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Looming tech war

Robert Lawrence Kuhn says the ZTE showdown points to a misunderstanding over motives

As someone who works for US-China understanding and roots for US-China partnerships, I've been concerned, but not worried, over what others have called "a looming trade war". I've not worried because tariffs don't work; they are blunt instruments in a globalised economy, penalising American companies and consumers as much as Chinese. Most American experts oppose tariffs, and President Donald Trump likes to make big deals after making big threats.

But I am now worried over what I will call "a looming tech war", because the structural imperatives go deeper.

As everyone who follows China knows, the US Department of Commerce has imposed a denial of export privileges against ZTE, China's second-largest telecommunications equipment manufacturer, thus prohibiting US companies from selling essential electronic components and software to ZTE, a crippling sanction.

China has responded resolutely, with actions that seem selected from expert scenario planning, and with rhetoric, both indignation and nationalistic bravado.

From China's perspective, according to its Ministry of Commerce, "If the United States attempts to curb China's development … it miscalculates. The action targets China; however, it will ultimately undermine the US itself," affecting tens of thousands of jobs and hundreds of related US enterprises.

"Targeting technology is like throttling the neck of the Chinese enterprises," wrote *China Daily*. "The ZTE case should remind China's decision-makers of the urgency to become self-sufficient in core technologies."

President Xi Jinping has been prescient about domestic control of core technologies, especially related to the internet and more recently to artificial intelligence. Since taking office in 2012, he has stressed the "hidden risks" that come with core technologies not being mastered domestically. He said, "Heavy dependence on imported core technology is like building our house on top of someone else's walls: no matter how big and how beautiful it is, it won't remain standing during a storm." Innovation is the first of Xi's "five major concepts of development".

> **Beijing also claims that the country itself is a victim of discriminatory policies**

From the US perspective, according to its Department of Commerce, the prohibition against ZTE is punishment for ZTE violating US sanctions against Iran and North Korea, making false statements and obstructing justice, and then after reaching a settlement agreement, violating it.

The United States claims it is not resisting China's rise, but rather the country's unfair or illegal means to achieve it. The US action enumerated four such practices as rationale for imposing punitive tariffs, all relating to technology or intellectual property: foreign firms in China are required to form joint ventures and transfer knowledge, as well as license technology with below-market terms and conditions, while the state supports Chinese enterprises in acquiring foreign hi-tech assets, and sanctions commercial cyber theft.

President Trump is wildly unpopular among American elites, especially among policy experts, who do not need much of an excuse to criticise him – note the fusillade of attacks on Trump's tariffs. But these elites are not criticising Trump on US moves to counter what they, with unusual consensus, perceive to be China's unfair policies, and in some cases unlawful programmes, to become a world leader in state-of-the-art technologies, especially AI, information technology, robotics, advanced manufacturing, new energy vehicles, aviation and biotechnology.

China claims that it is still a developing country, so different rules apply, a foundational principle of the World Trade Organisation. Beijing also claims that the country itself is a victim of discriminatory policies restricting its imports of hi-tech products.

Of course, China had to respond with appropriate actions as well as confident words, imposing heavy tariffs on US sorghum and signalling that additional agricultural tariffs were at the ready, along with barely veiled threats against US companies operating in China.

Here's my fear. While I have argued that most mainstream American experts are not motivated to impede China's rise, as many in China believe, I can no longer make that argument persuasive.

In the US, there has been a dark turn among experts that US policy towards China, calibrated over four decades to shepherd China's rise, has failed: China, they have come to believe, has become a competitor and may become an adversary, and that US relations with China must now be managed as with an emergent adversary, not as with a developing partner.

In China, nationalistic voices are on the rise, castigating the US for its self-serving motivation to impede China's rise, and calling for China to become more self-reliant, more rapidly, especially in world-class semiconductors, so that the country would not be vulnerable to US "blackmail".

Welcome to the unhappy world of self-fulfilling prophecy, where the actions of each side in response to a perceived threat from the other side increases the likelihood of that threat morphing from theoretical to actual.

