

## INSIGHT

## A wild ride, for now

G. Bin Zhao believes China acted correctly with its market bailout, and that reforms remain on track

In a recent article, Henry Paulson, former US treasury secretary and former chairman of Goldman Sachs, appealed for the Chinese government to accelerate financial reform after the stock market turmoil. The president of the World Bank, Jim Yong Kim, also said that although many people worry that the market bailout would delay the necessary changes, he believes China will remain committed to reforming the financial sector.

Clearly, the recent volatility in the stock market and the rapid response by the central government touched the nerves of foreign investors and sparked a lot of criticism. International investors have reduced their holdings in Chinese stocks by 44.2 billion yuan (HK\$55.1 billion) through the Shanghai-Hong Kong Stock Connect since July 6. The chief executive of BlackRock said the bailout has damaged the country's reputation and could lead international investors away from the Chinese market. Some believe the bailout will affect progress for Shanghai and Shenzhen stocks to be included in the MSCI World index.

The reason for these harsh words and the swift response from overseas investors is that there is a belief that the bailout has disrupted

the familiar rules of the game. Seeing that their share of the market suffered a loss, they chose retreat as the best strategy. It is worth noting that some Japanese investors have been aggressively buying Chinese stocks since the recent crash, believing that China's economic growth presents many investment opportunities despite the stock market's ups and downs.

I believe in the theory of the market economy and staunchly support China's reform and opening-up policy. I occasionally criticise the fact that reforms are not thorough enough, but I fully endorse the series of relief measures taken by the government in this situation. Furthermore, I still believe that if the US government had taken measures in 2008 to save Lehman Brothers, the global economy might have not fallen into such a long depression.

It has been difficult to determine the type of intervention governments should adopt during a financial or economic crisis. Moreover, compared with the London and New York stock exchanges, which have histories of more than 200 years, the Chinese market is just a faltering toddler. It is clearly inappropriate to judge it by applying the standards of the developed markets.

It can be said that the stock market turmoil is one of the most serious economic challenges since Xi Jinping (习近平) and Li Keqiang (李克强) took power. Financial risks resulting from this turbulence may have a serious impact on the economy, and may also lead to turmoil on a wider scale. When the relatively fragile overall economy in the so-called new normal period faces a major challenge, all high risks deserve special attention.

From mid-June to early July, the index fluctuated within a range of 1,659 points (the highest was 5,166 and the lowest 3,507). The decline of more than 30 per cent wiped out capitalisation of about 20 trillion yuan, equal to 31 per cent of China's gross domestic product last year (63.65 trillion yuan).

A decline of such a large scale may have led to a wider crisis had the government not acted immediately. If the decline had continued, it may have triggered not only an economic crisis, but also possibly a political event threatening social stability.

Therefore, it is unfair to criticise the government bailout. From the perspective of trying to prevent a wider financial crisis, the measures – which included establishing a stabilisation fund to purchase shares and calling on state-owned enter-

prises to take on buyback shares – have increased investors' confidence, preventing a continuation of the frenzied sell-off and ensuring that the market did not collapse.

Many people worry that the powerful measures the central government took will affect the progress of financial reform. Professor Li Daokui estimates that the stock market crash will have a limited im-

**If the decline had continued, it may have triggered ... a threat to social stability**

impact on consumption and the real economy. Although the first five months of this year had a large number of initial public offerings, the amount of total financing for these new stocks accounted for only 4 per cent of total financing for all stocks, bonds and bank loans.

I believe, since there is no widespread erosion of the real economy, China will not review the plans for financial reform pro-

posed at the end of 2013 during the third plenary session of the 18th Central Committee of the Communist Party. However, we need to conduct a comprehensive review of the planned stock market reforms to determine exactly the type of capital market we should establish.

For example, Paulson suggested that China allow market participants – including the top international institutional investors, investment banks and brokers – to compete equally in the Chinese capital market. This viewpoint is particularly questionable. At a time when the domestic counterparts are far from competitive with foreign market participants, further opening of the capital market needs to be carefully researched and designed, and done with extreme caution.

Finally, less than two years after the third plenary session, general financial reforms have made great advancements of a type rarely seen in the past few decades. I believe the dark clouds over the stock market will gradually subside, the sky will be even brighter after the storm, and the winds of reform will continue to blow across the Chinese economy.

