

CHINA BRIEFCASE *Anthony Lawrance*

## Variety is the spice of life

Much has been written about Hong Kong's economic advantages over the mainland. Treatises usually start by praising the rule of law, and go on to mention great infrastructure and a strong financial-services sector. They almost never discuss what, in this day and age, is Hong Kong's No 1 asset: the diversity of the city's immigrants.

It would be true to say that Beijing and Shanghai – not to mention the great melting pot of Shenzhen – are mainland cities with a broad ethnic make-up. Wander around Tiananmen Square or Nanjing East Road and you will see an amazing array of facial types staring at you. Like Hong Kong, these cities thrive on the contributions of migrants from every corner of the mainland. But they are just not the same as Hong Kong's. For a start, they do not have Nepalese and Filipinas to run their bars, cafes and restaurants. Joke all you like about it, but Hong Kong would not be what it is without its cheerful waiting staff. Drinking being as important a pastime as it is among those who make our financial-services sector hum, Hong Kong will maintain a strong lead over Shanghai – even if it gets a convertible currency – thanks to the quality of the people who keep our investment bankers happy after work every night.

Seriously, though, it is hard to imagine a Hong Kong without domestic helpers from the Philippines. In a purely human-capital assessment, they are undoubtedly more productive than the *amah* employed across the border. They teach Hong Kong children English, and they are giving legions of families a more precious gift than they could possibly get on the mainland: daily exposure to a culture of never-ending optimism. (For this, they have been rewarded with a cut in the minimum wage since October 2003. But that is for another column.)

Then there are the expatriates. Although you can count very few people left on genuine expat packages, the city nevertheless has more foreign national residents than the mainland's biggest cities combined. Shanghai is growing quickly, giving work permits on average to about 2,000 foreigners a month, but its total is still less than 50,000 – which is still more than Beijing.

Hong Kong has about 500,000 foreigners on work permits. Even if about 280,000 of those are domestic helpers, that still leaves twice as many expats as in Shanghai and Beijing together. Tourist numbers are just as enlightening. Shanghai averages about 100,000 foreign visitors a month; Hong Kong attracts about eight times that in non-mainland visitors. These foreigners bring in much-needed skills. But more importantly for a services-based economy, they contribute valuable opinions and perspectives. They tend to challenge convention more than the locals do, and have a penchant for creative destruction – which any great city needs in order to thrive in today's global economy. They can be a thorn in many a bureaucrat's side, for sure. But at least in Hong Kong they can also be a bureaucrat.

Perhaps what gives Hong Kong its biggest edge, and what is hard to see being replicated on the mainland, is the variety of its elite: overseas Chinese from Southeast Asia; Jewish refugees from the Shanghai of 1949; and Indians, Portuguese and Eurasians who have lived away from their ancestral countries for generations. In fact, there are very few Chinese that can properly claim to be "local", as this is such a relatively young city and many of its tycoons are first-generation immigrants. Will this identity survive the intense Sinofication campaign waged against the city since the 1997 handover? That drive grows stronger with every new public listing of a mainland company and every new arrival of an individual-permit visitor. It is a question that will take a few generations, and a lot more space than this column has, to answer.

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A PROMISING START *Kennedy Wong*

## Tsang's subtle theory of leadership

Game theory is in the news again, 11 years after the Nobel Prize in economics was shared by three game theorists, including John Nash. This year, two more game theorists – Thomas Schelling and Robert Aumann – won the prize for their independent work in that field.

More than six decades ago, Hungarian mathematician John von Neumann developed game theory as a way to understand strategic interactions and decision-making – in terms of the choices made by parties who were either bargaining or in conflict. In short, game theory is an interdisciplinary approach to the study of human behaviour.

Professor Schelling's and Professor Aumann's separate research has provided us with food for thought. It helps us to understand why sometimes it is in a player's best long-term interest to foster co-operation rather than confrontation.

One example of the application of game theory is the doctrine of

mutual assured destruction, a military strategy to deter nuclear war by showing that the full-scale use of nuclear weapons by one of two opposing sides would result in the destruction of both.

Chief Executive Donald Tsang Yam-kuen understands game theory well – in particular its relevance to the political situation under the administration of his predecessor, Tung Chee-hwa. The relationship between the Tung administration and various political forces, including the pan-democratic camp, was far from satisfactory; sniping against authorities in Beijing was common.

Since he became leader, Mr Tsang has displayed a subtle application of game theory.

He won much applause by leading a delegation of legislators, including democrats, for a fact-finding visit to the Pearl River Delta last month. Instead of adopting the somewhat hostile stance of Mr Tung during question sessions in the Legislative Council, Mr Tsang has

appeared eager to show both Beijing and Hongkongers that he can act as a bridge between the central government and local pro-democrats. He has demonstrated that fostering co-operation rather than confrontation – and striving for and maintaining equilibrium among various sectors of the community – is the key to Hong Kong's long-term interest.

