

MYANMAR *Ian Holliday*

Investing in a transition to democracy

Sixteen years on, there is still no democracy in Myanmar. Today, a military dictatorship maintains its oppressive rule over a complex nation of 55 million people, and continues to impoverish a country that, not so long ago, was the rice bowl of Asia.

The greatest hope for change was a general election on May 27, 1990. Confounding the expectations of the military elite and the predictions of seasoned observers, Aung San Suu Kyi's National League for Democracy (NLD) won in a landslide. However, the result was never implemented. Instead, a National Convention was formed in 1993 to draft a constitution for a "discipline-flourishing democracy". Its work remains unfinished.

External agents have key roles to play in promoting change. China may not need to become a responsible stakeholder in global affairs to pressure a regime it has long supported. It is also in Beijing's interests to secure its southern border. Similar calculations could be made in India, and many Association of Southeast Asian Nations capitals.

More widely, popular concern can highlight the fate of Ms Suu Kyi, held under house arrest for 10 of the past 17 years. It can publicise the plight of ethnic groups targeted by brutal campaigns of national unification. It can prompt the UN and other agencies to pay proper attention to injustices in Myanmar.

Ultimately, however, the key roles must be taken by insiders. For a while, it seemed that the relatively liberal General Khin Nyunt might play South Africa's reformist president, F. W. de Klerk, to Ms Suu Kyi's Nelson Mandela. However, that possibility was denied when the general was purged from the regime in 2004.

Ever since, the likelihood that democracy might emerge from within the junta has been small. Indeed, the recent removal of the capital to a jungle redoubt in Pyinmana appears to set the stage for a restoration of the monarchy destroyed by British imperialism 120 years ago.

Attention, therefore, turns to Ms Suu Kyi and the NLD. For years, the party urged

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supporters to isolate Myanmar under its military rulers. It favoured stringent economic sanctions and even questioned humanitarian aid. However, it is now shifting its position.

On February 12, it issued a statement of reconciliation proposing that General Than Shwe allow the 1990 parliament to convene. In return, it undertook to recognise the junta as an interim government charged with overseeing a transition to democracy.

On April 20, the party released a second special statement arguing that its offer to recognise the junta as a legal government would facilitate the flow of emergency aid from international humanitarian agencies. In response, the regime claimed the NLD was linked to "terrorists and destructive groups", and threatened to ban the party.

While senior UN envoy Ibrahim Gambari last week became the first outsider to meet Ms Suu Kyi in almost three years, the NLD continues to face determined attempts to erase it from the political scene.

In such circumstances, the party needs to make one further overture to the generals. The economic sanctions that it has long supported have immense moral appeal. On a practical level, however, inward investment from many parts of Asia means they can never work.

Investing in a military dictatorship is unsavoury. However, to sustain a transition to democracy, Myanmar requires a reasonable level of development. By inviting the world to invest in a long-term project of economic renewal, the NLD can promote eventual political change.

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A-SHARE TRADING REFORM *Steven Sitao Xu*

An equitable equity market

A survey last year by the *Shanghai Daily* listed China's top 10 most dangerous occupations. Stock investors came in at number five, ahead of firefighters.

The result was not that surprising given that the mainland's domestic A-share market has been a financial sink-hole for the past eight years. Many people lost money. Startlingly, such a long bear run has coincided with years of explosive economic growth.

But in the first four months of this year, the A-share market has surged more than 40 per cent. The rally was so swift, even the most seasoned investors were caught off guard. Many are naturally asking: "Is the rally underpinned by improving fundamentals, or is it largely liquidity-driven?"

There is no doubt that China's banking system is flooded with money. For every yuan banks get from depositors, only 60 fen are being lent. The remainder is going into the bond market, keeping the yield curve flat.

Despite the economy's apparent investment excesses, the flat yield curve prevents the central bank from drastically raising interest rates, allowing the low cost of capital to feed into the rising price of property and equities.

It is no secret that there has been a general distrust of listed companies in

China. The government has tended to view the equity market as the best avenue for helping certain debt-stricken, state-owned enterprises (SOEs) to raise capital.

