

# A brighter future awaits us if government, business and the community work together, writes Donald Tsang Diversified growth

Regina Ip

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## Aiding and abetting

Our government has often been criticised for its lack of a comprehensive, long-term economic strategy. But it cannot be faulted on its commitment to promoting Hong Kong as a hub for all manner of activities.

In recent years, the government has stepped up investment in events or infrastructure projects that enhance Hong Kong's status as a regional or even global hub. Witness the hosting of the Olympic equestrian events last year and the East Asian Games later this year, the building of the vast West Kowloon Cultural District and the cruise terminal. All well and good, as hubs not only bring wealth and jobs, but also spawn the growth of related suppliers and other supporting services.

Small wonder, then, that the Trade Development Council is pushing the development of Phase 3 of the Convention and Exhibition Centre. An expanded centre with 100,000 square metres of connected exhibition space will give the existing Wan Chai-based facility the critical mass to become a regional hub. We need facilities that can beat our neighbours and competitors not on price but scale, sophistication and service.

Yet something is awry in the government's strategy, expounded recently by Chief Secretary Henry Tang Yingyan, for economic co-operation with the nine major cities of the Pearl River Delta. Opening markets in the delta for our entrepreneurs is fine, but helping to build these neighbouring cities into financial, logistics and convention and exhibition hubs, and regional headquarters is an entirely different matter. The government seems to have failed to grasp the point made by an expert in a recent presentation on Hong Kong as a civil aviation centre: hubs come and go, and hubs are a zero-sum game.

The expert said ancient Troy was a prominent trade hub and fell not because of the abduction of Helen but because of its jealous rivals' military assault. While Hong Kong was unlikely to come under a military threat, it is coming under intense economic threats from all directions, including our PRD neighbours.

Hubs are indeed a zero-sum game. Just as Hong Kong gained at the expense of Tokyo's Narita airport to become the regional civil aviation hub, South Korea's newer Incheon airport has stolen the march on Hong Kong in international services on the best airports. The question is can Hong Kong sustain its leading position in the face of fierce competition from neighbouring, up- and coming airports, prominently Guangzhou's Baiyun Airport and Shenzhen's Baoan Airport? Baiyun is rapidly expanding its connectivity, and on completion of the rail link between Baoan and Hong Kong International Airport, would more passenger traffic be diverted to Hong Kong from Shenzhen or vice versa?

Given Shenzhen's determination to develop Qianhai Bay into a logistics and "modern services" area, and the much lower landing fees and hence air fares at Shenzhen, the possibility is real that our own air passenger and cargo traffic could be diverted to Shenzhen, if not Baiyun. What is clear is that we could not build a regional air traffic hub jointly with Shenzhen because it does not make sense for passengers to make transfers straddling two airports.

Talk of helping Shenzhen to develop Qianhai Bay into a hub for regional headquarters sends even more shivers down the spine. A multinational company cannot have more than one headquarters office per region. An office, set for southern China would have to be located in either Guangzhou, Shenzhen or Hong Kong.

It is clear from the mainland's Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020), and from Shenzhen's own policy statement on future economic development, that delta cities are targeting our "modern services" in their drive to become modern cities. There is no harm in helping their continuous modernisation as long as we can climb the value ladder at the same time. The experience of America shows that many jobs that they never rest their heads because economic co-operation should not mean an acceleration of our own "hollowing out".

Regina Ip Lau Suk-yea is a legislator and chairwoman of the Savantas Policy Institute

August heralds the start of the annual consultation exercise for the Policy Address to be announced in October. Over the next few weeks, the chief secretary for six priority areas: educational services, medical services, innovation and technology, cultural and creative industries, and environmental industries. The government has made an initial response and I intend to elaborate on this topic in my next policy address.

Hong Kong must further evolve as a knowledge-based economy to grasp the opportunities open to us. While the six priority industries all contribute to the further development of our knowledge-based economy, the government has to adopt a new mindset and attitude to promote them.

We are studying the task force recommendations, focusing particularly on promoting these six priority industries through land supply and other incentives. I hope the community will give their views on how to develop a knowledge-based economy and the six priority industries during the policy address consultation.

Past experience has shown that when the economy was thriving, people felt secure in their jobs, while challenging economic times gave rise to social conflict. And, when the economy revives, we can expect opportunities during the construction phase, and great economic benefits long after completion of the projects.

