

# Outside influence

**Chandran Nair** says Asian leaders must realise the futility and danger of looking to America to sort out their squabbles, and see that regional cooperation is the best bet for peace

**W**hat do you think would be the tenor of global debate if President Xi Jinping (习近平), on a tour of South America, were to give speeches at each stop about the threat posed to the region by the United States? While visiting Cuba, he would offer promises of "deepening our alliance". And, at the trip's end in Mexico, Xi would call that country "freedom's frontier ... on this divided peninsula".

Anything of the sort would be greeted by the universal outrage of global commentators – and probably by calls for sanctions on the part of leading US politicians.

But switch China and America's places and this is almost exactly what happened when President Barack Obama visited Asia late last month. Those words above were Obama's – but directed to the Philippines and South Korea (rather than Cuba and Mexico).

Indeed, few issues nowadays can avoid being drawn into the ideological sinkhole of Sino-US competition. But the global nervousness goes further than that.

In a speech to students in Pennsylvania, Obama recounted that "countries like Germany, China and India – they're working every day to out-educate our kids so they can out-compete our businesses". Even the Hollywood press has been buzzing about whether studios are now "kowtowing to China", by editing their films in an attempt to enter the lucrative Chinese market.

Apart from creating an attitude of fear and mistrust among the next generation of Americans, this kind of narrative promotes a dangerous national solipsism.

A world where all other countries are either threats or allies, and a world that can be divided into either being "with us or against us", is an increasingly dangerous place – whether those words are uttered by a sitting American president or others.

What may be intended as harmless, even cheerful motivation can be turned, almost accidentally, on its head – and become the spark for a generation's worth of misunderstanding and mistrust. Hardly the goal of political leadership.

Asia's political leaders have been little better. They are far from acting in any harmonious fashion, mired as they are in their own petty squabbles.

The new "game" in Asia reads like a football World Cup schedule: Japan versus Korea, Korea vs China, China vs Vietnam – and North Korea vs everyone else.

Asian leaders should know better. Their populations need them to focus on equitable and sustainable growth. Instead,



far too many politicians seem stuck in the past, brooding over wars that ended 70 years ago.

The cliché is that Asian nations have long histories and long memories, which gives them wisdom. But the opposite can just as easily be true. An obsession with a perverse interpretation of history prevents cooperation on the real challenges of the future.

Small wonder then that many, both inside and outside Asia, have clung to the notion, eagerly seized upon by the US, that



**One need only look at a map of American overseas bases to know who is really calling the shots**

America has to step in and "fix" the region. But this is a dangerous idea. One need only look at the Middle East to see what kind of disasters such thinking can cause.

Nor is the seemingly placid state of Europe today something Asia should aspire to, and not just for the obvious reason that a huge amount of blood was spilt in the interim. What many too often forget is that the reason Europe is so seemingly peaceful is because western European nations have essentially forfeited any

notion of an independent foreign policy. In crisis after crisis, they have listened to the United States' luring calls and become totally subservient. Europe, as many Europeans tacitly recognise, has become a tool in the global exercise of American power.

One need only look at a map of American overseas bases to know who is really calling the shots globally.

What is really needed is not just an American and a European pivot to Asia, but also a Russian pivot to Asia, an African pivot and – most of all – an Asian pivot to Asia.

Asia will undoubtedly become the world's most important region. In the early stages of this century, it will have both the world's largest economy, China, and its most populous nation, India.

The future of such a continent should not be determined by any one group, certainly not the American political class. They stand out because they are simultaneously the most ill-informed about the region and, curiously, the most prone to believing they alone have a right to shape its history.

Cooperation, rather than rivalry, on Asian politics will be in everyone's best interests. Progress on that vital issue cannot – and should not – come from outside.

It is shortsighted of China's neighbours to antagonise what will inevitably become the region's most powerful political, economic and military force. But it is just as shortsighted of China to promote any vicious form of nationalism as a means to distract from domestic challenges.

China is here to stay. Constant obsess-

ing about regional conflicts, by whichever "camp", poses the very real danger of them becoming a self-fulfilling prophecy.

But more than this, the real problems of the 21st century – those to deal with scarce resources, climate change, rising populations and technology overreach – will need to be solved with the help of the entire world, not by squabbling groups of short-term allies.

China, in its well-understood self-interest, should be at the centre of these efforts – possibly even leading them. For this, it will need the cooperation of its neighbours. The latter should not fall victim to the "Western" folly of treating China like a pariah, largely because it has a very different, but actually quite well-functioning, political system.

The Chinese, in turn, need to step up to the plate and validate their claims of a "peaceful rise". They must start to compromise. If they don't, they risk living up to frequent accusations of bullying made against them.

