

INSIGHT

The middle path

Yang Tao says Beijing's determination to maintain stable development will mean steering the economy above a 'floor' of 7 per cent growth but below the 'ceiling' of runaway inflation

At the Politburo meeting on Tuesday, China's top leadership said the country's 7.5 per cent growth target this year would be achieved, and affirmed that the world's second-largest economy would seek to maintain steady growth.

China's economy has entered a new stage of development, with more emphasis to be put on upgrading through transformation. As Premier Li Keqiang (李克强) said at a State Council forum held in July: "We must adapt to the new situation, and give consideration to the promotion of steady growth, structural adjustment and reform, so as to develop a scientific macro-economic policy framework."

In this regard it is clear that the challenges facing China's economy must be revisited, and the country must adapt to the reality of an economic slowdown while improving its transformative capabilities.

China has a huge economy with growing labour costs and increasingly scarce important resources, so continuous rapid growth is clearly unsustainable. In common terms, China's economy has bid farewell to the adolescent period featuring leaping rates of growth, and has entered a mature period with more robust but slower development; this is the law for the stages of development. In addition, the country faces many problems related to differences in income distribution, resource availability, environmental sustainability, institutional degeneration, and so on, none of which can be easily resolved by economic growth alone.

When growth was surging, there was little urgency to resolve these contradictions, but they can't be postponed any longer. Too much reliance on "doping" to stimulate economic growth will ultimately lead to serious consequences.

Premier Li has stressed repeatedly that the main purpose of macro controls is to avoid abrupt economic fluctuations and to keep the economy running within a reasonable range. Their "lower limit" function is to maintain steady economic growth and a stable employment rate, and their "cap" is to prevent inflation.

In this regard we can see that the so-called lower limit underlines the need for coping with the slower pace of economic development. For example, the gross domestic product growth target this year is 7.5 per cent, while the average growth target for the period of the 12th five-year plan is not less than 7 per cent.

In fact, compared with the growth rate, employment is the more important "lower limit". In a sense, the focus of macroeconomic

olicies should be gradually shifted to be more employment-oriented, so that the so-called quality of growth can improve and be measured by the ability of the economy to provide more new jobs.

At the same time, emphasis needs to be placed on the "cap" because there are many factors that can lead to rising prices, including increases in labour costs and material costs resulting from resource pricing reform, as well as the pressure being brought to bear by global monetary easing and so on. Therefore, there is the need to guard against inflation expectations and price hikes.

The focus on both the "cap" and the "lower limit" is required to prevent the Chinese economy being trapped in the dilemma of stagflation, and to find a way for the economy to develop with only modest fluctuations.

In addition to promoting economic restructuring, the Chinese economy will also have to deal with the negative impact of "hot money" in the short term. First of all, most of the attention should be given to the domestic capital disguised as hot

money rather than the real hot money attributed to the abundant monetary supply in developed economies.

For example, the data related to imports and exports in the first half of the year sparked controversies about trade data distortion. One issue that cannot be ignored is arbitrage based on false trade practices. The most typical example of this practice is making money by taking advantage of the differences between onshore and offshore renminbi interest rates and the exchange rates against the US dollar on the mainland and in Hong Kong.

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In essence, bank loan capital is transferred out and then into mainland China with the support of "artificial" trade practices. This almost risk-free arbitrage not only artificially inflates the trade data, but also squeezes the ability of honest businesses to carry out their activities.

Admittedly, the overemphasis on fast economic growth is the result of the government orientation towards performance evaluation, competition among local governments, and many other factors. It takes time to actively adapt to the slower pace of growth, but reform and adjustments should be made as soon as possible in order to accept a healthy slow-growth era.

This is the only way China can gradually usher in a sustained and vibrant pattern of economic growth, and confront the challenges presented by a variety of bearish expectations.

Yang Tao is chief economist at the publication China's Economy & Policy, and director general of the research base for industrial finance at the Chinese Academy of Social Sciences



True travesty

Sreeram Chaulia says the conviction of US military whistle-blower Bradley Manning on spying charges for telling the truth makes a mockery of justice

The conviction of Private Bradley Manning on charges of espionage by a US military court is a huge setback to the honourable practices of whistle-blowing and political dissent. Manning, who leveraged his position as an intelligence analyst in the US army in Iraq to let out thousands of classified reports and diplomatic cables to the WikiLeaks organisation, spoke truth to power but suffered persecution dressed up as military justice.

The establishment had decided a priori that he was a "traitor" for exposing its egregious crimes in Iraq and elsewhere. To brand conscientious whistle-blowers as spies is a miscarriage of justice. What axe was Manning grinding? He saw himself doing a service to humanity by blowing the cover on illegal impunity of the US military which was violating the Geneva Conventions.

