

INSIGHT

Looking north

Dan Steinbock says with its growth drivers in eclipse, HK must intensify integration with Guangdong

Financial Secretary John Tsang Chun-wah said recently that Hong Kong is "looking at a new normal, at the current level, at about 2-4 per cent [growth]". That may prove to be an understatement.

Before the global financial crisis, Hong Kong's growth still exceeded 6 per cent on the back of mainland China's double-digit growth. Between 2009 and 2013, the expansion was more than halved, to 2.8 per cent. Last year, growth slowed further, to 2.5 per cent. Hong Kong's old growth drivers are in eclipse.

Recently, Chief Secretary Carrie Lam Cheng Yuet-ngor lamented that tackling poverty, with Hong Kong's rapidly ageing population, would be "an uphill battle". With the plunge in growth in the post-crisis years, elderly poverty has soared by a fifth, to nearly 440,000 last year.

However, that's only a prelude to the future because Hong Kong's growth continues to rely on mainland tourism, low interest rates and trade, which are in eclipse.

Four of every five visitors are from the mainland. In the first half of the year, the number of visitors increased only 2.8 per cent over the same period in 2014. Hong Kong is

losing favour with mainland tourists. Meanwhile, over the recent National Day golden week, Chinese visitors' long-haul trips to the US, Russia and France surged.

Accordingly, Hong Kong retail sales fell for the sixth straight month in August, slipping 5.4 per cent from a year earlier. The outlook remains uncertain.

What about trade? Until recently, Hong Kong benefited enormously from mainland China's growth, which was fuelled by net exports and investment. But the mainland's rebalancing means a massive shift towards innovation and consumption – away from net exports as the key source of growth.

In the first eight months of this year – amid stagnation in the US, Europe and Japan – Hong Kong's export value fell 2 per cent, year on year, with domestic exports falling 13.2 per cent. As a result, export growth forecast for 2015 was revised from 3 per cent to zero.

In the coming years, the mainland and Hong Kong economies may also take a hit from the Washington-led Trans-Pacific Partnership deal, assuming it is ratified by members.

Ever since the global crisis, Hong Kong has enjoyed ultra-low interest rates. But that, too, is coming to an end. The net effect is

bound to affect the inflated property market, which may face a 25-30 per cent correction in the next two years.

Will global growth boost Hong Kong's expansion? That's unlikely. As clouds continue to hang over the global economy, the International Monetary Fund recently cut its forecast for global growth this year to 3.1 per cent.

What about Hong Kong's financial strengths? For almost two decades, Hong Kong has served as China's financial engine. To continue to do so, it would have to excel over Shanghai and remain the main offshore renminbi centre. But neither is likely. As Chinese financial reforms are accelerating and capital convertibility is a necessary step towards the renminbi's role as a major international reserve currency, the financial clout of Shanghai – and other major mainland cities – is rising.

Until recently, Hong Kong has dominated the rapid expansion in renminbi usage outside the mainland. But its de facto monopoly is eroding. In Asia, it is followed by South Korea and Singapore, while British Prime Minister David Cameron hopes to make London a leading offshore renminbi centre.

Reminiscent of the Shanghai-Hong Kong stock connect, the idea

of a Shanghai-London connect could take off and is likely to be discussed during President Xi Jinping's (习近平) UK state visit this week. In the recent US-China summit, the White House also began talks about renminbi trading and clearing in the US.

According to the World Economic Forum, Hong Kong ranks seventh for global competitive-



Without the mainland, Hong Kong would be left with only half its trade

ness. Measured by per capita income, the city ranks around 10th worldwide, ahead of even the US. Over time, these living standards can only be sustained by world-class productivity and innovation.

But here's the catch: innovation can be measured by the share of research and development investment in gross domestic product. In the most competitive countries, it is 2.4 to 4.4 per cent (Germany and

South Korea, respectively); 2.2 per cent in Singapore and close to that figure in mainland China. But in Hong Kong, it is barely 0.7 per cent.

Despite all the rhetoric about innovation, Hong Kong's record is based largely on a piggyback ride on the mainland's research and development, while its traditional assets – free trade, investment and finance – are spreading in mainland China through the free trade zones.

Without the mainland, Hong Kong would be left with only half its trade, and a quarter of its foreign investment and visitors.