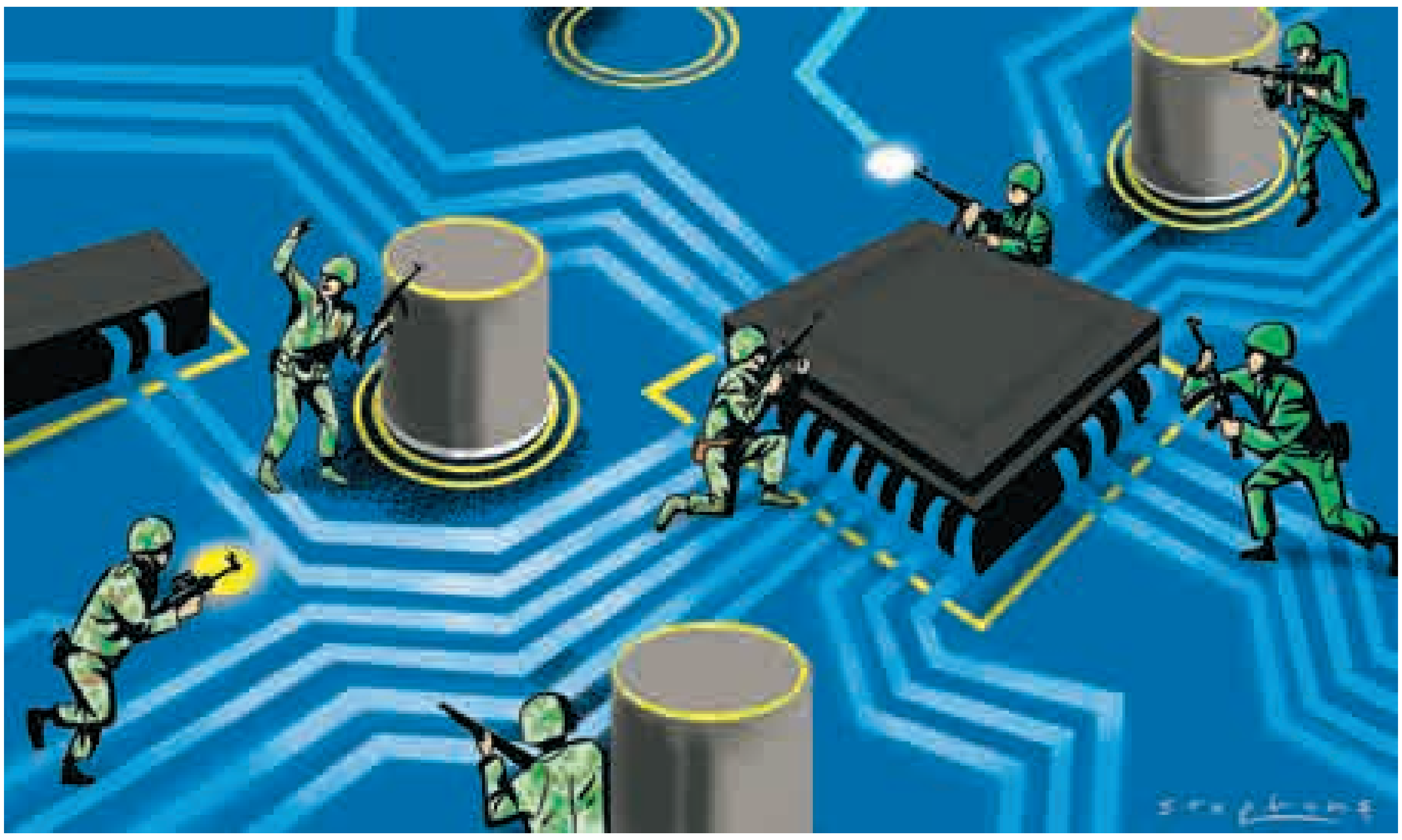
To both sides, I offer two pieces of advice. First, take a breath and a fresh look, because the road on which you are travelling will not lead to a happy place.

