

# Tall new order

**G. Bin Zhao** says before getting too carried away with the Asian Infrastructure Investment Bank, we should be aware that it faces key challenges and difficulties from the outset

At the recent Asian-African Summit held in Indonesia, Indonesian President Joko Widodo said that those who still insisted that only the World Bank, the International Monetary Fund and the Asian Development Bank can solve global economic problems were adhering to outdated ideas, and establishing a new international economic order open to the emerging economies was imperative.

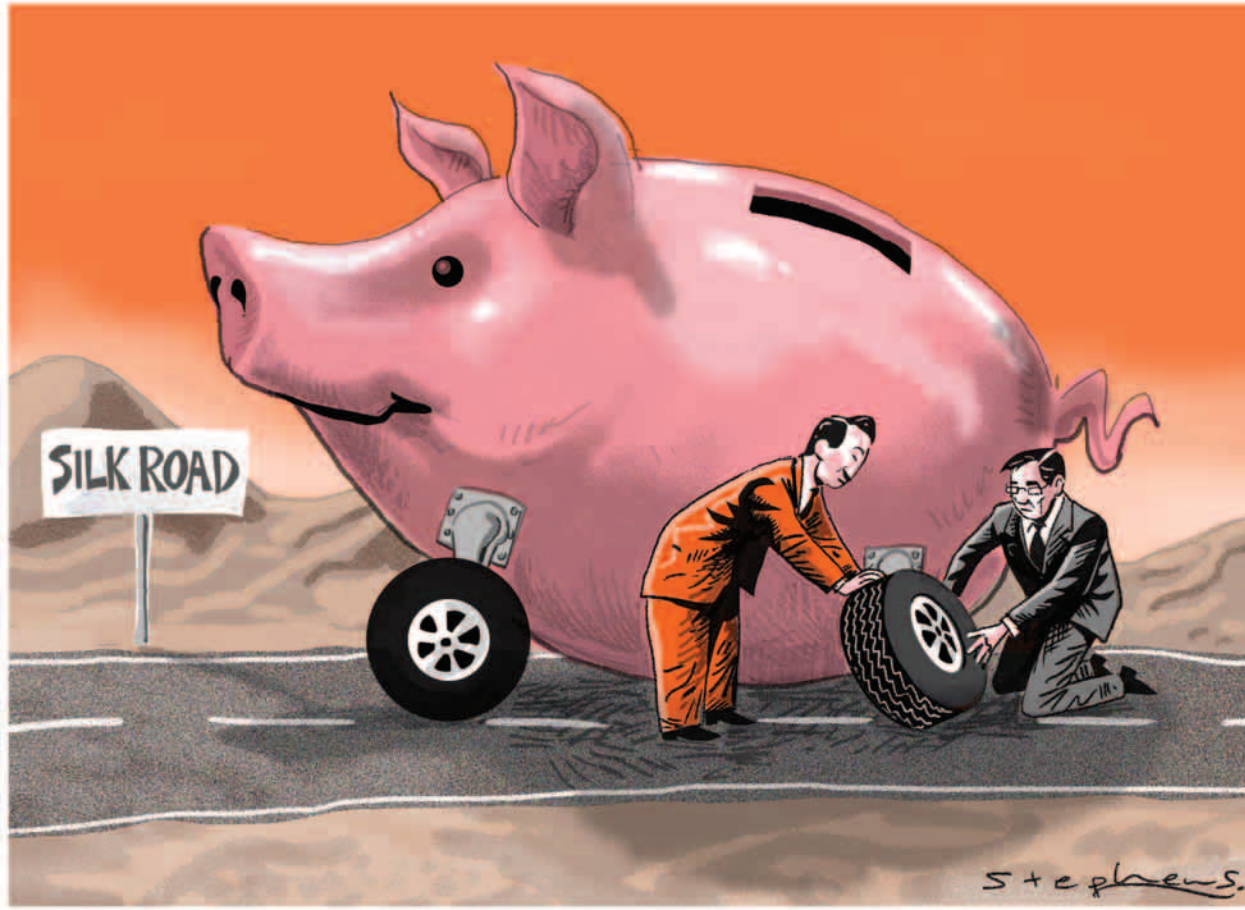
Although he did not directly mention the Asian Infrastructure Investment Bank, his views are highly representative of those held in Asian countries.

Earlier, when Britain, Germany, France, Italy and other major developed economies applied to join as founding members, the significance of the bank was greatly enhanced, but also exaggerated. For example, former US Treasury secretary Lawrence Summers claimed that "I can think of no event since Bretton Woods comparable to the combination of China's effort to establish a major new institution and the failure of the US to persuade dozens of its traditional allies, starting with Britain, to stay out of it". More extreme, some people think it marks the economic and political decline of the US and the end of the American century.

