TACKLING UNEMPLOYMENT | MATTHEW CHEUNG

Back to work, Hong Kong

Hong Kong is undergoing economic restructuring and transformation into a knowledge-based and higher-value-added economy. This, together with the economic downturn since the Asian financial crisis of 1997-1998, has resulted in stubbornly high unemployment.

While the economy has been steadily recovering and the jobless rate has come down from the all-time high of 8.7 per cent last summer to 7.3 per cent, job creation and overcoming the mismatch between supply and demand in the labour market remain a major challenge for Hong Kong's government. We are facing both cyclical and structural unemployment. Facilitating economic growth and restructuring, as well as employment, rank high on the government's agenda.

According to the government's projection, by 2007, Hong Kong will have 134,000 more people than jobs for those with lower secondary education and below. Conversely, there will be 102,000 fewer people than jobs for those with post-secondary education or above.

To address this manpower mismatch, the government is adopting a multi-pronged strategy which combines pragmatism with vision. This involves upgrading our workforce, improving the business environment, embracing new technology and enhancing employment opportunities.

The main tool for promoting economic restructuring and establishing a knowledge-based economy is to invest substantially in education and to strategically raise the competitiveness of our labour force. Currently, education accounts for a hefty 24 per cent of government expenditure, amounting to $61 billion in 2003-04.

The extensive education reform carried out in our primary and secondary schools seeks to provide more scope for developing an individual's potential and encourage youngsters to further their studies. We have set a target of 60 per cent participation rate for post-secondary education by 2010-11. We have also strengthened the training and retraining of our workforce. We are opening our doors to talent from elsewhere, including the mainland, who will help enhance Hong Kong's economic vitality and create more opportunities.

We are building on our strengths to make Hong Kong a great place for doing business. For the 10th year running, Hong Kong has been voted the freest economy by the Heritage Foundation. According to the World Investment Report 2003, released by the United Nations Conference on Trade and Development, Hong Kong was again named the best-performing host economy for foreign direct investment in Asia, and the second-largest recipient of FDI in Asia. Hong Kong's business environment is attractive to foreign investment because of its very safe society, well-developed infrastructure, simple and low tax system, free flow of goods and information and liquid capital markets, the rule of law, judicial independence and a level playing field. Nevertheless, we must keep up our efforts to reduce red tape and relax excessively tight regulatory regimes. To step up our efforts, the financial secretary has synergised four advisory committees into a high-powered think-tank, the Economic and Employment Council.

It is imperative for us to embrace advanced technology and innovation. Over the past few years, we have built facilities such as the Science Park and Cyberport. We have promoted research and development through the Research Grants Council, the Innovation and Technology Fund, the Applied Science and Technology Research Institute and the support given to technological enterprises and "incubator" projects.

We will continue to strengthen those sectors that can absorb a large number of relatively lower-skilled workers. In support of tourism development, a new scheme allowing individual residents of some mainland cities to visit Hong Kong has been in place since the middle of last year.

Also, three major new tourist attractions, including Disneyland, are all targeted for completion within the next two years. We will strengthen Hong Kong's role as the preferred international logistics and transport hub in Asia. We will continue to enhance our connectivity with the Pearl River Delta to achieve synergetic benefits, and to enhance our competitiveness in the provision of integrated logistics services. The market openings and liberalisation measures brought about by the Closer Economic Partnership Arrangement will generate unprecedented opportunities and create jobs.

We will earmark an average of $29 billion annually for capital works projects for the next five years. These will generate some 45,000 construction and technical jobs each year.

Despite the fiscal deficit, the government will allocate $1.2 billion to launch three employment initiatives. These include extending about 11,700 temporary jobs in the public sector and rolling over the successful Youth Work Experience and Training Scheme for another two years to place about 10,000 young people in employment.

We have left no stone unturned and will keep up our efforts in promoting employment, enhancing the employability of our workforce and minimising the skills mismatch. The government will continue to play the role of facilitator to maintain Hong Kong's attraction as a business hub.