Given our strong foundations, coupled with the diligence, resilience and inventiveness of our people, I am confident that Hong Kong will be among the first economies to rebound in the region when the external economic revival takes hold. Riding out the current economic storm, and charting new directions for our economy, is a collective effort. It is not something that can be achieved by the government on its own. It requires the input and dedication of every Hong Kong citizen. A tri-partite collaboration of the

to retain a competitive edge over other cities in the region.

We also need to broaden our economic base by promoting diversity to add new impetus for sustained growth. In this context, the task force made a number of recommendations for promoting and developing six priority areas: educational services, medical services, innovation and technology, cultural and creative industries, and environmental industries.

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Donald Tsang Yam-kuen is the chief executive of Hong Kong

range of measures to stabilise the financial system, support enterprises and preserve employment. In the budget last February, we adopted counter-cyclical measures by expanding government expenditure to stimulate the economy in May. We announced further relief measures.

The latest data indicates that both the external and Hong Kong economies have stabilised, and that our stock and property markets have picked up. Yet, it is not entirely clear whether the global economy has really turned the corner. We must remain cautious and do all we can to boost economic growth to build a better economic environment for Hong Kong people. This will be the primary focus of my administration in the year to come.

The four pillar industries that have underpinned Hong Kong's success over the years - financial services, tourism, logistics, and business support and professional services - still remain strong advantages. But we need to innovate more

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government, business sector and community is vital for our economic development. I need your help to prepare Hong Kong for a new and diversified phase of economic development. We can create our own opportunities - but only if we prepare for them in advance.

## Other Voices

### US trade snooping won't open markets

Scott Lincione

The recent "three amigos" summit put US President Barack Obama's trade identity crisis on full display. On the one hand, he praised open markets and again vowed to better protectist impulses. On the other hand, Mr Obama's Canadian and Mexican counterparts gave him an earful about US policies harming trade between the three nations.

Such is the state of US trade policy, and nowhere are Mr Obama's current problems more evident than the administration's new trade enforcement initiative. Announced last month, the programme bolsters the efforts of the Office of the United States Trade Representative (USTR) to enforce other nations' closed and ferret out illegal restrictions to US exports. But while increasing foreign market access for US goods and services is a laudable goal, until the US gets its own (glass) house in order, the administration's best will be ineffective at plans and counterproductive at worst.

The White House's new trade enforcement initiative can be whittled down to three "S"s: more searching, more shaming and more suing. The office has promised to expand its targeting of foreign barriers to US exports, to increase diplomatic pressure on trading partners to remove these barriers and, where diplomacy fails, to bring more cases to the World Trade Organisation.

market access for US farmers, manufacturers and service providers is critically important to the future success of the US economy.

The US has some very valid market access concerns. Mischievous and difficult economic climate. But enforcement can only be a centerpiece of US trade policy when America meets its own international obligations. Why will countries respect America's rights in the global trading system when we so commonly and brazenly disrespect their co-equal rights?

When diplomacy fails, there's always another route to take with adverse rulings from the WTO - the only global body handling trade disputes between governments - is retaliatory. Nations that violate WTO rules can accept retaliatory tariffs against their exports instead of opening their markets.

So after the administration's new dispute resolution initiative, WTO litigation, a "victory" in Geneva will most likely mean less market access around the world. And the big losers will be American consumers.

The WTO also will lose out. Because the trade body has no enforcement powers, a fundamental motivation for nations to comply with adverse rulings is to maintain the integrity of the trading system. Non-compliance is supposed to be a last resort. So when the US and other countries increasingly take this route, the system suffers.

### Nuclear supply crunch bodes ill for cancer fight

Michael Richardson

Leading cancer control experts met in Vienna recently to discuss strategies for fighting the growing cancer burden in Asia and the Pacific. Cancer, once considered to be mainly an affliction of the rich, is fast becoming a major global health problem. Specialists estimate that by 2020 there will be about 15 million new cancer cases a year, the majority of them in developing countries. Asia alone can expect up to 5 million cancer deaths annually by then.

The Vienna meeting was organised by two UN agencies - the International Atomic Energy Agency (IAEA) which is responsible for all forms of nuclear energy, including its use in medicine and the World Health Organisation. The aim was to enable cancer experts to share their knowledge with health professionals developing and implementing cancer management strategies in low and middle-income nations in Asia.

