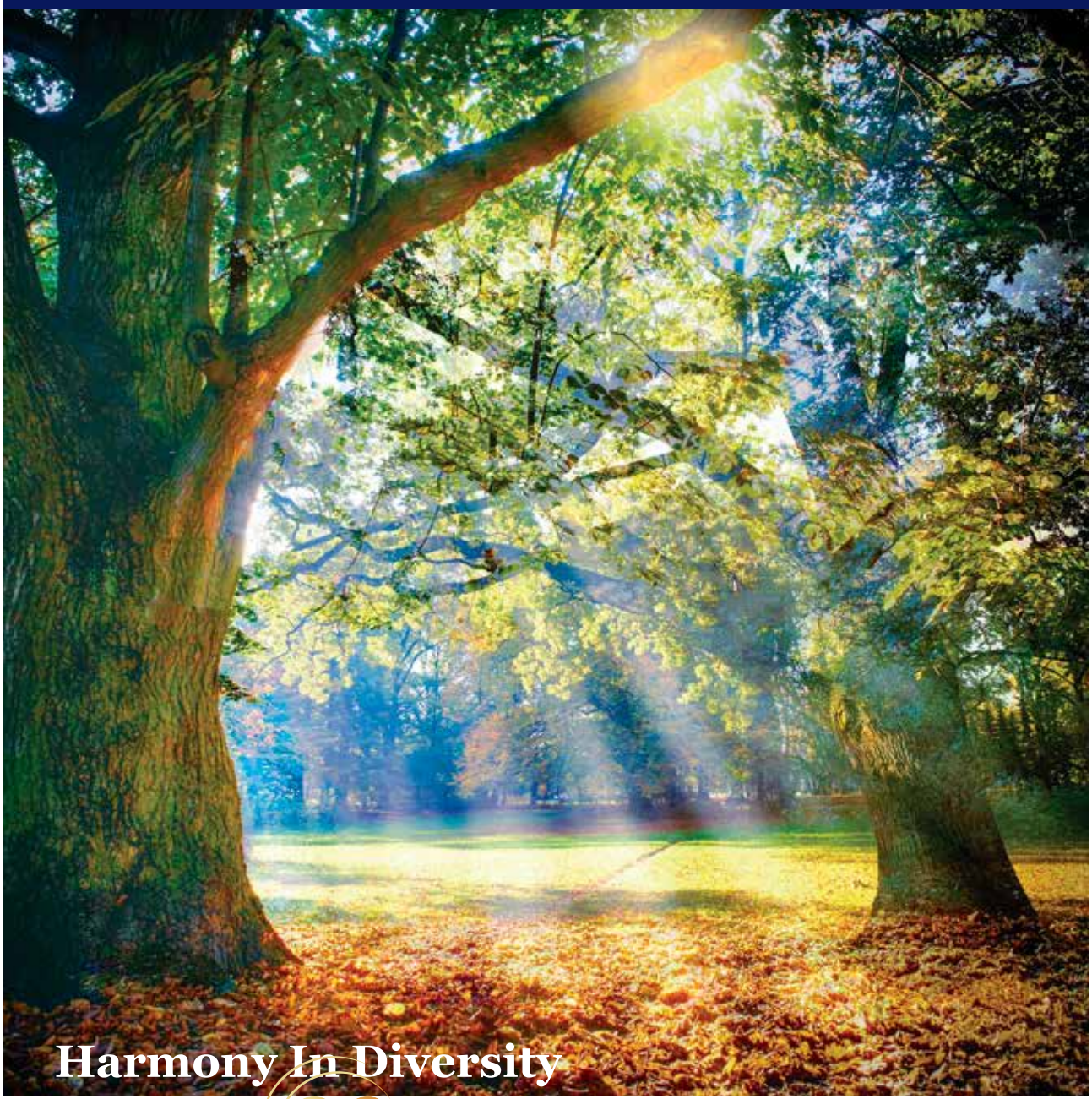
The International Institute of Management
國際專業管理學會



Harmony In Diversity

Celebrating 33 years of
The International Institute of Management

The Management Journal 2018-19

Harmony In Diversity

In today's multi-generational, hyperconnected, over-achieving, highly cyclical workforce, the almost-always cut-throat business environment reverberates with diversity.

The concept of diversity should encompass understanding, respect and acceptance. Diversity also means realising that each individual is unique, recognising the individual differences and celebrating in the collective strengths of each other as we work towards our goals and objectives in life. These can be along the dimensions of race, ethnicity, gender, socio-economic status, age, physical abilities, religious beliefs, sexual orientation, political beliefs or other ideologies.

It is the exploration of these differences in a safe, positive, and nurturing environment that allows for better understanding and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual.

Successfully leading various teams through empathic leadership, by providing the vision and oversight to cultivate more diverse yet inclusive organisations; by optimising, innovating and disrupting business models to produce more significant and sustainable measurable growth; by elevating the power of successful shared experiences and best practice; and by celebrating harmony in diversity are what underpin the International Institute of Management's continued success.

The cover image signifies the individuality of each resilient tree. While each entity is unique in its attributes, it finds enduring strength, balance, power, protection and sustenance with others. Trees are a symbol of life's great journey.

The Heraldry Tradition of The International Institute of Management

In 1995, The International Institute of Management Limited (IIM) made an application to the Royal College of Arms for a grant of The Armorial Bearings of IIM with Supporters and Badge based upon a design prepared by the organisation's founding members.

The application was accepted and The Letters patent was then prepared and presented by H.E. Paston-Bedingfeld, Esq., York Herald, on 22 January 1996 at the Government House, to the Queen's representative in Hong Kong. His Excellency, The Honourable Christopher Patten, representing the Queen, in turn, presented The Letters Patent to the President of IIM, The Honourable Dominic Wong, OBE, JP.

The Right to the Armorial Bearings conferred by the Grant of Armorial Bearings, made by the Kings of Arms, under the Royal Authority of Her Majesty, Queen Elizabeth II, is a limited Right, and it is not a Right which the grantee can pass onto a third party. Therefore, any reproduction of "The International Institute of Management Limited's" Armorial Bearings, in any form thereof, is not permitted without the prior written consent of the Council of the Institute.

Crest

The Crest is an ancient symbol to embody the International Institute of Management's authority as a recognized professional body.

Rising from the crown is the ***Philippine Eagle*** representing IIM's ability to soar and expand internationally and its claw holding the hourglass, an ancient symbol of the concept of time, is representative of IIM's mindful thrust towards efficiency and expediency.

The symbolic ***Knight's Helmet*** represents IIM's role in safeguarding its mores, values and membership.

The ***Crown on the Helmet*** is a token of IIM's civic honour to defend and protect the organization.

The stylised gold ***Fleur-de-Lis*** (flower-de-luce) is an enduring symbol of humility and devotion and its three petals, originally symbolic of the three social estates in medieval times, now come to depict education, innovation and governance, IIM's tenets.

Coat of Arms

The heraldry and the conventions of the IIM's coat of arms symbolize its heritage, achievements and aspirations.

The Shield or Escutcheon

The dexter chief part (upper part) is one of the three most important fess points in a shield which in this case houses an open book, of which within are inscribed two Latin words, "Commercium" (Commerce) on the left and "Industria" (Industry) on the right. The green band is part of tinctures often used in heraldry and is one of the five universally recognised colours in shields.

On the remaining two-thirds of the shield, the honour point all the way to the dexter base on the lower part of the shield, are two heraldic charges. These carry the two keys representing continuous learning and knowledge and the scales of justice to represent the divine rightness of law as well as the fairness of the judicial process that IIM upholds.

The Supporters

Located on either side of the coat of arms, they support the embodiment of the IIM's mission, vision and values. The White Unicorn with a golden alicorn (horn) is symbolic of the organisation's ability to open up to infinite possibilities and remains a constant symbol of hope, courage and strength and represents Righteousness. The imperial Golden Dragon, on the other hand, is a valiant defender of treasure and valour and represents strength and flexibility to adapt to ever-changing circumstances.

The Armorial Motto

'Achievement Through Professionalism' best describes IIM's motivation and intention.

President's Message

Prof. Dr. David Lan, GBS, ISO, JP
President, The International Institute of Management (IIM)

藍鴻震 博士教授
國際專業管理學會會長

I am delighted to present this fifth issue of "The Management Journal (MJ 2018-19)", the official periodical of The International Institute of Management (IIM). The Management Journal aims to disseminate new knowledge in the field of management thoughts, innovative ideas, good practices and leadership wisdom as well as to provide a platform open to IIM members and all readers for deliberations and exchange of knowledge among academics, industry subject specialists and researchers.

The IIM Management Journal advances the understanding and significance of management thoughts in the economic, political, technological and social relations of organisation and society. The journal encourages debate about the changing nature of management research and the dilemmas, ambiguities and complexities of management theory and practice, past and present.

As President of IIM, it is my honour to advise that this year we have 19 articles contributed by outstanding learned scholars, highly seasoned practicing professionals and prominent social and business leaders, all sharing their knowledge and experience. Many of them are quite well-known in Hong Kong as well as within their respective fields of expertise from around the world. The roster of authors include overseas opinion leaders carrying out important roles at the national and international levels. This healthy cross-fertilisation of knowledge and views from different regions truly reflects the international nature of this platform, substantiating our theme goal–developing future global leaders through harmony in diversity.

Our continuous relationships over the years with scholars / economists from the University of Chicago have meant joint activities and contribution of articles from that source thereby enriching our readers' quest for knowledge. They include works from Dr Kevin Murphy; George J Stigler, Distinguished Service Professor of Economics at University of Chicago; IIM's Adviser, Professor Richard Wong SBS JP 王于漸教授; Chair of Economics, Philip Wong and Professor in Political Economy, Kennedy Wong, both from the Hong Kong University. Another important source I must highlight here is the contribution by our Counsellor,Prof CHANG Hsin-kang, 張信剛 GBS, JP, FREng, President-Emeritus of City University of Hong Kong on his very interesting story, in both English and Chinese entitled, "A Long and Hard Look at China".

I look forward to feedback and comments from our readers and subscribers to help us further improve this initiative, and also for your continuous contribution of articles, sharing your management wisdom with members and different sectors of the public, as well as providing robust and stimulating constructive debates and ideas cross-fertilisation.

Any papers that you wish to submit in future, either individually or collaboratively are more than welcome. As always, there is a vetting process and we hope you understand.

Best wishes and thank you for your continuous support and contribution to the IIM Management Journal. I sincerely wish you happy and gainful reading.

With warm regards,

David Lan
President, IIM

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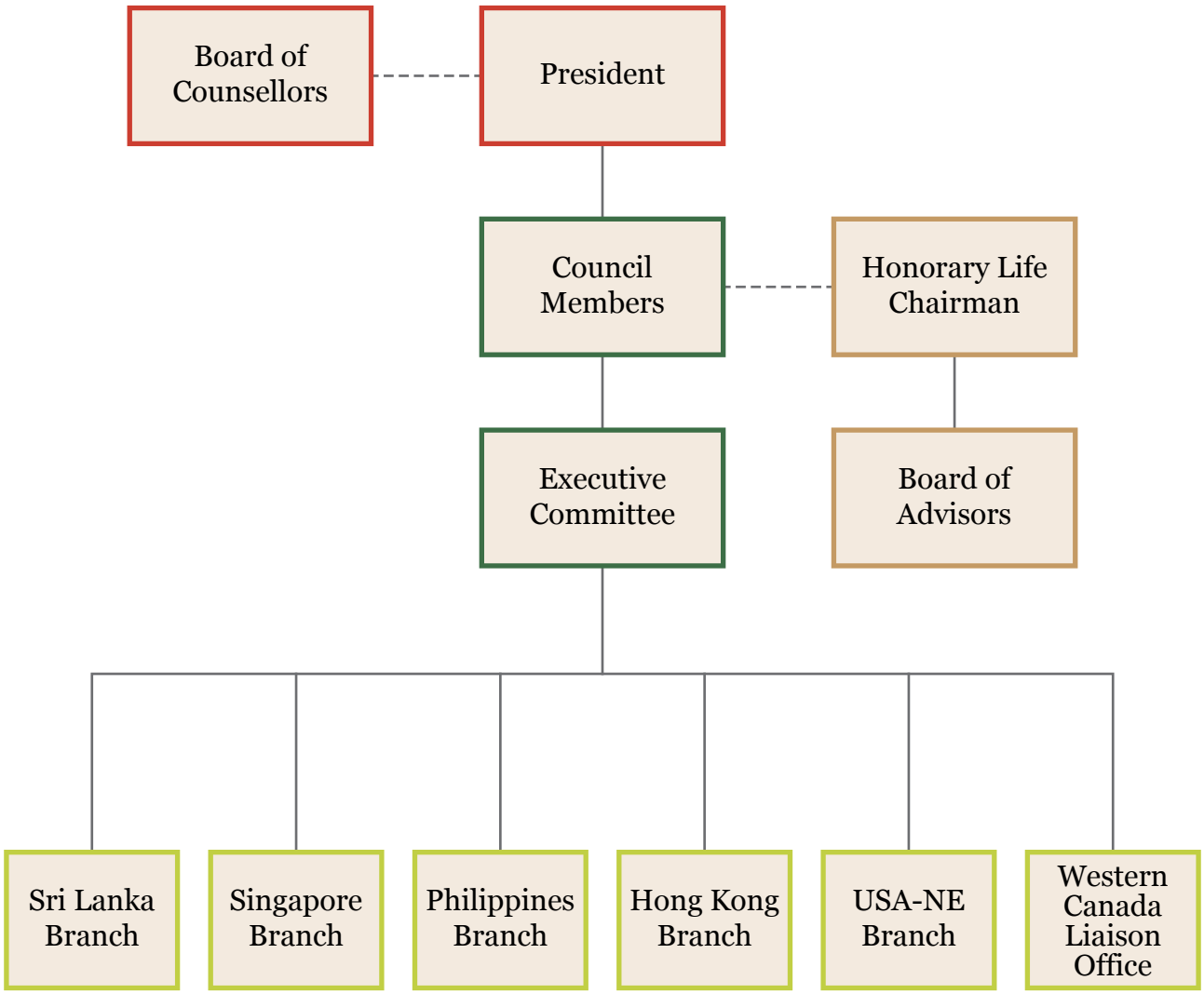

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Leaders in Industrial Education in Hong Kong: Foundation of the Glorious Achievement of Economic Reform in Mainland China

by Ms Grace Yu and Prof C K Au

Grace Yu

Committee Member of the Boy's and Girl's Association of Hong Kong
Member of Committee on Poverty of the Hong Kong Special Administrative Region

Chi-kin Au

Assistant Professor of Department of History, Shue Yan University

U Tat-chee was a significant businessman in the commercial and industrial sectors in Hong Kong during the 1940s to 1960s. He was appointed to various positions in major chambers and companies including Vice President of the Chinese Manufacturer's Association of Hong Kong, Honorary President of the Chinese Manufacturer's Association, Deputy Director of Kowloon Chamber of Commerce, and Director of the Sincere Company Limited. Yu's contributions extended beyond the commercial and industrial sectors to the general public. He was Vice President of the Boy's and Girl's Association of Hong Kong, and Director of Tung Wah Group of Hospitals. Mr U was particular concerned about education to children.

Mr. Mr U was entrusted by the government to become Advisory Board Member of the Trade and Industry Department[1], Standing Committee Member of the Technical Education and Vocational Training Council[2], and Labor Advisory Board Member of the Trade and Industry Advisory Committee[3]. His considerable insight into the industrial sector in Hong Kong allowed him to make public request to the government to improve the industrial technology at that time. Also, his understanding that industrial education relied on the education and training of children since childhood urged him to actively promote education in Hong Kong. Mr U advocated continuity in the education system and education opportunities for all children. He once said, "Known as the Oriental Pearl, Hong Kong is a populated region, so it follows that the education system should stay abreast of latest development in science; moreover, the education system should implement curricula that prepare the future generations for challenges faced by the society and country."[4] At his capacity as the Chairman of Yau Yau Chuen Construction Company Limited, Mr U founded Yau Yat Chuen School, which offered classes at the kindergarten and elementary levels. The School was popular because of affordable tuition fees, children-oriented curricula[5], and curricular continuity. Since its establishment in 1956 till now, it remains a top ranking nursery school for 62 years. In 2017, the School was blessed with the visit of Peng Li-yuan, the wife of People's Republic of China President[6]. Besides establishing such a successful school, Mr U was also Supervisor of the Kowloon Chamber of Commerce Chinese Primary School[7], which had a close connection with the Kowloon Chamber of Commerce English Secondary School. The latter placed emphasis on the acquisition of vocational skills and produced graduates who became significant businesspeople in the commercial and industrial sectors and who formed a major force pushing the industrial development in Guangdong at the early stage of Reform and Opening-up Policy[8]. Mr U cared

about labor welfare and was particularly concerned about the education of the children of laborers. Because of this, he made calls for businesspeople to provide education to children of laborers. To practice what he preached, Mr U set up a free school in his Chy Loong Ginger Factory to offer more education opportunities[9]. This resulted in an additional benefit – the sense of belonging of the factory workers was greatly enhanced. Such a beneficial practice was adopted by enterprises which moved to mainland China at the early stage of Reform and Opening-up Policy, which eventually contributed to the overall development of education in mainland China. The education vision of Mr U went further into tertiary education when he was appointed member of the Court of the University of Hong Kong. As a Court member, he endeavored to develop subjects in commerce and industry. Mr U was among the few businesspeople who introduced foreign business management knowledge to Hong Kong as early as the 1950s to 1960s. Another major contribution to the education of Hong Kong students by Mr U were donations he made, including scholarships in large sums for Yau Yat Chuen School and the Boy's and Girl's Association of Hong Kong to subsidize poorer students. At his capacity as Vice Chairman of the Chinese Manufacturers' Association, he also donated industrial development funds in large sums for Hong Kong Technical College (now the Hong Kong Polytechnic University), as an endeavor in the development of local tertiary education. All efforts mentioned above explain the magnitude of contributions made by Mr U to education, which laid the foundation for the development for the commercial, industrial, and educational sectors in Hong Kong, and for the driving force for the Reform and Opening-up Policy in mainland China.

The Reform and Opening-up Policy dates back to 1978, when Hong Kong became the model for the development of emerging regions such as Shenzhen. There was a saying of "Hong-kongnization of Shenzhen" among the academics. Because of its development, Hong Kong even became a key study target for Guangdong provinces and counties at the early stage of Reform and Opening-up Policy. The study of Hong Kong by the central government was naturally highly detailed, but with limited space here, only the part on education is discussed here. What the central government found out was that the key to the success of a region was human resources, so it went on to identify features of education in Hong Kong, which turned out to be in three key areas: continuity in curricula, vocational training, and introduction of technology. It turned out that the development of education in Hong Kong was mainly attributed to visionary businesspeople and charitable organizations which laid a solid foundation by taking the initiative to establish schools and education subsidies. Such a foundation covered all educational institutions at all levels from nursery to tertiary education, making education possible for all. With continuity in curricula, students received comprehensive training and led the society on a steady development. This resulted in a gradually knowledgeable community which was able to handle more advanced and complicated technology introduced by businesspeople into Hong Kong. Consequently, production efficiency was enhanced, promoting the second transformation in the industrial sector, and even leading the community towards a knowledge society with a focus on the service sector[10].

Hong Kong saw the beginning of its golden industrial era in the 1940s and 50s, when all sectors began to understand the importance of industrial technology. As a result, various publicly and privately funded channels for industrial training were established. As early as 1937, the government already founded the Government Trade School (now the Hong Kong Polytechnic University) to enhance industrial knowledge. The School, thanks to strengthened support from the commercial and industrial sectors, formally upgraded as the Hong Kong Polytechnic, the first government-funded institute offering technical education at the tertiary level. Since then the institute has been producing human resources for the industrial sector. Many graduates even responded to the Reform and Opening-up Policy by transferring their relevant industrial technology and knowledge to mainland China[11]. The ever increasing needs for technology further urged the government to establish the Vocational Training Council to provide further vocational training to workers. With an annual intake of around 20,000 students, the Council has been a significant medium for adult education, laying a resourceful and stable foundation for the development of various industries[12].

In an era where technological innovations were an everyday scene, it was important for businesspeople and the government to observe and introduce new technologies so that the industrial and service sectors continued to develop. Among those businesspeople who were highly concerned about this and thus endeavored to organize industrial study tours, Mr U pioneered visits to countries with flourishing industrial development by then, including the United Kingdom, Germany, Canada and Japan. He also represented Hong Kong in attending Far East Economic Conference for many times and introduced industrial technologies to Hong Kong, facilitating what was then the industrial wonder in Hong Kong[13].

Wondered at the success of Hong Kong, regions in Guangdong and even Central Policy Unit started to study the education in Hong Kong and strengthen continuity in education. In 1986, the fourth session of the Sixth National People's Congress of the People's Republic of China passed the Compulsory Education Law of People's Republic of China, transforming the previously compulsory education into free education, thus securing education opportunities for all children. At the same time, the central government began to understand the value of the children education system of Hong Kong and improve continuity in education in mainland China. In 1981, the central government issued Pre-school Education Syllabus (Trail Draft) and in 1990s implemented a comprehensive reform[14]. As a result, the standard of pre-school education in mainland China continued to rise. Also, higher education began to gain attention from local governments and draw considerable support from foreign businesspeople. In particular, the Pearl River Delta regions, which demonstrated the best result from the Reform and Opening-up Policy, exemplified to the most apparent extent the impact of introduction of Hong Kong's education system. In 1979, the number of primary school students all over Guangzhou was 583400, that of secondary school students was 333650, and that of secondary technical school students was 26982. Thanks to the immense benefits from the Reform and Opening-up Policy and the support provided by municipal governments to strengthen education, the accessibility of education made a huge leap. The number of primary school students all over Guangzhou increased to 733400, that of secondary school students increased to 379505, that of secondary technical school students increased to 200105[15], while that of tertiary institutes was 108378. Such a huge success in education statistics, especially at the tertiary level, contributed to the sharp economic growth in the Pearl River Delta regions in the 40 years of history in the Reform and Opening-up Policy, while it is undeniable that part of the success was attributed to the introduction of Hong Kong's industrial education.

The rapid development of the Pearl River Delta region resulting from the immense success of the Reform and Opening-up Policy soon earned China the status of World Factory. At the initial stage of the Policy, Hong Kong businesspeople migrated north, brought with them various industrial technologies, and recruited professionals from Hong Kong to provide on-the-job training to workers in mainland China. In addition, they were willing to introduce important technologies from overseas to enhance competitiveness of their products. Nowadays, most major enterprises in mainland China have their own in-house training centers to keep their employees abreast with market demands. Shenzhen has even become a significant base for technological innovations of the world. In 2016, the Innovation Capacity and Activity Level of Shenzhen surpassed that of the Silicon Valley to the second place in the world, producing 55 invention patents every day on average. In the same year the total number of patents obtained by Shenzhen surpassed that by France and the UK respectively[16]. While on-the-job training contributes to the development of the innovation industry, more important driving force came from seamless collaboration between enterprises and tertiary institutes, breakthroughs made at tertiary institutes in the Pearl River Delta regions, where the municipal governments made considerable investment in the development of such institutes after making reference to the success of Hong Kong, together with gradually maturing industrial technology. All these were the key to economic growth brought about by scientific research and innovation after the Reform and Opening-up Policy was implemented[17].

Innovation aside, the industrial sector sought collaborative effort with industries all over the world. At the initial stage of the Reform and Opening-up Policy, the central government launched a considerable number of subsidy schemes to attract enterprises worldwide to invest in the Pearl River Delta regions and introduce industrial technologies. Such schemes were a huge success. The ever advancing technologies at the regions have made it to the top of the world in many areas. In just 40 years, by reference to Hong Kong, municipal governments in Guangdong endeavored to develop and invest in education, transforming the region into a world renowned metropolis.

At the fortieth year of implementation of the Reform and Opening-up Policy, while the development of cities in Guangdong has been superb, endeavors have been made to promote industrial education to inner regions to achieve similar development. The Midwest China and in rural areas has achieved considerable progress in areas such as economy and social development as a result of strengthened education. Since the implementation of the Reform and Opening-up Policy, China has maintained rapid economic growth, contributing over 3% to the global economic growth and lifting more than 60 million people from poverty[18]. Now that the Pearl River Delta regions have achieved equal success as Hong Kong, even though cities in Guangdong had to refer to Hong Kong for their development directions, the latter has to learn from the success achieved by cities like Shenzhen which have developed into international metropolis with knowledge economy. Besides such an endeavor to catch up with global development, Hong Kong should embrace opportunities for further development offered by the central government such as the Greater Bay Area, and One Belt, One Road, so as to maintain its international competitiveness. It is hoped that the central government perseveres in implementation of the Reform and Opening-up Policy and inclusion of Hong Kong as a key source of assistance in its development to achieve further success.

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香港的創新科

曾淵滄博士

曾淵滄博士

曾淵滄博士，新加坡華人，英國曼徹斯特大學哲學博士，為香港著名學者、財經分析員及專欄作家，曾任香港城市大學工商管理碩士課程主任、管理科學副教授，以及多家企業、機構顧問。

曾博士為中國、香港及新加坡多家機構及媒體撰寫專欄，並多次受邀在中國、美國、香港、新加坡媒體和研討會分析經濟投資與管理方面的課題。

學歷

- 英國曼徹斯特大學管理科學博士
- 英國蘭卡斯特大學的運籌學碩士
- 新加坡南洋理工學院數學系學士

榮譽

- 香港城市大學最佳商業應用研究獎
- 香港特區政府榮譽勛章
- 南洋理工大學校友獎

歷任

- 香港城市理工學院(後更名為城市大學) 應用數學系高級講師
- 香港城市大學管理科學系副教授
- 香港深水埗區區議會委任議員
- 中國江西省贛州市人民政府經濟顧問
- 香港運籌學會主席

世界經濟論壇發表一篇全球競爭力分析報告，指出香港的創新科技依然相對落後。

過去許許多多年，香港政府，是港英政府或是特區政府都奉行積極不干預政策，認為政府不應該干預經濟，不應該主導經濟，應該讓企業家自己決定投資的方向。過去許許多多年，也的確曾經成功過，不過，過去50多年，新加坡政府積極地以鼓勵、主導但是不直接干預的方式成功地建設今日繁榮的新加坡。過去。新加坡GDP只有香港的一半，今日已超越香港，還有，中國內地許多城市也推動稅務優惠以推動創新科技，也很成功，最新的情況是連美國也推出稅務優惠來吸引創新科技，可見，積極不干預不等於政府什麼也不該做，什麼也不該理，事實證明政府行為對推動創新科技是重要的，今日新加坡創新科技的水平遠高於香港，就是靠稅務優惠而成功建立的。

沒有稅務優惠，商人很自然地避開他們認為風險很高的創新科技，因為創新科技的確是風險高的投資，我們看到一些成功的例子，但是不成功的例子更多，必須有一些誘因去推動，而稅務優惠就是最佳誘因之一。一向來，香港政府都自己認香港的稅率很低，但是，那是相對於過去西方國家的高稅率，可是，今日連美國都可以提供優惠稅率，新加坡、中國內地多個城市的優惠稅率都遠低於香港，甚至達到零稅的水平，香港的競爭力就完全失去了，因此，新加坡吸引了大量高科技的創新科技企業，今日新加坡的石油化工、石油提煉業世界第一，新加坡的生命科技企業也走在世界最高端的水平，香港科技大學的畢業生汪滔到深圳創業，創出世界一級水平的創新科技企業：大疆創新科技，汪滔為什麼沒在香港創業而到深圳？很明顯地，是得到深圳市政的支持與鼓勵。

要鼓勵創新科技，一定要有優惠政策，這包括科研經費的資助、稅務優惠、土地、辦公室、實驗室的資助。新加坡政府結中就有一個部門稱為經濟發展局，為吸引創新科技而提供一條龍的服務，包括批核各種各樣的優惠與資助。

特首林鄭月娥推行企業稅二級制，每年利潤少於200萬元的企業可以少交一些稅，這是一個好的開始，不少創新科技都是小微企業開始的，但是，只優惠小微企業還不夠，要推動真正的創新科技，一定要有更強有力的誘因，一定要提供非常有吸引力的稅率，包括五年、十年免稅的優惠，也應該提供招聘外來人才的方便，土地、租金的優惠、科研的津貼 ……

今日香港各行各業中，金融業是最發達的行業之一，今日全球都在努力發展金融科技，也許，香港特區政府的創新科技就應該以金融創新科技開始。

要推動金融創新科技除了稅務優惠的考慮之外，也要考慮拆牆鬆綁，因為金融業是在很強很緊的監管之下營業的，坦白說，當年阿里巴巴及騰訊的網上支付系統是在沒有銀行牌照之下推出的，但是，得到中國中央政府的祝福而沒有惹上麻煩，最後更發了銀行執照給他們。

一向來，香港的法律監管都很嚴，也很難徨慢地修改，可以說是追不上今日金融創新的步伐。

很高興，香港金融管理局終於決定擔任領導金融創新的角色，不再像過去那樣只擔任被動的監管。一口氣推出7項新政策，要推動香港發展智慧銀行業務，準備統籌金融界向前發展，走出過去「積極不干預」的政策。

其中一項最吸引公眾注意的就是虛擬銀行，實際上，虛擬銀行已經是一鼓全球性的新方向，是金融創新科技發展的必然方向，香港不能落後於全世界，實際上，香港已經落後於中國內地了，今日，香港也有無現金的支付系統，但是，這些系統都是企業各自發展出來的，規模有限，也缺乏標準，現在香港金融管理局準備擔任領頭角色與業界商討制定共通二維碼 (QR Code) 標準，這是大大的好處。

一家稱為眾安線上保險的內地企業在香港上市，這是第一家在香港上市的虛擬網上保險公司，沒有保險營業員，買保險在網上進行，賠償也在網上進行，的確是金融創新的一種，網上保險的創新，自然也需要科技來支持，因此，金融科技也成了新的學問。金融科技是網上資訊科技加上金融知識、金融視野而成的，因此，香港的大專學界也應該急起直追，推動金融科技的教學與研究。

過去很長很長的時間，香港人深信「High Teh 揩嘢、Low Teh 撈嘢」這導致香港學生放棄對科技的學習，認為搞科技是沒有前途的，久而久之，變成科技人才短缺，今日，香港已經不可能只依靠現有的科技人才來推動創新科技，特區政府必須全面開放，努力吸引大量科技人才到香港工作與創業，今日全世界各地區、國家的競爭，就是人才的競爭。

A Long and Hard Look at China

by Professor Hsin-Kang CHANG

Professor Hsin-Kang CHANG

President-Emeritus of City University of Hong Kong,
and Honorary Professor of Peking University and Tsinghua University

Professor Chang received his B.S. in Civil Engineering from National Taiwan University (1962), M.S. in Structural Engineering from Stanford University (1964) and Ph.D. in Biomedical Engineering from Northwestern University (1969).

Having taught at State University of New York at Buffalo (1969-76), McGill University (1976-84) and the University of Southern University (1984-90), he became Founding Dean of School of Engineering at Hong Kong University of Science and Technology (1990-94) and then Dean of School of Engineering at the University of Pittsburgh (1994-96). Professor Chang served as President and University Professor of City University of Hong Kong from 1996 to 2007.

In recent years, Professor Chang has taught general education courses at Tsinghua University, Peking University, China-Europe International Business School and Bogazici University in Istanbul.

Besides being President-Emeritus of City University of Hong Kong, he is an Honorary Professor at Peking University, Tsinghua University and several other major universities in China.

Professor Chang has published over 100 research articles and two research treatises in biomedical engineering and holds one Canadian patent. In addition, he has authored 11 books in Chinese and 1 book in English, mainly on education, cultures and civilizations. His academic interests now focus on cultural exchanges across the Eurasian landmass, particularly along the Silk Road. Professor Chang is a Foreign Member of Royal Academy of Engineering of the United Kingdom and a Member of the International Eurasian Academy of Sciences.

He was named by the Government of France to be Chévalier dans l'Ordre National de la Légion d'Honneur in 2000, decorated as Commandeur dans l'Ordre des Palmes Académiques in 2009, and was awarded a Gold Bauhinia Star by the Hong Kong SAR Government in 2002.

Professor Chang served as Chairman of the Cultural and Heritage Commission of Hong Kong (2000-2003), a member of Hong Kong's Council of Advisors on Innovation and Technology (2000-2004) and of Judicial Officers Recommendation Commission (1999-2005).

He is currently an independent non-executive director of Hong Kong Telecom Trust, Hang Lung Properties, Brightoil Petroleum and Nanyang Commercial Bank.

Last year, IIM had published two fabulous articles regarding the National Strategy - Belt and Road Initiatives written by Prof. Chang named "The New Silk Road: Eurasia's Historical Destiny" and "新絲綢之路- 歐亞大陸的歷史宿命". This year, we are very grateful to have a recent article from Prof. Chang named "A Long and Hard Look at China". Due to the page limit, we have extracted some highlights from the articles as below.

A Long and Hard Look at China (Extract)

H.K. Chang; based on a speech at Yanjing Academy of Peking University, 20 April 2016.

Everybody Is Right!

Now, I'd like to talk about religions in China. No doubt you have heard that the Chinese in general are not religious. On the other hand, many Western scholars use the term "Chinese Religion" to describe the belief system and religious practice of the Han Chinese.

But if you go to a Buddhist monastery and talk to the monks or nuns there about the "Chinese religion", they'd tell you that the Chinese have developed Mahayana Buddhism to its present form and China is the largest Buddhist country in the world. When you go to a Taoist temple, the Tao priest will stress that Taoism is the native Chinese religion which reflects the philosophy of seeking harmony with nature.

If you pursue this question with a Confucian scholar, you will be told that Confucianism, though sometimes functions like a religion (complete with scriptures, temples and certain rituals), is most definitely not a religion, but a philosophy fundamentally concerned with social order. He/she would recall that Confucius declared himself disinterested in "ghosts and gods"; proclaiming himself primarily in the quest of meaning for the present life, not the afterlife.

Many scholars also contend that Confucianism, Taoism and Buddhism have fused into one in China, so the term "Chinese Religion" does reflect the phenomenon of the fused doctrines and behavioral systems. They also claim that the majority of Han Chinese are non-religious, yet are willing to accept in any religion that "guides people to become good" ("jiao-ren-xiang-shan").

In case you are confused, let me compound it by telling you: Everyone is right!

In the well-known Broadway musical "Fiddlers on the Roof", a rabbi is asked by two Jewish men who argue about a religious matter. They go to a rabbi in order to settle their dispute. The rabbi says to the first man, "You are right"! When the second man asks the rabbi, the rabbi again says, "You are right"! Then both men want to know who between them is right. The rabbi declares, "You both are right"! The rabbi may not be trying to dodge the issue or please these two men. He is probably applying a method in Jewish religious deliberations known as "parallel logic". Depending on the axioms and definitions one begins with, one can arrive at different conclusions that are all valid. This "parallel logic" may also be applicable when discussing religions in China.

Throughout Chinese history, whenever some previously unknown religious group came to China and had an audience with the emperor, the emperor would say to them: "Your religion seems good for our country. I'll grant you a piece of land to build your house of worship." This has happened to Buddhists, Zoroastrians, Manicheans, Nestorian Christians, Muslims, Jews, Catholics and Russian Orthodox. Different emperors throughout the centuries were receptive to different religions because they applied a criterion about religion different from that used by the believers. The emperors' criterion was whatever could bring peace and prosperity to the land is good, not which religion revealed the truth.

Since Confucius' time, China has been a secular society in addition to being a secular state. Today's France and Turkey are typical of what I call secular states, namely, in these two countries religion is regarded as a private matter and the state does not favor any particular religion over the others. Although both France and Turkey (up to now) are "proactively secular" (the appropriate expression for this position is the French word laïcité), more than 50% of the French people consider themselves Catholic and many go to churches regularly, just as over 95% of the Turkish people consider themselves Muslim and a high percentage of them practice Islam as prescribed in the Quran.

Let me add another dimension to the discussion of religions in China. In Chinese folk belief, a local deity is called "lord of the land" (tu-di-gong). This picture was taken by me in the central district of Hong Kong. People may or may not believe in this Lord's power and authority, but no body objects to his presence in the smack center of this modern metropolis. The worship of the Lord of the Land is a form of Chinese religion, separate and distinct from Confucianism, Taoism and Buddhism.

Another form of the "Chinese religion" is the worship of ancestors. Many Chinese offer food, paper money or other gifts to the recently deceased family members and also to distant ancestors who are supposed to be able to protect and bless the living offspring. This means that somehow people believe that the souls of the deceased do not vanish into emptiness, but are able to communicate with the living. How this is so is not explained by Confucian doctrine, even though ancestor worshipping predated Confucius and he himself also participated in such rituals.

Speaking of the deceased ancestors, I have attended several funerals in Hong Kong during which different family members of the deceased invite priests from different religions (usually a Buddhist monk, a Taoist priest and, either a Catholic priest or a Protestant minister) to be present at the funeral and take turns to pray for the soul of the departed. These clerics are used to such occasions and do what they are asked to do out of respect for the family members who invite them and are usually paid for their service. One time at a funeral like this I actually asked a daughter of the deceased what their father's religious preference was. She said that she didn't know because their father never discussed religion with them.

This picture shows the place where the first-generation of Taoists began to propagate their religion, in Jiangxi Province; I was invited to give a lecture on the origin of humans and the beginning of human civilizations. Since Taoism has no creation theory, my lecture does not contradict their religious belief and was very well received by the Taoists.

Buddhism has the most profound influence on Chinese society in terms of culture, value system and world outlook. This is a Tibetan monk who welcomed the opportunity to pose for me.

This is a Muslim mosque about 1300 years old, in Guangzhou. Chinese Muslims have since the 16th century adopted neo-Confucianism to a certain degree, at least in terms of the philosophical discourse of the Sung and Ming scholars. But they have not at all abandoned the fundamental Islamic faith of "There is no god but God; Muhammed is the messenger of God".

This is a Catholic church in the central district of Beijing, built in the 19th century. The person who introduced Catholicism to China, the Italian Jesuit Matteo Ricci, came to Macau in the late 16th century. After some 15 years of preparation, he began to convert a number of Chinese literati in Beijing. Here in 2001 we were celebrating the 400th anniversary of Matteo Ricci's arrival in Beijing.

In this slide, I am giving you the names of several major schools of thought in ancient China, including Taoist, Confucian, Legalist and Mohist schools. They all arose from the feudal political order of Zhou Dynasty, having had similar experiences as members of an agrarian society. So their mental construct about man and nature differed only slightly among them. Based on the famous 20th century philosopher, Professor Feng Youlan of Peking University, Taoists observed the society and nature from a small farmer's point of view; they wanted to have more freedom and less government authority. Confucianism, on the other hand, was established by a group of aristocrats with declining social status. Confucius, son of a minor nobleman, took upon himself to advocate the restoration of the old social hierarchy and the noble code of conduct. So Taoist and Confucianism from the very beginning reflected two perspectives of the same society. If you ask me which one is right? I'd say, both are right!

Since Confucius stressed hierarchy and order, it was only natural that later rulers found his philosophy to be useful. Therefore, in early Han Dynasty, Confucianism gained the preeminent position among the various schools of thought which all started during the Warring States period. Again, in my view, Confucianism, Taoism, Legalism, Mohism are all good for the intellectual garden which indeed saw many flowers bloom. Since they all these schools of thoughts had different axioms and posits, my conclusion, as you have guessed, is "Everyone is right"!

Chinese Inventions

I'd like to talk about Chinese inventions. I think everybody knows there are four major inventions: paper, printing, gunpowder and compass. So I will skip them and tell you that besides these four well-known inventions, there were others also worthy of a mention here.

One of them very familiar to all Chinese students today is the "imperial examination" system (keju) which is often likened to the national university entrance examination (gaokao) system today, although the two differ in number of participants and in significance. The "imperial examination" system (keju), already quite well-established in Tang Dynasty, was an important social innovation because it institutionalized meritocracy; people of humble origins but with exceptional abilities would be admitted to the ruling class on account of their performances in a series of district, provincial and imperial examinations. The winners would appointed to administrative posts, with as a senior official in imperial the government or as head of a district. Because of the "keju" system, bloodline became less important and upward mobility firmed established in the Chinese society.

The "flying money" ("feiqian") began to be used in commercial transactions in Tang Dynasty. A piece of paper with recognized signatures and seals on it would be used like a check today; merchants who carried it to faraway places to buy large goods, like tea or silk, could use it in lieu of metal currencies which were heavy and dangerous to transport. Or, the "flying money" could be converted it to gold and silver ingots at a "bank" in other cities.

Printed paper money (chaopiao) would be issued by the central government and often used in parallel to metal currencies. Marco Polo in the 14th century mentioned in upon his return to Italy and Europeans were both startled by it and started to imitate it after printing was widely used in Europe.

Let me go to four lesser Chinese inventions which you may or may have taken seriously before. In the order of a familiar Chinese phrase for four kinds of pleasure, I will mention "chi" ("eat"), "he" ("drink"), "wan" ("playing") and "le" ("enjoying").

A Long and Hard Look at China

We Chinese invented tofu and tea for eating and drinking and they are now enjoyed by the whole world. For "playing", we think the Chinese invented football (or soccer). Based on detailed descriptions in Song Dynasty documents of a famous sport named "cuju", we have sufficient reasons to believe that "cuju' was a precursor of the modern football. What is not clear is whether the Chinese during Song Dynasty played the game in a rather large field with a goal along with a goalie on either side of the field. I myself believe the Chinese invented the "ball", but not the rules of the competitive game as we know it now. As for "le", it is "mahjong". How many of you play mahjong? Mahjong is good! Doctors say that it helps older people keep the mind sharp and promotes their finger dexterity which also stimulates the brain. My mother started to play this game regularly and she is a healthy and happy 100-year-old lady.

As for myself, I have not play this national game more than once every two or three years, so I have not derived as much benefit from it as my mother. Even though I am not very familiar with this pleasurable game, I do know it does keep many young awake at night and tends to make them thrifty in the days immediately following the game!

Home Sweet Home

"Home Sweet Home" is an old American song I learned as a teenager. But I think the Chinese put much more value to home and family than the Americans and Europeans.