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

## An apology from the heart can heal rifts

**Choe Young-U calls on Japan to apologise unequivocally for its war atrocities, as it remembers the end of the second world war, so that those who had suffered can move on**

For Koreans of my generation, the year 1945 holds special meaning. I was born in 1941, and the second world war ended four years later. This year marks the 70th anniversary of the end of the war and the liberation of Korea from Japanese colonial rule.

As a global citizen – having lived in Hong Kong for many years and interacting with business leaders from around the world – I have high expectations of Japan. I will be paying close attention to Prime Minister Shinzo Abe's forthcoming 70th anniversary statement and his subsequent actions.

Since the war, Japan has become a great world economy and an active member of the global community. Yet, since his inauguration, Abe has stirred controversy with his revisionist views, which remind the victimised countries and the individual survivors that their pain is not yet behind them.

The Abe cabinet, while publicly stating that it upholds the positions expressed by past cabinets acknowledging the wrongs of history, continues to speak and act in a way that contradicts that commitment. While continuing to use the term "future-oriented", the Abe cabinet is limiting the future by failing to face the past.

That lack of contrition not only hinders bilateral ties between South Korea and Japan, but it also diminishes Japan's standing in the international community.

From my perspective as a member of Korea's older generation, the second world war did not reach a neat conclusion and allow us to turn the page.

I sincerely hope that Abe delivers an unequivocal message that will finally bring the story to an end for all of Asia, lest the controversies continue to cause strife when it is time to deliver our 80th anniversary statements.

I hope to hear a sincere apology from Japan, one that resolves the international community's concerns and sets the stage for good relations with all of Japan's partners and allies throughout the world.



**A weak statement would sour any future-oriented message, whatever Japan's intentions may be**

In contrast, Germany took responsibility for its actions as an aggressor in the second world war, and backed up its words with deeds. As a result, it became a mature and healthy nation and is now one of the leading countries in the world.

The prime minister's statement ought to include an unequivocal apology and expression of remorse for Japan's wartime aggression and for the colonisation of Korea and other countries. I especially hope that Japan will deliver a long-overdue apology to the elderly survivors of the sexual slavery by its military. Only if Abe conveys this core message can Koreans and other Asians accept his apology in their hearts and begin to move forward.

Historical truth should not be a matter of nationalism or politics or face-saving, but a matter of integrity; the whole undistorted truth should be handed down to the next generation.

Any statement that falls short of our expectations would be a step backwards in terms of Japan coming to terms with its history. If that were to happen, I am sure that many survivors and victimised countries would prefer no statement at all. A weak statement would sour any future-oriented message, whatever Japan's intentions may be. As an individual who has close ties with Japan, I pray that it will release itself from the past and forge future-oriented relationships with Korea and its other northeast Asian neighbours.

Japan's decision to own its history will have positive repercussions for world history. Even in this globalised world, one in which telecommunications offer ever-greater opportunities to interact across national borders, it is hard to interact without trust.

As a long-term resident of Hong Kong, I would like to close by saying that the peoples of Hong Kong and Korea are profoundly connected; we share much of the same history. I know that the people of Hong Kong are waiting just as eagerly for an apology from Abe.

I hope, therefore, that we will all hear those long-awaited words of remorse and contrition, words that are sure to heal many wounds throughout Asia.

Choe Young-U is president of the Korean Residents' Association of Hong Kong



Photos of former "comfort women" are a reminder of the slavery Japanese soldiers engaged in. Photo: AP

## Parents can contribute to good governance in schools

**Anjali Hazari says conflict over the management of Canadian International School underlines the complexities of adapting to 21st century best practices, where diverse stakeholders are involved**

Generally for teachers and parents, a school's board of governors is a nebulous entity disconnected from everyday teaching and learning. However, issues faced by the Canadian International School serve to highlight the complicated nature of school governance involving the founding members and school management.

Governance problems tend to be the reason some Southeast Asian schools are not accredited by the Council of International Schools, says Ian Clayton, head of the international section of the French International School.

Many international schools have a two-tiered system, in which inception began as a charitable foundation established by the founding members. Once registered under the Education Ordinance, a board of managers or a board of governors was required to run the school.

