Hong Kong's core of creative industries is expanding and reshaping society in exciting ways, writes **Kai-Yin Lo**

Designs on the future

Think back to the Hong Kong of the 1970s – a city of light industry, crammed factories in run-down high-rises, of vast refugee communities and a busy seaport. Then think what Hong Kong became over the next 30-odd years – a glistening capital of financial, logistics and professional talent, servicing the manufacturing boom across the border in the Pearl River Delta. Now think ahead to the Hong Kong of 30 years from now. It could be China's creative capital if the government and people of Hong Kong make this a goal. In this scenario, our traditions of freedom, tolerance, resourcefulness and interchange with the West set the stage for cultural leadership and creative diversity

An unlikely vision? It is already happening, fostered by the Hong Kong government's initiative to drive the creative industries with the establishment last year of CreateHK, with its HK$300 million fund for "create smart" initiatives. This expands funding and other support for design institutions, talent and public enthusiasm for the creative arts.

Hong Kong could be China's creative capital if the city's government and people make this a goal

The Hong Kong Design Centre, a beneficiary, has raised the profile of Hong Kong designers and the value of design through its educational seminars, exchange programmes and international forums – including the highly regarded annual Business for Design Week. Artists have been clustering in vacant industrial sites in Fo Tan since 2000, and now organise an annual art show. Osage Gallery has turned a factory site into a mini-creative hub. The Asian Art Archive boasts the world's largest repository of Asian art information. The outreach of Para/Site Art Space far exceeds its modest quarters.

When the ground is finally broken for the long-delayed West Kowloon Cultural District, with its HK$21.6 billion budget, we will have a visible symbol of Hong Kong's creativity on a scale so large – and at a location so central to the city's waterfront – that it will remake Hong Kong's image virtually on its own. Each of these developments is like "crossing the river by feeling the stones", to quote Deng Xiaoping (鄧小平).

We will pass another milestone this weekend at the World Expo in Shanghai – showing off for the first time Hong Kong's creative design talents to the rest of China and the world. "Hong Kong: Creative Ecologies – Business, Living, Creativity" will be launched by Financial Secretary John Tsang Chun-wah on Saturday. Funded by CreateHK and organised by the Hong Kong Design Centre, it is a six-month programme featuring a major design exhibition, cultural exchange and educational seminars. It will include displays of 44 Hong Kong-based designers, expatriates and talent from overseas in an exhibition that showcases both our design power and our "creative ecologies" – systems that are forging a new Hong Kong identity.

The emphasis on ecologies calls attention to Hong Kong's basic assets. The term refers to systems that work together, affecting each other and amplifying or deflating certain trends. Many of the ecologies that have made Hong Kong a business capital are ones we take for granted in our highly efficient, dynamic and liveable (except for the air quality) city.

Access to the delta is a key advantage. Another is the fact that we are within five hours' flying time of every major city in Asia. We are blasé about our rule by laws, including those that protect freedom of expression, but these are what make our business and financial markets so effective.

These same assets come into play as part of Hong Kong's creative DNA. Our business-friendly mindset means we are never going to be naive about the commercial opportunities inherent in the arts. In Shanghai, we will showcase designers and design enterprises to give them exposure and stimulate business. Our geographic advantages are helpful in recruiting international talent and resources to Hong Kong, based in part on its continuing role as a marketing and sales platform for China and the Asian region. The institutional protections through the legal system and a free media are essential to protect intellectual property and encourage not only free expression but also the freedom to criticise – necessary to build quality and credibility. The government is helping along this latest phase of Hong Kong's identity, much as London revitalised its creative sector and Bilbao, Spain, changed its face and direction 10 years ago with resounding results. West Kowloon should be conceived as more than a place. Its programmes and outreach should energise existing art, design and education, and cultural bodies.

The redesign of the BrandHK logo, announced in March, emphasises the importance of creativity and innovation to the city's future. Tsang, in announcing the updated brand and logo, said: "We now define ourselves as a free and dynamic society where creativity and entrepreneurship converge."

We can disagree on the process and speed of that convergence, but we must agree that creativity in business, living, design and the arts is the key propellant towards building a creative city. It applies widely through our society, bringing cultural, social and economic changes, and is vital to our future.

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Learning curve

Money can't buy love or happiness. Another thing that money can't buy is – a top-notch university. Like happiness, money helps a lot with building up research infrastructures in science and technology, but it is not the only or even the most important ingredient. Unfortunately, many up-and-coming countries in Asia – China in particular – may not be spending money and allocating resources in the most efficient way.

These are not the exact words of Richard Levin, the president of Yale University. But I take it that's what he means, even though he wrote in more polite terms. His new article on the state of the Asian university, which appears in the current issue of *Foreign Affairs*, has caused controversy and soul-searching in this part of the world. It began by praising the achievements in higher education that are evident in South Korea, Taiwan, Hong Kong, Singapore and, more recently, in India and on the mainland. They all understand their phenomenal economic growth depends on a well-educated workforce; and that sustaining productivity and competitiveness requires innovation and technology, to which the university is key.

