

SOCIAL SECURITY | MIKE MOORE

How an ageing population will reshape the world

From Malthus in the 1820s to the Club of Rome in the 1970s, it has been predicted that population growth will eventually make the Earth unsustainable. But population has not outstripped food production. The green revolution, which gave us super-rice and super-wheat, worked. Johan Norberg, its inventor, won the Nobel Peace Prize. Science will enable us to keep feeding people.

Ironically it is not too many newborns but an ageing populace that will cause a crisis in much of the world. A child born today in a country belonging to the Organisation for Economic Co-operation and Development has every chance of reaching 100 years of age.

When Britain's Queen Elizabeth first sent out telegrams congratulating Commonwealth citizens on reaching 100, about 250 were sent annually – now that figure has reached 3,000 per year and it is still rising.

The ageing of the population is having a dramatic impact on pension and health costs. New Zealand was the second country to set up universal old age pensions after Bismark's Germany. Then, it covered less than 3 per cent of the population, unchanged it would have covered 30 per cent of the population in my lifetime. A person in the OECD will spend as much money on health care in the last year of their life as all the other years put together.

The population triangle is being reversed. *The Financial Times* reported that the

proportion of people aged above 65, compared with those of working age, ranges from 20 to 30 per cent in almost all industrialised countries. That dependency ratio will rise to roughly 40 per cent in nations such as the United States, Britain and the Netherlands – where populations are slowly ageing – and to about 50 per cent in the faster-ageing nations of Japan, Germany, France and Italy. On current projections, Italy's population will have shrunk by 16 million by 2050.

Social security systems in many countries are unsustainable. They operate like the old-fashioned Ponzi scam, whereby lucky investors are paid from the contributions taken from the next generation of unsuspecting suckers – until the entire pyramid collapses.

The difference is that, in some cases, government officials and even corporate bosses, rather than escaping with the money, have spent it on getting re-elected or reappointed. Fritz Bolkenstein, an EU commissioner, said that without change, by 2040 if unfunded pension liabilities were shown up in the national accounts of EU states, they would represent a debt of 200 per cent of gross domestic product.

New-world countries are attracting immigrants, but not so the old world. Twenty years ago, Japan was the youngest society in the developing world – by 2005 it will be the oldest. To maintain its population size, Japan would have to welcome an average of 350,000

immigrants a year for the next 50 years. That is not going to happen.

The United Nations reports that Europe, Japan and the smaller advanced economies of the Asia-Pacific region will see their populations shrink by 13 per cent between 2000 and 2050, while the median age will rise 10 years to 48. By 2050, the UN argues that 98 per cent of world population growth will be in less-developed regions. Of the 78 million

people born each year, 95 per cent live in less developed countries. Nearly 40 per cent of Arabs are under 14 years of age, in Saudi Arabia 65 per cent of the population is under 25.

The Arab population will reach 400 million within 20 years. While about 100,000 Palestinians were forced out of their homes by the creation of the state of Israel in 1948, today they number in the millions. If they all went home over the next 20 years they would outnumber the Jewish population.

China's one-child policy has resulted in a social security system which is almost out of cash.

All these trends will have a profound geopolitical impact. The world will change. One thing we have learned is that as living standards rise and families feel more secure, parents do not have to rely on their children in old age. When education levels rise, women demand more control over their lives, and population figures fall. Human rights, labour and environmental conditions improve. Sustainable growth can only be achieved through freer trade, good governance by accountable, replaceable politicians, an active civil society and an effective civil service.

Sustainable development is the best policy for security and peace that we can endorse.

Mike Moore is the author of World Without Walls and former director-general of the World Trade Organisation



FINANCIAL REGULATION | EMILY LAU

Why stock market reforms have hit a wall

The financial affairs panel of the Legislative Council met last Friday to discuss a controversial report on the review of the regulatory structure of the securities and futures market.

The report, published by the Expert Group in March, proposed transferring the listing function of the Hong Kong Exchanges and Clearing Limited (HKEX) to the Securities and Futures Commission (SFC).

