

Economy + Finance

Economic growth slows in first quarter as inflation looms: HK's economic growth slowed in the first three months of the year. Real gross domestic product rose only 0.2 per cent on a seasonally adjusted quarter-to-quarter basis, down from 1.4 per cent in the last three months of 2012. Officials maintained their forecast that GDP will grow by 1.5 per cent to 3.5 per cent this year. Government economist Helen Chan said inflation was expected to edge up in the coming months, but kept the full-year inflation forecast at 4.2 per cent. The fortunes of the HK economy would continue to fluctuate as countries such as Japan implemented monetary easing policies, Chan said. The seasonally adjusted unemployment rate for the first quarter of the year was 3.5 per cent. Chan said this was relatively low and contributed to the "brisk" 7 per cent growth in private consumption.

Economy at risk of overheating warns HKMA chief: Soaring household debt and rampant consumer spending have put HK's economy at risk of overheating, the city's central bank boss Norman Chan said. In a briefing to the Legislative Council's financial affairs panel, he said the ratio of household debt to gross domestic product had risen to a record 61 per cent from 59 per cent at the end of last year. Chan said the surge in property prices in recent years had fuelled an increase in Hongkongers' spending on consumer items. He was concerned that private consumption has grown faster than GDP since 2005. And because much of the consumption is based on credit, "once the interest rate turns up, the macro economy will be at risk", Chan said. He also pointed to a decline over a short period in the current account balance - essentially, exports of goods and services, plus other income minus imports - as another "warning signal" that the economy is at risk of overheating.

HK no longer ranked world's most competitive economy: HK has lost its status as the world's most competitive economy, according to the latest report by the International Institute for Management Development (IMD). Its overall ranking has dropped to third this year, overtaken by the United States and Switzerland. The institute's research, which covered 60 economies, shows HK has performed worse in all four major areas studied - economic performance, government efficiency, business efficiency, and infrastructure. Chinese University economist Dr Andy Kwan said: "The crux of the problems of HK are high property prices and rents. The business environment is getting worse and this would discourage overseas investors too." Secretary for Financial Services and the Treasury Professor Chan Ka-keung attributed HK's weakening edge partly to the weak growth in major advanced markets.

Everyone a loser after HK dock strike ends: No one emerged as a winner from the 40-day dockers strike, with the workers failing to get the raise they demanded and the port operator involved suffering a tarnished image, analysts said. Apart from monetary losses, chairman of freight forwarding and logistics Dr Paul Tsui said the walkout had dealt a blow to port operator Hongkong International Terminals' image overseas. Dixon Sing, associate professor of social science at the University of Science and Technology, agreed that the dispute had ended with a lose-lose outcome, although the public had become more aware of the workers' plight.

Spending by holiday visitors lags increase in arrivals: This year's "golden week", a national holiday, lacked lustre, says the HK Retail Management Association, whose members run more than 6,700 retail outlets in the city. Retail sales grew about five per cent from last year during the mainland's three-day Labour Day holiday, below the group's forecast of 10 to 12 per cent. That reflects a recent trend of HK's waning appeal to wealthy mainlanders. Retail analyst Felix Kwok said besides mainlanders spending more frugally, Beijing's crackdown on graft had also hurt sales of luxury goods.

Domestic politics

No plans to replace CY Leung, says top Beijing official: The mainland official responsible for HK affairs dismissed speculation that the central government was seeking to oust Chief Executive Leung Chun-ying. Wang Guangya, director of the HK and Macau Affairs Office, insisted that Beijing still backed Leung, following speculation in sections of the HK media that a successor was under consideration. It is the first time Beijing has expressed support for Leung since his top ally, former executive councillor Barry Cheung, became embroiled in a police investigation into the failed HK Mercantile Exchange (HKMEx), which Cheung founded. On May 24 Cheung resigned from all his public posts, including membership of Exco.

Lawmakers approve budget, to government's relief: The city's annual budget was passed in the Legislative Council by a safe margin after a month-long filibuster. The long-awaited legislative approval ends the prospect of the government running out of cash to operate. Since the financial year started in April, it has been functioning on an interim fund of HK\$75.5 billion. Financial Secretary John Tsang said the funds would be distributed as soon as possible, though money for hospitals and universities could be delayed slightly.

Pan-democrats' proposal may run into brick wall: A proposal by pan-democrats that the nominating committee for the 2017 chief executive election be elected by all 3.2 million registered voters may not be in line with a decision by the nation's top legislature, says a Beijing-friendly heavyweight. The Alliance for True Democracy also suggests that candidates who secure nominations from a certain proportion of the city's voters should be allowed to compete for the top job under "one man, one vote". But Elsie Leung, deputy director of the Basic Law Committee, said this might result in a situation where dozens of candidates ran for chief executive. Alternatively, the alliance said, a candidate with support of at least an eighth of nominating committee members could stand

under universal suffrage. Leung said it would be difficult for the election process to be conducted smoothly if there were too many candidates. "While I appreciate the alliance's announcement of its proposal for public discussion, the suggestions appear to be inconsistent with a decision by the NPC Standing Committee in 2007," she said. Chief Executive Leung Chun-ying said at a question-and-answer session in the Legislative Council, "I must also emphasise [that] constitutional reform should, and could only, be based on the Basic Law and the National People's Congress' decisions."