This two-tiered system allows major decisions to be ratified by the trustees who have an interest in the school, but it's an objective interest, with the "role" having authority, not the person.

The Canadian International School requires that the body of governors responsible for running the school be elected by founding members, existing members and

ex-officio governors. As one ex-parent-governor noted: "In practice, [some founding members] are quite involved and meddlesome at the school."

This need to set boundaries was noted by the Council of International Schools, which suggested in its audit that "a clear distinction [be] made between the governance and operational aspects" of its affairs.

The moot question is, should parents have a place in school management?

The Education Bureau gives international schools broad autonomy to operate with respect to curriculum offered, student mix as well as admission criteria. It advocates through its framework proposal of school-based management that governing bodies comprise "a strong alliance of stakeholders, including parents, teachers and community members, working in partnership to develop the potential of each and every student to the fullest extent".

A review of governing bodies of other international schools makes a compelling case for parental involvement in their children's education by giving them a voice on management boards.

While the backing of Lutheran Church-Missouri Synod in the

early 1960s helped secure support of the Education Department, the Hong Kong International School's board of managers is a self-perpetuating board and currently comprises 14 members, including the head of school. Other members come from various stakeholder groups, including current parents, alumni and parents of alumni.

The French International School, to take another example, was created in 1962 by French parents together with the consulate as a not-for-profit association. The sponsoring body is owned and managed by parents who oversee the non-educational aspects of the school.

An executive committee is responsible for the proper management and allocation of funds of the school and comprises 16 members – 12 volunteer parents elected at the annual general meeting with a three-year mandate and the rest ex-officio.

Parental involvement at all levels, with regular communication among parents, teachers and staff, is one of the school's strengths.

Not surprisingly, there has been pressure from parents to reform governance at the Canadian International School to bring it in line with best 21st century practice, with a board of governors comprising diverse representatives of the community, including parents.

Anjali A. Hazari teaches IB and IGCSE biology at the French International School

## Feed the oyster, not the shell

**Jingan Young says it's the artists, not the buildings, that need the funding to turn the West Kowloon Cultural District into an artistic hub**

The seemingly cursed West Kowloon Cultural District project will be getting a new CEO, but as for receiving more funding from the government, it's still a big fat "no" from Chief Secretary Carrie Lam Cheng Yuet-ngor. But is that such a bad thing?

Since 2008, the project has received a total of HK\$21.6 billion from the government. To put it into perspective, given that the Hong Kong Arts Development Council awarded an average of about HK\$45,000 for an emerging artist (drama) in 2014, that money would fund about 480,000 artists.

When plans for the project were first announced, a bemused optimism hung in the air among artists over whether the authorities could even pull it off.

First roping in Graham Sheffield, formerly of the Barbican Centre in London, to headline the operation appeared to quell the scepticism. That is, until he abruptly threw in the towel five months later. Then came Michael Lynch, a former chief of the Sydney Opera House and the Southbank Centre, who also quit before his contract ended.

But we are equally to blame in this farce, as we failed to question the clear lack of vision from the onset. Because if its future artistic direction is anything like its current one, there seems little point in debating whether it can achieve its only publicly vocalised aim as Hong Kong's answer to London's Southbank.

Its community projects are poorly promoted, its "workshops"

pointless exercises in how they can tick the "cross-cultural exchange" box and demonstrate a "worldly knowledge" of global practices. The annual Freespace Fest offers limited platforms for artists (and now apparently skateboarders). This is not the answer to supporting and showcasing our burgeoning creative talent.

If the cultural district does eventually find its footing, the artists of Hong Kong desperately implore them: why not build rehearsal spaces within new theatre complexes? Also, why not implement an artist residency programme that funds four to six artists, allowing them to collaborate and create an actual piece of work over the course of a year? If this "hub" indeed takes its inspiration from Southbank or the Barbican, we need initiatives to create, not just "rent and play".

The authorities may argue they cannot find the artists to facilitate these programmes. They'd be wrong.

Sadly, many Hong Kong artists will happily agree to these terms, including what, I'm afraid, will also include exorbitant venue rental fees.

Perhaps the government's refusal to continue funding is a sign it is finally realising that putting the money into the artists is a more worthwhile and profitable venture than investing in a hollow shell.

Jingan Young is a freelance writer and playwright