

### Economy + Finance

**HK economy slows further amid global gloom:** HK's economic growth slowed further to 2.1 per cent in the first quarter in the face of a sluggish global economy. It was the second consecutive quarter of slowing growth, after slipping from 2.9 per cent to 2.4 per cent in the last quarter of 2014. The government maintained its forecast that gross domestic product would grow by 1 to 3 per cent for the whole of this year. Weak retail sales - down 2.3 per cent - were also a factor. Only when overseas markets picked up momentum would local economic growth speed up again, acting government economist Andrew Au said.

**HK's holiday visits up only slightly as travellers pass through to other destinations:** Average revenue at the city's hotels may have dropped 20 per cent during the Labour Day holiday this year compared with the same period last year, an industry insider says. The hotels' struggles came despite figures that showed an increase in overall visitor numbers, though many of the arrivals merely used HK as a transit point. Many of the arrivals were on their way to destinations such as Japan and South Korea, which had recently eased visa requirements for mainland Chinese. Retailers say they have switched away from a focus on big-spending mainlanders and towards serving Hongkongers.

**Prudent HK shoppers drive 2.9pc retail sales slump for March:** HK's retail sales for March dropped by 2.9 per cent year on year to an estimated HK\$38.4 billion, worse than market predictions, due to weaker-than-expected local buying. As tourist arrivals went down 8.7 per cent in March from the same month a year ago, it was anticipated that the luxury sector would remain sluggish. This was confirmed by the figures showing an 18.6 per cent drop in sales of jewellery, watches and valuable gifts for the month.

**Cross-border fund quota set at 600 billion yuan and will launch on July 1:** The long-awaited mutual recognition scheme allowing cross-border fund sales between HK and the mainland will start from July 1, with a total quota of 600 billion yuan (HK\$760 billion), market regulators announced. This will mark a further easing of capital controls on the mainland, following the Shanghai-HK stock connect scheme launched last year with a total quota of 550 billion yuan. "For HK in particular, not only will this arrangement expand the distribution network of the city's fund industry but will also attract more funds to domicile here, which will help build up HK's fund manufacturing capabilities and develop it into a full-fledged fund service centre," Financial Secretary John Tsang said.

**HK ranks second in the world for competitiveness in annual IMD study:** HK has beaten Singapore and Switzerland to be named the world's second most competitive economy behind the United States in an annual report by the International Institute for Management Development. The Swiss-based business school ranked the city first in the world for efficient government and business efficiency, two of the four main factors considered in the rankings. That helped HK leapfrog Switzerland and the Lion City to move up from fourth place last year. The report stands in stark contrast to a survey released earlier this month by the central government-backed Chinese Academy of Social Sciences. The think tank's annual Blue Book report named Shenzhen as China's most competitive city, knocking HK off top spot for the first time in a decade.

### Domestic politics:

**HK pan-dems only option is to veto reform plan, Occupy co-founder says:** Pan-democrats have no alternative but to vote down the government's reform plan even if it leaves HK's democratic development at an impasse for a decade, says Occupy Central co-founder Dr Chan Kin-man. If a few pan-democrats did break ranks and allow a restrictive model for the 2017 chief executive poll to pass, Chan said it would severely split the pan-democratic camp again while also bringing a national security law a step closer - a price he called "unaffordable".

**CY Leung urges pan-democrats to accept political reform package:** Chief Executive Leung Chun-ying has urged the pan-democrats to accept the government's political reform package, warning that the city's next leader might not restart the procedure should it be voted down. Since the process of introducing universal suffrage for the legislature can only start after the direct election of the chief executive, he also said the public would need to wait for at least nine years until 2024 to have a democratic Legislative Council.

**HK business chambers urge pan-democrats to back reform proposal:** The city's key chambers of commerce called on pan-democratic lawmakers to back the government's controversial reform proposal after their joint survey found 90 per cent of business people wanted all Hongkongers to have the chance to pick their leader in 2017. Representatives from the six business chambers also dismissed a suggestion to replace corporate votes in the election of the nominating body for the chief executive poll with individual votes - which is regarded as one of the compromises to win pan-democrats' support - saying more time was needed for deliberation.

