

Economy + Finance

Financial Secretary John Tsang warns that city needs to raise more revenue: Financial Secretary John Tsang issued a stern warning that revenue from taxes must rise if the city is to cope with rising expenditure brought about by an ageing population. Tsang said the government's revenue level was unsustainable and it would eventually have to raise more revenue through taxes or other means. He said that a shrinking labour force and an ageing population were precursors to a decrease in government revenue and an increase in expenditure. Tsang also predicted that the city's gross domestic product was unlikely to maintain an average annual growth rate of 4.5 per cent, as in the past decade.

CSSA bill after court's decision will impact budget: Financial Secretary John Tsang said the government would "inevitably" foot a bigger bill for welfare payments after the top court dismissed a seven-year residency requirement that had excluded new immigrants from social welfare benefits. The Court of Final Appeal ruled that the requirement for Comprehensive Social Security Assistance applicants to have lived in HK for seven years was unconstitutional. Welfare has always been among the major outlays of public resources. In the 2013-14 budget, spending on social welfare was set at HK\$61.2 billion, more than one-fifth of recurrent government expenditure.

IPO revival primes HK for another busy year: HK is expected to finish a close second to New York in money raised through initial public offerings this year and may do even better next year, bankers and auditors say. KPMG, one of the Big Four auditing firms, forecasts that funds raised in HK listings will cross HK\$200 billion next year, compared with about HK\$160 billion this year. KPMG said this year was ending on "a high note for the HK IPO market".

Tenth HK container terminal, costing HK\$100b, may not be financially viable, consultants say: A tenth HK container terminal costing close to HK\$100 billion is unlikely to be financially viable, according to a consultancy report due out next month. With only modest growth expected in the cargo business for the decade from 2020, it says the government should make better use of the 100,000 hectares of land at the Kwai Chung Container Terminal in Tsing Yi in the short-term. The government first considered building the proposed new terminal, known as CT10, about 10 years ago. But that was when the cargo business was growing by an average of about 5 per cent annually.

HK growth expected to gather speed next year: HK's economic growth is set to speed up next year as advanced economies begin to recover. But the city's property market still looks shaky. An expected tapering of the US Federal Reserve's stimulus could spark a capital outflow from HK, which together with market-cooling measures could slash property prices by 10 per cent, analysts said. Citi Research and Standard Chartered Bank respectively forecast HK's gross domestic product will jump by 3.4 per cent and 4 per cent next year, compared to 3 per cent this year. Strong infrastructure investments and better exports following continuous recovery in the US and the euro-zone economies will help jump-start growth.

Chinese tourists set to ditch HK for wider world: HK may lose its position as the top choice for outbound mainland tourists within a decade as they seek broader travel experiences, a recent report by Boston Consulting Group suggests. The city's position as mainlanders' favoured travel destination might be challenged over time as they visit more places beyond Asia and prefer to have more "leisure activities" and "cultural experiences". HK was kicked off a list of 15 most popular travel spots in a survey of nearly 1,000 middle-class mainlanders when asked what was their dream holiday destination in five to 10 years.

Number of city visitors rises 11pc to hit 54m: While discussions continue over how many tourists HK can handle, the Tourism Board said total visitor numbers this year could reach 54 million, up 11 per cent from last year. And, according to statistics from the first nine months of this year, average spending per visitor is about HK\$8,000. The surge in mainland visitors continues, with an 18 per cent increase to 33.5 million in the first 10 months of the year. This year's growth shattered earlier pessimism that a new law, passed in October, halting forced shopping trips for mainland visitors could take a toll on HK. The law bans unreasonably cheap tours where prices cannot cover costs such as airline tickets and accommodation.

City warned HK\$100 billion boost from new bridge at risk due to inaction: HK could lose out on a HK\$100 billion boost to its economy if it fails to plan ahead for the opening of the HK-Zhuhai-Macau bridge in 2016, an economist has warned. The development of the bridge is a "double-edged sword", Hang Seng Management College's business professor Raymond So said. On the positive side, the bridge should provide development opportunities for Lantau. But government inaction risked potential visitors abandoning the island for nearby Hengqin or Macau, which can be reached within half an hour after the bridge is completed, So said. Lantau lags far behind Hengqin and Macau in terms of commercial space and hotel room numbers, said the Lantau Development Alliance.

