

INSIGHT

Out of control

Anthony Cheung says Hong Kong must overhaul its housing strategy to address problems in both supply and demand, as measures that target speculation cannot by themselves rein in runaway prices



Land sale prices continue to hit new heights—good for developers and the government treasury, but certainly a great worry to those already facing high rents and housing prices as their wages lag further behind.

Affordability, as measured by the ratio of mortgage payments to income, stood at 48 per cent in the first quarter of this year, double that of five years ago. According to the CEIC database, Hong Kong's property price index has been growing at a much faster pace than the index for median monthly earnings (with bonuses) since late 2006, and also faster against the index of nominal gross domestic product per capita since late 2009.

The obvious question is: why are property prices behaving like a wild horse and becoming unaffordable for many? The short answer is that there are buyers who can afford them, and some 40 per cent of the new buyers are from the mainland.

The looming housing affordability crisis feeds into growing social discontent. Many blame the high prices on the insufficient supply of residential land over the years. An increasing and regular sale of land can indeed help to stabilise the market, but only up to a point. The present market imbalance is more than simply

one of a shortage of land supply. The ultimate movements in housing prices depend on the supply and demand of built units. Land supply is, at the same time, a zoning problem, as less than 7 per cent of Hong Kong's land is used for residential housing.

Hong Kong is fast becoming a "national" market for the whole of China, not only in properties, but also in other consumption and investment sectors. Even a tiny percentage of the newly rich and the affluent middle class from the mainland will form a formidable force that easily overwhelms the local property market, further fuelling local expectations.

The boom may well be short-lived if interest rates pick up and Western countries' quantitative easing policy stops. However, an unrestrained market will only make the impact of a bursting of the asset bubble worse; hence

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the need for a soft landing. While the government should not casually intervene in the market or overestimate the might of its "visible hand", it cannot stand idle beside a distorted market for both social and economic reasons.

Any short-term government measures to combat speculation (such as a special stamp duty) or additional land supply may easily be digested by a hungry market, the bottom of which is hard to gauge. The government should monitor closely the mainland factor and its medium- to long-term implications on the local market structure, and study the need for restrictive measures.

Restrictions may take the form of confining purchases by non-Hong Kong residents to the higher end of the market, or designating some developments as exclusively for local buyers. This will not necessarily damage our free-market reputation, as some people have warned. Both Singapore and Australia, noted for restrictions on overseas purchases, are still rated as the second- and third-freest economies, after Hong Kong, by the Heritage Foundation. Some critics argue against restrictions and favour expanding public housing—in both rental and ownership flats, similar to the Singaporean approach. Either way will signal a major departure from existing policy.

It is time to embark on a new long-term housing strategy which incorporates measures to target problems on both the supply and demand sides. Supply measures should include regular land sales and the development of new land for residential use, including a review of zoning criteria. Demand-side approaches, apart from anti-speculative measures, should include the revitalisation of the public housing sector and the introduction of restrictions on non-local purchases as a last resort.

The government had valid reasons to retreat from the home-ownership sector in 1998; following the collapse of the property market, it acted to rescue the market.

Now the market has not only rebounded but is seemingly out of control, there is an urgent need to use public housing as a lever against market distortion, to assist the grass roots and middle class who find it hard to satisfy their housing needs in the private market.

Hong Kong's housing policy is at a crossroads. No pain, no gain. One should not expect a policy breakthrough or soft landing without any pain.

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Prose and cons

Peter Kammerer says the use of writing as a punishment for students is a historical throwback that deters learning in today's world



My 17-year-old son got detention at school for the first time the other day, just six months from graduation. He was running late and broke rules by using the lift to go to classes on the ninth floor. I was somewhat surprised, having assumed that for the HK\$10,000 or so a month in fees, he would be able to do what everyone else who lives on an upper floor in this high-rise city of ours does. But that barely got me steamed—it was his punishment that had me boiling over.

Education is ever-changing and evolving. It has to, when the employment environment is constantly shifting. Yet my son spent his detention hour doing precisely what my mother did when she got punished at school 70 years ago: writing out the school rules.

Some of the rules by which we are governed do make sense, and restricting lift access in a busy school is arguably one of those. But community gatekeepers need to keep watch for what has become outdated. It is precisely because of such a process that detention during my school years did not involve mindless copying.

Instead, punishment involved productivity. That mostly meant keeping quiet and doing homework. Sometimes, rule-breakers had to do chores for teachers or assist lower classes with after-school or lunchtime activities. Most despised of all was janitor duties like cleaning the playground or sweeping corridors. And the worst offenders—well, those were the days when corporal punishment, in the form of a whack on the hand with a cane or a smack on the bottom, were still acceptable.