I believe most people in this hall have heard about the rush by hundreds of millions of Chinese to get home for the Lunar New Year. That is certainly an indication of the value the ordinary Chinese person puts in being home with their family at for the most important festivity in a year.

Now, the Han character "jia (家)" means both "family" and "home" and consists of the symbols of a hut in the upper part and a pig underneath it. To the ancient Chinese who invented this word, a hut and a pig make the home in which a family reside. The Han term for "state"/ "country" is "guojia ("國家"), literally meaning "a walled large home/family", hence the word for "state" / "country" is a conceptual extension of "family" / "home". A while ago, I used the words "Dao-jia" (Taoist school), "Ru-jia" (Confucian school), "Fa-jia" (Legalist school), which literally mean "the Taoist family", "the Confucian family" and "the Legalist family". Extending further from these words, a "scientist" is a "kexue-jia" ("a jia who knows science") and an "author" is a "zuo-jia"("a jia who writes"). Namely, when you have a group of people who think alike or know similar skills, you collect them into a "jia" family because "jia"(family) is not only a fundamental unit of the Chinese society but also the primordial element in the Chinese culture. This should be hardly surprising to those who know Confucianism since the concept of family ("jia") has been very stressed by the Confucian scholars for more than two millennia down to the present time.

Here is a picture of a civil wedding ceremony in Hong Kong. The two newlyweds kneel side by side on a cushion to offer a symbolic cup of tea to the grandmother who in turn blesses the young couple with a short speech and a red packet. You can see, even in Hong Kong, the most Westernized part of China, the concept of "jia" is very important in social life and the elders are given a special status in important occasions such as a wedding.

Now, close family bonds obviously have advantages such as allow the young to have a secure home environment to grow up and offer a physical as well as psychological shelter to all members of the family a constant source of comfort and mutual support. On the other hand, I have to acknowledge that overemphasis of family bonds can give rise to favoritism, nepotism and clannish behaviors, making it hard to establish a modern society with rule of law.

大灣區以及香港醫療專業更好互補的建議書

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周伯展，BBS，JP為執業眼科專科醫生，服務行業已達到38年，周醫生是香港眼科醫學院前院長、香港執業眼科醫生會前會長，以及香港醫學會副會長。

周醫生於2008至2018年擔任甘肅省政協委員，現時為安徽省政協委員。周醫生於2003至2006年被委任為香港特區政府中央政策組的非全職顧問，並於五年前創立了一所名為「香江智匯」的民間智庫組織，並出任會長兼副主席。周醫生於2003年獲香港特別行政區委任為太平紳士，並於2017年獲頒授銅紫荊星章，以表揚他多年來竭力貢獻社會。

本文通過分析大灣區、香港各自的優勢以及弱點，對如何更好令大灣區以及香港醫療專業更好融合提出意見。文章第一部分，一、概括大灣區的強項，包括人口、地理、經濟、交通等方面的優勢；二、香港的優勢，包括在法律制度、醫療專業水平、專業人士水平等方面；三、分析大灣區的弱點，包括在專業服務、體制建立等方面；四、香港的弱點，包括在房地產市場、人口數量等方面；五、香港醫療在大灣區醫療體系內可以擔當的角色；第二部分將針對香港以及大灣區各自的優勢以及缺點，就香港與大灣區醫療專業如何優勢互補，提出筆者的建議。

第一部分——分析

一、 大灣區的優勢

1. 據統計，大灣區總區域面積約5萬6000平方公里，2016年區內常住人口大約6774萬人，總GDP約1.4萬億美元，人均GDP為2.05萬美元，而紐約灣區及三藩市灣區分別為8.22萬美元及10.17萬美元；但大灣區服務業比重亦只有62.2%，較其他灣區普遍逾80%為低。由此見得大灣區資源豐富，且潛力很大。

2. 雖然去年國務院才首次將發展粵港澳大灣區列入政府工作報告。但事實上，早於 2015 年《推動共建絲綢之路經濟帶和二十一世紀海上絲綢之路的願景與行動》文件中，國家已提到要: 「充分發揮深圳前海、廣州南沙、珠海橫琴、福建平潭等開放合作區作用，深化與港澳臺合作，打造粵港澳大灣區」。其後在2016年3月《十三五規劃》中，亦指出: 「推動粵港澳大灣區和跨省區重大合作平台建設」。而在2018年的國務院政府工作報告中李克強總理又強調，粵港澳大灣區發展規劃年內實施，全面推進內地同香港、澳門互利合作。如此高規格的國家頂層設計，得到大灣區內地九個城市的高度重視，一定會得到強有力的推動。

3. 隨著廣深港高鐵近期通車，港珠澳大橋全線貫通，粵港澳大灣區的重要交通樞紐，虎門二橋將於2019年5月建成通車，配合年內建成的第7個陸路口岸——蓮塘/香園圍口岸以及已經開工的深中通道，多管齊下，將大大促進大灣區城市間人流、物流等快速流動，一起促進形成粵港澳大灣區「一小時生活圈」，令粵港灣大灣區潛力甚至可以超越東京、紐約和三藩市灣區。

二、 大灣區障礙、弱點

“一國三制”會否成為粵港澳大灣區的發展障礙？一個地區，三套法律，三種貨幣，隔河相望兩座城市都需要經過繁複的通關手續……如何融合？如何協同發展？如何優勢互補？如何在融合中又保持各自獨特性，當局需要好好思考。

三、 香港的優勢

1. 香港背靠內地，擁有世界第二大的經濟體，14億人口的巨大市場。香港是全國600多個城市中最開放，最國際化的城市，更是國際金融中心

2. 香港的普通法法律制度與國際接軌。多年來法治作為核心價值得到國際社會的認可與高度評價。各種行之有效的體制、制度令香港保持高效率的運轉。

四、 香港的障礙、弱點

1. 高樓價帶來極高的生活水平縮減了這個城市的發展空間。無論是住房或辦公室，無論是租住或者買賣，與房地產有關的問題往往是香港最棘手的問題。事實上，香港已經連續8年被定為全世界“極度負擔不起”住房的城市。

2. 很多當代香港年輕人缺乏白手起家努力向上遊的“獅子山”精神，缺乏拼勁，只想留在自己的舒緩地帶（comfort zone）。

3. 缺乏對國家的認同。這對於他們能否主動把握住大灣區的發展機遇來說是嚴重障礙。

五、 香港醫療的優勢

宏觀分析了香港以及大灣區各自的優點、缺點之後，在此大背景看香港以及大灣區醫療專業如何互補，很明顯可以看出，香港的強項是擁有完備的醫療相關法律規範以及醫療制度。

1. 有香港醫務委員會負責監察及規範醫生行為。

2. 有專業保險保障醫生和病人的權益。

3. 如今醫生的形象雖然不似以前那麼崇高，但仍然受到社會尊敬。出現醫療糾紛及醫療事故時，醫生病患會遵從法律以及行之已久的有效制度來解決紛爭。從未出現醫鬧事件，或者威脅醫生人身安全的情況。

4. 香港病患非常相信醫生的治療，而醫生也沒有辜負信任，不需要做的檢查、醫療措施絕不會強加於病人，內地多年前曾經出現的過度治療，小問題就打點滴或開刀手術的情況也不會發生。

5. 值得一提的是，香港的初生嬰兒夭折率、產婦死亡率是全世界最低，人均壽命，無論男女都是全世界最高，證明香港醫療水平是世界一流水平。

為何香港醫療專業屢屢創造驚人數據？因為過去二三十年，由大學入學考到DSE絕大部分尖子考生都會選擇報名醫學，從收生開始醫學專業已經吸引到最優秀人才。（據最近了解，內地聯招到的學生已經不是最好的）而經過培訓香港兩間世界排列前茅的大學醫學院的精心培養，加之制度、法律的保障，令香港得以長期世界領先的醫療水平。

六、 香港醫療的優勢

1. 香港的醫生人數僅僅是足夠服務香港740萬人。

2. 病人數量亦不如內地多，即是說香港醫學生看到的病例一定比內地少。

3. 年輕醫生和眾多香港年輕人一樣，會有對國家的身分認同問題，在選擇是否貢獻國家時會有障礙。

醫療專業很特別的一點在於，想要提供好的服務，醫生需要長時間停留在一個地方，不同於律師、會計師等其他專業人士，有時可以通過遙控的方式進行專業指導，甚至交易。醫生必須親自看到病人，而病人亦是希望醫生可以坐在面前，才能建立理想的醫患關係，最終達到良好的治療效果。所以若是要香港提供醫生服務去內地，對香港來講無形中就會流失一定數量的醫生。培育一名醫學生成長為合格醫生需要花費800萬巨額公帑，若是派醫生去內地服務，公帑是否用得適當？社會上需要先有共識。而從醫生個人角度出發，醫生移居內地時，需要拋棄香港的一切，包括工作甚至家庭，或者整個家庭移居去內地。這對大部分醫生來說也是艱難的選擇。

第二部分——給當局的建議

一、 香港的醫療從業人士、醫生可以好似過去40多年一樣，繼續慈善工作，服務內地，包括大灣區。

二、 香港有效醫療的制度、完善的醫療相關法律可以給內地提供借鑑以彌補缺陷。例如，香港是施行“兩條腿走路”醫療制度。

有公立醫院也有私營醫院及醫生，有普通科醫生或家庭醫生，亦有專科醫生。服務對象不同，各司其職，互相配合得很好。而在內地普通科家庭醫生的角色是尚未做到完善，絕大部分行醫都是在醫院進行。缺乏個體醫生診所及比較小型的社區醫療醫生。而世界大潮流都是向基層醫療發展。大灣區可以借鑑香港制度而改善。香港醫生在其中可以扮演顧問的角色，對內地如何完善醫療體系給出改善的意見，並非說親自去到內地開辦診所。但筆者想強調借鑑並非移植，因為內地有獨特情況，不可生搬硬套，要依據內地情況而做出改變。

三、 政府政策

1. 在税制方面，內地新的税法生效後，是否可以考慮給予在兩地同時提供服務的醫生一些減免的優惠。

2. 在通關安排上，建議當局考慮，若醫生在大灣區有項目需要服務，過海關時不需要與一般旅客一起排隊，從而可以促進交通方便，節省交通時間，達到一小時、兩小時往返，做到當日來回。

四、 大灣區內醫生合作項目

1. 研究防治近視。近視影響到很多人，特別年輕學生。深度近視，即600度以上的近視，已經屬於疾病，可能誘發視網膜脱落，黃斑點退化等導致失明的病症。利用大灣區如此廣闊平台，可以設立專門研究、預防、治療近視中心。香港及大灣區的醫生、遺傳學家、科學家都可以參與其中。大灣區人口超過六千萬，有足夠的病例可以提供做研究，得到先進的研究成果可以醫治，甚至預防近視。這個不只是對大灣區的貢獻，對國家的貢獻，甚至可以是對人類的貢獻。

2. 療養院項目也大灣區內醫療從業人士可以合作的契機。香港地少人多，而內地地緣遼闊，是否可以考慮在比較偏遠一點的惠州、肇慶建立療養院，香港醫生可以給予建立管理制度方面的經驗以及建議作為參考。

有人會提出林順潮醫生就是很好的香港醫生內地行醫的案例，為何不鼓勵香港醫生學習？筆者想指出，林順潮身分特殊，即是人大代表又是大學教授，能量很大，各種條件兼備才可以做到現在成就，實屬例外，並不可作為其他一般醫生可以模仿的榜樣。此外，香港醫療輸出的典型香港大學深圳醫院也虧損多年，直到盧寵茂醫生做院長才達到收支平衡。香港醫生去內地行醫實際操作上有眾多不可行之處，香港醫生應該以自己之擅長，作為顧問角色，給內地提供經驗、服務及管理，但並非輸出醫生。

五、 年輕人教育

要令年輕人愛國需要要從教育做起，令他們認識國家才能認同國家。如果在教育內容中都沒有倡導認識國家的歷史、地理、文化等，年輕人如何認同國民身分？所以內地方面要做大量的工作。而針對年輕醫生，可以在他們讀書時，可以安排他們去大灣區醫院或醫學院觀摩培訓，令他們更加進一步認識國家以及內地的醫療體系，更加可以看到更多的病人以及病例。

Risk and Risk Management in the Recent Paradigm: Evidence from the Shipping Industry

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Introduction

Business organizations are exposed to a wide array of internal and external risks, however, risk management strategies and actions can be developed and deployed by individual organizations leading to business excellence above the industry's average and business sustainability. Taking risk and returning into account, creating and maintaining shareholders' value remain as the primary objective of the business organization. The probability, severity, and timing of risks inherent to daily operations, capital investments, and decision-making processes of all levels threaten and underline growth and sustainability of the business organization. As the value of the business organization is largely dependent on the perfect timing of return and its associated risks, it is therefore imperative for business organizations to proactively, rather than reactively, manage and control risk inherent to its business to ensure business growth and sustainability for protecting and enhancing its shareholders' value.

Risk is an intrinsic property of doing business (Lark, 2015). ISO 31000 (2009) defined risk as the "effect of uncertainty on objectives" and the effect can be negative, neutral, positive, or a deviation from expected. Ennouri (2013) concluded that risk as a probabilistic event which is positively or negatively affecting the activity of an organization. According to Chapman and Cooper (1983), risk is the possibility of economic and financial gain or loss as a consequence of uncertainty, which is inherent to business activity. Though there is no universally-accepted definition of risk due to different perceptions and attitudes towards risk, the following are the common understandings of risk:

- Risk is arising from the unpredictable uncertainty about future. However, uncertainty is only considered as a risk provided that (i) the uncertainty is measurable and quantifiable in terms of the probability or chance of a risk event to happen and the severity or impact if an event has happened, and (ii) the uncertainty that matters impacting business objectives in terms of two key areas of risk: core business operations and future growth opportunities.

- Risk is measured and quantified by (i) the probability of perceived threats or opportunities and (ii) the severity of its impact on business objectives, which are the basis to construct 'risk management matrix' and the core subject-matter of risk management.

- Risk is about both negative risk (measuring loss, injury, damage, cost etc.) and positive risk (representing opportunity), which is reflected by the axiom, 'high risk, high return'.

- Dealing with and managing risk positively and proactively is the key to effective risk management as risk is inherent to business, either internally or externally.

- Risk is a peril in which a possibility of loss or gain co-exists and is triggered by a combination of hazards, which is a set of conditions that creates or increases the probability and severity of a peril. As such, even if the peril is the same, the probability and severity of the peril may differ due to different combinations of hazards.

- The degree and level of risk and risk management is determined by various factors such as risk culture and attitude, relationship between input and output, degree of complexity and dynamism of internal and external environments, utility of the loss or gain, legal and enforceable interest attached to the assets, and past experience etc.

Given the common understanding of risk, effective and sustainable operations of business organization need a systematic, logical, sequential, and scientific approach to inter-dependently manage and control risks, which is known as "Enterprise Risk Management" (ERM). Based on the holistic and integrative approach of ERM, the seven-step approach (DIAMSIE), as shown in Figure 1, is recommended, which starts with (1) define a risk management objective, which shall be in line with and for achieving the business objective as a whole, (2) risk identification, (3) risk analysis, (4) risk measurement (risk analysis and risk measurement can be collectively known as 'risk assessment'), (5) selection of risk management strategies (strategies refer to the planning of risk management actions and their corresponding resource allocation), (6) implementation of risk management actions, (7) evaluation of risk management performance through monitoring and controlling, and finally going back to step (1) periodically, which shall be at least once every year as risk is dynamic and cyclical in nature. For those risks associated with daily businesses and operations, more frequent reviews are warranted.

The shipping industry is not immune from the need of positive and proactive risk management as it is featured by its seasonality, cyclicality, capital intensiveness, and high volatility in various price risks (Kavussanos and Visvikis, 2016). Cyclicality lies at the heart of these features (Stopford, 2009). For example, since the financial tsunami in 2008, the shipping industry has entered into continued economic adjustments and substantial declines in scale. The market has been squeezed by the imbalance of supply and demand of the shipping capacity. These features represent massive uncertainties and risks surrounding the shipping industry, therefore, risk management is extremely important and critical.

Stopford (2009) stated that the primary risk takers in the shipping industry are ship owners and shippers who adjust the supply and demand of sea transport respectively. The ship owning function can be broadly broken down into fourteen elements, five of them (corporate strategy, marketing, accounting, cargo procurement, financing, sale and purchase, and bunkering) are the primary and core activities and the rest are non-core and ancillary and can possibly be outsourced to an independent ship manager (Willingale and Spruyt, 1998). The ship owner and ship manager are said to be the major players in the supply side of the shipping industry. Apparently, studying risk and risk management of ship owner and ship manager shall, in principle, provide a comprehensive understanding of the risks undertaken by and how effective the shipping risks are managed and controlled by the supply side of the global sea transport (Willingale and Spruyt, 1998).

In this instance, a case study was conducted to evaluate (i) the perceived level of importance of major shipping risks by shipowner (from the ship owning perspective) and the ship manager (from the viewpoint of a ship operator) respectively, and (ii) the level of performance of major risk management practices adopted by the ship owner and ship manager respectively with reference to the seven-step approach of DIAMSIE. Finally, conclusions were drawn for this study.

Case Study

Two companies were selected for this study, who are a ship owner and a ship manager respectively. The ship owner is one of the world's top 10 container ship owning companies, who operates more than 95 container ships as of June 2017. As for the ship manager, it is one of the world's largest integrated ship management companies, who manages around 600 different type of ships as of June 2017. As the two companies are the world's leading shipping companies both in ship owning and ship management, their risk management practices are regarded as contemporary and rigorous enough for an extensive and detailed study of risk and risk management in the shipping industry.

Perceived Level of Importance of Shipping Risks

Through extensive literature review, this study identified major shipping risks and sub-risks (Table 1). Data was collected through face-to-face interviews with the ship owner and ship manager. Results in Table 1 revealed the perceived level of importance of the identified shipping risks and sub-risks. It is noted that the major and significant risks and sub-risks perceived by the ship owner and ship manager are somehow different, specifically, the ship owner is more concerned about the strategic and market risks while ship manager is more focused on risks relating to operational efficiency, safety, and environmental protection. The main findings can be summarized into two main points. Firstly, risks and sub-risks are not identical to different sectors/players in the industry since different sectors/players are facing and concerned with different sets of risks and sub-risks. As such, business organization shall identify and manage its own risks and sub-risks with reference to their own respective situations. In the case of the shipping industry, the objectives, challenges, and business environments being faced by ship owner and ship manager are quite different. The ship owner is more sensitive to price risks in terms of freight rates, bunker price, ship value, interest rates, and foreign exchange rates. Risk and sub-risks of the ship manager are primarily driven by operational issues, regulatory requirements, and environmental and safety concerns. Secondly, risks and sub-risks are dynamic in nature and are constantly evolving from time to time due to the ever-changing business environment. Therefore, risks and sub-risks shall be periodically reviewed and identified for effective and efficient risk management.

Level of Performance of Risk Management Process and Major Practices

Face-to-face interviews were further conducted to gather the level of performance of major risk management practices of the ship owner and ship manager. Results in Table 2 revealed that both the ship owner and the ship manager are practising the seven-step approach (DIAMSIE) to holistically and inter-dependently manage and control their risks and sub-risks. Both ship owner and ship manager stated that they fully understand the major steps of DIAMSIE, however both of them failed to comprehend and implement the major and specific risk management practices of DIAMSIE which resulted in sub-optimal (or average) performance of their risk management as a whole.

Define Risk Management Objective: Although the ship owner and the ship manager have clearly defined the risk management objective which is aligned with the corporate business objective, both of them do not consider risk as both negative and positive. In reality, positive risk to realize and materialize business opportunity and sustainable growth should not be overlooked in the risk management process.

Risk Identification: Both ship owner and ship manager insufficiently consider the sources of inputs to identify the risks/sub-risks and inadequately produce the relevant outputs (i.e. risk profile which is critically important as the inputs of the next step). Obviously, both of them do not develop and apply appropriate methods, practices, and tools to identify risks/sub-risks at this stage.

Risk Assessment (Risk Analysis and Risk Measurement): Both ship owner and ship manager do not appropriately consider risk chain or chain causality in analyzing the identified risks/sub-risks in terms of: (1) environmental links, (2) interaction of hazards (risk factor) and risk exposure to move the peril/opportunity link from potential to actuality, (3) legal and enforceable interest associated with the risk, (4) utility of risk, (5) risk response, and finally (6) generation of immediate and direct outcome and then long-term consequences.

Selection of Risk Management Strategies: The ship owner and the ship manager have logically selected the risk management strategies based on the identified risks/sub-risks as prioritized and ranked in the respective four-quadrants of the risk management matrix. However, both of them do not integrate risk management policy, availability of resources, and benefits versus costs when selecting the risk management strategies.

Implementation of Risk Management Actions: The weakest link of this step is that both ship owner and ship manager lack of the proper mechanisms to identify root causes based on the risk symptoms of the identified risks/sub-risks that need to be managed and controlled, which exposes risk management actions to only manage and control risk symptoms and impair the effectiveness and efficiency of the risk management actions. In addition, both of them do not define and generate a clear, systematic and detailed action plan for risk management actions, which is necessary for the successful implementation, measurement and controlling of the planned risk management actions.

Evaluation of Risk Management: By examining the evaluation and reporting systems of risk management, it is noted that the systems of both ship owner and ship manager are rather general which is not specific enough to evaluate and report the effectiveness and efficiency of overall risk management, risk management performances (planned versus actual), variances analysis etc. In addition, the reporting and communication of risk management, though periodic, are not timely enough to allow instant decision-making for the dynamic nature of risks/sub-risks.

General View of Risk Management Process: Both the ship owner and the ship manager view risk management as a repeating and continuous process to undergo and conduct risk management process at least once every year during the production of the annual business plan and yearly budget. Both of them have conducted daily, weekly, monthly and quarterly reviews of relevant risks and sub-risks based on their nature and dynamicity of changes and exposure.

Conclusion

Risk management is extremely important for the shipping industry which is featured by its cyclicality, capital intensiveness, and high volatility of their various price risks (Kavussanos and Visvikis, 2016) that all expose the shipping industry in a relatively risky business environment. Evidently, most of the significant shipping risks and the rationale behind the perceived level of importance by the ship owner and ship manager are somehow different, which are in line with the profound differences in their business agendas and objectives. In short, the ship owner and the ship manager shall focus, manage, control, and measure their own sets of risks and sub-risks as there is no single nor identical risk management framework.

The most contemporary approach of risk management is known as "Enterprise Risk Management", which is a holistic, integrated, strategic, business-wide approach to risk management. To effectively and proactively manage a wide array of risks, a more comprehensive risk management process of DIAMSIE is obviously needed. Although the ship owner and the ship manager are basically implementing DIAMSIE, the major risk management practices as required in each step are not completely nor comprehensively implemented, which results to inferior outcomes. By comparing the major risk management practices in each step of DIAMSIE, it is concluded that the ship manager is relatively able to achieve the expected outcomes of risk management since the ship manager is more specific and detailed in implementing most of the major risk management practices which is possibly due to the fact that the ship manager is relatively more concerned about the risks/sub-risks related to the daily operations of ships.

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Figure 1: Seven-step Approach of Risk Management

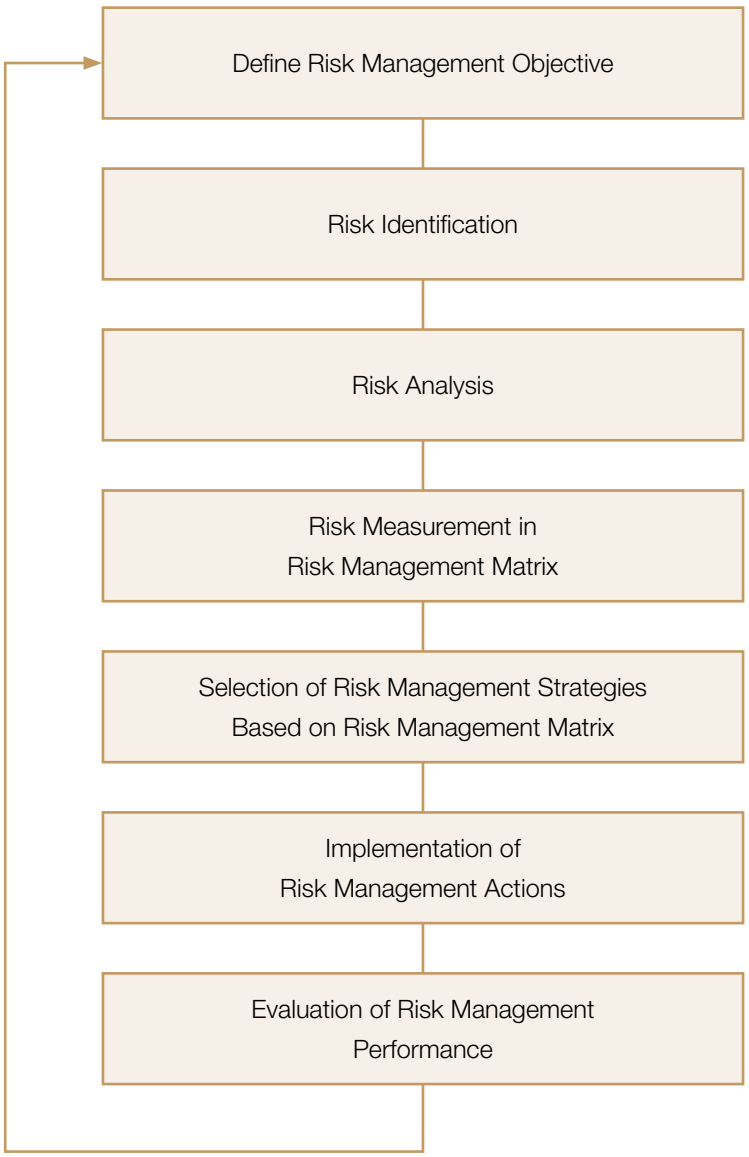


Table 1: Perceived Level of Importance of Shipping Risks and Sub-risks

Shipping Risks and Sub-Risks	Perceived Level of Importance	
	Shipowner	Shipmanager
A. Strategic Risk	5	2
A1: Ship ownership strategic risk	4	3
A2: Portfolio risk	5	2
A3: Strategic alliance risk		
B. Market Risk		
B1: Vessel value risk	4	1
B2: Freight rate risk	5	1
B3: Bunker price risk	4	1
C. Financial Risk		
C1: Counterparty credit risk	4	4
C2: Liquidity risk	5	4
C3: Foreign exchange risk	3	4
C4: Interest rate risk	4	2
C5: Financial instrument risk	4	2
C6: Accounting-related risk	3	3
D: Operational Risk		
D1: Ship accident risk	5	5
D2: Congestion and disruption risk	5	2
E: Piracy risk	3	5
F: Legal Risk		
F1: Non-compliance risk	5	4
F2: Laws and regulations change risk	4	4
G: Environmental Risk		
G1: Atmospheric pollution risk (CO2, Sulfur, etc.)	3	4
G2: Ballast water pollution risk	3	4
G3: Oil spill risk	4	5
H: Technological Risk		
H1: Cyber security risk	4	4
H2: Critical data loss / leak / corruption risk	5	4
H3: Operation interruption risk	5	4
H4: Physical damage risk	2	2
H5: Administrative access risk	1	4
I: Political Risk		
I1: Political tension risk to trade	5	3
I2: Trade protection risk	5	1
I3: War and Terrorism risk	5	3
I4: Political change risk	3	1

5=Very Important; 4=Important; 3=Neutral; 2=Less Important; 1=Least Important

Table 2: Major Practices in Risk Management Processes and Corresponding Level of Performance

		Level of Performance	
		Shipowner	Shipmanager
1	**Define Risk Management Objective**		
1.1	Align with corporate objective and strategy for business growth and sustainability		
1.2	In line with corporate risk management policy and plan		
1.3	Consider and perceive both negative and positive risks		
1.4	Define clear and specific risk management objective		
2	**Risk Identification**		
2.1	Carry out risk identification as early as the risk management process begins and should be continued until all the processes are completed		
2.2	Target to identifying identify all possible undesirable risk event, relevant risk and sub-risk, or essential operation/function that must or fail to perform		
2.3	Adopt systematic approach involving clear objective, all relevant sources of inputs, meaningful outputs and sequential processes of risk identification		
2.4	Assign a risk management team (comprises of all hierarchal operating units multiple functions) and capture the most significant stakeholders		
2.5	Application of comprehensive methods, practices and tools		
2.6	Generate and document outputs for risk profile (potential risk event, source of risk, risk symptom etc.) as input of the next process		
3/4	**Risk Assessment (Risk Analysis and Risk Measurement)**		
3.1	Employ the same risk management team of risk identification		
3.2	Take logical steps of considering the interlocking elements in Risk Chain Causality as the basis for a closer and more detailed analysis and examination of the identified risks and sub-risks		
4.1	Ranking the priorities and measure the identified risks and sub-risks in a risk management matrix purely in terms of their probability (likelihood) and potential magnitude (severity) without bias and distinction among risks and sub-risks in different classes		
4.2	In ranking and measuring the identified risks and sub-risks, magnitude of financial impacts are considered to classify them into critical, important, and unimportant risks and sub-risks		
5	**Selection of Risk Management Strategies**		
5.1	Risk management strategies based on the identified risks and sub-risks as prioritized and ranked in respective four-quadrant of the risk management matrix for threat (opportunity): risk retention (risk acceptance), risk transfer (risk sharing), risk mitigation (risk enhancement), and risk avoidance (risk exploitation)		
5.2	In determining risk management strategies, (i) appropriate risk responses, (ii) relevant risk management policy, (iii) resources available for implementation of risk management actions, and (iv) benefit and cost analysis of risk management action are carefully considered and assessed		
6	**Implementation of Risk Management Actions**		
6.1	With reference to the risk management strategies selected, define the risks and sub-risks that should be managed to the risk tolerable level		
6.2	Based on the risk symptom in Step 2.6 above, adopt logical, sequential and scientific steps to identify the root cause of the risk and sub-risk to be managed		
6.3	Develop appropriate risk management action for the root cause identified in Step 5.3 to manage the risk and sub-risk to the risk tolerable level		
6.4	Define clear plan for risk management actions (including detailed action, timeline, owner of the action, resource allocation, monitoring and controlling measures etc.)		
6.5	Execute and implement the risk management actions as decided		
7	**Evaluation of Risk Management**		
7.1	Measure and assure the planned responses and actions are carrying out and achieving as expected		
7.2	Compare and report the budget against action periodically		
7.3	Conduct regular risk review meeting and maintain communications with all stakeholders		
7.4	Compile and provide risk reports for actions, conclusions and recommendations – 'what we have found' and 'what should be done further'		
7.5	Evaluate and assess the overall effectiveness and efficiency of the risk management process and actions		
8	**General View of Risk Management Process**		
8.1	View risk management process as a repeating, continuous, and cyclic process which shall be conducted at least once every year, in particular for yearly plan and budget		
8.2	Treat risk management process as a series of isolated problems rather than as one single problem		
8.3	Conduct more frequent review of those risks and sub-risks which are subject to higher exposure and more regular change		
	Overall Performance:	**Average**	**Above Average**

Some Ways Hong Kong Can Help Mainland China in Its Trade Fight

by Ken Chu

Dr. Ken Chu

Dr. Ken Chu is a National Committee Member of the Chinese People's Political Consultative Conference, and Chairman and CEO of Mission Hills Group. He is the driving force behind the world's largest golf and resort destinations in China, incorporating sports, leisure tourism, real estate, themed parks, retail ventures, education and more.

Following the 25% tariffs on imports from China in July, the Trump Administration kicked off the second round of tariffs on US$ 200 billion worth of Chinese goods on 24 September 2018. China immediately retaliated by slapping tariffs on American products worth US$ 60 billion, but US Secretary of State Pompeo bragged in a TV interview that America would eventually win in this trade war with China.

The latest tariff imposition by the Trump Administration signals further escalation of the trade war between the world's two largest economies. Analysts and economists around the globe warned about the dire consequence on the world economy of a complete fallout of this Sino-US trade conflict. Being an open economy and the world's 7th largest trading entity in merchandise goods, Hong Kong, which serves as an entrepot centre for goods trading between both China and the USA, will feel the pain at the end of the day. Given our close ties with China, any slowdown in Chinese exports to America will definitely affect Hong Kong's economy, particularly in logistics, shipping, trade financing and insurance as well as the SMEs, which depend heavily on the re-import business according to The Chinese Manufacturers' Association.

Meanwhile, some punters and think-tank experts predict that the Sino-US trade conflict will drag on for some years to come because they believe that US tariff warfare is less about trade than containing China's rise in the global scene. Given our status being a special administrative region within China, the possibility that Hong Kong might also be targeted by the Trump Administration cannot be ignored. Because of all these, Hong Kong can hardly stay out of this conflict between these two hegemons. We must take action to brace for the impact.

Recently some people in social media called upon people in Hong Kong to take action as an act of patriotism. They urged the public to unload the greenback and buy more the Chinese yuen or renminbi (RMB), which has faltered in value against the US dollar since the trade war began. However, this is merely a drop in the ocean. Indeed, it would be of strategic advantage to China to have a depreciated RMB in boosting trade with other countries. Therefore, if Hong Kong people would like to help the Motherland, they should be wiser and strategic in their thinking and planning.

Some Ways Hong Kong Can Help Mainland China In Its Trade Fight

I also heard some people argue that we can flex our muscles to reduce or to impose tariffs on imports from the US in a bid to help China in this trade conflict for the fact that remains that America is Hong Kong's 5th largest supplier of goods. According to the Census and Statistics Department, Hong Kong was US' 3rd largest wine and the 6th largest beef markets in 2017. However, we certainly cannot enter the fray so haphazardly in light of our status as a world-renowned free port.

However, it can be argued that Hong Kong should offer help to the Central Government but wisely so as to reduce the negative impact given that our economy is so intertwined with the Chinese economy, and any hard landing of the Chinese economy will certainly adversely affect the territory. I believe that Hong Kong can play a constructive role in supporting the economy of Motherland in this new geopolitical Sino-US competition, which is feared to head towards the Thucydides trap.

News reports about the Central Government trying to stimulate domestic spending so as to offset reliance on exports to US should be an opportunity to businessmen and retailers to make a contribution. They can sell quality Hong Kong-made consumer goods to the Mainland markets to help stimulate domestic consumption.

Instead of using the populist way of asking individuals to buy RMB, Hong Kong can then make the best use of our role as one of the largest offshore RMB centres to encourage international trade invoices to be denominated in RMB instead of the US currency.

In addition, Hong Kong can capitalise on its "One Country Two Systems" status and its open trade policy and international business experiences to serve as a super-connector to assist Chinese enterprises to explore new overseas markets. The Belt Road initiative is a platform for Hong Kong to assist China to consolidate new markets for the country.

Perhaps the best way for Hong Kong to play a constructive role is to team up with China's top scientists and experts in the innovation sector to leverage new technologies to bolster productivity as well as to hasten the shift of the country's export-oriented economy towards an innovation-driven one. It is highly likely that the Central Government must have already appreciated Hong Kong's innovation and technology prowess. If not, President Xi Jinping would not have instructed state agencies to help Hong Kong to realise its status as an international innovation hub.

Ship for Success: SMEs and International Trade

by Jim Cox, Toby Edwards and Sushant Palakurthi Rao

About Agility and Shipa Freight

Agility is one of the world's leading providers of integrated logistics with particular expertise in emerging markets, nearly $5 billion in revenue and more than 22,000 employees in over 500 offices across 100 countries. To expand digital logistics, Agility developed Shipa Freight, the first online freight forwarding platform catered to SMEs that are engaged in cross-border trade.

Jim Cox
VP Corporate Communications, Agility

Toby Edwards
Chief Executive Officer, Shipa Freight

Sushant Palakurthi Rao
Head of Global Partnerships, Agility

SMEs are the beating heart of the global economy. Small and medium-sized businesses account for 95% of all firms, and deliver over 50% of GDP and two-thirds of formal employment in most countries (World SME Forum).

As entrepreneurial SMEs are increasingly gaining access to international markets and shifting their focus to global sales, they continue to look for new, more efficient transport options to expand their business and develop a reliable international network. While exporting can seem complex, new technologies are disrupting the market and removing obstacles to expansion.

Our research explores the barriers that prevent SMEs from reaching their full potential. Smaller businesses remain underappreciated and poorly understood by governments and big business. They're struggling to access distribution networks, navigate compliance, and find suitable trade finance and shipping solutions. Our research shows that 94% of SMEs have faced difficulties when shipping internationally, and 87% believe their national government should offer them more support.

But we also find that technology is the great leveler for SMEs. Digital platforms provide these businesses with "virtual" scale that they could never achieve on their own, giving them access to global value chains that have traditionally been dominated by their larger counterparts.

Dynamic and agile by nature, small and medium-sized businesses are beginning to embrace the opportunities that technology provides. Governments are not moving rapidly enough, and new programs can only do so much. SMEs must become digital champions to survive and grow internationally, taking advantage of the reach and scope that these technologies provide.

About the Research

Our research examines the trade patterns and barriers experienced by SMEs, defined here as organizations with 10-250 employees. The opinion research was conducted in winter 2017 amongst 800 companies (400 exporters and 400 importers). There were 100 respondents from each of the following markets: UK, USA, Germany, Italy, India, Indonesia, China and UAE. Study participants

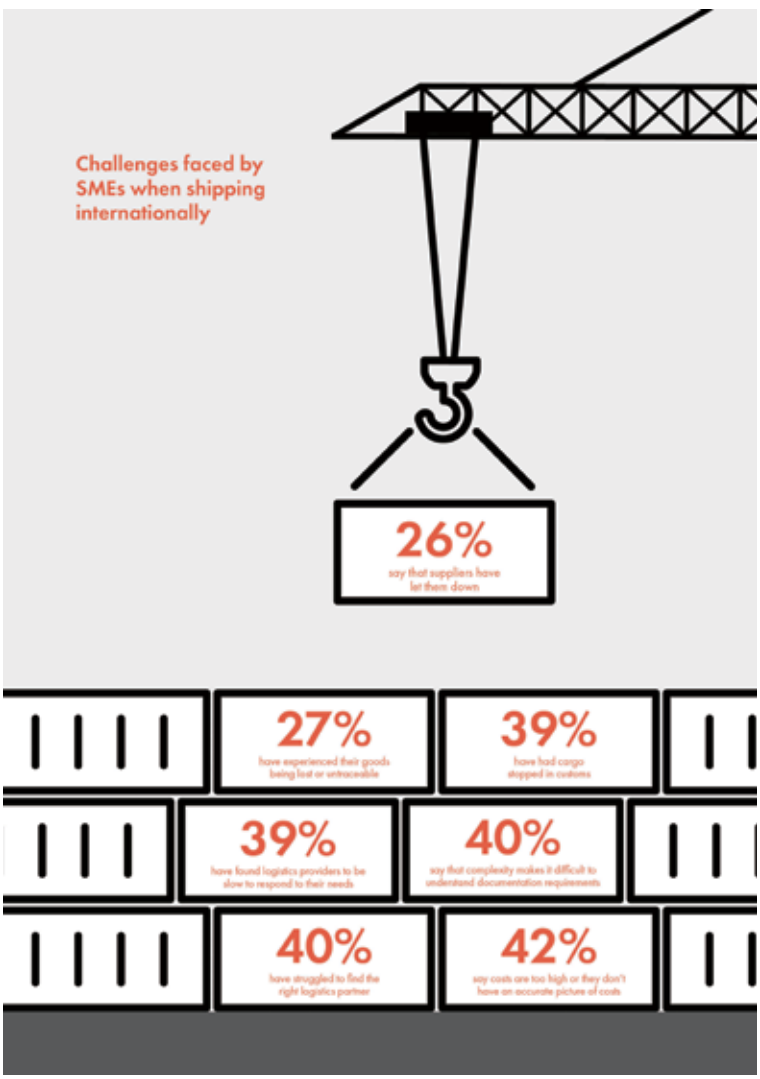
included SME leaders, such as managing directors and operations directors. Participating companies were drawn from the following sectors: retail and fashion, fast-moving consumer goods (FMCG), automotive (including supply chain), industrial and manufacturing, and technology.

Barriers to International Trade

Small and medium-sized businesses know that selling internationally is a route to growth. Of SMEs that already export, 71% are choosing to concentrate on overseas markets above their domestic market.

Although three-quarters of the SMEs we spoke to have been importing or exporting goods for more than four years, almost half (47%) of all respondents say that they lack the necessary expertise in international shipping. Many small businesses are finding it difficult to grapple with complex documentation requirements, and a significant proportion have had their cargo stopped in customs or lost in transit.

Emerging market SMEs are more likely to be concerned about economic, political and legal risks than those in developed markets. Over two-thirds (67%) of emerging market SMEs identify export regulations as a challenging issue, compared with only 44% of SMEs in mature European markets.[1] Currency concerns are also disproportionately affecting emerging market businesses: foreign exchange losses are a concern for 70% of them, while fewer than half of SMEs in the United States (47%) and in mature European markets (45%) share this worry.



[1] 'Emerging markets' refers to the combined results of India, China and Indonesia, and does not include UAE. 'Mature European markets' refers to the combined results of the UK, Germany and Italy.

When it comes to international trade flows, emerging market businesses say it's difficult to reach the shores of developed markets. Seventy-nine percent of those that export to Europe found it challenging to get started, and 67% of businesses that export to North America struggled to start exporting there. This suggests that these businesses need more support to understand the complex international laws and navigate different and ever changing compliance standards to reach their full potential.

Despite these difficulties, exporting SMEs believe that their international future is bright. Of the 400 exporting SMEs we spoke to, 89% expect their export revenues to grow in the next three years. Encouragingly, confidence is particularly high among emerging market businesses, with almost all of them (97%) forecasting growth.

The Compliance Challenge

For companies big and small, compliance can cause a headache, and the penalties for non-compliance are often severe. For example, overlooking the latest International Maritime Dangerous Goods (IMDG) Code, implemented in January 2018, could mean unlimited fines and a two-year prison sentence in the UK. Governments around the world are introducing an abundance of new regulation. It can be difficult to navigate fast-changing rules and to abide by a myriad of standards and restrictions.