Although the potential role of the infrastructure bank has been touted and highly praised, it is important to remain calm and think objectively as the institution is still in its infancy. Particularly worthy of attention is the fact that China has no experience in independently creating and leading any large international organisations and therefore there are likely to be many difficulties and challenges at the outset. Specifically, in terms of corporate governance, organisational structure, management teams, business models and the like, the slightest mistakes may lead the bank to become an "abandoned child". Undoubtedly, learning from the successful experiences of existing international development banks may be the way forward.

I serve as the China consultant for a successful regional development bank – the European Bank for Reconstruction and Development. This experience allows me a unique perspective to examine several strategic choices that will be required as the Asian Infrastructure Investment Bank is established.

First, the key for the bank to be competitive and successful lies in adhering to market-oriented operations and achiev-



ing a triple-A credit rating as soon as possible to keep the cost of financing low. This is likely to be a relatively difficult task in the short term. China's own sovereign credit rating is only AA-, while the bank is a new institution, with the majority of its shareholding countries relatively less economically developed.

On the one hand, the guarantees provided by the shareholders might be con-

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sidered relatively weak, on the other, with most of the infrastructure investment targets located in economically underdeveloped areas, the projects themselves can be expected to have high risks and unstable returns.

For this reason, finding a way to deal with the existing rating standards may require a considerable amount of planning. For example, before the formal establishment of the bank, it would be wise

to establish regular communication with the world's three major ratings agencies to actively solicit their views and develop a full understanding of their ratings requirements. In this regard, the experiences of shareholders from developed economies must be solicited to help facilitate the process.

Second, the choice of Beijing as the headquarters is not necessarily the best option. The severe air pollution, which has become a subject of growing concern in recent years, has made it a real challenge to entice multinational executives. In addition, if other issues are taken into account, such as the financial environment, the availability of international talent, the challenges of traffic, the rule of law, as well as other factors, Hong Kong may prove a better and more acceptable choice.

Furthermore, must the president of the institution be Chinese? According to multiparty sources, since the bank is to be established under Chinese leadership, then the top leader should also be Chinese. As a result, some people may ask, what does this imply about China-led international institutions and other agencies in the future? Must other international organisations promoted by China also select Chinese people as leaders?

In addition, in the English language, the word "Chinese" may refer to people on the Chinese mainland as well as those from Hong Kong, Macau, Taiwan and overseas

Chinese residents. How do we define a "Chinese" leader?

This reminds me of a painting in a museum in Xian (西安), which depicts foreigners as senior government officials during the Tang dynasty. If our ancestors could make foreigners senior officials in the domestic government more than 1,000 years ago, and if the vision of the "China Dream" is to restore the prosperity seen during the Tang dynasty, then do we also need to be more tolerant?

Finally, the establishment of the Asian Infrastructure Investment Bank is only the prelude to the regional development of China's "one belt, one road", and also marks the beginning of Beijing's intention to accelerate its deeper integration into the world economy. The initiative is of great significance to the global economy, which is still very weak. Perhaps China will benefit, but dozens of developing countries within the region and the world economy may prove to be the biggest winners.

So, for those people who speak highly of the Asian Infrastructure Investment Bank, should they consider more far-reaching issues, or is it more realistic to merely offer some constructive suggestions at this time?

G. Bin Zhao is co-founder of Gateway International Group, a global China consulting firm, and executive editor at China's Economy & Policy

## Air of disgust

**Simon Ng** says alarmingly high roadside pollution on Hong Kong Island should be jolting the government into urgent action

A report on roadside air quality on the northern shore of Hong Kong Island along the tramway was released yesterday by Civic Exchange and the Institute for the Environment at the Hong Kong University of Science and Technology. Air quality readings were taken for more than a year from a monitoring system installed on one of the trams during its normal operating hours. Findings show that the annual average concentrations of fine particulate matter (PM<sub>2.5</sub>) along the route, which cuts through some of Hong Kong's typical urban street canyons, was alarmingly unhealthy, ranging from 30 to 55 micrograms per cubic metre.

To put the numbers in perspective, Hong Kong's air quality objective for PM<sub>2.5</sub> is 35 micrograms per cubic metre and we often failed to comply with our lax objective; the World Health Organisation recommends a standard of 10 micrograms per cubic metre based on health considerations, and we are nowhere near that level. In layman's terms, most of the time we are inhaling carcinogenic substances in concentrations that can damage our health.