The recommendation was well received in some quarters and was immediately accepted by Financial Secretary Antony Leung Kam-chung, who appointed the group last September. It was chaired by Alan Cameron. The other two members are Raymond Ch'ien and Peter Clarke.

Because the recommendation affected certain vested interests, it was vociferously opposed by some HKEX directors. They included HKEX chairman Charles Lee Yeh-kwong, Moses Cheng Mo-chi, vice-chairman of the listing committee, and K. S. Lo, chairman of the Growth Enterprise Market listing committee. Mr Lee threatened to resign and Dr Lo actually did.

After days of intensive lobbying in early April, including high-profile media interviews given by the usually low-key Mr Lee, Chief Executive Tung Chee-hwa capitulated. The financial secretary was forced to make an embarrassing climbdown – Mr Leung announced the administration would conduct

further consultation and delay implementation.

As many people have repeatedly pointed out, the deteriorating quality of the listings coming to the HKEX has been an issue of growing concern, both in Hong Kong and overseas. Thus the sooner the problem is corrected the better. Otherwise, the administration's stated objective of developing the Hong Kong market into "the premier capital formation centre of China" will never be achieved.

As the report pointed out, there is a widespread belief that in the effort to reach critical mass and maximise the number of new listings, the quality of the new listings on the HKEX has been seriously compromised.

In 2002, the report said, there were 117 new listings on the HKEX, an increase of 33 per cent over 2001. This contrasted with an 18 per cent decline in the Hang Seng Index, a 17 per cent decline in secondary market turnover, a 36 per cent decline in initial public offering (IPO) issuance globally, a net reduction in listed companies in New York and London and a 12 per cent decline in new listings in Shanghai.

The report said the average IPO price in Hong Kong in 2002 was HK\$0.79, compared with 7.17 yuan (HK\$6.74) in Shanghai. Because of this, the report warned that there was a danger that international investors may view Hong Kong as a "penny stock market".

The report observed that many of the new

listings did not attract meaningful levels of institutional or retail investor interest and had negligible secondary market turnover. Thus it was difficult to understand the motivation.

I agree with the Expert Group that if too many poor-quality companies are allowed to list, the market's reputation will be tarnished. An approach that emphasises quantity at the expense of quality is fundamentally flawed and will operate to the long-term detriment of Hong Kong as an international financial centre.

I also agree with the group that since HKEX is a listed company motivated by profitability, it has an interest in listing as many companies as possible because listing fees constitute a significant portion of its revenue. There is also a disincentive to allocate resources to enforcement, which is costly and produces no income.

The HKEX acknowledged there is a perception of conflict of interest, and has built an internal "Chinese wall" to separate its business and regulatory activities. However, the group's report revealed that a significant number of the listing division staff of the HKEX are holders of pre-listing share options and all full-time staff in the division are eligible for consideration for a discretionary performance-linked bonus. Under such circumstances, the conflict of interest is real.

During the Legco panel meeting, HKEX chief executive Paul Chow said the exchange was willing to hand over to the SFC responsibility

for the listing rules on company disclosure, connected transactions between major shareholders or directors and price-sensitive information. He admitted that since the listing rules had no statutory backing, they lacked the clout to discourage malpractice. By passing some of the listing rules to the SFC, which is a statutory body, rule-breakers could face prosecution or fines, instead of just being publicly reprimanded.

Mr Chow also told Legco that the conflict of interest could be remedied by the HKEX forming a subsidiary to approve new listings. The fact the HKEX is willing to hand over part of its regulatory functions to the SFC is a good sign, but it has not gone far enough.

As I told Mr Chow at the panel meeting, the proposal to set up a subsidiary (which is not new and was rejected by the Expert Group) would not solve the conflict of interest problem, since the subsidiary would still be controlled and funded by the HKEX board.

As Hong Kong struggles to stimulate the post-Sars economy, the need to reform the market is more urgent than ever. However, Mr Tung has succumbed to powerful vested interests and is delaying the implementation of much-needed reforms. Given such disgraceful inertia, it will take many years before any meaningful reforms are made.