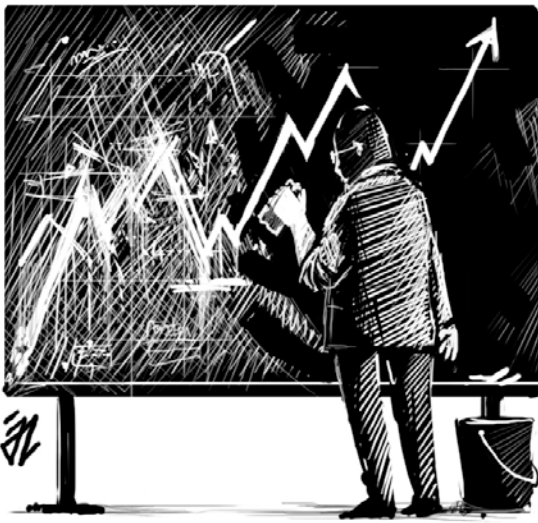
Because the equity market was treated as a means to reform SOEs, listings became a privilege doled out by the government.

Privilege, however, breeds corruption and abuse. Last year, a former China Securities Regulatory Commission (CSRC) official was jailed after receiving a 200,000 yuan bribe for leaking potential listings to a public-relations company. Meanwhile, brokerage firms routinely traded with clients' money as if it was their proprietary capital. If brokers lost – as most did, until recently – they expected the central bank to bail them out to prevent further damage to the financial system.

Ironically, whether the Shanghai A-share index is trading at record lows or highs, there have been no significant regulatory changes or improvements in corporate governance. Where is the

managerial accountability to shareholders? Given the business-as-usual atmosphere pervading the industry, liquidity in search of new opportunities – not improving fundamentals – must be one of the key factors behind this year's rally.

A rising stock market should, in theory, give China's policymakers more confidence in facilitating orderly capital outflows in light of the need to reverse the persistent upward pressure on the yuan.



But the central challenge for the government remains mustering the political will to make fundamental changes to transform the A-share market into a properly functioning capital-raising platform for corporations, and a source of attractive returns for investors.

Since the mainland's equity market was founded on the dubious notion of facilitating debt reduction by poorly run SOEs, the listing criteria is entirely dictated by regulators, rather than market demand.

As long as the CSRC is unwilling to acknowledge that stock investment is a decision ultimately made by investors, China's stock markets are likely to remain a dumping ground for loss-making SOEs.

The government must reform the stock market to end the SOEs' virtual monopoly on equity financing. The direction of reform should be towards open listings, rather than setting arbitrary requirements on firms' profitability prior to equity offerings, as is now the case. Only then can investors make independent choices to maximise returns on their investments.

Steven Sitao Xu is the Economist Intelligence Unit Corporate Network's director of advisory services in China

CUTTING VEHICLE EMISSIONS *Edwin Lau*

The road to cleaner air

Each day, vehicles clock up a total of 30 million kilometres on Hong Kong's roads – the equivalent of almost 750 times around the world.

They also contribute 25 per cent of the respirable suspended particulates, 27 per cent of the nitrogen oxide, 13 per cent of the greenhouse gases, and 90 per cent of the carbon monoxide found in the city's air.

Looking at the global growth rates of vehicle ownership, such problems are only worsening. In 1939, there were 47 million vehicles. Today, that figure stands at 775 million. The world vehicle fleet has grown more than 6 per cent each year, while annual population growth is below 1.3 per cent.

According to the government, the Air Pollution Index is consistently higher at roadside monitoring stations than ambient stations. Therefore, while many people criticise the power industry as being the main culprit behind our poor air quality, they should not forget about vehicle pollution, generated by both public and private transport.

Of course, buses, trains and the Mass Transit Railway play a very important role in reducing the number of private vehicles in our crowded urban setting. But we often see near-empty buses operating during off-peak hours, and an array of buses queueing along main roads during peak hours. Coupled with this is the fact that some bus routes are duplicated, serving the same districts.

