INSIGHT

Positive disruption

Edward Tse believes the rise of Chinese entrepreneurship will remake the country and change the world

Many people believe China's economy is dominated by its state-owned enterprises, which are typically large, supported by the government and enjoy preferential market access. Some call it "state capitalism". While this perception is not entirely incorrect, it is being challenged by the rapidly developing private business sector.

Over the past two decades and more, entrepreneurship in China has grown at an exponential rate. As a result, it is bringing forth disruptive changes not only in China but increasingly on a global scale.

In 2000, total revenues earned by Chinese state-owned industrial companies and those in the non-state-owned sector were roughly the same, at about 4 trillion yuan (HK$5 trillion) each. By 2013, while total revenues at state-owned companies had risen just over sixfold, revenues in the non-state sector had risen by more than 18 times. Profits in the same period showed an even more remarkable difference, with state-owned companies showing a sevenfold increase but profits at non-state-owned ones increasing nearly 23 times.

China's entrepreneurs will be the ones driving the nation forward in the coming decades. Moreover, the entrepreneurial spirit runs deeper than just in business. It manifests itself in the government, and in the desires of ordinary people, most of whom share the dream of seeing their country reclaim its place as one of the world's great sources of scientific ideas and technological advances.

China has the potential to emerge as a key force in determining the direction the world will take through the 21st century. The reason is the role its entrepreneurs have assumed in the nation's development. Through this process, they will change the world – not because they set out to do so, but because they can't avoid it.

Given the interconnectedness of our world and China's enormous scale, they cannot realise their potential without changing China, and they cannot change China without changing the world. China's entrepreneurship, shaped by the country's history and culture, both in the short and long term, will inevitably intermix with global entrepreneurship.

As this happens, China's entrepreneurs will no longer be able to ignore the most pressing global problems, above all, climate change and the environmental stress generated as more people become wealthy and begin consuming more of everything. They will have to be involved in solving these problems. Because of this, thanks to its entrepreneurs, China will be a leading source of the thinking and practices needed to overcome the challenges facing the world in the coming decades.

The world is interdependent and, barring major disasters, will only become more so. The question, therefore, is how and on what terms should other countries engage with China, and vice versa. Given China's rate of economic growth, and the fact it could overtake the US in the near future to become the world's biggest economy, the initial reaction in much of the West is to see it as a threat.

Indeed, already, it is clear that it is difficult for many in America and Europe to view with equanimity a world in which a new power with its own agenda is emerging. The current world was shaped by ideas that came out of Europe and America in the 18th through to the 20th centuries. But, now, with the emergence of Asia and especially China as a new centre of global economic gravity, new thinking is needed.

With the West looking less confident about its position, and its leadership losing credibility in many parts of the world, there is an opportunity for revolutionary new approaches. Despite the fears about the rise of a powerful China, the rest of the world needs to consider how best to react to this

Others need to look at China's re-emergence from a broader perspective

change. Others need to see China's re-emergence from a broader perspective, rather than just an economic story. They need to see that China's entrepreneurs are also driving a renaissance that will have a wide-ranging impact in a host of fields, much of which they, too, can benefit from.

A unique phenomenon is taking place in China today. While its political system is inherited from a top-down planned economy hierarchy, its leading entrepreneurial companies, especially in the internet industry, which are young and dynamic, borrow much of their mindset, culture and structure from America's Silicon Valley.

In fact, many are closer to Silicon Valley than Beijing. In these companies, China's political and economic structure is mixed with Silicon Valley culture, each influencing the other.

Finally, I believe that as a consequence of the opening driven by China's entrepreneurs, the push to invest in science, research and development, and the new freedoms that people are enjoying, China has embarked on a renaissance that could bring it back to its historic heights.

The jury is still out but it is moving in the right direction.

This time, China's impact could extend much further – with the country playing a crucial role in shaping global well-being and even global governance.

