

INSIGHT

Evolving economy

Peter Wong says the Pearl River Delta's move towards higher-tech industries will benefit Hong Kong

The Pearl River Delta was once dubbed the "factory floor" of the world. These days, however, it is more accurate to call the area "Silicon Delta" – a hi-tech and innovation hub for the world's second-largest economy.

For the past 35 years, Guangdong has been at the forefront of China's economic development and reform efforts. Since the late 1970s, when China began to open its economy to international trade and investment, the cities around the mouth of the Pearl River – Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan and others – have transformed themselves into industrial powerhouses producing garments, toys, electronics and textiles for the world.

Now, with wages rising and industrial-sector growth slowing, Guangdong and the delta are reinventing themselves one more time, and are once again at the forefront of China's economic reform efforts – moving up the economic ladder by focusing more on advanced manufacturing, hi-tech and service industries.

Over the course of little more than a decade, the area has become home to some of the world's largest hi-tech companies. Huawei and ZTE, which make telecoms equipment and employ tens of thou-

sands, are headquartered in Shenzhen. Lenovo, TCL, BYD, Apple, IBM, Philips, BGI, Lucent and Olympus have manufacturing bases and research and design capabilities in the region. Guangdong's economy has swelled, and is now larger than Indonesia's.

Many of the delta's cities, meanwhile, are becoming centres of higher-tech, more advanced manufacturing and services.

Take Shenzhen, an urban giant with well over 10 million inhabitants, as an example. The city has become a "Silicon Valley" for hi-tech hardware, spanning everything from telecoms equipment, information technology, biotechnology and pharmaceuticals to computer manufacturing, smart-watches and aerial drones.

Ample engineering talent and lightning-fast logistics aid the progress from prototype to product – as does plentiful spending on R&D.

In 2013, Shenzhen spent 58 billion yuan (HK\$70 billion), or 4 per cent of its GDP, on R&D – more than any other part of the mainland. The total value of hi-tech products made in Shenzhen reached 1.4 trillion yuan in 2013, up 9.3 per cent from the previous year. That accounted for 50.4 per cent of the total output value of industrial enterprises.

Many of Shenzhen's hi-tech

giants also spend a significant portion of their earnings on R&D; Huawei alone last year spent 40.8 billion yuan or 14.2 per cent of its turnover on R&D. Some 76,000 of Huawei's employees work in R&D – about half of the total.

Shenzhen and the entire delta region has evolved into an advanced manufacturing ecosystem with clusters of factories working symbiotically to turn the area into a one-stop shop for many hi-tech and innovation projects.

The Pearl River Delta's transformation has had strong government support. In May, Beijing announced its "Made in China 2025" policy, which aims to promote IT, robotics, aerospace, railways, electric vehicles and other advanced industries in a bid to move China's economy away from the low-value manufacturing model that fuelled growth in the past. Echoing this, Guangdong issued the "Guangdong Province Intelligent Manufacturing Development Plan (2015-2025)", which likewise aims to promote innovation and the use of cutting edge, value-added technology among local companies, helping them to improve their manufacturing capabilities and establish brands in China and beyond.

In reaction to rising labour costs, Guangdong-based manufacturers are investing heavily in

robotics and other automation equipment. The provincial government has announced that Guangdong will spend 943 billion yuan on replacing human labour with robots within the next three years, and plans to have 80 per cent of its factories automated by 2020.

Last year, the provincial government budgeted more than 672 billion yuan to develop rural areas over the next five years and prompt labour-intensive manufacturing to

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relocate from cities. The goal is to free up space in the increasingly overcrowded delta, thus helping manufacturers there to keep moving up the value chain.

Hong Kong is an integral part of the delta's transition towards higher-tech manufacturing, services and innovation. For many years, the city was the "shop window" for Guangdong – the place

from where goods made in China were sold and shipped to the rest of the world. This relationship has now shifted, and become much more of a two-way street.

For the delta, having a global financial centre on its doorstep has helped many companies, including the likes of Tencent, to access funding – whether via a listing on the Hong Kong stock exchange, or by obtaining backing from private equity firms for new ventures.

On the talent front, thousands of mainland Chinese attend Hong Kong's universities every year before entering the workforce or setting up businesses in the delta, just 20km or 30km away. Many others tap into Hong Kong's research resources, gain important entrepreneurial know-how and employment experience, which they later deploy in the mainland.

This provides crucial input as the delta moves from low-tech to hi-tech manufacturing, spearheading China's transition towards sustainable, consumption-driven growth.

For Hong Kong, meanwhile, the delta's advances will bolster the city's economic prospects for years to come, cementing its role as a key knowledge hub for China. The relationship is deepening – and it is a win-win for both sides.

