

# INSIGHT

## The inexorable tilt

**Andrew Leung** says despite a litany of ills, China's connectivity in global production and transport, as well as the sheer size of its workforce and ambition, will ensure its rise

As Russian President Vladimir Putin stole a march on the US over Syria and as President Barack Obama saw his much-vaunted participation at the Apec summit in Bali derailed by domestic squabbles, the unspoken question is whether this may signal a global tilt away from sole American leadership.

To be sure, US military strength remains supreme. But this is not as decisive as it appears in influencing which way the geopolitical wind blows. Short of an all-out war, leaders across the globe, while welcoming a US military umbrella, tend to be more concerned with economics and employment. The question that follows concerns the power dynamics at play and, in particular, China's role.

Some scholars have expressed doubts about the decline of America and the dawn of a new Asian age. Others point to China's growing economic might.

So who is right? By last year, China's per capita gross domestic product had reached around US\$6,100, compared with Japan's US\$46,000 and America's US\$50,000. China has vowed to quadruple its GDP by 2020. If its economy continues to shine as it has, catching up with Japan, if not the US, in 30 years is not improbable.

However, China, along with the rest of Asia, is now growing at a much slower rate. Indeed, the nation is changing course towards a slower and hopefully more sustainable pace of growth. Moreover, huge obstacles remain. Professor David Shambaugh, a senior fellow at the Brookings Institution, doubts if China under authoritarianism can achieve breakthrough innovation. The spectre of collapse, like that of the former Soviet Union, serves to reinforce political inertia, entrenched by powerful vested interests, including the military and large state-owned enterprises. An assertive nationalism born of centuries of victimhood feeds into belligerence towards neighbours.

Nevertheless, notwithstanding the familiar litany of ills, including corruption and pollution, the reality remains that the productivity of one-fifth of mankind is now being unleashed, albeit starting from a relatively low base. The following facts are instructive.

First, China is churning out some seven million university graduates a year. By 2020, it will have 195 million graduates, more than the entire workforce of the US. Already, China has become the world's top filer of patents and trademarks. The Royal Society expects it to surpass the US in scientific citations this year.

Second, China is witnessing the fastest



and largest urbanisation drive the world has ever seen – 221 new cities each with a population of over one million will be added by 2025, compared with only 35 such cities in Europe at present. This will serve to increase the number of China's massive consumers.

Third, in spite of rising wages, China remains the hub of a global supply and production chain, thanks to its massive

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economy of scale and excellent global transport links. Five of the world's top eight container ports are in China. A study by Arvind Subramanian and Martin Kessler of the Peterson Institute for International Economics highlights the epochal shifts in globalisation and economic power in the 21st century, in which a rising China plays an increasingly powerful role as a "mega trader", rein-

forced by a multiplicity of regional free trade areas and agreements.

Fourth, China is quietly developing global transport infrastructure of epic proportions, linking vast continents and distant shores to the Middle Kingdom. A monumental railway project is being planned linking the port of Shenzhen to Kunming (昆明) in western China and onwards to Myanmar, Bangladesh, India, Pakistan and Iran, and then across Turkey to Rotterdam in the Netherlands. Known as the "third Eurasian land bridge", the proposed high-speed-rail network will span 15,000 kilometres, a much shorter and less geopolitically vulnerable journey than that by sea via the Indian Ocean through the Strait of Malacca. A branch line would begin in Turkey, crossing Syria and Palestine, and end in Egypt, providing a rail link from China into Africa.

In addition, a project with a 50-year concession has recently been approved by Nicaragua's Congress to build a 286-kilometre canal connecting the Caribbean with the Pacific via Lake Nicaragua, at a cost of US\$40 billion. The canal would serve the largest container vessels, which can be accommodated at Lianyungang port, near Shanghai.

Notably, Lianyungang is planned to be the starting point of a "second Eurasian land bridge", to run across China to Kazakhstan and, via Russia, Belarus and Po-

land, to the markets of the European Union.

Finally, while debt-laden America continues to reach for the money-printing machine, faith in the greenback is quietly seeping away. Meanwhile, the renminbi speeds up its trajectory to becoming a leading reserve currency. The days of dollar dominance appear numbered.

Naturally, with an ageing population profile, China is likely to grow old before getting rich in per capita terms. Assuming it can overcome the so-called "middle income trap" (by no means a foregone conclusion), its per capita GDP may well not reach beyond that of a moderately well-off country like Turkey even by 2050. But, even so, the economy would be larger than that of the US by a wide margin.

In measuring a country's overall strength, per capita income alone can be a misleading yardstick. Few know that Macau ranks among the top five in the world in terms of per capita income (due to its mega-casino economy). That doesn't make Macau a world power. But when China's economy, with its overwhelming global connectivity, grows to be the world's largest, the whole world would be well advised to sit up.