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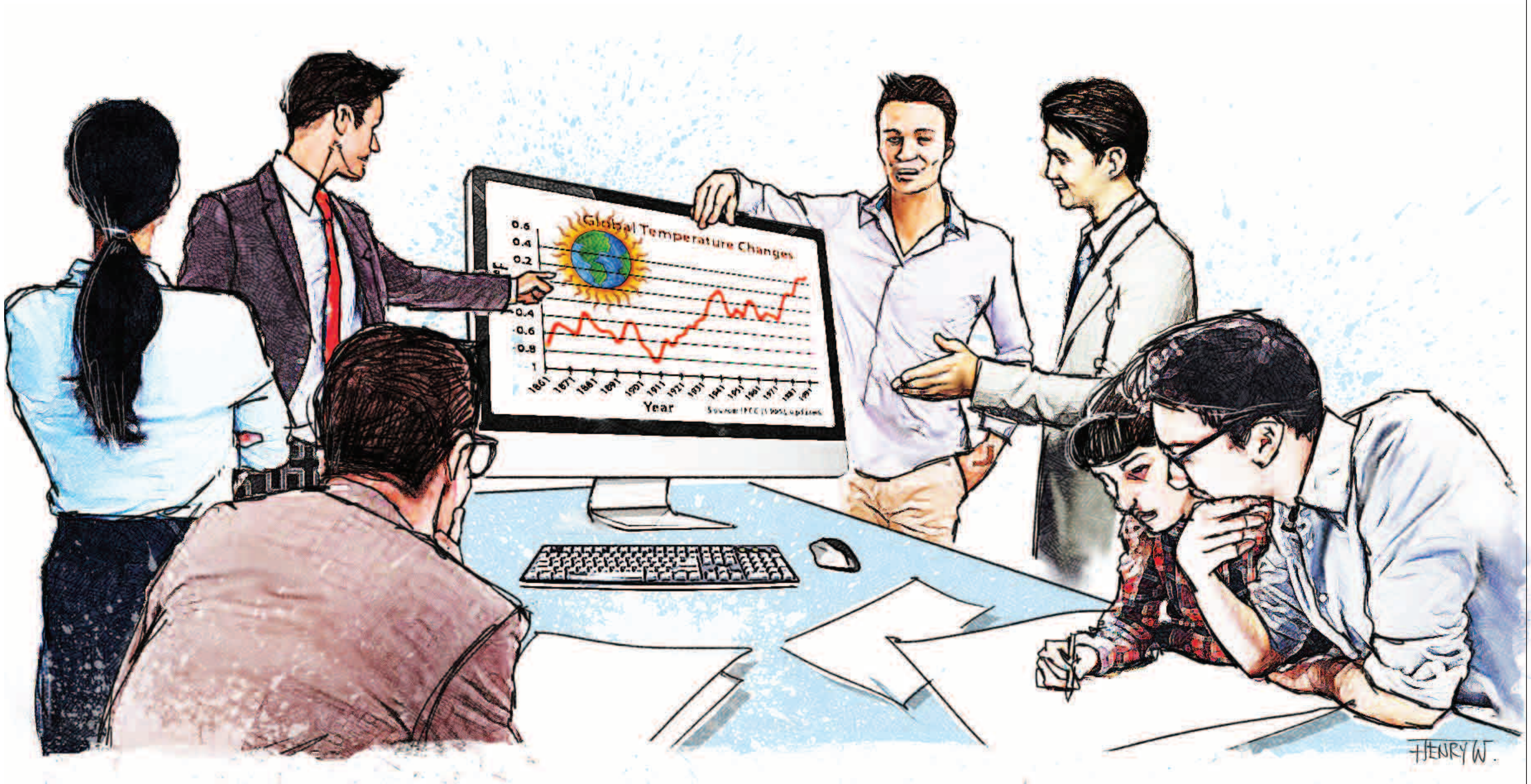

Why equality matters in the battle against climate change

Mary Ann Lucille Sering says leaders in developing Southeast Asia need to recognise that, in addition to developed countries, they too must act on global warming, for the good of their poor and economies

Countries in Southeast Asia have an opportunity to tackle both poverty and climate change, by building greater resilience to natural disasters and reaping the benefits of low-carbon growth.

