INSIGHT

Room to grow

Zhang Jun says Chinese leaders need to have the vision and courage to revise its current growth strategy, which has so successfully relied on exports, if it is to achieve high-income status

It is widely agreed that economic development means more than GDP growth. As China is now learning, one does not guarantee the other. Unless China's leaders upgrade the country's growth strategy to stimulate technological progress and structural transformation, high-income status will continue to elude the world's second-largest economy and most populous country.

To be sure, China's growth strategy has led to some structural change. As labour and capital moved from low-productivity sectors and regions to high-productivity activities, resource allocation became more efficient, real wages rose, and the economic structure was upgraded.

But the growth strategies that lift a poor country to middle-income levels cannot be counted upon to propel it to high-income status. Indeed, there is no shortage of countries whose leaders have failed to recognise their strategies' constraints and provide enough incentives to encourage the emergence of a new one, causing their economies to stagnate.

Perhaps the most notable exceptions to this rule have been in East Asia, where four economies – South Korea, Taiwan, Hong Kong and Singapore – responded to external crises and challenges by shifting their growth strategies. For China, whose growth model has so far resembled that used by these economies before they attained middle-income status, a similar shift is urgently needed.

As the late Yale economist Gustav Ranis observed nearly 20 years ago, the key to successful and sustainable development is "avoiding the encrustation of ideas". For Chinese policymakers, this means recognising the need to abandon some of the fundamental ideas that underpinned the economy's past growth, before they become so firmly encrusted that they jeopardise the country's development prospects.

The first problem is China's enduring dependence on exports. In the early stages of economic development, almost all growth strategies boil down to trade strategies. But China's export-led growth model has limits – and the country is reaching them. Unless change comes soon, the foreign-exchange regime and capital controls on which the model relies will become too deeply entrenched.

Another risk is that China's leaders continue to delay efforts to expand the services sector – including finance, insurance, wholesale and retail trade, and logistics – in the hope that the economy can continue to depend on manufacturing. Given how difficult it can be to gain support for such efforts, especially compared to policies aimed at boosting manufacturing, liberalisation and expansion of the services sector will require a strong commitment from China's government. Here, Japan's failure in opening up its services sector – which impeded its ability to adapt to its declining demographic dividend – can provide much-needed motivation.

The final idea at risk of blocking further progress is that political transformation would undermine social order. One of the East Asian economies' major lessons for developing countries is that economic development leads to institutional transformation, not the other way around.

In Taiwan and South Korea, authoritarian governments after the second world war compensated for the weakness of the rule of law by creating transitional institutional arrangements to facilitate growth. In this sense, China has a significant advantage. Countries with weak government capacity have rarely managed to achieve high-income status.

Economic development leads to institutional transformation, not the other way around

But, as the description of these arrangements as "transitional" suggests, they cannot last indefinitely. After 35 years of dependence on such arrangements, China must embrace the rule of law and establish a reliable, independent judicial system capable of facilitating the liberalisation of the services sector, protecting intellectual-property rights, and underpinning a competitive market-based system.

The biggest risk to China's continued development is not a crisis, but the failure of its political leaders and intellectual elites to recognise the need to transform a growth strategy that has proved successful so far. In fact, a crisis could do more good than harm; warnings that the rapid credit expansion of recent years could trigger a debt crisis, or that the real-estate sector is on the verge of collapse, may not be as worrying as many believe.

Ideally, no such crisis would be needed. In this scenario, China's economic slowdown since 2008, which could be viewed as China's first modern growth crisis, would be sufficient to force China's leaders to shift their focus from supporting double-digit annual gross domestic product increases to restructuring the economy.

A consensus already appears to be emerging concerning the need to reduce China's dependence on exports, expand trade in services, attract more foreign investment to its services sector, and accelerate the liberalisation of exchange rates, interest rates, and cross-border capital flows – exemplified in the establishment of the Shanghai pilot free-trade zone last year. And, following the third plenum of the Communist Party's 18th Central Committee last November, China's leaders declared their commitment to allowing the market to play a greater role in shaping economic outcomes.

These are undoubtedly steps in the right direction. The question is whether China's leaders will follow through on their declarations before it is too late.

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Image problem

Su-Mei Thompson and **Lisa Moore** say Hong Kong must stamp out upskirting, an outrage based on the stereotype of women as sexual prey

Upskirting – the act of photographing or videoing up a woman's dress or skirt – has recently captured the limelight in Hong Kong. Although this sort of deviant behaviour is not new, the internet and social media have created a new set of concerns about sexual voyeurism, given the scope for images to go viral.

In Hong Kong, there were over 110 reported incidents of upskirting last year, up from the 78 reports in 2011 and 101 reports in 2012.