Exco has been losing power and authority since handover, says Legco chief: The city's core policy-making authority, the Executive Council, has been losing power since the handover and its function and composition must be reviewed, the head of the legislature has urged. His suggestion follows the resignation of Exco member Barry Cheung, who is being investigated by police in connection with his failed HK Mercantile Exchange. Another Exco member, Franklin Lam, has been on indefinite leave of absence since November after coming under investigation by the Independent Commission Against Corruption. Legislative Council president Jasper Tsang said Exco was not living up to its past role. "During British rule, the Executive Council was a body with actual power. [Its members] had a strong say in front of the governor; their words carried a lot of weight," said Tsang, who sat on the executive councils of former chief executives Tung Chee-hwa and Donald Tsang.

Public confidence in Chief Executive CY Leung hits new low: Public confidence in Chief Executive Leung Chun-ying has hit a new low 10 months into his tenure, a university poll has found. Twenty-nine per cent of respondents said they would vote for Leung if a chief executive election were held tomorrow, while 54 per cent said they would not. The figures were the lowest and the highest, respectively, the University of HK public opinion programme has recorded in regular surveys since Leung assumed office in July last year. Programme director Dr Robert Chung said Leung's popularity had "significantly dropped". Chinese University political scientist Ivan Choy said the administration had been undergoing a chaotic period in recent weeks and Leung had failed to show he was determined to revive public confidence in his abilities.

Relations HK - Mainland China

HK policymakers told to take account of China's views: A confidential Executive Council memo that requires all future policy proposals to factor in the likely mainland reaction has sparked concern that the government is putting mainland interests ahead of HK's. Executive councillor and lawmaker Regina Ip said that as recent policies had courted criticism from the mainland, "it would be reasonable to remind civil servants that they should do such an assessment". The memo comes amid heightened HK-mainland tensions, with Leung Chun-ying's administration facing mainlanders' criticism for policies that affect their interests, especially a limit on baby-formula exports of two cans per person per day to stop rampant buying up of supplies by parallel-goods traders who smuggle the milk over the border. A government spokesman said a range of factors were considered in policymaking, and assessing mainland reaction was "responsible behaviour". Former chief secretary Anson Chan said: "Under 'one country, two systems', there is no reason why HK's policymakers should be constantly looking over their shoulders, trying to second-guess possible mainland reaction."

Tiananmen Square crackdown divides HK's protest movement: The emphasis of this year's June 4 night vigil - "Love the country, love the people" - has sparked a row between HK's veteran democrats and pro-autonomy activists, with the latter claiming that whether the mainland is democratic or not is irrelevant to HK people. The annual event, held by the HK Alliance in Support of Patriotic Democratic Movements of China, has kept the 1989 Tiananmen crackdown in Beijing fresh in Hongkongers' memories for more than 20 years. Pro-autonomy activists - led by Dr Horace Chin who published a book two years ago advocating a "city-state" status for HK - have slammed the alliance for linking patriotism to the notion of a HK spirit. Appealing online for Hongkongers to boycott the vigil, they insist that the mainland's political system is irrelevant to the city's democratic movement, and that vindication would only "legitimise" Communist Party rule.

Lu Ping sounds warning on influx of cross-border visitors: The Beijing official who was in charge of HK affairs in the run-up to the handover says too many mainlanders are being allowed into the city. Lu Ping, director of the HK and Macau Affairs Office until he retired in August 1997, also described the rush by mainlanders to buy baby milk formula as "very disgraceful". But Lu and Chief Executive Leung Chun-ying urged Hongkongers to consider the feelings of mainlanders before making hostile comments. In a pre-recorded interview with RTHK, Lu blamed the influx on the individual visit scheme, which he said was "too open". The scheme was introduced by the central government in 2003 to help the city's economy recover from the impact of severe acute respiratory syndrome.

Legal affairs and human rights

Graft-busting agency ICAC launches criminal inquiry into its former boss: The city's anti-graft agency said it will launch a corruption investigation into its former chief Timothy Tong. He becomes the first head of the graft-busting agency to face a criminal probe in the Independent Commission Against Corruption's 39-year history. The inquiry was announced by the Department of Justice and the ICAC. The commission said the probe would be led by Tong's successor Simon Peh. The move follows claims that Tong, 63 - head of the ICAC from 2007 until last year - spent lavish sums of public money entertaining mainland officials. Civic Party lawmaker Alan Leong urged the ICAC to conduct an unbiased probe that would address public concerns.

