

**A condensed press review prepared by the Consulate General of Switzerland in HK****Economy + Finance**

**HK could face Greek-style financial crisis, warn government advisers:** HK could be as heavily indebted as Greece - facing a structural deficit of HK\$1.54 trillion by 2041 - if the city's spending grows at the current pace and nothing is done to mitigate the impact of an ageing population, the government's fiscal advisers warned. After the release of the report, Financial Secretary John Tsang said the city's finances were still sound but caution was needed. Tsang appointed economic analysts, academics and officials from his treasury unit in March last year to study the impact of the ageing population on public finances, which are subject to land revenue fluctuations and rely increasingly on direct taxes on salary and profits. But having rung the alarm, the working group avoided controversial ideas including higher rates and introduction of a goods and services tax. Instead, they suggested the government adopt a "multi-pronged" approach. This included containing public expenses at 20 per cent of GDP and screening policies costing more than HK\$100 million a year to see if they could be sustained without threatening the government's solvency.

**HK agrees to hand over financial details of Americans working in city to US tax authorities:** HK tax officials will soon be able to pass information about the finances of Americans working in HK to their US counterparts under an agreement signed on March 25 as part of Washington's global crackdown on tax evasion. The Financial Services and Treasury Bureau said the tax-information exchange agreement allowed the US to file a request to the Inland Revenue Department "under specified conditions". Secretary for Financial Services and the Treasury Professor Chan Ka-keung said after signing the first agreement with US Consul General Clifford Hart that it demonstrated HK's continued commitment to fulfilling its international obligations. "The [agreement] with the US has adopted highly prudent safeguard measures to protect taxpayers' privacy and the confidentiality of information exchanged," he said.

**New task force makes it faster to hire foreign workers:** The time taken for contractors to get the nod to import workers will be shortened to six months under a new government initiative that has won both business and labour representatives' support. Under the initiative, the Development Bureau identified 26 jobs in the construction industry, such as bar-bending and formwork staff, which are facing a serious manpower shortage. Employers who want to import workers have to apply for permission to do so through the Supplementary Labour Scheme. The scheme, which was launched in 1996, requires employers to show that they have been unable to fill a vacant post after at least four weeks of domestic open recruitment.

**HK textile manufacturers move production to Myanmar:** HK textile manufacturers have signed a deal to set up their first industrial park in Yangon, which they expect will slash production costs by at least half. Workers at the 200-hectare facility in the former capital of Myanmar will be paid about a fifth of those employed in mainland factories. Liberal Party lawmaker Felix Chung, representing the textiles and garment constituency, made the deal on behalf of 12 manufacturers to rent half of the 400-hectare Thilawa Special Economic Zone, co-built by Myanmar and Japan. Chung said the HK manufacturers planned to employ at least 30,000 Myanmese workers at the market salary of US\$100 to US\$120 a month.

**Li Ka-Shing downbeat over HK's future:** Li Ka-shing, Asia's richest man, warned that the Occupy Central campaign will give a bad impression to outsiders. Declining competitiveness with neighbouring markets and the harassment of mainland tourists would erode the city's prospect, the latter because mainlanders helped support the city's economy. The city should model itself on Singapore by investing in innovation and technology. Democracy would give HK a healthy status boost to the business community, but only if people are open-minded.

**Domestic politics**

**Public nomination for Chief's job 'ruled out':** The mainland official in charge of HK affairs, Zhang Dejiang of the Communist Party's leading group on HK and Macau Affairs, laid down the rules on the city's push to directly elect its political leader, effectively dismissing the possibility of allowing voters to put forward candidates. "HK must uphold the principle of 'one country' while respecting the differences between the 'two systems,'" Xinhua quoted him. He said HK's push for democracy must be gradual and orderly and the reform must be done in accordance with the constitution and the Basic Law. This was coded saying all candidates must be put forward by a nominating committee – a body whose members will mostly be Beijing loyalists.

**Beijing's words will not halt Occupy Central's plans, says organiser Benny Tai:** Occupy Central will go on discussing electoral reform proposals favoured by Hongkongers rather than those Beijing officials prefer, the civil disobedience movement's organiser Benny Tai said. He was addressing comments by National People's Congress chairman Zhang Dejiang, who warned of "disastrous consequences" if HK adopted a Western-style of democracy instead of following its mini-constitution, the Basic Law. But Tai said the campaign - which plans to rally protesters to block roads in the city's financial centre if the authorities fail to deliver an acceptable proposal to implement universal suffrage for the 2017 chief executive election - would not change its tactics in response to Zhang's warnings.

