

INSIGHT

Shake-up ahead

Andy Xie argues the economic system in the United States is rigged in favour of an elite, and the mounting cost of living for most Americans – and others elsewhere – is laying fertile ground for revolution

Two decades after the fall of the Berlin Wall and the break-up of the Soviet Union, the world is encountering another wave of revolution. What happened in the Middle East this year is a prelude to what may occur in large developed economies, especially the United States, in 2012. That's because revolution occurs when the existing system cannot generate changes to deal with ongoing crises.

Among the rich economies, the US is the most vulnerable to a revolutionary movement. The "Occupy Wall Street" movement is spreading across America. The grim statistics tell the story: nearly 10 per cent of US households have lost homes to foreclosure since 2008; 28 per cent of homeowners with mortgages have negative equity; 25 million people who want to work are unemployed or underemployed; and real median household income has fallen by 10 per cent since 2007. To rub it in, the average premium for the household of employer-sponsored health insurance has risen by 9 per cent this year – about 28 per cent of the median household income. For lots of folks, joining the revolution at least means shelter in a park and warm food.

The US won the cold war in 1989, so how could it have fallen so low merely two decades



Mass movements like Occupy Wall Street are necessary for the US economy to recover

later? A rigged game to enrich the powerful at the expense of everyone else is to blame. It is not even crony capitalism. The US stock market has done poorly over the past two decades. The capitalists – the shareholders – have not done well. Only the few at the top have benefited from the rigged game.

The US spends 17 per cent of gross domestic product on health care, double that of other developed economies but with a less healthy population. The US health care system is really a rigged game to benefit people like doctors, hospitals and health care managers.

Finance, now the target of Americans' fury, accounted for about 8 per cent of GDP at the peak, twice the historical average. But, the shareholders of the big financial institutions have lost huge amounts. The extra 4 per cent of GDP had gone to financial sector executives. And when the property bubble burst in 2008, the rigged system used the occasion to rip the people off again, using taxpayers' money to bail out collapsing financial institutions.

The US Senate has just passed a bill to impose tariffs on Chinese imports to penalise China for holding the renminbi too low. Law-

makers are trying to divert the American people's fury towards China. The fact is that the US will spend US\$2.7 trillion on health care this year, while the US trade deficit with China is likely to top US\$300 billion. Cheap Chinese goods have helped Americans to cope with living costs skyrocketing due to the rigged system. If there is a trade war between China and the US, both will be hurt, but the US will suffer more.

The ruling class in the US won't give up on their own. They must be pushed out. This is why mass movements like Occupy Wall Street are necessary for the US economy to recover.

Hong Kong, despite strong economic growth in recent years, is facing more potential for social upheaval than even in 2003. Hong Kong uses property to tax people and benefit vested interests. It maintains high prices through land control; even though Hong Kong has plenty of land, the government artificially limits the supply to maintain high property prices. Hong Kong's banking system gets generous treatment for making mortgage loans, turning it into a property bubble machine.

The Hong Kong government is hoping to contain the people's fury, promising a few thousand subsidised properties many years down the road. The authorities should release enough land to build a million flats now. They are missing the last chance to maintain social peace. It shows that Hong Kong's ruling elite cannot relate to the people any more.

Beijing has been introducing property tightening policies to contain the middle-class fury that threatens national stability. Even though China has had tremendous economic growth in the past five years, few people feel that things are better. The reason is that vested interests are taxing people through political power. The monetary resources are flowing to the government through high property prices, high fees and taxes. Obviously, the money that the government spends goes first through vested interest groups. While the central government seems determined to rein in the property bubble, many local governments and, of course, vested interest groups, are exerting pressure on Beijing to loosen up. If Beijing buckles, China, too, can expect revolution.

In the two decades since the fall of the Berlin Wall, a self-appointed elite, best represented by the Davos crowd, has ruled the global economy through financial games, taking money from the masses through power and covering up their acts by creating bubbles. The real problem that plagues the global economy is that this ruling elite wants to keep the game going rather than make an exit. The people of the world must revolt and rid these parasites for good.

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It's our loss

Kelly Yang says Hong Kong's refusal to allow a despot's grandson to study here leaves two countries poorer as a result



He's a good-natured teenager who likes Disneyland, enjoys a laugh, has dyed hair and a girlfriend. He could be a typical Hong Kong secondary student except for the fact that his grandfather is North Korean leader Kim Jong-il.

Kim Han-sol was admitted to Hong Kong's prestigious Li Po Chun United World College but was refused a visa to study here. No one knows the official reason for the visa snub, but Dr Stephen Codrington, the school's former principal who interviewed and admitted Han-sol, has said his family connections could be the cause. Han-sol is the son of the exiled Kim Jong-nam, who in 2001 was arrested for entering Japan on a false Dominican passport.

