



The individual income tax is a too big burden for working people. Many of our experienced workers change jobs because other firms increase their incomes by avoiding paying full tax.”

Dong Mingzhu, the president of Gree, a domestic home appliances manufacture.

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M. D. NALAPAT

Freedom should be in line with HK's reality

Hong Kong's Legislative Council rejected an electoral reform plan with 28 of 37 lawmakers present voting against it after a lengthy debate ended on Thursday. This is a setback to the orderly progress of Hong Kong democracy. What the ultra-democrats are doing could undermine the economic interests of Hong Kong by affecting its prosperity, which is increasingly mainland-generated.

Until 1997 the administrative authority of a territory that has become a world leader in finance and logistics rested with London rather than Beijing. Although the Western media and business leaders invariably credit their own institutions for the success of Hong Kong, the reality is that Hong Kong (as well as Singapore, another former British colony with ethnic Chinese majority), entered a period of rapid development only after former British prime minister Harold Wilson began his country's "withdrawal" from "East of Suez" in the late 1960s. Since then the steady decline of British influence and authority in the East has been matched in the reverse direction by the development of

Hong Kong as a global trading hub.

Because of the immense monetary resources the Chinese mainland has and the internationalization of the yuan in the near future, Hong Kong could overshadow London as the premier financial center after New York in the next decade. This is not something the United Kingdom is expected to take kindly to.

China, Russia, Brazil and India are united in their desire to end the supremacy of the Bretton Woods institutions in the world of finance and economic development, because these organizations are engineered to further diminish the powers of countries that had been world leaders before being colonized by European powers.

This is something Hong Kong residents should realize, along with the fact that their city is in Asia, not Europe. The veto reflected the influence of the ultra-democrats on public opinion in Hong Kong, and such a hold may cause a shadow to fall over the full utilization of business and economic synergy between the mainland and Hong Kong.

The Hong Kong residents should understand the need to seek solutions to their

problems that are unique to their culture and geography, instead of borrowing them from foreign countries that have vested interests, including the desperation to safeguard the privileges they have been enjoying for more than two centuries because of their military might and political guile. This is not an argument for ignoring or neglecting everything Western, because Asia has much to learn from the West. In the case of Hong Kong, the strong English language skills of its residents as compared with those of the Chinese mainland is a powerful means of economic and social betterment, a theory that also applies to Singapore and to the "IT revolution" in India.

But if the roots of culture and tradition are pulled out, the remaining structure of Hong Kong will be devoid of its resilience, vitality and versatility, which it so dearly needs to overtake London as an international financial hub. The SAR can achieve this goal only if it develops better synergy with the Chinese mainland, not by pulling away from it. In this sense, those who propagate a "one-size-fits-all" version of democracy are being dictatorial, not democratic.

The geographical location of Hong Kong, and its people's culture and traditions, and the opportunities available to them are very different from the models being suggested by countries that have more than a passing interest in maintaining their global dominance in the 21st century.

As technology continues to empower people, the range of choice available to individuals will expand. A knowledge-based society guarantees wide bands of freedom in terms of thought and expression, and certainly the Chinese central government understands this fact. But such freedoms have to be in conformity with the reality of Hong Kong.

Across the globe, attempts to replace or displace existing structures by constructs developed for totally different climes and peoples have resulted in misery and chaos, as the aftermath of the "Arab Spring" shows. Hong Kong is an Asian city, and should remain an integral part of China and a jewel in its crown.

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Talks should give boost to cooperation amid differences



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China and the United States will convene next week for the 7th Strategic and Economic Dialogue, their most important and wide-ranging bilateral talks.

Some critics of the event have complained about the low productivity of the talks, but given the misunderstanding and mistrust that exist between the two countries, the talks which involve several hundred people from the two governments are extremely important. In fact, there are actually far more people involved, as teams from the two governments prepare for the S&ED throughout the year. Their frequent interaction itself allows them to better communicate with and understand each other.

High-level engagement has been the key to positive momentum in relations between China and the US since President Richard Nixon's icebreaking trip to China in 1972. In the past two years, we have seen a boost to the relationship after President Xi Jinping and President Barack Obama met for their "shirt-sleeves summit" at the Sunnylands estate in Ranch Mirage, California in June 2013 and agreed to build a new type of major country relationship. Though the US has not been using the term much since then, there is no doubt that such a concept signals the intention for cooperation, not confrontation.

