

INSIGHT

Back to the future

Tom Velk and Olivia Gong say as more young, Western-educated professionals return to a better life in China, their influence on business, society and relations with outsiders will grow

When the prodigal son returned to his father's house, his patrimony was dissipated. He was broke and ashamed. In contrast, when Confucius went back to his native land, freighted with a rich cargo of learning, prudence, experience and hard-won wisdom, he was informed that a rich man's extensive stable had burned down, killing many fine horses. Confucius' first response was to ask: "Was anyone hurt?"

He thereby reminded his audience that the welfare of people is and should be the measure and purpose of our social interactions. His questioning demonstrated the principal concern that should guide the direction of international political and economic relations: Will anyone be hurt? How do countries' well-being stand in the big picture?

In the past decade, China is slowly narrowing its economic gap with the United States. Recent data comparing Shanghai and New York City shows Shanghai has a competitive edge for young people who have the option of living in either city.

China's economy is showing more healthy signs of growth than the US'. Sin-



If forces of change happen in small and continuous doses, there will be no Tiananmen Square

gle and married Shanghai citizens, for example, had a larger disposable income than their New York counterparts. Current consumer price index data also indicates prices in Shanghai remain at a lower overall level. Education costs in Shanghai are more affordable. Access to modern health care is more difficult than in New York, but the gap is closing.

Other economic data is just as enlightening: China's gross domestic product growth rate is much higher. Unemployment rates have been steady at about 5 per cent, whereas in the US, they have fluctuated between 4 and 10 per cent.

Taking all this into account, the narrowing of the "material quality of life" gap is significant: for many young professionals who studied in North America, China has become a more attractive place to live, and an even more attractive base for career expansion than the US.

Many are going home. These returning sons and daughters will spark unique changes in different industries in the private sector. They will be agents of deeper social, political and cultural change. They will represent a force in favour of a hybrid, trans-Pacific form of rule-of-law modernisation (not necessarily Westernisation) in new China.

This situation implies that Western platforms of commonly agreed upon rules of behaviour, ownership and dispute-settlement mechanisms will be brought to China. The current Chinese banking system, up until now less efficient and less developed, may well change for the better.

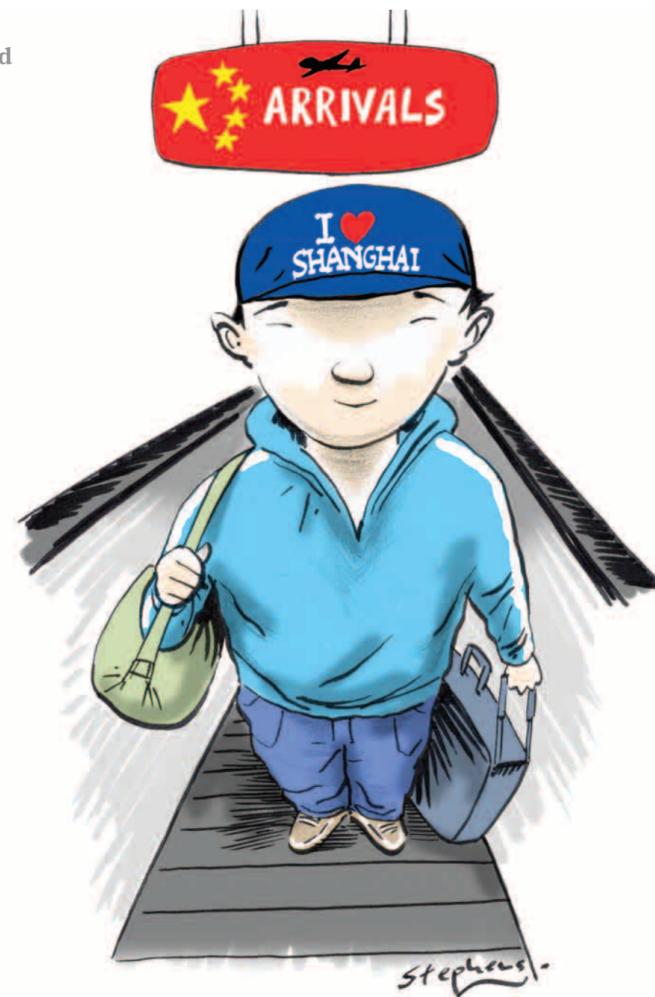
When today's young Asians return home, they will expect to find satisfactory social, political and cultural assets to match the material welfare made available. They want the same level of political and social comfort that they have grown accustomed to while studying or working in the West, and will want to apply it to their careers. They will have ideas about fair play, contracts and property. They will not stand for the lack of rule of law and the presence of corruption.