Peter Wong is deputy chairman and chief executive of the Hongkong and Shanghai Banking Corporation

Indonesia's role in a changing Asian order

Derwin Pereira says Jakarta's calm acceptance of Japan's new military policy reveals a desire to keep options open when it comes to regional rivalries, not least Sino-US relations

The recent passage of Japan's security bills marked a watershed moment in Asian strategic relations. For the first time since the end of the second world war, Japan will now be able to dispatch troops abroad. This development has not caused visible disquiet in Jakarta. This is surprising given that Indonesia is part of a Southeast Asian region that suffered from the pathological depredations of Japanese imperial power. However, Jakarta appears to have accepted the potential expansion of Japanese military power as a fait accompli, if not actually as a welcome counterbalance to China's assertiveness in the South and East China seas.

There is another reason for Indonesia's apparent equanimity: America. The US provides the crucial third leg of the Northeast Asian power triangle, acting as a balancer power that helps to preserve the peace between China and Japan as part of a larger effort to uphold security and stability in Asia. Indonesia's acquiescence in Japan's revisionist military posture is a tacit acknowledgement that Jakarta expects Washington's balancing and pacifying role to continue. The US will not let a rising Japan threaten the rest of Asia any more than it will allow China to do so. That is the hope in Jakarta.

The view from Jakarta is not naive. No thoughtful Indonesian believes that the current Asian structure is immutable, even in the medium term. The latest proof of change is Japan's strategic normalisation. After all, it is not extraordinary for a sovereign country to have the right to send its troops abroad, although historically minded critics would deem it the remilitarisation of Japan.

But even before Tokyo called the bluff on the resilience of the post-cold-war Asian order, it was palpably clear that China had broken with it. Sensing its strategic opportunity at a moment of American overreach and weakness brought about by expensive yet inconclusive wars in Afghanistan and Iraq, Beijing pushed ahead to unsettle the Asian maritime status quo. Chinese revisionism has now produced its Japanese counterpart.

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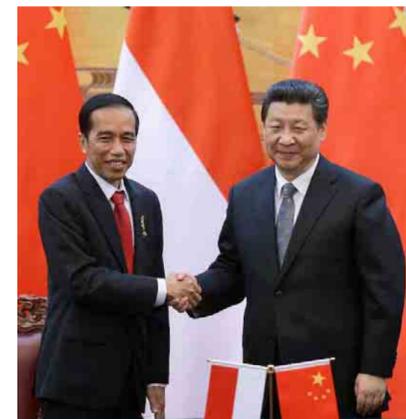
However, the fact that the Asian order is changing does not mean it is spinning out of control. What is occurring in Northeast Asia is a relative and not an absolute redistribution of power among China, Japan, South Korea and the US. China is making relative gains from its hitherto peaceful rise, and America is chalking up relative losses imported from its overstretch in West Asia. Washington has responded to its relative decline by initiating a pivot to the Indo-Pacific that is clearly aimed at containing the prospects of Chinese maritime expansionism.

In this evolving context, Indonesia is keeping its options open with regard to both powers. It is hedging against the possibility of China's hegemonic rise by putting its strategic weight behind the preservation of the status quo in the South China Sea, although Jakarta is not a claimant state in the dispute. At the same time, however, it is counter-hedging against the probability of an American strategic drawdown in the Indo-Pacific by not adopting a pre-emptive posture of confrontation with China.

This nuanced position gives Indonesia, a middle power, the ability to act as a swing state in Sino-US relations. What is likely to seek increasingly is recognition from the US, China, India and other Asian powers of its lynchpin role in the Association of Southeast Asian Nations. Asean constitutes buffer territory between China and India. The organisation is likely to be split by strategic competition between those two countries, with America and Japan acting as a brake on Chinese ambitions.

Indonesia, like other Southeast Asian countries, might then be forced to choose sides. This would be a policy conundrum in Jakarta, as it would be elsewhere in the region. However, Indonesia is not going to do anything to tilt the balance by opting to be an American acolyte or a Chinese satellite. Its sense of strategic autonomy is simply too strong for it to enter into an exclusive partnership with either America or China. Japan, too, should remember this as it embarks on a new military journey.

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Indonesian President Joko Widodo (left) and President Xi Jinping. Photo: EPA

Together, local teachers and NETs can boost English learning

Kelly Yang says whether we allow native English teachers to train local staff or expand the current programme while raising local salaries, the goal is the same: to raise education standards as a whole

When it comes to teaching children using more creative forms of instruction, such as project-based learning rather than rote memorisation, there are no greater stalwarts than our city's Native English Teachers (NETs). All across Hong Kong, NETs are working hard every day to interject creativity and critical thinking into their lessons. For that, I applaud them.