There is currently no law in Hong Kong that specifically addresses the secret taking of images. Offenders can potentially be prosecuted under loitering laws or public order laws, while the offence of outraging public decency is harder to prove.

While the rates of prosecution and conviction are generally very low, last year a property development company employee was jailed for three months for secretly filming people at a show home with a mobile phone hidden in a paper box. More recently earlier this year, an anaesthesiologist at Queen Mary Hospital who was caught filming upskirt videos of female students was put on 18 months' probation.

Other countries have been more resolute about passing legislation to outlaw upskirting. Earlier this year, Kyoto passed a newly revised ordinance banning surreptitious filming in public places. Australia and New Zealand are among the countries that have legislation specifically targeting upskirting.

However, even with direct legal protection, laws are often an inadequate means to tackle the issue, especially as recording devices used by tech-savvy perverts have become more sophisticated.

This has motivated some countries to take a more creative approach. Japan has developed special panty fabric engineered to repel infrared rays. Meanwhile, South Korea requires camera-equipped phones to make a 65-decibel sound whenever a picture is taken.

Hong Kong, too, is taking practical steps to discourage upskirting. The Central Library and PMQ, among other public buildings, have installed panels and opaque stickers on glass walls and staircases where women are more vulnerable.

At The Women's Foundation, we hope Hongkongers will consider concerted efforts to actively tackle upskirting – and sexual harassment as a whole. Legislation that specifically targets upskirting and penalises the distribution of offensive images would send a clear message to predators and perverts that this type of behaviour is not condoned. Companies should review and eradicate security camera black spots within their premises and have clear zero-tolerance harassment policies. Individuals can join global movements like Hollaback that raise awareness to help end sexual harassment and encourage victims to speak up about their experiences.

At the core of upskirting is a repellent reinforcement of the stereotype of women as sexual prey. Where images by which they can be identified are posted online, it humiliates them publicly. All people should have a reasonable expectation of privacy in public places when it comes to their own bodies and that this right will be upheld.

Su-Mei Thompson is CEO and Lisa Moore is research and advocacy manager at The Women's Foundation. This article is part of a monthly series on gender issues developed in collaboration with the foundation

Use public outrage to push through tighter regulation of meat imports

Albert Cheng says not even the most radical lawmakers would dare to filibuster legislation on pre-cooked meat in light of the Husi scandal

Last year, Forbes named McDonald's the seventh most powerful brand in the world. The brand value of the golden arches was estimated at a staggering HK$290 billion. One would have thought its executives would guard the company's business reputation like their own lives. This, however, is hardly the case for McDonald's operation in Hong Kong.

In the span of less than two weeks, local consumer confidence in the giant fast food chain has plummeted. McDonald's Hong Kong is now synonymous with a total public relations failure.

McDonald's has been implicated in an international food safety scare, as it was caught selling meat imported from Shanghai Husi Food Company, which an exposé revealed had repackaged out-of-date meat. After the exposé, McDonald's in Japan and mainland China reacted swiftly by acknowledging Husi was a supplier and severing commercial dealings with the company.

They have positioned themselves as innocent victims of yet another food safety scandal in China. After all, malpractices in the mainland food industry are well documented.

Shanghai Husi is a subsidiary of US-based OSI Group. Sheldon Lavin, the chairman and chief executive of OSI, told the press the group's headquarters in Illinois had no idea about what was going on in the Shanghai factory.

As *The New York Times* put it in its leader on July 24, "Anything goes in China's food system". The newspaper recalled: "Since April 2013, more than 155 people have died from a strain of avian influenza, a disease linked to poor sanitary conditions in poultry markets. Last year, officials found high levels of cadmium, which has been linked to organ failure and cancer, in rice at markets and restaurants in Guangdong province. And, earlier this year, Walmart stores in China recalled packages of donkey meat that contained meat from other animals."

McDonald's Hong Kong is synonymous with a total public relations failure

The Husi shambles follows hard on the heels of a long list of meat-related public health crises originating from China. These reported cases of malpractice in the Chinese food sector are only the tip of the iceberg.

Thus, people would have sympathised with McDonald's if it had been straight when it told its side of the story.

Instead, McDonald's Hong Kong opted to take its chances when it was questioned by the Centre for Food Safety and the media. It initially came up with a written statement claiming that it had not used any supplies from Husi.

That turned out to be a lie. The Centre for Food Safety has ascertained that Hongkongers may have consumed 380 tonnes of Husi meat at local McDonald's outlets since last year. The company later ate its words and admitted it had indeed imported a large quantity of foodstuffs from the problematic supplier.

McDonald's Hong Kong then sought to play down the blunder as a mere miscommunication. It even tried to accuse the Centre for Food Safety of violating a gentleman's agreement by hosting a press conference before an agreed discussion between the two sides.

