

Economy + Finance

Drop in retail sales biggest in five years as surge in number of mainland visitors slows: HK's retail sales in April dropped the sharpest in five years, adding fuel to the controversial debate on curbing mainland tourist numbers. Consumption fell 9.8 per cent year-on-year to HK\$38.8 billion, or 9.5 per cent in volume, the Census and Statistics Department said. It was the third month in a row the figures had declined, after a drop of 1.3 per cent in March and 2.3 per cent in February. The poor performance came as the growth rate in mainland visitors slowed to 14.7 per cent in April from 26.7 per cent in March. Some economists blamed the gloomy sales figures on the continuing effects of the anti-corruption drive Beijing launched in 2012 to curb the spending of officials on luxury gifts. The biggest decline was for big-ticket items such as jewellery and watches, with sales plunging almost 40 per cent in April.

Jobless rate could rise if retail sales keep declining, financial secretary warns: HK's unemployment rate of 3.1 per cent may go up if retail sales continue to shrink and the external business environment does not improve, Financial Secretary John Tsang warned. He sounded the alarm on his blog after the Census and Statistics Department announced that retail sales in April dropped 9.8 per cent year-on-year to HK\$38.8 billion, or 9.5 per cent in volume. On anti-mainland tourist sentiments, Tsang told Hongkongers not to harm the city's image as the "capital of hospitality", which had taken many years to build. About 40 million mainlanders visit HK each year, but that figure is projected to hit 100 million by 2020, putting an ever-greater strain on the city.

HK's finance chief, John Tsang, may lower economic growth forecast: Financial Secretary John Tsang has warned he may lower the government's forecast for HK's economic growth this year if instability in the economy and the external business environment persists. Tsang's current forecast is for growth of 3 to 4 per cent. The finance chief also said that even though property prices had "cooled", Hongkongers still should not neglect the risk of the property bubble bursting.

'Improvements' to HK multi-entry permits eyed, Greg So says after Beijing talks: The authorities in Beijing had "noted the views" of Hongkongers about the flood of visitors from Shenzhen, the commerce minister said after talks. "Improvement measures" to the multiple-entry scheme for residents of the border city were under discussion, Secretary for Commerce and Economic Development Greg So said following a meeting with mainland officials. However, the meeting reached no conclusions on the issue, he said. Rising visitor numbers have led to protests in HK about overcrowding on the streets and public transport and shops serving locals being priced out of some parts of the city.

Political tensions could undermine HK as China's top financial centre: HK's former central banker Joseph Yam has warned that the city could lose its status as China's top financial centre if political developments unnerve the country's leaders. In the preface of his new book, Yam writes: "The politics of finance is already complex ... It may well be that political developments in HK are eroding the willingness of the leadership to rely too much on HK as a venue for the conduct of international financial activities of the mainland. If so, this would be regrettable." The warnings come amid growing tensions over electoral reform.

Moody's warns HK banks over increased loans exposure to mainland: Ratings agency Moody's restated its negative outlook on the city's banking system in a new report highlighting the risks to lenders over the next 12 to 18 months from rapidly expanding exposure to mainland borrowers. HK's exposure to the mainland grew by 29 per cent in 2013, accounting for 20 per cent of total banking assets, or HK\$2.3 trillion, by the end of last year, according to the report. The HK Monetary Authority said the growth in exposure was a "natural consequence" of China's economic development. "The results of our supervisory works suggest that the risks of mainland-related loans are prudently managed by banks," an authority spokeswoman said.