The summit in Beijing last November between Xi and Obama was equally fruitful and far-reaching, when the two countries struck landmark deals on extending business, tourist and student visas, and fighting climate change, among other things.

The same is true with the S&ED. In the past two years, the two countries agreed to start substantive dialogue on the negative list for a Bilateral Investment Treaty, which

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they exchanged last week in Beijing, and talk on confidence building to avoid dangerous military encounters on the high seas and later in the air.

Some people might think that the South China Sea and cyber security should dominate the agenda this time. The two sides should indeed have a candid talk on such issues, as did last week when visiting Central Military Commission Vice-Chairman Fan Changlong met with US Defense Secretary Ash Carter and other senior US officials.

But at the S&ED, although the two sides should still engage with each other on such complex issues that may not be solved for years in order to prevent them increasing tensions, they should not let such difficult issues eat up the precious time that can be better used talking about ways to increase their cooperation.

The S&ED was established as a major platform to identify new opportunities and manage differences in the bilateral relationship, yet the potential of such opportunities has not been explored as much as they should have been due to the excessive fixation on differences.

Compared with the US, China is still a developing country and it will take a long while for China to catch up. Expecting China to change overnight is just unrealistic. It's just like New Yorkers going to Tennessee or Texas insisting that everything should be as it is in New York. That is not going to happen. Yet that does not mean that New Yorkers and Texans cannot work together to achieve win-win results.

The same is true for China and the US and it has been proved over and over again over the past decades. For example, if the two countries can reach an agreement on the BIT negative list and the air-to-air annex to the code of conduct for military encounters this time, it will inject huge confidence and momentum in the bilateral relationship.

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ZHANG JUN

Time to promote collaboration on production capacity

International cooperation on production capacity has become a key part in China's economic cooperation with many other countries; and this cooperation is gaining momentum recently.

During Premier Li Keqiang's visit to Latin America, China signed framework agreements on industrial investment and cooperation with Brazil, Colombia, Peru and Chile, identifying areas for cooperation and key projects in building infrastructure and connecting manufacturing chains. In Kazakhstan, China is carrying out a package of industrial cooperation projects amounting to over \$20 billion, covering a dozen of priority sectors in Kazakhstan like iron and steel, cement, and plate glass. In countries like Indonesia, Ethiopia and Egypt, China's bilateral cooperation has shown promising prospects in areas of building materials, non-ferrous metals, ship-building and textile.

Why such a move? To start with, China's economy has entered into a new stage where it is now in a position to tap into its emerging comparative advantages. After decades of development, China has now grown into one of the world's major industrial powers and lies in the middle of the global manufacturing chain. A large number of industries in China are advanced in

technologies and operate at modest cost, thus enjoying the dual advantages of high quality and moderate cost. These industries are, therefore, more fitting to the needs and absorption capacities of developing countries. For instance, high-speed rail and nuclear power projects of China have been well received around the globe for their distinct Chinese features as well as world-level competitive edge.

In addition, promoting international cooperation on production capacity helps to harness global economic growth potentials. It can be an effective response to the downward pressure on the world economy, which is still in the post-crisis deep adjustment period.

Developing large-scale and high-efficient industrial projects helps attract foreign investment, boost demand and create jobs. Building infrastructure helps improve connectivity and solve bottleneck problems in areas of transportation, energy and communications.

Furthermore, it meets the needs of the recipient countries that are advancing neo-industrialization. Developing real economy has become the focus of attention for policy makers and a series of plans and strategies have been formulated. For developing countries in the process of industrialization, international cooperation on produc-

tion capacity can serve several purposes. It can support industries of both recipient and exporting countries by setting up the much-needed manufacturing assembly lines; building industrial parks to further process resources; extending the manufacturing and value chains; and promoting the development of SMEs.

The voices from the recipient countries are relevant because there is no shortage of allegations like "China exporting deflation" and "China transferring excess manufacturing capacity". One may not be surprised, as these days whatever China does, it will be scrutinized by critical eyes with colored lenses.