Matthew Cheung Kin-chung is permanent secretary for economic development and labour. This is an excerpt from a speech he gave yesterday to the United Nations Asia-Pacific Leadership Forum: Sustainable Development for Cities

MAINLAND LABOUR REFORM | MICHELLE CHEN

How to fix the iron rice bowl

In remote corners of Shanghai, the ghosts of Maoist industrialisation rise from the ashes of the planned economy. Behind massive supermarkets, internet bars and other symbols of the reform era prosperity, decrepit, abandoned factory buildings, once the lifeblood of socialist enterprise, stand like so many iron gravestones.

But perhaps the most alarming vestiges of outmoded behemoth heavy industry are harder to spot. Laid-off, or *xiagang*, workers, displaced from state-owned work units that once promised lifetime job security, are invisible in more ways than one. As state-owned enterprises in old industrial centres shut down, several million workers must face jarring economic insecurity after decades of relative stability under a massive welfare state.

Labour unrest in "rust belt" industrial bastions like Liaoning indicate that laid-off workers are becoming desperate, unprepared for the competitive market economy. Mass unemployment even plagues Shanghai, the country's pre-eminent boomtown. The city's once-flourishing textile industry shed 44 per cent of its workforce in the late 1990s, laying off more than 400,000 skilled labourers.

In recent years, China's official unemployment rate has risen to 4.2 per cent, especially since the government began shifting *xiagang* workers out of welfare centres run by employers into the registered unemployed category. Yet analysts at the Chinese Academy of Social Sciences calculate the urban unemployment rate at 12 per cent and rising. The severity of the problem is difficult to gauge since the rate does not include laid-off workers who have not terminated state-owned enterprise contracts, surplus rural labourers, migrants, or state-owned enterprise workers employed in posts that are basically defunct.

The government announced plans two years ago to create eight million new jobs to absorb laid-off workers by strengthening the service industries, developing re-employment programmes, and implementing preferential hiring, tax and loan policies for *xiagang* workers. These measures are underpinned by the misguided hope that in the long-term, modernisation and the global market will rescue the refugees of socialism's breakdown.

But the Chinese leadership must address more fundamental issues: a lack of morale and flexibility among workers, and a rigid welfare system. Urban workers, whose factory jobs were previously the most coveted in the nation, often avoid "lowly" service jobs like domestic work. Many unemployed people, moreover, have little faith in government programmes and prefer to rely on themselves.

A more systemic approach to reforming the job market would entail not top-down institutional control, but an investment of economic and social power at the community level. Grassroots organisations and local governments could reorient the culture of the labour market to restore dignity and drive to *xiagang* workers. Instead of providing welfare jobs to keep the unemployed occupied, the government could simultaneously fortify the social safety net while deregulating the economy, allowing the entire workforce to catch up with the developing economy.

Harnessing the benefits of a free market requires sustainable social and commercial institutions. If the government allows independent organisations to engage private businesses, communities could seed new, more sustainable enterprises independent of a draconian welfare state.

Under the management of contracted private firms, comprehensive, innovative training programmes would prepare laid-off workers for the transition economy, rather than just herding them into welfare jobs. Community leaders could establish partnerships between institutions for the unemployed and small and medium-sized enterprises, which now account for the majority of China's industrial output. And instead of spending on services like job banks, which economists say are ineffective, labour ministries could help the unemployed economically through basic institutions like local credit unions. The government could also foster independent, non-profit community development corporations to promote sustainable development and provide the unemployed with a sense of ownership over their society.

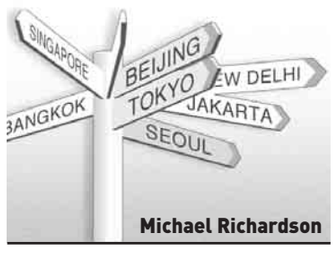
Since 2002, the government has boasted of opening new sectors and re-employing two-thirds of former state-owned enterprise workers. But the idealistic policy initiatives and whitewashed statistics lack accountability. Policymakers need to streamline the evolving welfare systems with thorough evaluation, which means heeding the advice of economists and employing social science methods to track the progress of workers in unemployment programmes. Unless the government upgrades its tactics for the new economy, the workforce will never be able to upgrade itself for a new market, and the system will mire itself at the bottom of the iron rice bowl.