Beijing's investment in higher education is particularly impressive. In a little more than a decade, the mainland has more than doubled the number of institutions of higher education, from 1,022 to 2,263. The number of mainland students who enrol in a university each year has quintupled. But these Asian countries are not content with just the numbers; they want to be No 1 by developing universities that rival the finest in the world. This ambition, Levin argues, stems from the recognition that top universities have contributed to the economic success of Japan and Western countries. The rise of Asian nations also means they are more and more interested in projecting "soft power", and that includes having prestigious universities with world-class scientists and scholars.

Levin writes that developing top universities is a tall order and takes decades. It means assembling top scholars and providing world-class facilities, adequate funding, competitive salaries and benefits. China is doing all this, but it is not enough. He writes: "Two elements are missing from China's universities: multidisciplinary breadth and the cultivation of critical thinking." From here, he repeats the oft-voiced cliché that Asian – and Chinese – students need to be more than "passive recipients of information; they must learn to think for themselves". Perhaps rote learning gets too much of a bad press in the West; it at least helps students learn the key basics.

Real education is being neglected in Beijing's mad dash to build research powerhouses

The real problem, I think, is that many Asian leaders – especially those in Beijing – want their universities to ape top places like Yale without knowing what makes them tick. Mainland scholars are judged by the number of papers they publish rather than their quality or influence. Fierce competition has led to corruption, plagiarism and the faking of research data. Many top Chinese scientists, having developed stellar careers overseas, have been lured back to the mainland only to find their new institutions mired in turf warfare, professional jealousy and nepotism.

Such problems will be solved. The mainland will have its top universities to rival the best in the world. But Beijing is thinking too much of the university as an engine of economic growth and productivity and not enough of it as a place of learning and education. The top research universities are not necessarily the best place for an all-round education, even in North America. The priority of top professors in such places is usually research; many, if not most, treat undergraduates like pests. An undergraduate often spends more time being taught by teaching assistants – that is, graduate students – than by Nobel Prize-winning professors.

Yes, China deserves its top universities and research scientists, but let's not forget the need for a real education for young people. That, sadly, is what is being neglected in Beijing's mad dash – with its billions of dollars in funding – to build "world-class" research powerhouses.

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Voices: Yuan appreciation

Even the tea leaves some questions unanswered

Tom Orlik

When will Beijing loose its iron grip on the value of the yuan and allow its appreciation to resume? No one has a definitive answer to that question. But, until quite recently, the signs in the tea leaves suggested a resumption of appreciation was imminent and that a first move might even be on the agenda for this month or next.

Why so confident? Three factors seemed to suggest Beijing was gearing up for a policy shift. First, China's exports are moving back onto an even keel. The factories of the Pearl and Yangtze river deltas are shifting up to full capacity, and exports for March and April have returned to pre-crisis levels.

Second, inflation has returned to the mainland's economy. Increases in consumer prices might be contained but prices at the factory gate are way up, and one of the main reasons is higher costs for imported crude oil and iron ore. The appreciation of the yuan would help keep a lid on imported price rises.

Third, China's trade partners are ratcheting up the pressure. A meeting of the US-China strategic and economic dialogue at the end of this month and a G20 summit at the end of next month will increase the volume of calls for appreciation. Beijing faces its own domestic pressures and nationalist sentiment might make it difficult to kowtow to the United States. But with the European Union and other emerging market economies like Brazil and India also calling for appreciation, China's leaders might find themselves with few friends and many enemies round the G20 table.

The signs in the trade, inflation and political tea leaves seemed to point towards an imminent resumption of appreciation. But a vanishing trade surplus in March and April and the European sovereign debt crisis have thrown the tea leaves into a new configuration.

Central to the case for China's trade partners is the idea that the appreciation of the yuan will help bring China's trade account, and so also the world economy, back into balance. An undervalued yuan, the argument goes, gives China's exporters an unfair advantage and cripples the competitiveness of exporters in the EU and US. The result is bumper trade surpluses in China and corresponding deficits elsewhere in the world.

A vanishing trade surplus and the Greek crisis ... change the calculation on China's exchange rate

But a deficit in China's trade account in March and a tiny surplus in April have called this argument into question. If China's trade account is moving back into balance at the current exchange rate, what is the urgency in resuming the yuan's stalled appreciation?

The European sovereign debt crisis has also changed the calculation. For China's leaders, the Greek drama signals that the international outlook remains uncertain. If the path to recovery is rockier than was previously thought or, even worse, might lead off another cliff, that is bad news for China's exporters.

The EU seems to have moved decisively, if belatedly, to restore confidence and stability. But with the outlook uncertain, China's leaders are hardly likely to kick away the main support for the most important sector of the economy.

The Greek crisis also affects the way the European side views the exchange rate. A silver lining to the Greek cloud has been a fall in the value of the euro against the yuan – strengthening the competitiveness of European exporters. With plenty to worry about at home and the exchange rate moving in their favour in any case, Brussels is likely to dial down the volume of complaints on China's exchange rate regime.