He secured the central government's support, making it easier for local pro-Beijing forces to throw their weight behind his governance. He has also maintained a good relationship with the business sector – in particular with tycoons who supported the Liberal Party – helping to facilitate his smooth administration of Hong Kong.

In his maiden policy address last week, he said he would expand the Executive Council and the Commission on Strategic Development, and give more power to the district councils. His cabinet choices and the successor for Secretary for Justice Elsie Leung Oi-

sie appeared to be part of his tactical bid to achieve balance among the various community interests that are represented in his administration.

Instead of filling his cabinet with political figures, all Mr Tsang's new appointees to the Executive Council are members of various elites, with no political party affiliations. He believes this will help strengthen his administration, which in turn will boost his popularity in the city.

It remains to be seen whether Mr Tsang's apparent use of game theory will maintain a balance among various sectors of the community, and secure Legco support for his soon-to-be unveiled political reforms.

One thing is certain: his carefully calculated strategic decision to lead the delegation of legislators to the mainland was a promising start.

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## Turning doctors into vampires

Scene 1: The Chinese woman giving birth was in pain. The doctor leaned over and said into her face: "Suffer, because you are a Chinese with a foreign passport. The more children you have, the more money we can make."

Scene 2: A girl had waited in line for medical treatment since early morning. When noon arrived, she told a nurse: "I came here before dawn and got tag No 1. Why must I wait so long while so many people cut in ahead of me?" The nurse replied: "Oh, you only paid 14 yuan for your visit. So even though you are first in line, anybody going to the 300-yuan-per-visit window will receive first priority."

Scene 3: A Chinese staff member in a foreign company had a car accident, and was laid up in hospital for a month with a broken back. The foreign company's Beijing boss wanted to visit her in the hospital. He was shocked when Chinese staff begged him not to.

His colleagues said: "The problem is, if doctors see a foreign face they will go for your deep pockets, prescribing lots of medicine to run up her hospital bill. It may hurt her in the end. Lots of medicine is counterfeit and can have side effects."

The mainland's medical reform has turned doctors into vampires. If you enter a mainland hospital for any illness whatsoever, the first thing they prescribe is antibiotics – a good example of the profiteering mechanism.

The government's fixed price for an antibiotic treatment is 168 yuan, while the actual factory cost of the drug is 12 yuan. In other words, patients pay a retail price almost 15 times higher than the cost of production.

The biggest beneficiaries are hospitals, which get 40 per cent of the profit, and doctors, who receive 20 per cent in kickbacks for prescribing the drug. The patients carry the cost.

This situation shocks those who remember the old, socialised system,

*"People are angry because health care is provided according to whether you, or your relatives, can pay"*

which was more equitable. While many hospitals appear modern, government spending is on hardware – for building plush hospitals with lots of marble. Contractor kickbacks are an understood part of the process, leaving software and services sidelined.

According to a 2001 World Health Organisation study of health standards among 191 member countries, China was near the bottom, in 144th place. As for providing equitable medical services, China finished a dismal 188th.

From 1998 to 2003, the costs of medical visits increased by 57.5 per cent while hospitalisation fees increased by 76.1 per cent. Sadly, commercialisation has led to a decline of hygiene standards, and diseases that were once wiped out under the socialised system are now reappearing. New diseases like Sars are being added.

The State Council Development and Reform Research Centre observed in a report that the "failure of medical reform in China arises from over-commercialisation". The report adds that "the marketisation road runs against the basic principles of the medical industry, which should be service-oriented".

People are angry because health care is provided unfairly according to whether you, or your relatives, can pay. While the mainland excels in research, service levels range between extremes. The poor cannot get even the most basic health care, while the wealthy and well-connected receive the best.

Before his revolution, Mao Zedong (毛澤東) said "three mountains crushing the masses" were "imperialism, bureaucratic capitalism and feudal landlordism". Now people say the three mountains are the costs of medical care, education and housing.

There is a new saying on the mainland: "Housing reform will empty your pockets, education reform will make parents crazy, and medical reform will send you to your grave earlier to escape your misery." Like most Chinese sayings, it contains some truth.

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HOUSING OWNERSHIP BLUEPRINT *James Lee*

## A home to call their own

Try to imagine this: 20 years from now, everyone who reaches retirement age will own his or her own home – no matter how little they earned during their working lives. The home could be sold to generate income in old age. Such a scheme would go a long way towards providing for an ageing population.