Only further economic integration with Guangdong can alleviate the erosion of Hong Kong's maturing economy and ageing population, while boosting entrepreneurship, venture capital and innovation across the region.

Neither complacency nor old policies are an option any more. Hong Kong needs a radical new vision, accompanied by decisive political leadership, intensified regional economic integration and an aggressive pro-growth strategy. Time ran out half a decade ago.

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Hope rises for climate change adaptation

Lord Hunt says there is a growing consensus that tech advances can help maintain standards of living for richer nations while allowing the poorer ones to continue developing

Governments across the world are making their final preparations for the landmark UN climate change summit in Paris which begins next month. The event is one of the most ambitious environmental conferences for a generation, and while the likelihood of a deal is growing, it remains unclear how bold and comprehensive it will be.

With all countries involved in setting a framework for reducing greenhouse gas emissions, parliamentarians, industry leaders and academics met last month in advance of the summit. These talks explored a range of practical but potentially transformational strategies that will enable governments to agree on fair targets for different regions and types of country.

The scientific consensus reflected in the Intergovernmental Panel on Climate Change reports is that the global average temperature over land and ocean surfaces will rise by some 2 degrees Celsius by 2050, and then continue rising if economic growth based on current technology and agriculture is not reversed.

However, last month's meeting expressed a broad emerging consensus that technological transformation could enable standards of living in the industrialised world to be maintained, while also reducing carbon emissions enough so that developing countries can grow their economies and therefore their emissions up to global per capita levels.

Most countries are equally concerned that environmental policies must also deal with the impact of increasingly severe natural hazards caused by global environmental changes, and special regional effects such as burning forests, the melting of polar ice, desertification and the spread of diseases. As the UN goals of long-term sustainability have emphasised, societies need to become significantly more resilient. This adaptation requires many aspects to be replanned for the future.

This growing confidence about the potential for future technological and green energy transformations in the developed world is



There is greater belief that reliable technology will provide sufficient capacity for non-fossil energy

underpinned by several factors. Firstly, there is greater belief that, in some countries, reliable and economic technology will provide sufficient capacity for non-fossil energy, especially wind, solar and hydro, for electricity and even transport.

However, winds can be weak and variable, and clouds can obscure solar radiation, so back-up energy supplies are used from hydroelectric, or geothermal, or from nuclear fission, which is contentious.

The shift towards low-carbon energy for transport, which uses about 30 per cent of generated energy, is also controversial. Some countries have been introducing fuels that partially reduce carbon emissions, although these fuels, such as diesel, increase air pollution, and are at the centre of the recent scandal surrounding Volkswagen.

One immediate measure to bring down carbon emissions is to reduce the speed of road vehicles, shipping and aviation.

Some 30-40 per cent of total energy supply in developed countries is accounted for by heating and other services in buildings, and the total amount per dwelling is increasing because of larger use of water, ventilation, and information technology. However, as these uses become smarter, total energy use can be reduced substantially. Progress is now also coming from remarkable advances in materials technology for insulation and structural use.

Governments need to seize the opportunity in Paris to frame their agreements for the long term, based on evidence of the growing effectiveness of low-carbon policies. As some governments already recognise, these developments also provide a springboard for innovative industry and agriculture.

However, policies should be consistent with overall sustainability strategies to ensure greater resilience of societies and infrastructure against the effects of natural and artificial hazards. These are only likely to worsen until the human effects on the global environment are brought under much better control.

Lord Hunt is a visiting professor at Delft University of Technology and former director general of the UK Met Office



Climate change could melt the Aletsch Glacier that coils through the Swiss Alps. Photo: Reuters

Voice of HK moderates goes silent in the political wilderness

Alice Wu says Beijing's single-minded focus on fighting its 'enemies' has ended up alienating the middle ground as well. With moderates giving up, our governance problems will only get worse

When the middle – the voice of the moderates – is ignored and dismissed enough times, disengagement becomes an attractive option. We saw that clearly with Albert Chen Hung-ye, University of Hong Kong law professor, constitutional law expert and member of the National People's Congress Basic Law Committee.

He was one of the few who tried to resuscitate the constitutional reform debate with his "none of the above" option. He quit the moment he realised there were not enough people genuinely interested in breaking the impasse. Without a deadlock, there would have been no ammunition to feed the "war" that had become Occupy Central versus the central government.