The chilling video of the American helicopter assault in Baghdad which wantonly killed innocent civilians in 2007 was one of several episodes contained in the WikiLeaks dossier that put the lie to the liberation rhetoric used as a pretext to justify the illegitimate war in Iraq.

Manning has been crucified to drive fear into insiders within the American security apparatus not to contemplate future leaks. In the murky underworld of the Pentagon, "leakers" have become a menace to the arbitrary power that has accumulated in the hands of a vast and privatised military intelligence complex.

The soldier had to be severely punished because he upset the logic of *raison d'etat* for the hawks in the US government and their private contractors to make merry under the cloak of "national security".

But the fire Manning lit is not easily extinguishable due to popular disillusionment in America with foreign military misadventures. The former National Security Agency contractor and whistle-blower Edward Snowden is absconding from American kangaroo courts. Like Manning, who was moved to act by the indignities of war, Snowden opened our eyes by revealing the control mindset that permeates the US security mandarins and their allied private military firms.

The main reason the US government is desperate to get Snowden extradited from Russia is to preserve the institutional dominance of militarism in the public sphere. Yet, with Manning all set to be locked up in jail, the American state is confronting a public relations disaster. The next time an American president or secretary of state lectures a foreign interlocutor about human rights or political prisoners, why would they not retort that Manning and Snowden too were hounded for dissenting?

A succession of whistle-blowers (there are many recent cases of leakers of sensitive US government data that did not draw international headlines) is muckraking more frequently than ever before due to technological advances of the internet age. It is placing a question mark on the very meaning of democracy and free speech in America.

The harsh crackdown on the American state is deploying to rein in free thinkers who have access to confidential information is manufacturing martyrs. The next Manning and Snowden is just around the corner. She or he will be inspired, not cowed.

Sreeram Chaulia is a professor and dean at the Jindal School of International Affairs in Sonapat, India

Shameful incidents show police bias towards pro-establishment groups

Is the quality of the city's law and order in a downward spiral? Last week, a video showing a woman schoolteacher who stood up for some Falun Gong practitioners in Mong Kok went viral and received an outpouring of support from Hongkongers. It shows that the public is becoming more intolerant of the extraordinary behaviour of the police, who seem to be siding with the pro-establishment force.

If allowed to reach a tipping point, these negative sentiments will cause great damage to social harmony.

The incident took place last month. The schoolteacher, Lam Wai-sze, walked past Sai Yeung Choi Street and saw the Falun Gong group being harassed by a member of the Hong Kong Youth Care Association. The police at the scene reportedly stood by and watched the Falun Gong members being pestered, but when bystanders tried to defend the Falun Gong practitioners and scolded the tormentors, the police formed a human barricade to segregate the opposing sides.

On witnessing this, Lam joined in and scolded the police for their biased behaviour in protecting the tormentors. She subsequently crossed the human barricade and was told off by officers.

In a heated exchange of words, Lam swore at the officers. A pro-establishment local publication taped the incident and posted an edited version online in a bid to present the teacher as the aggressor. As a result, Lam and the primary school where she teaches were forced to make a public apology.

Albert Cheng says law and order appears to have taken a serious bashing in Hong Kong as a blind eye is often turned to thuggish activities



Most surprisingly, the Hong Kong Professional Teachers' Union, which is supposed to protect the interests and welfare of teachers, only issued a simple statement on the case.

But it was ridiculous to see the Junior Police Officers' Association and the Hong Kong Police Inspectors' Association condemn the teacher, accusing her of inappropriate behaviour. Since the emergence of the

[In] the past year, we have seen these hooligans get off lightly for their criminal behaviour

so-called patriotic, caring Hong Kong groups, the city's law and order has taken a bashing. They have been going out of their way to interfere with ordinary peaceful public activities and forums organised by community groups and the pan-democrats.

They act like thugs and appear to be out to cause chaos. The police seem happy to turn a blind eye and prefer to stand on the sidelines.

Over the past year, we have seen these hooligans get off

lightly for their criminal behaviour. One of them was fined HK\$1,500 for attacking a reporter. In another incident, a group of thugs attacked pro-democracy activists at a public gathering in Mong Kok, causing serious injuries. That case is still pending.

Then, not long ago, some men set fire to thousands of copies of the *Apple Daily* in Central. So far, only one person has been apprehended.

By contrast, peaceful anti-government gatherings and protests always seem to meet with the biggest counterforce from the police. Despite their orderly manner, pro-democracy protesters are often stopped by police and accused of acting illegally.