It is not surprising that Des Voeux Road Central came first on a list of air pollution hotspots in the report, followed by Yee Wo Street and the eastern end of Hennessy Road in Causeway Bay in second place. The WHO's daily average standard was exceeded on almost 280 days of the year in these locations.

By contrast, surprisingly, roadside air quality on Des Voeux Road West in Western District, Queensway in Admiralty, and the western end of Hennessy Road in Wan Chai are also very poor. Daily average PM<sub>2.5</sub> concentrations exceeded the WHO's standard for more than 200 days during the year-long study. The overall picture is worse than we thought.

Hundreds of thousands of people are being exposed to roadside pollution that could undermine health and productivity, potentially causing cancer and other ailments, even premature death.

What should the government do to address the issue? And what is our priority as a city? Depressingly, roping off an area and calling it a low-emission zone without addressing the problem of the street canyon effect or keeping vehicles away from people (not the other way round) is not going to get us very far.

Exactly a year ago, the Hong Kong Institute of Planners and a few other collaborators, proposed to turn Des Voeux Road Central into a pedestrian- and tram-only precinct, citing air quality improvement as a major benefit. One year later, while discussions are ongoing, there is nothing to show on the ground.

Des Voeux Road Central will probably remain the urban road most associated with poor air quality but the latest findings have reshaped the discussion; Des Voeux Road Central may be the worst, but we must clean it up quickly, then replicate the effort elsewhere.

The government must prioritise improved air quality in major urban street canyons; targets must be set and met within a reasonable timeframe. Urban development practices and planning approaches also have to be reformed, to enhance ventilation and air dispersion in dense urban areas. Certainly, there will be trade-offs, such as blocking off some roads to traffic, and some people may lose out in terms of time and convenience. But everyone will benefit from improved air quality and a better environment. Such net gains for society are clear.

Simon Ng is chief research officer at Civic Exchange

## Deadly taxi blast exposes decade of inaction on new safety measures

They are ubiquitous on the streets of Hong Kong. Yet, few people saw LPG taxis as ticking time bombs until a deadly explosion at a garage in Wong Tai Sin last Sunday.

A cab driver, the garage owner and the owner of a shop next door were killed in the blast on Wan Fung Street. The garage is on the ground floor of a residential building which houses 22 families. A nearby home for the elderly had to be evacuated. Windows were shattered, buildings shaken and vehicles badly damaged.

The driver had just taken in his car for minor repairs. An initial investigation by the Electrical and Mechanical Services Department indicated that the vehicle's LPG tank remained intact. But authorities have not ruled out the possibility of an LPG leak from either the tank or a connecting tube.

A police source suggested that a passer-by who lit a cigarette outside the workshop might have triggered the series of explosions. The smoker was among the nine injured.

Taxis in Hong Kong run on LPG. A pilot scheme was introduced in 1996 to see whether LPG could replace the less environmentally friendly diesel and petroleum. It proved successful and, since 1999, all new taxis are required to have factory-built LPG tanks. The government offered a cash grant to each taxi owner who purchased a new LPG taxi to accelerate the change.

I had grave reservations about the switch at the time, on practical grounds. There were, and still are, inadequate services for the fleets of LPG-powered vehicles. There are only 67 LPG

**Albert Cheng** says banning LPG vehicles from using non-approved garages for repairs will allow fearful residents to sleep at night



filling stations throughout the territory. Of them, just 12 are dedicated sites. That explains why there are often long queues at some more conveniently located LPG stations.

As exposed by this tragedy, another problem is the lack of qualified mechanics and facilities to service the taxis. The Transport Department has capped the number of taxi licences at 18,138 – 15,250 for the urban areas, 2,838 for the New

**Public safety should no longer be overridden by possible resistance from the trade**

Territories and 50 for Lantau Island. They carry some one million passengers daily.

There are also more than 3,100 public light buses in Hong Kong, about two-thirds of which run on LPG. That means over 20,000 such public transport vehicles require regular servicing.

Under the Gas Safety Ordinance, only mechanics approved by the Electrical and Mechanical Services Department are eligible to

conduct maintenance on LPG fuel systems at designated garages. Only 29 of the 2,700 garages in the city are permitted to handle LPG-related work.

Each has to look after the LPG systems of an average of 700 heavily used taxis and minibuses. They are located in more remote sites as part of the licensing conditions.

Time is money and it's only natural that some taxi drivers will use non-approved garages. It is hard for regulators to know whether a non-approved garage is working on the gas tank or not.