Domestic politics

Alliance for True Democracy proposal wins Occupy Central poll as nearly 800,000 Hongkongers vote: A proposal tabled by the Alliance for True Democracy, a group comprising 26 of the 27 pan-democratic lawmakers, won the unofficial "referendum" on HK's electoral reform that ended on June 29. It secured 331,427 votes, or 42.1 per cent of the 787,767 valid ballots cast during the 10-day exercise, which was organised by the Occupy Central movement. A joint blueprint put forward by Scholarism and the Federation of Students came second with 302,567 votes (38.4 per cent), followed by a People Power's proposal, which clinched 81,588 votes (10.4 per cent). All three call for the public to be allowed to nominate candidates for the 2017 chief executive election, an idea repeatedly dismissed by Beijing as inconsistent with the Basic Law. And about 88 per cent of voters agreed that the Legislative Council should veto any reform proposal put forward by the government if it failed to meet international standards, compared with 7.5 per cent who disagreed. Benny Tai, a co-organiser of Occupy Central, said the campaign would push for the winning proposal, and if the government refused to accept it and tabled a different proposal, the civil disobedience movement would hold another referendum to decide whether to mobilise supporters to block traffic in Central. A government spokesman said it was the common aspiration of the people and government of HK to implement universal suffrage for the 2017 election. But public nomination was unlikely to be adopted in view of controversies relating to the legal, political and operational aspects of the proposal.

HK police can handle Occupy Central, says Justice Secretary: HK police alone can handle any incident that could potentially damage the city's law and order, Secretary for Justice Rimsy Yuen said. Yuen's remarks came

one day after the former director of Xinhua's HK branch, Zhou Nan, said "anti-China forces" were using the Occupy Central movement to try to seize control of HK's administration and that the People Liberation Army would step in if riots were to occur in the city. "If necessary, I believe the police force is capable of handling any activities that would damage the law and order," Yuen said, reiterating a long-standing government position. Dr Benny Tai, a co-founder of Occupy Central and a legal scholar at the University of HK, said the organisers had always stuck to their plans despite repeated attacks from Beijing. "This latest attack on us by Mr Zhou Nan is just one of the many [that we have witnessed] over the past 10 months or so ... though this is perhaps one of the most powerful cannons fired so far, and we expect to see more suppression," Tai said at a forum on electoral reform.

Legco storming may be forerunner to Occupy Central, government source says: The government fears the attempt to storm the Legislative Council building on June 13 was a trial run by activists for the Occupy Central campaign of civil disobedience, a source close to the administration revealed. Protesters used bamboo poles to try to force open doors to the Legco building when a crowd that had gathered to oppose government plans to build two new towns grew angry. Inside, Legco's Finance Committee had been due to vote on a HK\$340 million funding request for engineering works linked to the development plan in the northeastern New Territories, which will cost many villagers their homes. Chief Executive Leung Chun-ying accused the protesters of "further aggravation in the wake of a spate of illegal events". After viewing damage to the building, Legco President Jasper Tsang condemned the "very serious violent acts". Dr Chan Kin-man, one of Occupy Central's founders, believed there was little threat of the campaign resulting in a similar clash with police.

Rare disagreement as CY Leung takes issue with Global Times editorial on Occupy poll: In a rare example of a top HK official not following Beijing's script, Chief Executive Leung Chun-ying said he disagreed with an editorial in the state-run Global Times newspaper which described the enormous turnout for Occupy Central's reform poll as "no match" for the 1.3 billion population of China. Leung said it was wrong to put "the people of HK and China on confronting sides". The Global Times described the Occupy poll as "illegal", but Leung clarified that the people who voted would face no criminal liability. However, he reiterated that public nomination "does not comply with the Basic Law", saying that there were no grounds for people to call for universal suffrage to be compatible with international standards.

Beijing's white paper makes passing reforms tougher, Carrie Lam says: HK's No 2 official has admitted Beijing's white paper on the city's affairs will make it harder for a political reform package to pass the Legislative Council. And Chief Secretary Carrie Lam predicted a "great battle for public opinion" when the government brought forward its proposal for the 2017 chief executive election, adding that a high level of public support might pressure pan-democrats into supporting the plan. The HK government has expressed support for the white paper, which angered pan-democrats for its claim Beijing had "comprehensive jurisdiction" over the city.