**Beijing official rules out any changes to 2017 election reform framework:** There is "no room for amendment" to Beijing's framework on political reform and in the HK government's reform package, Basic Law Committee vice-chairman Zhang Rongshun said on May 20. Zhang is the first Beijing official to rule out the possibility of any compromise after the HK government unveiled its electoral blueprint last month. The proposal is based on Beijing's decision last August, which ruled that when HK elects its leader by "one man, one vote" for the first time in 2017, it must choose from two or three candidates approved by the majority of a 1,200-member nominating committee. All pan-democrat lawmakers vowed to veto the package, saying it deprives voters of a "genuine" choice of candidates.

**After Occupy, democracy activists gear up for battle of HK electoral reform:** Pro-democracy groups are joining hands again, six months after the 79-day Occupy campaign ended, in a new movement calling for all lawmakers to vote against the government's political reform package next month. Prominent among the 14 co-organising groupings are the Civil Human Rights Front, student-led Scholarship, Civic Party, Labour Party and Democratic Party. The front's convenor, Daisy Chan, recalled their vow back when the Occupy protests ended in December with police clearing the Admiralty zone. She hoped to see 100,000 participants, she said, but the front would not encourage them to engage in civil disobedience by staying overnight outside Legco or occupying roads.

**HK lawmakers doubt meeting with mainland Chinese officials will end electoral reform impasse:** Pan-democrats and the Beijing-loyalist camp remain sceptical that last-ditch talks with central government officials on May 31 will break the impasse on how the city's chief executive will be elected in 2017. All 70 lawmakers are invited to exchange views with Wang Guangya, director of the HK and Macau Affairs Office; Basic Law Committee chairman Li Fei; and the director of Beijing's liaison office in HK, Zhang Xiaoming. The leaders of the Civic Party and the Democratic Party, Alan Leong and Emily Lau, alongside independent lawmaker Charles Mok, reiterated they would not budge an inch.

**Put political reform debate aside if Legco rejects proposal, CY Leung urges HK:** Hongkongers should put aside the debate on political reform if the government's election proposal is voted down as the city can no longer afford to waste time on endless wrangling, Chief Executive Leung Chun-ying said on May 28. Leung said it is time for Hong Kong to "chase back the time" on economic and livelihood development.

### Relations HK - Mainland China

**New draft of China's national security law for first time highlights HK's responsibilities:** Beijing has for the first time highlighted HK's obligations under a new draft of the country's national security law, raising the prospect of renewed pressure on the city to get moving on its own relevant legislation. Article 11 of the draft states: "China's sovereignty and territorial integrity brook no division. Safeguarding China's sovereignty and territorial integrity is the common obligation of all Chinese people, including people in HK and Macau as well as Taiwan." Article 36 goes on to say: "The Special Administrative Region of HK and the Special Administrative Region of Macau must fulfil their responsibility to safeguard national security." The full draft, which is up for public consultation until June 5, will be scrutinised by the National People's Congress next March at the earliest.

### International relations

**High-level delegation denies any US role in Occupy protests:** A high-powered delegation of visiting US lawmakers have assured Chief Executive Leung Chun-ying face-to-face that the United States did not have any role in last year's Occupy Central protests. Republican congressman Matt Salmon, who led the three-man delegation from the US House Foreign Affairs Committee, also stressed that it was "important to fully understand the extent to which Beijing is honouring the 'one country, two systems' form of government" at what he described as a "critical political juncture" for HK. The statement comes at the end of a carefully calibrated four-day visit during which the delegation met politicians on all sides of the argument over the government's political-reform package, which has split opinion in the city.

### Legal affairs and human rights

**HK linked to Fifa bribery scandal through 'complex' money laundering schemes:** HK was named as one of the focuses of "complex" money laundering schemes involving tens of millions of US dollars that is at the heart of a corruption scandal rocking the "world game" of soccer. Richard Weber, chief of criminal investigation for the US tax office, cited HK, the Cayman Islands and Switzerland as the focus of "complex" money laundering schemes that shifted at least US\$151 million of untaxed income through hidden offshore accounts. US Attorney General Loretta Lynch said the arrested officials had corrupted the international game. She spoke after Swiss authorities acting on the US indictments detained seven Fifa leaders in a dawn raid in Zurich.

**'Occupy bias' accusation unfair to HK's judges, senior counsel say:** Veteran prosecutors have defended the judiciary against harsh criticism from the pro-Beijing camp in recent weeks, saying it is unfair to judges and will undermine the judicial system. Their department came under fire after Occupy protesters hauled to court later walked free or saw their charges dropped due to insufficient evidence. "Prosecutorial decisions ... take into account public interest and a reasonable prospect of conviction," deputy director of public prosecutions David Leung said. But the courts adopted a different test - that "beyond reasonable doubt" - which was of the highest standard, he said.