A central goal of developing countries over the past decade has been to spread the gains of our economic growth to reduce inequality. By hurting the poor most, climate change now threatens to unravel those efforts. A report last month for the Asian Development Bank, "To Foster Inclusive Growth, Tackle Inequality and Climate Change", found that the poor were hit first and hardest when natural disasters strike.

By living on the edge, physically and financially, they have the least capacity to cope. The report concluded that fighting inequality and climate change can work hand in hand: pursuing policies which help the poor can boost their resilience to climate change; equally, curbing carbon emissions can reduce inequality by limiting future climate disasters.

We in the Philippines understand the dangers, after Typhoon Haiyan killed more than 6,300 people in 2013, left some 6 million people without jobs, and pushed an extra 1.5 million into extreme hardship.

We also know that our region is at risk. The rating agency Standard & Poor's last year ranked more than 100 economies according to their climate vulnerability. They placed four Southeast Asian nations in the top 10, including the Philippines, reflecting our agrarian economies, coastal cities, vulnerability to tropical cyclones and relatively low income.

The Philippines is stepping up its fight against climate change, even with our limited resources. Our installed capacity of zero-carbon, geothermal power is second only to the US, and we are implementing a national strategy for climate-smart development. But we must do more.

How can we secure the greatest benefit from a global agreement on climate change, to be reached in Paris at the end of this year? The world's industrialised nations must curb their greenhouse gas emissions. They have the responsibility and the means. They have grown their economies by burning fossil fuels, creating historical carbon emissions that will remain in the atmosphere for many centuries.

They must give their fair share of climate finance, to help us cut our greenhouse gas emissions and build our resilience to natural disasters. They have pledged US$100 billion in climate aid by 2020, and are still a long way short.

However, we must also be climate leaders. Southeast Asia must seize its chance for a strong Paris agreement on climate change, for two reasons. First, as we have seen, our countries lie in harm's way, now from typhoons, and increasingly from crop failures, sea level rise, damage to coral reefs and acidifying oceans. Second, economists, investors and engineers are ever more convinced that a low-carbon economy can also be more prosperous.

Like many Asian economies, the Philippines still depends on fossil fuels. This is changing, however. Last year, we more than doubled our installed wind capacity, and ranked third in all Asia for new wind power projects, behind China and India. An even greater revolution beckons in solar power.

The fight against climate change is a fight for human justice, innovation and, most of all, cooperation. Yes, developed countries bear more responsibility, but this is also our fight, for our people. As President Benigno Aquino said last year in New York: "Together, we must face these challenges and surmount them, or together we will suffer the consequences of inaction."

Mary Ann Lucille Sering is secretary of the Philippines Climate Change Commission

Beijing's balancing act

Bill Xiang Yang says relentless downward pressure on the economy means tough calls on how much government intervention is just right

China's economy expanded 7 per cent year-on-year in the second quarter of this year, unchanged from the first quarter. Perhaps the country has entered the so-called "new normal" of slower growth, in line with its more mature economy.

Beijing seems determined to put structural reform before high-speed growth, no matter how painful. Many Chinese don't believe their country can continue along the old path of heavy dependence on government investments to stimulate growth. But nobody knows how slow is too slow. Economists have warned that China has to maintain growth at a certain rate to generate enough jobs and prosperity to prevent youth unrest.

Yet, the reality is that downward pressure on the economy has been intensifying. For now, none of the three traditional growth engines are roaring. The outlook for foreign trade is worrisome, with exporters struggling against sluggish overseas demand, rising labour and currency costs. Meanwhile, expanding domestic consumption will take time and effort.

As for investment, Wednesday's data was a mixed blessing. China's fixed-asset investment rose an annual 11.4 per cent in the first half of the year, the slowest in nearly 15 years.

To deal with the challenges, the government has rolled out a series of policy measures. Since last November, the central bank has cut interest rates four times and reduced the amount of cash that banks must keep on their books in a bid to boost lending and spur growth.

In May, Beijing released a list of more than 1,000 proposed projects in sectors like transport and water conservancy, totalling nearly 2 trillion yuan (HK$2.5 trillion), to attract private investors.

Further action is widely expected because the government is keen to reverse the weakness in infrastructure spending, especially after industrial production and retail sales have stabilised in recent months. The hope is that financial spending and monetary policy easing could lead to growth stabilisation in the third quarter.