Their influence will be similar to molecular-sized Hong Kong's. This group of returnees will be scattered, in "salt and pepper" style, all across the mainland. The seasoning will enrich the entire stew, especially if the result is to create business relationships between East and West. Separately, they will create a small platform of east-west contracts, agreements, practices, rules of business and economic behaviour. Many aspects of this practical culture will be private, not dominated by government.

These changes don't have to be a threat to China's sovereignty, independence or cultural uniqueness. Tension will be certain, but if these forces of change happen in small and continuous doses, there will be no Tiananmen Square. Progress has to be slow, consistent and healthy.

As they do business, they will remain in contact with their friends in the West. As they continue their training, they will automatically set up small private communities of interest linking East and West: the impact will be much the same as that caused in the larger world for so many years by Hong Kong. Just as Hong Kong's dynamic history shows, China, when free to do so, adapts readily to change.

And so the influence of young professionals will be an obvious necessity for the continued restoration of Asia's stature as a great and equal economic, social and political civilisation. It won't be a matter of the West poisoning the East. Rather, it will be a matter of many private platforms



erving areas of common interest, helping to create individual communities that promise mutual profitability.

Both US presidential candidates, faced with American economic weakness, appeal to voters by making China a scapegoat. But it is a short-sighted and self-destructive strategy. It serves to antagonise an ancient civilisation whose tradition of achievement and current potential for change is more wisely treated with respect.

History tells too many stories of great civilisations that rejected the option of co-operation, trade, partnership and compromise in favour of opposition and conflict. The stories don't end well.

China's growth may well have been hindered by Western ideas: Marxism in particular. It is undergoing a process whereby it may amalgamate its natural culture with some of the better social and

economic ideas of the West. What West needs to know is that China is not "rising up", or "emerging". It is not suddenly growing into adulthood, but simply re-establishing its former greatness.

When viewed in terms of its thousands of years of history, it is properly seen as equal or even superior to other cultures. If East and West meet on the field of diplomacy, compromise, partnership, contract, law and trust, where respect is paid to the other's intentions and aspirations, where the ethical standard is *li*, the battlefield option is less likely to look superior.

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Vote of necessity

Michael Chugani says Hong Kong will remain mired in discord unless people are given a political system worthy of their maturity



Hong Kong has become ungovernable. This is not a flippant statement. It is a fact. There are two main reasons for this. Firstly, the chief executive has no mandate that satisfies today's political reality to govern effectively. A mandate mattered little before, when people believed they were powerless to change things. They now believe otherwise. Secondly, the government is clueless about what the people want.

When I say Hong Kong is ungovernable, I don't mean we have descended into anarchy. There is law and order in the streets, the courts are functioning as they should, the transport system is running and people are going about their normal lives. But the political structure from where all these offshoots grew no longer works. It started cracking in the final years of Donald Tsang Yam-kuen's leadership.

Hong Kong's political structure is irreparably out of sync with the political maturity of its people. The two are like tectonic plates grinding against each other, triggering earthquakes that have become more and more frequent. The government structure is unable to understand the people and the people no longer believe in the structure.

What governance did you see in the final months of the Tsang administration, or so far under Leung Chun-ying? Tsang ended his leadership not with a grand exit but trying to convince the people he had not breached the ethical or moral rules of a system they no longer respected. Leung's short time in office has been defined not by strong leadership but by climbdowns. The biggest was, of course, on national education and the latest on mainlanders. A political storm over government plans for three new border towns has set the stage for yet another climbdown.

It took prolonged public outrage against national education and a flare-up in Sheung Shui against mainland parallel goods smugglers before the Leung administration finally understood the public mood in each case. Governance is conducted through hindsight rather than foresight.