New legislation is also increasing the scope of corporate responsibility. Under the UK Bribery Act 2010, for example, a UK company can be found responsible for bribery performed in its service anywhere in the world, even if it didn't benefit from the actions. Global supply chains bring risk as well as opportunity.

For small businesses, the challenge may seem especially great. SMEs know that compliance is a headache and mistakes are costly. International laws and compliance issues are identified as a challenge by more than half (54%) of SMEs. Meanwhile, almost half (46%) struggle with standards and tariffs, while two-fifths (40%) say that the complexity of international shipping makes it difficult to understand documentation requirements. In the journey to being truly global, compliance is proving to be a significant hurdle.

Exporters set their sights high

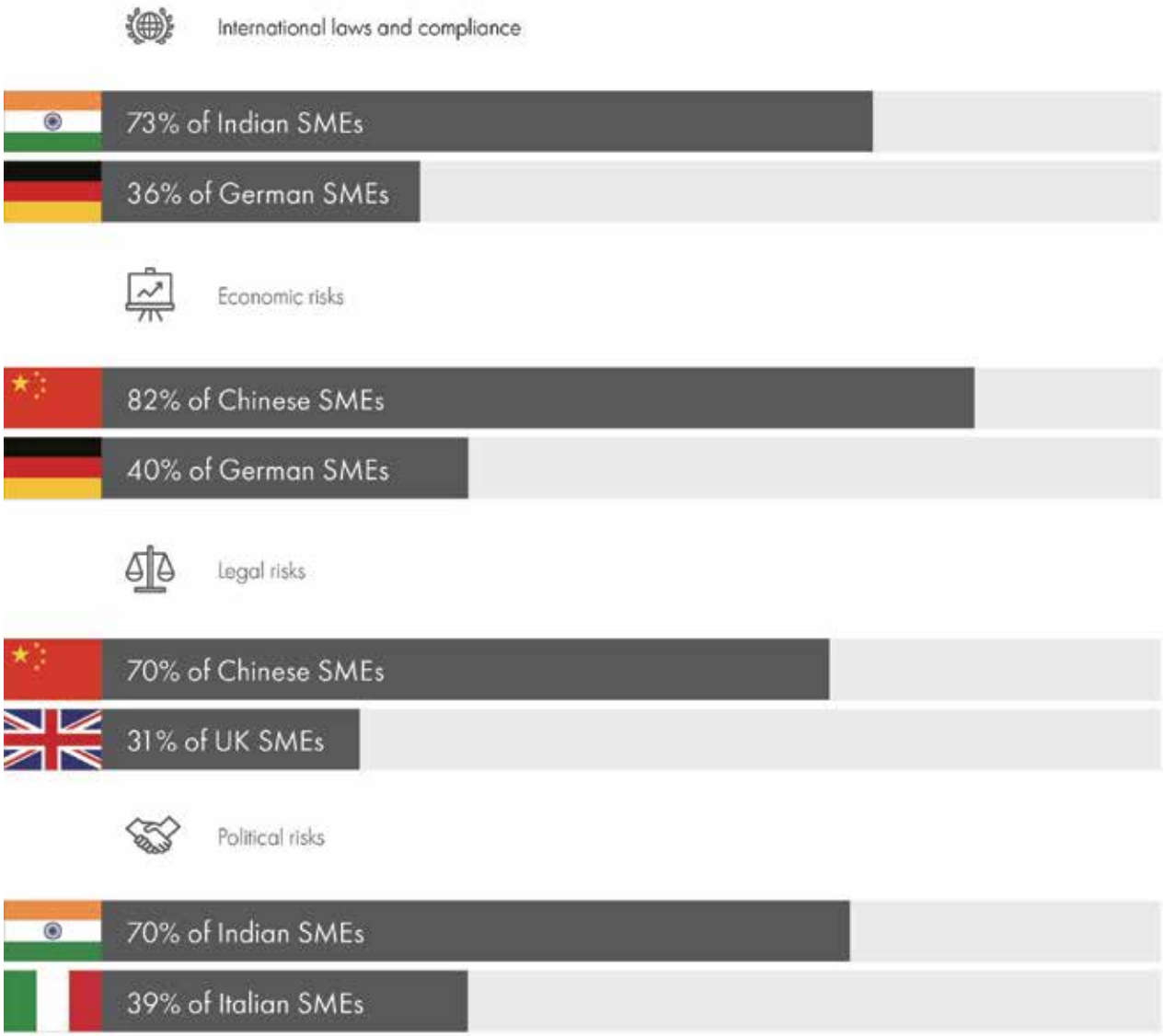
Global trade growth slowed or stagnated for the past decade before turning a corner in 2017 with estimated overall growth in world goods trade reaching 3.6%. The World Trade Organization (WTO) forecasts that this growth will continue in 2018 at a rate of 3.2%.

According to the World Bank, conditions are improving for emerging market businesses as commodity prices strengthen, industrial activity expands and investment flows resume. There's a surge in confidence, and commodity importers' activity remains robust. Confidence also grew in advanced economies in 2017 as investment and exports regained momentum following a sluggish 2016.

The SMEs we spoke to are responding to this climate of strengthening global trade and investment. Eighty-nine percent of exporting SMEs expect their export revenues to grow over the next three years, despite the fact that more than a third (37%) are concerned that their attitude to exporting is too risk-averse.

Seventy-one percent of exporting SMEs say they are concentrating their efforts more on overseas markets than on their home markets. Most have a focused approach, with 87% saying they have a clear strategy for future markets to target.

Regional comparisons: the proportion of SME leaders who say the following issues are challenging



Connectivity and Technology

Almost three-quarters (74%) of SMEs think that it's easier than ever for small businesses to operate globally. This is good news, as a similar number (75%) believe SMEs that operate internationally are more resilient.

We know that small businesses are facing substantial challenges, so why are they so positive about the current export landscape? The answer is likely to lie in technology. Of the SMEs we spoke to, 89% think that technology is transforming the logistics industry, and a similarly high proportion (86%) believe that tech is "leveling the playing field" for SMEs to operate globally.

In fact, 79% of SMEs already use online platforms for freight quotes and bookings. These platforms are most popular in China, where 90% of small and medium-sized businesses use them often or occasionally.

All of this supports the World Trade Organization's view that "technological progress, through the expansion of e-commerce and the evolution of global value chains, is opening up new trading opportunities for SMEs."

Further, available evidence suggests a strong correlation between the technological savvy of small companies and the likelihood they will take part in cross-border trade. Governments are scrambling to create online export resources for SMEs, e-commerce platforms are giving small businesses easy global reach, and digital freight platforms are making shipping simpler. SMEs are reaping the rewards of these developments.

Conclusion

New technologies are changing the game for SMEs. Blockchain, for example, provides a secure way of verifying complex processes, which could make customs checks cheaper and more efficient. Although this technology is at early stages, Agility recently became the first freight forwarder to collaborate on a Maersk-IBM blockchain solution. Meanwhile, data and communications innovations are improving the customer experience, making interactions more personalized and making it easier for businesses to track freight.

SMEs that do business across borders are more robust and more successful than those that stick to their domestic markets. As governments fail to provide the support that these ambitious businesses need, technology providers and others are bridging the gap.

Our research shows that small businesses have the appetite for global growth, and by leveraging cutting-edge tools and platforms, they're likely to achieve it.

Why Least Cost No Longer Works: Banking on Renewable Energy for Cheaper Power Rates and Sustainable Energy in the Philippines

by Guido Alfredo A. Delgado

Guido Alfredo A. Delgado

Guido Alfredo A. Delgado Chairman is the CEO of G.A.A. Delgado, Inc. and the President and Chief Executive Officer of Emerging Power, Inc.

He was the President of the National Power Corporation (NPC) from 1994 to 1998 when NPC owned and managed all the power generation, transmission and island-grids of the Philippines.

He has extensive experience in corporate advisory, having provided business development and investment banking services on the energy sector to both public and private sectors. He is also instrumental in obtaining approval for the power sales contracts of various power plants in the country.

The Capital Asset Pricing Model or CAPM is a theory about how investors will behave in certain scenarios. It posits that investors will invest in a stock or asset for as long its return is commensurate to its risk. This return and risk is benchmarked against the overall return and risk of the entire market. If the return is too high against the risk, then an arbitrage situation occurs causing other investors to demand for that stock. This raises the price and consequently brings down the return.

This risk-return relationship is vital in any transaction. The allocation of the risks inherent in a transaction determines whether a contract is fair or appropriately priced. If a particular risk is given to a party that has no experience in dealing with the particular risk, then this party can price this risk so high that the entire transaction can become economically unattractive. It is therefore important to identify the risks properly and allocate to the proper party, and price the risk accordingly.

CAPM has an impact on government procurement since conventional wisdom tells us that the government should always buy the “cheapest” product or the “least cost”.

“Least cost” is the term the power industry uses in defining what power plants or projects to prioritize. Conventional thought and the resulting software and techniques in the industry use this term to define the least cost of producing electricity.

Generally, traditional power planning uses the least cost generation methodology where planners add stand-alone costs. However, it does not compute for the risks involved. The risks are identified and scenarios are calculated according to different scenarios, but the costs of these risks are not calculated into the equation.

Renowned energy planner, the late Professor Shimon Awerbuch of the University of Sussex stressed the importance of reviewing the concept of CAPM and how it is used in energy planning, particularly in estimating electricity costs.

He asserted that traditional energy planning fails to consider the risk of price volatility of fossil fuels, which, unfortunately, has a negative correlation with the economy.

In a paper published in 2004, Awerbuch noted: "Traditional electricity planning processes focus on finding the least-cost generating alternative. Given today's dynamic and uncertain environment however it is impossible to correctly identify the 30-year 'least cost' option, assuming such an option exists."

There is a better theory to use when it comes to energy planning.

In Finance, concepts like Markowitz's Portfolio Theory explain how putting individual assets in a portfolio can attain a lower risk or a higher return compared to investing in just one asset. In other words, assets should not be bought on its own merits, but rather on how that asset behaves in a portfolio. According to this theory, it will make more sense to look at the costs and the risks of the two systems combined at different proportions. Hence, we should not be comparing the renewable energy system vis-a-vis the coal-based system.

This is how energy planning should be made: a portfolio approach, rather than a "least cost" approach. In the view of Awerbuch "Energy planning represents an investment-decision problem and investors commonly apply portfolio theory to manage risk and maximize portfolio performance under a variety of unpredictable economic outcomes. Energy planning techniques need to focus less on trying to identify the least-cost alternative and more on developing optimal generating portfolios that minimize cost for given levels of risk."

In my opinion, unless we abandon this "least-cost" approach, the Philippines will continue to face huge supply and price risks. Abandoning this approach entails greater use of renewable energy, which I strongly advocate.

We must consider that traditional sources of energy or fossil fuel-based power generation is subject to unpredictable prices. This means that the cost of power is affected greatly by the rise and fall of the fossil-based global prices and foreign exchange fluctuation, making dependence on traditional power plants a high-risk undertaking.

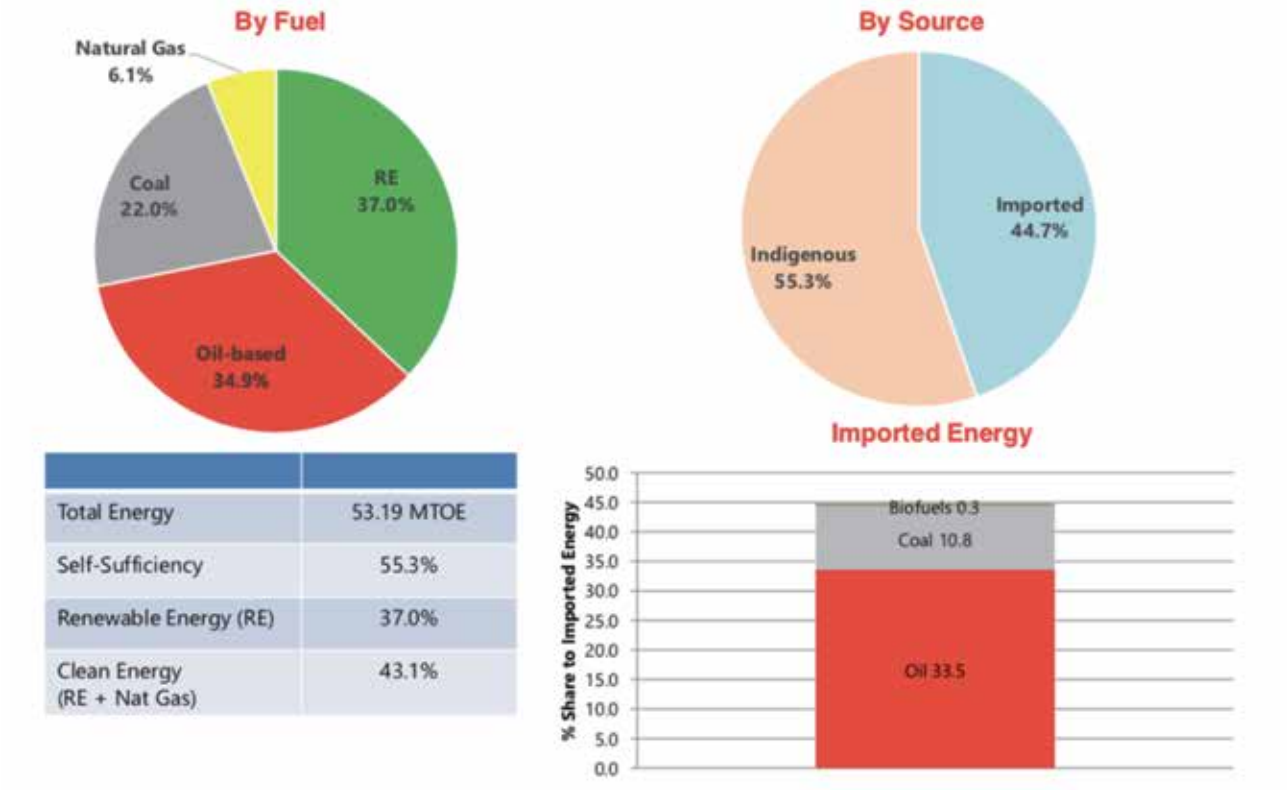
This is highly problematic and is a major reason why the average Filipino or Juan de la Cruz is probably getting a bad deal in his electricity prices. After all, generally, power sales agreements have provisions to "pass through" or "pass on" foreign exchange and fuel and coal price adjustments to the end consumers. It is the Filipino who shoulders the burden of higher oil and coal global prices and foreign exchange fluctuation.

Unfortunately, the Philippines is a country that is highly dependent on coal and oil for its energy needs. Data from the Department of Energy showed that in 2016, the Philippines sourced 22 percent of its energy from coal and 34.9 percent from oil, of which 33.5 percent of oil and 10.8 percent of coal were imported.

The country already has one of the highest electricity costs in Asia. And in the future, the country's power costs will even be higher due to the dependence on coal and oil-based power plants.

This is why adding renewable energy in the country's power generation mix is crucial. Renewable energy can provide stable prices — a fixed price for pre-determined number of years; a reduction of risks brought by fluctuating prices of fossil-based fuels and foreign exchange fluctuations.

This is the same point made by Awerbuch: "The CAPM analysis highlights some important implications of the negative correlation between energy prices and the economy, suggesting a broader conceptualization of energy security that reflects the deleterious economic effects of fossil volatility. These effects can be measured and reduced by incorporating technologies such as wind, geothermal and PV, whose underlying costs are uncorrelated to fossil prices. Fossil price risk can be mitigated only through such diversification."



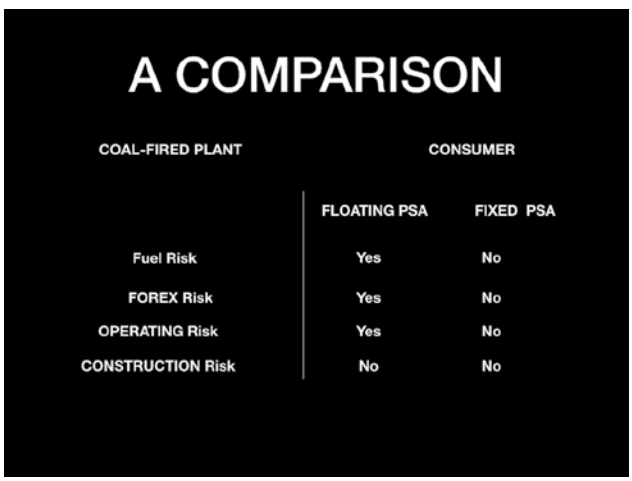
Total Energy	53.19 MTOE
Self-Sufficiency	55.3%
Renewable Energy (RE)	37.0%
Clean Energy (RE + Nat Gas)	43.1%

Source: A Presentation on the Philippine Energy Plan 2017-2040 by Department of Energy Senior Undersecretary Jesus Cristino P. Posadas

Indeed, reliance on imported coal and oil can be quite costly, especially now when the Philippine Peso is touted as Asia's weakest currency and the exchange rate can reach $1 to Php54 by year-end as experts predict. One can just imagine the increment in the cost of importation from the start of the year when the peso was trading for less than Php50 to a dollar and up until this August where a dollar is equivalent to 53 pesos.

It is impossible to predict the future prices of fuel and the foreign exchange. And one cannot possibly put the future prices inside the contract. This is the reason why these volatile costs are "pass through" or "pass on."

Adding more renewable energy into a power mix can help reduce power rates in the Philippines. Renewable power after all, can have a fixed-price, which means consumers no longer have to pay for the price difference when global oil and coal prices surge or when the Philippine peso drops against the dollar.



Addressing energy poverty in the Philippines is another reason why the Philippines must push for greater reliance on renewable sources of energy. Studies show that opting to use renewable power for off-grid islands is an advantageous solution for the Philippines. As of 2014, the country's electrification rate is at 80.9, leaving some 2.4 million households without power.

Source: IRENA's Accelerating Renewable Mini-Grid Deployment: A Study on the Philippines

International Renewable Energy Agency (IRENA) released a study titled "Accelerating the Deployment of Renewable Energy Mini-Grids for Off-Grid Electrification", which recommended for the Philippine government to revise the current Missionary Electrification Development Plan "to focus on reliable energy electricity access to small, remote and isolated areas." Part of which is to aim for a 24-hour electricity service that can support both commercial and industrial needs to enhance livelihood opportunities to increase incomes.

The report noted that such goal could be achieved by "strategically using renewable energy technologies (RETs), selected based on a least-cost approach to lower generation costs, improve reliability, increase service hours and avoid the use of fossil fuels."

The study stressed the merits in prioritizing RE for small and remote off-grid areas "These technologies can reduce generation costs and increase service reliability and service hours, while simultaneously mitigating climate change and improving climate resiliency."

Similar recommendations were provided by the paper entitled "Electricity-Sector Opportunities in the Philippines: The Case for Wind- and Solar-Powered Small Island Grids". The report noted that "Small island grids powered by solar, wind, and other renewable energy could reduce dependence on expensive imported fossil fuel generation without compromising the availability of power and grid reliability."

In fact, the country can save up to Php10 billion if off-grid islands use RE rather than traditional power sources according to the research.

Indeed, choosing the least cost method in energy planning is no longer works Philippines. The country is better off developing its renewable energy sources and putting them to greater use.

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PHILIPPINE ENERGY PLAN 2017-2040
JESUS CRISTINO P. POSADAS Senior Undersecretary
ACD Conference towards Energy Security, Sustainability and Resiliency 8 August 2017

Within the Mountains of Daily Carrier Data Collected and Stored, the Margin Lies Hidden in the Details

by William Holt

William Holt

Horizon Wireless

Fibre in the Sky

Horizon Wireless is a joint venture of Sydney-based PSI Pacific and Tarana Wireless of Silicon Valley. We offer carriers and service providers the opportunity to extend their "Last Mile" connectivity to customers through our unique wireless service that delivers superfast broadband speeds at a fraction of the cost of traditional Fibre and Cable Broadband.

Our products and services operate over licensed and unlicensed spectrum and most importantly will deliver high speed broadband speeds of 200Mpbs and 400 Mbps over Non Line of Site (NLoS). Immune to obstructions, interference, motion, and unskilled installers with unprecedented spectral efficiency, our products will revolutionise the way Broadband is delivered in Australia and the Region.

Providing the management leadership and governance for a Multinational Corporation is no small task. Staying abreast of all areas of a company's operations and financials requires accurate reporting, deep analytics and thoughtful decision making. Clearly the executive team and upper management must depend on high level reports to assess the progress and health of the corporation's many areas of operation.

Senior Executives and Members of the Board must rely on the insights provided by business units and their financial teams. This information is served up via a wide range of financial results, trending reports, competitive analysis, and profit and loss statements.

In today's fast paced, high tech corporate environment much of this 'intelligence' is provided via executive dashboards. These business analytics tools enable management to monitor the health of their business and spot positive and negative results and trends.

These challenges are particularly onerous in the world of Communications Carriers. New technologies, obsolescence, interconnect agreements, traffic settlements, customer service and support, competitive pressures and regulatory constraints are among the many challenges carriers face every day.

It is of critical importance that the leadership of communications carriers stay focused on the big picture to assure their growth and profitability. But competitive pricing and infrastructure investments present a critical challenge to maintain margins and profitability. Carriers generally do a good job of monitoring their operations considering that they process millions and even billions of call events every day.

Each call event generates a Call Detail Record (CDR) that records data on all aspects of each individual call, including cost and pricing. The volume of this data makes it almost impossible to analyze at a granular level. Carriers typically capture and store these mountains of CDRs in data warehouses. They are provided with a variety of reports gleaned from this mass of data. Most analysis is performed at a summary level or via data sampling. For example: margins and profitability are tracked by the total volume of traffic and by classes or types of traffic. This provides a good view into the overall performance of each area of the company's operations. But monitoring business unit and departmental metrics at an aggregate may be too high level to identify individual pricing anomalies and effect optimal cost savings. The devil truly lies in the granular analysis of these mountains of traffic data.

A carrier may be setting goals and objectives based on summary data that indicates positive performance and trending. However they may be leaving big dollars on the table by not drilling deep enough into the numbers that drive the summary reports.

A couple of years ago, I led a study of an Asian Mobile carriers using 3 months of their actual traffic data. We captured all of their CDRs for that period and performed an in-depth analysis of this data. This was clearly a big project, but new Massively Parallel Processor (MPP) technology makes this previously impossible task now possible. The analysis provided a variety of new insights for the CFO. But I want to highlight 2 areas that I found to be particularly enlightening. In both cases, the seemingly positive high-level results became more troublesome the deeper into the data we dove.

Let me summarize the results that we found in each case.

Case 1: Transit Traffic.

Many international carriers will transit calls for other carriers. That is, they will receive international calls from a foreign carrier and pass it on to the country of its final destination. This is generally done because the transit carrier is offering better rates than the originating carrier can get sending it direct to the destination country. The transit carrier may have a high volume of calls to the 3rd country and has negotiated a much lower rate than the originating carrier. And the transit carrier may have spare capacity to the 3rd country.

Transit Traffic Margins to Indonesia by Originating Account

Results filtered for top 5 and bottom 5 margin / loss values

Originating Intl Carrier	Calling Num Country	Called Num Country	Total Billable MOU	Inbound Revenue	Outbound Cost	Transit Margin	Transit Margin %
Carrier D	Singapore	Indonesia	1357.75	$86.90	$68.82	$18.07	20.80%
Carrier C	Portugal	Indonesia	167.43	$9.49	$8.38	$1.12	11.75%
Carrier C	Mexico	Indonesia	112.08	$6.36	$5.65	$0.71	11.14%
Carrier C	Uruguay	Indonesia	620.62	$35.19	$31.64	$3.55	10.10%
Carrier E	Hong Kong	Indonesia	1908077.52	$108,760.42	$98,083.24	$10,677.18	9.82%
Carrier A	Gabon	Indonesia	339.93	$2.18	$17.00	$-14.82	-681.22%
Carrier B	Singapore	Indonesia	107.70	$1.06	$5.66	$-4.60	-436.10%
Carrier A	Hong Kong	Indonesia	16395.17	$162.92	$819.76	$-656.83	-403.16%
Carrier A	Luxembourg	Indonesia	62.55	$0.67	$3.13	$-2.46	-367.95%
Carrier A	Denmark	Indonesia	366.52	$4.35	$18.33	$-13.97	-321.13%

*MOU – Minutes of Use

- 75 total transit arrangements to Indonesia.
- 35 have negative margins

Move negative margins to **0:**
→ Improve total margin by **27%**

Our analysis showed that in aggregate the transit traffic was generating an acceptable gross margin of 8%. However, when we broke out all of the individual types of transit traffic by originating and terminating countries, the margin picture presented an opportunity to significantly improve the overall margin for transit traffic. The chart below is a condensed version of the analysis highlighting the top 5 and bottom 5 transit routes by gross margin. All costs are shown in US dollars.

As you can see there were almost half of the transit routes on which the carrier was losing money. By not accepting traffic on these routes, the overall margin of the carrier's transit could increase by up to 23% to 10.5%. It is this type of deep dive into the data that usually does not show up on executive dashboard and not highlight areas of additional cost savings.

The dollars saved here are relatively small, but any improvement in the carrier-to-carrier costs and margins is beneficial. Month over month and year over year these sub-optimized margins affect the carrier's bottom line. Carriers dedicate a lot of internal resources to negotiating rates for all of the traffic destinations with each individual carrier. Often the negotiations are based on pennies or less per minute. Additionally, carriers utilize sophisticated Call Routing software to assure they route their calls via the lowest cost routes available to them. The rate tables used in this routing software may be updated daily. So, any opportunity to reduce costs and improve margins will add value to the bottom line.

Case 2: Least Cost Routing

As mentioned in Case 1, carriers focus a lot of resources on assuring that they are directing every international call via the least cost route. It is important to note that these decisions are made automatically in real time for every call that they process. This is a critically important function for a carrier in order to assure that they maximize their margins on all calls. More importantly they should be maximizing their margins on every call.

LCR Terminating Costs to Indonesia by Carrier

Destination Country	Term Intl Trunk Account	Total MOU*	Actual Cost Per Minute	Actual Total Cost	LCR Cost Per Minute	Optimal LCR Cost	LCR Difference/Savings
Indonesia	Carrier A	1.9	0.019211	$0.04	0.019211	$0.04	$0.00
Indonesia	Carrier B	14.33333333	0.025501	$0.37	0.019211	$0.28	$0.09
Indonesia	Carrier C	3462012.95	0.038001	$131,562.03	0.019211	$66,508.04	$65,053.99
Indonesia	Carrier D	3259984.35	0.042128	$137,337.92	0.019211	$62,626.91	$74,711.02
Indonesia	Carrier E	2777447.633	0.044088	$122,452.11	0.019211	$53,356.99	$69,095.12
Indonesia	Carrier F	20692804.65	0.045400	$939,457.47	0.019211	$397,525.33	$541,932.14
Indonesia	Carrier G	17272130.8	0.046200	$797,972.44	0.019211	$331,811.45	$466,160.99
Indonesia	Carrier H	12868001.92	0.051955	$668,559.61	0.019211	$247,204.61	$421,355.00
Indonesia	Carrier I	2343754.517	0.052000	$121,875.70	0.019211	$45,025.40	$76,850.30
Indonesia	Carrier J	7066565.133	0.052335	$369,828.69	0.019211	$135,754.37	$234,074.32
Indonesia	Carrier K	171750.1833	0.052751	$9,060.06	0.019211	$3,299.46	$5,760.60
Indonesia	Carrier L	3664485.4	0.053579	$196,340.93	0.019211	$70,397.70	$125,943.23
Indonesia	Carrier M	8.633333333	0.056504	$0.49	0.019211	$0.17	$0.32
Indonesia	Carrier N	115.2333333	0.059000	$6.80	0.019211	$2.21	$4.59
Indonesia							**080,941.72**

*MOU – Minutes of Use

30% of all traffic to Indonesia is completed via more expensive routes

41% of potential savings could be realized by not routing via these 7 carriers

But cost is not the only factor. Call quality is often factored in to the call routing decision tables, especially for the carrier's larger corporate customers. Answer Seizure Ration (ASR) is a measurement of network quality and call success rate in telecommunications. It is the percentage of answered telephone calls with respect to the total call volume. Other measurements include: Grade of Service, availability and dropped call rates. Dealing with carriers who offer very low route rates, it is important to assure that they can meet the minimum call quality standards. Once desired performance metrics are met for each specific route, it is least cost routing that is the goal.

The following chart shows real data from our analysis for this same carrier. I have obfuscated the carrier names, since it is the numbers that tell the most interesting story. While much may have changed in the past couple of years, I am confident that analysis of other carrier traffic today will reveal other cost reduction opportunities.

Our analysis was done on a destination country basis with a detail of the call completion costs identified by the terminating carriers. The example below is for a 3-month view of the terminating calls to Indonesia. While this identified the largest potential cost savings, similar opportunities were identified on most terminating countries.

There may be valid reasons for carriers to complete calls via more expensive routes. But the fact is that if you cannot identify these outliers then you miss the opportunity to optimize your margins on call completions. In today's highly competitive arena, communications service providers carriers need to optimize all aspects of their operations to maintain their competitive pricing advantage.

The projected cost savings are shown as the optimal potential benefit. For a myriad of reasons carriers may not be able to reduce costs to these levels but they can definitely realize some significant savings.

Conclusion

The tools to analyze such massive daily volumes of data are currently available, but its takes effort and commitment to mine this data. Major carriers have been using these tools for the past several years and have realized significant contributions to their bottom line.

Not many businesses are as complex as that of communications carriers. But many high-volume businesses could benefit from drilling deeper into their results. The take-away for me is that P&L statements, performance metrics and other high-level reports may not always tell the whole story. The margins are indeed in the details.

Bill Holt
Chairman - Horizon Wireless
August, 30, 2018

大崛起

洪宏

中国的出路与对策

1、文化强国之本

文化是人类一种最高文明和精神的传递、一种最高文明和精神的自我描述、一种民族文明和精神的象徵，是一种永远也无法摧毁的精神力量，是人类最大的财富。一个民族和国家的衰落首先是文化的衰落，一个民族和国家的强盛与兴起首先也是文化的强盛与兴起。一个民族和国家的发展与超越，更应是文化的发展与超越。所以说，一个国家在经济上、军事上、科技上、体育上的强大，并不是真正意义上的强大。当然，这些条件也是强大不可或缺的几个方面。但最本质、最深刻的强大还是文化上的强大，真正的强国就是文化强国。

文化是促成一个国家和人类历史做出最大发展变化的内在力量。我们传承中华民族数千年的文明精神的历史，就是我们的文化史。中国之所以能走进世界大国的行列，也必然会走进世界大国的行列，其理由只有两条：一条是中国的传统文化；另一条就是我们的选择和改变。

过去，我们中国悠久、灿烂、丰富、独特的东方民族文化，由于地理、历史发展、政治和社会体制等种种原因，无数年以来一直是孤立、封闭、守旧的文化。但这并不是说，中国的传统文化是不好的、落后的和无用的。相反，中国文化有著自己独特、非凡的价值和魅力。只是，我们长期处在一个封闭、保守、单一的禁锢的状态下独立发展著，没有形成一个完整、系统、发展的文化思想体系。

我们始终是在一元的、“善”的、黄色的、代表仁爱精神的人文主义文化中禁锢著，而缺乏与“真”的、蓝色的、代表求知精神的现实主义文化和“美”的、红色的、代表信仰精神的理想主义文化的有机结合。所以，我们中国独自的文化和历史，在曾经有过非常漫长、辉煌的成就之后，在近代的国际舞台上竟迅速衰落了。1840年的鸦片战争及以后的多次侵华战争，从表面现像上看是西方各国联合摧毁了大清帝国，从内在的文化上来分析则是西方现代二元文化战胜了东方封建传统一元文化，是欧洲大陆的理想主义和现实主义的二元文化战胜了中国的人文主义一元文化。

所以，中国和中国历史最终英明、睿智地选择了毛泽东思想（东方传统仁爱人文主义与西方马克思理想主义二元思想）与邓小平理论（坚持在二元思想基础下对现实主义的补充），从而构成了人类历史上唯一一次三元文化的结合和融合，走上了开放、发展、和谐、圆满的实践之路。

邓小平通过摸索、实践和发展三大过程，补充和完善了毛泽东思想，即在坚持“黄色”的“善”的人文社会主义、“红色”的“美”的马克思主义思想的同时，也要吸收“蓝色”的“真”的现实资本主义思想。实现了人类最伟大的“真（求知）、善（仁爱）、美（信仰）”统一、完整的文化思想体系，形成了建设有中国特色社会主义的邓小平理论。对外结束了长达30年之久的与以美国为首的“真”的现实资本主义的对抗，从而转向全面合作与学习西方的成功经验，进行社会主义市场经济建设的发展史阶段；对内实施全面改革开放、先让一部分人富起来、最后实现全部中国人奔小康目标的经济政策。

总而言之，从本质上来看，在1949年以前，毛泽东正是利用了先进文化的巨大力量，经过30年左右时间的努力，建立了新中国；在1949年以后，毛泽东再次利用了先进文化的巨大力量，经过又一个30年左右时间的努力，使得新中国牢牢地屹立在了世界的东方；而在改革开放伊始至今30年左右的时间里，邓小平以及其后的江泽民、胡锦涛，还是利用了先进文化的巨大力量，经过不断努力，把中国和中国人民引领上了富裕与小康之路。因此，中国领导人下一步也同样应该利用先进文化的巨大力量，继续努力，把中国建设成为真正的世界强国，实现中华民族的伟大复兴！

由以上分析可以看出，这里所说的先进文化，不仅是我们中国和中华民族集体智慧和勤劳的结晶，其实应该是全世界、全人类集体智慧和勤劳的结晶，所以也应该能够代表全世界、全人类的文化发展方向。

2、中国将走向何方

中国将要走向何方？

还是革命先驱们说得好：“前途是光明的，道路是曲折的。”“革命尚未成功，同志仍须努力。”等等。中国改革开放、经济建设所取得的成就是巨大的，可存在的问题也不少，这是客观事实。这些问题不解决，就将严重影响到我们的进一步发展；这些问题解决了，我们的前途就会更加辉煌灿烂。

首先要肯定成就是巨大的、成绩是主要的，这也是中外人们有目共睹、众所周知的。这是我们前进的动力，是我们自信的源泉。但同时也要发现问题、看到问题，要有清醒的头脑、有积极的态度，去面对问题、解决问题。当然也不要沮丧、不要头痛，毕竟问题是次要的，尽管有一定的难度、尽管有一定的严重性，但只要认真面对、只要努力行动，还是能够解决的、可以解决的，就像蜀道之难、登天之难、入地之难、下海之难一样，在过去似乎是不可设想的，现在不是都实现了吗？

在经济建设上，在改革开放上，在坚持四项基本原则上，在政治、管理、军事、外交、科技、体育等等许多建设领域里，我们都是做得很好的，2008年北京夏季奥运会、2010年上海世博会，以及前些年中国加入WTO，让全世界200多个国家和地区与数十亿人民看到了一个崛起的中国、强大的中国、幸福的中国；然而，我们的社会风气有所下降，人与人之间的和谐相处有所干扰，人性恶方面的因素有所助长，官场的腐败现像对党和国家的形像大有损害，中国普遍对精神文明与传统道德的疏忽、对东方文化与民族优势的缺乏重视，自然环境有所污染、各种资源与能源过度开采与浪费、天灾人祸逐年增多，地域经济差距有所加大，比如城乡之间的差距、沿海与内陆之间的差距、东部与西部之间的差距、汉族地区与少数民族地区之间的差距还是明显的，社会贫富层分化在加剧，并因此导致了小范围的、短时间的地方事件、民族矛盾与宗教冲突，等等。

那么，我们应该怎么办呢？既然看到了问题，那就要面对问题，对症下药，循序渐进，步步为营，各个击破，妥善解决。比如说，继续坚持改革创新，坚持走符合中国国情的特色之路，认识到并运用好文化与思想的重要价值，发挥中华民族与东方文化的优势，强调加强精神文明建设与弘扬传统道德，从严整顿党的作风、从宽改善社会风尚，统筹安排与妥当平衡地域、阶层、民族、宗教之间的各种差距和矛盾，创造社会主义和谐社会，追求一切尽量往良性循环方向发展。这样我们就一定能走出中国在现代化发展道路上的“瓶颈状态”，把自己的路走得更稳、更好、更快！从而迎来一个更加完美的明天。

从文化上说，我们就要更好地结合由古至今、国内国外的文化与思想精华，把真、善、美，也就是蓝、黄、红，也就是求知、仁爱、信仰，也就是现实主义、人文主义、理想主义融为一体，那就能产生巨大的精神能量。世界上的不管什么问题、不管什么事情，不管是在什么时候、不管是在什么地方，只要将人类这三大原动力都结合并运用起来，那便没有什么问题解决不了、没有什么事情做不了的。我们也是这样。要是我们国家在解决目前存在、上文提到的这些问题时，能够从这三大文化和精神元素的角度来进行考虑，能够在开展工作时把这三大元素都考虑进去，那就一定手到病除、迎刃而解，任何情况都将畅通无阻，获得一个皆大欢喜、人人满意的结果。其实，在这方面我们已经做了很多的工作、已经有很大的成就了。这三元素当中的二元素，我们已经很完美地结合了；甚至，包括全部三元素，我们也已经比较完美地结合了。接下去我们要是能把这全部三元素都很完美地结合起来，那就是“百尺竿头，更上一层”，“锦上添花，美仑美奂”，产生更大的能力，取得更大的成就。

中国共产党的几代英明、伟大的领导人，带领著聪明、勤劳的十数亿中国人民，用了近九十年的春秋，付出了巨大的代价，作出了无数的努力，先后实现了建国（从毛泽东到邓小平）、富国（从邓小平到江泽民）、富民（从江泽民到胡锦涛）的飞跃式大发展，在世界的东方创造了一个又一个令人们惊叹的奇迹。下一步，要是我们能意识到文化思想的重要性，把“文化强国”的口号喊起来，把人类的三大原动力运用好，并切实去解决掉当今存在的这林林总总的现实问题，那我们就实现了飞跃发展的最后一步——真正的强国之梦。这就是中国的出路，这就是中国的对策。

3、坚持中国特色之路

中国的崛起，可以说是21世纪国际关系和人类社会发展史上的一件大事情。中国特色不仅是中国改革开放政策的产物，还是新中国诞生后以毛泽东思想为指导下中国社会发展的延续、完善和补充，是中国社会发展合理、必然的选择。但当初在提出“中国特色”概念的时候，也曾发生过很多争论。因为中国的改革开放，包括对内改革和对外开放这互相存在的两个方面，它们是互不可缺的。因而，讨论中国特色，就是要把改革开放放在中国和世界发展这两个角度上去探讨其意义。就是说，中国特色不仅属于中国历史，也属于世界历史。

探讨中国的改革开放对世界的意义，那就要从国际环境的变化来看中国的改革开放。中国的改革开放既然和国际环境分不开，那么也自然对国际社会具有深刻的影响。尤其应当指出的是，“开放”表明，中国的改革一开始，就是世界发展经验的组成部分。由于正因为是这样，中国的改革开放事业一开始，国际社会对此所表现出来的关怀，就并不亚于中国社会本身对此的关怀。

这个拥有世界人口五分之一的东方社会主义大国，他们下一步要做什么、会做什么、怎么做？中国的改革开放，对全世界究竟意味著什么？这些问题，放在改革开放的不同时期，其含义是不一样的，是一个实践和发展的过程，也是一个变化和动荡的过程。这可以从西方世界一些政治家或政治势力对中国改革开放的话语变迁中看出来。

早在中国刚刚开始改革开放的时候，也就是20世纪80年代初期，西方社会对中国是一片欢迎，认为中国很快会就演变成为另一个以美国为代表的西方现实主义国家。

但当他们最终意识到，中国不可能成为另一个“现实主义”的时候，以美国为代表的西方，就从90年代初开始掀起了一波又一波的“中国威胁论”，从“中国军事威胁论”到“中国经济威胁论”再到“中国政治不确定论”等，循环反复，从未间断过。当然，跟随著各种“威胁论”的，是各种应付中国的策论，“围堵”、“遏制”、“抗衡”、“对冲”和“接触”等，不一而足。

可等到他们意识到中国的崛起不可能遏制和围堵，意识到中国事实上已经崛起的时候，西方又有了“大国责任论”和“利益相关者论”等论调。

西方对中国的各种忧虑和猜疑，其背后有种种的原因。但不管怎样，这就是说，中国的改革开放，与以美国为代表的西方和世界的利益是息息相关的。但如果光从以美国为代表的西方对中国的反应来看中国改革开放的历史、世界意义，那么就会过于狭隘。不管中国现在如何定位自己，或者其他国家如何定位中国，改革开放当初发生在属于发展中国家的中国这个事实表明，中国的经验对于发展中国家更具有现实意义和价值。

中国特色问题在西方社会已经讨论多年。尽管中国政府本身还是很低调，但在海外，对这个体制的讨论长期有增无减。从总体上来说，中国特色对于西方发达国家和其他发展中国家具有不同的意义。

对很多第三世界发展中国家来说，中国特色的意义在于，它到底是否能够成为有别于从前其他所有体制的一个替代体制。在第二次世界大战以后，世界的发展格局，基本上分为代表红色理想主义的苏联一元模式和代表蓝色现实主义加红色理想主义（但以蓝色为主调）的西方二元模式。如今，红色苏联的模式已经解体，只剩下蓝色西方的模式。西方现实主义的代表，主要指的是美国现实主义体制。但欧洲各国也经常在国际事务中倡导其市场价值与和谐理想主义模式。欧盟的成立，标志著欧洲各国统一了和谐、公平的传统理想主义思想的结果。从此，欧盟的和谐理想主义体制，也逐渐在世界舞台上占有牢固的地位。并且，在很多方面，欧洲表现的理想主义，已经与美国的现实主义有了很大的差别，各国都在努力寻求其自己的模式。很显然，在内政方面，欧洲的理想主义色彩因素，远较美国现实主义的差别越来越大。美国在冷战结束以后成了世界唯一的超级大国，有力量推行其所谓民主科学的现实主义体制，也就是人们常说的“华盛顿共识”。但不管是欧盟还是美国，在推行其模式方面，并没有获得很大的成功。包括伊拉克、阿富汗等国，就是强制性推广的典型案例，却失败了。也有很多自愿采用西方现实主义体制的发展中国家，但并没有因此得到经济、社会的发展与民主政治的稳定，相反却遭到了中东伊斯兰复兴主义或各国民族主义的强烈反对和抵制。在这种情形下，中国的特色模式对发展中国家来说具有了非常重要的意义。