With social security institutions undergoing a major overhaul, urban China stands at the cusp of a rebirth; the urban workforce, once the foundation of Chinese society, might decline further, or rise again. China's cities could be revitalised by an integrated approach that helps entire communities cope with the turmoil brought on by marketisation and prepares them for the challenges of economic transformation in a shrinking world.

Michelle Chen is an American Fulbright researcher based in Shanghai

High time to stop terrorists on the high seas

CROSSROADS



Michael Richardson

Oceans cover two-thirds of the world's surface and most of this is classified by law as international waters, or high seas, where ships are free to roam unhindered, except in a few specific circumstances. Despite a raft of new anti-terrorist measures that took effect from 2002, and more that will be applied this year, the sea and the shipping industry remain attractive for terrorist operations.

So far, al-Qaeda and like-minded extremists have mainly used fuel-laden aircraft, or trucks and other vehicles packed with explosives, as their most destructive weapons. Now, one of the biggest concerns of authorities is that terrorists may strike using another vital form of transport – ships and cargo containers.

Officials and counter-terrorism experts in the United States, Europe, Asia and Australia have warned that the next step in mega-terrorism may be an attack using chemical, biological or nuclear weapons. They are also worried about radiological or "dirty" bombs that would use conventional explosives to disperse deadly radioactive material, causing mass panic as well as significant casualties.

Those who fear such an attack believe that weapons of mass destruction and terrorism have become interlocking threats that could fuse in an extremely dangerous challenge to global security and stability, unless effective safeguards are put in place quickly. The exposure of an extensive and long-running nuclear black market that let Iran, Libya and North Korea get weapons technology from Pakistan has heightened such fears.

As a result, the laissez-faire doctrine that has applied to the high seas from time immemorial is starting to be abridged in the interests of global security. Earlier this month, the US and Liberia announced that they had agreed to new boarding and inspection arrangements on the high seas where either side has reasonable grounds to suspect that one of their ships is carrying materials related to weapons of mass destruction or items of proliferation concern.

Measured by gross tonnage, Liberia has more ships flying its flag that any other country in the world, except Panama. According to Liberian authorities, more than 2,000 vessels are on the Liberian register, which is based in the US. Under the new agreement, the US could contact the register and request the right to board a suspect Liberian-flagged ship anywhere in international waters – and do so after waiting no more than two hours for a response.

The US regards this arrangement as a model for similar agreements it is pursuing with a number of other key flag states. The deal is part of the Proliferation Security Initiative (PSI), launched by US President George W. Bush last May to prevent rogue states like North Korea and terrorist groups from trading in nuclear, chemical or biological weapons and related items. The programme seeks to stop and search ships and planes identified by intelligence as being involved in the trade.

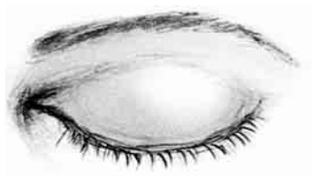
The PSI network was used in October to block a German-owned ship bound for Libya. The ship was carrying equipment that could be used to enrich uranium for nuclear weapons. US officials say that the interception helped persuade the Libyan government to agree to abandon its nuclear programme. The confiscated equipment from the ship also helped investigators to unravel and shut down the Pakistan-based nuclear black market.

Until the US-Liberia deal was agreed, PSI navies could legally stop and board a suspect ship on the high seas only if the country that issued the ship's flag agreed. Otherwise, they would have to wait until the ship entered the territorial waters of a PSI nation or a country that agreed to a ship-search request, something that might not happen until after the shipment had been delivered.

The Liberian deal significantly changes the rules of the game. If, as expected, more big shipping states follow the example of Liberia, the high seas will cease to be a safe haven for traffickers in weapons of mass destruction.

