainland mothers in HK have right of abode. Since then, an estimated 170,000 such babies have been born in the city, bringing fears such an influx will strain public services.

Legal affairs and human rights

Press freedom 'will decline' on C.Y.'s watch: More than half of the city's journalists believe that press freedom will decline with Chief Executive Leung Chun-ying at the helm, says the HK Journalists Association. "The tolerance of the new leader towards the media is quite low ... with this attitude, the media are worried that Leung may impose stringent measures on [them]," said Mak Yin-ting, the association's chairwoman. Furthermore, self-censorship would be the most serious problem facing the industry, said 22.8 per cent of respondents. Leung was unable to reassure reporters on many issues, such as legislation for the national security law required under Article 23 of the Basic Law, said To Yiu-ming, assistant professor at Baptist University's journalism department.

Leung has 'no plans to push Article 23': Chief Executive Leung Chun-ying said he had "no plans" to put forward legislation for a national security law. Leung was asked by RTHK whether implementing Article 23 of the Basic Law - which triggered widespread public opposition and was a major cause of the 500,000-strong protest march on July 1, 2003 - was on his agenda during his term. "I have never actively put forward Article 23 as my platform", Leung said. Elsie Leung, a former secretary for justice, said that it was entirely up to the current administration to decide when and how Article 23 should be implemented.

Police chief sued over detention of reporter: The Apple Daily newspaper has sued police chief Andy Tsang over what it says was the illegal detention of one of its reporters during President Hu Jintao's recent visit to HK. The newspaper and the reporter involved in the incident on June 30, Rex Hon, filed a writ of summons in the High Court seeking damages for false imprisonment as well as legal costs. Hon was removed from a media area and held in a stairwell for about 10 minutes after shouting a question to Hu about the Tiananmen crackdown while the president was visiting the planned Kai Tak cruise terminal. The incident has drawn widespread condemnation from journalists and democracy advocates, who contend the detention calls into question the city's guarantee of freedom of the press.

Health

Bird Garden back in business after flu scare: Mong Kok's Bird Garden was open for business on July 26 for the first time in three weeks following its closure amid a bird flu scare. The Agriculture, Fisheries and Conservation Department said it had collected 124 swab samples in the past three weeks, and all tested negative for H5N1. All the shops had been cleaned thoroughly and disinfected before the reopening, it said.

Environment

Tech park tenants must hit energy-saving target: Tenants in the new third phase of the Science and Technology Parks risk not having their leases renewed if they fail to meet energy-saving targets, as part of a drive to create HK's first zero-carbon district. The so-called "green leases" will be just part of the Science and Technology Parks Corporation's effort to make the HK\$4.9 billion phase-three project, a future hub for environmentally-friendly research, greener. While technical improvements in the construction of the six new buildings will play a big role in the goal of ensuring zero-carbon emissions, the 150 companies that are due to move into the park will also have extensive duties in saving energy through the use of energy efficient equipment and their employees taking responsibility.

Culture and education

More schools delay national studies: More school-sponsoring bodies have decided not to implement the controversial national education curriculum this September, but they say they are taking advantage of the government's own timetable, not dragging their feet. The Methodist Church, Catholic diocese, Buddhist Association and Tung Wah, which together operate 87 primary schools, have joined groups planning to delay implementation of the programme until at least next year. The curriculum has come under fire from some pupils, educators and democracy advocates, who are concerned it may be biased towards the government in Beijing and infringe on HK's educational independence.

Rally leaders reject national study offer: Organisers of July 29 rally against the government's national education programme rejected the authorities' proposal to set up a committee to examine how the subject is to be taught in schools. Representatives of the student-led group Scholarism and the National Education Parents Concern Group, as well as the Professional Teachers' Union, said they would not join the body put forward by Chief Secretary Carrie Lam in response to the protest. Organisers said the demonstration was attended by 90,000 people, but police put the figure at 32,000 at the peak of the rally. Teaching material like the Beijing Consensus Handbook, published by the Beijing-loyalist National Education Services Centre, has been criticised for praising the Communist Party as "united" and "selfless", and decrying US-type democracy as "inefficient". Ethnic minority and special-needs groups also joined the march against the proposed national education

curriculum. There are roughly 14,000 ethnic minority students in the city who could be made to attend lessons designed to engender national pride in China, not counting those in international schools, which are exempt.

Leung tries to placate angry parents: The chief executive sought to reassure the thousands of people who demonstrated against national education on July 29. Leung said the Education Bureau planned to upload reference materials on the controversial subject to resolve "brainwashing" worries. "We decided to upload the reference materials related to contemporary China for the public's scrutiny, upon consultation with the new committee announced by the chief secretary on July 29," Leung said. But some parents', students' and teachers' groups were not satisfied. The Professional Teachers Union, which is planning a strike to protest against the national education course, rejected Leung's offer.

Varia

Housing costs lead to fall in quality of life: HK's homes were less affordable last year than at any time since an annual study began, with the average family having to spend more than 11 times their annual income to get on the housing ladder. Unaffordable housing contributed to a decline in the quality of life last year, according to the university's Centre for Quality of Life.

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