Emily Lau Wai-hing is a legislative councillor for The Frontier

CRUEL PRACTICES | PETER LI

Animals suffer, too. It's time the Chinese learned that

The outbreak of Sars in Guangdong did not happen by chance. Strong evidence points to a connection between culinary practices involving wild animals in the province and the spread of Sars.

Such culinary practices exist throughout China. Guangdong's food subculture, however, has taken this habit to an extreme. The consumption of wild animals and their exploitation for other purposes are a huge business in the province. In Guangzhou, any sympathy for animals is suffocated by a reckless drive for profit.

According to the Hong Kong-based Animals Asia Foundation (www.animalsasia.org), truckloads of wild animals and pets are shipped to Guangzhou from all directions on the way to local restaurants. Some dogs and cats, on the road for up to 72 hours without food or water, are dying as they arrive in Guangdong. Restaurants in the province have killed as many as 10,000 cats a day to cater to the taste of their Cantonese customers. In thousands of markets, animals seriously injured in the wild by debilitating traps have been a common sight.

Politics lies behind this lack of compassion. In the none-too-distant past, pet ownership

was perceived in ideological terms as part of a "decadent bourgeois lifestyle" that eroded the fighting spirit of revolutionary society.

The year 1958 witnessed an unprecedented campaign against animals, when Mao Zedong decreed that China's sparrow population should be exterminated. He reasoned that sparrows were pests because they consumed grain and thus reduced cereal production. So, they deserved to die. How? He launched a mass "kill the sparrows" movement. The entire society participated in a frantic killing spree, with truckloads of dead sparrows displayed by the government in Tiananmen Square.

Like many other such ideological campaigns, the sparrow-killing movement was a disaster on all counts. In the absence of sparrows, their natural enemies – China's insect population – exploded the next year, with ruinous effects on the grain harvest. Grain production continued to fall. Some 30 to 40 million peasants perished in humanity's worst policy-induced famine.

Another state-sanctioned mass campaign ordered the killing of dogs. But it was not just dogs and their owners that suffered.

The campaign fanned the violence of the Chinese youth during the Cultural Revolution.

A society that discourages compassion for the defenceless and promotes cruelty to animals, encourages violence almost by definition. No wonder the Red Guards never hesitated to use brutal tactics on so-called "class enemies".

Teenagers were seen disemboweling live cats on the street. In northeast China, poachers are still setting illegal traps that, for example, caused the slow and agonising death of a Siberian tiger in the winter of 2001.

Liu Hai-yang, a student at Beijing's prestigious Tsinghua University, became briefly famous last summer for an experiment in which he poured damaging chemicals on three trusting bears at Beijing zoo.

Most shocking of all, perhaps, is the common culinary practice of chopping off the paws of live bears, because the paws of dead bears are said to be less appetising.

Recently, pet owners have been abandoning their dogs and cats, fearful that the animals may be carrying the Sars virus.

When Deng Xiaoping initiated China's economic reforms in the late 1970s, making it ideologically correct to seek wealth, one side-effect was an explosion in the wild animal industry.

Hundreds of bear farms have been set up, and across China about 8,000 bears are kept in iron cages for the daily extraction of bile from an open wound in their stomachs. For years, the practice was praised by the government as a "brilliant innovation", producing revenue from bile exports and for pharmaceutical companies. Most people are blind to the cruelty.

Even though Sars has highlighted the fact that the eating of wild animals is hazardous to public health, local officials have yet to change their mindset in viewing animals as easy targets.

Like the sparrow-killing campaign, some local authorities have issued orders to kill pets. This did not solve anything, and the orders were imposed more for reasons of bureaucratic self-protection than for public health.

Currently, Guangdong is taking steps to outlaw the trade and consumption of wild animals. Is it not time for authorities to seize the opportunity to foster a sense of concern for the other creatures that share the planet with us?

Peter Li is an assistant professor of political science at the University of Houston-Downtown lipj@uhd.edu

GLOBAL VILLAGE



Exorcising the past for a new Cambodia

There was no excitement in Siem Reap, gateway to the stunning majesty of the Angkor temples complex, as Cambodia's Senior Minister Sok An and United Nations chief negotiator Hans Corell raised champagne glasses in the capital Phnom Penh, 315km away, to mark agreement at last on bringing the perpetrators of the infamous Killing Fields to trial.