Michael Richardson, a former Asia editor of the International Herald Tribune, is a visiting senior research fellow at the Institute of Southeast Asian Studies in Singapore. The views expressed in this article are those of the author

THE INNER EYE



Jean Nicol

Feeding off patriotism

When Chief Executive Tung Chee-hwa proclaimed that the "great majority of Hong Kong people are patriotic", my curiosity was immediately aroused about the malicious few. Assuming we can eliminate the more glamorous sort of menace – there are probably few spies lurking in Mid-Levels, siphoning military secrets to hostile regimes – one is left with few possibilities. For the sake of argument, I will guess there are three types of potential offenders. Let's call them foot-holders, safety-netters and dissenters, each, depending on one's perspective, a threat to the sort of group identification patriotism requires.

Foot-holders are those Hongkongers who have secured some sort of foothold in another country. They, or at least some of their family members, have acquired the right of abode in Canada, Australia or some other developed, socially beneficent nation. They keep up their presence in this alternative homeland – maybe by a system of filial rotation – as a place to fall back on if things do not work out as they would wish in Hong Kong. It is a safe place to which they can retreat in times of political or financial uncertainty, in illness or in old age.

Foot-holders' psychological investment in Hong Kong is reduced and this state of affairs is unlikely to be lost on their less affluent and less well-connected compatriots, putting a distinct damper on any potential sense of fellow-feeling.

Safety-netters, perhaps through bad luck, lack of influence or poor planning, do not hold a rainy-day passport. Yet they have the means and knowhow to cover their bets, say, by educating their children or investing their savings overseas. Again, this is hardly a celebration of compatriot empathy.

Dissenters actively strive to improve things in Hong Kong from the inside. For some, perhaps many of the 500,000 who turned out last July 1, this engagement implies a greater love and commitment to their country. However, this view may not be shared by leaders who subscribe to the "patriotism principle", which appears to hold that patriotism, by definition, implies public support of one's government and its policies.

Given the political vicissitudes Hongkongers have experienced over the years, it is hardly surprising that they have learned not to be passive; not to leave their future in the hands of the government. Seeking to construct ones own social safety net – in Hong Kong, the mainland or abroad – is surely a sign of maturity; a willingness to accept responsibility for ones own destiny.

Yet patriotism is universally compelling. It is psychological comfort food – at times even psychological Viagra. It can be as soothing as a mouthful of Häagen-Dazs and as intoxicating as a Mexican wave. That is why politicians treat the topic so religiously. People everywhere want desperately to belong. Politicians try to construct an entity with which people would willingly want to associate.

Organisational psychologists isolate two main characteristics of this phenomenon. Each contributes to the intensity with which people are likely to attach themselves to an entity.

The first factor is the cohesiveness of the group; the second is how the group rates, compared to other groups. Broadly speaking, it seems the more unified and higher status the group (or nation), the more ready individuals are to identify with it.

Governments cannot impose a feeling of patriotism. But it is standard practice to encourage it. Parades, for example, have a bonding effect on populations, especially when they feel under attack. If these shows of force are persuasive enough, they evoke particularly fervent identification among socially disempowered sections of a population. The effect is analogous to the Stockholm Syndrome, the phenomenon by which individuals come to identify blindly with those who hold sway over their day to day lives. It is an example of a secondary defence mechanism; a matter of psychological if-you-can't-beat-them-join-them survival.

Patriotism can easily become a cover for control, racism and aggression. Yet, the potential benefits are staggering. Patriotism enhances self-esteem, raises personal aspirations and can provide the backdrop to some of the most fulfilling and meaningful experiences community life has to offer.

As an expatriate, however, I am apt to agree with the definition of patriotism as the conviction that ones country is superior to all others simply because one was born there. As the renowned cellist and humanist Pablo Casals put it: "The love of one's country is a splendid thing. But why should love stop at the border?"

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ASIA BEAT

MACAU
Harald Bruning

Frank discussions

The Macau Legislative Assembly's plenary debate last week about the outline of a bill on the chief executive election later this year turned out to be a refreshingly open and frank discussion of the city's electoral system.