Many pro-democracy activists are even threatened with legal action long after the alleged offence. If this is not persecution, what is it?

With these incidents becoming more frequent, it begs the question: has our police force lost its impartiality as well as its ability to safeguard and uphold law and order?

The public anger stirred by the schoolteacher incident is only the tip of the iceberg in terms of public discontent. The government would do well to take note.

In Lam's case, if she had broken the law, the police should have arrested and charged her. Why didn't the

police do so? Instead they chose to gang up on her.

More preposterous was that, in a separate incident, another group of pro-China hooligans was seen verbally and physically abusing police but officers appeared restrained and didn't take action to stop them. In that incident, the police associations chose not to issue any public statement of condemnation – a clear sign of double standards.

From the contrast in police action, it's only fair to assume that there is clearly a double standard when it comes to law enforcement. In the case of the teacher, their unfair handling of her was nothing but a shameful act of bullying.

Hong Kong is a city that adheres to the rule of law. It has a reputation for a clean, efficient and professional police force that is highly respected by the community. But since Leung Chun-ying took over as chief executive, these good qualities of the police force seem to be dissipating.

Are we seeing the end of the principle that everyone is equal before the law? Turning a blind eye to criminal and immoral activities will only add fuel to the fire, causing more conflict between the public and the police and further damage social harmony.

Albert Cheng King-hon is a political commentator. taipan@albertcheng.hk

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People must not be hijacked by this second-rate alliance

Lau Nai-keung says pro-democracy dissidents put own interests first

In 2010, after the Democratic Party struck a deal with the central government's liaison office to let the constitutional reform bill pass, it was ostracised by the rest of the dissident camp. The party paid the price, losing members as well as seats.

Now, suddenly, entering into direct dialogue with the central government has become the vogue, so much so that the dissidents are now organising the Occupy Central campaign to coerce the central government into coming to the bargaining table. The difference is that this time the Democratic Party cannot enjoy the privilege of monopolising the dialogue; it is now absorbed into part of the Alliance for True Democracy, which the central government must negotiate with. Problem is, this alliance does not speak for all dissidents and there are many proposals floating around.

Whether members of the alliance, which is supposed to comprise 26 pan-democratic Legislative Council members, will vote en bloc for a compromise reform bill is still unclear. At the moment there does not seem to be a one-size-fits-all solution on the horizon.

From a practical point of view, the central government will still have to target the Democratic Party as a bloc. There is no use scavenging votes from splintering political groups in Legco, as it is not cost-effective and, after all, totally unreliable, as demonstrated by the sad experience in 2007 when just short of one vote turned out to be a total flop.

To get the bill on universal suffrage passed, the SAR government needs to secure five bloc votes from the dissident camp in the Legislative Council and they conveniently lie in the pocket of the Democratic Party.

It would appear foolhardy for the Democrats to step forward to be hurt a second time in exactly the same situation. But the expectation to exercise the right of universal suffrage among the public is so high that striking a compromise with the central government the second time despite the previous political setback could be painted as an

Dissidents see only two players in this game: them against the central government

act of principle, and thus an act of bravery.

The party might even go on to win a landslide victory in the district council elections in 2015 and Legislative Council election in 2016; who knows? This is politics. Alas, maverick is what our Democratic Party isn't.

If they fail to secure the bloc vote of the Democratic Party, there are only two options left for the central and SAR governments. Either yield to dissidents' demands, or, as Benny Tai Yiu-ting et al threaten

time and again, face another Tiananmen Square incident.

The fatal shortfall of this play is that the dissidents see only two players in this game: them against the central government. Despite their demand for "genuine" universal suffrage, our dissidents never have the people in their hearts and minds.

They see people as pawns on the chessboard. From their self-proclaimed moral high ground, our dissidents think that they are empowered to sacrifice our welfare at will to achieve their objective, which they insist should be good for us.

The citizens of London can afford to wait several hundred years to enjoy a fully elected Greater London Authority, formed as recently as 2000.

So why should Hong Kong citizens be hijacked by a bunch of second-class politicians and academics and forced to pay the high price of another Tiananmen Square incident just to create an electoral method to ensure dissidents must enjoy an entry ticket? How dare this alliance claim that they represent our wishes?

You call this democracy? Last time such nonsense took place, it was called fascism. Though it is politically incorrect and therefore highly unpopular, I would remind our readers that Hitler was also popularly elected.

Lau Nai-keung is a member of the Basic Law Committee of the NPC Standing Committee, and also a member of the Commission on Strategic Development