

INSIGHT

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Loved or loathed, globalisation is here to stay

Andrew Sheng says the danger for the world is that its detractors – chief among them the US president – will make the system less fair by ignoring their responsibilities

Depending on who you talk to, globalisation happened either in 1492, when Christopher Columbus discovered America in search of the Orient, or in the 19th century, when America decided to look outwards for trade after its civil war.

By 2000, the movement of trade, technology, finance and investments across the globe seemed unstoppable. Globalisation had lifted billions from poverty and the logic of free trade and capital flows was accepted from Beijing to Zanzibar. But in 2007, when the North Atlantic financial crisis revealed the flaws of excessive financialisation, doubts about globalisation began to creep in.

Globalisation, in the form of the spread of trade, money, people and information, is inevitable, essentially because of expanding demographics and technology. Human beings migrate all over the world, and it was technology – the invention of railways, ships, planes and now information communications – that accelerated the spread of global ideas and genes.

As Nobel laureate Joseph Stiglitz, author of *Globalisation and Its Discontents*, aptly put it, globalisation is either positive or negative, depending on how it is managed.

Like any national system, the system works well with someone providing public goods.

The internet is such a public good. It gave even the most remote people and places access to global knowledge, thus making the world more inclusive. But if and when the masses cannot benefit from such access, technology and globalisation can widen inequalities, giving rise to anger, frustration and the rise of populist sentiments.

The reality is that globalisation cannot be stopped. But it can be managed better. The issues that arouse anti-globalists can and should be managed. These are the interrelated issues of climate change, disruptive technology, human migration and toxic politics.

Being a businessman, Donald Trump's basic instinct is to manage these issues bilaterally, which is why intuitively he does not like multilateral groups like the World Trade Organisation. But these multilateral institutions provide exactly the global public goods that make globalisation positive rather than damaging. What is fair to a behemoth that accounts for 22 per cent of world gross domestic product may not be fair to a small bilateral trading partner one-tenth its size. The world's multilateral rules, which took years to negotiate, are there because they bind everyone, large or small, to global mutual benefit and shared stability.

What does President Xi Jinping's (習近平) commitment to globalisation in Davos in January really mean? There are several guiding principles behind that gesture.

First, there is Chinese recognition that global problems like climate change, disruptive technology and human migration involve costs that can only be solved from new resources generated through growth in trade and investments.

Second, China doesn't see globalisation as a zero-sum game, but one where there can be benefits for all, provided the downsides are managed on a mutually shared basis, according to mutually agreed multilateral rules.

Third, accounting for only 15 per cent of world GDP, China on its own cannot push globalisation. It must work with the current advanced economies like Europe (25 per cent of world GDP), Japan (6 per cent) and others.

Fourth, to be realistic, China's contribution to globalisation must work on the principle of comparative advantage. Being a latecomer to globalisation, China has considerable first-hand experience in building infrastructure, supply chains and urban conglomeration under third-world conditions. Its comparative advantage is based on the adaptation of modern technology, such as internet platforms, to lower trading and transaction costs. India, Kenya and other emerging markets are also moving in the same direction.

In short, to promote the good side of globalisation, we must apply 21st-century tools and experience to manage 21st-century problems. Going forward, the complexity is that Trump is pushing the leading economy to swing from a major contributor of global public goods to a "taxer" on globalisation. That is the true meaning of the border tax and the chiding of allies that they need to contribute to any bilateral efforts in defence or in the building of walls. But America works on the basis of freely importing resources and talent way in excess of domestic production. That manifests itself in its larger and larger current account and fiscal deficits and its growing global debt.

Which is why everyone prays that saner heads will prevail in America's commitment to globalisation. "America first" cannot operate on the basis of everyone else loses. Just as business is too important to be left to businessmen, globalisation is too important to be left to its discontents.

Andrew Sheng writes on global issues from an Asian perspective



A section of a border fence separating the US and Mexico is under construction. Photo: Bloomberg



UNSHAKEABLE CORE

Robert Lawrence Kuhn says China's 'two sessions' underlines the non-negotiable nature of Xi's status as core leader

The "two sessions" in Beijing – the annual meetings of the National People's Congress and the Chinese People's Political Consultative Conference – offer some sense and insight about China's governance. Attending them this year, I have come away with several impressions.

