

Economy + Finance

HK posts budget surplus as economy set for stronger growth: HK expects economic growth to come in 1.5 to 3.5 per cent this year, Financial Secretary John Tsang said in his annual budget speech on Feb. 27, while offering a raft of relief measures, tax concessions and sweeteners. "The intricate external environment will remain unstable in the year ahead," said Tsang, warning of potential instability from currency wars and a trade slowdown to the financial hub's small and open economy. In a budget short on bold steps, Tsang offered a mixed bag of policies, including various relief measures for the poor and elderly, a marginal corporate tax and salary rebate and moves to bolster the city's financial sector and private equity industry. Soaring land revenues and profits taxes swelled public coffers to a bumper HK\$64.9 billion fiscal surplus, bucking previous government expectations for a deficit. To lure more private equity funds amid competition with Singapore – that has signed a raft of tax treaties granting exemptions to the industry there – HK said it would extend profits tax exemption for offshore funds to include transactions in private companies which are incorporated or registered outside HK. This will allow private equity funds to enjoy the same tax exemption as offshore funds," Tsang said. HK is also considering laws to allow the Open-ended Investment Company (OEIC) structure for funds popular in mature markets such as Britain. Investment funds established in HK can only take the form of trusts presently. The relief measures, involving a total of HK\$33 billion, will help to ease the pressure on the middle class, grass-roots and small and medium-sized businesses, Tsang said.

Government relocations 'will take time' to ease office supply: The government plan to relocate some of its offices away from the core districts of Central and Wan Chai is unlikely to ease the tight supply of grade-A office space in the short term as it will be three or four years before the vacated space is available to new tenants, say property consultants. In his budget speech, Financial Secretary John Tsang detailed the amount of commercial space that would be released to private tenants by the withdrawal of the government from the key sites in the central business district CBD. Because supply of office space in the core CBD has been limited, rents have risen sharply and HK is the world's second-most expensive city for office space.

Extra stamp duty 'to hit speculators only', says financial secretary Tsang: Genuine home buyers will not be affected by property cooling measures, Financial Secretary John Tsang said, adding that the higher stamp duties imposed on Feb. 22 would not apply to about 50 per cent of local buyers. The government's announcement included a doubling of stamp duties on home and non-residential properties valued at more than HK\$2 million. Stamp duty on properties costing less than HK\$2 million rose from a flat rate of HK\$100 to 1.5 per cent of the transaction price. But the new rates do not apply to first-time buyers, people who do not own other homes, and those selling their only flat and buying a new one within six months.

HK leaves New York in the shade for prime retail rents: Bad news for small shopkeepers - HK still has the most expensive prime retail rents in the world, according to property consultancy CBRE. At US\$4,335 per square foot a year in the fourth quarter last year, the average rent for a prime shop was well above second-placed New York, where rents were 46 per cent lower at US\$2,970. London came in third at US\$1,080 per sq ft. The city's rents were driven to record highs due to the influx of wealthy mainland tourists, the expansion of luxury retailers and a shortage of prime space, CBRE said.

Cap on tourists would be unprecedented, says security chief: Setting a cap on the number of mainland tourists allowed into HK would be a tough call, the security chief says. "Of all the tourist cities in the world, I've never heard of any setting a cap on visitors," Lai Tung-kuok said. "Also, setting a clear-cut limit would not be an easy task." Lai was responding to a call for curbs after facilities were strained by an influx over Lunar New Year. The secretary for security also said limiting the number of times mainlanders could enter HK in a day - mooted as a way to curb parallel traders - might not be effective. He was speaking after more than 380,000 tourists crossed the border in the first three days of the holiday.

HK ranks 14th in world for cost of living: HK moved up eight places from last year to become one of the top 20 most expensive cities in the world to live in, according to the Economist Intelligence Unit's latest report. The EIU's Worldwide Cost of Living 2013 survey ranked HK 14th on a global scale and 4th in Asia, behind Singapore and Japan's Osaka and Tokyo – the latter having edged Zurich off the top spot. "Rising living costs in HK are driven on a macro scale...although property prices are not taken into account in the study, the unrelenting growth in real estate costs also feed into higher prices for everything else," said Susan Evans, an analyst at the EIU in HK.

HK food prices rise more than 100pc since 2007: The prices of some common foods such as rice and beef have surged by over 100 per cent across HK since 2007 – far outpacing the 18-per-cent growth in income of public housing residents in that period – a Labour Party survey has found. The survey, conducted in January, covered 30 markets in different parts of HK, looking at prices of 16 food items including rice, pork, beef, chicken, fish and vegetables. Surveyors then compared the average prices to prices recorded by the government in 2007.