Former justice minister defends white paper, warns city will be 'doomed' if it engages in 'colour revolution': Beijing is concerned about the possibility of external forces at work in HK and the city would be "doomed if a 'colour revolution' takes place", a former justice minister warned. Elsie Leung, now deputy director of the Basic Law Committee under the National People's Congress, defended central government against pan-democrats' criticism that it had reneged on its promise to allow the city a high level of autonomy. "HK would be doomed if we engaged in a 'colour revolution'; in fact, intense movements have been on the rise recently, and I think [Beijing's] worries are not groundless," Leung said. She reiterated her worry that the Occupy plan would end in violence - but rejected concerns that military force would be exerted on the civil disobedience action, as happened at Tiananmen Square on June 4, 1989.

Chaos as initial funding for new towns in New Territories approved by Legco panel: Lawmakers finally approved the government's request for preliminary funding for work on controversial new towns on June 27 amid chaotic scenes and vows of legal action from pan-democrats, who said the vote was illegitimate. Most of the protesters who gathered outside the Legco complex in Admiralty dispersed after the vote but vowed to continue to fight the plan. The issue is highly charged. The government says the HK\$120 billion new towns at Kwu Tung and Fanling North are vital to its homebuilding plans. But protesters say the plan will benefit big developers and involve mostly luxury flats, while villagers will see their homes and lifestyles lost for little compensation.

Taiwanese activists who planned to join July 1 rally denied entry to HK: Two Taiwanese activists Lin Chihua and Chen Wei-ting who plan to join July 1's rally in HK were refused entry on June 29, raising accusations of political motives. The Immigration Department would not comment on individual cases. A spokesman said the department took into account immigration requirements and the circumstances of each individual in handling cases. Taiwan's Mainland Affairs Council hoped the HK government could safeguard freedom and human rights.

Relations HK - Mainland China

Beijing emphasises its total control over HK in white paper: The central government holds "comprehensive jurisdiction" over HK and is the source of its autonomy, Beijing said on June 10 in an unprecedented white paper intended to set the tone for political debate. It stressed that while the city could, in the future, choose its leader through universal suffrage, that person had to be loyal to the country. China's national security and interests were at stake, it added. The white paper, issued by the State Council, said "many wrong views are currently rife in HK" and added: "Some people are confused or lopsided in their understanding of the policy [one country, two systems] and the Basic Law." The paper came 10 days before Occupy Central activists calling for greater democracy hold an unofficial referendum on options for the 2017 election of the chief executive. Beijing reminded the public that HK was just "one of the local administrative regions" and it was the central government's prerogative to oversee how it runs local affairs. It also warned against "outside forces" using the city to interfere in China's domestic affairs. Chief Executive Leung Chun-ying said the white paper was in line with the Basic Law.

But Occupy Central organiser Benny Tai disagreed. "[Beijing is] trying to scare Hongkongers into silence," Tai said. And Civic Party leader Alan Leong accused Beijing of backtracking on its promises.

China's sovereignty takes precedence over HK, ex-official Chen Zuor says: The sovereignty and security of the nation take precedence over maintaining HK's prosperity, a former top mainland official in charge of the city's affairs said. Chen Zuor, a former deputy director of the State Council's HK and Macau Affairs Office, also said Hongkongers had failed to shake off their "mentality as colonial subjects" 17 years after the handover. He echoed the conclusions of Beijing's controversial white paper on HK affairs, insisting "one country" and "two systems" did not have equal weight. "Upholding the country's sovereignty and security is not on an equal footing with maintaining HK's prosperity. My understanding is that upholding national sovereignty and security comes before maintaining the prosperity of the special administrative region," he said.

Sea of lights as 'record crowd' marks 25th anniversary of Tiananmen crackdown: Victoria Park became a galaxy of candlelight on June 4 with what was claimed to be a record crowd marking the 25th anniversary of the June 4 crackdown. The HK Alliance in Support of Patriotic Democratic Movements in China put the number in Victoria Park at more than 180,000, well up from the 150,000 reported last year. Many travelled from the mainland to join the vigil, with HK the only place on Chinese soil where people can observe the anniversary in public and on such a large scale. At the close of the gathering, the alliance called on participants to join the annual July 1 pro-democracy march. Earlier in the day, government-friendly lawmakers walked out of the Legislative Council as pan-democrats observed a minute's silence, after Lee Cheuk-yan's request for formal mourning was rejected by Legco President Jasper Tsang.