One is the conjunction of two ways of thinking that Westerners would deem incompatible: stricter conformity and enforcement of political orthodoxy, and greater freedom and encouragement to critique government programmes. To understand China's system of governance, especially under President Xi Jinping (習近平), now the "core" of the Chinese Communist Party, is to appreciate why these two ways of thinking are deemed complementary, not contradictory. China's leadership recognises that it needs the wisdom of society, especially the expertise of the intellectual elite, to critique and improve government, but the concern is that such criticism could be destabilising. Hence the political controls to enable the criticism.

China watchers scrutinise everything going on here – work reports, press conferences, policy announcements, personnel moves, sideline comments, even seating arrangements. Which policies are stressed? What signals are sent? Any surprises? What's "in the air"?

Listening to Premier Li Keqiang (李克強) give the annual government work report to the nearly 3,000 NPC delegates assembled in the Great Hall of the People, one is struck by the civilisation-state pageantry of China state power and the sheer magnitude of managing this huge country. One must comprehend the country as a whole, integrating political, social, cultural and ecological sectors with the economy. To focus only on the economy is to distort the lens with which to view China.

To the untrained eye, the structure and phrases of work reports look similar to those of previous years. But look closely and one sees the small but revelatory differences.

China's ruling party prides itself on careful, incremental change, and usually this is the case. But occasionally we catch sharper breaks with past practice. This year, three aspects stand out: reform, innovation and, most significantly, Xi's leadership.

First, while reform has long been a key feature of government work reports, the pervasiveness of reform this year makes it special. Almost every section is founded on reform. Regarding the economy, "supply-side structural reform" is the well-known watchword, and the report calls for cutting industrial overcapacity, reducing urban real estate inventory, deleveraging Chinese firms by decreasing debt, and cutting costs for doing business. All this I expected.

What I did not expect was the specificity of directives for cutting costs – with five detailed prescrip-

tions, such as reducing a blizzard of government-imposed fees, about which entrepreneurs have been complaining loudly. Reform affects almost every aspect of society, including the household registration system (*hukou*), health care, environmental protection, intellectual property rights and streamlining government bureaucracy.

Innovation is stressed for industrial transformation – not simply platitudes promoting science and technology but practical steps, such as enabling universities and research institutes to "operate with autonomy" and to implement "incentive policies like stocks, options and dividends".

It could hardly be clearer that China's "socialism with Chinese characteristics" continues to separate itself from the failed forms of 19th-century socialism that founded the old Soviet Union and was passed to China prior to the reforms of Deng Xiaoping (鄧小平). The pervasiveness of reform and the call for innova-



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tion are the product of Xi's leadership, which is what really marked the two sessions. In his work report, Premier Li pledged to implement "General Secretary Xi Jinping's major addresses and his new vision, thinking and strategies for China's governance", and the "four-pronged comprehensive strategy", the political theory that Xi unveiled in 2015.

One need not be a China hand to see that Xi's "four comprehensives" – to build a moderately prosperous society, deepen reform, advance the law-based governance of China, and strengthen party self-governance – has been elevated to a foundational theory of the state. In the theory section of the work report, Xi's contributions take up 39 words in the English translation, more than double the theories of former leaders Deng, Jiang Zemin (江澤民) and Hu Jintao (胡錦濤), which collectively take up 18 words.

Separately, while "Marxism-Leninism" and "Mao Zedong thought" were duly noted in the draft general provisions of civil law, the famous phrases didn't make the more important government work report. I doubt the cut was made to save space.

The significance of Xi's role as China's pre-eminent leader is that it provides political stability

and coherent policies, such that the crucial 19th party congress, forthcoming in the autumn, should play out according to expectations. My take from speaking with delegates is that Xi's leadership position as core of the party is confirmed and enhanced. This means that China can focus on the hard tasks of enhancing reform and transforming the economy.