Health

HK on alert as France confirms more cases of Sars-like virus: HK's Centre of Health Protection told doctors to be extra vigilant for suspected symptoms of a new Sars-like coronavirus, as new cases in France took the confirmed number of cases globally to 34. "There are some patients who did not develop typical respiratory

symptoms, they had only had diarrhoea at the early stages," said Dr Leung Ting-hung, controller of the Centre for Health Protection. An outbreak of severe acute respiratory syndrome a decade ago prompted officials to overhaul hospital and immigration procedures. There are 1,400 isolation beds in HK.

HK mulls greater oversight of private health insurance: The government may take on a "middle-man role" in private health insurance cases, helping to decide claims, process compensation and register complaints, the health minister Dr Ko Wing-man said. Details of the proposal were still being worked out, but were likely to be unveiled later this year as part of a long-delayed health reform plan. Ko said such changes were necessary because public hospitals currently absorb more than 90 per cent of HK's patients. Only three in 10 Hongkongers has health insurance.

Environment

Lawmakers trash Tseung Kwan O landfill expansion plan: Environment officials' waste strategy was dealt a serious blow on May 27, when lawmakers asked to withdraw a controversial plan to expand the Tseung Kwan O landfill. Similar motions to stop landfill expansions in Tuen Mun and Ta Kwu Ling were rejected. The question now is whether officials still want to submit about HK\$18 billion of funding requests to the public works subcommittee for the three landfill expansion plans, which would provide an extra 106 million cubic metres of space for trash. All three landfills, the city's only final waste disposal sites, will run out of space by 2020, according to official projections. The government argues there is no alternative to expanding them until a planned incinerator, tied up in a legal challenge, can be built. The government unveiled its blueprint for tackling waste, with a target of a 40 per cent reduction in the amount sent to landfill by 2022. Incineration and waste charging are key components of the strategy, but the bill to introduce both is expected to face an uphill battle in the legislature.

Funds sought for diesel phase-out: An unexpected last-minute surge in applications has prompted the Environmental Protection Department to seek more money for its replacement-grant scheme for old polluting diesel vehicles. The three-year, HK\$540 million scheme, aimed at 28,000 vehicles at least 12 years old that conform to outdated European emission standards set in 1996, is due to close at the end of next month. A source familiar with the situation said funds were needed as there had been a surge in applications from owners of heavy vehicles, especially coaches. Since its introduction in 2010, the scheme has attracted applications from the owners of about 5,000 Euro II vehicles. The government reported in November that about 4,000 applications with a total of HK\$340 million in grants had been approved.

Culture and education

Art Basel wraps up in HK after show of world's finest: A week of art madness ended on May 26 with the closure of exhibition Art Basel's HK debut, which turned into a showdown between 245 galleries from around the world. Originally known as Art HK, the fair has run since 2008 under this name and became the largest in Asia. In 2011, Art Basel and Art Basel Miami Beach organisers MCH Swiss Exhibition (Basel) acquired a 60 per cent stake in Art HK organisers Asian Art Fairs, leading to the event's transformation into Art Basel this year. Despite the change, there was no drop in participation by local artists, with some 26 HK galleries exhibiting to the fair's 60,000 visitors.

Varia

More than 170,000 living in subdivided flats in HK: More than 171,000 people are living in substandard, subdivided flats in HK, it was claimed. And the figure is thought to be even higher as researchers could not examine illegal homes in industrial buildings, said the secretary for transport and housing, Professor Anthony Cheung. The study was commissioned by the government to give a first indication of the scale of the problem. The study results coincided with another government release, which said home prices are the least affordable since 1999.

Press articles related to Switzerland and Swiss matters

China seals free-trade pact with Switzerland (SCMP, May 25): Premier Li Keqiang was to announce the conclusion of negotiations with Switzerland on a free-trade deal seen as a touchstone for China's growing global ties. "To conclude [free-trade agreement] talks with such a developed and world-leading economy as Switzerland shows China's determination and courage in opening up wider," Xinhua quoted Li as saying. The pact has been in the works since 2011. Swiss economy minister Johann Schneider-Ammann said he hoped the pact could be signed when he visits Beijing in mid-July. After wrangling, notably over Chinese taxes on imported Swiss industrial goods and Switzerland's rules on China's agricultural exports, the two countries wrapped up their technical talks earlier this month. Bilateral trade between Switzerland and China was worth US\$26.3 billion last year, with US\$22.8 billion of that represented by Swiss exports to China. The agreement with Switzerland follows China's free-trade pact with Iceland, its first signed with a European country. Li arrived in Switzerland on the first leg of his debut visit to Europe as premier.

Swiss to let banks give client info to the US (SCMP, May 30): Switzerland is proposing a change to its banking laws that will let Swiss banks pass on information about US citizens to the United States tax authorities. The country has been in talks with the US for more than two years to resolve an investigation of at least 14 financial firms that allegedly helped Americans hide money from the Internal Revenue Service. The proposed bill authorises Swiss banks to co-operate with US authorities and transfer information while safeguarding their interests, the government said. The Swiss parliament will consider the bill as early as next week and it could come into force on July 1. "The sense of urgency is because preparations were being made for more banks to be made responsible," said Swiss Finance Minister Eveline Widmer-Schlumpf.

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