**Joint border controls proposed for HK-China rail link raise Basic Law concerns:** HK and mainland Chinese authorities have yet to agree on allowing mainland immigration officials to work at the cross-border high-speed railway terminus in West Kowloon - but believe the matter can be resolved, the city's justice minister said. The issue of how these officials can enforce mainland laws in the city without breaching the Basic Law arose during talks between Justice Secretary Rimsky Yuen and mainland officials in Shenzhen. He expressed confidence the matter would be resolved by the end of 2017, when the long-delayed link is scheduled to open.

**Abandoned boy, 12, divides opinion in bid for HK residency:** Hongkongers are split over the fate of a 12-year-old boy who has lived in their midst without official identification for nine years, with some calling for him to be allowed to stay for humanitarian reasons and others fearing the case may open the floodgates. NGOs say they have indeed seen more children in similar situations. In the spotlight is Siu Yau-wai, who at age three was brought to HK by his grandmother Chow Siu-shuen from Shenzhen in 2006 using a two-way permit, allowing only a short visit, after his parents abandoned him on the mainland.

**HK government challenges ruling on 'unlawful' rejection of HKTv licensing:** The Executive Council launched an appeal against a High Court decision that ruled it was unlawful of Chief Executive Leung Chun-ying and his cabinet to deny a free-to-air licence to maverick investor Ricky Wong's Hong Kong Television Network in 2013. That court order, handed down last month, sent HKTv's application back to Exco for reconsideration.

### Health

**Health officials prepare to trace 200 passengers who shared flight to HK with suspected Mers sufferer:** Health officials are preparing to trace about 200 passengers who could have come into contact with a Korean man suspected of having Middle East respiratory syndrome (Mers), who flew into HK with a fever before taking a bus to the mainland. The 44-year-old man, whose 76-year-old father and elder sister were infected by the deadly virus in South Korea, has been placed under isolation in a hospital in Huizhou, Guangdong, where the results of a test for Mers are pending. HK has yet to experience a case of Mers but is on high alert.

**Port inspectors proposed to stop food imports evading safety checks:** Food safety authorities are planning to set up an inspection checkpoint at Kwai Chung container terminal to plug control loopholes that could have let contaminated fresh produce enter HK unchecked. The undersecretary for food and health, Professor Sophia Chan admitted that the present safety controls on fresh produce brought in by sea were inadequate. Food imported by sea does not go through routine checks as the Food and Environmental Hygiene Department has no inspection checkpoint at the terminal. Food imported by air is tested for radiation at the airport.

**Minister doesn't know how much tea with excess pesticide was imported:** HK still does not know how much Taiwanese tea with pesticide residues exceeding Taipei's standards has been imported, the health minister said, about a month after the food-safety scare broke. But health issues would arise only if one consumed a large amount in a short time, Secretary for Food and Health Dr Ko Wing-man said. Just one out of 100 samples of Taiwanese tea leaves contained pesticides higher than standards set by Taiwan, the Centre for Food Safety found after Taiwanese authorities detected pesticides in tea sold by six of the island's companies, he said. "HK currently does not have a standard for pesticide residue in tea leaves, so we adhere to the Taiwanese limits," Ko said.

**E-cigarette companies unite to tackle proposed ban in HK:** Five major electronic cigarette companies in the city have formed a new association to block the government's plan to ban the sale of their products in the city. Nav Lalji, one founder of the Asian Vape Association, said the group contained major players in the e-cigarette industry. He hoped the association could negotiate with the government over a proposed citywide ban, expected to be presented in the Legislative Council later this year, according to Undersecretary for Food and Health Professor Sophia Chan. Chan said many battery-powered vaporisers contained substances that were addictive and hazardous to health, and that there was little evidence to show they reduced the consumption of tobacco.