In fact, Secretary for Food and Health Dr Ko Wing-man has been criticised for not acting quickly enough against McDonald's.

McDonald's managing director in Hong Kong, Randy Lai Wai-sze, made a half-hearted public apology six days after the onset of the crisis, but refused to take any questions from the media after her stand-up briefing. The fast food giant's arrogance so far is beyond belief.

The website of McDonald's Hong Kong quotes founder Ray Kroc as having said, "We take the hamburger business more seriously than anyone else." It then goes on to pledge, "At McDonald's Hong Kong, we don't just live by our founder's values. We are also passionate about exceeding them."

The way the company is handling the problem with its hamburgers does not indicate any passion for excellence.

Its management's uncaring attitude only amplifies the public outcry for more stringent control over food imports. The McDonald's fiasco has fuelled public worries over the quality of food served in our restaurants. In particular, the latest incident has exposed the reality that, unlike raw meat, no permit is required to import pre-cooked meat into Hong Kong.

The tally of patients suffering from intestinal cancer is rising steadily, and the disease is now one of the deadliest forms of cancer in Hong Kong. No one knows how many of these cases are related to the use of dirty or rotten food, pre-cooked or otherwise, from dubious sources in mainland China.

The public health regulators should use the current wave of discontent with McDonald's to push through legislation to plug the loophole over imported pre-cooked meat. This is an initiative that even the most radical lawmakers will not dare to filibuster.

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Modi's ambitious plan for 100 'smart cities' can wait

Neeta Lal says India's priority should be making existing cities habitable

In an ambitious move to bolster India's urban infrastructure, Prime Minister Narendra Modi has embarked on a mission to build 100 "smart cities" across the sprawling nation. These glitzy conglomerates will be outfitted with sophisticated technology controlling their essential services – power, water supply, solar panels, automated rubbish collection, water treatment systems and recycling plants.

Last month, Modi announced a US$1.2 billion investment package over the next year for this futuristic project, partly funded by private investors and foreign governments.

A number of these new cities are already in the works, especially in the corridor between Delhi and Mumbai. Modi's flagship smart city – the Gujarat International Finance Tec-City – features an 80-storey "Diamond Tower" floating on an artificial island. The city was launched soon after Modi, then Gujarat's chief minister, returned from Shanghai in 2011 where he, it is said, was visibly dazzled by the Chinese city's glamorous architecture.

Modi says building new cities is a way to tackle India's growing urban population. However, critics point out that he is also competing with China, which has made smart cities the thrust of its own policies. Earlier this year, Beijing announced a US$8 billion investment fund for smart-city technology.

The reason why India is chasing the dream of 100 smart cities was further reinforced by finance minister Arun Jaitley. While tabling the budget last month, Jaitley said: "The pace of migration from the rural areas to the cities is increasing … Unless new cities are developed to accommodate the burgeoning number of people, the existing cities would soon become unlivable."

However, the moot point is that most of India's existing cities are already unlivable. More than a third of urban India lacks access to piped water connections. The average daily per capita availability of water in the country has plummeted by over 20 per cent in the past 15 years to an estimated 100 litres, available for just one to three hours.

A roof over every head, a toilet in every house [and] clean water to drink ought to be a priority

Further, only a fifth of waste water generated in Indian towns is treated.

During each monsoon, India faces the spectre of collapsing buildings, usually dilapidated multilevel structures. In June this year, a building collapse in southern Chennai killed 60 people. In another incident, 10 people, including five children, were killed in the capital, New Delhi, when a 50-year-old apartment block crumbled. Last September, over 50 people were crushed to death when an apartment block disintegrated in Mumbai.

The reason for this decrepitude, say experts, are lax and poorly enforced construction standards on the part of civic authorities amid booming demand for housing. Further, corruption lets unscrupulous builders get away with building violations after they pay bribes compromising safety.

Mumbai, projected as India's Shanghai, is a seething metropolis of 21 million people where a surge of monsoon rains whittles down the city to a watery mess year after year. On the skirts of New Delhi, another city, Gurgaon – touted as India's Millennium City – flaunts gleaming towers and spiffy malls. But civic woes point to it being the worst planned city anywhere.

So, rather than pumping billions into flashy new projects, how about sprucing up India's older cities and making them habitable first?

India's urban population is projected to balloon from 340 million in 2008 to 590 million in 2030, according to a McKinsey study. Having a roof over every head, a toilet in every house, clean water to drink and pot-hole-free roads ought to be a priority for a nation hosting one-seventh of humanity. Smart cities can wait.

Neeta Lal is a New Delhi-based senior journalist and editor