Anger at Beijing's stance on elections drove huge Tiananmen vigil turnout: Frustration with Beijing's opposition to open elections by universal suffrage in 2016 and 2017 may have driven the enormous turnout at the Victoria Park candlelight vigil to mark the 25th anniversary of the bloody Tiananmen crackdown on June 4, an organiser says. Lee Cheuk-yan, chairman of the HK Alliance in Support of Patriotic Democratic Movements in China, said that he saw many young people and mainlanders at the vigil. Remembering the crackdown was not the sole reason for many participants attending the vigil, Lee said. "They see the Beijing government is not letting us have universal suffrage in HK," he said. "They realise that while we are discussing universal suffrage here, our real opponent is Beijing."

International relations

Beijing diplomat warns UK consul not to 'meddle' in HK politics: The top British envoy in HK has hit back at Beijing's warning that London should stay out of HK's politics, saying Britain has "a wide range of interests" in the city as a signatory to the Sino-British Joint Declaration. British Consul General Caroline Wilson also stressed the importance of universal suffrage being on the basis of "a genuine choice". Wilson was responding after China's foreign ministry commissioner in HK, Song Zhe, issued a statement asking Britain not to poke its nose into HK's constitutional reforms. He said the reforms were HK's internal affair and Beijing was firmly against any meddling by "outside forces".

Washington dismisses talk of interference in city: Washington has rejected Beijing's accusation that "outside forces" are interfering in HK's political development, saying meetings between diplomats and leaders in politics and society are "standard practice". A spokesman for the Department of State said the US supported democracy in HK and that a high degree of autonomy and an open society were crucial to stability and prosperity. The comments came a day after Beijing released a white paper on HK, stressing its "power of oversight" over the city's autonomy. The paper also said Beijing was sincere in "moving HK's democratic governance forward". In comments widely seen as an attack on the Occupy Central pro-democracy movement, it criticises "a very small number of people who act in collusion with outside forces to interfere with ... 'one country, two systems'." British consul general Caroline Wilson reiterated that London's commitment to its former colony was "as strong as ever".

Legal affairs and human rights

Rafael Hui, Kwok brothers graft trial opened after second jury empanelled: Prosecutors in the corruption trial involving Rafael Hui, a former No 2 official in the HK government and Kwok brothers, two of the city's wealthiest tycoons opened their case on June 5 after a second jury was empanelled. Hui faces eight charges related to bribery and misconduct in public office. Sun Hung Kai Properties co-chairman Thomas Kwok Ping-kwong faces one charge of conspiracy to offer an advantage to Hui and two counts of conspiracy to commit misconduct in public office. Raymond Kwok Ping-luen, also co-chairman, faces four charges, including one with Hui of furnishing false information.

HK lawyers march to defend judiciary in wake of Beijing's white paper: A record number of lawyers took to the streets on June 27 to protest against Beijing's white paper that they say jeopardises judicial independence, a value that sets HK apart from the rest of the country. One of the city's highest-level judges offered support for the 1,800 participants, who wore black and marched in silence in the profession's third public display of support for the judiciary since the handover in 1997. The march was held in protest against the white paper issued by the State Council on June 10 that called judges "administrators" and said they should be patriotic. The previous marches followed Basic Law interpretations by Beijing. A spokesman for the Department of Justice dismissed the marchers' fears. "As a matter of fact, the white paper made repeated references to [HK's] independent judicial power," he said.

Health

Regulation of medical devices delayed: Plans to regulate the use of medical instruments have been delayed, prompting anger from lawmakers. The Food and Health Bureau wants to introduce a registration system to cover

instruments, traders and assessment bodies, as well as an appeal board to monitor advertisements and keep track of after-sales safety. But its plans have been held up by delays to a government study into whether devices commonly used in the beauty industry, such as high-powered medical lasers, should be used only by registered medical practitioners. The study had been due for completion this year, but will now not be finished until next year. Medical sector lawmaker Kwok Ka-ki told a health panel meeting of the Legislative Council that the delay was "unacceptable". Sophia Chan, undersecretary for food and health, said the legislative process would start as soon as the study was completed.