In the end, only a series of mutually agreed upon regional rules can prevent a race to the bottom. To the victor the spoils? Anybody who seriously believes that notion even for a moment has no idea of the lasting damage that could be created in the struggle for control of a small group of uninhabited islands.

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## Wrong track

**Alice Wu** says network glitches and construction delays are a sign the MTR must refocus on what it does best – running a great railway



**W**e have one of the most sophisticated rail systems in the world. When we see those empty buses emitting clouds of toxic black smoke, choking lungs and our road systems, we can be sure that they're not the reason we're the best city in the world for commuters. For a long time, our efficient railway system has been the pride of this city. Not any more, it seems.

It's true that despite the delays – both of actual trains and network expansions – we're still way ahead in every way, globally. But we cannot rest on our laurels. Keeping people moving, on time and safely, is paramount for our congested city. And it would seem it's time for the MTR Corporation to begin focusing again on what it does best.

It can start by getting back to basics – by putting Hong Kong first. Instead of preaching the gospel of the "rail-plus-property model" to the motherland and embarking on projects elsewhere, it needs to look to run a railway Hongkongers can be proud of.

We may be one of the world's hardest sets of commuters to please. We're impatient; we're good at counting our dollars and cents; and we demand exceptional service and really low fares at the same time. There's a good reason for that, especially since the MTR Corp is a "half-public, half-private" company. That "half-half" status may or may not be fixed any time soon. The fact remains that the city's highly demanding commuters have helped the MTR Corp raise its game.

And it has been rewarded handsomely for its good work. It practically owns this city's public transport network and has been given land for property development.

No one knows this better than chief executive Jay Walder. When he left his last job as chairman and chief executive of New York's Metropolitan Transportation Authority to come to Hong Kong, no one could blame him for leaving a financially troubled place for a cash-rich one. He resigned from that authority just hours after he announced it was cutting the administrative payroll by 15 per cent. The New York authority paid him US\$350,000 a year; here, he's getting more than 4.5 times that amount.

It would be safe to say that Walder has enjoyed more than just a huge pay rise. We can't put a price on "benefit of the doubt" – a "gift" to him from transport minister Professor Anthony Cheung Bingleung, who found out later it cost him dear.

Walder's contract with the MTR Corp won't be renewed after 2015, but he gets to keep his job and pay for now. Cheung, who once enjoyed steady and high public approval ratings and was considered to be a Beijing-acceptable democrat for the office of the chief executive, has turned out to be the biggest loser.

Under Walder's reign, the MTR Corp has suffered more than a few dents in its reputation. It's not just the government that has to be a better monitor. The MTR Corp, too, needs to shape up and fix the technical glitches that caused mass frustration, long before the high-speed railway delay scandal emerged.

A world-class railway that runs under the wrong leadership, with the luxury of few financial worries, can easily become a world-class screw-up.

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

# Economic reforms alone won't put renminbi in the US dollar's league

**Eswar Prasad** says China needs credible political and legal systems to build its currency's strength

**S**carcely a week passes without news about the ascendancy of the renminbi. But China has a long way to go before its currency can rival – let alone displace – the US dollar as the dominant global reserve currency.

To be sure, China already plays a significant role in international trade and finance, with major financial centres like London and Frankfurt eagerly lining up for renminbi business. Recent speculation that China's economy may soon be as large as America's has boosted this interest further, causing many to believe – whether ruefully or gleefully – that the renminbi will soon dominate.

Moreover, the Chinese authorities have launched a raft of reforms aimed at opening the economy and making it more market-oriented, and have announced plans to liberalise interest and exchange rates and continue to ease restrictions on cross-border capital flows. All of this will strengthen the renminbi's claim to reserve-currency status.

But China is missing one crucial ingredient: the world's trust. To achieve currency dominance, China needs more than economic and military might; it requires a broader and more credible set of public and political institutions. And it is here that the US shines – at least relatively speaking.

This was never more apparent than in the aftermath of the global financial crisis. Even though America's financial markets nearly collapsed, its public-debt levels rose sharply,

and the Federal Reserve was forced to undertake massive monetary expansion to support the economy, the dollar strengthened relative to most other currencies.

That is because global investors seeking a safe haven automatically turn to US Treasury securities in times of global financial turmoil. Foreign investors now hold more than US\$5.7 trillion of these low-yielding securities, not to mention large quantities of other



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dollar assets. And the dollar's share in global foreign-exchange reserves has held steady since the crisis.

This can be explained partly by the fact that the United States boasts the world's deepest and most liquid financial markets. But the most important factor supporting America's currency dominance is the institutionalised system of checks and balances that operates among the executive, legislative and judicial branches of its government.