People in Siem Reap are familiar with the Hindu myth of the Churning of the Ocean, carved in elaborate detail on Angkor Wat's north wall. As gods and demons battled for the elixir of immortality, the waters yielded nectar and also poison, which the Hindu god Shiva – whom the 9th century Khmer king, Jayavarman II, and his descendants claimed to incarnate – swallowed to save creation from being destroyed. The poison stained Shiva's throat, giving him his other name Neelkanta, or Blue Throat. The message is that while good and evil go hand in hand, evil must be suppressed before good can triumph.

A genocide trial might achieve just that, but six years of protracted negotiations with the UN confirm Prime Minister Hun Sen's belief that much more is needed to heal the wounds left by decades of turmoil. As Mr Sok An reminded assembled diplomats, Phnom Penh's Chaktomuk Theatre, where the June 6 agreement was signed, had witnessed another genocide trial 24 years earlier, when former president Heng Samrin spoke eloquently about "the tribunal of history, the tribunal of mankind's conscience" joining "the Kampuchean people in pronouncing its verdict". That trial sentenced Pol Pot and his associates to death.

Cambodia's National Assembly must ratify the latest agreement and enact legislation. Neither can be attempted until the July 27 election reaffirms the government's mandate. Cambodia and the UN must then conclude a series of supplementary agreements on utilities, facilities and services. Although Indian legal experts helped Cambodia draft a new law to bring Khmer Rouge criminals to justice, it must still overhaul its judicial process to create a two-tier tribunal that inspires confidence. Three of the five judges at the first level and four of the seven at the second will be Cambodian.

All this will take time, organisation and co-operation between the ruling Cambodian People's Party, its supposed ally, the royalist Funcinpec – which often seems more like a sparring partner – and Sam Rainsy's opposition group. The UN must not only find US\$19 million – the preliminary estimated cost of a three-year trial – but ensure that the money is properly used.

These organisational problems are daunting enough, but the emotional, social and political implications are infinitely more complex. Adapting Zhou Enlai's comment on the French Revolution, it is too early to pinpoint exclusive guilt for grim institutions like Phnom Penh's S-21 detention centre and the 343 killing fields, which resulted in so many deaths from starvation, exhaustion and torture. Cambodians still cannot agree whether 1.7 million or three million perished. Almost everyone compromised with evil. Nor would coup leaders have been able to seize power without outside support. The roots of tragedy go back to centuries of regional friction sharpened by cold war politics.

Hence the need for care in setting this second judicial stage. If the 1979 genocide trial was invalid because western and Southeast Asian governments did not recognise Mr Heng Samrin, under whose auspices it was held, why did one of the condemned politicians think it necessary to seek – and obtain – a royal pardon?

The thousands of youths who guarded detention centres like S-21 are now respectable farmers, traders and bureaucrats. Justice must be seen to be done, but reckless probing might discredit powerful personalities, damage revered institutions and upset a fragile national equilibrium. It would also implicate major Asian and global powers.

Pol Pot is dead. Incarcerating a few of his ageing colleagues, in the same way that the Nazi Rudolf Hess was locked up for more than 40 years in Spandau Castle – guarded at great expense by British, American, French and Soviet troops – will not cleanse the past or secure the future. If the Khmer Rouge was a social disaster, the antidote must be social education that also extends beyond Cambodia to the external forces that played a leading part in perverting an ancient culture and inflicting such pain and suffering on a gentle people.

As Angkor Wat's bas relief proclaims, evil must be exorcised before good can flourish.

Sunanda Kisor Datta-Ray is a senior fellow at the School of Communication and Information of Nanyang Technological University, Singapore

ASIA BEAT



SHANGHAI

Bill Savadove

Restoring pride

Wu Jiang, an architect turned government official, is trying to change the way Shanghai preserves historical buildings – from the ground up. He left his teaching post at Tongji University four months ago to take up the job as deputy director of the

Shanghai Urban Planning Bureau. Shanghai is waking up to the economic benefits of retaining some of its history, but recognition of the need for historical preservation remains low among officials and the public.