如果说中国特色对发展中国家来说更多的是发展经验问题，那么对西方国家尤其是美国来说，则更多的是一种文化价值观和意识形态问题。对很多西方人来说，中国特色就是对西方文化价值观的挑战和竞争。他们的担忧，不仅仅在于上面所说的，很多发展中国家对中国经验表现出了极大的兴趣；还在于即使在西方，那些对以美国为代表的现实主义体制不再感兴趣的西方人，也开始看重中国特色、研究中国特色了。不管怎样，前些年所谓的要以“北京共识”取代“华盛顿共识”的讨论，是起源于西方，而非中国。

中国特色对中国自身的发展，其意义更不容忽视。新中国成立60年以来，社会一直是在向前飞速发展。从毛泽东时代搞国防军事工业科技为新中国奠定了牢固的工业和科技基础，邓小平时代开启的改革开放到现在已有30年。尽管从数字上看，30年对有著数千年历史长河的中国来说并不算什么；但若把它放在中国历史的过去和未来的中间来看，人们会感觉到这30年具有里程碑式的历史意义。也就是说，这30年为历史长河注入了从前所不曾有过、并且注定会对未来产生长远影响的因素。尽管数千年的历史很长，但当前这样的历史有著划时代的里程碑式的意义。无论从哪个方面来说，这30年已经成为中华历史连贯中的重要一环。

进而，如果我们不能理解改革开放之前30年中国的历史，也就很难甚至不能理解改革开放之后30年中国在经济发展上的成就。前30年可以理解为以毛泽东思想为主与以美国为代表的西方“对抗”式的发展，而邓小平开启改革开放则是将“对抗”变为“合作”式的发展。中国与西方“对抗”的前30年，为与西方“合作”的后30年打下了非常牢固的军事工业、科学技术的基础和经验。因此，广义的中国特色的范畴，应当涵盖从中华人民共和国成立到现在的60年。

对中国的大历史来说，改革开放最深刻的意义，在于对国家发展道路包括经济、社会和政治道路的探索。中国在进入近代社会之前，尽管时期漫长，但多为历史事件的简单重复，农业社会和王朝更替是数千年历史的最持续的特色。只有到了与西方强国进行正面、正式、频繁、深入的接触之后，中国的各方面才发生了根本性的变化。简单地说，从清末改革运动到孙中山再到毛泽东，在改革开放之前，中国人一直处于持续的革命之中，探索的重点在于建立一个什么样的国家。尽管毛泽东领导的共产党人最终建立了人民共和国，但对人民共和国应当是怎样的一个国家，一直处于艰难的探索之中，对很多问题的理解只能在实践中进行。最终，产生了伟大的“毛泽东思想”。

毛泽东思想产生的历史，要从“五四”运动和新民主主义运动开始说起，一直到建立新中国后的前30年。毛泽东思想就是将马克思主义和中国革命具体实践相结合的思想，也是将革命的、美的、红色的、信仰的理想主义和传统的、善的、黄色的、仁爱的人文主义思想的结合。理想主义和人文主义结合的毛泽东思想的伟大实践，是人民共和国在改革开放之前30年的主要特点。

在共和国的前30年，鉴于当时的国际和国内形势，中国尽管也有一些制度上的创新（如对马克思理想社会主义的理解，以及各项工程建设方面，最终与苏联决裂），但从总体发展上来看，还是苏联版本的计划经济和贫穷社会主义，仍然相对孤立于（不管是主动的还是被动的）国际体系之外。只有少部分社会主义国家（如阿尔巴尼亚、朝鲜）和非洲的一些小国（如坦桑尼亚、赞比亚）与中国建立了外交关系。

但共和国的前30年，为一个真正的主权独立国家奠定了全面而扎实的基础。而对如何建设这个新国家，只能说是为后人留下了很多宝贵而代价极高的教训和经验。同时我们也要意识到，如果没有前30年建立起来的主权国家架构和军事工业科技基础，也就很难有后30年的巨大建设事业。而且，正因为毛泽东思想开展了那么多有价值的社会实践，毛泽东以后的几代中国领导人才有了全然不同的探索。既然计划经济、高度集权、没有自由、封闭、贫穷理想社会主义等已经被证明行不通，才使得后来无论是领导层还是中国社会都接受了并追求市场、分权、自由、开放和富裕生活等现实主义合理存在的价值。

如果说人类都有享受先进、发展和美好生活的权利，那么现实主义就不应该是以美国为代表的西方国家的“专利”，一样可以为中国理想社会主义所接纳和服务。尽管邓小平当时形像地说改革开放是“摸著石头过河”，但这只是说追求这些文化价值观的过程具有不确定性，实际上方向是相当明确的。这也是为什么前些年中国存在著各种内外危机，如1989年的“六四事件”和随后90年代初苏联和东欧国家的政权纷纷崩溃，而中国的改革开放却始终没有走回头路的主要原因。

同时，中国对自己发展道路的选择，也并非“非此即彼”。这就是说，中国并不是在挥泪告别了苏联模式之后，就马上并直接选择了西方体制。在这方面，中国又与俄罗斯和东欧国家区分了开来。中国依然在坚持走自己的道路，尽量符合本国的国情，有鲜明的特色。应当说，这种独立自主、大胆进取的探索精神，本身就是一种巨大的价值。

而俄罗斯和东欧国家则早已彻底接受了西方的现实主义发展模式，他们希望通过激进、颠覆式的改革，变成西方那些能代表民主科学的现实主义国家。但往往事与愿违，他们大都因此导致了在一定程度上的经济衰退和社会混乱。在其进行休克疗法的激进改革之后，俄罗斯在一段时间里赢得了西方式民主，却仍很难适应俄罗斯的社会经济发展。直到数年前普京执政，进行求真务实、积极有效的调整，俄罗斯开始用理想主义和民族主义来纠正激进改革中的偏激弊端。但一旦这样做，俄罗斯又被视为开始走社会主义的回头路，西方国家对俄罗斯出现一片责难。在经过诸多曲折之后，俄罗斯等国的政治人物和社会民众才意识到，尽管民主政治是一种值得追求的文化价值观和制度，但单靠民主本身并不能保证社会的发展。如果民主不能保证并同时促进社会经济的发展，那就会导致全社会的不满，而政权也只会处于低度维护当中。

中国特色的崛起，不仅对中国未来的发展具有重大意义，对世界的发展尤其是对发展中国家的发展也具有参考价值。可惜的是，尽管无论是在学术界还是在政策研究领域，人们对中国特色的兴趣已经很浓，但到目前为止，除了媒体对中国特色概念的传播，还没有严肃的学术研究。很显然，对中国特色的认识，需要很长的时间，花费很大的努力。但中国特色的本质，就是理想马克思社会主义、中国传统人文主义和民主科学现实资本主义有机的结合与高度的统一。这种结合和统一，形成了邓小平理论思想核心的主体。中国特色社会主义的建设，是人类第一次在最先进文化价值观的结合、统一下的伟大实践。

本书中的许多观点，都是本人在过去很多年里对毛泽东思想、邓小平理论与中国特色的思考。这种思考是在几个层面上综合、同步进行，包括中国特色到底是什么，它如何发展而来，它的未来是什么。而很多研究者在涉及中国特色问题的时候，却往往只关注中国特色应当怎么样的问题。本人在很多年的研究里，除了涉及文化思想层面上的问题，还有很多是实践中的验证、发展和总结问题。只有通过观察中国的实践和中国的经验，才能理解毛泽东思想、邓小平理论和中国特色的思想从何处来、到何处去的问题。要回答这个问题，就必须有一个历史的角度和一个比较的角度。也就是说，要从中国的视角（历史）和国际的视角（比较），来对中国的特色进行不断探索、研究。

应当强调的是，对中国特色的探讨，需要很多人、很长时间的努力。一则，如上所述，到目前为止，对中国特色的认识和研究还不够深入；二则，中国特色的本身，还正处于发展和变化过程之中。

中国应该永远坚持走有自己特色的发展道路，并在实践中不断总结、完善、提升，最终实现为本国和全人类社会的发展做出巨大贡献的目的。

5、我们要一个什么样的大国

2010年7月20日，美国向全球报导：“中国能耗已超过美国，成为世界第一能源消费大国。”中国经济成就举世瞩目。改革开放30年以来，我国经济持续高速增长，能源供应紧跟需求拉动，出现超高速增长。早在2002年，中国能源消费就已位列全球第二位。本世纪以来，中国经济出现超高速的增长，能源消费大大增加，成为世界第一能源消费大国，已经成为一个不争的事实。

A China-based EV corporation: The Rise of The First-Mover

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This study explains how Build Your Dreams (BYD), a China-based electric vehicle (EV) company has help revolutionize the public transport in Hong Kong by tightly collaborating with various big transport corporations in Hong Kong such as Hong Kong Taxi & Public Light Bus Association Limited, Sime Darby Motors Group (Sime Darby), CLP Power Hong Kong Limited, the Hong Kong Electric Company Limited and the Link Management Limited, to debut the first fleet of BYD e6 Taxis (Medina, 2013). One of the major reasons for the Hong Kong SAR Government to hail BYD's electric vehicles to Hong Kong is that they want to demonstrate their high involvement in the promotion of an eco-friendly city in the Pearl River Delta Region. More specifically, Hong Kong Government wants to pursue the sustainability of the new source of energy for the local vehicles so as to reduce the direct carbon footprint to the minimum level. Ideally, BYD can act as a "Green Panacea" for Hong Kong to attain the goal of ''an emission-free city". This case stresses on the merits and downsides of this revolution.

Introduction

Founded in 1995, Build Your Dreams (BYD) is the first China-based electric vehicle (EV) company that has expanded its EV market globally. So far, they have already distributed over 11 locations, hiring more than 200,000 employees in China (Weiller et al., 2015). Originally, BYD used to be placing the focus on phone batteries and has become a renowned market leader in producing rechargeable batteries in the international market within a decade. Acquisition is definitely a more effective way for the company to grow fast such as the acquisition of Tsinchuan Automobile Company in 2002. In terms of sales, BYD has recorded positive growth rate in the past five years and has appealed to international investors like Warren Buffet. With the help of the experience gained from the battery and car production, BYD has grown speedily to become the market leader in the EV industry in China. In the mainland China, altogether BYD has introduced three important models i.e. E6 (a sedan), K9 (a 12-meter bus) and E3DM (a plug-in hybrid EV). Another effective strategy that has helped the company to grow successfully is joint-venturing with different companies i.e. China Southern Power Grid for building fast-charging infrastructure in Shenzhen, China in 2012 (Handberg and Owen, 2014). Actually, more cooperation with China Southern Power Grid in operating the EV taxis is in progress in Shenzhen as well. The model suggested by Miles and Snow (2007) will be used to explore the business strategies of BYD and appropriate marketing mix will be discussed in the following paragraphs.

Generic Business-level Competitive Strategies

Established by Miles and Snow (2007), the generic business-level competitive strategies will be adopted in this paper to explain the business strategies of BYD's in the competitive both the local and global market place. Based on the model of Miles and Snow (2007), there are four specific business strategies that a company can choose from in order to strive in rivalry in the keen market place based on four unique strategies ie prospectors, defenders, analyzers and reactors. In this case study, it is not difficult to discover that BYD can be described as prospector that can have the following four unique characteristics: First-mover advantage, opportunity seeker, think global act Global, and research and development, which will be explained in depth in the following paragraphs.

First of all, BYD has enjoyed the first-mover advantage. BYD has excellent track records in outperforming its competitors by its first-mover advantage. For instance,

originally, BYD used to be focusing on phone batteries and has become a renown market leader in producing rechargeable batteries in the international market within a decade. In addition, BYD is among the first China-based EV company that has set up branches overseas e.g. in the US, UK and so on. Further, another effective strategy that has helped BYD to grow successfully is the first to joint-venture with China Southern Power Grid, building fast-charging infrastructure in Shenzhen, China in 2012 (Handberg and Owen, 2014). In 2008, BYD introduced F3DM which is first hybrid EV independent of specialized charging stations in the world (BYD, 2015). Up to now, BYD has been number one globally in the following areas: the largest market share for mobile phone chargers, handset Li-ion and Nickel-cadmium batteries and the largest supplier of rechargeable batteries (BYD, 2015).

Secondly, BYD is an opportunity seeker. BYD has a culture of seeking new business opportunities so as to expand its market globally. For example, to overcome the air pollution problem in the Pearl River Delta (PRD), a collaboration research has been conducted in 2002 by both governments of Guangdong and HKSAR (Weiweipo.com, 2014). In addition, the acquisition of Tsinchuan Automobile Company in 2002 could allow the company to enter the automobile industry in an extraordinary rate. A typical example for BYD to seek opportunities is the joint-venture with a Shenzhen-based electricity provider, China Southern Power Grid. In this joint-venture project, coordinated fast charging stations were set up for BYD E6 taxis to charge efficiently. Two free-of-charge stations were set up by BYD for E6 taxi drivers. The subsidies granted by the Chinese government has significantly reduced the cost of the EVs in China and in return, more customers are willing to buy BYD's EVs. Furthermore, the cost of electricity of using EVs are also subsidized by the local government so the incentive of buying EVs has been boosted in Shenzhen, China. Due to the collaboration with the electricity provider, BYD's F3DM benefits most as the infrastructure set up by both companies makes the long distance drive possible through F3DM's hybrid structure.

Thirdly, BYD think global and also act global. With the support of the Chinese Government, BYD has grown to be number one in the EV market in China, distributing EVs over 11 locations, hiring more than 200,000 employees in China (Weiller et al., 2015). In addition, BYD has established offices in different countries and cities, including Europe, Hong Kong, US, South Korea and Japan. Critical milestones of the international market expansion are listed as follows (BYD, 2015):

- In 1998, BYD Europe B.V. was founded.
- In 1999, BYD (HK) Co., Ltd. was founded.
- In 1999, BYD America Corp. was founded.
- In 2001, BYD Korea Office was founded.
- In 2002, BYD was listed on the Hong Kong Stock Exchange Main Board (Stock Code: 1211.HK) with the highest issue price among the 54 H-share stocks in Hong Kong Stock Exchange.
- In 2005, BYD Japan Co., Ltd. was founded.
- In 2007, BYD Electronic (International) Co., Ltd was listed on the Hong Kong Stock Exchange Main Board (Stock Code: 0285.HK).
- In 2008, MidAmerican Energy Holdings Co, a unit of US billionaire investor Warren Buffett's Berkshire Hathaway Inc. took an approximately 10% stake by buying 225,000,000 new H shares issued by Hong Kong-listed BYD at HK$8.00 (US$1.03) per share. The total value of the investment is approximately HK$1.8 billion or US$230 million.
- In 2009, BYD and Volkswagen (VOWG.DE) signed a MOU on EV and battery cooperation.
- In 2010, BYD North American Headquarters was founded in Los Angeles.
- In 2010, BYD's e6 got its first license in Netherlands, that is, e6 formally entered into European market.
- In 2011, BYD Canada Company Limited was founded in Windsor.

Last, but not least, BYD has strong investment research and development. BYD has grown to be one of the most innovative brands and has invested heavily in the research and development of EVs. More importantly, BYD has placed its focus on inventing eco-friendly products i.e. EVs, battery energy storage station and LED (BYD, 2015).

BYD can definitely contribute a lot by providing the future energy solutions to solve the pollution problems in China and the other countries as well (Tan, Wang, Deng, Yang, Rao, & Zhang, 2014).

Background

To overcome the air pollution problem in the Pearl River Delta (PRD), a collaboration research has been conducted in 2002 by both governments of Guangdong and HKSAR (Weiweipo.com, 2014). Actually, the main focus of the research was to find out the influence of the commercial and industrial air pollution emission in PRD so that relevant initiatives and policies can be introduced in the region. As a result, some useful data and information were found such as representative air samples and distribution of air pollutants in different places. Importantly, the population of PRD has increased by 20% from 1997 to 2010; whereas, the vehicle mileage has grown by 180% in the same period. As a matter of fact, the gross air pollutant emission for Hong Kong is about 12.5%; whereas, the gross emission for PRD is about 87.5%. All things being equal, if the PRD continues to proper economically, the emissions problem in PRD will get even worse in the near future. It is crystal clear that both governments need to face the music and to find ways to tackle the air pollutant emission with appropriate measures.

As such, in the past decade, the Hong Kong Government has expressed tremendous interest in introducing the Electric Vehicles (EVs) so as to tackle the gross air pollutant emissions in Hong Kong. Basically, there are three advantages of using EVs in Hong Kong. First of all, contrary to traditional vehicles, EVs are able to significantly alleviate the negative greenhouse effects and more importantly, to better enhance the air quality in the Hong Kong city in the long run. Secondly, the popularity of EVs can also grant business opportunities to the environmental companies. Furthermore, the benefit of Electric vehicles (EVs) is that they do not possess pipe emission facilities. Ideally, BYD may act as a "Green Panacea" for the Hong Kong economy to help attain the goal of ''an emission-free city".

Strengths of BYD in Hong Kong

Having been the first China-based EV company listed in the Hong Kong Stock Exchange in 2002, BYD has invested significantly in Research and Development capabilities. Leveraging on its exiting strong local battery brand in China, BYD can also take advantage of the benefit in gaining from the learning curve effects over the past 12 years' experience since its acquisition of Tsinchuan Automobile Company in 2002. On top of it, BYD has grasped outright hands-on knowledge about the China market. Nevertheless, BYD has strengthened its state-of-the-art technologies such as DM II Technology and Fe Battery. Lastly, BYD is also good at taking care of its staff which can be reflected by its low turnover over the years (Huckman and MacCormack, 2006).

Challenges to BYD in Hong Kong

The Hong Kong Government is so receptive and supportive to EVs by endorsing 100 new public medium chargers which are installed at sixteen government car parks (Environment Protection Department, 2014). However, for the moment, the total number of rechargers, no matter they are medium chargers or standard chargers, are still insufficient in Hong Kong. A lot of taxi drivers may be reluctant to try BYD's EVs due the potential threat of losing income.

Although BYD has introduced its new EVs such as BYD e6 for taxis and BYD k9 for buses in Hong Kong, quite a lot of people have yet perceived EVs are low quality vehicles in terms of speed and distance. As explained in BYD website (BYD, 2014), the maximum travelling distance for the full charge of a BYD e6 is about 350 km which is still not up to the expectation of the majority of taxi drivers in Hong Kong. To a lot of drivers, it takes far too much time to charge to a BYD e6 EV such as 40 minutes (Bradsher, 2012).

Moreover, the technologies of EVs are still in the introduction stage and therefore, accidents caused by BYD might be harmful to the brand of the company in the long run (Bradsher, 2012).

Unlike some other global Chinese Government such as Lenovo (Farhoomand, 2013), it seems BYD does not gain great benefits or strong supports from the development of Chinese Government policy in PRC.

New Moves of BYD in Hong Kong

As the competition of the EV market is very keen in Hong Kong, BYD might suffer greatly from the aggressive pricing strategies adopted by the competitors. Even worse, EVs demand tremendous R&D, cost and time to build the new models. And yet, the return of investment of BYD may note be immediate and has already become far from ideal at the introduction stage of the product life cycle. To maintain its leadership position in China and sustain its growth in Hong Kong, BYD, as one the most innovative EV companies in China, has to take the following bold steps.

1. Provide high quality EVs to meet with the needs of the technologically-savvy and middle or upper class segments in Hong Kong.
2. Explore new technological products and markets in both public and private sectors in PRD and Hong Kong.
3. Diversify into other eco-friendly businesses.
4. Leverage on its famous brand to gain access to the unexplored global markets such as Eastern Europe.
5. Try to lower the margins of distribution by joint venture.
6. Strengthen its 4Ps so as to maximize its competitive edge.
7. May consider to develop its own state-of-the-art engine or to partner with Samsung to develop new state-of-the-art engines.
8. Sponsor globally renowned sports activities such as Grand Slam and Olympics Games so as to establish the global brand awareness and loyalty.

Figure 1:SWOT Analysis of BYD

Strengths	Weaknesses
1. Strong local battery brand in China. 2. Market leader in the battery industry in China. 3. Enjoy the benefits of learning curve effects over some 12 years' experience since its acquisition of Tsinchuan Automobile Company in 2002. 4. Have gained outright hands-on knowledge about the China market 5. Has strengthened its R&D i.e. DM II Technology and Fe Battery. 6. Good at Human Resources Management: BYD seems to take good care of its staff as reflected by its low turnover.	1. Apart from the recharger offed only limited recharger located in Hong Kong. 2. The traditional perception of EV means low quality of cars in terms of speed. 3. EV cars are still in the infantry stage. 4. Unlike some other global Chinese Government such as Lenovo, it seems that BYD does not gain great benefits or strong supports from the development of Chinese Government policy.
Opportunities	**Threats**
1. Hong Kong Government endorsed 100 new public medium chargers which are installed at sixteen government car parks. 2. Explore new technological products and markets in both public and private sectors 3. Diversify into other eco-friendly businesses. 4. Leverage on its famous brand to gain access to the unexplored global markets 5. Sponsor globally well-known sports activities e.g. Grand Slam and Olympics Games to build the global brand awareness and loyalty 6. Partner with Samsung or Sony to develop new battery or engines	1. Keen competition from Japan and US 2. The Mature market of the PC market 3. Keen competition from different levels of competitors: high end products: BMW EVs; lower end products from Japan EVs. 4. Chinese Government make not grant exclusive rights to BYD in different cities in China. 5. May not be fast enough to create innovative IT products in the capital intensive and innovative EV markets.

Figure 2: EV Models Available in Hong Kong

Vehicle classification	Name of Retailer	Model
Private cars	Universal Cars Limited	Mitsubishi iMiEV
Private cars	Honest Motors Limited	Nissan LEAF Nissan LEAF Plus
Private cars	Tesla Motors HK Limited	Tesla Model S 85kWh Performance 85kWh 60kWh
Private cars	BMW Concessionaires (HK) Ltd.	BMW i3 (I01)
Private cars	Wearnes Motors (HK) Ltd.	Renault Fluence Z.E.
Private cars	**BYD (H.K.) Co., Ltd**	BYD e6
Private cars	Fortune Dragon Motors Ltd	TAZZARI "EM1"
Motorcycles	JCAM	Brammo Enertia Brammo Enertia Plus Brammo Empulse Brammo Empulse R E-MAX "120LD+"
Motorcycles	GMI	GMI Proton 750 GMI Proton 850
Motorcycles	Zero Motorcycles Hong Kong	Zero S (ZF9)
Light goods vehicles	Fortune Dragon Motors Ltd	Micro-vett electric Doblo (based on Fiat Doblo)
Light goods vehicles		Smith Edison (based on Ford Transit)
Light goods vehicles	Wearnes Motors (HK) Ltd.	Renault Kangoo
Light goods vehicles	Universal Cars Limited	Mitsubishi Minicab iMiEV
Medium goods vehicles		Smith Newton
Private cars	Fortune Dragon Motors Ltd	TAZZARI "EM1"
Light bus		Smith Edison
Bus	**BYD (H.K.) Co., Ltd**	**BYD K9**
Bus	Great Dragon International Corp. Ltd.	HC-150-120 HC-150-105
Bus	Confidence Motors Limited	Wuzhoulong FDG6102EVG FDG6110EV2
Taxi	**BYD (H.K.) Co., Ltd**	**BYD e6**

* As of September 2014 (Environment Protection Department, 2014)

Learn from the Global Player

BYD should not be complacent with the current success as the global EV market is full of keen competitors from which BYD can enrich its EV operation knowledge tremendously. A successful project, an EV-sharing scheme, initiated and supported by the French government. To start off, some 40 municipalities in suburbs have been covered. Collaborated with the French government, Autolib' is sole distributor of EVs in the project in France. Autolib's service is a bundle service that EV drivers need to pay for both a membership fee and a time cost based on the usage rate. The merits of the project are: no EV purchase cost, battery costs and electricity costs. Every single cost is absorbed by Autolib'. In addition to this, Autolib' can share the risks of the new investment in a new project with the French government. At the end, customers can refrain from bearing the risks by themselves. Rather, the risks were shared by various players, Autolib', the French government and other ecosystem participants. There is a limit of the service. EV drivers are only allowed to drive in urban areas and short distant areas in France. Actually, Autolib' has helped change the behavior of French consumers (Weiller, Shang, Neely & Shi, 2015).

New Marketing Tools for the Global Market

Innovative Eco-friendly Products

BYD needs to be very conscious in expanding its markets and products in the near future as different regions might have different needs. Say for example, in the US, Tesla is definitely the biggest US-based head-to-head direct competitor in the US market. Actually, Tesla has sold more EVs than BYD globally (Weiller, Shang, Neely & Shi, 2015). If BYD really wants to excel in the US, the company needs to invest more resources and R&D in discovering more value-for-money and yet eco-friendly EVs in the US. Regarding the R&D, BYD should be more aware of producing more smarter and more compatible charging technology and infrastructure to meet with the needs of different demands (Weiller, Shang, Neely & Shi, 2015).

High Price, High Quality

Extremely different from the low-cost leaders, BYD has to differentiate its position by producing an EV with high quality in the EV market. That is why collaborating with European auto companies like Volkswagen can definitely give an edge to BYD. Importantly, the key issue is not the supply side but the demand side. The perception of customers is the key to success for BYD. Adding more augmented products can boost the image of the company and therefore, BYD is comfortable to charge the loyal customers a premium.

Intensive Marketing Channels

So far, BYD has established its offices in various developed countries and cities all over the world, including Europe, Hong Kong, US, South Korea and Japan. Without doubts, establishing marketing channels more intensively through merging and acquisition would surely help BYD expand its EV market faster. Nonetheless, aggregating the networking and collaboration capabilities with different smart distribution channels can also enhance the scope of the conglomerate. Due to nature of prospectors like BYD, investing more resources in new product development may, very often than not, give rise to uncertainties in the short run. More resources should be spent on trade promotions so as to network with more potential collaborators.

Social Media and Traditional Advertising and Promotion

Skillfully use of more social media e.g. social media, blog, twitter and wechat can definitely enhance the image of the company. Far-reaching integrated marketing communications ie social media play an significant role in the efficacious enactment of the prospector like BYD. Upholding the loyalty of reputable customers by adjusting to meet with their needs i.e. delivering quality and customized service to customers.

Listed in Hong Kong Stock Exchange in 2002, BYD, a China-based electric vehicle (EV) company has help revolutionize the public transport in Hong Kong by tightly

collaborating with various big transport corporations in Hong Kong. Unlike some other Chinese-based leading corporations in China such as Lenovo, BYD has not gained immense support from the Chinese government. However, in China, BYD has established its strong battery brand in the mainland China. BYD borrowed its low labor cost and the benefits of learning curve effects over some 12 years' experience since its acquisition of Tsinchuan Automobile Company in 2002, it can compete against other competitors in Hong Kong such as Mitsubishi, Nissan, Tesla, BMW, Renault, Tazzari, Zero and GMI (Environment Protection Department, 2014; refer to Figure 2). As of September 2014, there are altogether 34 electric vehicle models imported from seven countries and have been endorsed by the Transport Department of the Hong Kong Government, of which 12 EV models are provided for public vehicles and 22 EV models are built for private vehicles (Environment Protection Department, 2014). The rudimentary strategy adopted by BYD is to sustain its edge on innovating its high quality EVs in both of its local and international markets (Huckman and MacCormack, 2006). For BYD, a Shenzhen-based corporation in the Pearl River Delta region, Hong Kong seems to be one of the most significant cities for test marketing before aggressively moving towards the global market in the near future. In this case, firstly, the background of introducing EVs in Hong Kong will be discussed. Then, strengths and challenges of BYD will be explored, followed by the suggested new moves and SWOT analysis for BYD. In this case, the opportunity of cooperating with the HKSAR will be discussed.

Conclusion

Fundamentally, the collaborations with different parties in various cities and countries can facilitate the purchase of EVs in the marketplace. Being positioned as a prospector, BYD has already demonstrated its vision of going global in a flexible manner.

The Hong Kong Government highly supports the strategy of using EVs in both private and public transports in order to replace the conventional vehicles in Hong Kong mainly due to the perceived advantages of EVs in three important aspects: Eco-friendliness, energy saving and generation of opportunities in the business sector. As such, BYD may find that there will be a window of opportunities for BYD to introduce its state-of-the-art EV models in Hong Kong so as to help Hong Kong to achieve its goal of "an emission-free city".

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US-China Trade War

Cooperation, and not War, is Key to Mutual Prosperity

There is room for cooperation between the US and Chinese institutions and businesses to bring about advances in healthcare and related products and services. The US has been carrying out regular joint space exploration missions with Russia for decades. There is no reason why China cannot form a closer partnership with the US on this front. In short, there are many areas of cooperation where both the US and China can mutually benefit.

Andrew Leung

President Trump figures that a trade war against China is easy to win. China imports $150 bn of goods from America while exports to it some $500 bn. Given that, it would not be a surprise if Beijing runs out of retaliatory tariffs of equivalent size soon and thus would force it to buckle to the US demands. But then international trade has become much more interconnected and interdependent now than ever before. Statistics vouch for that. According to a study of the Petersen Institute for International Economics, 85% of the Chinese products hit by initial Trump tariffs are machinery and components used by manufacturers in the US. Substitutes may be available, but are likely to cost more and may not suit the requirements of timeliness, scale or compatibility, as some researchers point out. Many other US industrial products are likewise affected by disruption in the global supply and value chain, of which China is an integral part. Further, as far as con-

sumer goods are concerned, Americans will struggle to cope, not just with increased costs of substitutes but their availability. Day-to-day difficulties without Chinese consumer goods are well illustrated in a 2008 real-life case-study by an award-winning journalist.

China, down but not out!

At the same time, it can be said China is not exactly running out of retaliatory ammunition. Trump's commonly-touted trade deficit with China ignores America's $38.5 bn trade surplus with China in services. As services account for the bulk of the US economy and trade in services is growing much faster than trade in goods, if pushed to a corner, Xi Jinping's government may well put pressure on American banking, professional, logistics and other service businesses in China. Additionally, China also holds nearly a fifth (19%, to be precise) or about $1.2 tn of US treasuries. While they remain a relatively secure investment, over the last few years, especially 2014 onwards, foreign appetites including Japan's and China's have begun to plateau, courtesy a few better investment alternatives. While it is not feasible to dump US treasuries without hurting itself massively, China may well decrease its holding gradually. Much of the slack can be offset by other investors but in an era of rising US interest rates, this redress may be limited, putting pressure on the US economy. The extra funds released may be invested in China's much-needed social provision or in China's Belt and Road initiative to avoid upward pressure on the Renminbi.

Notwithstanding new discoveries, China continues to retain a stranglehold (90% of global supply) over rare earth metals. These are vital to a variety of industrial applications in sectors including healthcare, energy, communications, electronics, nuclear and defence. Decreasing or withholding supply to US companies could cause massive disruptions.

So far, however, China has been careful to stay on the right side of international rules, keeping retaliations reactive, measured, proportionate, and targeted, aiming at President Trump's support base in the agricultural homeland. The world's second largest and Asia's top economy appears to be in a much better position, than what Trump & Co. could be assuming, to weather this storm. America accounts for 19% of China's total exports and their value added represents only 3% of China's economy, which has in the recent past increasingly shifted to services and domestic consumption.

Nevertheless, market economists reckon that every $100 bn of imports affected by tariffs would reduce around 0.5% of global trade, with direct impact on China's economic growth of 0.1-0.3 percentage points, and a broadly similar percentage impact on US growth. That means a full-blown tariffs of $500 bn would shave-off anything from 0.5 to 1.5% of China's growth. But Washington too will not remain unaffected. In fact, as the Trump Administration is also engaged in similar tariff war with America's other trading partners such as Canada, Japan and Europe, the corresponding impact on its own economy is likely to be relatively much larger compared to Beijing. And it is also likely to hurt more US jobs than it helps.

Trump's commonly-touted trade deficit with China ignores America's $38.5 bn trade surplus with China in services.

Beneath the US-China tit-for-tat, however, lies a good deal of common ground between the two countries. America wants China to stop pressuring US businesses to share or transfer intellectual property, to improve market access and the level-playing field, and to import more American products. These demands are bipartisan and similar concerns are shared by the European Union. On the other hand, the recent near-death by US sanctions of China's IT conglomerate ZTE is a wakeup call for China to fast-track development of its own core semiconductor chip technology, even as China built what was the world's fastest supercomputer in 2016 without US chips. To realize the "China Dream" of an innovative, more mature and moderately well-off economy, the nation needs to promote home-grown innovation, press on with opening-up, and stimulate growth of domestic consumption. These national imperatives happen to tally largely with what Trump wants.

Areas of cooperation

In March, Premier Li Keqiang pledged that any mandatory transfer of foreign technology in the manufacturing sector would be forbidden. Next month, China's central bank, the People's Bank of China, announced a series of measures to enable foreign businesses to compete on an equal footing in the securities, fund management, futures and life insurance sectors, allowing majority foreign ownership. This is seen as a harbinger of diffusing the escalating trade war. Further, China has the world's largest recoverable shale gas reserves. However, full commercial exploitation is hampered by adverse topography, lack of advanced fracking technologies and concerns over related water intensity and soil pollution. American shale businesses can be invited to help. China also stands to benefit by importing more American natural gas as a cleaner substitute for coal, which accounts for 60% of the country's energy mix. More American branded consumer products too can be imported, providing greater choice for China's exploding consumer market.

While the Trump administration is wary of China's "Made in China 2025" state-backed technology drive, China's less restrictive regulations on data-mining for genetic and other human science research makes the country attractive to relevant American enterprises including pharmaceuticals. There is room for cooperation between the US and Chinese institutions and businesses to bring about advances in

How US-China relations have changed over time

A US ship named Empress of China arrives in southern Pearl River Delta to trade for Chinese spices, tea and milk.

After the Tiananmen Square crackdown on June 4, the US imposes sanctions on China, banning US financing of China-related projects and blocking exports to Chinese military and police entities.

First intellectual property rights dispute breaks out, and takes two years to resolve.

China joins the World Trade Organisation after US President Bill Clinton pledged support two years earlier and established permanent normalization of trade.

US files first ever WTO complaint against China.

US President Barack Obama enacts a 35% tariff on Chinese tyres.

Under US President Donald Trump, the US looks into charges of Chinese intellectual property theft and China's steel and aluminium exports amid dumping claims.

US imposes 25% tariffs on more than 800 Chinese goods, worth $50 bn.

Source: *South China Morning Post*

healthcare and related products and services. The US has been carrying out regular joint space exploration missions with Russia for decades. There is no reason why China cannot form a closer partnership with the US on this front. In short, there are many areas of cooperation where both the US and China can mutually benefit.

All this, and much more, can be negotiated for a US-China bilateral trade and investment agreement which addresses America's legitimate concerns, paving the way for a more mutually beneficial relationship.

Avoiding the 'Thucydides Trap'

However, a likely barrier is a widespread worry, if not paranoia, that an illiberal China is usurping American leadership of the world order. Several books such as *Destined for War: Can America and China escape Thucydides's Trap?,* and, *All Measures Short of War: The Contest for the Twenty-First Century and the Future of American Power* discuss about the great power rivalry and potential war, besides it has also been a part of debates and innumerable columns. The latest US national security strategy names China a revisionist strategic competitor that threatens US national interests.

To counter those concerns, it is pertinent that rather than empty re-assurances, China shows that it remains a staunch supporter of the rule-based international order, which is now under strain with Trump's "America First" unilateralism. Already, there are signs that China is toning down its rhetoric of trade war and national triumphalism. But more can be done to change negative perceptions. In the South China Sea, for example, China can explore the possibility of joint development of energy resources and fisheries with rival territorial claimants. At home, China can afford to loosen more space for freedom of expression. It can promote a more vibrant civil society, including poverty relief and humanitarian projects overseas, working as necessary with the United Nations. What is more, President Xi could nudge President Trump into taking a leadership role in ongoing negotiations for Free Trade Area of the Asia-Pacific (FTAAP), which includes both China and the US. This would show that China continues to embrace free and fair international trade, but it harbours no wish to displace the US as leader in the Asia-Pacific.

With a comprehensive US-China bilateral trade and investment agreement answering America's demands, much of the trade war tension could be diffused. As a staunch defender of the liberal order which has served the world well, China would be well placed to realize its dream of national renaissance.

That said, it would be unrealistic to expect an early, happy ending to the current spat between Beijing and Washington. It is unlikely. For, until the full pain on US businesses and consumers kicks in and America's mid-term elections in the autumn happen, President Trump, in all likelihood, would continue to tighten the screws on China, while the latter has to continue with measured retaliations. That means the world must, therefore, brace for a long, hot summer!

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Culture, Values & Alignment For Hospitality Success

by Richard S Mau

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The latest technology or best equipment will never be able to measure or ensure success, if organizations do not have the right people. Organizations must endeavor to place the right people in the right positions.

Each person has a set of his/her own personal values when coming into a company. Along with other team member's values, when trying to create organizational values, it becomes obvious how it influences the overall dynamic of achieving optimum performance and company objectives.

Teams become great and can be most successful when goals are understood, aligned and accepted with their values and those, in turn, are aligned with personal values of people who make up the organization.

In hospitality, an industry of service delivery, organizational and personal values come together to play a key role in determining the ultimate truth - the guest experience. Whether it will be perceived as positive or not, remembering that a guest's perception, is most likely their reality.

When we work in an organization where culture aligns with our personal values, we feel energized and liberated. We are able to bring our full selves to work full of creativity, enthusiasm and a commitment to the success of the team.

Each company has a structure targeting both individual and growth of the company by not only doing the right things but also trying to do things right. Organizational values get put forth by management as a good foundation. The intention is to inspire employees with creative energy and push the organization forward towards desired goals and objectives.

Most organizations in a humanistic way; embarks on what it thinks is right, is guided by moral and legal limitations, creates and implements its own rules and set of beliefs, while advancing on the basis of its decisions and habitual behavioral characteristics.

Organizational values can be the personality of a company similar to the lives of individuals; influencing relationships within the organization and influencing how a company perceives its customers, suppliers and competition. It defines the business model of the respective organization.

These values must be aligned with the personal values of the employees as they deal directly with customers (internal and external) as any inconsistency in the effort to interconnect these two will show in the service delivery or end product. This is critical to the hospitality industry and affects the quality of the interaction: leading to a larger consequence of not meeting or exceeding guest expectations.

It is important to understand that problems are based on two premises (1) business difficulties can be overcome; people problems are the challenge and when we take care of our people problems, our business problems become minimized. And (2) when a person says "I can't do this" they might really be saying one of two things. Either, I don't know how to do it or I don't want to do it.

If they don't know how to do it, that is a technical training issue. When they don't want to do it, they are really saying (1) I don't care to do it which is an attitude issue or (2) I don't feel strongly enough to do it, where it becomes a value issue. If we dig deeper, we will find that most problems are issues revolving around the culture and values of the organization which have been accepted or a lack thereof.

If there can be one thing you could change, that will make your organization better, what would it be?" More often than not, the answer is likely to be "Attitude". If a team's attitude were to improve exponentially by having a genuine acceptance and thorough understanding of an organizations values and cultural alignment, would we not have better team work? Would quality and across the board results also not improve?

The culture of an organization is a direct reflection of the underlying beliefs of its leaders, the chief executive. It could also be a past residue of past leaders. Some other organizations operate in default mode if there is no one paying attention to values and its cultural disposition. The underlying values and beliefs of absentee leaders can also become a "the way things are done around here" syndrome.

When there is no ongoing effort to align values and culture of the organization with the personal values of employees, the result will be low or negated performance, which ultimately results in poor staff engagement and lack luster service engagement delivery.

All of these factors have a significant impact on the financial performance and day to day livelihood of the team and its ability to deliver consistent and/or exemplary valued customer service.

Values of an organization that are in alignment with aspirational values of employees, always result is high performance results. When there is a high level of staff engagement and a pursuit of excellence regarding the delivery of quality of services, the entire organization benefits well beyond just financial results. Areas of responsibility, commitment and wellness also become realized,

The success of an organization is directly related to the degree of alignment that exists between the underlying values of its leaders and the aspirational values of employees.

Long-term, sustainable success is ultimately dependent upon the culture that leaders choose to create. It is highly dependent on the behaviors of leaders, their relationships to other leaders in the organization, cascading down to their employees.

When a direction is set off in the wrong way and energy gets spent on empire-building or becomes wrapped up in status-seeking, and internal competition, it creates a toxic environment lacking in organizational cohesiveness. Conversely, team leaders who share the same vision and values, work for the common good, focusing on internal community building leading to internal alignment.

This Organizational transformation must begin with the personal transformation of the stakeholders - its leaders.

Organizations don't transform; leaders must!

Culture, Values & Alignment For Hospitality Success

The key factor to transforming a low-performance culture into a high-performance culture is its leadership.

High performing cultures oftentimes replace their leaders by promoting from within, whereas low-performing cultures tend to replace their leaders with external candidates. By promoting from within, thriving cultures are able to retain their culture and leadership styles unless of course, the previous leadership was poor and needed improvement, to begin with.

Motivation plays an important role by creating and developing substance. How do we keep people motivated? What we can do is inspire them to motivate themselves. It's a never ending ongoing requirement of an organization's leaders to continually engage, encourage and inspire its people to want to remain motivated and committed.

Motivation is an action and we cannot act for others. Inspiration is a thought based feeling and can evoke an emotion that can motivate action in others. When thought processes change, it starts showing in behavior. Over time, this is more long lasting and permanent. This is the primary difference between a Manager and a Leader.

People don't really care how much you know, as much as they are interested to know how much you care. There are either good leaders or bad leaders and imposter leaders or sincere leaders.

Good leaders are willing to actively guide and bad leaders actively misguide or criticize and divide. Good leaders create more leaders and bad leaders create followers because they may be insecure in their positions or have learned this from previous bad leaders. Good leaders will correct in themselves habits of bad leaders they may have had in the past.

