

## INSIGHT

## The transformer

**Robert Lawrence Kuhn** believes the Chinese leadership, led by a determined Xi Jinping, did not get the credit it deserves for a wide-ranging reform blueprint that can be truly transformative

The Communist Party's third plenum is history – figuratively in that the crucial conclave has concluded and we have the results, and literally in that the transformative vision is truly historic.

In his explanatory address to the party's Central Committee, President Xi Jinping (习近平) said: "We must waste no time in deepening reform in important areas with even greater political courage and wisdom, firmly do away with all ideological concepts." He stressed that "the development of practice is boundless, liberated thoughts are boundless, reform and opening up are boundless as well; there is no way out in pausing and withdrawing, reforming and opening up only has a progressive tense, not ... a perfect tense." These are the strongest words of reform in a generation, a public commitment that sets a high bar to assess policies.

The list of reforms is stunning – any one of which, by itself, would be significant: a "decisive role" for the market in allocating resources, facilitating small and mid-sized firms, state-owned enterprise changes; market pricing of commodities; financial liberalisation of interest rates, reducing capital account restrictions enabling cross-border investments; the China (Shanghai) Pilot Free Trade Zone; fiscal structural reform (including reducing revenues from land sales), local government reform; integrated systems for urban and rural development, rural land reform, improving migrant workers' rights; enhancing consultative democracy, increasing public evaluations and feedback mechanisms; judicial system reform; strengthening anti-corruption mechanisms; increasing environmental protection; relaxing the one-child policy; eliminating labour camps; etc. For a major nation, the change-making is remarkable.

While implementation is multifaceted and will take years, the third plenum's decisions and directives, given their public prominence, make China's leaders overtly accountable, especially when government moves are tracked and dissected on social media. Enlightened leaders welcome such accountability.

Future historians may assess the third plenum of the 18th Central Committee as a milestone, much as they do the third plenum of the 11th Central Committee in 1978, when Deng Xiaoping (邓小平) initiated China's reform and opening up. No one ever underestimates the axial significance of Deng's changing China's focus from ideological struggle to economic development. Likewise, no one should underestimate the metamorphic com-

plexity of Xi's changing China across a broad spectrum of economic, social and governmental sectors.

Given the breadth of its reform agenda, I cannot help but notice a bias in how the third plenum was reported in the international media. When the initial communiqué was issued at the close of the meeting, many foreign journalists criticised what they judged to be its "soft generalities", which, in their way of thinking, betrayed an adherence to the status quo and mere



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lip-service to reform – a disappointment, bad news. Yet only a few days later, when the full report was released, everyone realised that the policy decisions enacted were sweeping and substantive – a surprise, good news.

Yet foreign media reports did not report the good news of specific reforms as prominently as they had the "bad news" of generalised reforms, even though the good news was more unexpectedly good than the "bad news" had been unexpectedly bad.



Why? Why is "bad news" about China deemed more newsworthy than "good news"? As with much about China, no one reason suffices. Foreign media do not conspire to criticise China disproportionately, but there is an intrinsic media bias that distrusts all powers and all governments, and that the more powerful the government, the deeper the media distrust.

There is also a prejudicial belief in the superiority of the Western political system of multiparty elections such that any reforms that are not political reforms moving towards the Western model are not "real reforms". The fact that Xi is a transformative, pragmatic reformer like Deng, and not a chaotic political reformer like Mikhail Gorbachev, cannot be easily processed by a Western mindset.

What about the strengthening of China's political system and enhanced concern for domestic stability, as exemplified by the third plenum establishing a national security council?

China's leaders, led by Xi, are responsible for advancing China's development, and at this critical stage they must alter the industrial model from cheap labour to higher value-added production (which is required to pay workers higher wages and reduce severe social imbalances). Only the market can effect this fundamental shift efficiently; it cannot work via top-down government decree, no matter how enlightened.

Hence, with the market now playing a "decisive role" in the economy, by definition, government controls are reduced – which, under certain circumstances,

could fragment society and engender instability. Given China's huge population and imbalanced social development, the multiple risks of relaxing political controls while at the same time freeing market forces are deemed too dangerous.

It is a tribute to Xi's leadership how, in such a short period of time, these multifarious and far-reaching policies could be assembled, researched, positioned, floated, tested internally, opinionised, harmonised and revised multiple times. In April, the Politburo, led by Xi, decided that the third plenum would focus on "comprehensively deepening reform". It sought broad input by soliciting diverse opinions inside and outside the party. A document-drafting group conducted research, and based on information-driven results, produced numerous revisions to the resolution. During the course of this deliberate process, the Politburo Standing Committee met three times and the Politburo twice.

The result is a blueprint for China's future. It does not guarantee success or underestimate the difficulties ahead, but it does define what China's leaders now mean by success and it evinces their resolve. Simply put, the resolution of the third plenum provides substance and substrate for President Xi's Chinese dream.