But education has evolved, as rightly it should. What was once acceptable no longer is, and so it will be for future generations. Sometimes, the old ways were better and the clock will turn back. But in an era where all and sundry is computerised, where keyboards and keypads abound and taking pen to paper is becoming a rarity, the most backward of steps is surely using handwriting as a punishment.

As a blind person, I rely on others to write cheques and fill out forms for me and I have lost count of the number of times they have been rejected due to incomprehensible handwriting. I also know how my sons struggle with writing and I hear the same complaint from other parents. It is not just a matter of lamenting past practices, but ensuring that educators give as much importance to writing as reading.

There is every reason to do so. For students, being able to write legibly and at speed can be the difference between passing exams and failing them. There is a body of evidence that being able to write fluidly and learning go hand in hand: those who struggle with handwriting also tend to have poor reading and numeracy skills. That obviously affects chances for further and higher education and success in the jobs market. And those who cannot read or write well also tend to suffer low self-esteem.

When the first commercial typewriter went into production in 1870, concern was rife that this would spell the end of handwriting. Educators redoubled efforts to ensure that it did not become a dying practice. As computers reach ever farther into our lives, that process has to again flourish. We need to be using every opportunity to teach children how to write, not finding ways of making them resent it.

Peter Kammerer is a senior writer at the Post

Security alliance serves to justify authoritarian rule

David Eimer says the Shanghai Co-operation Organisation acts as China's shield

Tomorrow, the Shanghai Co-operation Organisation (SCO) will celebrate its 10th anniversary at a summit in Kazakhstan's capital, Astana. A key part of its birthday bash will involve the six member states—China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan—deciding whether to promote Pakistan, India and Iran to full membership, and if Afghanistan is worthy of gaining observer status.

For those who remain deeply sceptical about the group's role and goals in Asia, the list of countries hoping to join will only add to their suspicions.

With the notable exception of India, all the SCO's member countries and the ones on its fringes (Mongolia also has observer status) share two things in common: a lack of both genuine democracy and the rule of law. Not only that, they are also among the most corrupt nations on earth.

The group likes to present itself as an eastern version of Nato, a security alliance for central and north Asia that combats terrorism and drug trafficking while serving as a counterweight to Washington's power. The reality is that it is the anti-Nato. Rather than defending democracy against totalitarianism, the SCO is above all a means to both justify and guarantee the authoritarian rule that is common to all six member states.

As its name suggests, it is China that is the prime mover in the organisation and it is Beijing that has benefited most from the shield the

SCO provides for crushing internal opposition and trampling on human rights. So while the West was urging China to show restraint after the Uygur protests in Urumqi (乌鲁木齐) in Xinjiang (新疆) in July 2009, the SCO swiftly condemned the disturbances and stated that China was acting within the law to stamp them out. Predictably, the group also opposed the award of the Nobel Peace Prize to Liu Xiaobo (劉曉波), describing him as a criminal.

More alarmingly, SCO countries flout international law routinely. Last month, Kazakhstan agreed to return to China a Uygur refugee who had fled Xinjiang in the wake of the 2009 riots, despite the fact that he had already been granted refugee status by the UN High Commissioner for Refugees in Kazakhstan. But under SCO rules, any individual suspected of terrorism, separatism or extremism in an SCO state who flees to another member country has to be extradited, regardless of their refugee status.

Further proof that the group's real mission is preserving the status quo in China comes from its deeply ambiguous approach to drugs. According to the current secretary general, tackling cross-border drug crime is one of the group's main aims.

But if that is really the case, why is Afghanistan, which produces 90 per cent of the world's opium, being considered for observer status? And of course, the heroin refined from Afghan opium reaches the West, the

Middle East and the rest of Asia via Tajikistan, Russia, Iran and Pakistan, all of whom are SCO members or observers.

Ignoring drug trafficking is another way for China to reward the other group members for their loyalty. They can already count on Beijing's economic largesse—in 2009 China announced US\$10 billion in loans to SCO nations—and support, as long as that doesn't conflict with Beijing's policies.

Thus, Uzbekistan received assistance in cracking down on unrest in 2005, but Russia failed to get the SCO to recognise the breakaway Georgian states of South Ossetia and Abkhazia. Given the ongoing resistance to Beijing's rule in Tibet and Xinjiang, such demands for autonomy are a little too close to home.