Domestic politics

Chief Executive CY Leung demands retraction of 'defamatory' article: Chief Executive Leung Chun-ying has demanded the retraction of a newspaper article which he claims accuses him of having links with triads. His lawyers sent a letter to the chief editor of the *HK Economic Journal* on Feb. 1. The letter claimed a commentary

piece published on January 29 and written by Joseph Lian, a former member of the Central Policy Unit think tank, was defamatory. The newspaper printed an apology on Feb. 7, but chief editor Chan King-cheung later insisted this was addressed to readers, not Leung, and said there would be no retraction. Leung said he accepted the newspaper's apology. But he made no move to withdraw his lawyers' letter, despite calls from journalists, human rights activists and pan-democratic lawmakers who feared his action could undermine free speech. The chairman of the HK News Executives Association, Ronald Chiu, said "there would be political consequences" if leaders took legal action to silence attacks.

Beijing official says Leung administration popular despite media reports: Chief Executive Leung Chun-ying's government is more popular with the public than the picture that is painted in certain sections of the media, a top Beijing representative says. Zhang Xiaoming, who succeeded Peng Qinghua as head of the central government's liaison office in December, also called on people not to criticise but to help the government solve HK's problems. Zhang said he believed the government was leading HK to a brighter future. Leung's popularity fell to a five-month low of 46.3 points out of 100 in a poll conducted early this month by the University of HK's public opinion programme (HKUPOP).

Exco convenor Lam says public will not back Leung if he does not deliver: The next six to nine months will be a "critical period" for Leung Chun-ying's administration, according to his top adviser. Executive Council convenor Lam Woon-kwong said the embattled chief executive must deliver concrete measures if he is to achieve the targets set out in the policy goals he outlined in his maiden policy address. If he did not, Leung could see his public support fall further. He could even risk encountering a governability crisis if he failed to include solid actions, policies and timetables in his framework when he delivered his second policy blueprint. The latest poll conducted by the University of HK's public opinion programme, released on January 31, revealed that 45 per cent of HK people were dissatisfied with Leung's policy address - making it one of the worst-received policy addresses since the handover.

All have to unite to discuss electoral reforms: Legislative Council president Jasper Tsang has urged the central and local governments and pan-democrats to "sit down and discuss" political reform, saying that they would all share the responsibility if democratisation broke down. The veteran leftist politician said he hoped that all lawmakers - including democrats now barred from the mainland - would be able to attend the celebrations marking the 65th anniversary of the People's Republic of China next year. Tsang was speaking as democracy activists, impatient at the lack of consultation on the issue by the local government, planned an "Occupy Central" movement in protest. University constitutional law associate professor Benny Tai last month floated the "Occupy Central" plan under which at least 10,000 protesters would blockade roads next year to force the government to back full universal suffrage.

Leung Chun-ying blames political rivals for all woes, lawmaker says: Leung Chun-ying believes his political opponents are entirely to blame for the difficulties his administration faces, Civic Party leader Alan Leong says. Civic Party members were guests at the Government House in one of a series of breakfast meetings between the chief executive and major political parties. "My impression is that the chief executive believes he has done nothing wrong; all wrongs originated from other people," Leong said. He was also disappointed that Leung did not explain his ideas about the next stage of electoral reform, which Leong thought was more important than livelihood issues. "[For the Civic Party,] straightening out the system of universal political mandate [for the chief executive election] comes first," Leong said. "That will create the opportunity to solve various deep-rooted conflicts."

Transborder Affairs

Shenzhen sets limits for frequent visitors to HK: Shenzhen authorities have introduced restrictions of their own in a bid to stem the flow of goods from HK being carried over the border to be resold. Visitors who frequently cross the border are now barred from carrying anything other than "essential" items on any trip in the 15 days after they first enter HK under a new measure that came into force this month, according to the customs department here. Mainland visitors can carry up to 5,000 yuan (HK\$6,200) worth of goods tax-free on their first trip over the border. That cap previously applied to every border crossing. Customs and Excise commissioner Clement Cheung described it as a "very targeted and powerful" measure. The department was also preparing for a planned two-tin, or 1.8kg, baby milk powder restriction for any person leaving HK. Cheung said visitors crossing the border would be under close scrutiny. The move came amid an escalating row over parallel-goods traders stockpiling milk powder to resell on the mainland, leading to shortages of the product here.