Profitability is not the reason we have our values we believe in. This means there are things in life we do or not do even if no one is watching we would still not do. And that's what character is.

There is a huge difference between reputation and character. Reputation is what people think of us whereas character is what we know we are. Character is what we would not do even if we knew we would not get caught. Some people are honest because they don't want to get caught, they are doing the right thing for wrong reason.

Whereas some people are honest because they believe this is the right thing to do. They are doing right thing for the right reason. There is a difference between the two.

With all the buzz of new technological advances taking the hospitality industry by storm from kiosk self - service check in to mood altering environments and personal hand held assistants, the personal human touch and interaction will never be completely removed from the Hospitality Industry experience.

In closing, "while we may not always remember what someone has said to us in the past – we will never forget how they made us feel"

Human Capital Investment, Inequality, and Economic Growth

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We treat rising inequality as an equilibrium outcome in which human capital investment fails to keep pace with rising demand for skills. Investment affects skill supply and prices on three margins: the type of human capital in which to invest, how much to acquire, and the intensity of use. The latter two represent the intensive margins of human capital acquisition and utilization. These choices are substitutes for the creation of new skilled workers, yet they are complementary with each other, magnifying inequality. When skill-biased technical change drives economic growth, greater inequality reduces growth.

I. Introduction

Economists recognized the emergence of rising earnings inequality in developed economies, especially the United States, decades ago.[1] The basic facts are well known—in the United States, the wage growth of low-skilled individuals stagnated after the mid-1970s, and their employment rates declined, while individuals near the top of the wage distribution enjoyed rapid and sustained wage growth. More recently the seeming permanence of this

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[1] See Juhn, Murphy, and Topel (1991), Juhn (1992), and Katz and Murphy (1992). Peracchi (2001) summarizes international trends.

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change in the income distribution has motivated a number of policy proposals meant to mitigate its impact, such as more progressive income taxation, wealth and inheritance taxes, pay regulation, and greater empowerment of labor unions. We argue that most of these interventions would treat the symptom rather than the disease, exacerbating the underlying scarcity of skilled labor that is the root cause of greater inequality of labor market outcomes.

We treat rising earnings inequality as an equilibrium outcome in which endogenous human capital investment fails to keep pace with steadily rising demand for skills, driven by skill-biased technical change (SBTC) or other shifts in economic fundamentals, such as a decline in the price of capital, that favor highly skilled labor (Violante 2008; Karabarbounis and Neiman 2013). Our main focus is on the supply side, where the human capital choices of individuals and families affect the skill composition of the labor force, and hence skill prices, on three margins. The first is a choice of the type of human capital in which to invest—"skilled" or "unskilled" in our analysis—say by deciding whether to attend or complete college. We refer to this source as the extensive margin because responses to a rising demand for skills add more individuals to the ranks of skilled labor, just as the output of an industry expands by entry of new firms. Second, given choice of a skill type, an individual decides how much human capital of that type to acquire; when skill prices are high, more investment occurs. Third, for a chosen skill type and amount of human capital, an individual must also decide how intensively their skills will be applied to the market sector, say through effort, labor supply, or occupational choice. We refer to the latter two decisions as occurring on the intensive margins of human capital acquisition and utilization, similar to an expansion of output by inframarginal firms when rising market demand increases price in a competitive market. All of these choices are affected by heterogeneous opportunities and abilities to acquire human capital, and each is a source of greater skill supply that can "meet" rising demand for skills and so dampen its impact on skill prices.

Among other results, we show that while investment and utilization on the intensive margins are substitutes for the creation of new skilled workers on the extensive margin, intensive margin choices are strongly complementary with each other. Greater incentives to invest in human capital, due to a higher price of skills, also raise the returns to using human capital intensively, while the opportunity to use skills intensively increases the returns to investment. Unlike the extensive margin supply elasticity, which always dampens the impact of SBTC on earnings inequality by increasing the number of skilled workers, greater elasticity of response on the intensive margins magnifies the impact of SBTC on earnings inequality because the increased per-worker supply of human capital increases the earning power of high-ability workers.

We argue that these forces are important in light of the evident slowdown in educational attainment in the United States, which has been especially prominent for men. When the extensive margin flow of individuals who are able

to join the ranks of skilled labor slows or declines—which raises the price of skills—the incentives for the more "able" to acquire even more human capital and to apply it intensively magnify the effects of rising skill demand on overall earnings inequality. This effect is especially important in an intergenerational context, where the skills and resources of high-income families beget greater human capital investment in their offspring. As James Heckman (2008, 305) has recently put it, "children in affluent homes are bathed in cognitive and financial resources" that reduce the costs of acquiring human capital.These resources include better inputs from parents, who are themselves more skilled, as well as financial resources, superior schools, and interactions with comparably advantaged peers. All of these factors facilitate human capital investment. These "able" investors benefit disproportionately from an increase in the relative scarcity of skilled labor because they are well positioned to exploit the resulting higher returns to human capital investment and utilization. With diminished supply growth of skilled labor from the extensive margin, the incentives of advantaged investors to acquire even more human capital and to use it more intensively magnify earnings inequality.

Many view rising inequality itself as an important social problem worthy of corrective policies. We do not take a position on these concerns, but we do argue that effective policies meant to limit or reduce inequality should, if possible, attack its source, which is a relative scarcity of skilled labor. We also emphasize a less normative concern about rising earnings inequality, which is that greater inequality reduces the rate of overall economic growth that can be realized from a given rate of skill-biased technical progress. Specifically, we embed the human capital investment incentives mentioned above in a model of economic growth with both human and physical capital deepening. In our model, productivity growth accrues to human capital because physical capital is elastically supplied at a constant return. When technological progress or other economic fundamentals favor skilled labor—which has evidently been the case—the induced growth rate of overall productivity is proportional to the labor income share of skilled workers. Other things equal, greater earnings inequality reduces this share because the relative demand for skilled labor is price elastic—the elasticity of substitution between skilled and unskilled labor exceeds 1.0. This means that factors causing greater inequality lower the rate of economic growth associated with a given rate of SBTC because employers substitute away from relatively expensive skilled labor.

Our analysis is motivated by several empirical facts regarding the earnings distribution and the returns to various measures of skill, which are documented in the next section. The primary fact is the well-known increase in wage and earnings inequality that began in the 1970s for the United States. We demonstrate that this rise in inequality is not restricted to any particular part of the wage distribution—such as the very top or the very bottom.

Instead, rising inequality occurs throughout the distribution—the wages of persons at the 99th percentile increased relative to those at the 95th, but so did the wages of those at the 60th percentile relative to the 50th and at the 20th percentile relative to the 10th. Similarly, educational wage premiums also began a steady increase around 1980, and the premium associated with college relative to high school completion had roughly tripled by the late 1990s. Although less pronounced than in the United States, these changes in relative earning power of more versus less skilled individuals also occurred in other developed economies, and they did so at about the same time (Blau and Kahn 1996; Edin and Topel 1997; Gottschalk and Smeeding 1997; Topel 1997; Peracchi 2001; Fredericksson and Topel 2005; Piketty 2014). These outcomes indicate that rising inequality is mainly a skill-based phenomenon and the result of changes in economic fundamentals, such as technical change that raises the relative productivities of more skilled workers or, similarly, a decline in the price of factors (such as capital) that are more complementary with skilled than unskilled labor, rather than particular institutions or policies that might have favored one group or another.

The evident increase in skill "prices" has occurred in an environment of greater relative skill abundance. For example, the average educational attainment of the workforce and the fraction of the workforce who are college graduates have increased, which again point to changes in economic fundamentals—growth in demand for skills has outpaced growth in supply, so that the relative price of skill has risen. While there is compelling evidence that individual investments in education respond to rising returns, we show that most of this response involves persons who leave college before obtaining a 4-year degree. This is especially apparent for men, for whom the fraction completing a 4-year college education has remained roughly constant at 30% since 1980.

II. Background: Rising Skill Prices and Human Capital Investment

We begin by documenting some new and old facts about rising inequality and human capital investment in the United States, using data from the March Current Population Surveys of 1963–2013, the US Censuses since 1940, and the American Community Surveys since 2001.

Figure 1 shows the magnitudes of rising wage inequality for "full-time" men and women aged 18–64 in the indicated years.[2] The figure graphs average real weekly wages (deflated by the GDP price deflator for personal consumption expenditures [PCE]) at selected percentiles of the wage distribution since 1962. Figure 1*A* shows that real weekly wages roughly

[2] We define "full-time" as working at least 30 weeks during the previous year with average weekly hours of at least 30.

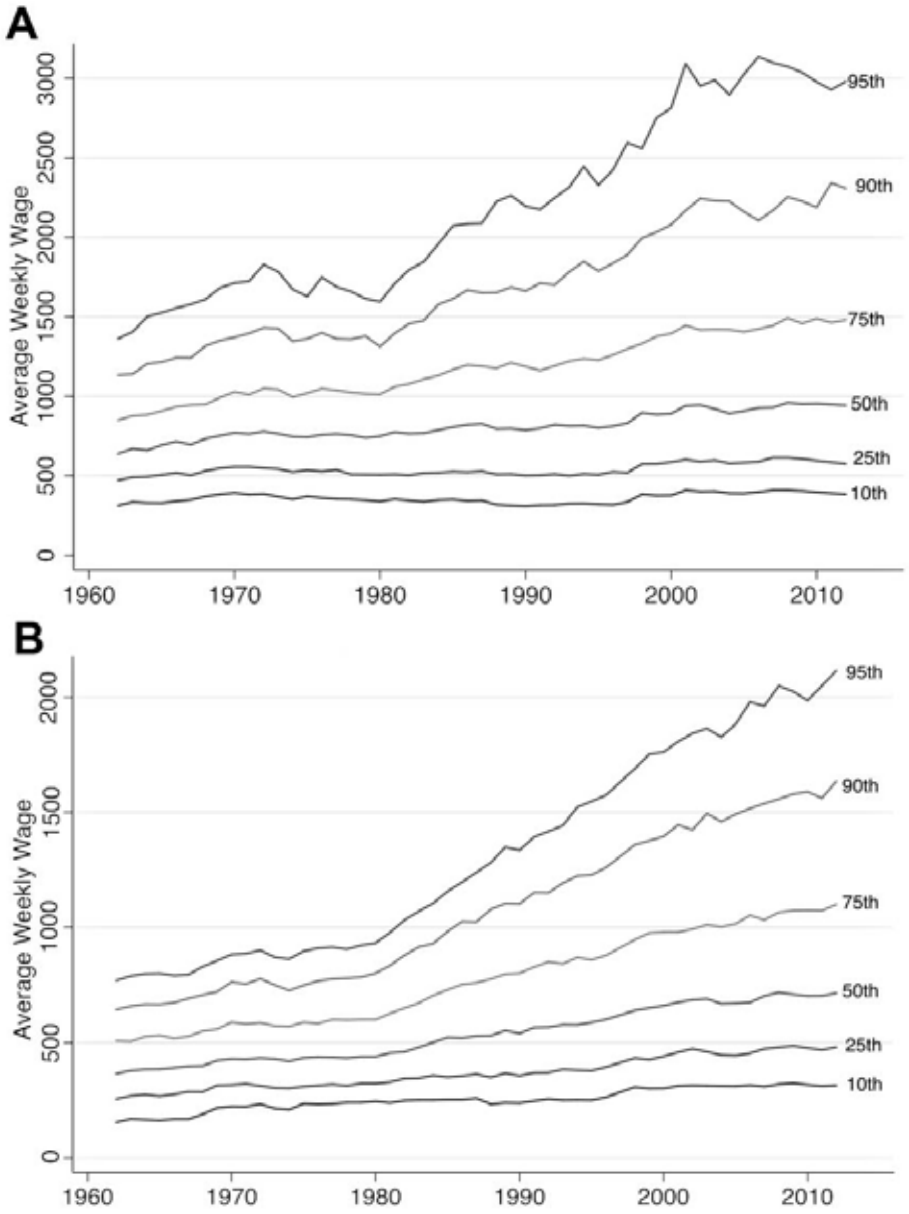

FIG. 1.—Average weekly wages, selected percentiles of the wage distribution, 1962–2012 (2012 dollars): *A*, men's; *B*, women's. Authors' calculations from March Current Population Surveys, 1963–2013. Samples are individuals aged 18–64 who worked more than 30 weeks and more than 30 hours per week during the indicated calendar years.

doubled for men in the 95th percentile of the wage distribution, driven by a well-known acceleration of wage growth that began in the late 1970s. In contrast, real wages of men at the 10th percentile did not grow at all, though neither did they materially decline.[3] The timing of rising wage inequality is virtually the same among women, though magnitudes of wage growth are different than for men—even the least-skilled (lowest wage decile) women experienced rising real wages. These points are further illustrated in figure 2, which graphs cumulative real wage growth at each percentile of the male and female wage distributions over 40 years (1972–2012).[4] Note that wage growth was monotonically increasing over the entire wage distribution, which is perhaps the key fact about rising inequality in the United States—the trend toward rising wage disparities was not unique to the top or bottom of the distribution but occurred at all skill levels for both men and women.

The patterns in figure 2 undermine theories that attribute rising inequality to an outbreak of self-dealing conspiracies or rent-seeking among the very rich while wage growth for everyone else languished.[5] The monotonic increase in wage growth across percentiles for both men and women strongly indicates that market fundamentals favoring more skilled workers are the driving force behind rising inequality. This important fact motivates our emphasis below on demand-side changes that have increased the relative productivity of more skilled workers.

It is also worth noting that use of the PCE deflator rather than the CPI makes some difference for gauging the magnitudes of real wage growth. It is well known that various biases in the CPI cause it to overstate increases in the cost of living and that some of these biases are at least partially corrected by the PCE index, which is chain-weighted and which includes prices paid by a broader population of consumers as well as a different mix of goods (National Research Council 2002). Over short periods, these differences do not matter much, but over long ones they do. Had we used the CPI, estimates of wage growth would have been slightly lower, though there would be no impact on inequality because we deflated all wages by a common index. Although we do not pursue the point here, this common index assumption could be misleading in terms of calculations of relative welfare—for example, we would overstate the growth in inequality if nom-

[3] The absence of a decline in real wages for men near the bottom of the wage distribution may due to selection, as those with the lowest skill and earnings potential leave the labor force. Then real wages at a given level of skill may be declining, but selection means that workers at a given percentile of the wage distribution (say the 10th) are more skilled than in the past. See Juhn et al. (1991, 2002) for evidence on this point.

[4] For these calculations, we pool individuals from the March CPS files of 1970–72 and 2010–12.

[5] See, e.g., Dew-Becker and Gordon (2005) or Piketty (2014); also see Topel (2005).

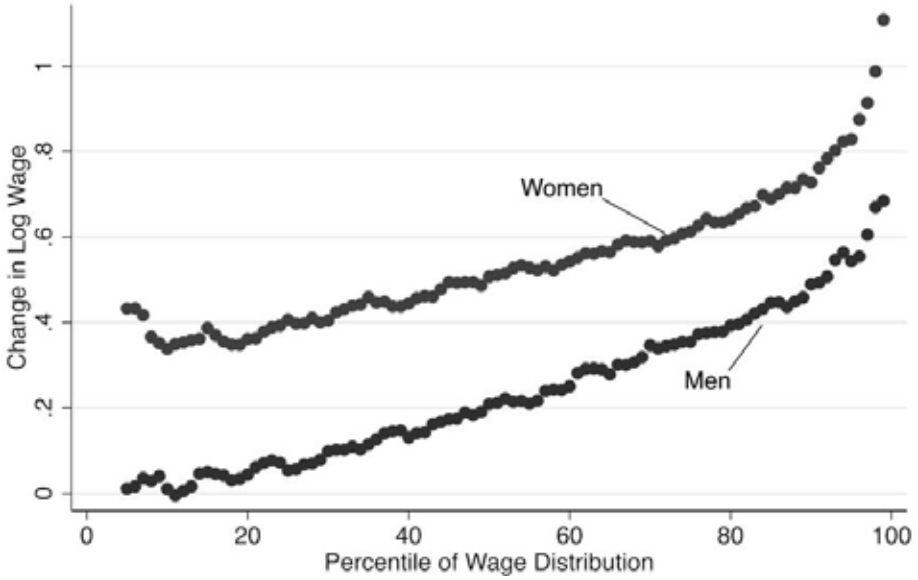

FIG. 2.—Growth in men's and women's log weekly wages by percentiles of the wage distribution, 1970–72 through 2010–12. Authors' calculations from March Current Population Surveys, 1970–2013. Samples are individuals aged 18–64 who worked more than 30 weeks and more than 30 hours per week during the indicated calendar years.

inal prices of goods purchased by low-income households rose by less than those for high-income households, which some have conjectured.[6]

Skilled-biased technical change and other factors that affect skill demand raise the relative demand for skills, but the impact on inequality is also determined by the supply of skills—the propensity of workers, especially new workers, to acquire skills through human capital investment. Figure 3 shows the evolution of college attainment for male and female high school cohorts from 1918 through 2003. For these calculations high school "cohorts" are defined by the calendar year in which individuals turned 18; the typical age of high school graduation. The figures shows that college completion rates (defined as 16 or more years of completed schooling) for pre-1935 cohorts were quite low but then grew rapidly for the next 30 years. For men, the college completion rate peaked at 33% for high school cohorts of the mid-1960s, who, it should be noted, received a deferment from the Vietnam-era military draft while in college. After falling through the 1970s, male college completion again exceeded 30% in the mid-1980s, but it

[6] See Broda and Romalis (2009). The importance of different price indexes for high- and low-skilled labor is less important on the demand side, since the cost to firms of utilizing labor would be deflated by the same price index regardless of which type of labor (or other inputs) is used.

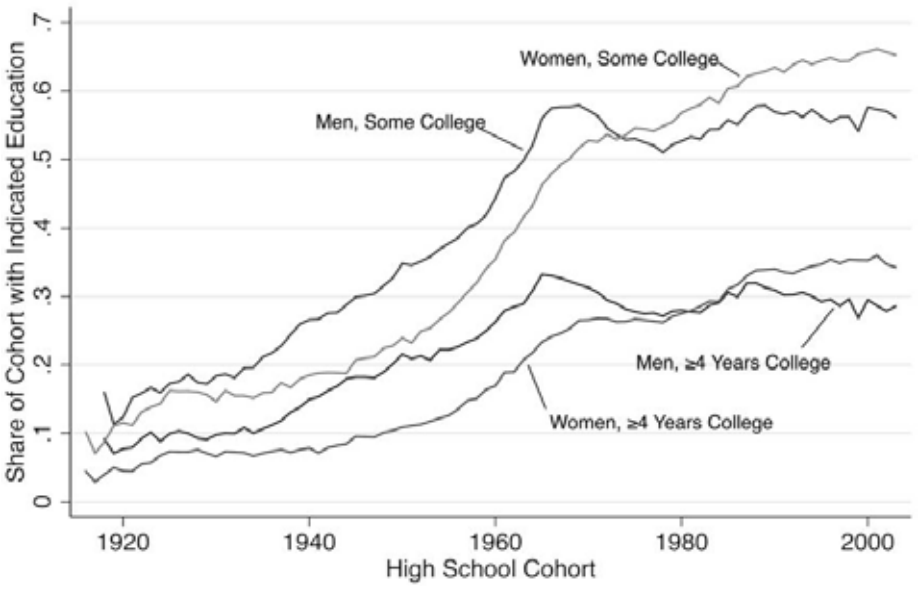

FIG. 3.—Educational attainment of high school cohorts, 1916–2003, of men and women aged 18 in the indicated year. Fraction of individuals who turned 18 in the indicated years with either some college (at least 1 year of postsecondary schooling) or with at least 4 years of college. Authors' calculations from March Current Population Surveys, 1963–2013.

declined slightly thereafter. Similarly, the fraction of men who have completed some college (1 year or more post–high school) has also never surpassed the peak that was achieved in by cohorts from the mid-1960s. In contrast, college completion rates for women continued to grow—with some noteworthy deceleration in the 1970s—and have exceeded men's completion rates since about 1980. For cohorts reaching college age after 2000, the fraction of women completing 4 or more years of college reached about 35%, exceeding the 1960s peak of male college completion.

A key ingredient of our analysis is the response of human capital investment to an increase in the price of skills. Using college attendance and completion as our measures of investment on the extensive margin, figure 4 shows the evolution of the college/high school wage ratio for full-time workers along with the fractions of each cohort that have some college or have completed college.[7] Note that the college wage premium for both men and women bottomed out in the late 1970s. This nadir corresponds almost exactly to the minimum of men's college participation (and coincides with an inflection point in college participation for women). After 1979, the fraction of men

[7] For the wage calculations in fig. 4, "full-time" refers to individuals aged 25–40 who worked at least 48 weeks in the previous year, with usual weekly hours of at least 30. We measure college completion rates among individuals aged 23–28 for each cohort. Fig. 5 indicates that reported college completion continues to rise after age 30, especially among younger cohorts, for whom the returns were highest.

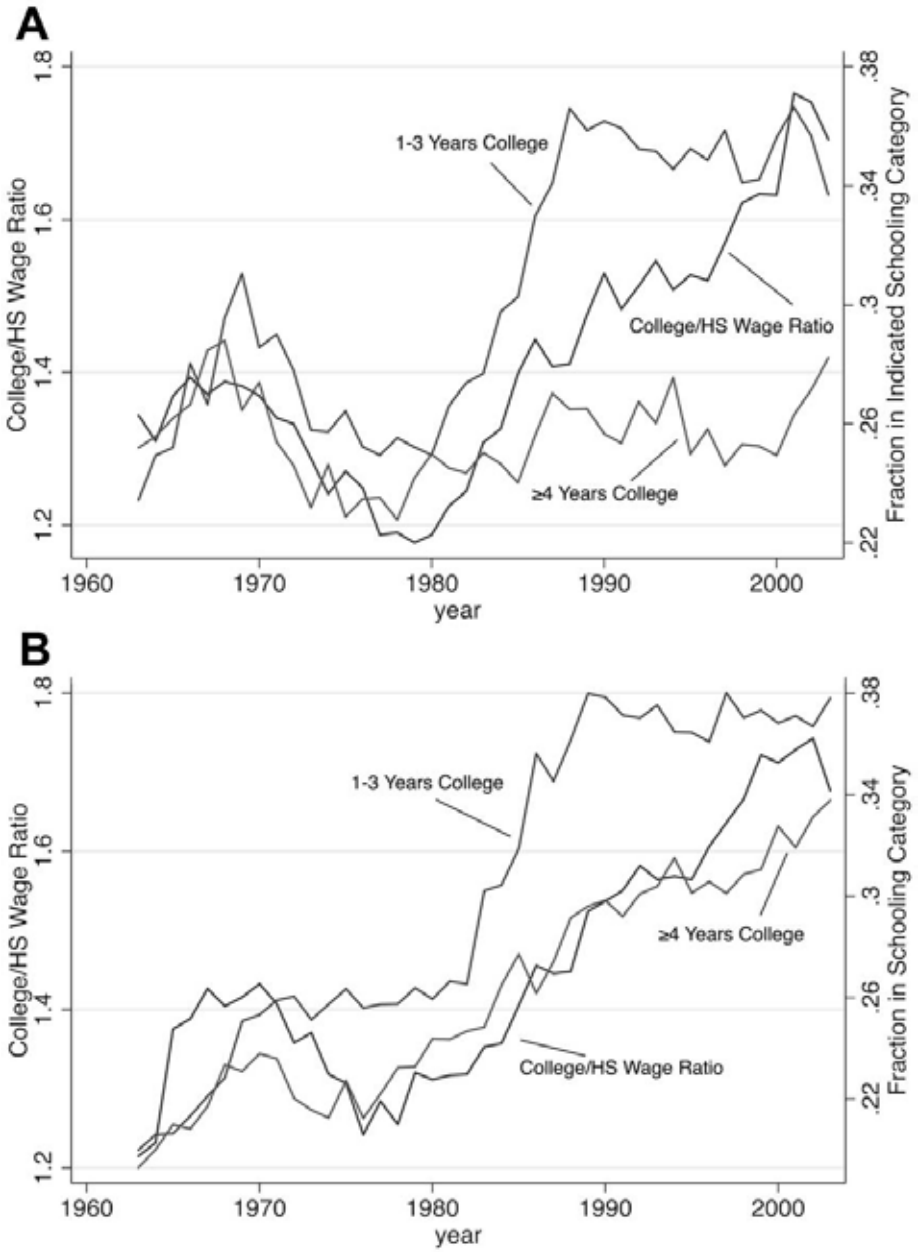

FIG. 4.—College/high school wage ratio and years of completed college of male and female high school graduates by cohort (age 18), 1963–2003: *A*, male; *B*, female.

who had completed some college (at least 1 year) rises with the wage premium, suggesting substantial human capital investment in response to greater potential returns, but even this growth stalls after the mid-1980s. And note that any possible investment response is far more muted for actual college completion. In spite of a rough tripling of the college premium after 1979,

male college completion rates are not much changed—fewer than 30% of men in the most recent cohorts complete college before age 30—which indicates that the supply of these skills has proven highly inelastic over the indicated time interval. The picture for women in figure 4*B* is somewhat different—the 1970s decline in the college premium does seem to have slowed the growth of women's investments in schooling, but subsequent growth in the premium was associated with renewed growth in the shares of women with some college training and who have completed college.

The modal college experience is a 4-year continuation of full-time schooling after high school, culminating with graduation at age 22. Figure 5 graphs college completion rates by age for 5-year high school cohorts since 1960, showing that this prototype accounts for only about half of individuals who report completing college. For men, the fraction completing college by age 23 (the vertical line) is about 15% for every cohort except those of 1965 and 1970—who benefited from the availability of draft deferments during the Vietnam War. Thus there is little evidence that rising educational premiums after 1980 caused more men to acquire a college education via the traditional route. Yet cohorts after 1980 do have higher (and rising) college completion rates—all of the increase is accounted for by rising shares of individuals who complete college at older ages. Indeed, completion rates continue to rise up to nearly age 40. The picture for women is again somewhat different. For them, each new cohort is more likely to have graduated college by age 23 than the ones before it. But as for men, college completion continues to rise after age 30, and an increasing fraction of college completion occurs after age 23. About 40% of the women in the youngest cohort (age 18 in 2000) had completed college by age 32, which is double the corresponding rate for the 1965 cohort.

Why did growth of male educational attainment stall, and why have men fallen behind women in terms of overall educational attainment? Whatever the core sources might be, the evidence suggests that men are simply less prepared, on average, for postsecondary education.[8] Figure 6 shows grade point averages of male and female graduating high school seniors from 1990 to 2009.[9] Although GPAs of both genders are rising—which may reflect grade inflation more than improved performance—the important point is that there is a substantial gap between the measured high school performance of males and females; females average about 0.2 grade points higher than males, and there is no indication that the gap has narrowed. This gender gap in high school academic performance persists in the population that continues on to college. Table 1 reports the distributions of first-year college GPAs for men and women attending 4-year nonprofit colleges and universities, broken

[8] See Becker, Hubbard, and Murphy (2010) for a discussion of potential explanations.

[9] The source is the National Center for Education Statistics, Beginning Postsecondary Students Surveys.

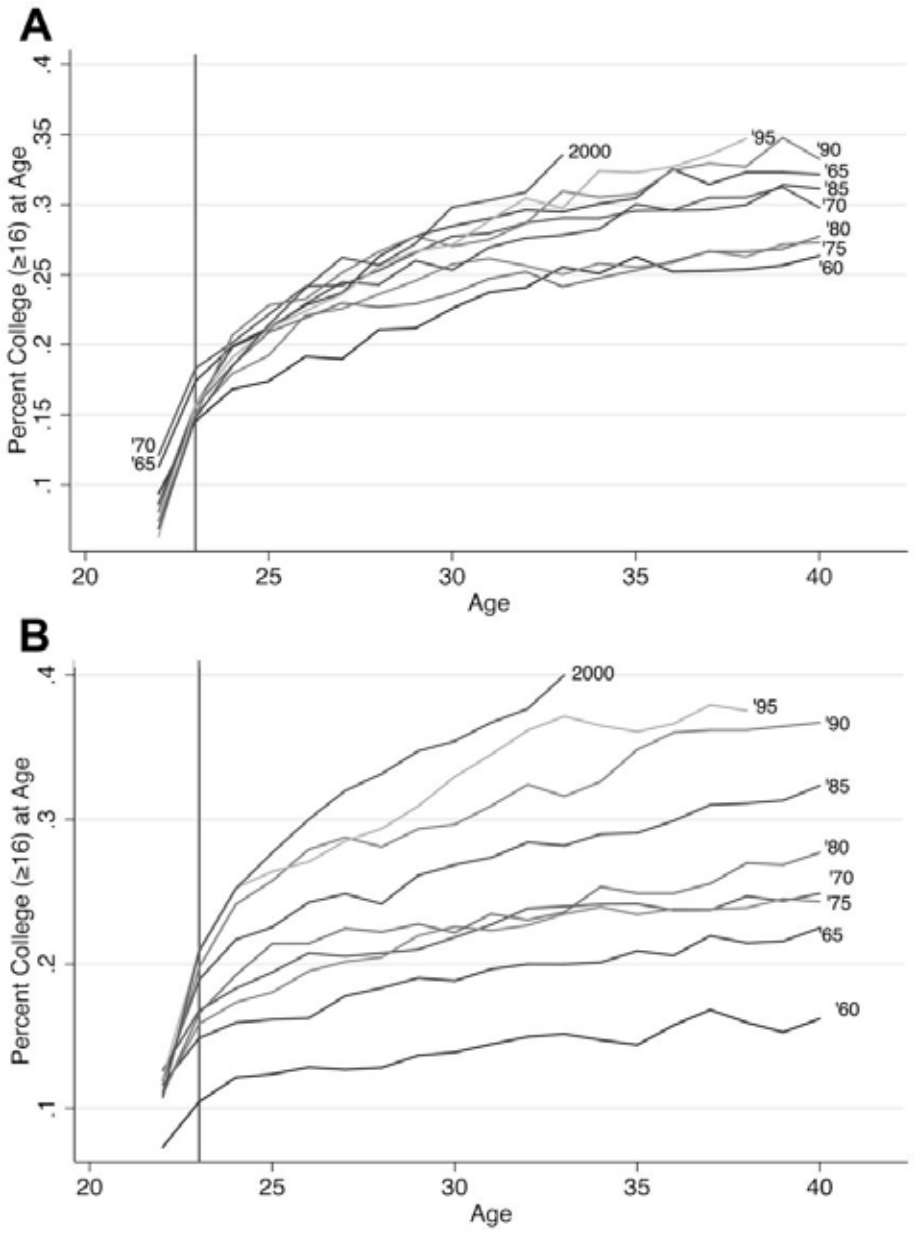

FIG. 5.—College attainment (16 years) of men and women by high school cohort and age of high school cohorts, 1960–2000: *A*, men; *B*, women.

out by broad areas of intended study. Not only do women perform better overall, but the performance gap is at least as large in traditionally "male" majors (science, engineering, and mathematics) as it is in majors with a heavier representation of female students (social sciences and humanities). For example, in the 2003–4 cohort, two-thirds of women majoring in the sciences and engineering had GPAs above 3.0, compared to only 48% of men. The

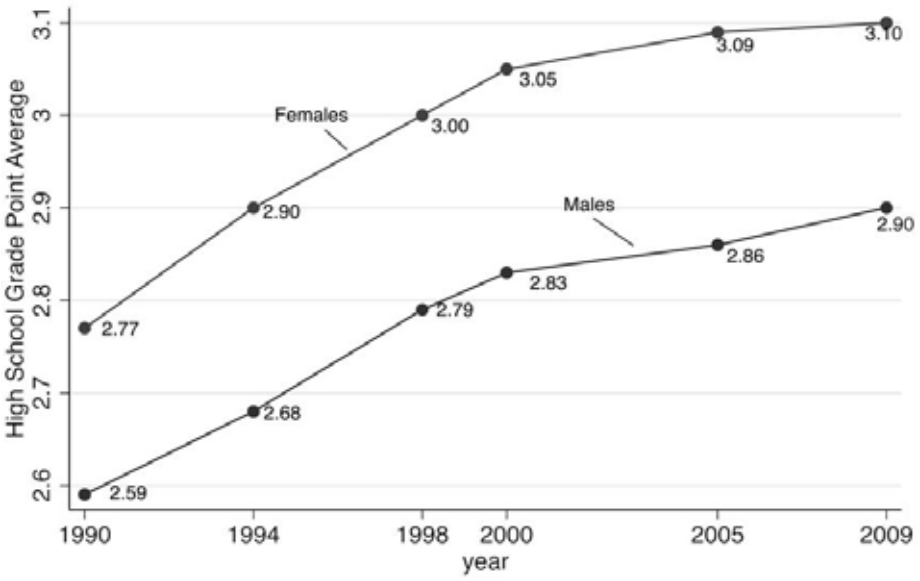

FIG. 6.—Grade point averages of graduating high school seniors, 1990–2009. SOURCE: National Center for Education Statistics.

gap between the fractions of college women and men earning high GPAs also widened over time.

The model developed in the next section emphasizes that rising returns to skill increase the incentives of able individuals to invest in human capital

Table 1
Distributions of Grade Point Averages of First-Year Students at 4-Year Colleges and Universities, 1995–96 and 2003–4, by Intended Major

	First-Year Grade Point Average (Share of Students in Range)				
Academic Year and Major	≤ 2.0	2.0–2.49	2.5–2.99	3.0–3.49	3.5±
1995–96:					
Math and science:					
Male (62.5%)	19.0	21.2	23.0	20.3	16.5
Female (37.5%)	12.5	14.3	21.3	27.2	24.7
Social science and humanities:					
Male (38.4%)	17.7	19.1	24.0	20.0	19.2
Female (62.6%)	16.1	14.1	22.5	27.4	19.9
2003–4:					
Math and science:					
Male (63.9%)	12.1	13.2	26.6	21.4	26.7
Female (36.1%)	4.0	9.8	19.7	30.2	36.3
Social science and humanities:					
Male (38.1%)	11.6	15.1	18.8	28.3	26.3
Female (61.9%)	6.9	9.0	20.8	28.8	34.5

SOURCE.—National Center for Education Statistics, Beginning Postsecondary Students Surveys.

and, once it is produced, to use human capital more intensively. Some supportive evidence on the latter point is in figure 7, which shows average weekly hours worked by percentile of the weekly wage distribution in 1970–72 (before the increase in wage and earnings inequality) and 2010–12. For both men and women, the evidence indicates that rising returns to skill (see fig. 2) are associated with increased utilization—relative weekly hours increased in the right tail of the wage distribution, where wages increased

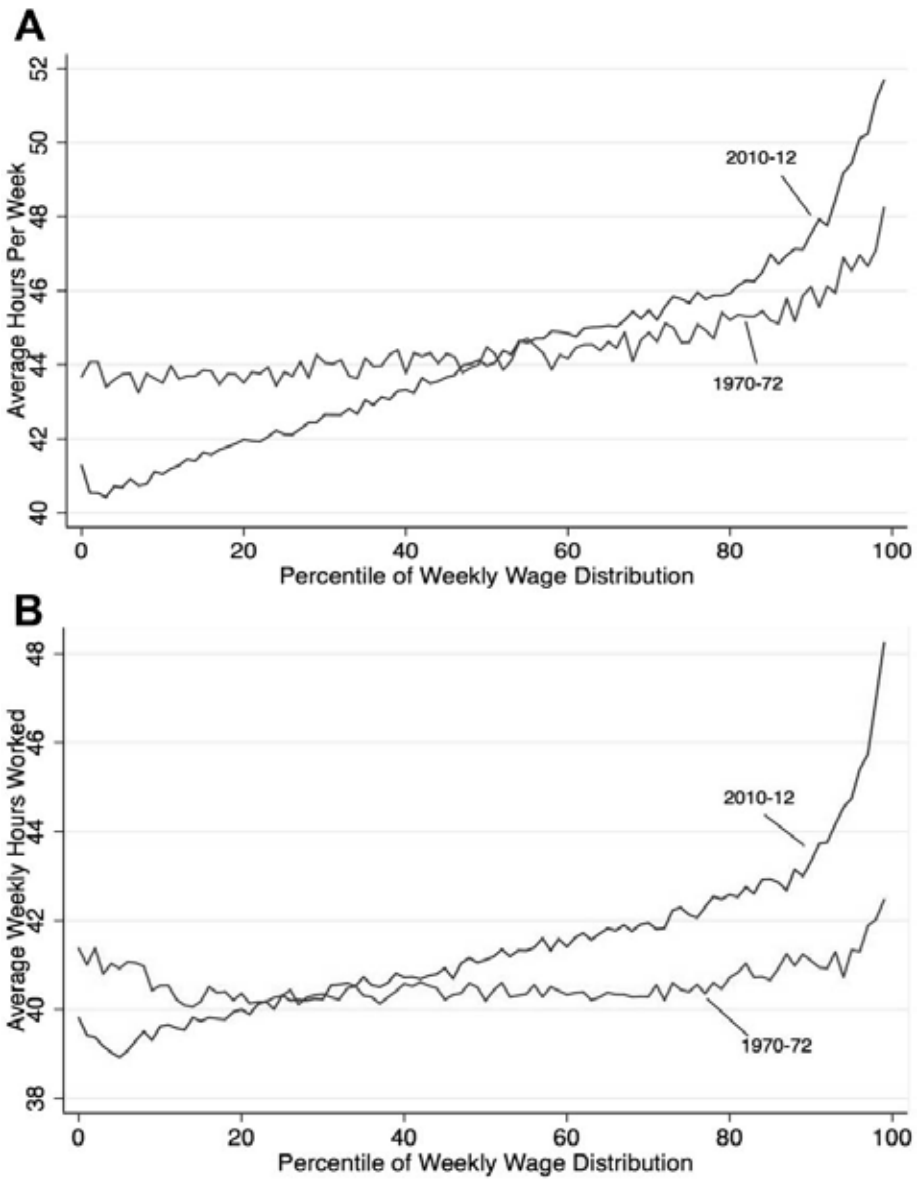

FIG. 7.—Average weekly hours worked by men and women, by percentile of wage distribution, 1970–72 and 2010–12: *A*, men; *B*, women.

the most.[10] For men, the range of increased effort is confined to the upper half of the distribution, with monotonically larger increases in the highest percentiles. The pattern for women is similar, though only the bottom quartile of their wage distribution is associated with declining hours worked.

The data summarized above are the empirical context for our following modeling effort. Especially for men, the data suggest that human capital investment via schooling (measured by college graduation) has been relatively unresponsive to the large increase in the educational wage premium, which we interpret as indicating that the supply of college graduate human capital has low price elasticity during the era of rising inequality, at least on the "extensive" margin of producing a larger stock of college-educated workers. Although we do not explore the issue further here, we also think it is noteworthy that much of the correspondence between rising educational premiums and completed schooling is accounted for by two sources. First, a much larger fraction of both men and women report completing some schooling post–high school, though they do not complete a traditional 4-year program. Second, especially for men, the expansion of college graduates is due in large part to completion at older ages. Human capital from these sources is likely to be qualitatively and quantitatively different, on average, than from the relatively unresponsive margin of continued schooling after high school, culminating in a college or advanced degree. And for the range of skills that experienced sharply rising returns—the upper reaches of the distribution—the evidence is that "gainers" have magnified their advantage by applying their skills more intensively.

III. Growth, Human Capital Investment, and Inequality

We begin with a basic model of economic growth in which aggregate output at date t is determined by the size of the labor force (L), the per-worker stocks of skilled (S) and unskilled (U) human capital embodied in L, physical capital (K), and the state of technology (τ). Normalizing $L = 1$ expresses all quantities in per-worker units, and we write output per worker as

$$Y_t = F(S_t, U_t, K_t; \tau_t). \tag{1}$$

[10] Note that hours decline in lower percentiles, especially among men. In our papers with Chinhui Juhn (1991, 2002) and in Murphy and Topel (1997), we provide evidence of declining real wages of less skilled men, many of whom have left the labor force as a result of declining opportunities. In this paper, we select on individuals who worked at least 30 weeks in the previous year and whose average weekly hours exceeded 30. Thus, especially for low-wage categories, our criteria mean that (say) the first decile of the distribution is unlikely to contain a population of constant relative skill. We would overstate wage growth for a constant-skill population.

Corresponding to the three inputs are three factor prices (rental rates), R_S, R_U, and R_K, all measured in real terms. Our assumption that there are only two skill types is obviously limiting, as we will note below, but it serves to make our essential points in a very simple framework while sacrificing little in terms of generality.

The driving force behind growth is technological improvement that raises output produced by given factor quantities and determines factor prices. We assume that physical capital is elastically supplied in the long run, so that R_K is exogenously determined while R_S and R_U are endogenously determined by demand (technical change) and supply (investment in human capital) forces specified below.[11] On the demand side, the evident long-term increase in measures of the skill premium (R_S/R_U) indicates that the effects of capital deepening and/or biased technological progress have favored skilled labor, so that one or both of the following conditions hold:

$$\frac{\partial(F_S/F_U)}{\partial K} > 0, \tag{2a}$$

$$\frac{\partial(F_S/F_U)}{\partial \tau} > 0, \tag{2b}$$

where F_j denotes the marginal product of factor j. We are agnostic as to the relative contributions of (2a) and (2b). For example, (2a) could result from a declining price of physical capital combined with greater ease of substitution of capital with unskilled labor than with skilled labor ($\sigma_{KU} > \sigma_{KS}$ in the usual notation).[12] For simplicity, we assume in what follows that rising relative productivity of skilled labor is generated by skill-biased technical change (SBTC), as in (2b), and R_K is assumed to be fixed.

Specifically, we assume that labor inputs S and U only appear in (1) through a single human capital aggregate $H(S, U)$. Allowing for labor-augmenting technical progress A_t, output per worker is

$$Y_t = F(A_t H(S_t, U_t), K_t). \tag{3}$$

With competition, constant returns and capital in perfectly elastic supply at constant price R_K, the rate of growth in output per worker is determined by the growth rates of A and H:

$$d\ln Y = d\ln A + d\ln H, \tag{4}$$

[11] It is possible to endogenize the return on capital without substantially altering our results. In particular, if we allow the return to be a function of the growth rate (as in the neoclassical growth model), then the growth impacts we discuss below would go in the same direction.