China has long complained about US hegemony while looking for ways to counter it. But rather than channel its growing influence on the world stage through organisations like the United Nations, Beijing seems to believe that the best way to assert itself is by running a coalition of gangster states. No wonder, then, that the rest of the world continues to look to Washington for leadership.

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Where are China's budding global leaders?

Liang Wang calls for a well thought-out plan to groom talent for international organisations

Despite all China's economic and political feats, the absence of a serious Chinese candidate to lead the International Monetary Fund is quite humbling. It means that China's integration into the world and its global power status have not yet been translated into an ability to master the rules of the game in global governance. To put it bluntly, China cannot claim to be a fully fledged player in global economic governance if it is unable to present a viable candidate for the IMF top job.

A strong contender to lead international organisations like the IMF requires certain strengths—he or she must be a solid technocrat, a savvy politician, a smart negotiator, an effective communicator and, last but not least, an experienced manager capable of running big, complex and multicultural organisations. The current IMF front runners, Christine Lagarde and Agustín Carstens, have both spent years serving as key cabinet members in their national governments as well as leading global firms and international organisations. Developing such global leadership requires both individual effort and the support of their government.

China needs to start thinking about ways to groom leaders with a global profile. Its civil service should invite capable Chinese citizens with international experience, in both public and private sectors, to serve in the government, including at senior

positions. The long-held suspicion of outsiders is an anachronism. The political and bureaucratic barriers stopping outsiders entering the civil service should be broken down. Given the opportunities and responsibilities, overseas Chinese professionals would be eager to serve in the government and can contribute substantially.

Promising and capable civil servants from the government should also be encouraged and supported to work in international organisations through regular employment, secondments, and other short-term and longer-term assignments.

Efforts to cultivate global leaders need to be more conscious, systematic and targeted. It requires top leadership commitment and attention, more openness in the government and its civil service, and many years of planning, management and investment, and, therefore, patience.

China has never been short of talented and diligent individuals. If it can start grooming international leaders, the day will soon arrive when China can offer a cadre of capable professionals to compete for leadership positions in international organisations. That will be good for China, and the world.

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Saudis know they have Opec over a barrel

Matthew Hulbert says global oil prices will be controlled by the countries with spare capacity

Amid the doom and gloom of Opec's latest meetings in Vienna, the popular media managed to miss the "good news" story for consumers: price moderates still exist and, more importantly, the Gulf Co-operation Council countries remain the power behind the throne of the oil cartel. They are all that matters in terms of spare capacity—Saudi Arabia, Kuwait, the United Arab Emirates and Qatar. Market control is by no means absolute, but, for better or worse, Riyadh is at least willing to retake the wheel.

It's therefore strange that Iran stole the limelight in Vienna. Yes, Tehran managed to rally Venezuela, Iraq, Algeria, Angola (and what remains of Libya) to its side to block Riyadh's proposed 1.5 million barrels-a-day increase in output. But will this matter to paper or physical markets? No; not if the Saudis have anything to do with it.

Price preferences have long been the dividing lines between moderates and hawks, but the real divide is now between those with the ability to pump more oil, and those without it. Riyadh has it; Tehran doesn't. The kingdom will have the last word on volume and price, and it can play the game either way: expand production to moderate prices where others can't, to inflict fiscal—and political—pain across Opec ranks, or it can cut production at a time of the al-Saudis' choosing.

Instead of forcing a showdown with Riyadh, and leaving the

"official" quota system in tatters, it would have been far better for Tehran to have agreed to the production increases and let the Saudis unilaterally fill the void. That is precisely what the kingdom has been doing to enhance production to over nine million barrels a day of late, and it is exactly what it will still do, in light of the meetings, towards 10 million barrels a day.

The beauty for Riyadh is that it can now do so irrespective of Opec positions; politically translated, that means the Saudis now hold the political fortunes of Iran, Venezuela and Algeria in the palm of their hands.

Yet Riyadh's main fillip is not just within the cartel, but with consumers. Room for manoeuvre has closed, but the al-Saudis could still let prices drop to US\$88 a barrel to balance books. Anything around (or under) US\$100 a barrel is a benchmark price that Beijing, Brussels and Washington could live with, but one that most Opec states would find horribly creaky. The Saudis know this; they could still let prices increase rapidly should Washington go against the Saudi grain in Egypt, Bahrain or elsewhere.

So, sour days for Opec, sweet for the Saudis? Probably, at least if the al-Saudis stay the course. Otherwise it's anticids all round, please.

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