Second, contemplate why the other side is misinterpreting your actions. To my American friends, what makes China think the US is resisting its rise? To my Chinese friends, what makes the US think that China is a competitor and may become an adversary?

Projecting malevolent motives and seeing sinister conspiracies is the easy way out. It can solicit cheers and plaudits in one's domestic media, but it will impede progress and is likely to be self-defeating.

The US and China must each figure out how not to confirm the other's self-fulfilling prophecy.

Robert Lawrence Kuhn is a public intellectual, international corporate strategist and investment banker, and China expert and commentator. He is the author of *How China's Leaders Think* and a co-creator (with Adam Zhu) and host of CGTN's "Closer to China with R.L. Kuhn" and "The Watcher" commentaries



Greater effort is required to foster gender diversity

Kevin Sneader and Anu Madgavkar say the Asia-Pacific region needs more women leaders

Women's representation in high-ranking positions in business and politics is a global issue, but an even more pressing one in Asia-Pacific. Across the region, only one in five people in leading roles is a woman.

This waste of women's talent comes at an economic cost. Many economies in the region are ageing and skills shortages are on the rise: making more of women's potential can help meet such challenges. Businesses gain a great deal from supporting women. McKinsey's 2018 report "The Power of Parity" found that companies in the top quarter for gender diversity on their executive teams are 21 per cent more likely to experience above-average profitability.

Even in developed economies in the Asia-Pacific, few women are getting to the top in business – in Japan, there are no female CEOs in the top 100 public companies. In Australia and Singapore, the share of women CEOs in 2016 was only 6 per cent and 5 per cent respectively. The Philippines, a traditionally matriarchal society whose government has been proactive in tackling gender inequality, does better in senior positions overall, but only 3 per cent of CEOs and 15 per cent of board members are women.

The lower share of women in leading positions within companies isn't all about the glass ceiling – the point at which women's careers appear to halt. Rather, women's under-representation has its roots as far back as the education system. In India, only 44 per cent of students in tertiary education are female and many graduates don't take up employment: only 25 per cent of entry-level positions in Indian companies are taken by women. In Japan, the share of women enrolled in college is higher, at 47 per cent, but women were only 28 per cent of students attending the top 10 universities.

The share of women erodes sharply from entry-level to the boardroom, and the biggest "breakpoint" is motherhood. In a 2015 McKinsey survey, 45 per cent of Asian executives cited the "anywhere, anytime" performance model as the largest barrier to women moving into senior roles. In Japan, a survey found that three-quarters of women respondents said they were not interested in managerial positions, partly because promotion would mean working even longer hours.

The second most cited factor behind women dropping out of work is the "double burden" of holding down a job while looking after the family. In China, 33 per cent of female respondents to a 2017 survey said that they had a lower salary when they returned to work after having a baby, and 36 per cent said they had to accept a demotion. Sixty-three per cent said they did not want a second child because this would hurt their career.

Many women struggle to return to work because childcare options are limited or too expensive. In Australia, net childcare costs (paid by two-earner families) were 20 per cent of an average family's income in 2015, compared with the 13 per cent average in OECD economies.

The attrition of women from the talent pipeline starts even earlier than motherhood, as societal attitudes militate against women pursuing a career and prioritise looking after families. In India, 70 per cent of respondents to the 2010-2014 World Values Survey agreed with the statement, "When a mother works for pay, the children suffer."

> **More can be done to give women the freedom to choose a career as well as motherhood**

There has been some progress. The share of women on company boards has been rising, reflecting efforts by both governments and private-sector organisations. India has made it mandatory for companies to have at least one female director, and the Australian Securities Exchange Corporate Governance Council tracks gender diversity in its constituent companies. Japanese pharmaceutical company Takeda hit its target of 30 per cent of new managers being women (from only 6.2 per cent in 2015) through a range of initiatives including flexible working hours.

However, there is much more that can be done to give women the freedom to choose a career as well as motherhood. Narrowing the leadership gender gap will require concerted action by governments and companies from encouraging and helping girls to learn the right skills for a changing labour market and mentoring women in their careers, to shifting attitudes towards women's roles through public-awareness campaigns to – perhaps most importantly – making work flexible.