The pow-wow, which included passionately presented statements on political principles and shrill exchanges about the meanings of democracy and conservatism, focused on the fact that a 300-member committee to elect Macau's chief executive will be formed through an indirect ballot by a string of community, business, professional and labour associations and other entities, including religious groups.

True to their political ideology, only the legislature's two pro-democracy members rejected the bill, claiming that it was not only "too conservative" but also a "retrograde step" in the development of democracy. On the other hand, the bill was vigorously defended by the assembly's mainstream legislators, namely trade unionist Lau Cheok-va and lawyer Leonel Alves.

Both veteran members of the 27-strong legislature insisted that abrupt political changes were contrary to Macau's tradition of achieving social progress and economic development through political gradualism. Mr Alves, who described himself as a "progressive democrat", also pointed out that Macau's particular blend of democracy, comprising direct and indirect elections, had become part of its political reality.

When others voiced similarly strong views in support of Macau's own way of democracy, suddenly Frank Sinatra's hymn to individuality, *My Way*, sprang to mind, namely the evergreen lyrics: "I'll state my case, of which I'm certain … I did it my way."

In fact, Macau got its own political version of the song when, in 1976, a new autonomous framework granted by Portugal launched the combination of direct and indirect elections and government-appointed lawmakers to form its legislature.

The Macau Basic Law, promulgated by Beijing in 1993, adopted the then still Portuguese-ruled enclave's system. But it also included the proviso of gradually raising the number of directly elected legislators by increasing the assembly's total membership.

The current system has worked quite well, also because some of the legislature's best members have been indirectly elected or appointed by the government. This notion will, of course, be considered political heresy by proponents of western-style democracy.

Under the Basic Law, the present method may, "if there is a need", be changed in or after 2009. As a long-term resident, I am confident any changes will be gradual. The ultimate aim should always be to ensure that as many as possible of Macau's different social and ethnic groups will be represented in the legislature, no matter how.

Irrespective of the electoral method then in place, 2009 will be of paramount importance to Macau's political future because it will determine who will succeed Edmund Ho Hau-wah as chief executive, following his second and final five-year term following his more-than-certain re-election later this year.

The crux is that a suitable successor has still to emerge – and that is what counts, not how he or she gets elected.

SEOUL
B. J. Lee

Mass appeal

Two South Korean movies are currently racing to break all box-office records. *Silmido* is the true story of South Korean commanders in the early 1970s who were trained to infiltrate the North, while *Taegukgi* tells of two brothers tragically caught in the crossfire during the Korean war.

Silmido has attracted 10 million moviegoers, a South Korean record, since its release at the end of last year, while more than 5 million people have seen *Taegukgi* in less than one month. It is predicted to eventually break *Silmido's* record.

In other words, both movies will have been seen by one in four South Koreans. And they are expected to be exported to Japan and elsewhere – at record prices.

But what makes them so successful? Obviously, they are well made. And the division of Korea is always a powerful theme, whether in film or novel format, given that it continues to affect the life of every Korean.

But experts have another explanation for the films' success – so-called cultural collectivism. According to the theory, South Koreans like to share the same feelings and emotions; it is a type of crowd psychology that derives from people's tendency to follow others.

This collectivism is good for uniting people with a nationalistic and patriotic bond. But in the process of monolithic integration, individualism and diversity is often lost.

It makes South Koreans conformists who are afraid of bucking the trend; it is no coincidence that people on the streets of Seoul dress alike. They tend to follow the same fashions, trends and lifestyle. Sometimes, this works positively for the country. As millions of youngsters race to buy the latest electronic gadgets, such as mobile phones, in order not to be left behind, manufacturers prosper and the industry expands. In fact, this is one reason why South Korea has emerged as an internet and information technology powerhouse.

But culturally and spiritually, the nation is increasingly becoming monotonous. Facing the Orwellian totalitarian society north of the demilitarised zone, South Korea needs more diversity to prove the supremacy of its democratic system.

Without diversity, individual creativity is sacrificed. And this collectivism often suppresses dissenting views that can sometimes make for a healthier society. That is why not everyone is happy about the enormous success of the two films.