Trust in US public institutions is rooted in the open and transparent democratic

process that underpins them. Freedom of expression and unfettered media bolster this confidence, not by highlighting the system's strengths, but by exposing its weaknesses, which can subsequently be corrected through responsive, rule-based mechanisms.

With the US government forced to answer to its citizens, it is unlikely to resort to inflationary debt financing. In fact, about US\$4.5 trillion of US federal debt is held by domestic investors, including retirees, pension funds, financial institutions and insurance companies – groups whose considerable political clout ensures that no administration would risk allowing inflation to spin out of control.

The US legal system further supports the dollar's global role. While one might quibble about the complexity of US laws and regulations, it cannot be said that they are not applied relatively consistently.

This contrasts sharply with China's single-party system, in which the level of government accountability is much lower. Official corruption, for example, has become so entrenched that President Xi Jinping (习近平) has made an anti-graft campaign a central objective.

The reality is that, despite China's economic heft and low central government public debt, foreign investors are unlikely to trust China with large sums of money. Capital inflows – which will undoubtedly increase in the coming years – are driven largely by investors' interest in diversification and high yield,

rather than the country's image as a refuge from troubled financial markets elsewhere, especially given that China's financial markets are relatively underdeveloped and beset by considerable risks.

Of course, some foreign central banks have signed currency-swap agreements with China and even hold small amounts of its currency in their reserve portfolios. But these actions may be less a sign of the renminbi's inevitable march towards global dominance than a low-cost bet on its likely emergence as a widely accepted international currency. And countries' desire to maintain good relations with China, owing to its rising economic power, cannot be discounted.

Depending on how soon China opens up its capital account and develops its financial markets, the renminbi could become a significant reserve currency in the near future. But it will not contest the dollar's supremacy unless China's leaders align the country's political and legal institutions with its economic reforms.

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# Don't let rigid criteria keep talent out of HK universities

**Paul Stapleton** urges acceptance of brilliant but not well-rounded students

**T**his month, final-year secondary school students are writing exams that in many cases will determine their future.

For those with hopes of entering university, their main focus will be on doing well in the four core subjects. Normally, students hoping to enter university must achieve a minimum score of "3" in both Chinese and English and a score of "2" in both maths and liberal studies, sometimes referred to as "3322".

Recently, however, despite these recognised minimum grades, some students were accepted into local universities with exam results that did not meet these standards.

For example, three students were admitted recently to Chinese University with top scores (5\* and above) in maths and other subjects, despite low scores in Chinese.

These exceptional offers may be marking a new flexibility among university admission offices and, if so, this should be considered a very positive step. Until now, it has been only those students who perform well enough in the four core subjects who make it into local universities.

This means that even if a secondary school graduate displays brilliance in science and maths, but is poor at one of the languages, his or her prospects for further education are greatly diminished, if not extinguished.

This budding realisation that good academic potential need not be confined to those who reach minimum levels in the

prescribed core subjects comes at a time when we are learning more about specific learning disabilities.

For example, it is now well-established that dyslexia, a reading disability which has a heritability of about 50 per cent, runs in families.

However, as our understanding of genetics and how the brain operates increases, it is clear that having an intellectual disability can be the flip side of a coin. Just as



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some individuals are born disadvantaged, others are born with certain gifts.

Of course, this is not startling news. The media occasionally report on those with special gifts in music or mathematics.

Research on the brain is now revealing that, sometimes, these disparities in ability exist within the same person, and it is here where standardised assessment can let talent slip through the cracks.

Possessing a natural gift for numbers, for example, can often come at the expense of linguistic ability. Similarly, it is said that those with dyslexia, despite their

difficulties with reading, are especially good at dynamic reasoning and making spatial connections, which makes them particularly suited to interdisciplinary fields where thinking outside the box is important.

Returning to the question of university admittance, the present "3322" system, which sets a minimum standard across four disparate subjects, may be casting a net with large holes. The three fortunate students mentioned who managed to enter university on an exceptional basis may be the thin edge of a wedge of students who are singularly gifted and disadvantaged at the same time.

In other words, there are probably substantial numbers of students in Hong Kong who are exceedingly gifted in maths, yet have failed to gain university acceptance because they are deficient in one of the two languages, and vice versa.

Admittedly, a system that must sort the wheat from the chaff involving tens of thousands of students has to draw the line somewhere.

But the present one-size-fits-all system that favours the well-rounded over the unevenly gifted may be eliminating some brilliant students.

In an era of growing inclusiveness, there is a need to make room for those who show special promise, yet through no fault of their own are disadvantaged in one area.

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