The Sustainable Development Council has recently proposed phasing out older buses to reduce air pollution. I believe this is the right approach – but it has missed the target.

Removing one bus from our roads would contribute more in terms of air-quality improvements than having a couple of buses with the latest European technology operating in the city.

The government has been giving concessions to franchised bus companies to keep their costs down so they can charge lower fares. This is a noble gesture, but the bus companies are using the concessions to run more buses, thereby exacerbating the pollution.

As for private transport, many foreign governments are running trials with cleaner fuels. Besides petrol and diesel, hydrogen and ethanol are suitable options.

Ethanol is produced by fermenting crops such as corn, grain or even rice straw (an agricultural waste product). It is one type of renewable energy that does not emit carcinogens or other harmful toxins.

Using ethanol for fuel could mean 30 per cent less smog-forming carbon monoxide being pumped into our atmosphere.

E-85, a blend of 85 per cent ethanol and 15 per cent petrol, is currently being used in Canada and the US in "flexi-fuel" cars that can run on pure petrol or this blend. Canada has more than 1,100 fuel stations that supply E-85, while the blend costs less than regular petrol in the US due to government tax concessions.

E-85 may be one answer to curbing air pollution caused by vehicle emissions in Hong Kong. The main-

land has huge amounts of agricultural waste in need of disposal. The market potential for green business ventures is, therefore, huge – especially considering the rising cost of oil.

Improved fuel efficiency is another way to reduce emissions. Cars could be made lighter, with reinforced plastic body panels, or Hong Kong could look at eco-friendly technology that cuts fuel to the engine when it is not needed.

For instance, some European car manufacturers have successfully implemented "stop and start" technology, cutting the engine when the vehicle stops, for example at traffic lights. The engine restarts a split second after the driver takes his or her foot off the brake.

Clearly, solutions to a healthier future are out there – we just need to go the extra mile in our creative vision.

Edwin Lau Che-feng is assistant director of Friends of the Earth (HK)

CAREERS *Robert Shiller*

Picking a winner in the future jobs market

As a college professor, I hear a lot of career concerns. As my students prepare to enter working lives that will last 40 years or more, most try to be futurists in choosing the skills in which to invest. If they pick an occupation that declines in the next half-century, they may regret it.

From what my students tell me, there is a widespread fear of "commoditisation" of jobs in the modern, IT-driven global economy. They worry that in coming years, even highly skilled people might be hired and fired indiscriminately. If the job requires nothing more than knowledge of existing technology, then it can be done by anyone or, worse, by a computer.

Indeed, while it is often thought that computers will replace only low-skilled jobs, my students remind me otherwise. Medical expertise is in some ways being replaced by computer-based diagnostic systems, and much of

the work that engineers once did has been replaced by computer-assisted design systems. My students worry that such trends may continue.

Some students, reckoning that it is better to buy and sell than to be bought and sold, conclude that they should be trained for careers in business, finance or possibly law. By contrast, they often regard occupations like medicine or engineering as particularly vulnerable to commoditisation.

Should students really be worried? Labour economists have discerned some trends that may reinforce their fears, but they don't support the conclusions students tend to draw.

In their recent book, *The New Division of Labor: How Computers are Creating the Next Job Market*, economists Frank Levy and Richard Murnane carefully classify jobs according to the kinds of cognitive skills they require. They were particularly interested in

identifying jobs that could, in principle, be replaced by a computer. They then showed evidence from the US that jobs involving routine manual or cognitive work had become much less plentiful, and have indeed tended to be replaced by computers.

In an important sense, their research confirms that my students are right to be worried. But these trends tended to occur within many occupations, industries or educational attainment levels, thus providing little guidance on which occupation to choose or how much education to pursue.

The important issue, the authors say, is that the most promising future careers will be those grounded in either expert thinking – how to deal with new problems – or complex communication skills, that is, understanding ideas, how to evaluate their social significance, and how to persuade – tasks no computer can accomplish.