Now imagine the key to making this work: from now on, every household will be guaranteed a secure income, which not only meets the socially equitable minimum standard of living, but further increases with every dollar earned.

By implementing such a scheme, the government might save enough money to assure its fiscal health without imposing new or higher taxes, selling off valued assets, or going into debt.

All this and more can be achieved simply by extending Comprehensive Social Security Assistance (CSSA) benefits to housing, and building a sliding scale into the benefits. At present, the needy receive housing and non-housing assistance separately. Non-housing needs are met efficiently enough by the CSSA, in cash payments covering actual needs – such as a shortfall between the recipient's income and a socially guaranteed standard of

living. The CSSA can be faulted for not having a sliding scale of benefits. In recent years, increasing numbers of full-time jobs have failed to pay subsistence-level wages. But workers who swallow their pride and apply for CSSA wage supplements can only attain the standard of living of CSSA recipients who do not work at all.

Further, the Mandatory Provident Fund is of little help to low-income workers: this is generating fears that a growing proportion of the ageing population will have to rely on public assistance after retirement.

As for housing, there is a symbiotic relationship in Hong Kong, where property is so expensive: many people require housing assistance, but the government has abundant property-related revenues. This equation has been marred, however, by inefficient housing-aid programmes.

Fortunately, the least efficient of these, such as the Home Ownership Scheme and the subsidised loan programme, were discontinued in the recent past – made unnecessary by falling home prices. But even public rental housing, the only housing-aid programme left, is inefficient. The main defect is that benefits do not correspond to actual income shortfalls. For instance, all beneficiaries receive the full benefit – even households whose income is just \$1, say, short of self-sufficiency. Also, governments are generally less efficient than the private sector.

Here is how an improved scheme could work. The government recently conducted sales of public rental housing units to tenants, at subsidised prices as low as \$60,000. But imagine if, instead, the government had sold them at market prices – say, \$600,000 (a difference of \$540,000 to the public purse) – or rented them out at their real market rent of, say,

\$3,000. Under the improved scheme, the original tenant family would get an allowance – such as CSSA, but covering housing needs as well as other benefits. They might rent or buy the same flat – or another, similarly priced unit in the market, which would include the entire former public rental housing stock.

If the family chose to buy, it would have to, like any other homebuyer, scrimp on its non-housing expenses or accept a smaller flat. As a reward, years later, it would fully own the flat. As housing costs climb, the allowance would cover progressively higher-income families. But there would be nothing to prevent even households with zero income of their own to buy homes. The cost to the taxpayer would be the same.

To provide an incentive, there should be a sliding scale of benefits. For every additional \$100 a household earns, only \$60, say, would be cut from its allowance – increasing its living standard by \$40.

James Lee is an independent commentator. This article is abridged from the paper *Restructuring housing assistance* on [www.hongkongbetter.com](http://www.hongkongbetter.com)

SOUTH ASIAN QUAKE *Pervez Hoodbhoy*

## Pakistan's long-term relief challenges

Journeyed to Balakot, near the centre of the Kashmir earthquake, recently with a group of faculty, staff and students from my university. This mountainous town, situated on the banks of the Kunhar River, has been destroyed. There is rubble and the gut-wrenching smell of decaying corpses. The rats have it good.

We were just one of countless groups of ordinary citizens on the move after the enormity of the earthquake became apparent. The Mansehra-to-Balakot road, finally forced open by army bulldozers, is now lined with relief trucks bursting with supplies donated by people across the country. This is one of those rare times when I have seen Pakistan's people feel and move

together as a nation. Aid from around the world is making its way towards the destruction, too.

But the challenges are many. There is not enough aid. There are not enough tents, blankets or warm clothes to go around. Hundreds of tent clusters have appeared, but thousands of families remain out under the skies, facing rain and hail with dread in their hearts.

Worst of all, aid is not reaching those most affected. Hundreds of destroyed communities are scattered deep in the mountains. We saw helicopters attempt aerial drops; landing is impossible in most places. But people told us that the supplies often land thousands of metres away – up the sides of mountains or in deep forests.

In two months, the mountains will get their first snowfall and temperatures will plummet below zero. Millions may have been made homeless. Those without shelter will die. Tents will not do.

For me personally, there is a sense of déjà vu. Nearly 31 years ago, on December 25, 1974, a powerful earthquake flattened towns along the Karakorum Highway and killed nearly 10,000 people. I travelled into the same mountains for similar relief work. Then prime minister Zulfikar Ali Bhutto had made a passionate appeal for funds around the world, and made fantastic promises of relief and rehabilitation.

But hundreds of millions of dollars in relief funds mysteriously disappeared. Some well-informed

people believe the money was used to kick off Pakistan's secret nuclear programme.