Domestic politics

Hopes dashed for public nomination of 2017 chief executive candidates: The government sounded a positive note on the prospects of achieving consensus on universal suffrage in 2017 - but its consultation document on electoral reform effectively ruled out the pan-democrats' demand to let the public nominate candidates for chief executive. Kicking off the five-month consultation, Chief Secretary Carrie Lam said the

government would issue "timely reminders" against any proposal that went against the Basic Law. Echoing comments by mainland officials in recent months, Lam said the requirement that the chief executive must be a patriot "speaks for itself". Pan-democrats fear it will be used to justify keeping critics of Beijing out of the race. The government faces several hurdles as it plans for the 2017 chief executive election. The Legislative Council must vote by a two-thirds majority for the electoral reforms to be approved, so it must win the support of at least some pan-democrats. Beijing must approve the final proposal. The consultation document, which also covers the 2016 Legco election, says any proposal that "bypasses the nomination procedures of the nominating committee" or undermines its power to nominate candidates might not conform to the Basic Law.

True democracy in HK is 'impossible', says Basic Law expert: A balance must be struck between Hongkongers' right to vote and Beijing's power to appoint the chief executive when the time comes to select the city's next leader, a prominent Basic Law expert said. Albert Chen, a member of the Basic Law Committee, was defending his proposal to allow the central government to appoint the 2017 chief executive candidate with the second highest number of ballots if it considers the winner to be unfit. "From the pan-democrats' perspective, they are fighting for a 'relatively perfect' democratic system," he said. "But I think it is impossible for democracy in HK to be completely the same as that of an independent country. Since HK is not independent, the design of its democratic system must fit its status under the 'one country, two systems' framework," Chen said. He also called for Beijing to set out "clear standards" for how it would exercise its power of appointment, as part of efforts to seek a balance between the rights of Hongkongers and Beijing.

Legco president calls for more talks on suffrage: Communication between Beijing officials and lawmakers on political reform would get the best results in forging a consensus, and the government should help make it happen, according to Legislative Council president Jasper Tsang. Asked about Chief Secretary Carrie Lam's comment in a television interview that the government was facing a legitimacy crisis, Tsang said: "That is the view shared by many citizens ... universal suffrage is beneficial to the government's legitimacy, according to the Basic Law." While Lam echoed Tsang's opinion that a chief executive chosen by popular vote would enjoy greater legitimacy, she clarified her remarks by saying she meant the crisis stemmed from "the system".

Occupy Central to hold New Year's Day 'referendum' on 2017 reforms: Hongkongers can start 2014 by giving their views on how their leader should be elected in 2017 as the Occupy Central movement runs a New Year's Day "referendum" on electoral reform. The group behind plans for mass civil disobedience next summer has commissioned University of HK and Polytechnic University academics to ask three questions that will help shape its proposal for universal suffrage as the government continues its consultation on reform. Pollsters will ask whether the nominating committee to pick candidates for chief executive should be made more representative; whether there should be "pre-screening" for candidates; and whether the public should get to nominate candidates. The poll is open to permanent residents aged 18 and over, who must provide identity card and phone numbers. "We want to provide opportunities for HK citizens to express their views through a civil referendum," said Occupy co-founder Benny Tai.

Relations HK - Mainland China

Xi Jinping urges Hongkongers to show pragmatism on political reform: President Xi Jinping urged Hongkongers to show pragmatism and foster consensus on arrangements to elect their chief executive by universal suffrage in 2017 on the penultimate day of Chief Executive Leung Chun-ying's visit to Beijing. "The central government's stance is consistent and clear," Xi said. "I hope all Hongkongers will start a pragmatic discussion based on the stipulations of the Basic Law and the decision made by the Standing Committee of the National People's Congress to forge consensus." The standing committee ruled in 2007 there could be universal suffrage for the 2017 poll. Xi added that the Communist Party's third plenum had intensified the nation's economic reform and would foster co-operation between the mainland and HK, Macau and Taiwan. In response, Leung told Xi he was confident of progress on political reform. In HK, Beijing loyalist lawmaker Tam Yiu-chung welcomed Xi's call for pragmatism. But Alan Leong, leader of the pan-democratic Civic Party, said Xi's remarks showed that Beijing had "yet to understand what HK people want". Leong said: "HK's governance problems originate from a chief executive who lacks a mandate."