One other development is notable: the NPC is becoming more an empowered deliberative body and less a "rubber stamp" cheerleader. An example of this is the multifaceted process of constructing a comprehensive civil code, targeted for 2020. After three revisions, the general provisions of civil law finally provides a framework for codifying some 200 civil and commercial laws in constructing a legal system to serve civil society. The NPC's growing confidence to disclose disputes and to allow, indeed to encourage, debates is promising.

And what of Xi's anti-corruption drive? Foreign media typically assume that the drive reflects a power struggle among leaders and factions, while some Chinese officials claim that it has nothing to do with political struggle.

There are multiple reasons for the campaign, of course. More incisively, we can see how the campaign has been energised by Xi's "four comprehensives" political theory. One, realising a moderately prosperous society is hindered by corruption; two, reform is resisted by corrupt officials who protect their illicit financial benefits; three, the drive exemplifies the rule of law; four, strictly governing the party could be defined as anti-corruption.

A few of the now-caged "tigers" were convicted of "seriously violating the party's political discipline" – "banding together in gangs and forming factions", and conducting "non-organisational political activities" – a not very veiled code-phrase for attempting to undermine China's leadership. By eliminating these political threats, the anti-corruption campaign helps ensure political stability, especially as the country enters the final run-up to the 19th party congress.

There is now no ambiguity: China is under the firm leadership of the party's Central Committee, with Xi as its core, and alignment with Xi's "four confidences" doctrine – in which officials are urged to be "confident in China's chosen path, political system, guiding theories, and culture" – is non-negotiable.

Many areas of society and government are open to debate, but not the core principles and not the core leader. These have been decided and conformity is expected. Only with such unity can the "four comprehensives" bring about the great rejuvenation of the Chinese nation and realise the Chinese dream.

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John Tsang and a question of political ethics

John Chan says Tsang's assertion that his chief executive bid was an afterthought is unconvincing, given events of the past two years

John Tsang Chun-wah has said he resigned as financial secretary not to run for chief executive, "but because of many other things". "Unhappiness at work was one of the reasons. It was not a sudden decision." He also said he only made up his mind to run after he had left.

Most would find that hard to believe. Judging from Tsang's high-profile preparation over the past two years, and the fact that he never denied suggestions that he intended to run, it is inconceivable that he should say he resigned in December not to run for the top post but for some other reason.

Consideration of political morality explains why Tsang may have presented his case as an unbelievable sudden decision. He knows it would be deemed politically unethical and

immoral if he should admit to preparing to run for two years, or even from just before Chief Executive Leung Chun-ying unexpectedly announced he would not seek a second term.

Former chief secretary Carrie Lam Cheng Yuet-ngor, in stark contrast to Tsang's wishy-washy stance, had always clearly asserted that she would not run. Her firm denials changed only after Leung said he would not seek a second term. Lam was clear on the point that it would be politically immoral for a serving cabinet member to contest the top post with the incumbent also running.

In the US, the last time a former cabinet secretary became a major party's choice for president was in 1928, when commerce secretary Herbert Hoover won the Republican

nomination and went on to become the 31st US president. However, he ran only after sitting president Calvin Coolidge said he would not. It is political ethics that stops a US cabinet secretary running against a president seeking re-election. This is unlike in the UK or Commonwealth nations, where ministers are elected members of the ruling party or coalition. Ministers and other ruling party MPs choose their party leader, who becomes the prime minister. They also have the power to depose and replace the incumbent.

Hong Kong's cabinet of bureau secretaries nominated by the chief executive is similar to the US system. If a financial secretary wishes to run against his chief executive who is bidding for a second term, he must resign as soon as he manifests such an intention – failing to do so would be politically immoral.

Tsang was quoted as saying, when

questioned on his obvious rift with Leung during the Wang Chau development saga, that: "You always agree with your boss. No question about that." An explanatory extension could be: "If you do not agree with your boss, you've got to leave. No question about that." More so if he harboured an intention to run against Leung.

Almost all local media and commentators said Tsang had been making preparations to run for the top post for more than two years: Tsang himself has never denied this. It was thus a big surprise that he should choose to say the idea only emerged after his resignation was approved by Beijing. It comes across as a futile attempt to brush aside the lingering doubts over his political morality, given his preparations for the past two years.

John Chan is a practising solicitor and a founding member of the Democratic Party