

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

**HK economy slows as stocks climb, property booms:** The HK government cut its growth target for the year after a disappointing second-quarter performance as stock and property market indicators reached new heights. Real gross domestic product increased by 1.8 per cent year-on-year, down from 2.6 per cent in the first quarter. On a quarter-to-quarter basis, real GDP dipped by 0.1 per cent. The poor performance, caused by a drop in tourist spending and weak domestic demand, prompted the government to lower its full-year forecast from a range of 3 to 4 per cent, to between 2 and 3 per cent. It was the slowest growth since the third quarter of 2012. The economy expanded 2.9 per cent last year.

**HK Monetary Authority chief Norman Chan adds to gloom on economy:** HK's de facto central bank chief Norman Chan warned that the city's financial system could come under pressure when the United States raises its interest rates - a day after Financial Secretary John Tsang said the city's economy may face a "perfect storm". Their comments came as some economists warned that the outbreak of Ebola had added extra uncertainty to HK's economic outlook, which is already clouded by political turmoil, stubbornly high home prices and sluggish retail sales. Chan warned of the possibility of capital flight from emerging economies if the US Federal Reserve raised rates next year.

**HK retail sales slump by 3.1pc in July as consumers scrimp on luxury:** The summer holidays brought no relief for hard-pressed shopkeepers as retail sales declined for the sixth consecutive month. Total sales were down 3.1 per cent on July last year. The declines had sparked concerns that the city's retail industry was too geared towards mainland tourists; shops selling essentials had reported doing better than those offering the luxury goods visitors seek out. Their appetite for luxury goods has been dampened by an austerity drive and Beijing's corruption crackdown.

**Stock exchange aims to ensure Occupy Central will not halt trading:** The city's stock exchange and 450 brokerage houses have been working closely to ensure that retail investors will be able to trade on the local stock market if a planned protest by Occupy Central blocks streets in the central business district. A spokesman for HK Exchanges and Clearing said it took contingency planning seriously. HK Monetary Authority HKMA chief executive Norman Chan has said that the de facto central bank will monitor all banks to see they are sufficiently prepared for a disruption. The HKMA conducted a drill with 55 banks in June.

**We're not cutting expenses, says finance chief John Tsang:** The government asked bureaus to cut spending growth by 1 per cent a year because of a sluggish economy and the cost of new programmes in the past two years, the finance chief says. Bureaus have been asked to make the 1 per cent cut to existing programmes over two years starting from 2016 to make savings of up to HK\$6 billion. But Tsang emphasised that the move would not result in an overall drop in public spending.

**HK is multimillionaire capital of the world, says new study:** At 15,400, HK has more multimillionaires - those with at least US\$10 million in net assets - than any other city in the world, a study has found. It is also fifth on the millionaire list, with 2.9 per cent of the population, or 211,700, having net assets of at least US\$1 million. Together these wealthy and super wealthy residents hold net assets totalling a minimum of some US\$350 billion. Some 19.6 per cent of the population is classified as poor since they fall below the government's poverty line of 50 per cent of median household income. Wong Hung, assistant professor of social work at Chinese University, said one reason for income disparity was that the city put too much emphasis on the financial industry.

**Don't get burnt on hot money flowing into HK, investors warned:** The government has increased its monitoring of capital flows as finance officials and brokers warn that billions in "hot money" flowing into the city to bet on the stock market could leave just as quickly due to a poor economic outlook and fears of a US interest rate rise. "The government will keep a close eye on the risks of fund flows in and out of the city," Secretary for Financial Services and the Treasury Chan Ka-keung said. Chan warned investors that the money could leave just as easily due to the gloomy economic outlook.

**Domestic politics**

**Pan-democrats vow to fight 'more stringent than expected' NPC 2017 poll plan:** The central government moved a step closer to a showdown with pan-democrats on Aug. 27 after the nation's top legislative body hammered out a tougher-than-expected framework for electing HK's chief executive by universal suffrage in 2017. Under an initial decision by the National People's Congress Standing Committee, only two or three candidates would be allowed to stand for the election and they would need 50 per cent support from a 1,200-member nominating committee, two sources said. Pan-democrats found the framework unacceptable and vowed to veto the HK government's reform proposal if it contained the same restrictions when it comes before the Legislative Council. Some also pledged to join the Occupy Central movement, which plans to mobilise 10,000 people to block roads in the city's financial district if there is not a "genuine" choice of candidates.

**Patriotism and Basic Law 'non-negotiable' for chief executive election in 2017:** Failure to comply with the Basic Law and the principle of patriots governing HK would amount to turning the city into an independent political entity, a top mainland official told lawmakers on Aug. 21. The warning was issued by Li Fei, chairman of the Basic Law Committee, at a seminar on reform in Shenzhen, which pan-democrats say failed to narrow their divide with Beijing. The seminar, attended by 48 of the city's 70 lawmakers, was a last-ditch effort to close the gap between

pan-democrats and Beijing before the Standing Committee of the National People's Congress - the top national legislature - meets to lay down a framework for electing the chief executive in 2017.