Yet even as methods for fighting cancer improve, a global shortage in the supply of the main medical isotope, technetium-99, is threatening this success, forcing doctors to ration supplies and prioritise patient care by delaying treatment of less urgent cases.

Radioisotopes, tiny radioactive particles that can be injected or inhaled, are the backbone of nuclear medicine. More than 100,000 hospitals and specialised cancer clinics worldwide, including those in Hong Kong and other parts of China, routinely use them.

Radiotherapy treats some conditions, especially virulent forms of cancer, using radiation to weaken or destroy targeted cells. But about 90 percent of nuclear medical procedures involve diagnoses of illnesses such as heart disease and cancer with radioactive tracers that emit gamma rays. These rays can be detected and "photographed" by imaging equipment, providing far more information than X-rays or ultrasound.

The low energy gamma rays easily escape the body, keeping the radiation dose to a safe level. The most common radioisotope used in diagnosis is technetium-99m, with some

closed abruptly for repairs in May. The reactor, the source of 40 per cent of the world's molybdenum-99, is not expected to return to service before the end of the year.

The second biggest source (about 25 per cent) is a research reactor at Petten in the Netherlands. It is also in need of major repair. Shutdowns of reactors producing molybdenum have become all too frequent. Continuous supply is vital since it is impossible to stockpile the molybdenum or technetium isotopes. They have a so-called half-life of only 67 hours, meaning that they lose half their radioactive energy in less than three days - and half of what's left in another 67 hours. As a result, these medical isotopes have to be delivered by express air and land transport.

Early this year, the IAEA met to discuss the fragility in the global technetium supply chain. But high capital costs, low profit margins and exacting licensing processes make it hard to establish new facilities without incentives or subsidies - which many governments are reluctant to approve as they battle recession.

Human ingenuity may find a way around this modern medical conundrum. But no solution is in sight and without it, patient care will suffer.

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### Afghan election an exercise in futility

Gwynne Dyer

"They have the watches, but we have the time", the Taliban commanders say in Afghanistan, and it's perfectly true. The election on Thursday is not going to open the gates that.

The foreign forces, US, Canadian and European, are well-trained and equipped and can inflict casualties on amateur Taliban fighters at a ratio of 10 to one or worse. But the Taliban have an endless flow of fresh fighters, and much Pashtun support in the south and southeast. Not to mention all the time in the world.

The Taliban were and are almost exclusively Pashtuns, so it was really the Pashtuns, 40 per cent of the population and traditionally the ethnic minorities of the north and centre: Tajiks, Uzbeks and Hazaras.

Now we are asked to believe that an election will restore confidence in the government. Nonsense: this one has no more relevance than the elections the US staged in Vietnam.

Unless bribery, blackmail and threats no longer work in Afghanistan, Mr Karzai is going to win. He has made his deals with the warlords and the traditional ethnic and tribal power brokers, and is counting on them to deliver victory.

Mr Karzai and the US are shocked to the warlords because these were the warlords that the US recruited to fight the Taliban on the ground when it invaded Afghanistan in 2001. The exclusively Pashtun Taliban were the enemy of all of the country: Tajik, Hazara and Uzbek militias continued to hold out all across the north. So the US made deals with their leaders, showered them with weapons and money, and helped them into power instead.

It made good sense militarily, but it meant that the non-Pashtun warlords would dominate the post-Taliban Afghanistan. They don't live in the hills any more, but they do live in the wealthy Kabul neighbourhood of Sherpar. Two of them are Mr Karzai's choices as vice-presidents.

The West's government in Kabul is not going to get any better. It cannot, given its origins. There will be four more years of grief, and by the end of that the US, Canadian and European voters whose governments sent their troops to Afghanistan will be ready to bring them home. Nothing particularly dramatic.

Nothing particularly dramatic. Afghanistan was invaded in revenge for the September 11 attacks, but the US could have played it differently from the start when a thousand-strong shura (congress) of clerics in Kabul declared its sympathy with the dead Americans and voted to expel al-Qaeda from the country.

Everybody who is in this conflict is dying for nothing, because it will not change what happens when the foreign troops finally go home. As they eventually will.

Gwynne Dyer is a London-based independent journalist whose articles are published in 45 countries