More help with childcare is urgently needed. Governments can use public spending to expand childcare provision and companies can set up nurseries. Flexible working practices in companies are vital. In Australia, financial services company Suncorp enables flexible working through "work at home hubs" that combine home work stations and working spaces in regional shopping centres.

Such efforts are only likely to be effective with a root-and-branch shift in attitudes towards women's roles in society. Governments can lead from the front, setting targets for women's representation in business as Japan and Singapore have done, and more companies can push for true diversity within their ranks. Doing so is not only in the interests of their bottom line but the health of the economies in which they work.

Kevin Sneader is chairman, Asia-Pacific, of McKinsey & Company. Anu Madgavkar is a partner at McKinsey Global Institute

Older people still have lot to offer in the workplace

Paul Yip says measures to ensure Hong Kong retirees remain active through employment may help prevent poverty and partially offset the impact of a declining birth rate

Employment is the most robust method for keeping people out of poverty. In Hong Kong's latest poverty situation report, for those with a job, the poverty rate is only 12.3 per cent, compared to 77.4 per cent among those not working. Among older adults with a job, it is 12.9 per cent, compared with 48.2 per cent among those without employment.

Chief Secretary Matthew Cheung Kin-chung has recently raised the possibility of promoting workforce participation for those aged 50-64 and helping those aged 65-74 re-enter the job market. Hong Kong's workforce participation rate among older adults is 17.7 per cent, lower than in Japan (22.7 per cent), Singapore (26.8 per cent) and Seoul (31.5 per cent).

The Japanese government has been very active in promoting workforce participation among its older citizens, especially since 27 per cent of its population was aged 65 or over as of 2017. The population size has decreased, from 128 million in 2010 to 127 million in 2015, and the United Nations estimates that the number will continue to fall until 2061. The number of migrants moving to the country has not offset the population decrease, leaving no choice but to improve the labour participation and productivity rate, especially among older adults and married women with children.

Though Hong Kong's total fertility rate is only 1.2 per woman – less than the 1.4 in Japan – we have benefited from migration from the mainland to keep our population young. Our life expectancy is also very similar to Japan's, at 81 for men and 87 for women. It is time to explore how to make better use of our older adults. We should create the right environment for raising the retirement age and extending employment beyond that age. Some issues, like excessive health and medical insurance costs for the older workforce, and long working hours, should be re-examined.

> **The most important thing is to provide an option for older adults to be active in the job market**

The government can create a fund to protect against excessive increases in insurance costs, while introducing a more flexible working arrangement for the older workforce.

The most important thing is to provide an option for older adults to be active in the job market, and give them the choice of whether to continue in a job. Those who have had enough could perhaps take on volunteer work in the community. For those who stay on with paid employment, more flexible time arrangements would better suit their needs, while their roles could be redefined so as not to stand in the way of the career advancement of younger workers. Some tangible support might be needed for the business sector, ideally through a tax-deductible arrangement rather than the proposed cash support.

For some work, such as in teaching and research, the situation depends on individual ability. As in overseas countries, participants should be allowed to work as long as they meet expectations. At present, a vigorous review process takes place to determine whether to extend beyond retirement age.

The education levels of Hong Kong's older adults is not high and, among those with very low levels, most can only find work in low-skilled jobs such as cleaning and security duties. Nevertheless, these areas face a shortage of labour and can be a good fit. In such cases, people's rights and pay should be better protected, to avoid companies exploiting this group of workers.

Also, sometimes, older adults are not driven by money when seeking work. For some, finding meaning in their work can be sufficient. The Japanese experience shows that some older adults continue to work to maintain their independence and fitness. Such workers, whatever they do, display high levels of professionalism.

Respecting the wishes of older adults and providing a quality choice in terms of working would be a win-win situation for the whole community.

Paul Yip is chair professor (Population Health) in the Department of Social Work and Social Administration at the University of Hong Kong

For some, finding meaning in work is important, as with these women who recycle used clothes to make bags.