### Environment

**Pearl River Delta air quality improves but ozone levels rise, report shows:** Air quality over the Pearl River Delta region improved last year as levels of three major pollutants dipped - but one worrying pattern was a worsening of the harmful ozone pollutant, an official report showed. The average annual concentration of sulphur dioxide, nitrogen dioxide and breathable suspended particulates recorded in 16 monitoring stations in the region over HK and Guangdong declined by 11 per cent, 8 per cent and 11 per cent respectively when compared with 2013. While this was good news, the report noted that the increase of ozone gas showed that photochemical smog pollution in the region had yet to improve. The Environmental Protection Department said HK and Guangdong would embark on a mid-term review and study the emission reduction targets for 2020, "so as to continue improving regional air quality, including the alleviation of the ozone problem".

**Pollution levels in Central are double WHO safety standard, study reveals:** Levels of tiny particles polluting the air in HK's Central business district are 104 per cent higher than the World Health Organisation safety standard during evening rush hour, according to a new study that links traffic jams with higher pollution. A previous study by Civic Exchange and HKUST found that HK's air pollution levels exceeded health safety standards for 280 days in the past year, with Des Voeux Road Central and Hennessy Road in Wan Chai registering the worst readings.

**HK's first e-waste plant to be built by German recycling firm under multimillion-dollar deal:** A German recycling company has won a multimillion-dollar contract to build and operate HK's first electronic waste recycling facility in Tuen Mun. The system will be in line with the government's proposed "polluter pays" scheme, where importers or distributors of five categories of appliances - televisions, fridges, washing machines, computer products and air-conditioners - will have to pay a "recycling fee" to help fund disposal of the city's electrical goods. Customers who buy a new television, for example, will be able to request the retailer to arrange free removal of the old set. The government says the level of the fees will be submitted to Legco for approval "in due course".

### Culture and education

**Global Times hits out at Chinese University students for opposing PLA visit:** The Communist Party mouthpiece Global Times has hit out at the Chinese University students' union for opposing a planned visit to the Sha Tin campus by troops from the People's Liberation Army's HK garrison. CUHK postponed the visit at the last minute after objections from student leaders and alumni. No new date has been set yet. Global Times said in an editorial that the students' union was arrogant for criticising the PLA over its role in the Tiananmen Square crackdown on pro-democracy protests in Beijing in 1989. It went on to say "their behaviour is ridiculous and ignorant of how high the sky and how deep the earth are".

**Look beyond HK in research, university law dean tells scholars:** The University of HK's law faculty has vowed to adopt a comparative, or more international, focus in its research after its slide in official ratings was invoked by pro-Beijing newspapers to attack a former dean. Not all HKU scholars favour the policy shift, however, with some saying a university should value diversification, not standardisation, even in the face of bureaucratic requirements. The university was among eight tertiary institutions required to take part in a research-assessment exercise conducted by the University Grants Committee that determined how much each gets from an annual research grant of HK\$2.9 billion. The current dean, Professor Michael Hor, said the shift was in response to that exercise, which focused on works with "a strong international significance". Scholars of local laws should "go the extra mile" to find out how their findings could be relevant internationally.

**'No guarantee' ESF fees will remain among lowest of HK international schools, chairman says:** There is no guarantee that English Schools Foundation tuition fees will remain among the lowest charged by HK's international schools in the future, the body's new chairman Abraham Razack said. Razack, a real estate sector lawmaker, said however that fee rises would not be so substantial that costs would reach the level of some of the most expensive international schools in the city and that the foundation would continue to serve middle-class parents.

**HK education chief 'risks eroding HKU autonomy' in probe of Occupy's Benny Tai:** Lawmakers have accused the education minister of eroding the autonomy of the University of HK after he admitted writing repeatedly to the institution's governing body urging it to investigate an Occupy Central co-founder over controversial handling of donations. Education-sector representative Ip Kin-yuen said Ng's move would erode the autonomy of the university. "I don't think the government should do this kind of request at this stage," Ip said. "He should ... let HKU do the investigation and let HKU draw its conclusion."

### **Macau**

**Macau leader Dr Fernando Chui comes out fighting over future of gambling hub:** Macau Chief Executive Dr Fernando Chui Sai-on has come out fighting with a message of positivity on the future of the ailing gambling hub, urging residents to stay positive and patient despite a collapse in gaming revenue. His comments came in the face of months of grim economic news as Beijing's crackdown on graft and conspicuous consumption cut the supply of high-rollers whose massive spending has fuelled Macau's transformation into the world's biggest gaming hub. Gaming revenue for March was down 39.4 per cent year on year, the 10th consecutive month of slumping revenue. Its objective now was to diversify its economy to non-gambling tourism and make Macau a world centre for tourism and leisure, Chui said.

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