Beijing think tank eyes HK's 'problems': A former senior Beijing official will head a high-level think tank set up to study HK and Macau affairs, including political reforms, as authorities see problems arising from the "one country, two systems" policy. Chen Zuoye, former deputy director of the HK and Macau Affairs Office under the State Council, was named chairman of the group at its closed-door formation in Beijing. The National Association of Study on HK and Macau would take an academic look at deep-rooted problems that had emerged, "at times very vehemently", as the "one country, two systems" principle became more deeply applied in the two special administrative regions, Chen Zuoye said.

Hongkongers still 'negative' about mainland visitors, HKU poll shows: Negative feelings in HK towards mainland Chinese are at their highest for some years, the HK University survey shows. Mainland tourists or residents are an important source of revenue for HK. But they are also seen as straining the city's resources and pushing up prices of items ranging from baby formula to property.

Legal affairs and human rights

Top court dismisses seven-year residency requirement for CSSA benefits: HK's top court has declared it unconstitutional to deny social security to new immigrants. The unanimous Court of Final Appeal ruling means new arrivals will no longer be required to live in the city for at least seven years before they can apply for Comprehensive Social Security Assistance (CSSA) benefits. Ho Hei-wah, director of the Society for Community Organisation, said the ruling may lead to an annual increase of 5,000 to 7,000 applications from new immigrants.

It could add HK\$750 million annually - an increase of 3.5 per cent - to the CSSA bill. Secretary for Justice Rimsky Yuen ruled out any suggestion the government would ask Beijing for an interpretation of the Basic Law. Chief Executive Leung Chun-ying said government departments had already started assessing the ruling's impact on the CSSA system and other policies. The top court ruled that the seven-year residency rule breached Article 36 of the Basic Law, which says every citizen has a right to social welfare benefits under the CSSA scheme. The seven-year residency requirement targeting new mainland immigrants was implemented in 2004.

Stalking law should protect legitimate journalism, activism, consultants say: Journalists and campaigners should be specifically exempted from both criminal and civil liabilities under the proposed law against stalking, a government consultancy report has recommended. "Any new criminal or civil liability based on the stalking of another person should exempt legitimate activities such as newsgathering activities and expressive activities concerning public affairs," stated the report by the University of HK's centre for comparative and public law. The Constitutional and Mainland Affairs Bureau acknowledged in a paper to the Legislative Council that the latest advice "differed" from that of the Law Reform Commission, which had suggested a "reasonable pursuit" defence and defence for conduct pursued for the purpose of preventing or detecting crime.

Health

80-year-old becomes first victim of H7N9 bird flu to die in HK: An 80-year-old man became the first person infected with the H7N9 strain of bird flu to die in HK. He was the second patient in HK confirmed to have H7N9 bird flu. The first remained in a stable condition. Both are thought to have contracted the condition in Shenzhen, where the virus was found at two wet markets. "Even though this is the first fatal case in HK, it does not mean that the risk of H7N9 has increased," said University of HK microbiologist Dr Ho Pak-leung. There have been 143 confirmed H7N9 bird flu cases on the mainland, in Taiwan and HK, with more than 40 deaths.

No need to ban all mainland live poultry for time being, health minister Ko Wing-man says: Secretary for Food and Health Dr Ko Wing-man rejected calls for widening a ban on mainland live poultry imports amid growing threats of the H7N9 bird flu virus. Ko said the current suspension on live poultry from Shenzhen had been "more than adequate" and hinted that it would be overacting to extend the ban to other parts of the mainland at present. The bird flu scare in HK has deepened after samples from two Shenzhen wet markets have tested positive for the H7N9 virus that has infected two HK residents who recently visited Shenzhen.