**2017 chief executive must be a 'staunch patriot' Zhang Xiaoming tells pan-dems:** Dialogue between Beijing's top representative in HK and pan-democratic lawmakers was "far more frank than expected" but both sides remain poles apart on the city's political reform. Zhang Xiaoming, director of the central government's liaison office in HK, told pan-democratic lawmakers that the chief executive to be chosen by universal suffrage in 2017 must be a "staunch patriot" and anyone openly calling for an end to "one-party dictatorship" could not run for the job. Democrats have insisted there must be no screening mechanism to eliminate candidates Beijing does not like.

**More than half Hongkongers would accept 2017 universal suffrage with unsatisfactory nomination:** More than half of Hongkongers would accept a one-man, one-vote election for chief executive in 2017 even if they were not happy with the method for choosing candidates, according to a survey. The survey was commissioned by a 15-member group of businessmen and professionals. Shih Wing-ching referred to one question in the phone survey, conducted by Lingnan University researchers, on whether people wanted a "one-person, one-vote" election in 2017 if the nomination procedure was not satisfactory. Of the 1,017 who responded, 55 per cent said yes and 36.5 per cent said no.

**Electoral reform must safeguard business interests, scholar says:** Business interests must be protected in any reform of HK's political system, a Beijing legal scholar said, amid debate over how the chief executive should be elected in 2017. Professor Wang Zhenmin told a HK seminar that businessmen should not be drowned out by the crowd when one man, one vote arrived, as their role in keeping the city prosperous was vital and the "slice of the pie" would be shared by all. The Tsinghua University law dean was explaining why the Standing Committee of the National People's Congress had put forward a restrictive framework for the 2017 poll in which candidates would be chosen by a nominating committee. "Universal suffrage is not just a political issue," said Wang, a former member of the Basic Law Committee under the Standing Committee. "It also means redistribution of economic interests."

**Hongkongers losing faith in city's stability and freedom:** Hongkongers feel less strongly than at any point in the past decade that their city is a stable, democratic and free society, the latest poll by the University of HK reveals. HKU polling chief Dr Robert Chung refused to speculate on who was to blame, but politicians from across the spectrum said polarised debates about electoral reform and the Occupy Central movement had contributed to the grim mood.

**Tens of thousands take to the streets against Occupy:** Tens of thousands of demonstrators took to the streets on Aug. 17 in protest at the threat by Occupy Central campaigners to paralyse Central and pressure Beijing into giving HK "genuine" universal suffrage. There were also large numbers of mainland tourists and organised groups of elderly participants from leftist associations. The University of HK public opinion programme put the number at between 79,000 and 88,000, roughly half of its estimate for the July 1 march. The protest was peaceful apart from some minor clashes between marchers and opponents. The march marked the end of the alliance's month-long petition campaign against Occupy Central during which nearly 1.5 million people signed, beating the 800,000 who voted in an unofficial referendum held in June by Occupy Central organisers. Dr James Sung, a City University political scientist, said that whatever the size of the march's crowd, it would not stop the Occupy Central movement.

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

**Autonomy of HK is safe, says liaison office chief Zhang Xiaoming:** Beijing's "one country, two systems" policy on HK will not change even if universal suffrage cannot be achieved in the 2017 chief executive election, the central government's top representative in the city says. The assurance came from Zhang Xiaoming, director of the central government's liaison office, after a white paper issued in June was seen as going against the promise of a high degree of autonomy for HK laid down 30 years ago. But he also stressed the need to consider changes in HK elections from the "perspective of national security", saying Beijing must not allow the city to become a base of subversion against central authorities.

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

**Judges don't need to be patriots:** Former top judge Andrew Li has expressed reservations about the view expressed in Beijing's recent white paper on the "one country, two systems" formula that HK judges have a "basic political requirement" to love the country. Li said public concerns raised over HK's judicial independence, following the issue of the State Council document on June 10, were justified. In HK, Li said, patriotism had been widely perceived as being "supportive of and cooperating with" the Beijing and HK governments, and protecting their interests. "But under the principle of judicial independence, judges should not be pro or anti anyone or anything," he wrote. Judges were expected to be fair, impartial and faithful only to the law. It is the first time the retired chief justice has aired his opinions in public on the white paper, which asserted Beijing's "comprehensive jurisdiction" over the city.

**HK chief justice weighs in for the first time on Beijing white paper:** The city's Chief Justice Geoffrey Ma weighed into the debate about Beijing's white paper on the city's affairs, stressing that the local judiciary would act only on the basis of the law and would not be swayed by any other factor. His remarks, in a speech on "the rule of law and an independent judiciary", came a day after his predecessor Andrew Li expressed reservations about the document. Andrew Li wrote in a commentary that a requirement for patriotism was perceived as being "supportive of and cooperating with" local and central governments. It was "unfortunate and unsuitable" for the white paper to include judges among those who "administrate" HK, he added. Ma said his views on judicial independence and

the rule of law were "largely the same" as Li's. Ma and Li's remarks came amid growing concern from lawyers over the white paper.