Environment

UV rays to catch polluting vehicles: Drivers of cars and vans that breach emission standards face having their vehicle licences revoked if caught under a HK\$12 million detection scheme to be introduced in September 2014. More than 42,000 private vehicles, taxis and minibuses will come under closer on-street monitoring by remote sensing technology using infrared or ultraviolet rays to measure the emitted pollutants. Owners of vehicles that breach the standard will have 12 days to fix them. If they don't, their licences will be revoked by the Transport Department. Assistant director of environmental protection Mok Wai-chuen said HK's roadside air pollution was unique in that excessive emission of nitrogen oxides from vehicles could react with the regional ozone pollution and lead to a high concentration of nitrogen dioxide.

Households vote on how to pay for their waste: Charging individual households for the volume of waste they produce is the preferred method for people living in buildings with property management services, a public consultation has found. A four-month study by the Council for Sustainable Development that ended in January found that 54 per cent of such households preferred this method - the so-called "designated rubbish bag" approach, as it relies on households disposing of waste in rubbish bags of varying volume and prices. The survey was launched amid government plans to introduce some form of waste charging by 2016. The charge is seen as essential to helping the city cut its mounting waste levels as landfills near capacity.

Culture and education

International school 'facing crisis' in catering to HK's expanding French community: The French International School has applied to open a new campus at a government site in Kowloon as it nears a crisis point in its efforts to provide enough places for the fast-growing French community in HK. The number of French nationals aged under six on consulate records has hit 1,500, half as much again as the capacity of the school's French primary section, says principal Christian Soulard. Soulard says the school needs a new campus on the Kowloon peninsula because some 30 per cent of the community's population live in the New Territories. There are about 11,200 French nationals on the consulate's records and the numbers have risen by about 10 per cent a year. Many, however, do not register. Alexandra Malandain-Leckie, president of HK's overseas French association L'Union des Français de l'Étranger, says the city is one of the favourite destinations for young people who find it difficult to get a job in France due to the high unemployment rate.

Tax-free status of HK's international schools attacked: HK's charity rules have come under fire after it was revealed the parent company of an international school is listed on the New York Stock Exchange. The Nord Anglia school is registered as a charity under section 88 of the Inland Revenue Ordinance, meaning it is exempted from tax. It also qualified for the government's land grant scheme, under which international schools are given sites for a nominal fee, usually of about HK\$1,000. Richard Barton, a spokesman for Nord Anglia Education, said the group informed the government of its listing in February 2014. An Education Bureau spokeswoman said the bureau would "closely monitor the activities of the school sponsoring body and the school to ensure its compliance with the service agreement" with the government.

Macau

Macau tightens restriction on mainland Chinese tourists: All six casino operators in Macau saw their share prices fall after an announcement that the maximum stay for mainland visitors on a transit visa will be cut from seven to five days. Macau police said the restriction, which comes into effect on July 1, was intended to stop mainland tourists supposedly transiting through Macau from overstaying there. Bloomberg gaming analyst Tim Craighead said the tightening would have limited impact on revenues and visitation.

For first time, Macau sees contested election for body that will choose next chief executive: Macau held its first competitive poll on June 29 for members of the election committee that will choose the city's next chief executive in August. But that was not enough to satisfy critics, who said more than 99 per cent of residents in the former Portuguese enclave would still have no say. Only 5,448 people were qualified to vote for the 344 seats on the election committee out of a shortlist of 352 candidates from various sectors - the first time that there were more runners than available seats. The remaining 56 representatives were chosen by the political sector. Macau watcher Larry So said the so-called competition did not make the election more representative. So believed it was very likely that Chief Executive Dr Fernando Chui would be re-elected, as the new election committee would not want any great changes.

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