Apart from the general fire and building safety provisions, there is no specific regulation to govern day-to-day repair works in non-LPG garages. The garage in question was not on the approved list.

In 2000, an official working committee was established to see how the trade should be regulated to ensure public safety. Five years later, officials told the Legislative Council that its target was to make it mandatory for all garages to be registered from 2008. The plan has flopped.

Instead, the authorities came up with a voluntary charter for garage owners to initiate such measures as no-smoking zones and ensuring mechanics handle gases with care. Only 15 per cent of the garages signed.

There is a similar voluntary registration scheme for the 9,000 mechanics. About seven in 10

have signed up. They are supposed to follow the safety working guides prescribed by the Electrical and Mechanical Services Department.

There is no evidence so far that the Wong Tai Sin garage actually worked on the taxi's LPG system. This has led to an even more urgent problem: the mere presence of a taxi in a non-LPG-approved garage might constitute a potential threat to the neighbourhood, given that a mechanic might be working on other parts of a taxi or mini-bus and have no idea that gas was leaking from the tank. Any spark could set off an explosion.

After the incident, officials said they would revisit the need for a registration system for garages. Yet, if the garages are allowed to continue to operate in densely populated areas, the threat to the public remains real.

The only way to set residents' minds at ease is to ban all LPG vehicles from using non-approved garages. That should be easy to execute. Of course, it will create a big demand for approved garages and a transition period will be needed.

Officials have been bogged down by pragmatic considerations for more than a decade. Now blood has been spilled, public safety should no longer be overridden by possible resistance from the trade.

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## Breaking the mould in how Hong Kong will be governed

**Bernard Chan** says background, age and style of party leaders is changing

Starry Lee Wai-king has become the first chairwoman of the Democratic Alliance for the Betterment and Progress of Hong Kong. Most of our political parties are headed by women: Emily Lau Wai-hing leads the Democrats, Audrey Eu Yue-mee heads the Civic Party, Regina Ip Lau Suk-yeet runs the New People's Party and Erica Yuen Mi-ming leads People Power.

This could be celebrated as a success story for women. However, few commentators mentioned this aspect of Lee's leadership of the DAB.

To many observers, the story here is not about gender, but background, age and style. In particular, I think it reflects major changes in the way Hong Kong will be governed.

The leaders of Hong Kong's main pro-democracy parties have typically been from the professions and middle class, with smaller parties linked to labour. Pro-Beijing groups, with extensive neighbourhood and other networks, have usually recruited from the grass roots and unions. These are roughly the profiles of the main groups involved in open elections (the pro-business parties are mainly focused on functional constituencies).

Lee in some ways breaks this mould. She was born into a working-class family and brought up on a public housing estate. But she went to university and could well have become a partner in a major accounting firm. By the standards of many older DAB figures, she comes across as open and friendly. She

is partly overseas educated and is someone many of the middle class and young can relate to. As the overseas media have noticed, unlike many of her older colleagues, she can do interviews in English.

Critics will point out that, as part of the well-organised pro-government factions, she has been groomed as a new, modern face for the DAB. But that leads me to my point. The DAB and its allies are serious about being able to win elections in future.

Hong Kong is at a crossroads in its political development. It is impossible to say what will happen to the government's

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proposed reforms. It seems hard to believe pro-democracy lawmakers will veto the chance of some form of universal suffrage, even if it is limited. But they are clearly disappointed by the proposal and seem convinced that accepting it would do more harm than good.

By rejecting reform, they will leave us where we are now. The problem is that people want a more open and competitive political process – as a means to achieving fair and

effective governance. The proposed reforms might not be perfect, but they would involve chief executive hopefuls fighting directly for mainstream voters' support. This would be unprecedented in Hong Kong.

The pro-Beijing side is taking this seriously. It is looking forward to an era where elections take on a new importance. The DAB is preparing for a new and more competitive way of doing things.

On the other side, we have the pro-democracy camp. It is divided into a range of rival groups, with the main vote-winning factions headed by older-generation figures. Its younger elements are spread out among all sorts of student and single-issue groups. The main things they have in common are that they are energetic and highly dissatisfied, and see action on the streets as their main hope of being heard.

So the main pro-government parties are anticipating a more – if not fully – democratic system. The DAB is targeting younger and more middle-class and professional voters. This perhaps overlaps with Regina Ip's group, but also with the Civic Party, which is looking less moderate than it was. The Democratic Party, with its older leadership, faces the challenge of attracting younger supporters.

One way or another, our elections in future will be more competitive. It looks quite likely that some parties will be better prepared than others.

Bernard Chan is a member of the Executive Council