## **Health**

**Ebola virus threat to HK is minimal, say health experts:** The risk of the worst outbreak of Ebola in history spreading through HK remains minimal, say health experts who are urging the public to remain calm. "Overall, my assessment is that the risk is low but we just need to be vigilant," said Yuen Kwok-yung, a professor of microbiology at the University of HK who was feted for his research on Sars during the 2003 crisis. The Secretary for Food and Health, Ko Wing-man, said that the HK government did not expect a "looming crisis" on Ebola in HK as there were no direct flights between the city and the affected countries in West Africa.

**Chronic shortage of doctors in HK will not be met in medium term, report warns:** The medical watchdog is under growing pressure to relax stringent licensing rules for overseas doctors after a government-commissioned study concluded that a chronic shortage of doctors "would not be resolved in the medium term". The study, carried out by University of HK researchers for the Food and Health Bureau, has not yet been released to the public. It is intended to assess demand for health professionals in the next 15 to 20 years so the government can draw up a strategy. The Hospital Authority has about 250 vacancies for doctors and an annual staff turnover of more than 5 per cent. But the Medical Association, the doctors' union, has long opposed lowering licensing requirements for overseas doctors.

**Number of new HIV cases in HK set to reach record high for fourth year running:** The number of new HIV cases recorded in the city is set to hit a record high for the fourth year running and may pass 600 for the first time, a government consultant says. Wong, a Health Department consultant, said that gay men made up the biggest group of new patients, in line with international trends. Two Aids concern groups expressed particular concern at the number of young people contracting HIV.

## **Environment**

**Bills of up to HK\$44 per flat mooted for pay-as-you-throw scheme:** A typical household should pay a maximum of HK\$44 per month to dispose of waste when pay-as-you-throw charging is introduced, a Council for Sustainable Development subcommittee has recommended. The subcommittee also favoured introducing solid waste charges on a blanket basis for both residents and businesses, but wanted charges to be "consistent". And there should be no exemptions to the charge, even for the needy. The government-appointed council was tasked with gauging public views and coming up with a model for waste charging, which green activists see as the best way to encourage recycling and cut the level of waste going to the city's bursting landfills.

**Third runway's sky-high emissions:** Having a third airport runway will increase carbon emissions by up to 269 million tonnes in 50 years and this will come at a cost of about HK\$50 billion, a study has found. The emissions estimate from the study, commissioned by the Airport Authority, is higher than Friends of the Earth's estimate in November that the runway would cause up to 216 million tonnes of extra emissions in 50 years. But the estimated cost is far below Friends of the Earth's figure of between HK\$200 billion and HK\$630 billion. Wilson Fung Wing-yip, the authority's corporate development executive director, said this cost was small compared with the HK\$480 billion of economic benefits the runway would bring. But Greenpeace campaigner Argo Yeung said the latest study confirmed that a third runway would bring "high carbon but low economic benefits".

## **Culture and education**

**New education subsidy sending local students to mainland universities:** A three-year, HK\$105 million subsidy scheme for HK students to study in mainland universities officially got under way. Education officials expect the scheme to benefit about 1,600 secondary graduates from this year to 2016. But the number of subsidised students will not be capped. They will receive a full subsidy of HK\$15,000 a year or half rate of HK\$7,500, based on their families' annual income, until they finish their university programmes on the mainland.

## **Macau**

**Fernando Chui will be re-elected Macau's leader but faces growing gripes:** Dr Fernando Chui took the chief executive's office uncontested in 2009, and he is running unchallenged again. Chui is expected to be re-elected easily. Critics have blamed Chui for failing to control housing prices. Young people have complained that they see no alternative career paths in a city flooded with glitzy casinos. Activist Kuan Un-san blasted Chui for failing to act on his promises - such as diversifying the city's economy and making government transparent. Unlike Hong Kong's Basic Law, Macau's constitution does not specify that universal suffrage should be its government's ultimate goal. Macau's 400-member election committee will continue to choose who leads the city's 624,000 residents if no change is made.

## **Varia**

**New tax of up to 2.5% proposed to fund HK\$3,000 a month pension for all Hongkongers:** Every Hongkonger over 65 - rich or poor - would get a pension of HK\$3,000 a month without a means test under a scheme put forward on Aug. 20. A long-awaited government-commissioned study said the pension should be funded partly by contributions ranging from 1 to 2.5 per cent of employees' salaries, paid by both employers and workers. The government would need to inject HK\$50 billion but an additional profits tax - as groups such as the Federation of Trade Unions proposed - would not be required. The study was headed by University of Hong Kong academic Nelson Chow. But the proposal has some limitations. The pension pool is expected to go into annual deficit from 2026. By 2041 only about HK\$13.5 billion would be left. The influential Federation of Hong Kong

Industries said Chow's proposal would be a "very huge burden" for employers to bear. Chief Secretary Carrie Lam, who chairs the commission, said it needed more time to study the report.

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