As long as young people direct their efforts accordingly, they can acquire these skills in virtually any of the major university courses. Specialising in business, finance, or law does not really protect one from commoditisation. People in these fields are, ultimately, bought and sold as much as people in technical fields.

Students should motivate themselves to attain deep understanding – not rote memorisation – of the subjects they study, to fulfil the role of a true expert. At the same time, they should invest in acquiring the communications skills that will be similarly crucial to a successful career.

Ultimately, students should stop worrying so much and immerse themselves in the field they love.

Robert Shiller is professor of economics at Yale University. Copyright: Project Syndicate (www.project-syndicate.org)



Peter Kammerer

Molehill out of a mountain

My elder son was glued to the television more than usual the other day, watching a man wearing not a lot clamber at speed up an especially dangerous-looking artificial slope constructed in the name of extreme sports. As the guy reached the top and slid belly-first down the other side to claim a new record, my flesh and blood uttered a whistle of admiration.

"Dad," he asked. "Can I have a motorbike when I'm old enough to get a licence?"

There is a time and place for everything and this was not a good choice of either. I did not respond and as my son is 15, I have a few years to think about it. But knowing his predilection for activities that would scare the life out of ordinary people, such as my good self, any vehicle I buy him will look more like a tank than a motorbike.

That, of course, will not stop him from doing wild and crazy things to push his body to abnormal limits. There will be the day, I am sure, when he will turn from the TV, where muscle-bound men will doubtless be kick-boxing one another in the head in the name of sport, and ask me if I will fund his expedition up Mount Everest.

Given that weather conditions make May the best month to climb the world's highest peak and there are currently stories galore about this and that record being broken, I am well prepared for that moment.

"Go right ahead," I will say, adding that he can find the requisite US\$47,000 himself.

Anyway, I figure that there is nothing extreme about climbing the 8,850-metre mountain these days. In the 53 years since Sir Edmund Hillary and Tenzing Norgay became the first to achieve the feat, 1,500 climbers have made it to the top, with dozens more succeeding every season.

The youngest was a Nepali youth my son's age and the oldest a Japanese man, who claimed the

"I figure that there is nothing extreme about climbing 8,850-metre Everest these days"

record this week at the age of 70 years, seven months and 13 days.

Also so far this month, a Nepali sherpa guide beat his own record by climbing the peak for the 16th time, the first husband-and-wife team made the ascent, two 19-year-old British men became the youngest from their country to make it to the top, and – most challengingly – a man with artificial legs clambered up to stand on what has become known as the rooftop of the world. A blind man got there in 2001 and a wheelchair-bound paraplegic got to base camp two years later.

Keep in mind that when Sir Edmund and Tenzing made their climb on May 29, 1953, they were weighed down with oxygen tanks and heavy mountaineering equipment. Nowadays, using oxygen is considered cheating by some, clothing is made of frostbite-resistant fabric, and technology has meant that the going is comparatively light and easy. Before long, infants will be making the climb backwards in beachwear – or so one would think, the way the records are tumbling.

Truth be told, mountaineering is dangerous. Four climbers have already died on Everest this year, taking the mountain's toll since expeditioning records began in the 1920s to almost 200. My German grandfather, an amateur mountaineer, died of a stroke while descending that country's highest mountain, the Zugspitze.

I know such information would not circumvent my son's plans to physically challenge himself. Besides, there is no logical reason why people climb Everest, the age-old response being: "Because it's there."

Nonetheless, the steady stream of increasingly unlikely people making their way up its slopes surely calls into question its status as a challenge. I sense that with every man, woman and pet that makes the trek up the south and, more difficult, north face, the novelty will have worn off by the time my son has saved up.

This poses a new problem for me: how to stop him from the potential alternatives, like polar bear baiting, swimming with great white sharks, or extreme ironing on a tightrope across the Grand Canyon.

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WINDOW ON THE WORLD

BANGKOK *Simon Montlake*

Stem-cell tourism

Flying to Bangkok for nip-and-tuck surgery or an operation that can be done at a fraction of the cost back at home is becoming old hat. India, Malaysia and Singapore are also promoting so-called medical tourism.