HK\$4.3b health insurance plan to help patients with long-term illnesses qualify for private care: Health bosses are planning a HK\$4.3 billion scheme to revolutionise the care of patients with long-term illnesses. It is proposed that they will receive an annual government subsidy of HK\$7,200 so they can buy medical insurance and use private care services, the *South China Morning Post* has learned. The move is designed to ease the burden on the public health system, and the Food and Health Bureau estimates 69,800 people with chronic illnesses will qualify by 2016, according to a source. People with long-term illnesses are currently deemed high-risk and are unable to sign up for mainstream insurance. But new regulations for the industry mean insurers will be compelled to accept them. A public consultation will be launched early in the new year.

Environment

Warning on looming waste crisis: An alliance of academics and professionals is calling on the government to scale back its plan to extend the city's three landfills in favour of incineration, saying they are fed up with the "never-ending argument" about waste. And they warn that if nothing is done soon to head off the waste crisis, it could turn into a citywide hygiene problem. The group of 60 academics from local tertiary institutions and professionals, including engineers, was formed late last month. Members say they are disappointed with government inaction on waste and recycling. And they want to send a clear message to the public: landfills are not sustainable and should be kept to a minimum, while incineration is the most sensible - and urgently needed - option.

Debate over best method for waste levy: Most green groups and property management firms support the idea of charging for waste, but the best way to tackle it is still up for debate, the Legislative Council's panel on environmental affairs heard on Dec. 16. Green groups largely agree that a "polluter pays" principle, in which residents buy designated rubbish bags, would be the fairest method, although it was harder to implement. The Association of Property Management Companies' Dr Johnnie Chan said he also supported the "polluter pays" principle, but believed it was more efficient to attach the charges to buildings. Environment chief Wong Kam-sing has pledged to introduce a waste charge by 2016 and to cut the amount of rubbish produced by 40 per cent by 2020. Wong has often stressed the importance of incineration to reduce pressure on landfills. But he faced strong opposition from Islands district councillors and residents over the government's plan to build an incinerator in Shek Kwu Chau, near Cheung Chau.

Average hours of unhealthy air in HK up on last year: Hongkongers endured an average of 2,727 hours of unhealthy air this year, surpassing last year's figure with a week to spare. The *South China Morning Post* examined hourly air pollution index (API) data from the Environmental Protection Department's 11 general air quality monitoring stations and three roadside stations. From January 1 to December 21, the average number of hours of high, very high or severe air pollution recorded by each general monitoring station rose 7.6 per cent from last year's 2,534.

Culture and education

Secondary schools face class cuts as pupil numbers keep falling: The demand for first-year secondary school places continues to drop, with a surplus of almost 3,000 seats expected for the next academic year. A

government policy to shrink class size might only cover about half of the surplus, leading to a potential cut of almost 50 classes among HK's public and subsidised secondary schools.

Schools breaking the rules on fees: Five prestigious international schools are violating government regulations by charging fees for applying to their kindergarten sections that are far above the HK\$30 limit, the South China Morning Post has discovered. The French International School, the German-Swiss International School, Harrow International School HK, the International Montessori School and the American International School all charge application fees of between HK\$500 and HK\$3,700, in breach of the education regulations. An Education Bureau circular issued in 2005 said fees of more than HK\$30 must be approved by the bureau. A breach of the regulations carries a fine of up to HK\$250,000 and a year in prison.

Varia

Health chief suggests stocking up on formula: Health minister Dr Ko Wing-man has asked parents to stock up on infant formula to cope with the anticipated rise in demand during the Christmas and Lunar New Year holidays. Ko also reassured them that the government would not lift the two-tin milk powder limit for outbound travellers unless local supply was stable. His remarks came as signs of a shortage in the city emerged. The government imposed a two-tin restriction on infant formula for outbound travellers in March after a run on certain brands of formula early this year. Ko said it had been effective. The surge in demand was widely attributed to the boom in parallel-goods trading to the mainland.

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