**Beijing has 'decided' on details of election:** The central government has already "decided on many details" of how to elect the chief executive under "one man, one vote" in 2017, including that a pan-democrat is "unlikely" to qualify as a candidate. That's according to James Tien, leader of the pro-business Liberal Party. He believed hopefuls for the top job could be required to secure at least half of the nominating committee's support in order to

be put forward as a candidate. Tien said Beijing "could not accept" former chief secretary Anson Chan's proposal to allow hopefuls to become official candidates if they secure support from a tenth of committee members. The government must win a two-thirds majority in the 70-member Legco to secure passage of any reform package. However, pro-government lawmaker Ip Kwok-him said he did not believe that Beijing had made any such decisions. Tien's comments came as 15 legislators attended the last of four recent breakfast meetings with liaison officers and local officials. Dr Liu Xinkui of the liaison office's legal affairs department said "good conversations" had taken place but refused to elaborate to reporters.

**Beijing might allow popular candidate to run for chief executive, says Jasper Tsang:** The central government is said to be prepared to "accept reality" and allow someone popular - albeit disliked by Beijing - to run for the 2017 chief executive election. That was the message from an "an authoritative official" quoted by Legislative Council president Jasper Tsang Yok-sing on March 27. Tsang also dismissed as "not authoritative" comments by Liberal Party leader James Tien, who said that Beijing had already "decided" a pan-democrat was "unlikely" to qualify as a candidate. Tsang - who has warned that failure to achieve universal suffrage in 2017 would be the "worst scenario" for all sides - has been encouraging pan-democrats to join a trip to Shanghai next month for talks with officials on political reform.

**Pan-democrats still wait for answer on Shanghai meeting:** Pan-democrats are facing a catch-22 as they come under pressure to sign up for a trip to Shanghai to meet Beijing officials before the officials have said whether they will meet a key condition the lawmakers have set for their attendance. Legislative Council president Jasper Tsang Yok-sing said that although the democrats had yet to secure an exclusive meeting with the officials, time was running out to confirm if they would join the trip. One of three conditions the pan-democrats set for their attendance - that the officials they meet must all be concerned with the reform process - has been met. But even if they secure a separate meeting, a third demand - that the officials discuss proposals for nominating chief executive candidates in 2017, including the right for voters to put forward candidates - remains a potential stumbling block.

### **Relations HK - Mainland China**

**Beijing 'concern' over mainland visitors to HK:** Beijing's top official on HK affairs Zhang Dejiang has acknowledged for the first time that the city's capacity for mainland tourists is a matter of concern for the central government. Zhang said the HK and Macau Affairs Office of the State Council and the China National Tourism Administration should look at the issue with the HK government. Zhang referred to the recent ill-tempered demonstrations by some HK people against mainland tourists. Zhang said the recent protests were derogatory, intensified social divisions and were inappropriate. Zhang reiterated Beijing's stance on political reform, warning the city could face 'disastrous consequences' if it adopted Western-style democracy.

### **Legal affairs and human rights**

**City's rule of law ranks 16<sup>th</sup> globally:** HK has been ranked 16<sup>th</sup> in the world for its rule of law – three places ahead of the United States, well ahead of the mainland, but behind tightly controlled rival Singapore. HK's best ranking was in the category of providing order and security and its lowest was for guaranteeing fundamental rights. The mainland ranked 76<sup>th</sup> out of 99 countries studied by the World Justice Project.

**Politics takes back seat at press rally:** Thousands from across the political spectrum rallied in support of press freedom and to condemn the attack on former Ming Pao chief editor Kevin Lau who is recovering from chop wounds that left him close to death. "Violence is meant to intimidate. If we are frightened into submission, we will lose our freedom," said Lau in a message from his hospital bed. The Journalists Association said 13,000 took part; police put the figure at 8,600. There was a rare show of political unity as lawmakers from various pan-democratic groups marched alongside legislators from the Beijing-friendly camp.

**Washington 'troubled' by assaults on HK media figures:** Washington says it is "troubled" by the series of attacks on media figures in HK recently and urges HK police to fully investigate. US State Department spokeswoman Jen Psaki said the US was concerned over reports about another attack on members of the media in HK, after two senior executives of a new HK newspaper were assaulted on March 19. It was the second attack on media figures in a month. Former Ming Pao chief editor Kevin Lau was critically injured in a chopping attack on February 26. Psaki said freedom of the press was crucial to HK's success and reputation as a leading centre of global commerce.

### **Health**

**Government offers to lend HK\$45b to NGOs to run private hospitals:** The government may loan HK\$45 billion to non-profit organisations to run private hospitals in a bid to ease the burden on the public health care sector. The money will come from a HK\$50 billion fund earmarked by the previous administration to support a reform of health insurance intended to persuade more people to use private hospitals instead of the overburdened public health care system. Without revealing further details, Ko said the loans would only be offered to non-profit organisations. The government aims to correct the imbalance whereby about 40 per cent of doctors in the public system care for 90 per cent of hospital patients and the other 60 per cent of doctors treat 10 per cent of patients in private hospitals.

**WHO chief raises prospect of ban on live poultry sales:** The government should consider banning live poultry sales altogether in order to prevent the spread of diseases such as bird flu, the director general of the World Health Organisation has said. Dr Margaret Chan, formerly HK's director of health, also said that the regional culture of eating fresh chicken would have to evolve to help governments fight the diseases. Chan said that so far

there was no global pandemic of H5N1 and H7N9 bird flu. But she warned of the "amazing ability" the viruses had to mutate, making them harder to control.