[12] See, e.g., Rosen (1968) and Kouraboubanis and Neiman (2013).

which embeds capital deepening because K grows in proportion to A and H. According to (4), for a given rate of labor-augmenting technical progress, the growth rate of output per worker depends only on the growth of human capital per worker—the ability to upgrade the average worker's skills. Forces that limit human capital accumulation, such as the deceleration in growth of educational attainment documented above, correspondingly limit growth.

We place additional structure on H by assuming a constant elasticity of substitution σ between S and U:

$$H = \left[[\beta_S S]^{\frac{\sigma-1}{\sigma}} + [\beta_U U]^{\frac{\sigma-1}{\sigma}} \right]^{\frac{\sigma}{\sigma-1}}. \tag{5}$$

With (3) and (5), S and U are weakly separable from other factors. Then the equilibrium evolution of relative skill prices must be consistent with firms' willingness to employ the supplied stocks of skills:

$$d\ln (R_s/R_U) = \frac{\sigma - 1}{\sigma} d\ln B_S - \frac{1}{\sigma} d\ln(S/U), \tag{6}$$

where $B_S = \beta_S/\beta_U$. Then SBTC is represented by $d\ln B_S > 0$, which raises the relative productivity of type-S skills as in (2b) so long as $\sigma > 1$, which evidence indicates and which we shall assume in what follows. The share of labor income accruing to type-S workers is simply

$$\Phi_S \equiv \frac{R_S S}{R_S S + R_U U} = \frac{B_S^{\sigma-1}[R_S/R_U]^{1-\sigma}}{1 + B_S^{\sigma-1}[R_S/R_U]^{1-\sigma}}.$$

With $\sigma > 1$ and a given skill premium R_S/R_U, SBTC ($d\ln B_S > 0$) raises the skilled income share. But for a given state of technology B_S, a higher skill premium ($d\ln R_S/R_U > 0$) reduces the skilled share because relative demand is price elastic. This property will prove important in our examination of the relation between inequality and growth, developed below.[13]

Condition (6) is familiar in the analysis of changing relative wages. Assume that skill-biased technical progress causes the relative demand for S to grow at a steady rate over the long term, so $d\ln B_S$ is constant. Then changes in the factor ratio S/U drive the returns to skill—if demand grows faster than supply, then the skill premium R_S/R_U will rise, and conversely.

[13] We treat SBTC as exogenous, raising the skill premium and hence inequality so long as $\sigma > 1$. Models of directed technical change allow the skill bias in technical change to be endogenous, as summarized in Acemoglu (2009). Then causality may be reversed—an increase in the proportion of skilled workers S/U may drive R&D toward technologies that exploit the greater abundance of skill. If the technological response is large enough, an increase in the skill ratio—say, as occurred before 1980—can increase inequality. The facts seem inconsistent with this, however—the continued increase in inequality after 1980 coincides with stagnation in the growth of skills, at least as measured by educational attainment.

For example, Katz and Murphy (1992) apply (6) to the evolution of the male college–high school wage premium in the United States from 1963 to 1987, assuming constant relative demand growth. Their estimate of $\sigma \approx 1.4$ for the elasticity of substitution between college-trained and high school–trained labor does well in tracking the college wage premium, even well outside of the sample period they study (see Murphy and Welch 2001). Autor's 2002 review of evidence from several studies offers a somewhat higher "consensus" estimate of $\sigma \approx 2$. The only important point for what follows is that $\sigma > 1$—the relative demand for skilled labor is price elastic.

A. The Supply of Skills

The (inverse) demand equation (6) determines the relative rental prices of skilled and unskilled human capital for any given stocks, S and U. Our point of departure is to explicitly model behavioral responses on the supply side that determine the relative abundance of skilled human capital, S/U. For each skill type, we specify the supply of skills as being the result of individuals' wealth-maximizing human capital investments and their choices of how a given quantity of human capital should be applied. Then both the overall quantities of skills of each type and their distributions across workers are endogenous.

We maintain the structure of (1) and (3) in which there are just two types of human capital, skilled (S) and unskilled (U)—generalizing to an arbitrarily large hierarchy of skills and associated relative prices is straightforward. We think of S and U as categories of workers, such as those with and without a college education. To save on notation, it will not cause confusion to use S and U to denote both skill types and the average amounts of each type of human capital that enter the production function. For given skill prices R_S and R_U that are expected to apply over working careers, individuals choose whether to be skilled or unskilled, given their backgrounds and abilities. Even with only two skill types, this setup will generate a full income distribution because we assume that individuals have heterogeneous abilities to invest in human capital, and so they will acquire different quantities of skills and apply them in different ways.

Specifically, given choice of skill type $j \in \{S, U\}$, we assume that individuals make an investment choice of how much human capital, H_j, to acquire. They also choose how intensively to use their human capital, which we denote as T_j. The simplest interpretation of T is that it represents simple labor supply (e.g., hours worked, as in fig. 7), but we view it more broadly as representing alternative opportunities to apply a given stock of skills. For example, in a world where the rental price of skilled human capital, R_S, is high, skilled (S) individuals may choose to apply their human capital to more remunerative though less pleasant activities, such as business occupations rather than teaching. Then T embeds a set of choices including occupational choice, effort, and initiative. The fact that changes in the inten-

sity of skill use occur on margins other than time worked has the important empirical implication that these intensive margin responses will show up in wages and not just earnings.[14]

Let a represent an individual's investment abilities with cumulative distribution function $G(a)$ in the labor force. For an individual with investment abilities a who has chosen to be of skill type j, we assume that the choices of H_j and T_j solve

$$\max_{H,T} V_j(a) = R_j H_j T_j - c_j(a)\frac{H_j^{1+\theta_H}}{1+\theta_H} - \omega\frac{T_j^{1+\theta_T}}{1+\theta_T}, \quad j \in \{S, U\}. \tag{7}$$

The first term on the right-hand side of (7) is total earnings from supplying H_j units of human capital at intensity T_j, which is proportional to the rental price of type-j skill, R_j. Thus, human capital supplied by an ability-a individual is $Z_j(a) = H_j(a)T_j(a)$. The remaining terms are the costs (disutility) of acquiring skills and applying them intensively. We assume rising marginal cost of acquiring human capital where θ_H is the constant elasticity of marginal cost with respect to H; marginal cost rises faster when θ_H is large. Greater intensity of use is also subject to rising marginal cost, with elasticity θ_T. The cost of acquiring human capital also depends on each individual's ability to invest, a, through the cost shifter $c_j(a)$. Individuals differ in this ability, and we assume that higher-ability individuals are better at investing:

$$\frac{dc_j(a)}{da} < 0. \tag{8}$$

We make the natural assumption that type-S human capital is more costly to acquire, so $c_S(a) > c_U(a)$ for all abilities a; additional conditions on these costs appear shortly. We maintain the shorthand of referring to a as an individual's "ability" to invest, though we do not think of it as individual ability in the usual sense. In fact, in our analysis, ability a only affects earnings indirectly by making it easier to acquire human capital, so more is acquired. We therefore interpret a as a broad index of advantages in acquiring human capital encompassing much more than just individual talents. For example, it can also embed family or other characteristics (educated or wealthy parents, access to better schools, etc.) that make it cheaper or easier for some individuals to acquire human capital than for others. Then greater human capital investments by one generation will reduce the average costs of investing in the next generation by shifting the distribution of a. For our purposes, the

[14] Some forms of utilization that we embed in T can be varied over short periods, such as hours worked. Others, such as occupational choice, are more similar to H, which is the result of a forward-looking investment decision. Our model abstracts from an explicit treatment of time, however, so differences in these responses do not come into play.

important thing is that people differ in characteristics that make the acquisition of human capital more or less difficult.

Given a person's chosen type $j \in \{S, U\}$, the necessary conditions for optimal choices of H and T in (7) are instructive:

$$H_j^{\theta_H} = \frac{R_j T_j}{c_j(a)}, \tag{9a}$$

$$T_j^{\theta_T} = \frac{R_j H_j}{\omega}. \tag{9b}$$

Condition (9a) indicates that human capital H is more valuable when it can be used intensively (T is large), so more is acquired. Condition (9b) indicates that intensity of use is greater when H is large, so more human capital is applied. Thus, H and T are strong complements because they are multiplied in the first term of (7). This will have important implications below. The solutions for H and T are (in logs):

$$\ln H_j(a) = \frac{\theta_T + 1}{\theta_H \theta_T - 1} \ln R_j - \frac{1}{\theta_H \theta_T - 1} \ln \omega - \frac{\theta_T}{\theta_H \theta_T - 1} \ln c_j(a), \tag{10a}$$

$$\ln T_j(a) = \frac{\theta_H + 1}{\theta_H \theta_T - 1} \ln R_j - \frac{\theta_T}{\theta_H \theta_T - 1} \ln \omega - \frac{1}{\theta_H \theta_T - 1} \ln c_j(a). \tag{10b}$$

The second-order condition for a maximum of (7) is $\theta_H \theta_T > 1$, so both H_j and T_j are increasing with R_j and also with ability a, due to condition (8). More able investors acquire more skills (10a) and also apply them more intensively (10b), so earnings exhibit a form of increasing returns in ability.

Now define the following price elasticities of human capital acquisition and intensity of use:

$$\eta_H \equiv \frac{\theta_T + 1}{\theta_H \theta_T - 1} > 0, \ \eta_T \equiv \frac{\theta_H + 1}{\theta_H \theta_T - 1} > 0, \qquad \eta \equiv \eta_H + \eta_T. \tag{11}$$

Total human capital applied is $Z_j(a) = H_j(a) T_j(a)$, so for a person of ability a,

$$\ln Z_j(a) = \eta \ln R_j - \eta_H \ln c_j(a) - \eta_T \ln \omega, \tag{12a}$$

and log earnings are

$$\ln E_j(a) = [1 + \eta] \ln R_j - \eta_H \ln c_j(a) - \eta_T \ln \omega. \tag{12b}$$

Note from the definitions in (11) that reductions in either cost elasticity (θ_H or θ_T) increase the price elasticities of human capital supplied (Z) and earnings ($E = RZ$).

Equations (10a) and (10b) and (12a) and (12b) are the solutions for human capital acquired (H), intensity of use (T), supply (Z), and earnings (E) given an individual's ability and choice of a skill type. They can be inserted in (7) to obtain an expression for maximum utility that can be realized by an individual of ability a from the choice of skill type j:

$$V_j(a) = R_j^{1+\eta} c_j(a)^{-\eta_H} \omega^{-\eta_T} \frac{1}{\eta_H(1+\theta_H)}. \tag{13}$$

Given (13), an individual of investment ability a chooses a skill-type to maximize utility. That is, a person of ability a chooses to be skilled (S) if $V_S(a) > V_U(a)$, and conversely. With appropriate conditions on $c_S(a)$ and $c_U(a)$ this choice implies a cutoff level of investment ability a^* where only individuals with $a > a^*$ choose to be type-S, while those with $a < a^*$ choose to be type-U. The indifference condition determining a^* is $V_S(a^*) = V_U(a^*)$, which from (13) implies $R_U Z_U(a^*) = R_S Z_S(a^*)$ for marginal individuals. Then earnings are monotonically increasing in ability, and a marginal individual would earn identical amounts from either skill type.[15] A bit of algebra then yields

$$\ln c_S(a^*) = \ln c_U(a^*) + [1+\theta_H]\ln(R_S/R_U). \tag{14}$$

The cost of producing type-S human capital must be higher than for type-U; otherwise all would choose S because we assume $R_S > R_U$. We assume conditions on $c_S(a)$ and $c_U(a)$ so that a greater premium for type-S skill increases relative supply of S by drawing in lower-a investors:

$$\begin{aligned} da^* = &-\frac{1+\theta_H}{\kappa_S(a^*) - \kappa_U(a^*)} d\ln(R_S/R_U) < 0 \\ &\Leftrightarrow \kappa_S(a^*) < \kappa_U(a^*),\ \kappa_j(a) \equiv \frac{\partial \ln c_j(a)}{\partial a} < 0. \end{aligned} \tag{15}$$

An increase in the skill premium R_S/R_U "pulls in" lower-ability individuals on the margin if the costs of producing type-S human capital fall more rapidly with ability than the costs of producing type-U human capital. That is, we assume that the relative cost of producing type-S human capital is smaller for more able individuals.

Equations (10a), (10b), (12a), (12b), and (15) specify three margins by which an increase in the return to skill drives investment in human capital and so expands the relative supply of skills applied in the market. First, in

[15] With a hierarchy of skill types, there will be multiple ability cutoffs and this condition will hold for each one, under the same cost conditions stated in the text.

(10a), an increase in R_S expands investment on the intensive margin—all type-S individuals ($a > a^*$) invest more because the value of each unit of H_S is greater. Second, complementarity of H and T reinforces this response in (10b) because each unit of human capital is also applied more intensively—for example, by working more or seeking opportunities to apply the larger stock of skills to more valuable uses—which further raises the return to investment. Thus, total human capital applied, $Z_j(a) = H_j(a)T_j(a)$, rises by even more. These effects magnify the impact of a change in the skill premium on income inequality—the elasticity of earnings with respect to the premium is strictly greater than unity—because high-ability individuals make complementary adjustments in behavior to exploit their price advantage.

The third source of skilled labor supply is the extensive margin determined by (14). As R_S rises relative to R_U the share of workers who choose to be type-S rises because greater returns cause individuals on the a^* margin to switch from U to S—for example, by attending college or acquiring other forms of type-S skill. The magnitude of this response depends on the distribution of investment abilities, $G(a)$ with density $g(a)$. The aggregate human capital factor ratio is

$$\frac{S}{U} = \frac{\int_{a^*} Z_S(a)g(a)da}{\int^{a^*} Z_U(a)g(a)da} = \frac{[1 - G(a^*)]\bar{Z}_S}{G(a^*)\bar{Z}_S},$$

where $\bar{Z}_S$ and $\bar{Z}_U$ are the average amounts of human capital applied by persons of each skill type. Using the solution for $Z_j(a)$ in (11), we obtain an expression for the aggregate skill ratio on the supply side:

$$\ln(S/U) = \eta \ln(R_S/R_U) + \ln \int_{a^*} c_s(a)^{-\eta_H} g(a)d(a) - \ln \int^{a^*} c_u(a)^{-\eta_H} g(a)da. \tag{16}$$

Now let $\lambda(a) = g(a)/[1 - G(a)]$ be the hazard of G; then $\lambda(a^*)$ is the percentage increase in the type-S share per unit reduction in a^*. Displacement of (16) and substitution of the extensive margin response from (15) yields an expression for growth in the relative supply of skilled human capital:

$$\begin{aligned} d\ln(S/U) &= d\ln\Delta_S + \left[\eta + \lambda(a^*)\frac{Z_s(a^*)}{\bar{Z}_s}\frac{1 + \theta_H}{(1 - \Phi_s)[\kappa_U(a^*) - \kappa_S(a^*)]}\right] d\ln(R_S/R_U) \\ &= d\ln\Delta_S + [\eta + \xi(a^*)]d\ln(R_S/R_U). \end{aligned} \tag{17}$$

In (17), the term $d \ln \Delta_S$ represents exogenous supply shifts that change the skill ratio over time, such as through changes in the costs and availability

of schooling, skill-biased immigration, or long-term changes in the distribution of investment abilities.[16] Such long-term changes may occur because of changes in the quality of schools or because increased skills acquired by one generation—higher college attendance by the baby-boom generation, for example—affect the ability to produce human capital in their offspring, "bathing" them in cognitive skills as Heckman (2008) phrased it. Then the distribution of a would change over time. This is related to the effects of human capital in some endogenous growth models, where a greater stock of human capital reduces the cost of producing more; see Becker, Murphy, and Tamura (1990) and the discussions in Topel (1999) and Acemoglu (2009). An important distinction is that in our analysis the complementarity is assumed to occur at the "micro" level of individuals and families, so that investment responses to a higher skill premium are heterogeneous.

The bracketed price elasticity in (17) is the endogenous supply-side response of skilled human capital (the skill ratio) to an increase in the skill premium. It includes responses on the intensive and extensive margins mentioned above. The intensive margin(s) response to a rising skill premium is $\eta = \eta_H + \eta_T > 0$: holding constant the share of the labor force that is skilled, a rising price of skill causes greater relative investment by high-ability type-S workers (η_H), who also apply their greater skills more intensively than before (η_T). This response is stronger (η is larger) when the cost elasticities θ_H and θ_T are small; see (11). The terms making up $\xi(a^*)$ represent the supply response on the extensive margin—individuals who are drawn into the skilled labor pool by higher returns. This elasticity is greater when (i) the hazard $\lambda(a^*)$ is large, which means that persons with the potential to become skilled are abundant relative to the existing stock (i.e., there are many individuals that are close to the margin); (ii) when $Z_S(a^*)/\bar{Z}_S$ is large, so that "new" type-S workers are similar to existing ones; and (iii) when the skill premium moves the extensive margin a^* by a lot (see [15]).

B. The Supply of Human Capital and Equilibrium Inequality

The bracketed terms in (17) determine the aggregate supply elasticity of relative skills, S/U. The demand elasticity for S/U is σ, the elasticity of technical substitution between the skill aggregates. We can insert (17) into (6) to obtain an expression for the evolution of the skill premium in terms of demand and supply shifters and the behavioral responses of buyers and sellers:

[16] Formally, these supply shifts change the density $g(a)$ over abilities or changes in the costs of acquiring skills, and $d\ln\Delta_S$ may be positive or negative. For example, low-skilled immigration would cause $d\ln\Delta_S > 0$ because the density $g(a)$ shifts to the left, while a more educated cohort of parents or government investments in education would cause $d\ln\Delta_S > 0$.

$$d\ln(R_S/R_U) = \frac{1}{\sigma + \eta + \xi(a^*)}[[\sigma - 1]d\ln B_S - d\ln\Delta_S]. \quad (18a)$$

The bracketed term measures growth in net demand for skilled human capital; the skill premium and hence earnings inequality will be rising if growth in relative demand for skill induced by SBTC, $[\sigma - 1]d\ln B_S$, outpaces the exogenous growth in relative supply, $d\ln\Delta_S$. Equation (18a) is a market equilibrium framework for thinking about the determinants of a rising skill premium, which in our analysis is the driving force behind observed increases in wage and income inequality. But the skill premium is not a direct measure of earnings inequality because of the magnifying effects of human capital investment and utilization responses discussed above. To see this, consider two fixed levels of ability $a_S > a^*$ and $a_U < a^*$, for example, at fixed percentiles (say 90 and 10) of the earnings distribution. Then the earnings ratio between these ability levels is

$$\frac{E_S(a_S)}{E_U(a_U)} = \left[\frac{R_S}{R_U}\right]^{1+\eta}\left[\frac{c_S(a_S)}{c_U(a_U)}\right]^{-\eta_H}.$$

Using (18a),

$$d\ln(E_S(a_S)/E_U(a_U)) = \frac{1 + \eta}{\sigma + \eta + \xi(a^*)}[[\sigma - 1]d\ln B_S - d\ln\Delta_S]. \quad (18b)$$

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Comparison of (18a) and (18b) illustrates the important distinction between sources of human capital supply response and their implications for earnings inequality. Specifically, greater supply elasticity on the extensive margin ($\xi(a^*)$) mitigates inequality because more workers choose to become skilled in response to a rising skill premium, just as entry by new sellers dampens the impact of rising product demand on price in a competitive industry. In contrast, greater supply elasticity on the intensive margins ($\eta = \eta_H + \eta_T$) magnifies earnings inequality (when $\sigma + \xi(a^*) > 1$) because inframarginal individuals respond to a higher skill premium by investing in more skills and applying them more intensively, which increases earnings disparities between high- and low-ability individuals. In our view, this distinction is especially important in light of the long-term "stall" in college completion rates among men, which was documented above. The failure of supply from the extensive margin to keep pace with rising demand for skill raised the skill premium, and so created the incentive for the more able to benefit even more, in proportion to the elasticity η. This has magnified the impact of SBTC on earnings inequality.

When growth in the supply of skilled labor on the extensive margin is sufficient to keep the skill premium from rising, inequality between individuals of differing abilities will remain unchanged since the intensive mar-

gin responses will be neutral across skill groups. But when growth in supply on the extensive margin is insufficient to maintain a fixed skill premium, supply responses on the intensive margin come into play. These responses mitigate the impact of the supply changes on skill prices by increasing the relative supply of the skill type with the rising relative price. However, these same responses exacerbate the impact on inequality since they further increase earnings for the skill group that experienced a rising relative price. When interpreted at the level of families, this magnifying effect on inequality can play out over generations.

IV. Inequality and Growth

Our analysis above indicates a central role for the supply of human capital, on differing margins, in determining equilibrium inequality. The next step is to incorporate these outcomes into the model of economic growth given by (4), repeated here:

$$d\ln Y = d\ln A + d\ln H. \tag{19}$$

Recalling that Φ_S is the labor income share of skilled workers, displacement of (5) yields:[17]

$$\begin{aligned} d\ln H &= \Phi_S[d\ln B_S + d\ln S] + [1 - \Phi_S]d\ln U \\ &= \Phi_S[d\ln B_S + d\ln \Delta_S] + \eta[\Phi_S d\ln R_S + [1 - \Phi_S]d\ln R_U]. \end{aligned} \tag{20}$$

All factor prices are measured in real terms, and capital is in perfectly elastic supply ($d\ln R_K = 0$), so productivity growth accrues to human capital because of induced capital deepening:

$$\Phi_S d\ln R_S + [1 - \Phi_S]d\ln R_U = d\ln A + \Phi_S d\ln B_S, \tag{21a}$$

or

$$d\ln R_U = d\ln A + \Phi_S[d\ln B_S - d\ln(R_S/R_U)]. \tag{21b}$$

Using condition (21a) in (20) eliminates price terms, yielding a simple expression for the growth rate of the human capital aggregate,

$$d\ln H = \eta[d\ln A + \Phi_S d\ln B_S] + \Phi_S[d\ln B_S + d\ln \Delta_S]. \tag{22}$$

According to (22), aggregate human capital per worker grows for two basic reasons. First, technical progress ($d\ln A + \Phi_S d\ln B_S$) raises both skill prices and induces skill acquisition and utilization by both S and U workers, with common supply elasticity η. Second, SBTC($d\ln B_S$) and supply shifts

[17] Terms in (20) involving the change in the skilled/unskilled ability cutoff a^* vanish, because marginal workers are indifferent between choosing type S or U.

($d\ln\Delta_S$) raise H by directly increasing the effective amount of type-S human capital. These effects are proportional to the skilled (S) share of labor income, Φ_S.

The final step is to use (22) in (19), obtaining an expression for growth in output per worker:

$$d\ln Y = [1 + \eta]d\ln A + \Phi_S[[1 + \eta]d\ln B_S + d\ln\Delta_S]. \tag{23}$$

Contemporaneous changes in the skill premium $d\ln(R_S/R_U)$, given by (18a) and (18b), are second order and so they do not appear directly in either (22) or (23). Thus, it might appear that factors causing greater income inequality are also of second-order importance for economic growth. Yet (23) draws an important distinction between the effects of labor-augmenting but skill-neutral technical progress ($d\ln A$) and skill-biased changes in technology ($d\ln B_S$) and supply ($d\ln\Delta_S$) on economic growth. Skill-biased technical progress and exogenous supply growth increase overall productivity growth by augmenting the relative supply of skilled human capital. This human capital deepening affects overall productivity growth in proportion to the labor income share of the affected skill group, Φ_S, which is endogenous. From the definition of the skilled labor income share,

$$\frac{d\Phi_S}{d\ln(R_S/R_U)} = [1 - \sigma][1 - \Phi_S]\Phi_S < 0 \Leftrightarrow \sigma > 1. \tag{24}$$

With $\sigma > 1$, the skilled income share declines as the skill premium R_S/R_U increases because relative demand for skilled human capital is price elastic. So, for a given rate of change in skill-biased technology B_S, greater inequality reduces economic growth because a higher skill premium induces substitution away from skilled human capital, which is a source of productivity growth in our model.

How important is inequality as an impediment to productivity growth? The calculation is not straightforward because we do not observe a direct estimate of the change in R_S/R_U over time; instead we observe changes in relative wages, which include the behavioral responses of human capital investment and utilization represented by the elasticity $\eta = \eta_H + \eta_T$. To get a very rough (and probably conservative) estimate of the effect, consider the labor supply responses of high-wage individuals, as graphed in figure 7. Treating η_T as a pure labor supply (hours) response and using the data from figure 7, table 2 shows estimates of the ratio

$$\hat{\eta}_T = \frac{\Delta\ln(T)}{\Delta\ln(W)}$$

for various intervals in the upper half of the male and female wage distributions. The implied elasticity is largest in high percentiles, where wage

Table 2
Wage Elasticities of Average Weekly Hours, 1970–72 through 2010–12 by Intervals of the Male and Female Weekly Wage Distributions

	Wage Percentiles				
	46–55	55–65	66–75	76–85	86–95
Men	−.002	.046	.054	.057	.092
	(.011)	(.007)	(.008)	(.006)	(.007)
Women	.040	.060	.074	.080	.091
	(.003)	(.003)	(.002)	(.004)	(.007)

NOTE.—Calculated from data underlying fig. 7. Elasticities are estimated by the ratio of changes in hours and wages for each of the indicated intervals. See the text for a description. Data for each percentile are changes between 1970–72 and 2010–12 in log usual weekly hours (fig. 7) and log average hourly wages (fig. 2). Standard errors are in parentheses.

gains and hours increases were the biggest. Near the top of the respective distributions, the estimates for men and women are remarkably similar, about .09 for both. If η_H is of similar magnituden then a (very) rough estimate is $\eta \approx .20$.

We use the college/high school wage premium as an index for changes in R_S/R_U over time. According to figure 4, this premium increased by about 50 log points after its 1979 nadir. Using $\eta \approx .20$ implies $\Delta\ln(R_S/R_U) = .50/1.2 = .42$. According to (18a) and (18b), this increase would have been mitigated if the endogenous supply of skilled workers had been highly elastic (if $\xi(a^*)$ had been large) or if exogenous supply growth of skilled human capital ($d\ln\Delta_S$) was sufficient to offset rising demand. So assume counterfactually that these effects had been large enough to maintain the skill premium at its 1979 level. Then R_S/R_U would be 42 log points lower than it was. Productivity growth in the United States has averaged slightly more than 2% per year since 1979, so $d\ln Y = d\ln A + \Phi_S[(1+\eta)d\ln B_S + d\ln\Delta_S] \approx .02$. per year. Assume further that $d\ln A = 0$, which means that all productivity growth has been due to SBTC and growth in supply. Defining skill groups in terms of efficiency units of college-educated and high school–educated workers yields $\Phi_S \approx 0.60$, so the bracketed growth rate of human capital is $d\ln H \approx 3.3\%$ per year. With $\sigma \approx 2$, as discussed above, (24) implies that the skilled income share would be $0.4 \times 0.6 \times 0.42 = 10.1\%$ higher—call it $\hat{\Phi}_S = 0.70$. Then, had inequality not increased in response to SBTC, the growth rate of labor productivity would be $d\ln H \times [\hat{\Phi}_S - \Phi_S] = .033 \times .101 = .0033$ per year higher than it was. Over 10 years, this reduction in inequality would increase productivity by about 3.4%.[18]

[18] These calculations assume that all of the growth in productivity is generated by technical change that augments skilled labor. To the extent that productivity growth is accounted for by technical change that augments a mix of unskilled and skilled labor, the growth effects would be smaller.

V. Conclusion

Over the past 40 plus years, there has been a substantial rise in wage inequality for both men and women in the United States. When viewed in the context of a labor market equilibrium in which skill prices are determined by the interaction of supply and demand, much of the recent history has a simple explanation—rising relative wages for more skilled workers reflect the fact that the demand for skilled labor has outpaced growth in the supply of skilled labor. For purposes of understanding the evolution of inequality, it is important to distinguish multiple dimensions on which the relative supply of skilled labor responds to a rise in its relative price. Different margins have very different effects on inequality. Investments on the extensive margin mitigate the impact of rising demand on the skill price and thereby mitigate the resulting rise in inequality. In contrast, while investments on intensive margins—by which we mean greater skill accumulation by those with the ability and background to become skilled as well as more intensive application of skills in producing market income—also mitigate the rise in the skill price, these investments magnify the growth in inequality because they increase the quantity of human capital each skilled worker employs in the market.

This contrast is particularly important for the United States after 1980. The evidence indicates that the human capital supply response on the extensive margin has fallen far short of what would be required to prevent the skill price (measured by, say, the college premium) from rising. The rising skill premium then leads to more investment on the intensive margin and magnifies the growth in inequality. The shortfall of investment on the extensive margin therefore not only contributes to inequality directly by driving up the price of skill but also sets in motion supply responses on the intensive margins that cause further growth in inequality. This suggests that the failure to "produce" a sufficient number of high-skilled workers has contributed both directly and indirectly to the observed rise in inequality. The consequences of these behavioral responses are likely to be even broader, since slower growth in skilled labor will be associated with slower rates of economic growth when technical progress augments skilled labor.

Finally, as should be obvious, our analysis indicates that efforts to combat inequality by capping the returns to skill or otherwise artificially compressing the wage distribution will reduce human capital investment and utilization. In turn, this exacerbates the underlying scarcity of skills that is the root cause of rising inequality and reduces economic growth. Our analysis points to remedies to the inequality problem that lie on the supply side, specifically in policies that encourage or enable the acquisition of skills or encourage the immigration of highly skilled individuals. Expanding supply in these ways is unlikely to have much impact in the extreme right tail of the earnings distribution, where the nature of skill-biased tech-

nical change has produced the "superstar" effects described by Rosen (1981). Yet most of the welfare implications of rising inequality and skill scarcity are at lower altitudes, where changing factor proportions can play a significant role in mitigating inequality.

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Recycling "Asian Wisdom" to Hong Kong's Bosses

by Cyril Pereira

CYRIL PEREIRA

Pereira writes political analysis for *Asia Sentinel* and coaches prize-winning Data Journalism at *China Daily (HK Edition).*

Malaysian, 33 years in Hong Kong, Cyril was operations director with the *South China Morning Post,* board director at the *Bangkok Post* and publisher of *Asia Magazine*.

He was chairman of the Society of Publishers in Asia (SOPA) over a record four terms. The SOPA editorial awards carry great prestige.

Cyril's media projects range across China, Thailand, Malaysia, Singapore, India, Brunei, Myanmar, Cambodia & Bhutan. Profitability engineering is his forte.

Unlikely as it seems, corporate Hong Kong is being offered the ancient Buddhist and Yogic practice of meditation, shrink-wrapped into "mindful leadership" from Harvard. Management buzzwords and fads bubble up from the US of course, where the quick fix is hard-wired into society. If there is a pill to pop for organizational health, it would be US-patented.

On Aug. 30, the Asia Society Hong Kong Center hosted Rasmus Hougaard, co-author with Jacqueline Carter of "The Mind of the Leader," published by the Harvard Business Press. Hougaard is the founder and managing director of Potential Project, which the website says has trained 100,000 executives from 500 companies across the globe.

Hong Kong's "time is money" ethos is not the most obvious space for corporate introspection. But a trainer claimed over cocktails that "thousands" of local executives are being processed in eight-week cycles, from banks, public-listed corporations, and multinationals, with follow-up monitoring. That is astonishing.

Mindful meditation merchants are expected to rev-up US$1.15 billion in 2018 just within the United States, per IBISWorld's Alternative Healthcare industry report. Potential Project is on top of this trend with offices across North America, Europe and Asia. Hougaard flies a punishing business schedule to all points, like a Buddha on wheels.

Employees revolt

Global corporations face a new defiance: widespread employee "disengagement" despite the bait-and-switch of performance-bonus systems, from an earlier era of company witch doctors. Digital natives, better informed, less awed, and with no-care-for-company loyalty or career slavery, say BOO. That unhinges command-and-control apparatchiks. HR matrons fret and bosses scurry to re-tool failing control prods.

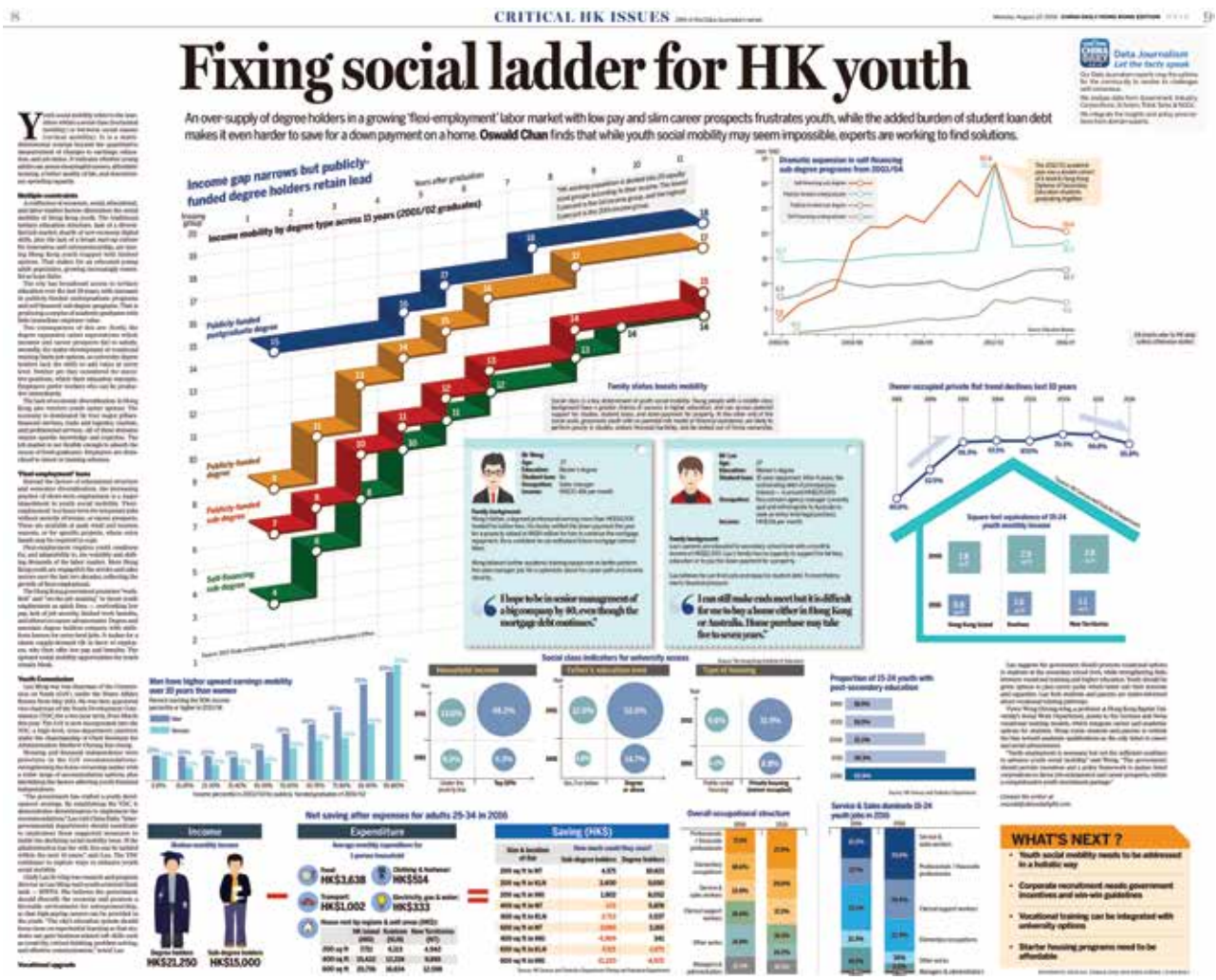
Today's corporate-shaman spin is "mindful" leadership to transform the culture of organizations with a pop-capitalism of awareness and meditation, to engage staff, raise productivity, boost morale, increase profits, and – what relief – stop bosses cheating. The promise to vexed CEOs and their flock is they can all reboot with mindfulness.

The mindfulness industry is acquiring cult status as CEOs grasp it to cope with their own insecurities as they get terminated briskly, in shorter cycles. More CEOs contract "life-coaches" who nudge them to unmask their vulnerabilities for "authenticity." Bosses embrace the mindfulness crusade to arrest institutional alienation and staff desertions.

Honesty is in fashion for corporate leadership in the 21st Century. Managers, instinctively distrusted before, now downshift as regular humans, to be less resented. Bosses are advised to stop faking wisdom they do not possess, to survive google-check subordinates. The message to management is to facilitate, not manipulate.

Boss delusions

The two-year global survey of 35,000 executives for Hougaard's book, yielded the most unflattering feedback for corporations: 65 percent of employees would forego a pay rise to see their boss fired. 88 percent think their leaders fail to engage but 77 percent of bosses think they do. The delusions of the boss is the crisis the mindfulness engineers aim to fix. Leaders are to be rewired to be fully "present" in the moment – listening – more than bossing.


CRITICAL HK ISSUES

Fixing social ladder for HK youth

An over-supply of degree holders in a growing 'flexi-employment' labor market with low pay and slim career prospects frustrates youth, while the added burden of student loan debt makes it even harder to save for a down payment on a home. **Oswald Chan** finds that while youth social mobility may seem impossible, experts are working to find solutions.

Data Journalism

Income gap narrows but publicly-funded degree holders retain lead

Income mobility by degree type across 13 years (2005/02 graduates)

Publicly funded postgraduate degree

Publicly funded degree

Publicly funded sub-degree

Self-financing sub-degree

Family status boosts mobility

Dramatic expansion in self-financing sub-degree programs from 2001/04

Owner-occupied private flat trend declines last 10 years

Square-feet equivalence of 15-24 youth monthly income

Men have higher upward earnings mobility over 20 years than women

Social class indicators for university access

Household income

Father's education level

Type of housing

Proportion of 15-24 youth with post-secondary education

Net saving after expenses for adults 25-34 in 2016

Income

Expenditure

Saving (HK$)

Overall occupational structure

Service & Sales dominate 15-24 youth jobs in 2016

WHAT'S NEXT ?

- Youth social mobility needs to be addressed in a holistic way
- Corporate recruitment needs government incentives and win-win guidelines
- Vocational training can be integrated with university options
- Starter housing programs need to be affordable

Example of the Data Journalism reports Pereira guides at the China Daily (HK edition).

The study also showed that 47 percent of the time, managers and staff are distracted from their tasks. A distracted leader loses himself and his team. One who allows phone interruptions at scheduled meetings, is highly disruptive. If the leader is not fully "present," his staff will be absent too, even if sitting around him.

Leader lessons

From the survey analysis, Hougaard and Carter distilled three pillars of leadership: mindfulness, selflessness, and compassion. They formulate these as the key levers for leaders to engage subordinates, win respect, and tackle corporate goals together. Hougaard explained what the authors meant by each of these qualities.

Egocentricity is a trait that leaders have to unlearn fast. Nothing is more detested by employees than a boss who steals credit and finger-points when things go wrong. Nurturing a shared vision and using executive power to remove obstacles blocking staff performance, is the true mission of leaders, says Hougaard.

Compassion is defined as kindness, and where necessary intervention, beyond mere expressions of concern or sympathy. A boss has power over policy, people, material, and money. That can, and should, be judiciously used to ease situations in practical ways. Basic kindness and timely interventions earn huge loyalty.

Physical fitness

In addition to the polling, 200 senior executives were interviewed across Silicon Valley as well as top global financial and professional services firms. Hougaard was struck by the commitment of the CEOs to sufficient sleep (6-8 hours per night), regular exercise, and a healthy diet. They looked after themselves fanatically to sustain their energy for corporate stewardship. They are clear-minded, disciplined, and focused.

Greek-American socialite Arianna Huffington (founder of Huffington Post) popularized the executive wellness creed on talk shows and TV interviews for a decade. Her Thrive Global venture clues companies into the link between wellness and business metrics. She has been a public voice for shutting off mobile phones and getting settled sleep so managers do not burn-out prematurely.

Consistent physical discipline to Hougaard is a template for corporate leaders. A healthy body, adequate sleep, and prudent eating habits, all go against the caricature of corporate executives as fat cats boozing over long lunches on expense accounts. There is still some of that sloshing at five-star hotels and private clubs.

Meditate to wealth?

Zen and Yoga masters meditate to detach themselves from desire for wealth and worldly pleasures. They withdraw from the insanity of daily life to gain peace and attain higher levels of consciousness. The commodification of meditation techniques to render employees compliant, is something quite foul in intent. It demeans ancient wisdom.

Hougaard was credible enough onstage, pointing to PowerPoint charts and graphs of managerial research. He cited the case of Bill Marriott Jr. who resisted laying off hotel staff in the 2009 travel slump. "We look after our employees. Our employees look after our customers. Business takes care of itself." (Marriott has since been laying off staff, the latest after Hurricane Irma hit Florida in Oct. 2017. Employees excoriated the company for heartlessness, as if the devastation wasn't grief enough).

The one cringeworthy moment came when the thin, tall, gaunt suit exhorted the audience to close their eyes, breathe, and meditate for three minutes. Hougaard affected a monk pose too, which was as incongruent. He would be wise to skip that conceit at roadshows.

The Future of Equity Crowdfunding for Professional Investors Hong Kong

by Kristi L Swartz

Kristi L Swartz

Kristi L Swartz, partner at Bryan Cave Leighton Paisner LLP, concentrates her practice in corporate finance and fintech matters. She is well versed in advising and providing practical and real-time advice relating to services such as robo-advisory, peer-to-peer lending through to the set-up and running of crypto-exchanges. Alongside her practice, Kristi is an active member of charitable organisations such as Global Women Connect, Faith In Love Foundation, and is a co-founder of the 30% Club's Hong Kong chapter.