Andrew K. P. Leung is an international and independent China specialist based in Hong Kong

## Exorcise now

**Alice Wu** says political reform can't proceed if we don't address the 'inner demons' that bedevil ties between Beijing and democrats



What is all this fuss over "inner demons"? Jasper Tsang Yok-sing, president of the Legislative Council, recently called Beijing out on what he believes to be its "inner demons" over allowing pan-democrats a place in the election of the chief executive. Once Beijing faces its "demons", Tsang said, vast horizons would open up for Hong Kong's political reforms.

Tsang's comment is spot on, though it has triggered criticism from Hong Kong's pro-Beijing newspapers. The fuss over Tsang's choice of words – "inner demons" – is truly bewildering.

Apparently, calling it "inner demons" has hurt some people's feelings. But what is wrong with calling it like it is? Given that our political reform debate has been stuck for months now over the nomination process, Tsang's comments could not have come at a better time.

Most of us know the impracticality of not having some requirements for candidates' eligibility. So, at its heart, the deadlock is not about the technicalities; its about the extent to which such rules will exclude politicians of a certain kind from candidacy.

Tsang's critics condemned his choice of words, saying it "demonised" Beijing. But Tsang said what needed to be said: he pointed out the crippling effect of such thinking. If "inner demons" – the mistrust between Beijing and pan-democrats – dictate the debate, we'll never get anywhere.

The insecurity bred by mistrust – on both sides, many would argue – is more human than demonic, to be sure. But Tsang was highlighting a problem, and the overreaction to his observation speaks accurately about how emotionally and ideologically crippling these "inner demons" remain.

Tsang spoke last year of the need for a "reconciliation"; this is consistent with the theme. Facing those demons is a first step in any sort of political reconciliation.

Addressing the need for party politics – which Tsang has also repeatedly talked about – should come next. The current system holds the office of the chief executive hostage. With little mandate and no political support in the legislature, the chief executive has little influence. At the end of the day, Hong Kong's progress will be held back as long as the office of the chief executive continues to be stripped of the power to lead.

The Beijing-sanctioned election of the chief executive by universal suffrage will come round by 2017. There is very little time left to figure out exactly how it will work.

Allowing political squabbles to continue to impede progress will spell doom not only for this city but for Deng Xiaoping's (邓小平) "one country, two systems". When we argue over and get stuck on language – like the usage of "inner demons" – not even our political differences, we make a mockery of Deng's principle.

It's time to get unstuck and address these "inner demons" that are debilitating the important questions and issues concerning the future not only of Hong Kong, but also of the "one country, two systems" formula.

Alice Wu is a political consultant and a former associate director of the Asia Pacific Media Network at UCLA

## Pursuit of China's princelings profits Western bottom lines, but at great cost

**Minxin Pei** urges firms and universities to rethink their complicity in furthering authoritarian rule

China's "princelings" – the offspring of senior Chinese officials who benefit from lavish privileges in education, employment and business – are coming under scrutiny as never before. Bo Xilai (薄熙来), the son of one of Mao Zedong's (毛泽东) comrades and a supposed "immortal" of the revolution, was recently sentenced to life in prison after his conviction on charges of corruption and abuse of power.

Outside China, princelings are feeling the heat as well. Not long ago, the US Securities and Exchange Commission announced that it was investigating JPMorgan Chase's hiring of princelings in Hong Kong, who apparently delivered lucrative underwriting deals for the bank.

China's princelings have been hot commodities for Western companies seeking to capitalise on their *guanxi* (connections) in order to secure multibillion-dollar transactions. The list of financial institutions that have engaged in such hiring practices reads like a who's who of investment banking.

Of course, it is premature to conclude that JPMorgan violated the US Foreign Corrupt Practices Act by employing children of Chinese officials who oversaw companies that retained the bank to underwrite their stock offerings. Nonetheless, the case highlights a broader trend: the wooing of China's princelings by prestigious Western educational institutions and businesses for the purpose of advancing their parochial interests in the burgeoning Chinese market.

The unseemly race to recruit princelings starts at the world's leading colleges and universities. Because China has no universities that rival the Ivy League or Oxford and Cambridge, senior Chinese officials prefer to send their children to these schools.

Given the opacity surrounding admission to these highly selective institutions (where the acceptance rate typically is as low as around 8 per cent), it is impossible to tell

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whether princelings get in on the basis of merit or family background. But it is notable that princelings are not found in the most prestigious doctoral programmes, where professors, not administrators, make admissions decisions. Likewise, MIT and Caltech, where only the truly gifted survive, have a dearth of princelings.

Indeed, the sheer number of princelings, including children of incumbent Chinese leaders, now attending Ivy League universities clearly points to the importance of family ties. President Xi Jinping's (习近平) daughter, for example, studies at

Harvard under an assumed name, and Bo Xilai's son has been a student at Oxford and Harvard's Kennedy School of Government; he is now studying at Columbia Law School.