Mutual benefits for brotherly neighbours, Guangdong and HK: Guangdong and HK are "brothers", and the two complement each other economically, Chief Executive Leung Chun-ying said. Leung, who was visiting Guangdong's new Communist Party chief Hu Chunhua, thanked the provincial government for its support in HK's crackdown on parallel-goods traders and mainland mothers giving birth in the city. Hu said the two places' close relationship was a great advantage for Guangdong's development, which had in fact been fostered by the people, financial resources and techniques from HK. "The co-operation between Guangdong and HK benefits Guangdong and also helps to make HK prosperous and stable," he said.

Legal affairs and human rights

Residence rights to focus on Basic Law: The city's government wants the Court of Final Appeal to seek a ruling from Beijing on the power of the National People's Congress to interpret the Basic Law, a lawyer for the administration told the top court. The court is hearing an appeal by domestic helpers whose claim for permanent residence, under Article 24, after living in HK for more than seven years was rejected by a lower court. If the top court makes the request sought by the government and if the National People's Congress rules the statement is

binding on HK courts, children born in HK to mainlanders would lose their right of abode and foreign domestic helpers would also be excluded.

Rise in reports of dirty money causes alarm: HK's efforts to tackle money laundering are under increasing strain due to a surge in the number of suspicious transactions being reported and concerns over a brain drain of investigators to the private sector. The increase was revealed as the new leaders in Beijing try to make good on their anti-corruption pledges and international banks and financial institutions attempt to restore public faith after a string of dirty-money scandals.

Health

HK prepared for any future Sars-like threat, experts say: HK is well equipped to face an epidemic after the experience of Sars 10 years ago, when health workers "fought in the dark" for weeks, experts in infectious diseases say. The outbreak of severe acute respiratory syndrome led to new health practices and new techniques in combating diseases. Today, the situation would be far different in the event of another Sars-like epidemic, the experts say. Hospital wards have implemented strict measures to control infectious diseases, doctors can uncover the travel history of patients and they have more established practices for the wearing of protective gear. But problems like crowded wards in public hospitals still need resolving, given the small distance between beds increases the risk of infections, said Professor Nelson Lee, head of the infectious diseases division at Chinese University.

Ikea suspends sales of meatballs in HK: Swedish furniture retailer Ikea has halted sales of its meatballs in HK, following similar moves elsewhere in the world, after overseas batches of the product were found to contain horse meat. Ikea stopped selling meatballs temporarily at its three stores in the city to "relieve potential worries among customers", the company said. The product imported into HK was not from the same batches as the affected meat, although all came from the same Swedish supplier. The Centre for Food Safety said it was maintaining close contact with European Union authorities over the incident.

Environment

Government unveils plan for HK\$1 recycling levy on glass bottles: People would need to pay a recycling levy on water and fruit juices sold in glass bottles, not just bottled beers and wine, under a government proposal. Under the plan - unveiled by the Environment Bureau on Feb. 7 for a three-month public consultation - about 1,700 importers and distributors will be subject to a levy based on either the volume or number of bottles involved. Environment officials say the initial levy could be around HK\$1 per one-litre bottle. The levy would raise tens of millions of dollars a year, which would go towards hiring a contractor to set up a glass-waste recovery network and handle collection logistics. Environment Secretary Wong Kam-sing said he hoped the levy would help recover 70 per cent of glass waste.

Culture and education

HK trails rival Singapore in students' English skills: While it has long been a key goal of the government to foster bilingualism in HK, the language skills of the city's young people have become a cause of significant concern. HK compares favourably with other countries in the region in terms of language skills, but it trails far behind its key rival, Singapore. Singapore has a much higher proportion of people who are literate in English, according to Amy Tsui, chair professor of language and education at the University of HK.

ESF to end admission priority for non-Chinese speakers: The English Schools Foundation announced on Feb. 4 it will be ending its admissions priority for children who do not speak Chinese. The move is likely to increase the competition for expatriate children seeking to enrol at its primary schools. The schools were set up in the 1960s by the British colonial government to serve non-local families, many of them civil servants from Britain. The make-up of the ESF primary and secondary schools has changed greatly in recent years. According to the ESF's annual report, 44 per cent of its students are now ethnic Chinese.

Press articles related to Switzerland and Swiss matters

Long arm of UK taxman reaches city (SCMP, Feb. 25): Some of the 265,000 British citizens in HK could be affected under a taxation agreement between the United Kingdom and Switzerland. UK taxpayers with bank accounts in Switzerland will have to disclose their account details or be taxed up to 41 per cent of their balance under a deal between the two countries. The UK-Swiss Confederation Taxation Cooperation Agreement, which was signed in 2011 takes effect this year and is designed to crack down on tax evasion. Hongkongers who may have registered a Swiss account with a British address could also be covered by the agreement, said Democratic Party lawmaker James To.

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