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## Chill factor

**Alice Wu** says the Scandinavian cool that took centre stage last week reminds us that politics can be fun, if only we'd relax



Scandinavia's laid-back culture took quite a hit last week, with two Scandinavians landing smack in the middle of separate media storms. One was Danish Prime Minister Helle Thorning-Schmidt, whose selfie with US President Barack Obama and British Prime Minister David Cameron at Nelson Mandela's memorial event got the media circus bouncing off the walls. Well, to be accurate, it was a photo of the three heads of state taking a selfie on Thorning-Schmidt's phone, taken by AFP photojournalist Roberto Schmidt.

The photo of the selfie predictably launched a thousand cries of indignation. But while it's bad enough that the media should allow a triviality to upstage the celebration of the life of a great man, more disturbing was the make-believe spin-off story of a jealous Michelle Obama.

The story has since been refuted by the photographer, who said: "But photos can lie. In reality, just a few seconds earlier the first lady was herself joking with those around her, Cameron and Schmidt included. Her stern look was captured by chance."

This shows just how a media frenzy can distort things, leaving reality all but lost. The photographer also tried to point out the cultural differences between the more sombre services of the West and the more celebratory and jubilant ones, with song and dance, in South Africa. But the rage continues.

Remember how *Time* magazine's person of the year, Pope Francis, took social media by storm in August – and was praised for it – with the world's first papal selfie? (And it wasn't even his; it was an Italian teenager's.) If the Pope was deemed down-to-earth and praised for keeping up with the times for his selfie, then let's just relax over the one by Thorning-Schmidt.

And who is the other Scandinavian who found himself on the political stage? Lufsig, Ikea's Big Bad Wolf soft toy that became a must-have item after one was thrown at Chief Executive Leung Chun-ying at a town hall meeting in North Point. Until the middle of last week, Lufsig had an unfortunate Chinese name that sounded like a Cantonese vulgarity. As the latest symbol in political dissent, Lufsig's flew off the store shelves in Hong Kong, the mainland and Taiwan.

Leung surprised the city with his response – by posing for a photo with Lufsig and posting the picture on his official blog. That was very cunning public relations indeed. More importantly, it seems the office of the chief executive has learned a thing or two from previous Hong Kong leaders. Former chief executive Donald Tsang Yam-kuen failed to respond with humour when bananas were hurled at him in 2008. It's good to see that "Wolffie" at least has a sense of humour, especially when polls aren't churning out good numbers and when the political heat is turned up. (And it was smarter still for Leung not to pose with Lufsig for a selfie.)

So, it's clear we can all learn quite a bit from the Scandinavians, who have a reputation for being chilled-out and enjoy poking harmless fun at one another. Because in politics – everywhere – it is too easy to get cabin fever.

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

## The government must break through Hong Kong doctors' protectionist barrier

**C.K. Yeung** says foreign-trained medics are a clear solution to staff shortages at public hospitals

How would you rate a public health system that asks its elderly citizens to wait up to three years for cataract treatment or two years for surgery on an enlarged prostate?

Judging by treatment quality, Hong Kong's health care system is world-class. Judging by the accessibility of services at our public hospitals, Hong Kong is almost third-world. Why this discrepancy? Blame it on the all-powerful medical lobby that keeps foreign-trained doctors from coming to Hong Kong to serve our patients.

Hong Kong has only 1.7 doctors per 1,000 people, against an average of three per 1,000 in developed countries. The government pours enormous resources into health care, but its hands are tied by the Medical Council and local doctors' union that resolutely keep out much-needed doctors from abroad. Our public hospitals are chronically short-staffed, severely affecting the quality of patient care. But the problem isn't a budgetary shortfall; it is allowing the medical profession to dictate things on its own terms.

Medical doctors are expensive to train. Its costs our taxpayers about HK\$3.5 million to train a physician with basic qualifications at our two university medical schools. Limited teaching resources keep the total intake of medical students at around 250 to 320 a year, although plans are afoot to increase it to 400 over the next few years.

But the acute shortage can be

corrected with a simple solution: importing qualified doctors. Some countries are doing it with great success.

Take Singapore. Like Hong Kong, Singapore is short of doctors. But, unlike Hong Kong, Singapore's Medical Council, which decides who can and cannot practise medicine, does not require foreign medical graduates to pass any licensing exams to work in a hospital. Instead, it allows international medical graduates to practise in its approved health care



**The medical profession, collectively, should also take the social Hippocratic Oath**

institutions, provided they come from a list of recognised medical schools.

Currently, this list contains 158 medical schools across the world, including eight from mainland China. The careful screening of the world's top medical schools ensures the standard of medical practice. Under this system, Singapore now attracts more than 400 international medical graduates a year, with most of them serving in public hospitals.