It wouldn't surprise me if politics was the reason for the rejection. And, if so, that would be a tragedy. Whether a child is allowed to study in Hong Kong should depend solely on that child's characteristics rather than on family ancestry. To reject someone simply because of the politics of his or her relatives is baseless and discriminatory. Shortly after the September 11 attacks happened in the United States, I found out that a fellow student at Harvard was a relative of Osama bin Laden. Were we surprised? Yes. Did we think he should leave the school? No.

Immigration officers should know that judging people on their own actions and not those of their relatives is one of the pillars of a free and fair society. According to Codrington, Han-sol is a well-balanced, confident, charismatic and idealistic young man who is interested in improving conditions for his people. Hong Kong's United World College, with its progressive values and mission, would have been just the place to inspire him. At UWC, students come from more than 80 countries and from all backgrounds to live and study together. The majority of students receive financial aid.

Notably, in Hong Kong, the government mandates that 40 per cent of its student body be from Hong Kong. This is higher than the 25 per cent mandate of other countries with United World College schools. Had Han-sol been allowed to study here, he would have been able to interact with many talented Hong Kong students, gaining first-hand knowledge of life in this Asian society that is not so far away from homeland but upholds free markets and free speech.

Codrington points out that the school's socioeconomic diversity helps teach important lessons within the school walls – the students of means learn that life is not always so easy, while the students without means learn that the rich are not always out to exploit. No doubt these powerful lessons would have served Han-sol well should he decide to go back to his motherland to effect change. Likewise, Hong Kong students would have been given a rare personal glimpse into an almost completely off-limits nation. Isn't this the whole point of education – to expose, exchange, and inspire?

The world can fault, dread and avoid Kim Jong-il all it wants but the only way to true reform is through educating the young. We should have greeted Han-sol with open arms instead of irrational fear.

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Regulator, not lack of runways, is holding Chek Lap Kok back

Albert Cheng says air traffic control is not being fully utilised to increase capacity

Last weekend, in his response to my recent column on aviation safety, the Civil Aviation Department's assistant director general for air traffic management, Wong Ping-fai, said Hong Kong did not lack air traffic controllers. He pointed out that controllers worked an average of 36.17 hours per week and had 36 days of annual leave, which means there is no fatigue problem or overworked staff.

According to Wong, the department has 154 frontline air traffic controllers, up from 148 last year. Over the last five years, he said, there had been a 25 per cent increase in the total number of air traffic controllers.

But the number of annual flight movements has been on a rapid rise over the past four years: from 296,000 in 2007 to 310,000 last year. This year the figure is expected to reach 320,000. The volume of flight movements will therefore expand by 24,000 just over the past five years.

The current air traffic handling capacity at the Hong Kong International Airport is 62 flight movements per hour, which pales by comparison with others in neighbouring regions. Baiyun Airport in Guangzhou now handles 60 flight movements per hour, but a third runway under construction will boost capacity to 106 flights per hour when it is completed before the end of this year.

Beijing International Airport's capacity is 68 flights per hour and London Heathrow's is 85. It is unacceptable that Hong Kong, as a regional aviation hub, can

handle only 62 flight movements per hour.

The Civil Aviation Department has hurt our reputation by not optimising the capacity and resources of the airport. Yet department officials now propose to build a third runway, which will cost taxpayers hundreds of billions of dollars. What a waste of money! We could have reached a higher handling capacity if the department could better utilise resources.

The old Kai Tak airport, right in the midst of residential buildings and with only one runway, could handle 35 flight movements per hour. Now, Chek Lap Kok with two runways and a far less challenging location for pilots to land can't even double the Kai Tak capacity. How ridiculous it makes us look.

The problem is that we are operating with the format of "one in, one out". Incoming aircraft land on the northern runway while outgoing flights take off from the southern runway instead of utilising both runways for take-off and landing. It defies logic why we can't allow both runways to operate independently.

It's obvious that the stumbling block is the Civil Aviation Department's refusal to move with the times. They appear to be reluctant to upgrade existing equipment to optimise the capacity of existing runways to allow landings and take-offs to take place on both runways.

The key to making this work is whether we can maintain the safety margin as well as efficiency when allowing incoming and outgoing

flights to take place on both runways at the same time.

It's true that the surrounding landscape at the airport does make it slightly difficult to come up with an ideal set of approach and departure procedures as well as missed approach procedures. But it's not impossible.

The Civil Aviation Department is well equipped to handle the situation. In 2000, it bought a multimillion-dollar air traffic control radar – the Precision Runway Monitor, which provides the most up-to-date, real-time data to air traffic controllers to prevent any aircraft deviating from its intended flight path and give out timely warnings in advance.