Simply put, elite Western colleges and universities, having identified China as a top market for fundraising and high-end network-building, regard the princelings as a valuable investment. Nurturing ties with China's political elite is good business, and the princelings can help open doors.

But preferential treatment for princelings at elite universities (and business schools) has real social costs, because admission to these institutions is zero-sum. A place awarded to a less qualified princeling is a place denied to a more qualified applicant.

Worse still, this injustice is self-perpetuating. Western investment banks and multinationals can use princelings' elite academic credentials to justify hiring them, even if the real reason is the hope that putting a princeling on the payroll will give the company a rainmaker in China.

Defenders of this practice insist that princelings are well educated and highly qualified. Undoubtedly, some of them are, but many are not. Apologists also claim that nepotism is universal, citing examples of children of American politicians and business leaders who have graduated from Ivy League universities and secured coveted private-sector jobs.

But hiring Chinese

princelings is not the moral equivalent of American-style nepotism. In the US, nepotism is difficult to hide, and public scrutiny helps to check its most blatant manifestations. The democratic process, particularly the role played by a free press, constrains rent-seeking by children of government officials.

In China, by contrast, pervasive corruption, the absence of a free press, and state capitalism mean that princelings' conduct is unconstrained – and typically shrouded in secrecy. Chinese censors methodically suppress news coverage of princelings' business dealings. Most important, as part of its strategy for regime survival, the Chinese Communist Party favours princelings for appointments in government and state-owned enterprises.

Now, in the wake of Bo's fall from grace, and in light of the controversy over JPMorgan's hiring of Chinese princelings, Western academic and business leaders must ask themselves a tough question: do they want to be complicit in helping the party perpetuate its hereditary rule?

Minxin Pei is professor of government at Claremont McKenna College and a non-resident senior fellow at the German Marshall Fund of the United States. Copyright: Project Syndicate

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## Families of Manila hostage crisis victims need closure

**Mike Rowse** says it's cynical of politicians to agitate for reprisals

The death of eight Hong Kong citizens during a botched hostage rescue in Manila three years ago was a tragedy. What is happening now is fast turning to farce.

Let us be clear about the facts. The hostages were shot and killed (some others were injured) by an ex-police officer, possibly high on drugs, who was protesting against his dismissal. Prime responsibility must rest on his shoulders, and his alone, because he pulled the trigger.

The fact that the situation deteriorated to the point that the now deceased gunman opened fire owes much to the incompetence of a number of Philippine officials subsequently identified in an official inquiry report. They fully deserve the criticism heaped upon them, and the disciplinary action taken against some of them. They have been exposed as professionally inept, though not responsible in a narrow criminal sense.

In the immediate aftermath, a senior Philippine national figure should have made a full and sincere expression of regret. However, most seemed to be too busy denying their own role in the rescue fiasco.

Contrast the Manila situation with what has just happened off the coast of Lampedusa, in Italy, where over 300 illegal immigrants from Africa drowned after their boat capsized.

No official was in any way to blame for the tragedy but the Italian prime minister was nevertheless so shocked by the loss of life that he has arranged a state funeral. The local mayor

wept openly, as well might we all.

So where does this leave us three years on from our own incident? Some relatives of the deceased seem to have set their hearts on a full formal public apology from President Benigno Aquino. They have been encouraged in this approach by some of our lawmakers.

There is only one problem: Aquino has stated emphatically, on the record, that he is not going to make any such apology.

**Our legislators seem to be competing with each other to come up with lunatic schemes**

We are free to draw our own conclusions on what this shows about his character and personality, but, as he is the elected head of state in another country, there is not much Hong Kong can do about it.

But our legislators seem to be competing with each other to come up with lunatic schemes to force the Philippines to submit. We must press Beijing to raise the issue at the highest diplomatic levels (this from members who normally bridle at the slightest intimation of central government involvement in our affairs). The problem here is that this is not a

matter of foreign policy between states; any intervention could therefore only be informal in nature.

We must have a trade embargo, or put high tariffs on Philippine exports, or both. The problem here is that Hong Kong is a founder member of the World Trade Organisation and any such action on our part would clearly be ruled unlawful.

Don't worry, now there's another terrific wheeze: stop Philippine helpers coming here by not approving new contracts and not renewing the contracts of those already here. The loss of remittances will hurt the country and Aquino will be forced to eat his words.

Really? We can't hit the strong, so we are going to take out our frustration on the weak? What would that say about our character and personality?

Never mind the impact on tens of thousands of Hong Kong families who rely on their helper for support with child or elderly care, enabling both spouses to work. What about the impact on tens of thousands of honest, hard-working Filipino helpers whose families rely on their income?

What our leaders should be doing is comforting the bereaved, helping them recover from their loss and finding closure, not stirring a pot that will never boil. In short, we all need to grow up.

Mike Rowse is managing director of Stanton Chase International and an adjunct professor at the Chinese University of Hong Kong. [mike@rowse.com.hk](mailto:mike@rowse.com.hk)