But the afore-mentioned views are nowhere near truth as it is known to all that the deflation risks faced by some countries and regions stem from the financial crisis that broke out in developed countries. And the risks have been exacerbated by post-crisis unconventional monetary policies and lack of action over structural reform to address the real cause of the crisis. Some countries, out of their own selfish interest, resort to trade and investment protectionist measures that risk shutting down the world economy. This will end up in lose-lose situation.

China's effort to promote international cooperation on production capacity is a

demonstration of the defining features of today's global economic cooperation.

First, China aims at win-win cooperation, aligning the development strategies and industrial cooperation of both countries on the basis of voluntarism, equality and mutual benefit.

Second, China is for openness and inclusiveness. It follows international rules and bases the cooperation on comparative advantages of each country. China is also ready to exploit tripartite cooperation with a view to combining the manufacturing advantages of China, the advanced technologies of developed countries and the needs of developing countries.

Third, China attaches importance to environmental protection and green growth. What China offers is not the outdated or obsolete industries, rather its superior, advanced and green production capacities like clean and neat factories, advanced and user-friendly equipments, fast and safe trains, wide and flat roads. This is what many developing countries would like to have in their pursuit of industrialization and development.

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ZHANG ZHOUXIANG

Reduce red tape to free sleeping maintenance fund

On June 14, an old building collapsed in Zunyi, Southwest China's Guizhou province, leaving four residents dead and three injured. It was the third building collapse in Guizhou in one month. And only after these tragic incidents did residents realize that lack of maintenance had become a common problem for buildings, especially the relatively old ones.

Ironically, property owners, or at least people who have bought houses, have been paying a certain amount as "public maintenance fund" since 1998. According to incomplete data from China Property Management Association, the fund now totals more than 500 billion yuan (\$80.5 billion). Yet only a very small percentage of the amount has been used for maintenance of buildings.

In Wuhua district of Kunming in Southwest China's Yunnan province, for example, less than 2 percent of the total 430 million yuan has been spent on maintenance from 1998 to 2014 while most of the money has been "sleeping" in public accounts. The situation is similar across the country.

The situation can be attributed to strict official procedures for using the maintenance fund. According to a regulation on maintenance fund, jointly issued by the Ministry of Finance and the erstwhile Ministry of Construction in 2007, a community's maintenance fund should be deposited in a public account held by the property owners' committee. In case an apartment or a building needs to be



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repaired, the committee should first post a public notice, and, after getting the approval of two-thirds of the owners whose property account for more than two-thirds of the community, apply to higher authorities for the money. And only after the higher authorities clear the application can the committee withdraw money to cover 80 percent of the repair cost.

The regulation was designed to prevent misuse of the community maintenance fund. But the complicated procedure has made it difficult for owners to withdraw money when needed.

The situation is worse for old communi-

ties which have not formed property owners' committees. In such communities, homeowners who need to carry out repairs must approach enough residents and collect their signatures, which is almost mission impossible because a community could comprise dozens of buildings and thousands of families. And even after a homeowner manages to complete this step, he/she has Sisyphean task of paperwork.

Therefore, the authorities should urgently simplify the procedure because the Zunyi incident may appear to be an isolated case but the fact is, a large num-

ber of buildings built in the 1980s and early 1990s need urgent repairs. If revising the regulation is a very demanding task, at least provincial governments and legislatures can take provisional measures to make it easy for homeowners to use the maintenance fund.

Perhaps, provincial and regional governments can learn from the example of Shanghai, which has granted owners' committees the final say in the use of the fund — when property management companies realize a building needs repairs, they apply to and get the money from the committee to do so after obtaining the approval of two-thirds of the homeowners. As a result, Shanghai communities have used 3.8 billion yuan of the maintenance fund, or 8.6 percent of the total.

Of course, supervision must be strengthened to ensure the fund is not misused after the procedure is simplified. Maybe an online information platform that is fully transparent and open to all homeowners should be set up, with provisions of allowing property owners to call the authorities at even a hint of any misuse following which accounts could be frozen until investigations are completed. In other words, only by delegating power to owners' committees and properly supervising the use of power can the maintenance fund be used for the purpose it was set up.

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