All this changes the calculation on China's exchange rate regime. The signs in the tea leaves are no longer as clear as they were. If the Greek drama develops into a European tragedy, or China's trade account stays close to balance this month, it might even be time to brew a fresh pot.

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Voices: Financial crisis

Europe is only delaying the pain

David Ignatius

Europeans just did something that they talk about endlessly in the abstract but rarely achieve in practice: they took collective financial action in a crisis.

The Europeans unveiled a big, bold package of rescue measures that caught some Euro-sceptics off guard. The problem with the European package is that it postpones problems rather than resolving them. It will delay euro bond defaults another year or two, and it will add some new fiscal discipline that could eventually make the 16 euro zone nations operate more like one economy.

But there's nothing here to address the deeper structural imbalances between high-saving northern Europe and the spendthrift "Club Med" countries of southern Europe, which used the euro as a credit card. Basically, the north's abundance created a low-interest euro bond market that underpriced the risk of investments in the south.

The centrepiece of the rescue package agreed in the wee hours of Monday morning is the €440 billion (HK$4.34 trillion) "special purpose vehicle" to guarantee new loans to Portugal, Italy, Spain and other needy members of the euro zone if they're about to default on their existing debts. What's innovative (and potentially destabilising) about this rescue plan is that, in exchange for bailout loans, the European Commission will be able to demand austerity measures to, say, cut salaries and pensions in debtor countries.

The good side of the austerity measures is that they are a step in the direction of economic integration, which is the missing link in the euro zone. The conditionality of the rescue plan opens the possibility of a common European fiscal policy that, over time, would make the common currency sustainable.

But the austerity measures have two big drawbacks. The economic problem is that imposing harsh budget cuts and other belt-tightening on the "Club Med" countries may not make sense when the European recovery is so fragile.

The trickier problem is building political support for the austerity measures that are coming. Europeans believe in the welfare state as a matter of social entitlement. A different social contract may need to be written, more in line with economic and demographic realities. But that won't be easy.

The unfairness of the rescue process is galling. A speculative panic forced central bankers to come up with a scheme that, in effect, socialised the costs of the bad decisions made by private bankers and government officials. Such actions create long-running social discontent, of which the Greek riots may just be the beginning.

I don't envy the Chinese authorities. They're sitting atop what is arguably the last big bubble. China's inflation accelerated last month, its bank lending exceeded forecasts and its property prices jumped by a record amount. As the Chinese watch rioters in the streets of Athens, they get a stark reminder of the cost of getting economic policy wrong – and of allowing too much free-flowing capital to distort the real risks of economic activity.

David Ignatius is a Washington Post columnist

Voices: Britain

Tories slip reluctantly into a coalition bed

Gwynne Dyer

There has not been a coalition government in Britain since the second world war, but it may have to get used to them. The election on May 6 left both major parties, the Conservatives and Labour, short of a majority, and put history's also-rans, the Liberal Democratic Party, in the position of kingmaker. It has used that position very cleverly and Britain may be heading for a major constitutional change.

Nick Clegg, the Liberal Democratic leader, extracted a high price from the Conservative Party for agreeing to enter a coalition with them. Clegg's bottom line was electoral reform, which used to be a Conservative red line – but, in the end, they crossed it.

The winner-take-all British electoral system is cruelly unfair to third parties. In the election just past, the Lib Dems got almost a quarter of the votes – but less than a tenth of the seats in Parliament. Many people saw a vote for them as a wasted vote, even if they liked their ideas. It was a vicious circle, so for many decades now the most urgent tactical goal of the Lib Dems has been to change the voting system. Alternative vote, "alternative vote plus", proportional representation – anything that gave them a fair chance of winning.

The two "major" parties, the beneficiaries of the existing system, naturally resisted any change in the electoral rules. The only way it could ever happen is if both of them had to beg for the support of the Lib Dems. Like now.

Clegg would have preferred a coalition with Labour, since most Lib Dem voters are more or less on the left. But he rightly said that he had to talk to the Conservatives first, since they had ended up with more seats than Labour after the election – and he also knew that Labour would be an even less trustworthy partner in power than the Conservatives.

Prime Minister David Cameron, on the other hand, may come to rue the day when he agreed to the terms of the deal that finally put him in office. He was not well liked by large sectors of his party even before the election: he was a "moderniser", and Conservatives are conservative. But he is more actively disliked now, because many senior members of the party blame him for failing to pull off a clear win against a Labour Party that was exhausted and partly discredited after 13 years in power.

They thought they were cruising smoothly to victory, yet they wound up 20 seats short of a majority. They accepted the extortionate concessions that Clegg demanded for a coalition because, after 13 years in the wilderness, they were positively panting with eagerness to be in government again. But when the going gets rough, they will blame Cameron for those concessions, too. The biggest concession was, of course, a promise to hold a referendum on changing the electoral system.

The Conservative-Liberal Democratic coalition has a big enough majority in Parliament that it cannot be brought down by just a few rebels from either party. It could actually last four years, which would be long enough to change the voting system. That is the Lib Dem strategy. If it succeeds, coalition governments will become the norm in Britain.

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