Beijing is careful to avoid an across-the-board tax reduction. Instead, it embraces robust economic interventionism – the latest example being its handling of the freefall in stock prices. Measures such as the suspension of initial public offerings and a ban on sell-offs by big shareholders have lessened the panic. However, the heavy-handed intervention has also raised concerns about China's market liberalisation.

Beijing is currently considering policies for its 13th five-year plan beginning next year. With the days of breakneck expansion gone and strong headwinds blowing, leaders have to think carefully how they can achieve sustainable development. As the old adage goes, the devil is in the details.

Bill Xiang Yang is an independent investor

Recycle used oil to drive clean air campaign

Edwin Lau says a new regulatory regime for waste cooking oil will offer Hong Kong the chance to ramp up production of biodiesel, which can be used to power vehicles, generators

Ten months after the tainted oil scandals in Taiwan and Hong Kong, our government has recently proposed regulating edible fats and oils as well as waste cooking oil to protect public health. Edible oil suppliers will be required to prove that the product meets statutory standards (although the proposed standards are not as stringent as in some other places), while waste cooking oil should only be collected by those who have registered with the administration, so that the reprocessing of the oil can be easily traced.

The proposed policy aims to prevent waste cooking oil and other substandard oil entering the food chain, which is a belated step in the right direction. While waiting for the government to establish the law, it would be helpful for a professional body to launch a voluntary accreditation scheme to monitor the edible oil suppliers and waste cooking oil collectors and recyclers.

With such a scheme, restaurants and food factories could be sure they are buying edible oil safe for human consumption, while selling or giving their waste cooking oil to accredited collectors only, to uphold their corporate environmental responsibility.

While waste cooking oil is generated every day, consumers and restaurant operators seldom think about its final destination – even when it may find its way back to our dining tables through illegal means. Restaurant and food operators just want to get rid of their oil to free up space, so any collector who offers a good price will get it, and not many will bother about what happens to it, in Hong Kong or elsewhere.

For many years, there was virtually no statutory control on waste generated by the food and catering industry, which demonstrated beautifully the government's laissez-faire policy that top officials are so proud of.

There are three biodiesel producers that have been operating in Hong Kong for years. They all try to collect waste cooking oil locally and recycle it to produce biodiesel for vehicles, machines, boilers and backup power generators for data centres, hospitals, and so on.

While waste cooking oil is generated every day, consumers seldom think about its final destination

However, they often grumble that it is very difficult to purchase waste cooking oil here as they find it hard to compete with other collectors who can offer much higher prices as they make higher profits from their operations. In a profit-driven society, no wonder food scares such as the so-called "gutter oil" and "industrial lard" scandals happen from time to time.

A government study estimates that Hong Kong generates around 16,000 tonnes of waste cooking oil annually, of which 5,000 tonnes is exported. Local biodiesel producers claim a combined annual processing capacity of 160,000 tonnes, which is way beyond the amount generated in the city.

Unfortunately, the demand for biodiesel for local commercial use and government vehicle trials is very limited, so they either have to suspend collection or sell surplus biodiesel to places outside Hong Kong.

To prevent people consuming tainted oil, we should recycle and reuse waste cooking oil locally. Studies have shown that different blends of biodiesel can reduce certain air pollutants when used in engines or boilers.

To demonstrate the government's commitment to improving our air quality and protecting public health, all diesel-powered government vehicles should use B5 fuel, a blend of 5 per cent biodiesel with Euro 5 diesel, and stipulate it as the standard fuel for all franchised buses. In addition, boilers in hospitals, laundries and hotels, and backup power generators in government and commercial buildings should use B5 or a higher blend. The government should also require oil companies to provide B5 in every fuel station to facilitate wider participation by the private sector and individuals.

If the government takes the lead to create demand, all our waste cooking oil could be reused locally, which would only be good for public health, the environment and the circular economy.

Edwin Lau Che-feng is head of community engagement and partnership at Friends of the Earth (HK)

Under a proposed law, cooking oil in HK must be shown to meet certain standards. Photo: Sam Tsang