Will today's government do better? This will only be assured if citizens organise themselves to play a more direct role in relief and rehabilitation for the long term. Civil-society groups must demand a voice in planning and implementing the reconstruction effort and – along with international donors – insist on transparency and public auditing of where aid is spent.

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## WINDOW ON THE WORLD

SHANGHAI *Bill Savadove*

### Don't dare to bare

Shanghai university has decreed that low-cut tops and higher education do not mix, and imposed a new dress code that forbids female students from wearing revealing clothing. Shanghai Normal University has barred women from showing bits of breasts, backs or bellies in the classroom, according to rules posted on the school's website.

The dress code has sparked a heated debate on campus in the western Xu Hui district. "Many students were initially resistant. After all, we have relatively more women here and women always want to be beautiful," one business major said.

Some of the rules apply to both men and women: both must avoid slippers and sleeveless garments. But the guidelines largely target women, prohibiting low-cut shirts showing cleavage, cut-off shirts revealing navels, and backless tops. One first-year male student said: "I don't think a tank-top is bad. It doesn't affect anybody. If you have a good figure, you look beautiful wearing a tank-top as long as it isn't too excessive."

Part of the criticism of the dress code arises from dissatisfaction with the school uniform, which is still required at functions such as morning exercises and flag-raising ceremonies. "The uniform looks terrible: bad colours and

the wrong sizes. Few students like it," the student said.

School administrators have predictably defended the code, saying casual dress shows disrespect for teachers. The school is currently undergoing an evaluation by the Ministry of Education, which is apparently the main reason for the new rules. Other Shanghai universities have similar rules on dress, but they are rarely enforced.

Rule No 8 bans "uncivilised" contact between men and women in a vaguely worded sentence, which students have interpreted to mean sex or even kissing on campus.

"We want to create a good atmosphere. Why do the media always focus on dress and relations between men and women?" a university spokeswoman said.

Imitating the dress of pop stars has fuelled the latest trends in clothing and accessories. The current craze is wearing dark-framed glasses like Zhou Bichang (周筆暢), the runner-up in the Super Girl singing contest.

Sociologist James Farrer says provocative clothing defined the popular image of the Shanghai woman even in the 1960s and 1970s, when everyone essentially wore the same outfit.

He wrote: "During the Cultural Revolution, Shanghai girls found ways to dress better than women in other cities, with a more stylish cut of the trousers, sharper haircuts and nice white socks."

SINGAPORE *Sonia Kolesnikov-Jessop*

### Classy cuisine

Singaporeans love their food, and they are spoiled for choice. With humble hawker stalls serving nutritious dishes for as little as S\$2 (\$9) it is not surprising that many locals hardly cook any more. Instead, they eat out most of the time.

But a new trend may be developing, seen in the recent spate of advertised cooking classes offered by enterprising instructors and top-rated chefs.

"Everything goes in cycles," says Ruqana Vasanwala of Cookery Magic. "People are used to eating out, but now a lot of people I know are tired of eating out. They want to eat a cooked meal at home that is healthy, and I'm seeing a lot of locals, not just tourists, attending my home cooking classes." When she started her business, nearly four years ago, there was only a handful of competitors, but now she believes there are at least 40 people or organisations conducting cooking classes.

"Just in the past year, I know of five newcomers. With so many classes, you've got to be creative to attract students. It's what happens when you're in a corner. So I do cooking classes on a farm; I teach on the island of Pulau Ubin in an old *kampung*

[village] house – just something very different," Ms Vasanwala says.

Bored expatriate housewives have long attended the hands-off cooking classes at Raffles Culinary Academy, while sending their maids to take more practical instructions from local teachers at hawker centres. And there have always been a few other cooking academies in town.

But of late, several top-end restaurants have been joining the fray. Chef Julien Bompard of the upmarket Saint Julien Restaurant recently started to offer French haute cuisine cooking lessons, teaching students how to make jams and preserves, and adapt the restaurant's dishes to home-style cooking. The one-hour classes are followed by a meal at the restaurant.

"About 70 per cent of my students so far are Asians. I think there is a real interest to learn fine-dining cooking among the locals," Mr Bompard said, adding he wanted students to bring the "simple taste of France to their home". (Not that there is anything simple about teaching French cooking at that level.) Chef Angelo Sanelli of the Italian restaurant Michelangelo has just opened the Bentfork Cooking School, which is also planning cigar- and wine-appreciation classes.

Even the luxury German household appliance company Miele regularly invites society ladies to attend exclusive cooking demonstrations by top cooks like Australian TV chef Kylie Kwong.

The Singapore Tourism Board even promotes such classes to tourists. Ms Vasanwala regularly teaches tourists during their brief stopovers.