Bangkok is in front in terms of patient numbers. Market leader Bumrungrad claims to be the world's busiest international hospital, with 400,000 foreign admissions last year.

Mind you, I'm not complaining about having high-quality medical care on my doorstep. When I got a fish bone stuck in my throat this year, Bumrungrad hospital did a fine job of removing the offending object. My private room was better than some hotels I've stayed in during my travels in Asia.

But a more tantalising glimpse of medical progress can be found across town at Bangkok Hospital's new heart centre. Not only do their American-educated cardiac surgeons have access to the latest technology and training, they offer something out of the ordinary: stem-cell therapy.

The procedure uses stem cells grown from samples of the patient's blood, which are processed at a laboratory in Israel and flown back to Bangkok. The cells are then injected into the patient's heart.

It is an experimental technique that is only performed in a few countries, and is usually offered to patients with severe heart failure, whose only alternative is a transplant.

Stem cells are controversial, not only in the US, where there are strict limits on their use, but also in South Korea, where test results have been faked, discrediting claims in favour of stem-cell therapy.

Bangkok Hospital, however, doesn't use embryonic cells, which generate the most controversy from campaigners who say embryos are human life. It is hard to see what is wrong with using your own blood to grow cells that have the potential to become blood vessels or other body parts.

Scientists in Asia seem to have far fewer qualms about dabbling with the building blocks of human life than their counterparts in the United States, where science has become increasingly politicised under the influence of Republican-leaning Christians. Thailand considers itself a religious nation of mostly Buddhist worshippers, but theology doesn't interfere in scientific practice.

Over the past year, Bangkok Hospital has successfully treated more than 40 patients using stem-cell therapy – mostly Americans willing to travel overseas for a procedure that isn't licensed at home.

It is a far cry from mainstream medical tourism, but another side to Bangkok's sophisticated health sector.

SYDNEY *Nick Squires*

Dad's Army soldiers on

By the time you read this, Australian troops are likely to have arrived in East Timor on their second peacekeeping mission to the fledgling nation in seven years.

But they leave behind an acute recruitment crisis. It seems young Australians no longer want to join the armed forces. Hence a suggestion by the government this month that servicemen and women should be allowed to remain in the ranks until well into their 50s.

The proposal inevitably prompted jokes about the defence force turning into a modern-day Dad's Army. The classic British comedy lampooned the war-time Home Guard, a volunteer unit of men too old or infirm for frontline duty who defended the nation against possible Nazi invasion.

The small detachment at the fictional English town of Walmington-on-Sea was portrayed as a bunch of bickering, bumbling geriatrics, comen and schoolboys led by the bumptious Captain Mainwaring. "Don't panic!" was one of the show's catchphrases, regularly uttered by Corporal Jones, the local butcher and a veteran of world war one.

The Australian media took great delight in mocking the plan but Defence Minister Brendan Nelson insisted it was serious and sensible. He

tried to scotch any suggestion that Australia's future defence would rely on old soldiers more at home on the bowling green than the battlefield.

"We're not talking about special forces; we're not talking about putting people into submarines or sending them on 20km marches with backpacks," he said.

Instead, the over-55s would be put to work in areas such as logistics, support services and the medical corps. If someone is able to do a job, their age should be immaterial, he said.

People in their 50s are far more capable than they were a few decades ago. And an ageing population means there are far more of them. Many veterans agreed with Dr Nelson. "Dad's Army" might make a catchy headline, said retired major-general Bill Crews, head of the Returned and Services League, but it is "not appropriate for describing what is intended here".

The latest figures reveal the army is 1,500 short of its recruitment target. Australia has enjoyed 14 years of economic growth, so there are plenty of other job opportunities.

Slogging through the bush with a huge pack and a heavy machine gun holds little appeal to teenagers who know they can command top dollar if they become IT specialists, mining engineers or accountants.

Hence the government's new-found respect for more mature service people.

Captain Mainwaring and his band of well-meaning, but accident-prone, volunteers would be proud.