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Crowdfunding, as defined by the Oxford Dictionary, *is the practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the internet*. Crowdfunding is an innovative fundraising method, allowing small businesses and startups to widen investment channels. Kickstarter, Indiegogo and GoFundMe are household names in the world of crowdfunding. Platforms are targeted at entrepreneurs and startups to students through to cult-fan groups who may be looking for seed money for a particular project through to more personal requests to raise money for a worthy cause. Statistica reports that between 2012 to 2015 the total volume of crowdfunding worldwide rose by 86% from US$2.7 billion to US$34.4 billion.[1]

Over recent years, jurisdictions such as the United States and the United Kingdom have set in place regulations to monitor and control crowdfunding activities to manage the risk to investors and minimize the risk of fraud and mismanagement of online platforms. Despite Hong Kong's growing reputation of being a fintech hub, due to regulatory issues, Hong Kong has only seen peer-to-peer lending and reward-based crowdfunding being available to local residents. In 2015, the total transaction value of crowdfunding in Hong Kong was US$3.9 million, of which 59% was raised through peer-to-peer lending, with the remaining 41% made up of reward-based crowdfunding.[2]

Hong Kong boasts an open and internationally-focused economy which has made it a go-to business hub for entrepreneurs and companies looking to launch into Asia. The city offers a well-regulated platform for established companies, whilst also providing opportunities and freedom to entrepreneurs. One of the biggest hurdles for any startup is raising capital to fund future activities. Traditionally, startups can apply to banks or other third parties for business loans, but with this comes interest and loan repayments even if the business does not succeed. Another option is to seek the assistance of venture capitalists ("**VC**"), private equity ("**PE**") firms or angel investors. However, VC/PE firms and/or angel investors have high expectations from startups (for example, they may ask startups to provide certain proven track records or a comprehensive business plan or sometimes even ask for personal guarantees) making them difficult to attract and invest.

On the other hand, investors also lack the means to source viable startups which can help diversify their investment

[1] https://www.statista.com/statistics/620952/total-crowdfunding-volume-worldwide/
[2] https://www.legco.gov.hk/research-publications/english/1617in17-regulation-of-crowdfunding-in-selected-places-20170721-e.pdf

portfolios. The channels to startups are limited, and in the instances when an investor has found a desirable startup, it may not be cost or time efficient for them to conduct their own due diligence on each and every startup. These factors have led to the emergence and development of the equity crowdfunding ("**ECF**") market.

ECF is becoming a widely-used business model for tech-savvy startups. ECF is the process whereby people, i.e. the crowd, invest in an early-stage unlisted company in exchange for equity in that company via an online platform ("**ECF Platform**") which is often managed by a third-party company ("**Platform Operator**").

In Hong Kong, ECF falls under the purview of the Securities and Futures Commission ("**SFC**"), to which they have given some guidance on the definition of ECF as an arrangement *"under which investors invest in a project or a business, usually a start-up, and gain in return an interest in shares in or debt issued by a company or an interest in participating in the profits or income of a collective investment scheme".*[3]

Despite not having any specific regulations on crowdfunding, ECF is potentially subject to three restrictions, namely :-

i: **offering shares or debentures to the public under the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("CWUMPO").** Under the current regulatory framework, if an ECF Platform markets to the general public of Hong Kong, a view may be taken that the risks involved for investors could be that of an initial public offering. As a result, the issuance of a prospectus is required for offering shares in or debentures of a company unless the offer falls within any of the exemptions in the seventeenth schedule, which include :-

a: the offer is made to Professional Investors ("**PIs**");

b: the offer is made to not more than 50 persons within a period of 12 months; or

c: the total consideration payable for the shares or debentures does not exceed HK$5 million (approximately US$637,000) within a period of 12 months; and

ii: **issuing invitations to the public under s.103(1) of the Securities and Futures Ordinance ("SFO").** s103(1) of SFO prohibits the issue of unauthorized advertisements or invitations to the public unless it falls within any of the exemptions, which include :-

a: the advertisement or invitation involves offer of shares or debentures that falls within any of the exemptions in the seventeenth schedule aforementioned (s.103(2)(ga));

b: the advertisement or invitation is made only to PIs (s103(k)); or

c: the advertisement or invitation is not to the public; and

iii: **carrying on a "regulated activity" under the SFO without being licenced or registered by the SFC.** Hong Kong-based Platform Operators and persons involved in the operation of an ECF Platform offering securities (for example shares, debt instruments and interests in collective investment schemes ("**CIS**")), whilst also providing asset management services need to be licensed by the SFC prior to commencing operations. Thus, the question of whether the SFC will view the ECF Platform as marketing, promoting and/or offering interests in a CIS is crucial. If this is found to be the case, authorisation from the SFC may be required before launching such platform.

It can be concluded that if the ECF Platform only targets PIs based in Hong Kong, the Platform Operator will

[3] See Securities and Futures Commission (2014)

be subject to fewer regulatory requirements, such as being exempted from the prospectus requirement and prohibition against advertising, on the assumption that PIs are more experienced in making investments and are therefore aware of the risks involved.

The barriers to entry are vast for many Platform Operators who wish to capture the Hong Kong ECF market as explained further below :-

- In order to obtain a licence from the SFC to operate an ECF Platform, a Platform Operator is required to hire at least two responsible officers ("**ROs**") for each regulated activity. In many cases the Platform Operator's founders/management may not have the necessary experience to qualify as a RO as set forth in the Guidelines on Competence ("**Competence Guidelines**") issued by the SFC;

- Although a Platform Operator has the option to hire ROs, it should be noted that finding a RO holding all the required licences may be a challenge in itself. Such persons are highly sought after and the cost of hiring such persons will be very high for a startup;

- Further consideration should be made with respect to Platform Operators who are startups, as they may lack the capital to meet the minimum paid-up capital and liquid capital requirements imposed by the SFO;

- A new Platform Operator may not have sufficient human resources to meet the regulatory requirements imposed by the SFO especially in light of the recent Manager-In-Charge ("**MIC**") guidelines; and

- The ECF Platform may be viewed as a CIS and as such the marketing of the ECF Platform may require prior authorisation from the SFC (unless exempted).

Players wishing to enter the ECF market would benefit from Hong Kong's regulatory bodies relaxing some of the criteria that currently acts as a barrier to entry by imposing licensing restrictions on Platform Operators. For instance, allowing startup founders with limited experience, to become ROs on the condition that they work with one fully competent RO, who has been approved by the SFC, for a period of time. Similarly, reducing the paid-up capital and liquid capital requirements will enable smaller businesses and startups to enter the market.

With the launch of the SFC Regulatory Sandbox in September 2017, it will be interesting to see the introduction of Platform Operators to the sandbox in order to the test the viability of the product before launching operations on a fuller scale. According to the SFC circular issued on 29 September 2017, the SFC may impose licensing conditions in order to minimize risks to investors during the period in which the product is being tested. As such, there is room for Platform Operators to work alongside the SFC in order to fully test the product, with restrictions on their licenses that are aimed to help reduce high operating costs that typically tie-up cash flow and funds for startups.

The World Bank predicted that global investment in crowdfunding will hit US$93 billion by 2025.[4] With rapid improvements in technology granting easy access to information and investment opportunities through the Internet, the potential for PIs to invest in smaller projects has grown exponentially. With Hong Kong's growing reputation as a fintech hub, setting in place regulations to both enable growth and protect investors is a priority to ensure the city maintains its competitive position across the global market.

For further information, please contact the author at kristi.swartz@bclplaw.com

[4] http://documents.worldbank.org/curated/en/409841468327411701/pdf/840000WP0Box380crowdfunding0study00.pdf

Daoist Cultural Reality: The Harmony Of Aesthetic Order

by Kirill O. Thompson, National Taiwan University

Dr Kirill O. Thompson

Professor and Associate Dean, National Taiwan University (NTU). Recently retired but soon to serve as Adjunct Professor at NTU for the upcoming 2018 academic year. He has published many works in Chinese philosophy and is interested in critical thinking and the ethics of climate change and preservation of the environment and biodiversity.

As with most great critics and satirists of society and politics, Daoists hold their own - as often overlooked as misunderstood – views of cultural reality. While intent on showing the conventional, relative character of received folkways and values, Daoists still tend to see maternal, filial, and fraternal feelings as woven into the very fabric of life, human and even nonhuman. While revealing the artificial, perspectival character of interpersonal virtues as espoused by their rival Confucian and Mohist philosophers, Daoists still pronounce the inner sense of compassion (ci 慈) as concomitant with their experience of cosmic identity and enlightenment.[2] How is this so?

Cultural reality, in the view of classical Daoism,[3] comprises a fecund spontaneous anarchy of relative perspectives, which reflects the underlying harmony of *Dao* 道 (Way) as an "identification of opposites," a "unity of multiplicities."[4] Any actual cultural harmony achieved by human beings then is largely the by-product of the rulership's discerning acceptance of and acquiescence in this deep underlying harmony; hence, genuine cultural vitality is best unleashed and sustained through indirect measures, such as subtle adjustments of relationships and allocations of resources.[5] Daoists, then, conceive social discord as arising principally in response to state impositions of strict moral and legal codes, and from impoverishment ensuing from undue official obsession with power, reputation, and wealth.[6]

Cultural reality is expressed spontaneously in the mosaic of people's lives, its aesthetic order a composite of their relative perspectives. This mosaic, this order, is to Daoists a living composite of the people's fundamental though perhaps unnoticed experience of "belonging together."[7] Therefore, when philosophers, moralists, ideologues, politicians, militarists, advocates of all sorts, seek to universalize their perspectives and goals and foist them on all people, they generate serious problems for themselves as well as for society; in every instance, while some people might rally to their cause, others who do not accept it will feel alienated or indifferent, while those who feel deeply alienated will resist and establish firm counter-positions, thus forming disruptive polarities in society. Daoists stress that a genuine spontaneous social mosaic generally would have a deeper integrity and finer texture than could be established through any restrictive "corrective" governmental policies and interventions; they consider that social problems would take care of themselves if only the authorities were to "step back" and "let the knot loosen."[9]

"Anarchy" refers to an absence of any ultimate "cohering principle, as a common standard or purpose." Western anarchist theory typically argues that since people already are, by birthright, rational agents, they naturally present a collective "authority," moral as well as legal, which equals if not betters the artificial forms of authority which can be achieved through political institutions and selection processes. Moreover, because political authorities almost invariably are or become self-interested and subject to corruption, the free associations of individuals in society, anarchist theory argues, tend to be more impartial and fair in making social decisions than is possible for any vested political authority. (This anarchist view is to be sharply distinguished from the libertarian counterfeit, which is used to sanction the activities of sprawling business interests at the expense of the public good.)

The Daoist view parallels Western anarchist theory in its preference for free associations of people and lack of faith in governance by official bodies but concedes that, since the existence of such bodies may well be inevitable, it is perhaps better to encourage as much as possible a state of rule by non-rule, that is, by letting things be, than a state of pure anarchy.[10] The Daoist view is not, however, buoyed by any faith in human rationality. Reason, Daoists insist, tends to be misused as a divisive, coercive force. Rather than being integrative, reason by its very nature depends upon drawing distinctions.[11] Reason, further, provides the very means whereby people illicitly universalize their limited perspectives and, purposely or not, impose them upon others, thus generating endless wrangles of all sorts.[12] Daoists, moreover, decline to analyze and reduce human beings to a particular, for example rational, nature; they envision each person as having a certain natural endowment, bearing certain gifts, and having a unique potency or power (te 德), which together form in him or her a singular core of personal integrity, natural bents, self, albeit fluid self.[13] On the Daoist view, each person is inherently free to explore his or her own distinctive qualities and bents rather than to pursue any sort of common goal or ideal.

This potency or power - particularly in those who are relatively sensitive, spontaneous, and interested in genuine realization - attunes itself (that is to say, oneself) to one's setting, one's living environment and develops further when one freely pursues one's bent, the most felicitous way to realize *dao*.[14] Society thus could spontaneously be a fecund ecology of people's lives constituted on their respective de and attainments were this delicate order not so persistently undermined and distorted through official machinations, mismanagement, and human greed.[15] The order a society would spontaneously express, on the Daoist view, would be an fluid aesthetic order rather than a stilted logical order.[16]

Aesthetic order emerges from the relative self-definitions and mutual intercourse of particulars; it is not a preestablished configuration derived from theoretical entities, such as abstract platonic forms or general scientific laws. This is not to maintain that it is contrary to science; the notion of aesthetic order indeed seems to provide a way to conceptualize the emergent orders of the cosmos, nature, and even human life that cannot be adequately covered by unaided standard deductive scientific theory. Nor does aesthetic order fail to constitute authentic order for failing to follow deductively from a single paradigm, such as Plato's Form of the Good; aesthetic order is a fluid, composite order which grows from the vantage of each particular as it comprehends itself in context and projects itself into its world.[17] Thus, in a Daoist world characterized by aesthetic order, each particular from flea to red giant emerges as a center of things, a bona fide point of reference. No matter its degree of inner determination or extent of intercourse, each particular bears an unfolding sense of fact and value, an impression of reality and worth through which it stages its existence. Significantly, no one is intrinsically better than anyone else, our preferences among particulars simply reflect our own perspectives and cannot be given any ultimate justification.[18]

Since aesthetic order emerges from each particular, each person is construed as a focus in a field of others, Daoism thus invites each person to engage in a process of self-transformation, the path to awakening and altering one's modes of thought, life, relationship, even one's world. The problem with broad-based institutional or legal structures,

to Daoists, is that they are inherently self-defeating; such structures are not only cumbersome and restrictive but they seek to impose from above a rigid uniform code on what is inevitably a fluid, multifarious grouping. After all, people are essentially eccentric. Moreover, such institutional and legal structures set up grids of artificial concerns which draw people away from their original life tendencies. Daoists therefore encourage rule by non-action (wu-wei 無為), by letting things be (tsai-yu 在宥), for this is how to free up, how to open up the field of human life. That is to say, rule by non-rule is the best way to release the people from their obsessive concern with the artificial attractions and the excessive requirements of state and society, thus facilitating their return to themselves, back to their *de*, the fluid center of authentic life.[19]

The path to thorough self-realization of course is not so easy and involves much more. Moreover, ruling bodies cannot realistically be expected to relinquish authority and simply let things be, and the people are corrupted in complex and deep-rooted ways. Whosoever would take up this Daoist project of self-realization must undergo a sequence of regimens, designed in light of their individual make-up and predilections. One has to acquaint oneself with the basic tenets of Daoism; this however provides only a cognitive orientation, not the fundamental experience and transformation. One must go on to practice meditation and breathing exercises.[20] Meditation is a mind-clearing activity which helps to free one from the grip of basic concepts which absorb and constrict human life -- from wisdom (*zhi* 智), propriety (*li*禮), appropriateness (*yi* 義) and humanity (jen 仁) to world (t'ien-ti 天地), thing (wu 物), body (shen 身), life (sheng-ming 生命), self (*ji* 己), merit (*gong* 公), esteem (*gui* 貴).[21]

Enlightenment dawns as one realizes the unformed, empty ground of all things, concepts, facts, and values, as one realizes their inherent relativity. One emerges from this inner realization with not just a sense of impermanence and futility, but the feeling that existence, freed of humankind's absolute forms, dichotomies, egos, narcissists, reveals itself to be a vital, creative receptacle of becoming, which, rather than undergoing the discipline of eternal verities, embodies an open, limitless fount of creativity. Breathing exercises in turn provide ways to energize one's inner *qi* 氣 circulation, one's breath; the deeper one draws in one's breath, the more energized one's body becomes-- down to the base of the spine and ultimately to the bottom of the heels. This further sensitizes one to the subtle vitality of our living world. Now broadened and revitalized, one is prepared to reenter the world and engage one's authentic *de* and native talents ever more fully. One then can face affairs flexibly from the vantage of *dao*.[23]

Viewing *dao* and *de* on the field-focus model, we can appreciate how Daoists-- like their Confucian counterparts-- hold that those who have undergone significant self-transformations exert an imperceptible charismatic influence on the people with whom they interact. Confucians define this influence in terms of moral integrity; people who experience the upright qi (*zheng-qi* 正氣) of the worthies and consummate gentlemen will themselves commence to become upright. Daoists view this as an authentication process; people who experience the free, spontaneous wandering *qi* (*yuqi* 遊氣) of Daoist wise men and eccentrics will tend to become plain and spontaneous. Taoists and Confucians alike envision such influences as engendering an interpersonal harmony which reflects the aesthetic harmony of the cosmos. Confucians, however, noticing strict cosmic cycles and regularities, emphasize personal polish, ritual rigor, and interpersonal finesse, while the Daoists, mindful of the womb of creation and heeding the supple, fertile source of cosmic cycles and regularities, indeed, all particular manifestations, emphasize attunement to the pulse of life, within and without, and sensitive, spontaneous self-expressiveness.[24]

The contemporary world, reactive and obsessed with proactive political and monetary manipulations, remains unprepared to heed the Daoist conception of cultural reality. States in the global community are premised ever more firmly on legalistic-technocratic logic and a vague sense of the ultimacy of the atomic individual.[25] The life of each individual within a given legal-technocratic system is absorbed in competition with all comers, not only for wealth, reputation and power, but for personal preferences generalized as (irreconcilable) religious, social,

political, economic, even ethical "truths." Whereas this depiction might seem to be exaggerated, given growing human populations and dwindling natural resources, contemporary life unmediated by traditional senses of self, place, meaning, value, etc., becomes an ever more precarious and exasperating journey wherein ego and gratification, whether rational or immediate, become obsessions. Institutionalized religion persists, against all scientific common sense, as a defense mechanism, a bulwark against the meaninglessness of the radical atomic individualism at the core of contemporary life. Daoism, from the contemporary perspective, appears to be as naive and optimistic as Rousseau; its rule by non-rule would entail a brutish Hobbesian state of nature, and Daoist self-cultivation would impair a person's capacity to cope in a dog-eat-dog world. [26]

From another perspective, though, the contemporary world has pushed innumerable serious problems to the critical point in many areas, such as the rich – poor divide and climate change, to mention just two, precisely because it has aggressively substituted its artificial system of political and economic universals for the implicit, lived, aesthetic orders of life. The contemporary world continues to lay down an artificial order which promises rapid advance and immense wealth in the short term but which seriously threatens the natural order upon which it depends in the long term, because it neglects the fundamental realities of interdependence, ecology, "belonging together."

The coherence of Daoist philosophy with salient facets of quantum physics and the ecology of nature and human life underscores the dangers implicit in the contemporary world's aggressive turn to rapacious development, in terms of what humanity is making of itself and of nature alike.[27] At the same time, Daoism as a perspectival, contextualist view need not be pitted directly against the contemporary world as, for instance, a form of primitivism. Daoism, as indicated above, offers ways for people, even those caught up in their present system, to rediscover themselves and view the system and their life within it in new and altogether different kinds of perspectives.[28] They can continue working at their jobs, but with a newly opened mind and no longer taking their work goals as in any sense ultimate; the net effect of this as a trend would be a gradual transformation and greening of the contemporary global order

Thoreau intended this sort of awakening 150 years ago in his call to simplify our lives. Already discerning the rapacious appetite and inner necessity of modern economic growth, he called upon New England farmers and Yankee merchants to cast off their burdens of property and settle their accounts once and for all; he meant not that they should shed their holdings and cease their labors but that they should shed their possessive attitudes and conduct their work by a spontaneous inner sense rather than an all-consuming obsessive drive.[29] Our lives should express a finer attunement, inner and outer; our efforts should reflect a deeper discernment. Daoism reminds us living in this darkening age, above all, that[30]

No misfortune is greater than that of discontent . . . .
Therefore, to know contentment through contentment
Is always to have enough.
Lao Tzu, ch. 46.

Therefore, for staying, we prefer a humble place.
For minds, we prefer profundity.
For companions, we prefer kindness.
For words, we prefer sincerity.
For government, we prefer good order.
For affairs, we prefer ability.
For actions, we prefer to right time.
Because we do not strive,
We are free from fault.
Laozi, ch. 8.

ENDNOTES

1. See A.C. Graham trans. and ed., *Chuang-Tsu (Zhuangzi): The Inner Chapters* (London: George Unwin & Allen, 1981), p. 13, and Chang Chung-yuan trans. and comm., *Tao (Dao): A New Way of Thinking* (New York: Harper & Row, 1975), p. 53.
2. See Chang Chung-yuan, *Creativity and Taoism: A Study of Chinese Philosophy, Art, and Poetry* (New York: Julian Press, 1963), pp. 19-24 and 35-38, and *A New Way of Thinking*, ch. 67, with Chang's commentary.
3. "Classical Daoism" is here limited to the thought expressed in the two pre-Qin texts, the *Laozi*, also called the *Dao De Jing*, and the *Zhuangzi*. For discussion on dating and authorship, see Fung Yu-lan, *A History of Chinese Philosophy*, 2 vols. Derk Bodde trans. (Princeton: Princeton University Press, 1952), vol. 1, pp. 170-175 and 220-223, D.C. Lau trans., *Lao Tzu: Tao Te Ching* (Harmondsworth: Penguin Books, 1963), pp. 147.74, and Graham, pp. 3-5 and 27-33. See also Roger Ames and David Hall trans. and comm., *Dao De Jing: "Making This Life Significant": A Philosophical Translation* (New York: Ballantine Books, 2003).
4. Social reality, in other words, reflects the Daoist notion of ultimate reality: see *Chang, Creativity and Taoism*, pp. 30-40, and *Tao: A New Way of Thinking*. pp. xv-xvii and chs. 1, 11, 37 and 39, with commentaries,
5. The Daoist emphasis on "indirect measures" stems from their appreciation that

   Reverse is the movement of *dao*.
   Yielding is the action of *dao*.
   Ten thousand things in the universe are created
   from being.
   Being is created from non-being.
   Laozi, ch. 40,

   See also Laozi, chs. 3, 29, 37 and 77, with Chang's commentaries. All *Laozi* quotations are from Chang, *Tao: A New Way of Thinking*, which remains the best English translation of the text. Also see Lau, pp. 31-35.
6. See *Laozi*, chs. 3, 57, and 75, and Benjamin Schwartz, *The World of Thought in Ancient China* (Cambridge: Harvard University Press, 1985), pp. 232.
7. The *Laozi* describes a primordial society in ch. 80. See also the descriptions in *Zhuangzi*, chs. 9 and 16, Graham, pp. 170.173 and 204-206. On "belonging together," see Chang, *Tao: A New Way of Thinking*, chs. 23 and 56, with commentaries.
8. *Laozi*, ch 2, with Chang's commentary; *Zhuangzi*, ch. 2, Graham, pp. 52-54, & 60.
9. See Chang, *Tao: A New Way of Thinking*, pp. xi-xil, and chs. 4 and 56, with commentaries. Correspondingly,

   The wise guides men by relaxing their minds
   and keeping their bellies firm,
   By reducing their wills and letting their
   physiques became strong.
   He always frees men from the search for
   knowing and demanding.
   Laozi, ch. 3

   See also ch. 65. The wise ruler frees the people from their obsessions and biased perspectives so that they might realize their common interests and fundamental identity. The resulting harmony among them would reflect the spontaneous harmony of the natural order; see ch. 25.
10. See. *Zhuangzi*, chs. 7 and 11, Graham, pp. 94-99 and 211-213, and Schwartz, pp. 210-213.
11. See Graham, pp. 9-14.
12. Consider the interminable debates in Western religion, philosophy, politics in which the parties express their views in more or less universal terms and conceal-- to themselves as much as to others-- the inherent relativity of their perspectives. Albert Camus makes this a major theme in *The Rebel: An Essay on Man in Revolt*, Anthony Bower trans. (New York: Alfred A. Knopf, 1969); see "Beyond Nihilism," pp. 302-306.
13. Graham, p. 16, and David L. Hall and Roger T. Ames, *Thinking Through Confucius* (Albany: State University of New York Press, 1987), pp. 216-226. See also Roger T. Ames, "Coextending Arising, *De*, and Will to Power: Two Doctrines of Self Transformation," *Journal of Chinese Philosophy*, vol. 11, no. 2 (June 1984): 113-138.
14. This is implicit in Graham's discussion on spontaneity, pp. 6-9 and 135-142. The term "environment" refers broadly to one's natural, social and personal environments.
15. See Hall and Ames, pp. 237-241. It is perhaps unfair, particularly nowadays, to blame governments and politicians exclusively; the institutional forces of business, religion, even culture and education can play parallel disfigurative roles in social life.
16. *Ibid*., pp. xiv, 16, 131-138, and 307.
17. David Hall, *Eros and Irony: A Prelude to Philosophical Anarchism* (Albany: State University of New York Press, 1982), "The Ambiguity of Order," pp. 113-148.
18. See *Zhuangzi*, ch. 17, Graham, pp. 173-179. Zhuangzi's arguments here are particularly ingenious and constitute a formidable challenge to defenders of objectivist accounts of truth and goodness. See also Chang, *Creativity and Taoism*, pp. 32-33, and *A New Way of Thinking*, pp. xv-xvi.
19. See F.W. Mote trans., Kung-ch'uan Hsiao, *A History of Chinese Political Thought* (Princeton: Princeton University Press, 1979), pp. 306-313.
20. For discussion see Chang, *Creativity and Taoism*, ch. 4, "Processes of Self. Realization," pp. 123.168, and Lao Tzu, chs. 10 and 16, with Chang's commentaries.

21. *Zhuangzi*, chs. 1 and 6, Graham, pp. 45 and 87-92; *Laozi*, chs. 13, 44 and 49. (One hesitates to mention organizations like state and religion as institutions from which to free oneself, which might prompt unwanted attention and restrictive responses.
22. See Chang, *A New Way of Thinking*, pp. xv-xxvi, and *Creativity and Taoism*, pp. 55-59 and 86-88. Contrast the experience of Roquentin in Lloyd Alexander trans., Jean-Paul Sartre, Nausea (New York: New Directions Books, 1964), pp. 127-131.
23. *Zhuangzi*, ch. 2; Graham, pp. 48-49 and 51-53.
24. See *Laozi*, chs. 6, 20, 41, 52 and 55. Classical Confucian correlations are given in the "Appendices" to the *Book of Change and the Doctrine of the Mean*; see Wing-tsit Chan trans. and ed., *A Source Book in Chinese Philosophy* (Princeton: Princeton University Press, 1963), pp. 95-114 and 262-271. For significant 1lth and 12th century Neo Confucian elaborations, see Wing-tsit Chan trans., *Reflections on Things at Hand: The Neo-Confucian Anthology Compiled by Chu Hsi and Lu Tsu-ch'ien* (New York: Columbia University Press, 1967), ch. 1. "On the Substance of the Way," pp. 5-34. For discussion see Tu Wei-ming, "The Continuity of Being: 'Chinese Visions of Nature," in *Confucian Thought: Selfhood as Creative Transformation* (Albany: State University of New York Press, 1985) pp. 35-50.
25. See Richard J. Bernstein ed., *Habermas and Modernity* (Cambridge: Polity Press, 1985), pp. 6-7, and William Lovett trans. Martin Heidegger, *The Question Concerning Technology and Other Essays* (New York: Harper & Row, 1977). Increasingly, the notion of atomic individual is warped by politicians sponsored by vested interests to protect the wealth and property of the top 1% from responsibility to care and to assist others in the community.
26. Daoism in fact offers no naive truths nor optimistic prognostications; *Laozi* shows how to chart and maintain one's life in a perilous world, Zhuangzi shows how to face death by grasping the facts of life. See Graham, pp. 22-24. No starry-eyed Romantic, the Zhuangzi character is disturbingly self-doubting in some passages; see Graham, pp. 92-93 and 118.
27. See Fritz Capra, *The Tao of Physics* (Berkeley: Shambala, 1975), and Peter Singer, *The Expanding Circle: Ethics and Sociobiology* (New York: Farrar, Straus & Giroux, 1981).
28. Consider the poem by Tao Qian (373-427);

    To build a house in the world of man
    And not to hear the noise of horse and carriage:
    How can this be done?
    When the mind is detached, the place is quiet.
    I gather chrysanthemums under the eastern hedgerow,
    And silently gaze at the southern mountains.
    The mountain air is beautiful in the sunset,
    And the birds, flocking together, return home.
    In all these things there is real meaning.
    Yet when I want to express it, I become lost in no words.

    Quoted from Chang, *A New Way of Thinking*. p. xxi. Mental transformation, as through renunciation and detachment, is the key to solving the problem
29. See Henry David Thoreau, *Walden and Civil Disobedience*, Owen Thomas ed. (New York: W.W. Norton & Company, 1966); this theme occupies much of chs. 1-2, "Economy," "Where I Lived, and What I Lived For," and "Conclusion," pp. 1-66 and 211-221.
30. From Chang, *A New Way of Thinking*, pp. 127-128 and 27-29.

Increasing Productivity and Profit through Proper Human Resource Management

by Annie Yap

Corporate Profile

AYP Group

AYP Group is an award-winning Total Talent Management & Workforce services, and HR Technology Solution Provider in the Asia Pacific. We connect great talent with great companies. Our specialties include Executive Search, Executive Coaching, HR Consultancy, Contract Staffing & Placements, RPO, PEO, GEO, Benefits Outsourcing, HR & Payroll Outsourcing, Payroll Audit, online Job Portal & Cloud HR software. We constantly innovate and improve our services to better fulfill our client's business needs.

Annie Yap

Group Managing Director, AYP Group

With over two decades of experiences in the Human Resource (HR) Industry, she is one of Singapore's top business pioneers. Prior to setting up AYP Group Ms. Yap was the CEO of GMP Group where she had worked for 15 years. She was instrumental in developing GMP Group from a local based recruitment firm to one of the largest in the Asian region. Ms. Yap is known for a strong leadership, bountiful experience and business Insights which is instrumental to the success of the AYP group. The business has expanded to 5 south-east Asian countries and has become a one-stop solution for all HR problems. AYP group has four subsidiaries namely, AYP Staffing, AYP Search, AYP Human Resource Solutions, AYP Connect (JuzTalent). These subsidiaries are designed to fulfill all functions of a client's HR needs. Ms Yap has received many awards, including top 10 Most Inspiring Businesswomen in Singapore Award 2013, Top Entrepreneur, The Entrepreneur of the Year Award 2006 by Association of Small Medium Enterprises (ASME) and the Rotary Club of Singapore; Leading CEO Award by Singapore Human Resources Institute (SHRI); and HR Entrepreneur Award by SHRI. Ms. Yap is a strong advocate of organizational culture and long-term vision. She believes equal attention should be given to building an organization and employee development.

Abstract

This article will share four ways to tackle two main problems that affect productivity and efficiency, employee wellbeing and efficiency, through proper Human Resource Department. It will also discuss the ways an HR Department could become more efficient in its processes.

Introduction

The purpose of a profit-making business is to generate revenue while aggressively expanding and gaining control market share. Managers tend to push employees to work harder to achieve goals that have been set out to them. This strategy of getting employees to work harder often results in reaching the expected profits. However, managers fail to realize the detrimental effects that come along with these actions. The correlation between employee happiness and productivity is often ignored in the equation of investments and profits in these environments. This equation fails to realize that happiness is essential to a person's mental state as he/she is able to function to the best of his/her ability. This happiness and mental wellbeing are what many employees lack when they perform their jobs. A business that takes its employee's happiness into consideration, could expect to make increased profits due to the positive working mood that has been created for the employee. To be productive and efficient.

Another problem commonly faced by many businesses is efficiency. Being efficient allows employees to complete tasks swiftly and speed up the process of revenue generation. Businesses that struggle to identify and rectify the problem are unable to maximize their growth potential and opportunities to make profits.

These problems are a bane to a company's productivity and efficiency. A straightforward and economical way to approach this crisis is through, the HR Department. An HR Team does not just deal with payrolls and claims but also ensures that employees perform their roles efficiently and effectively.

4 Ways to Increase A Business's Productivity & Efficiency Through Human Resource

Opportunity for Continuous Learning

Many employees look at continuous learning as an opportunity to upgrade themselves and stay relevant. According to a survey done by Human Resources Service Provider Randstad, 90.9% of employees in the South-East Asian region look for incentives that allow them to learn new professional competencies and stay relevant. In another article by The Learning Wave, 74% of employees feel that they are not maximizing their potential due to the lack of training and development. Thus, it is important that companies provide training opportunities that allow employees to unlock their potential and allow them to take on new tasks that stimulate their growth. The Human Resource Department could tie up with various educational institutions to provide such opportunities.

Growing an employee and investing in their personal growth requires funds which are often seen as a problem by many companies. Moreover, many employers fear that their investment in employees would be lost if they leave the company prematurely. A solution to this problem would be to integrate employees into the company and provide them opportunities to use the skills they have acquired from the courses. This will convince them to stay with the firm for longer periods.

An example of a firm that has benefitted from this is Enviably Me which is a retail distributor that has reduced in the firm's employee turnover rates. In the retail industry where the employee turnover is around 50%, Enviably Me has reduced its 200% to an astounding low of 10%. The company spent millions on training over a span of six years for this change to take place. Moreover, customer service improved while more employees were promoted. This is a win-win situation for both employee and company.

Benefits

Most employees tend to consider strongly the workplace benefits before joining a firm. Employee benefits should be seen as more of an investment than a cost. A happy employee often translates to increased productivity. The HR Department could survey employees to find out their preferred benefits before approving them. Benefits don't have to be only monetary but also onsite benefits that make employees feel more comfortable at work.

An example of a company that has benefitted from providing employee benefits is Singapore Airlines. Singapore Airlines Flight Attendants receive many incentives such as free travel to any Singapore Airlines destinations and discounts on other occasions. They also receive allowances, profit-sharing bonuses, quality training programs and health incentives for retirement.

All these incentives translated to the average cabin crew member staying with the company for at least 10 years while a ground staff staying for at least 19.5 years. Thus, Singapore Airlines reduced its re-employment costs and time spent on rehiring.

Employee Engagement

Employee Engagement is a mindset where an employee is committed to improving his/her performance while feeling motivated to contribute to the company's success. The process of employee engagement is based on the dedication and understanding between the company and its employees.

Knowing this, the HR Department must find methods to engage employees by making them feel a sense of responsibility and drive to succeed. A recent Dale Carnegie survey revealed that engaged employees outperformed non-engaged employees by 202%. One method that can be used to encourage employee engagement is through giving them opportunities to lead projects. Handing out projects often gives employees a sense of ownership and it's something they are willing to fight for. Thus, they would take more precaution and ensure that the project turns into a success.

An example of a company that uses this technique is Google. Google allows its employees to spend up to 20% of their time to pursue a project that they are interested in. Products such as Google Maps, Gmail and Adsense came from this 20% given to employees. These inventions generate huge sums of money for Google. Thus, engaging employees is a smart way to ensure that employees are giving their best without having to spend a fortune. Moreover, companies benefit from this as employees work harder and produce results for the company.

Using Big Data to Your Advantage

Many businesses actively look for data as it allows them to make decisions that are proven instead of gut feeling. In this segment, we will be discussing 2 ways data can be used to increase employee happiness and productivity while reducing costs for companies.

Knowing Reason for Employee Retention

In most cases, an employee leaves a company during the duration of their contract when they feel unappreciated, unhappy or find a better opportunity to learn and earn. Retaining an employee's services is always more economical compared to acquiring a new one as the costs need to search, train and supervise is eliminated. This means that the Human Resource Department will have to carry out extensive research to discover ways to reduce its retention rates. Knowing this data is will also give the Human Resource Department an understanding of deep culture problems that exist in the organization such as poor management which can be rectified through this survey.

Hiring the Right Employee Through the Use of Data

An interview is often the first visual contact between the potential employee and employer. The interviewer is often interested to find out about a candidate's credentials and what he/she can do for the company. However, interviewers often tend to miss out on collecting data that would allow them to analyze candidates at a greater depth. This means the interviewer hires an employee based on a resume and short conversation. In most cases, this is not enough to give a full picture of a candidate of his/ her background. A bad fit could cost a lot of money and hinder a company's progress. During a 2013 Career Builder Survey, 27% of employers said it cost them at $50,000 when they hired a bad fit.

Thus, an HR department should consider taking advantage of analytics like the candidate's social media activity, databases, records of employment, applications and maybe include tests and challenges during interviews. Through this, a business would be able to gather data and understand candidates at a greater depth. As time passes, they would be able to build a database that has records of successful interviewees cum employees and know the traits they will have to look out for in every candidate before hiring.

Creating an Effective Human Resource Management Department

An Efficient Human Resource Management Department

An organized, efficient and productive HR Department is required to make all the above pointers become a reality. An effortless and efficient way to organize all Human Resource Departmental matters is through a Human Resource Information System (HRIS). This system allows all HR activities and processes to be done electronically thus easing the painstaking process of onboarding employees, gathering analytics, filling payroll, reimbursements and leave claims. Going electronic saves paper and reduces the chances of losing documents. Most HRIS systems allow you to access the system from any location through multiple devices. This allows an HR Department to clear its work quickly and focus on other important tasks. A business has to customize the system to its own needs to maximize the use of an HRIS system. This allows the company to get the best out of the system and ultimately reduce the workload of its HR Employees. This system will allow the HR Department will be able to carry out the 4 pointers mentioned above in a more organized manner.

Conclusion

The tangible is something that can be built by anyone but it's the intangible that makes one stand out. The impact of HR Management is something that cannot always be seen but the ripples that it creates can definitely be felt. Despite the fact HR does not directly contribute to profits, it sets up the right environment and mindset for those who are directly involved in profit-making. The spirit of the company is key to its profitability and progression. Thus it is important that regardless of whether an HR Department is from a government body or a private company, it has to be work towards a company's success while being at the heart of employee well-being. If every business is able to adopt policies designed to suit this goal of ultimate productivity, profitability, happiness, a nation could find its way together towards everlasting success and prosperity.

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Enhancing Asia-Pacific Economic Prosperity: A Third World Perspective

by Reginald T. Yu

REGINALD T. YU

REGINALD T. YU is a Certified Public Accountant and a third-generation entrepreneur who manages a family-owned paint manufacturing company that has been in business for nearly 70 years. An active community leader, he served as president of various nonprofit, professional and business organizations engaged and committed to creating positive impact in the community.

Economic growth and prosperity have always been significant parts of every national discourse. Budget surpluses, economic management, balance of payments, tax cuts, and economic stimulus packages are ever-recurring themes for most governments. In almost every corner in our world, both public and private sector organizations universally support the value outcome of growth and prosperity in some way. This is because the end-result of every sound and stable economic fundamentals is increased incomes for everyone, which in turn, promotes the overall well-being of its people. Prosperity enables individuals to gain meaningful employment, pursue opportunities, lead productive lives, and build a promising future for their loved ones.

It is no secret that the center of gravity for the global economy has now shifted to the Asia-Pacific region, having become a significant player in the world commercial stage. This is notably reflected in its tremendous growth and development over the past quarter-of-a-century, as well as the region's growing role in economic terms. Today, the Asia-Pacific region accounts for 60% of the world's economic growth. [1] Its remarkable pace of growth has helped lift millions of people in the region's emerging economies out of poverty. Many of the former, so-called "economic basket cases" have not only made significant contributions to the region's economic development, social progress and improvement of people's livelihoods, but have also epitomized the great changes and rising strategic position of its member-countries in this part of the world. In fact, two-thirds of the region's economies grew even faster in 2017 than the previous year and this is expected to continue in the next five years. *(See Figure 1)*

The enormous appetite for primary commodities and consumer products of China and India that has boosted export industries and facilitated local economies' integration in the global production chain has been an important factor in catapulting them to nations with the largest prosperity gains in absolute terms within the past decade. And while the contribution of net exports remained small within the region, the strong growth of gross exports and imports suggests that the recovery in external demand was a key driver of Asia's impressive growth in GDP. Overall, Asia continues to be both the fastest-growing region in the world and the main engine of the world's economy, contributing more than 60 percent of global growth.

The Philippines, where I come from, has been riding on this region-wide, progressive wave over the last few years. Our country's GDP stood at 6.8% for the first quarter of 2018, [2] representing one of the fastest growth rates in the Asia-Pacific. The public sector's construction activities grew by 21%, while private sector construction rose by 7.9% over the past year. [3] Robust domestic consumption

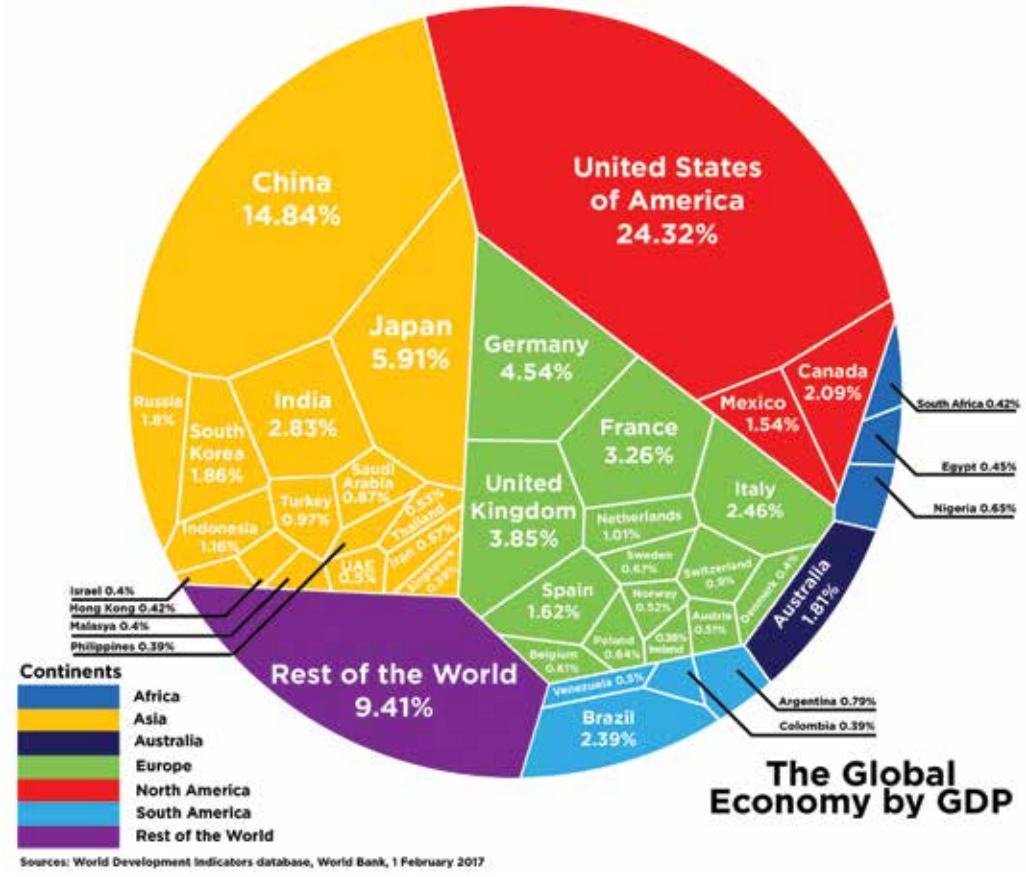


Figure 1

and recovering investment and trade contributed to its current growth trajectory and underpinned a stable outlook in the next few years.