The entertainment zone Xintiandi, made up partly of restored buildings in Shanghai's traditional *shikumen* style, played a major role in raising awareness.

Entrepreneurs are buying old houses and restoring them to serve as venues for trendy restaurants. And moneyed investors are snapping up decaying buildings from families who have lived there for decades.

But Mr Wu wants to do more. Often, preservation loses out to development, since district governments and property companies can earn more money by putting up new buildings.

He plans to at least double the number of buildings under protection and clearly designate 12 historical districts. Shanghai has already classified 398 historical structures as landmarks and Mr Wu envisions a total of 800 to 1,000 in the future.

Although Shanghai has already mapped out historical districts, Mr Wu would like to expand the size of the

zones and give the designation more legal force. Under his plan, authorities will give different designations to buildings, requiring protection or allowing demolition only within strict limits. "In the last 20 years, there has been too much demolition and construction. What we are doing is just a remedy. It's already too late to make Shanghai a well-preserved city," he said.

One of the difficulties with preserving historical buildings in Shanghai is a lack of funds. The government sees other programmes as more pressing, while banning non-governmental groups that could help.

Private funding and individual home-owners have taken up the slack, but the city has no guarantee of the integrity of the renovations, unless the buildings involved are already designated landmarks.

Mr Wu hopes the local government can begin setting aside a portion of tax revenue to help preserve historical buildings, much like Shanghai has funded environmental protection. Tongji University has started a programme to train more architects in historical preservation. Experts are few and far between. Even rarer is an

architect like Mr Wu, who has renovated historical buildings and now serves as a government official.

Last year, Mr Wu advised on a project to restore a small building on the grounds of the Shanghai Academy of Sciences, which was to house the Shanghai Institute for Advanced Studies.

Just off a tree-lined street, the three-storey building now reflects its former glory, with painstakingly restored stained-glass windows, brick and plaster exterior and wooden floors.

"I have been looking for a more precise way to preserve historical buildings," Mr Wu said.

SINGAPORE

Sonia Kolesnikov-Jessop

Cat fight

There are an estimated 80,000 stray cats in Singapore. A single mating pair is capable of producing up to 324 offspring over two years, potentially leading to massive overpopulation. Cat

culling is nothing new, usually averaging 10,000 to 13,000 cats a year, according to Goh Shih Yong from the Agri-Food and Veterinary Authority (AVA).

Yet, the practice has reignited passionate opposition among animal-lovers in the past few weeks in the face of intensified culling following the Sars outbreak.

While there were 680 stray cats culled in April, the figure jumped to 900 last month. As of last week, there had already been 383 cullings this month.

The culling is part of the "Singapore's OK" campaign, aimed at cleaning up the environment and improving public hygiene in markets, hawkker centres and food establishments. "The stray cats rounded up are the ones that gather outside food establishments," Mr Goh said.

But animal lovers have been outraged by the practice and have literally taken to the streets, rounding up the animals and finding them homes. Several have pledged large sums of money to house the cats in pet farms.

Animal activists are especially furious because, for the past five years, they have volunteered to work with town councils to control the stray cat

population through sterilisation under the Stray Cat Rehabilitation Scheme, and now feel cheated by the authorities' decision to abandon it.

Animal welfare organisations have not only contributed their time to the scheme, but also their money. For example, the Cat Welfare Society donated S\$60,000 (HK\$270,000) to sterilise 5,000 cats.

But the AVA argues that the scheme does not work, as the number of complaints about stray cats is on the rise.

In a nation that usually finds it hard to organise any type of protest rally, animal-lovers have been very vociferous in the local newspapers.

Last week, 70 cat-lovers gathered at a five-star hotel to remember the culled cats with an 80-minute session of songs, floral tributes and a minute of silence.

The Remaking Singapore Committee has just recommended that the government draw up a code of consultation, which would set out guidelines and minimum standards on consulting the public before making policy changes.

Cat culling could be one of the first topics on the agenda.