## **Environment**

**Emissions rise in face of pact for 10pc cut:** HK is running out of time to contain emissions of nitrogen oxides - which have increased despite a cross-border pact to cut them, green activists say. The warning came after the environmental watchdog released emissions figures for 2012 showing a 6 per cent rise in the level of the pollutants above the 2010 level. HK has until next year to reduce its nitrogen oxides emissions to 10 per cent below the 2010 figure under the pact signed with Guangdong. The 2012 figures show the pollutants were up by 7,000 tonnes on 2010, bringing the total to 115,000 tonnes. However, that was still below 2009 levels, and three other key pollutants recorded decreases of between 2 and 8 per cent, with sulphur dioxide falling most. The pact, signed in 2012, also requires HK to achieve reductions of 5 to 25 per cent for sulphur dioxide, small particles and volatile organic compounds. Power stations, construction and aviation fuelled the emissions growth, according to the Environmental Protection Department.

**Landfill, incinerator plans pass Legco's environmental affairs panel:** The expansion of three landfills and construction of an incinerator at an island off Lantau won approval from the Legislative Council's environmental affairs panel. The plans must now be passed by Legco's public works subcommittee before funding approval is sought from the Finance Committee. It was a rare victory for the government, which has had previous funding requests rebuffed. Secretary for the Environment Wong Kam-sing said the bureau would submit its plan to the public works subcommittee next month. He said both the incinerator and the landfill expansions were necessary to manage HK's waste. All three landfills are projected to be full by 2019 on current trends.

## **Culture and education**

**Planning Board ruling: Prime campus site to stay as educational use:** The Town Planning Board has called for officials to communicate better on land rezoning after a U-turn which means a former campus in Kowloon Tong will be kept for education instead of being sold for flats. Baptist University vice-chancellor Professor Albert Chan, who has threatened to resign if the site was not granted to the university, welcomed the board's decision. He said the university hoped to start discussions as soon as possible with the Education Bureau on its proposal for a teaching hospital, a hostel with room for 1,700 students and a general education centre. However, the bureau said in a statement that it would study in detail the feasibility of developing the site for a school for special-needs students.

**New international preschool finds pricey space to fill a gap:** With an increasing number of local parents enrolling their children in international schools, two more international kindergartens have set up shop in HK since the start of the year to cater to the growing demand. Both have found the high land prices one of the biggest obstacles to keeping fees low. United States-based kindergarten group Safari Kid opened its first HK branch in January. It aims to provide more places for expatriate children, whose parents find it increasingly difficult to secure suitable preschool places for them. Singapore-based EtonHouse International Preschool, which also opened its first HK branch in January, agrees that finding the right property is a challenge.

## **Macau**

**HK, Macau struggle with their identity as cross-border cities:** Researchers from Harvard University have put Macau's physical and cultural landscape under the spotlight, delving into the key characteristics that make a cross-border city. The Macau findings can, in part, be applied to HK as both are distinct frontier cities and former colonies, have a mix of Eastern and Western cultures and are now special administrative regions. A key finding was that frontier cities are more likely to struggle with their identity and fight for their "authenticity". "Cross-border cities create exacerbated difference because of their proximity to each other, divided by a political and economic border," said Professor Christopher Lee, associate professor in practice of urban design.

## **Varia**

**HK is world's 13<sup>th</sup> most pricey city:** HK has scaled another rung on the cost-of-living ladder, an Economist Intelligence survey shows. Currency appreciation and inflationary pressure drove the city up the think tank's World-wide Cost of Living index. But in Asia, the city fell one position to 5<sup>th</sup> place, behind Tokyo, Melbourne, Sydney and the new title holder for the most expensive city in the world to live in – Singapore. The study looks at the prices in USD of 160 products and services in 140 cities across the world. These include food, alcohol, toiletries, private schools, entertainment, clothing, domestic help, transport and utilities. Housing and rental costs are excluded.

## **Press articles related to Switzerland and Swiss matters**

**UBS traders tried to rig Hibor, HKMA probe finds:** After looking at millions of communication records from nine banks involved in Hibor fixing, the HK Monetary Authority HKMA found that UBS traders had tried to rig the bank's submission for the fixing by sending "change requests" through about 100 internal chat messages from 2006 to 2009. The six traders had left the bank. The HKMA estimated the impact on the actual outcome of the Hibor fixing was insignificant. UBS ceased to be a Hibor reference bank in October 2010. The HKMA ordered the bank to implement a remedial plan for the control and governance weaknesses it had identified within six months and take appropriate disciplinary actions against related staff. A UBS spokeswoman said: "We have not been part of the Hibor-fixing panel since 2010 and have taken appropriate steps to incorporate the HKMA's suggested improvements into our operations."

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