But how long can such prosperity last? And more importantly, has this prosperity trickled down to the lowest income bracket of our society? The key question is how we can collectively take advantage of this current pace of economic expansion to facilitate and improve our economy's long-term prospects and mobilize development finance.

Having been in business for almost 30 years, I remain cautiously optimistic about the economic movement in the Philippines, as it has regularly gone through a "boom-and-bust" cycle since 1980 *(See Figure 2)*. This means that a few years of moderate economic growth are soon followed by shortages of foreign exchange, making it necessary to cut back on government spending and contract money supply, thereby stunting its growth episode. Based on my own findings, the economy has had a series of "boom-and-bust" cycles, having grown only 2.0 percent on the average in 1980 to 1989; 2.8 percent in 1990 to 1999; and 4.5 percent in 2000 to 2009. [4] During these phases, a period of partial adjustment would usually follow and the cycle would resume once the foreign exchange constraints are eased, prompting government to resort to deficit spending once again. And, while prospects for the Philippines are close to 7 percent today, misgivings persist given its inherent vulnerabilities to terms-of-trade shocks, inward-looking trade policies or exposure to natural disasters.

Amid the current wave of growth, many pundits and economic experts have expressed concerns on how to make this growth robust, resilient and inclusive.

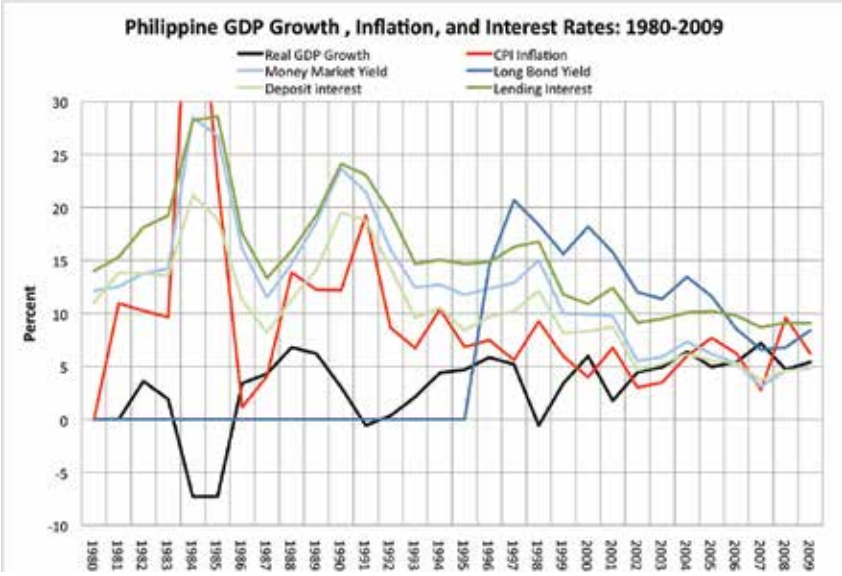


Figure 2

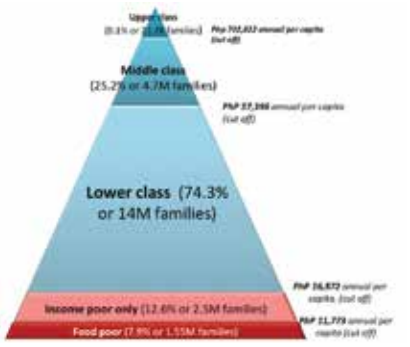


Figure 3

Looking at strategies to effect economic sustainability, not just in the Philippines, but in the Asia-Pacific region, I endorse a multi-dimensional approach through the adoption of a mixed set of measures to achieve better outcomes. But for the purposes of this article, I have condensed it to two most important measures:

First is to raise the standards of its labor force and the labor market to reduce income inequality. Growth is about maintaining a balance and providing everyone with equal opportunity to become prosperous. Growth is necessary when a nation needs to invest in its infrastructure, to foster new industries, or to support population growth.

But experience has shown us that growth has favored skilled over less-skilled workers, and gains have been skewed to favor capital over labor and certain geographical locations over others. For instance, data gathered from the Asian Institute of Management revealed that, despite the rise in the country's GDP over the past few years, the vast majority of Filipino households — over 18 million accounting for over 90% of the total — still belong to the poor and low-income group earning less than PhP5,000 (or, roughly USD95.00) per month. *(See Figure 3)*

That said, income inequality can affect growth in several ways. It can cause misallocation of human capital, create social tensions, hollow out the middle class and damage the quality of a country's institutions. It can cause political problems as politicians tend to favor populist policies that benefit low-income groups over the short term, but which in the long run can hold back efficiency and growth. [5]

For any growth in GDP to be felt, it should be sustained for several years to allow its effects to filter down to the grassroots and benefit ordinary citizens. Economic growth should be accompanied by an expansion of decent jobs and a strengthening of social safety nets; otherwise, the region will continue to see a rise in inequality and little progress in eliminating poverty.

Greater investment in education and skills training, especially for low-income and marginalized groups, can soften the blow of job losses caused by technological progress and globalization. Growth, innovation and job expansion are often due to both advances in technology or more efficient use of existing technologies.

But while we continue to produce more college and high school graduates — which means that the supply of workers for both high and low-skilled jobs is steadily increasing — high-skilled jobs in the manufacturing and services sectors are not able to keep pace with the increased supply of college graduates. This means that most college graduates end up going into low-skilled jobs or worse, they end up doing menial jobs. It should also provide incentives to qualified high school graduates to take courses that focus on analytical and technical skills such as science, technology, engineering or math (STEM), rather than taking courses that are easy or popular but with limited employment opportunities.

Second is to focus on improving governance and adopting fiscal policies that provide equal economic and social opportunities to all. In its flagship report, *Economic and Social Survey of Asia and the Pacific 2017*, the Economic and Social Commission for Asia and the Pacific (ESCAP) called for stronger political will and for governments to strengthen its tax administrations and expand tax bases. [6] Indeed, for many developing nations, the inherent weaknesses of its fiscal laws, the lack of enabling policies, legal and regulatory frameworks and large informal sectors deter sustainability and financing. The external assistance benefiting some countries is insufficient to meet sustainable development investment requirements, a problem often compounded by low inbound foreign direct investment. In this regard, it would be beneficial if government create a raft of strategic interventions that can improve the prospects for achieving long-term economic prosperity, emphasizing that good governance should underpin such policies and reform. One would be to come up with laws that would reduce protectionism in favored industries, allowing companies to compete with more efficient foreign enterprises.

A sustainable growth paradigm in which domestic demand and private consumption play a bigger role may yield better results than simply using taxes as a lever to impact growth. As a businessman, I am inclined to support the view that imposing higher corporate income taxes could be harmful to growth in the long run. My opinion seems to be shared by several economic experts in a recent publication which concluded that corporate income taxes *"discourage investment in capital and productivity improvements, in addition to reducing foreign direct investment. Owing to their progressive nature, personal income taxes can discourage growth more per unit of tax revenue than consumption taxes which are generally flat."* [7] Raising consumption taxes — such as retail sales taxes, excise taxes, value-added taxes, etc. — rather than personal or corporate income tax can, instead, have better effects on long-term growth, although this has yet to be determined with more conclusive empirical data.

The recent Philippine experience, with a revamped tax reform plan to generate infrastructure funds, for instance, has boosted government revenues by 19% in the first five months of 2018; however, the steep rise in basic commodities with the implementation of the new law — which saw an inflation surge of 5.2% in one month alone — affected the purchasing power of the general public.

Given the increasingly complex business environment, as well as the global economy's constant evolution, it will be nearly inconceivable for any one nation — whether they belong to the "First World" or a "Fifth World" — to propitiously design a clear and lasting economic program that will be inclusive to all. Successfully plotting a way through today's volatile business environment demands more resilience and ingenuity than ever before. New challenges arise as soon as old ones have subsided, and the ever-changing nature of competition means businesses must maintain a consistent, innovative edge.

Only with a concerted resolve and systematic effort among the brave and progressive-thinking leaders from every corner in the Asia-Pacific region, working in close cooperation in the years ahead, can we hope to achieve a quintessential model of sustained prosperity, anchored on economic interdependence, for the common good of all peoples.

Notes:

[1] **https://www.publicfinanceinternational.org/news/2017/04/asia-pacific-now-accounts-60-world-economic-growth-adb-says.**
Yasuyuki Sawada, ADB's chief economist said higher external demand, rebounding commodity prices and domestic reforms mean the region will be the engine of the global economy in the coming years. This is despite the fact that Asia-Pacific growth is expected to slow slightly this year and next, falling from 5.8% in 2016 to 5.7% in 2017 and 2018.

[2] **http://www.psa.gov.ph/content/philippine-economy-grows-68-percent-first-quarter-2018.**
Philippine Statistics Authority Undersecretary Lisa Grace Bersales reported that the growth was faster than the growth recorded in the same quarter of 2017. Manufacturing, Other Services, and Trade were the main drivers of growth for the quarter. Among the major economic sectors, Industry recorded the fastest growth at 7.9 percent. This was followed by Services with a growth of 7.0 percent. Agriculture also grew at a slower pace of 1.5 percent.

[3] **http://psa.gov.ph/nap-press-release/sector/Construction.**
Investments in Construction grew by 12.9 percent in the second quarter of 2018, which was faster than the 4.7 percent growth recorded in the previous year. Private Construction, which accounted for 59.5 percent of total construction investments, grew by 7.9 percent. Meanwhile, Public Construction grew by 21.0 percent.

[4] **http://thestandard.com.ph/spotlight/dutertenomics-sustaining-the-economic-gains/217201/ph-ends-boom-and-bust-cycle.html.**
Economic expansion has been uninterrupted in the past 17 years, since 1999, with the average growth rate in the last six years at the highest since the 1970s, prompting some economic pundits to conclude that "the Philippines had broken the wicked cycle, sustaining an economic book with consistent growth."

[5] **http://sdg.iisd.org/commentary/guest-articles/is-asia-pacific-on-track-to-meet-the-sustainable-development-goals/**
United Nations Deputy Executive Secretary, Kaveh Zahedi, concurs with ESCAP's Asia and the Pacific SDG Progress Report that "inequalities are widening in terms of income and wealth, opportunity and access to services. Income inequalities grew in almost 40 per cent of all countries. Large disparities exist in access to education, bank accounts, clean fuels and basic sanitation. Poor and disadvantaged groups are disproportionally impacted by environmental degradation, including diseases from air pollution and natural disasters. Inequalities in income and lack of employment opportunities, along with poverty, landlessness, and vulnerability to natural disasters and climate change, all heighten the risk of extremism and conflicts that could unravel development gains in Asia Pacific."

[6] **https://www.unescap.org/sites/default/files/publications/Asia-Pacific-SDG-Progress-Report-2017.pdf.**
The 75-page report assesses progress in the implementation of the Sustainable Development Goals (SDGs) and targets in Asia and the Pacific. The report also examines regional and sub-regional disparities among countries and among income groups in progress towards the SDGs and their targets.

[7] **Abdon, Arnelyn; Estrada, Gemma; Lee, Minsoo; Park, Donghyn. "Fiscal Policy and Growth in Developing Asia." Inequality, Inclusive Growth, and Fiscal Policy in Asia. (ed.) Park, Donghyun; et. al. ADB Publications and Routledge, 2015.**
Published jointly by the Asian Development Bank and Routledge Publishing, this book was written in response to the issue of economic inequality and came at a time when Asian governments are also beginning to use fiscal policy to bridge the glaring disparities between the rich and the poor of the region. It sets forth a number of concrete options for rendering fiscal policy a more effective tool for more inclusive growth that benefits all Asians.

International Institute of Management
Corporate Partner Scheme
國際專業管理學會企業夥伴計劃

The International Institute of Management ("IIM" or "the Institute"), since the scheme's inception in 2013, has and will continue be inviting on a limited and highly selected basis leading organizations in different sectors to join hands with the Institute as its "**Corporate Partners** (**CPs**)" in pursuit of its objectives of promoting the practice of professional management and enhancing the competence of leaders at all levels within organizations of all sorts. Through collaborating with the Institute, their achievements and successes of different kinds can be shared with and admired by the business community, setting examples of best practice and serving as role models for managers, administrators and entrepreneurs in Hong Kong, the Mainland, Asia and internationally.

國際專業管理學會（簡稱"IIM"或"學會"），自該計劃始創於2013年起，繼續在有高度數量規限和經嚴謹的甄選下，邀請不同行業的領導機構攜手作為其「**企業夥伴**」（"**CPs**"），共同促進專業管理的實踐，和提高各類組織內不同管理層級領導的能力。通過與學會的合作，**企業夥伴**機構多年來的成功果實和對客户及市場多方面的貢獻，可以更廣泛地為業界、工商界和社會所認同和推崇，樹立最佳實踐範例，作為在香港、內地、亞洲及國際的管理、行政人員和企業家的榜樣和典範。

Qualification & Duties

This honorable partnership category is strictly by invitation only. It is open to selected corporations and institutions with

1) proven records of success in various fields of operation; or
2) established & time-honored historical record of accomplishment in their specific fields; and
3) noticeable achievements as outstanding market leaders; as well as
4) an interest plus aspiration in & inclination towards being societal leaders to help promote the development of management values, philosophy, theory & competencies, particularly among students & young managers.

To jointly realize the above goals, "**Corporate Partners** (**CPs**)" are required to pay an annual subscription, initially set at HK$20,000, PLUS optional contribution or sponsorship in kind or cash in support of the cause and functions of the Institute throughout the year.

資格與義務

企業夥伴這個榮譽和資格只能透過IIM經謹慎審定下邀請而獲致。學會會嚴格挑選在社會上具備下列條件的企業和機構加入成為其長遠的合作夥伴：

1) 在不同營運領域上保持成功的紀錄證明；或
2) 在其特定的業務領域內有悠久的歷史和經証實的成就；及
3) 屬市場內成就顯著的領導者；兼且
4) 有濃厚積極興趣和使命感，作為社會領袖，共同悉力促進發展管理價值、理念和理論，與及提升尤其是學生和年輕經理級別的管理能力。

為達致上述目標，**企業夥伴**(**CPs**)需要每位支付贊助年費，初步設定為港幣20,000元，另加選擇性以實物或現金捐助形式支持學會衡常或個別籌劃的活動。

Rights & Privileges

Accredited IIM "**Corporate Partners** (**CPs**)", whose validity is constantly under the stern scrutiny of the Council, enjoy rights & privileges appended below:

a) Priority access to IIM for information, advice, counseling, coaching, training, consulting and related services, including helping to link up with local universities for arranging career/recruitment talks in campus, selecting summer interns, lining up part-time projects (e.g. marketing research assignments), screening trainees and young recruits, etc.;
b) One free VIP admission ticket to attend IIM's Annual Dinner, PLUS table booking at special concession rate;
c) One page of free insert in IIM's Annual Dinner souvenir program brochure, in the form of advertisement, corporate introduction or greeting message;
d) Up to four pages of corporate write-up/article introducing the organization (IIM to provide the interviewer and professional copy writer; CP's to provide organizational information, photographs, and needed assistance/facilitation) on the Institute's annual journal (additional pages at concession rate);
e) Free to contribute articles to IIM's publications: newsletters, journals and monographs/occasional papers of specific management topics;
f) Exclusive use of the title "**IIM Corporate Partner** (**CP**)" in all organizational communication and publicity materials;
g) Internal and external recognition with wide media exposure;
h) Excellent networking opportunities with other outstanding business leaders;
i) Invitation to IIM-organized activities and programs (luncheon talks, seminars, industrial visits, exchange functions with major trade commissions, embassies & government officials, etc.) free or at concession rates;
j) Improved ability to attract and retain top talent for your organization; and
k) Other privileges being considered that will be announced from time to time.

企業夥伴的權利

IIM評議會將對各**企業夥伴**（**CPs**）持續嚴謹審視，確保實至名歸。**企業夥伴**在保有這榮譽和資格期間，可享有下列權利：

a) 優先獲得IIM的信息、意見提供、輔導、教練、培訓、諮詢及相關服務，包括幫助聯繫本地的大學，在校園安排職業/招聘講座、挑選暑期實習生、組織大學生兼職承擔企業項目（例如市場營銷研究）、篩選見習生和招募年輕職員等等；
b) IIM的年度晚餐會貴賓席券一位，另可再以優惠價預訂晚餐會全席；
c) 在IIM週年晚宴紀念冊內免費刊登一頁廣告、機構簡介或賀辭；
d) 在IIM學術年刊內免費刊登最多四頁企業介紹文章（IIM負責提供訪問員及專業撰稿，額外篇幅另以優惠價格收費）；
e) 投稿到IIM的出版刊物：通訊、期刊和專集/非定期出版的管理課題論文集；
f) 專享在所有機構傳訊材料中使用「**國際專業管理學會企業夥伴**」榮銜；
g) 通過媒體廣泛報導，獲得機構內部及外間社會的認同稱許；
h) 提供一個極佳的拓展連繫機會，與其他卓越優秀企業的領導人交流共叙；
i) 獲邀免費或以優惠折扣出席IIM組織的活動（午餐講座、研討會、機構參觀拜訪、與主要外國駐港貿易投資推廣處、領使和政府高層官員交流等）和課程；
j) 提升機構吸引和留住頂尖人才的能力；與及
k) 其他正在研究中之夥伴權利及優惠，一旦確定即會宣佈。

The Corporate Partners of the Institute of Management
管理學會的企業夥伴

CK Infrastructure Holdings Limited
長江基建集團有限公司

Mitsui & Co. (Hong Kong) Ltd.
三井物產(香港)有限公司

Nanyang Commercial Bank Ltd.
南洋商業銀行

China Merchants Holdings (H.K.) Ltd.
招商局集團(香港)有限公司

Shui On Group
瑞安集團

Kowloon Development Co. Ltd.
九龍建業有限公司

Emperor Group
英皇集團

Goldlion Holdings Ltd.
金利來集團有限公司

3D - GOLD Jewellery
金至尊珠寶

Mission Hills Group
觀瀾湖集團

Pura Pharm Group of Companies
培力藥業集團

AusCode Worldwide Limited.
澳斯高環球有限公司

Bonds Group of Companies
寶聲(集團)有限公司

CT Environmental Group Ltd.
中滔環保集團有限公司

Chinese Strategic Holdings Ltd. (8089)
華人策略控股有限公司

Culture Development Foundation For Aesthetic Education of Youth Across The Strait
兩岸四地青少年美育文化發展基金會

Mr. Eddie Wang
王定一

Evershine Group Holdings Limited
永耀集團控股有限公司

Fong On Construction Limited
晃安建設有限公司

FT Corporate Strategy Ltd.
富通企業策略有限公司

Galaxy Entertainment Group
銀河娛樂集團

Guangdong University of Finance & Economics
廣東財經大學華商學院

Hong Kong International Blockchain & Financial Association
香港國際區塊鏈金融總會

Hong Kong Youth Exchange Promotion United Association
香港青年交流促進聯會

Junefield Department Store Group Limited
莊勝百貨集團有限公司

Kone Elevator (HK) Ltd.
通力電梯 (香港) 有限公司

Koon Wing Motors Ltd.
冠榮車行有限公司

LEDGE Lighting Limited
亮勵照明系統有限公司

Life Encouraging Fund
生命勵進基金會

Maxyee Group Ltd.
萬裕集團

Millennium and Copthorne Hotels c/f Hong Leong International (HK) Ltd.

MineCos Limited
美科思有限公司

Royale Furniture Holdings Limited
皇朝傢俬控股有限公司

Saigon Commercial Bank
西貢商業銀行

Tai Kong Group (Holdings) Co. Ltd.
大光集團(控股)有限公司(林鎮洪博士)

Daikin Air-conditioning (Hong Kong) Ltd.
大金冷氣(香港)有限公司

The H.K. Building & Loan Agency Ltd. (0145)
香港建屋貸款有限公司

Utahloy Group Ltd.
裕達隆集團

Van Shung Chong Holdings Ltd.
萬順昌集團有限公司

360°
business innovation.












MITSUI & CO.

MITSUI & CO. (HONG KONG) LTD. 三井物產(香港)有限公司

Address: 25/F & 26/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2823 8777/ 2823 8888

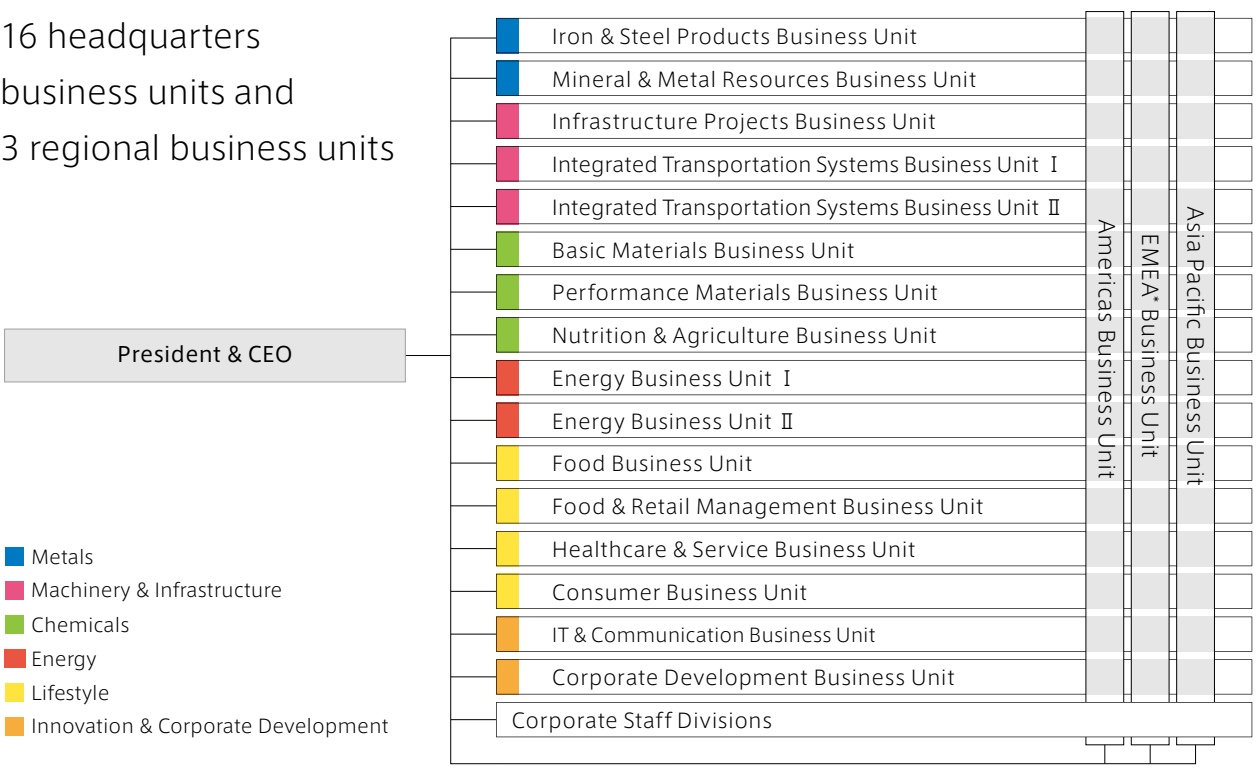
Mother Company: MITSUI & CO., LTD. 三井物產株式会社

Company Name	MITSUI & CO., LTD.
Date of Establishment	July 25, 1947
Common Stock	¥341,481,648,946
Number of Employees	5,859 (42,304 on consolidated basis)
Number of Offices and Overseas Trading Affiliates	138 offices in 66 countries/regions　Japan: 12 offices Overseas: 126 offices in 65 countries/regions
Head Office	1-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8631, Japan (registered head office location) Nippon Life Marunouchi Garden Tower 3-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8631, Japan JA Building TEL: 81(3)3285-1111　FAX: 81(3)3285-9819　URL: https://www.mitsui.com
Number of Affiliated Companies for Consolidation	Subsidiaries:　Japan 64　Overseas 201 Equity Accounted Investees*:　Japan 42　Overseas 165 Total: 472
Stock Information	Stock Exchange Listings: Tokyo, Nagoya, Sapporo, Fukuoka Number of Shares Authorized: 2,500,000,000 shares Number of Shares Issued: 1,796,514,127 shares Number of Shareholders: 319,600 shareholders

(As of March 31, 2018)

*associated companies and joint ventures

16 headquarters
business units and
3 regional business units



*EMEA: Europe, the Middle East and Africa
Note: China, Taiwan, South Korea, and the CIS region report directly to the Head Office

(As of April 1, 2018)

Value Creation

Solutions and services for partners and customers in every country and region.

Marketing

While maintaining sensitivity to the changing times, we are making use of our powerful information gathering and analysis expertise to create new markets, drawing on sales capabilities developed in extensive experience aligned with various business practices and legal systems worldwide.

Business development

We are continuing to cultivate new business models and projects through the pursuit of new opportunities, effective project management, and utilization of our comprehensive capabilities and global network.

Project management

We are working to cultivate and develop projects by utilizing management resources such as personnel, funds, information and networks. The sharing of management resources and capabilities across every company in our group is continuing to lead to the creation of highly competitive businesses.

Logistics

We are continuing to offer SCM, DCM and other logistics solutions to meet a wide range of needs for both transportation and cost efficiency.

Finance

We offer and advise on various financial functions necessary for the expansion, cultivation, and promotion of business, from fund procurement and financial structuring to trade finance.

Risk management

By utilizing know-how accumulated over many years, we propose risk reduction and control methods such as hedging measures and various insurance systems.

Digital transformation

We are working to create a new era of business by utilizing AI and IoT to optimize processes and revolutionize company models.

Corporate Partners

Business Areas

Providing new value across a wide range of industries, leveraging our business engineering capabilities and diverse experience.

Metals	Through business development, investment and trading of steel products, mineral and metal resources, we work to develop integrated value chains which deliver a stable supply of resources, materials and products essential to industrial society. We also take part in resource recycling, developing industrial solutions that address environmental issues.
Machinery & Infrastructure	We contribute to the development of countries and the creation of better lives through the long-term, reliable supply of indispensable social infrastructure such as power, gas, water, railways and logistics infrastructure. We provide sales, financing, lease, transportation and logistics, and investment in various areas, including large-scale plants, marine resource development facilities, ships, aerospace, railways, motor vehicles, and mining/construction/industrial machinery.
Chemicals	Our chemicals business encompasses trade and investment in a range of industries, from upstream and midstream chemicals such as basic chemicals and fertilizer and inorganic resources, to downstream chemicals which meet diverse market needs, including functional materials, electronics materials, fertilizers, agrochemicals, feed additives, flavorings, and specialty chemicals. We are also pursuing new initiatives in food science, tank terminals and carbon fiber.
Energy	Through upstream development, logistics and trading of energy resources such as oil, natural gas/LNG, coal and uranium, we contribute to the stable supply of energy vital to both industry and society. In addition, as part of efforts to achieve a low-carbon society, we are actively involved in environmental and renewable energy businesses.
Lifestyle	Adapting to changes in consumption and lifestyles while meeting consumers' diverse needs, we provide value-added products and services, develop businesses and make investments in business fields such as food resources, food products, merchandising, retail, healthcare, outsourcing, fashion and textiles, life essentials, and real estate-related business.
Innovation & Corporate Development	Through our IT, finance and logistics business, we work on a diverse range of projects aimed at developing innovative business and expanding our business field. We aim to strengthen our company-wide earnings base by pursuing new business, capturing changes in technology such as IoT and AI, promoting digital transformation, and providing advanced capabilities across multiple fields.

MineCos Limited

1. About MineCos

MineCos HK aims to develop a powerful recommendation system that integrates techniques of text mining and data analysis. The system is based on the inputs of product ingredients, user behaviors and feedback, iteratively refined in a dynamic manner, generates scientific solution for users.

By using our original and cutting-edge machine learning algorithms, MineCos can provide end users multiple free services, including skin type testing, cosmetics products details information searching, rapid products ingredients comparison, and personalized beauty products recommendation.

Superior to rare competitors in cosmetic recommendation e-business field, MineCos APP exhibits following features:

- **All you need on fingertip**

Supported by big data dynamic updating technology, users can obtain most updated and reliable product information at a click or simply bar-code scanning, including product profile, efficacy and risk analysis.

- **A.I. on cosmetics**

By applying original A.I. techniques, especially the NLP algorithms, MineCos can automatically analyze thousands of products in seconds on their similarity, efficacy and risk.

- **Scientific and personalized recommendation**

By applying cutting-edge machine learning techniques, MineCos recommends most appropriate cosmetics for users by scientific analysis of ingredients, experts' advice, users' own skin type and the behavior information.

The end-users would be consumers who are concerning beauty, skins' quality, skin-care hobbies and products, but they don't have clear and deep scientific knowledge. They are probably the consumers with skin irritation or allergy due to specific cosmetic substances as allergens, or the consumers who would like to understand product formulation and each ingredient clearly before buying skin-care product. Women in the 25 – 50 age range are regarded as the main group of end-users. Also, it is estimated that the income level of our end-users is around middle to middle upper. Being well-educated is another characteristic of our potential end-users.

Target clients are cosmetic enterprises, including cosmetic raw materials suppliers, cosmetic product brand owners and manufacturers, and retailers. The data of the end-users, such as their skin profiles and feedback on products, are used to make reports which are eventually sold to the target clients.

There are a lot of mobile APPs about beauty, such as skin-care and beauty tips, SPA or hair salon locations, and about how to design your own makeup, or cosmetic ingredient directory, such as Skin Deep or Think Dirty.

However, there is no comprehensive one-stop APP, to analyze user's skin types and the cosmetic products with ingredients' safety data all together. Meanwhile, there is no such a user-friendly applicant as MineCos could provide.

2. Achievements

HK PolyU
Technology Incubation Fund
(2016-17)

HKSTP
Incu-App program
(2016-18)

HK PolyU & Shanghai EFG
CEF Fund
(2017-18)

Microsoft
BizSpark Program
(2017-18)

3. Team

Prof. Eric Seeto

Co-founder /Tech Advisor

Assistant Professor (HK Lingnan University)
Data Scientist, Ph.D, MBA

Albert Leung

Co-founder/Cosmetic Scientist

Secretary General *(HKSCC)*
Vice-president *(CPAHK)*
Committee Member *(RSC,UK)*

George Deng

Co-founder/CEO
M.Phil in Data Mining
Experienced in Angel Investment and Artificial Intelligence

Corporate Partners

Cultural Development Foundation For The Aesthetic Education Of Youth Across The Strait

兩岸四地青少年美育文化發展基金會

兩岸四地青少年美育文化發展基金會簡稱爲“兩岸四地美育青基會”，英文譯名爲“Cultural Development Foundation For The Aesthetic Education Of Youth Across The Strait”。兩岸四地美育青基會屬于全國性慈善機構和社會公益組織。爲兩岸四地青少年健康成長和交流提供支持與服務平臺。

宗旨：

秉持“兩岸四地龍傳人，自古以來一家親”的理念，促進兩岸四地青少年美育文化的交流與發展，爲青少年群體提供美感教育的公益服務平臺。培養青少年認識美，愛好美、創造美的能力。增進兩岸四地青少年相互的了解和認識，奏響激蕩兩岸四地的青春贊歌。

使命：

基金會作爲一個以慈善事業爲主的公益機構，我們首要的工作以關注留守兒童教育作爲工作重點，在全國各地山區鄉村設立留守兒童之家，爲留守兒童提供全面的美育教學支持。提高留守兒童感受美，創造美的能力。改善留守兒童的成長教育環境。

業務：

基金會的業務範圍包括不限于策劃系列高端品牌音樂會、演唱會、大型賽事、文化沙龍、慈善拍賣等公益募捐活動。現擬策劃項目：留守兒童之家項目、粵港澳原創音樂會、教育綜合體、未來教育合作計劃等。

架構：

基金會主席團是基金會的決策機構，由香港知名人士、國際專業管理學會會長藍鴻震博士任基金會榮譽主席。基金會在組織管理上設立理事會、管理中心、專家委員會。基金會資金主要依法接受自然人、法人或其他組織的捐贈。基金會設專家委員會，承擔基金的咨詢、評審、監督等相關職責，具體負責基金管理和組織實施。

支持單位：

塔斯肯頓

TASIKENTON

TASIKENTON INTERNATIONAL ART EDUCATION

塔斯肯頓國際藝術教育

"Hong Kong's Role in the Belt and Road Strategic Development Plan of the Motherland" Seminar
香港在國家一帶一路發展策略中的角色研討會

The open seminar "Hong Kong's Role in the One Belt One Road Strategic Development Plan of the Motherland" on 5th May, 2018, first started with the lunch discussion on 25th October 2017, with potential co-organisers of the event under the leadership and guidance of Prof Li Lu of the Technology and Education Bureau of the HK Liaison Office of the CPG, with support from HKSAR Government and many others.

The Seminar is co-organised by The International Institute of Management (IIM), The Chinese Manufacturer's Association of Hong Kong and The Chinese Turkish Economic and Cultural Exchange Association. The seminar has received positive feedback and over 100 professionals and experts attended the seminar.

星星之火，可以燎原。今次在5月5日金鐘香港大學專業進修學院成功舉行「香港在國家一帶一路發展策略中的角色研討會」，其實是起源於一個去年10月25日的午餐飯局。在中聯辦教科部李魯教授和他的同事領導下，有心有力地籌辦一個以一帶一路為主題的研討會，燃燒起來了。

研討會在國際專業管理學會會長藍鴻震教授博士上午十時宣佈正式啟航，並宣佈在6月期間的土耳其考察團也將會啟航。

2018年5月5日，國際專業管理學會、香港中華廠商會及中土經濟及文化交流協會共同主辦「香港在國家一帶一路發展策略中的角色研討會」，反應非常熱烈，報名出席者超過百人。

Supporting parties of the seminar included the Science and Technology Department, Liaison Office of the Central People's Government in Hong Kong, Commerce and Economic Development Bureau, HKTDC, The Hong Kong University of Science and Technology, The Open University of Hong Kong, HKUSPACE, The Chinese Manufacturer's Association of Hong Kong, New Century Forum, Dashun Foundation, Turkish Airlines, Evershine Group Holdings Limited and Aurum Pacific (China) Group Limited.

中聯辦教科部、香港貿易發展局、新世紀論壇、香港科技大學、香港公開大學、香港大學專業進修學院、香港中華廠商會、大舜基金、土耳其航空、永耀集團控股有限公司、奧栢(中國)集團有限公司擔任支持機構

The seminar featured individual talks and discussion panel from professionals, experts and government bodies. The seminar had explored the vast opportunities created by the National Strategy of "Belt and Road Initiative" and also to further pursue the excellent views from various professional groups, scholars and business groups in exploring the best positions Hong Kong could gainfully take up in the Initiative.

The Seminar has also introduced the role of Turkey in the Belt and Road Initiative and the opportunities in the country, as well as promoting the exchange, cooperation and development of culture and trade between Turkey and China, in order to strengthen ties with Turkish, Chinese and Hong Kong organisations to exchange cultural and commercial information and experiences.

The Seminar announced a Turkey Economic and Cultural Delegation which will visit Istanbul, Bodrum and Elazig in Turkey to meet with Turkish Government representatives, local universities and local enterprises. The Delegation had successfully organised in June. Further details of the trip will be published at the next IIM Journal.

本次研討會重點聚焦香港在「一帶一路」中的特殊地位及優勢，以及如何把握國家發展戰略「一帶一路」帶來的發展機遇。

座談會亦通過介紹土耳其這個位於亞歐中心點的「一帶一路」沿綫具有代表性國家的經濟及文化環境，以及香港企業的優勢和特色，進行深層次交流，互相借鑒學習、從而更好發揮香港「超級聯繫人」的作用，為香港經濟注入新的活力。

研討會亦公佈了由國際專業管理學會及中土經濟及文化交流協會於今年6月一個土耳其文化及投資考察團。該考察團將前往土耳其的伊斯坦堡、博德魯姆及安卡拉與土耳其政府代表、當地大學及當地企業會面。考察團於六月已順利舉行，有關考察團更多資訊，請密切留意國際專業學會月刊。

Officiating Ceremony by Guests
一眾嘉賓主禮開幕儀式

Prof. Wei Shyy, Acting President of The Hong Kong University of Science and Technology
香港大學校長史維教授

Dr. Junius KY Ho, Counsellor of The Hong Kong Legislative Council
香港立法會議員何君堯博士

Mr. Korhan Kemik, Consul General of Turkey (Hong Kong)
土耳其駐香港領事Mr. Korhan Kemik

(Right)Dr. Dennis Ng, President of The Chinese Manufacturers' Association of Hong Kong (CMA), (Left) Mr. Eddie Ng, Former Secretary of Hong Kong Education Bureau
中華廠商會會長吳宏斌博士(右)及香港前教育局局長吳克儉先生

The Turkey Economic and Cultural Exchange Delegation of IIM

As China's Belt and Road Initiative gains momentum, Turkey plays an important role in the initiatives with its advantageous geographical location, which have historically been a crossroads between Europe and Asia and acts as a gateway between Europe and the Middle East, North Africa and Central Asia. It is the political and economic centre of attraction.

Guided by the aim of promoting the exchange, cooperation and development of culture between Turkey and China, International Institute of Management (IIM), together with the Chinese Turkish Economic and Cultural Exchange Association (CTECEA), has organised a one-week delegation trip to Turkey. The delegation had exchanged cultural, commercial information and experiences, and also established exchange visits and evaluate investment projects in Turkey. The Delegation commenced on 1st June, 2018 and concluded its one-week visit on 8th June, 2018.

Led by Dr. David Lan Hong Tsung, the President of the International Institute of Management and Mr. Eddie Ng Hak Kim, GBS,JP, former Secretary of Education Bureau, the delegates is formed by 25 professionals, scholars and eminent personalities, including Mr. Anson Chan, Chairman of Bonds Group of Companies, Ms. Liao Sheung Mui Vivian, Director of Dealing and Business Department and Equities Division of China Merchants Securities International Limited, Mr. Xu Tiefeng, Director of Winteam Pharmaceutical Group Limited, Ms. Ying Chunzi, Head of Basel Management Working Group, Nanyang Commercial Bank, Mr. Siu Shing Choi, former Chairman of PanaShop and Permanent Adviser of Pok Oi Hospital, Mr. Chan Wai Kit Christopher, Director of Aurum Pacific (China) Group Limited, Mr. Hung Tat Chi, Alan, Director of Evershine Group Holdings Limited, together with representatives from Franklin Templeton Investments, Southwest Securities International Securities Limited, International Institute of Management, Social Enterprise Research Academy and Information Services Department, HKSARG.

Group Photos of the Delegates

The delegates visited the Ministry of Economy in Turkey

The delegates who visited Istanbul, Elazig and Bodrum in Turkey and met with local government officials including Mehmet Ağar, former Police Chief of Turkey, Zülfü Tolga Ağar, Elazığ's AK Party deputy candidate, Nihat Zeybekci, Minister of Economy of Turkey, and Ahmet Sami Yavuz, Project Director of Turkey Investment Support and Promotion Agency (ISPAT) exchanged views on improving the links between Turkey and China under the "Belt and Road Initiatives".

The trip also included visits to leading large local corporations in Turkey including the Agaoglu Group, Akfen Holding, Doğuş Group, A.S. Watsons Group and Seba Insaat. The delegates visited the local investment project sites and explored the huge potential investment opportunities in Turkey.

Delegates also visited the Istanbul Technical University (ITU), which is the world's third-oldest technical university dedicated to engineering sciences as well as social sciences and is one of the most prominent educational institutions in Turkey. They had meeting with the President of ITU, Professor Mehmet Karaca and exchanged views on education, as well as explored the collaboration possibilities between ITU and universities in Hong Kong.

The leader of the Delegation, Dr. David Lan said, “The trip was an incredible success. The meeting with local government officials led to an in-depth understanding toward the local environment in Turkey and the team reached a consensus on enhancing cooperation between the two places on various fronts, including cooperation and exchange of economic and cultural experience. The trips also broadened the horizon of the delegates with the meetings with local leading corporations and universities. The team has explored a huge potential and numerous investment opportunities in Turkey. The country has compelling investment advantages that include well-established transport facilities and infrastructure, domestic market expansion, a high-quality workforce, and the country’s strategic location in creating an efficient entry base to major markets for investors.”

“IIM and CTECEA will continue organise delegations to Turkey, in order to enhance the exchanges between the two places, thereby keeping ourselves abreast of the latest developments in the country. The deepening of mutual understanding has laid a solid foundation for further exchanges and cooperation in the future.” Dr. David Lan said.

Dr. David Lan also acknowledged Aurum Pacific (China) Group Limited (Stock code:8148) and Evershine Group Holdings Limited (Stock code:8022), which sponsored the delegation. He also expressed his gratitude for the assistance from Consulate General of Turkey (Hong Kong), International Institute of Management (IIM) and Turkish Airlines.

The Delegates visited the investment project site of Agaoglu Group

President of ITU, Professor Mehmet Karaca (left) and President of IIM, Dr. David Lan exchanging views on education

Former Secretary of HKSAR Education Bureau, Mr. Eddie Ng GBS, JP (right) presented the souvenirs to Ahmet Sami Yavuz (left), Project Director of Turkey Investment Support and Promotion Agency (ISPAT)

The Turkey Economic and Cultural Exchange Delegation of IIM

Delegates presented souvenir to A.S. Watsons General Manager (third left)

Delegates had dinner with Ali Agaoglu (third left), Chairman of Agaoglu Group and Mehmet Ağar (second right), former Police Chief of Turkey

IIM College to be Launched in 2019

The International Institute of Management is delighted to announce

the upcoming launch in 2019 of the International Institute of Management College

in collaboration with the Times College in Sham Shui Po Campus, Kowloon.

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