However, the problem we face in Hong Kong of declining English standards runs far deeper than anything the NET scheme can solve on its own. On average, most local schools only gets one NET per school. No one teacher – no matter how hard working – can single-handedly raise the English standard of an entire school.

And if the NET programme, as it currently stands, can't bring up the English standard, then at HK\$710 million, it's a lot of buck for not much bang. A better way for NETs to make an impact is if they help train local school teachers. NETs are valuable resources on how to teach creatively. If we can harness that expertise and spread it among all local teachers, we'd have a much better shot at truly raising the standard for not just English but the standard for teaching and

education as a whole. *Post* columnist Alex Lo recently raised an interesting question: why not just expand the NET programme? Instead of having one NET teacher at a school, why not, say, 35 per school? I like this idea in theory; however, I have two concerns. The first is the assumption that our local teachers cannot be trained to teach English properly, that we must import an army of foreigners to get the job done right.

That's not the way Singapore did it and I don't believe that's the way we have to do it; to say it is underestimates Hong Kong local teachers and their abilities. I've worked with local Hong Kong teachers, and I can say they are smart, caring and hard working. They also desperately want to learn how to teach English more effectively and innovatively – but we have to be willing to give those skills to them.

My other concern has to do with salaries. Currently, there's a great discrepancy between what a NET earns and what other local teachers make. Taking into consideration fringe benefits, many NETs make three times as much as a normal local school teacher.

In my experience as an educator, any time the discrepancy is that high between

people who do similar jobs and teach all the same kids, you're asking for trouble. There is nothing more harmful in a school than the feeling of inequality. It builds resentment and animosity, neither of which is conducive to learning or teaching.

Recently, this blatant bias for foreign teachers manifested itself in one school openly advertising for a Caucasian teacher. I believe teachers should be hired based on quality of teaching, not ethnicity. I also believe that how much a teacher makes should be tied to experience, rather than country of origin. As such, if we want to expand the NET programme, which I am 100 per cent on board with, we need to first raise the salaries and benefits of local teachers to be on a par with NETs. It's only fair.

Ultimately, local teachers and NETs need to figure out a way to work together. Whether that's through NETs training local teachers or expanding the NET scheme while also raising local school teachers' salaries to eliminate the income gap, the end goal is the same: raising Hong Kong's English standards.

NETs have laid the groundwork; now it's time to build the house. If we sit back and waste all our time bickering, we will all lose.

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Leading the climate battle

Kamilia Lahrichi says now China has made environmental concerns a priority, it has quickly become a trendsetter in the global warming fight

Amid all the discussions at the UN about climate change efforts, Beijing has emerged as a trendsetter that has made great strides towards sustainability. The Asian giant is still the planet's largest carbon emitter, but it now stands out among its peers by offering a blueprint for environmentally friendly urbanisation and low-carbon growth. In particular, its sustainable cities – like Tianjin Eco-city, the world's largest – are innovative solutions to rapid industrialisation.

Beijing was congratulated at the UN for its groundbreaking efforts. Werner Obermeyer, deputy executive director of the World Health Organisation, acknowledged China's significant efforts to redesign transport routes, relocate polluting industries and set up more green spaces.

China's determination to cut air pollution seems to be paying off: a 2015 London School of Economics report found that Beijing was close to meeting its climate goals five years ahead of schedule. While the US is grappling with meeting its commitment to curb greenhouse gases, China's carbon emissions will peak by 2025 instead of 2030, as initially agreed. Its emissions will then decrease, the study found.

The reality is that the catastrophic consequences of global warming have stirred a greater environmental consciousness in the Chinese

leadership. President Xi Jinping's (习近平) speeches about his country's efforts to combat climate change were a leitmotiv during his first tour of the US as well as during his first speech as head of state to the UN General Assembly last month.

Xi announced he would launch a cap-and-trade programme to lower carbon emissions by 2017. This national limit forces companies to buy credits to pollute. He also gave away US\$3.1 billion to help developing nations tackle climate change. In addition, Xi declared, along with US President Barack Obama, specific plans to cut the number of coal-fired power plants

China's strategy is more than just a longing for an environmentally friendly planet: authorities have taken practical steps to contribute to global climate security.

Beijing has cut the number of cars in several cities to ease congestion while offering discounts on electric and hybrid vehicles to encourage the use of renewable and sustainable transport, and to show that a country of 1.3 billion people can be environmentally sustainable. This way, China is proving it can play by international rules and make a significant difference to global warming.

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