By contrast, Hong Kong imposes a mandatory licensing exam on all non-local medical

graduates who want to practise here. An average of just 11 international medical graduates got through this way each year between 2007 and 2011 – a laughable figure when we consider that our population is bigger than Singapore's by two million.

There is something else Singapore is doing that is worth copying: in 2010, Singapore introduced a cash subsidy for its citizens studying medicine abroad to offset the cost of their final two years of study in order to lure them back to the Lion City.

Here in Hong Kong, we keep out our talented young who have gone abroad for their medical degree, preventing their return to practise medicine, and permanently separating them from their Hong Kong families unless they give up their overseas practice. This is a waste of local talent and does an utter disservice to the city.

Britain has a two-part licensing exam for foreign medical graduates. But pass rates over the past 12 years, up to last year, have averaged 51 per cent and 75 per cent respectively, attracting an average of 4,400 overseas medical graduates per year.

This is no longer just an internal matter of a professional body regulating itself. It is a social and population policy matter that goes to the heart of our quality of life and the duty of providing proper health care for our people.

Our patients are powerless to protest. The government can no longer stand idly by and let the

medical profession's protectionist interests override that of the public.

How can we explain the behaviour of local doctors who proudly display their Royal College of Physicians certificates and other foreign credentials in their clinic's waiting room, and yet fight tooth and nail to keep out foreign doctors trained by these same medical establishments?

Individually, doctors take the Hippocratic oath. The medical profession, collectively, should also take the social Hippocratic oath to cater to the public health interests of the community.

The public is fed up with property hegemony. Now the medical profession stands accused of practising medical hegemony.

Our life expectancy is among the world's highest. But with the shortage of doctors and the long waiting list at public hospitals, our senior citizens' sunset years are likely to be miserable rather than glorious.

The government is talking up health care reform through a medical insurance scheme. But if we remain undersupplied with doctors, medical insurance will only boost doctors' earnings, not patients' well-being.

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## Relaxing yuan conversion limit can enhance HK's offshore role

**Diana Cesar** says move will buoy investors and boost currency's status

The renminbi is well on its way to becoming an international currency. Hong Kong has developed the largest renminbi offshore liquidity pool with retail deposits and cross-border trade settlement and is demonstrating sustainable growth.

The currency's stable valuation and steady appreciation are encouraging investors to include more renminbi products in their portfolios.

In Hong Kong, if locals want to deposit or buy renminbi-denominated investment products, they have to accumulate the sum required through a daily conversion of a maximum of 20,000 yuan (HK\$25,000). There is a strong desire from locals to see this daily limit relaxed, as has been proposed by the Hong Kong Monetary Authority.

Renminbi currently makes up 11 per cent of Hong Kong's total deposits. These deposits rose by 7.1 per cent, to 781.6 billion yuan, in October from September. The pool of offshore renminbi in Hong Kong, including deposits and certificates of deposits, stood at over one trillion yuan in October. About 30 per cent of the renminbi customer deposits are held by personal customers, according to the HKMA.

The demand for renminbi investment products is growing among retail customers, according to our tracker survey this year. Almost one-third of Hong Kong respondents are interested in products using the renminbi as the underlying

denominator. The general opinion is that the renminbi will continue its upward trend and they plan to invest more in renminbi products.

Apart from time deposits, there are various renminbi-denominated products offered by banks in Hong Kong including bonds, bond funds, structured products, exchanged-traded funds and stocks to meet different needs of retail investors. The product suite is expected to be enriched with the removal of the daily conversion



**A large shift from Hong Kong dollar deposits to renminbi deposits isn't expected**

limit as it provides more convenient means for individuals to buy yuan-denominated investment products, especially those with an investment amount exceeding the current threshold.

There are some concerns that expanding the conversion quota might lead to an overly rapid growth in the offshore renminbi pool, which would overshadow the Hong Kong dollar. The Hong Kong dollar remains the predominant currency used in payments and commercial transactions by local residents. And while a large shift from

Hong Kong dollar deposits to renminbi deposits isn't expected, removing the daily conversion limit is more likely to allow retail investors to add renminbi to their currency portfolios.

The overall size of the offshore market has grown as fast as the variety and liquidity of the products. Offshore renminbi centres of the world must strive to develop products for offshore holders of renminbi to invest in. Hong Kong is leading the way for renminbi offshore markets, followed by London, Singapore and Taiwan in trade, financing and investment.

Removing the renminbi conversion limit could strengthen Hong Kong's role as the dominant offshore renminbi centre and increase the currency's circulation. This will be beneficial for its growing status as an investment currency.

The renminbi has already been convertible for trade or current account transactions for years. Strict foreign exchange controls apply on cross-border transfers of capital, direct investment, securities investment, derivative products and loans.

China is starting to introduce, through regulatory reforms, further liberalisation of the currency. The long-term goal is to achieve convertibility of the renminbi under capital accounts, and to gradually move to full renminbi convertibility.

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