Hong Kong has evolved politically to the point where decisive leadership is impossible without the leader having a popular mandate. The Tsang administration was unable to impose something as simple and environmentally friendly as the idling-engine ban without it first being made virtually toothless by vested interests in the Legislative Council. Leung couldn't get Legco to back changes to the make-up of his administration. A popular mandate would have given both leaders the clout and moral authority to push through such policies.

In colonial times, appointment by the queen gave our governors all the mandate they needed. Tung Chee-hwa's mandate came from then president Jiang Zemin's (江泽民) very public handshake, which was meant as a clear message our new sovereign wanted him as Hong Kong's leader. But 15 years on, Leung's mandate of 689 votes in a small-circle election draws derision rather than deference.

Expect more earthquakes in the five years leading up to universal suffrage for the chief executive election as the tectonic plates of Legco, the government and the people collide.

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Smart US foreign policy wins hearts abroad even if it won't win many votes at home

Andrew Hammond says American presidential candidates can't ignore what the world thinks

Since the early years of the cold war, foreign policy has generally ceased to be the biggest issue for American voters in presidential elections. Instead, the economy is what matters most.

November's presidential ballot will – probably – continue this pattern. Voters remain most concerned by the sluggish economic recovery which last week prompted the US Federal Reserve to begin a new, third round of quantitative easing.

Nonetheless, Americans are still thinking about foreign policy. In recent days, for instance, many will have reflected upon the tragic murder of four of their countrymen in Libya, and the ongoing protests in numerous Muslim-majority countries in an anti-Islamic film originating in America.

More than a decade after September 11, a critical mass of the electorate believes America should engage more cautiously in international affairs, with the possible exception of Iran. Here, some polls show sizeable public support for efforts to prevent Tehran developing nuclear weapons, even if that necessitates American military action.

Iran is just one of the international issues on which Republican nominee Mitt Romney has articulated a more assertive posture than Democratic candidate Barack Obama. Others examples include Russia, which Romney has declared Washington's "No 1" geopolitical foe. And, China, which the Republican nominee has accused of stealing

US technology and intellectual property, and of currency manipulation – with the implicit threat of sanctions should he become president.

Given the large stakes in play, many international audiences are showing a keen interest in the election outcome. According to a Pew Global Attitudes Project report in June, more than a third of populations in countries as diverse as Britain, Germany, Jordan, Lebanon, China, India and Japan are either "closely or somewhat closely" following the campaign.

As in 2008, international publics tend to favour Obama's election in 2012. But there has been a marked decline in international approval of his policies since he took office.

According to Pew, the fall-off in support has been a massive 30 percentage points between 2009 and 2012 in China (from 57 per cent to 27 per cent); in several key European countries, including Britain, France, Germany and Spain, the average reduction is 15 percentage points (from 78 per cent to a still high 63 per cent); and in numerous key Muslim-majority countries (including Egypt, Jordan, Lebanon, Pakistan and Turkey), the average fall-off is 19 percentage points from an already low 34 per cent to 15 per cent.

At least part of the decline in Obama's numbers since 2009 was inevitable inasmuch as international expectations about him were unrealistically high when he entered the White House. Two of the main international criticisms of his

foreign policy (as was the case with the Bush administration's) are over-reliance on "hard power", and also unilateralism.

Despite Obama's withdrawal of US troops from Iraq, and his commitment to a similar military pull-out in Afghanistan, there has been much international criticism of his administration's use of unmanned, remotely flown aircraft to kill terrorists. In 17 of the 20 countries surveyed by Pew, more than half of voters disagree with the use of these drone attacks.

These numbers can be expected to fall further if Romney wins and follows through on his assertive foreign policy rhetoric. This could be amplified by the fact that he enjoys less personal popularity overseas than Obama.

A key question is whether Obama and Romney should care about what the rest of the world thinks. The short answer is "yes". Some in America completely dismiss the importance of international opinion. Such short-sightedness neglects the crucial role it can play in facilitating foreign policy co-operation and information-sharing with Washington, both overt and covert.