We saw this in moderates on the other side as well. Ronny Tong Ka-wah disengaged, too. He saw, early on, that Beijing's harsh stance was a result of the pan-democrats' continuous threats. He stuck to his call for compromise, even when it meant getting flak from his own camp as well as Beijing. He gave up his work as an elected legislator out of exasperation.

Beijing was so preoccupied with fighting Occupy that it left all moderates out in the cold. Tong

may not have given up on his moderate approach, but his decision to take it somewhere else, where it may have a chance of effecting change, is a sign that things are bad. The political climate has become so toxic and suffocating that there is no room for moderates.

So it should come as no surprise to hear Dr Brian Fong Chi-hang – a once-moderate academic who had worked with other moderates to push for dialogue with Beijing – say that when it comes to dealing with the central government, "[this] is not a moment for conversation but resistance". Here is not someone who has disengaged, but a moderate gone rogue.

He has adopted a different language – that of war: "know your enemy", "beef up your defence" and "resistance". And he may well be right. Why keep trying to talk if Beijing is not going to listen?

If we were frustrated before, we now find ourselves in an even more agonising place. Those still in the business of politics are stuck in dysfunctional working relationships. Those in the middle have thrown in the towel. Those at the extremes are still at each other's throats. And Beijing has no qualms about being perceived as asserting its bossiness.

It could all have been different. Yes, the Occupy protests would have gone ahead but the rest could have been avoided if the moderates were given a chance to be moderate.

It was not necessary to alienate them, but that was exactly what Beijing did. And there is still little sign of Beijing understanding what naturally transpired. It has disappointed the moderates, because it was so focused on throwing punches that it shut down all ability to listen. It clearly recognised its foes but it was blind and deaf to goodwill. And, having taken the city's moderates for granted, it has lost the confidence of a lot of people who saw political development in Hong Kong was about more than proving one side "right" or the other side "wrong."

If meaningful debate has become almost impossible, the chances of meaningful dialogue between Hong Kong and Beijing are even slimmer. Left out in the cold long enough, it was only a matter of time before those who had hope also turned cold. Sadly, the now hardened former moderates will join the ranks of those who have long been bitter and antagonistic.

Hong Kong's governance problem will continue to worsen because those who had been willing to work tirelessly and thanklessly for a solution have finally been forced into dejection and disengagement.

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

Hong Kong's history complex

Danny Chan says citizens must reclaim the right to reflect on their past, and be willing to accept the different interpretations that exist

History must be subject to regular scrutiny; everyone needs a past to make the present meaningful and substantial. The issue is whether such scrutiny answers the needs of the community.

The past may appear fixed and stable, yet it is always inconclusive, or new interpretations would fail to rejuvenate our imagination. Here in Hong Kong, historical reflection has long parted ways with the community, especially following the scrapping of history as a mandatory subject in the school curriculum. Now, when our society's attention turns to its past, it is often in a top-down approach. And the debates that follow usually end up in a pro- or anti-China deadlock.

It may be easy to blame that on the increased political tensions; another problem, though, is citizens' apparent lack of a historical blueprint.

So, after the police force rewrote its official history of the 1967 riots, that part of Hong Kong history has been reduced to pro- or anti-China antagonism, or an annotation of an eternal conspiracy theory. It is true there must be good reasons for any excavation of the past; surely the police would not have rewritten part of its history just to make it shorter for readers, as was claimed. At such a sensitive time in Hong Kong, the pursuit of political correctness no doubt appears to be politically incorrect.

Each of Hong Kong's historical

moments will be buried until it is dug up again. Top of the agenda for those seeking to rebuild a vibrant and sensible Hong Kong should be how to rescue our history from the dead end of the current political split.

Everything today is couched in extremes. From the police revisions to a proposed war-time air raid soundtrack for a National Day fireworks display, attempts are made to historicise Hong Kong on a piecemeal basis. It is, I think, this piecemeal manner that leads to clumsy and embarrassing outcomes.

What the community needs most is a systematic overview of the past. This will not and should never be a "once and for all" picture, but would be subject to change and scrutiny. This should serve as a platform where contradicting facts and figures about the past can be presented.

After all, shying away from the pain and suffering of the past does the community no good at all. Through reflection, we can heal the scars of past trauma.

This may all sound idealistic amid the current political sensitivities. However, it should be remembered that oversimplifying our predecessors' experiences into pro- or anti-China events will do more harm than good in resuscitating a history that truly belongs to this community.

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