The PRM could be put to better use to help raise our airport capacity. The department can't keep on shirking its responsibility by putting the blame on outside factors such as the congested airspace in the Pearl River Delta region.

We need to seriously consider the option and allow both runways to operate at maximum capacity. At the same time, we must recruit more air traffic controllers to handle future flight movement increases. It's time to welcome foreign talent.

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Tsang can still leave a social enterprise legacy

Ming Wong says the requirement for these entities to be non-profit serves no purpose

In last year's policy address, Chief Executive Donald Tsang Yam-kuen used the words "social enterprise" nine times. This year he did not mention them even once. This glaring omission highlights how little progress has been made on this front during the past 12 months.

The government was supposed to encourage the private sector to "befriend" social enterprises, introduce training programmes to nurture young entrepreneurs and organise fairs to raise community awareness and promote socially responsible consumption. None of these have happened.

Its one concession was to extend grants to social enterprises for purposes beyond job creation. Now, enterprises that work for the benefit of the elderly, children and youth and environmental development may also apply for the grant. Sadly, the key criterion of requiring applicants to be non-profit organisations remains.

This position taken by the government is not only myopic but contrasts sharply with practices overseas. Major countries, including Britain and the US, have introduced legislation that explicitly recognises that social enterprises seek to achieve social and/or environmental missions while making a profit.

In fact, there exists an entire new asset class, known as impact investing, that invests in the shares and bonds issued by social enterprises. Closer to home, a Singapore-based organisation is in

the early stages of launching a stock exchange for these entities.

Until our government accepts that social enterprises should be encouraged to be financially viable, but not at the expense of their social or environmental missions, the sector will not take off. Tsang spoke of introducing training programmes to nurture young entrepreneurs in last year's policy address. And in the remaining nine months of his term, he can still fulfil his promise to the social enterprise sector.

First, he must remove the requirement that social enterprises be non-profit and instead require them to spell out their social or environmental mission in their constitution or articles of association.

Second, start funding intermediaries that can provide the capacity building and advisory services to both social enterprises and entrepreneurs.

To help young entrepreneurs, pair them with mentors from the business community or retired business people. Lastly, provide them with some seed money, say HK\$50,000 to HK\$100,000, in the form of repayable grants.

But do not make the mistake of trying to do everything within the government. Let those who are passionate about the field take the lead to build the sector.

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A global tragedy is unfolding in clear sight

Stefan Rahmstorf says rapid melting of Arctic sea ice is an ominous warning of runaway warming

Largely unnoticed, a silent drama has been unfolding over the past weeks in the Arctic. The long-term consequences will far outstrip those of the international debt crisis now commanding media attention. The drama – more accurately, a tragedy – is the rapid disappearance of the polar ice cap, the Arctic Ocean's defining feature.

In September, the sea-ice cover on the Arctic Ocean melted all the way back to the record-low level recorded in September 2007. At 4.4 million square kilometres, it was the smallest ice cover since satellite observations began 40 years ago, with 40 per cent less ice than in the 1970s and 80s.

The record low of 2007 stunned climate scientists. We blamed unusual wind conditions in the Arctic that year. But satellite data since then has proven us wrong; this year, we reached the same low level without those exceptional winds. The steady decline we had witnessed is rapidly accelerating.

The ice is also getting thinner. If it simultaneously shrinks and gets thinner, then the shrinkage in area is first steady but then accelerates towards the end. This is what I fear is happening now.

If this continues, we will probably see an ice-free North Pole within the next 10 to 20 years.

Global warming, caused by our greenhouse-gas emissions, is thus far continuing unabated. 2010 was one of the two hottest years on record globally, despite extremely low solar activity. Thus, it is almost

certain that warming – including in the Arctic – will continue in the coming decades.

This loss of ice will not only turn the Arctic ecosystem upside down, affecting many animals that are adapted to a life with sea ice. It will affect all of us. If the Arctic ice disappears in the summer months, we will lose a giant mirror that reflects solar heat back into space and helps keep the planet cool.

The ice loss will amplify global warming and upset weather patterns. It is now affecting one of the most vital components of the global climate system: the Greenland Ice Sheet. If this giant structure melts, sea levels worldwide would rise by about seven metres.

And this melting, it appears, has already begun. As NASA data revealed earlier this year, the Greenland Ice Sheet is losing mass at an accelerating pace. As tide gauges from around the world show, sea levels are indeed rising.

Future sea levels are hard to predict, but most experts agree that unabated global warming could lead in the coming centuries to a rise measured in metres, threatening the existence of many coastal cities and island nations.

We ignore the silent meltdown in the North at our peril. It is a grave warning for us all.

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