Many of the diverse foreign policy challenges facing America require extensive international collaboration, especially at a time of budgetary cutbacks. As key members of the Obama team have asserted, such co-operation can be enabled by demonstrating a better combination of soft power (including diplomacy that

generates admiration rather than antagonism) and prudent use of hard power.

Combining the two more effectively (into what is now called smart power) was well understood by previous generations of American policymakers. For instance, Washington skillfully used both assets after the second world war to cultivate support for a system of alliances and institutions, such as Nato, the International Monetary Fund, the World Bank and the United Nations that subsequently became a cornerstone of Western success in the second half of the century.

To be sure, today's world is very different from that of the cold war. But the need for smart power endures.

Given the mood of the American electorate, the development of a comprehensive, coherent and well-resourced smart power strategy will not win many votes in November. Nonetheless, this should be a pressing concern for both candidates if they are to fulfil their similar pledges to renew the country's world leadership for a new generation.

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China isn't seeking to interfere with freedom of navigation

Luo Jia questions the Philippines' own motives regarding South China Sea

The Philippine Department of Foreign Affairs issued a statement this month on the freedom of navigation in the so-called "West Philippine Sea". It said that "the freedom of navigation is a customary right under international law" and "its existence does not depend solely on the will or assurance of one or any individual state".

The department noted that "no state can arrogate unto itself the unilateral right to determine or assure the existence or non-existence of the freedom of navigation in the West Philippine Sea". Rather, it said, "the freedom of navigation is an established right ... as a matter of international obligation".

It is true that freedom of navigation is a right under international law rather than a privilege endowed by any individual state. The flaw in the statement is that readers have to spend a few seconds to realise that the "West Philippine Sea" is actually a term recently coined by the Philippines in an attempt to replace the "South China Sea", a name which has been used globally for centuries.

The statement contained yet more errors.

Referring to a recent statement by China which said that "the freedom and safety of navigation in the South China Sea is assured", the Philippines made the assumption that China is "making it appear that it is the sole guarantor of freedom of navigation" in the South China Sea. Then the department very comfortably blamed China for creating a "cause of serious concern".

One may need a top English linguist to determine whether such an assumption could be extracted from the Chinese statement, on the condition that what the department got was the faithful English translation of what China had said.

We can make the job easier by looking for a more authoritative version of China's announcements on the subject.

One of the most recent comments was made by Foreign Minister Yang Jiechi (楊潔篪) during the Asean Regional Forum in July. He said: "China will continue to work closely with the littoral countries to ensure smooth sea lanes in the South China Sea. Countries in the region should make better use of the convenience brought about by the freedom of navigation in the South China Sea to strengthen connectivity and facilitate trade and mutually beneficial co-operation between regional countries and countries outside the region." Does it contain the slightest trace of a desire to be the sole guarantor of the freedom of navigation?

It's likely that Philippine Foreign Affairs Secretary Albert del Rosario was present when Yang made that remark. But the Philippine department simply chose to ignore it when interpreting China's intentions.

The Chinese statement should be welcomed, according to the Philippine department, only when it "recognises and will abide by its obligation under international law ... with regard to the exercise of freedom of navigation in the high seas, and accordingly respect the exclusive

economic zones of all the littoral states in the West Philippine Sea".

Under the United Nations Convention on the Law of the Sea, freedom of navigation in the high seas and rights and jurisdiction of coastal states in their exclusive economic zones are two separate legal regimes. For example, when a state is exploiting natural resources in its zone, it cannot label the act as exercising freedom of navigation. By the same reason, a state cannot use freedom of navigation as an excuse to defend its unilateral oil drillings in a disputed area.

In accordance with article 58 of the convention, freedom of navigation in a state's exclusive economic zone shall be enjoyed by all states rather than by the coastal state alone. In other words, freedom of navigation does not fall within the exclusive rights of the coastal state.

Chaining the two together is a misreading of the convention. By doing so, is the Philippines really concerned about freedom of navigation in the South China Sea, or does it only want to take care of its own interests? Is freedom of navigation used as a cover for the Philippines to impose and reinforce its own claims in the South China Sea? Now we may better understand why the Philippines is so insistent that the South China Sea be called the "West Philippine Sea".

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