

东亚研究所通讯 INSIDE PAGES

...

Health Reform in China, 2009 to 2012

Major Problems of Chinese Higher Education Institutions

Hong Kong's Minimum Wage: What Impact on Jobs and Pay?

Japan as Number One: Rate of Ageing Society Unprecedented in the World

China's Environmental Non-Governmental Organisations

China's Long-term Care Strategy for the Elderly

How will Beef Derail Taiwan-US Relations?

State Intervention in the Private Housing Market from 2010 to 2011

Social Management: China's New Struggle to Maintain Stability

Health Reform in China, 2009 to 2012

Health reform in China remains a work in progress and there is no level playing field whether the reform is geared towards heavy regulation by government or market-oriented. The direction in which China's health reform is heading depends on the incoming new leadership.

ÅKE BLOMQVIST and QIAN JIWEI

After a protracted and lively debate, the Chinese government's plans for a major health reform were unveiled and outlined in April 2009. The reason why the announcement was so eagerly awaited was because the health policy debate had engendered a clear fault line between two camps — those who believed that many of the problems in China's healthcare system could be ascribed to the failure of decentralisation policies and market-oriented policies and those who supported such policies. The health policy debate thus became a proxy for the broader question of whether Chinese economic policy has been overdependent on market and competition, as many conservatives in favour of central government's involvement in economy believed, or whether the trend towards less dependence on planning and a greater role for private enterprises in competitive market should continue. The outcome of the debate could then be taken as a broad indicator of the Hu-Wen administration's economic plans.

The announcement outlined plans for an increased health spending of RMB850 billion from 2009 to 2012 and the implementation of initiatives covering five policy areas. The first area pertains to the continued expansion and subsidisation of the social health insurance system. The second and third aspects provide for more spending on public health programmes and establishment of a network of heavily subsidised primary-care clinics. Plans for the fourth and fifth policy areas, mentioned briefly in general terms, involve the reform of pharmaceutical market and pilot testing of different approaches to public hospital reform.

Perhaps unsurprisingly, the 2009 announcement had addressed several concerns that both camps could claim a partial victory. Supporters of market and decentralisation (including economists in the Ministry of Finance and Ministry of Labour and Social Security) believe that the state's major role in health care is to ensure comprehensive insurance coverage for the population, while the responsibility for the provision of health services is decentralised to hospitals and other providers, thus allowing competition to ensure quality of care for insured consumers. The strengthening of social insurance schemes constitutes evidence of the Chinese leadership's support for this principle. Those — many of whom are bureaucrats in the Ministry of Health — advocating for a return of stronger central planning and direct state management of the health services industry had for some time been advocating the establishment of a network of subsidised state-managed clinics that provide both public health services and primary health care, as stated in the announcement.

The three-year period, from 2009 to 2012, will be due soon. A preliminary progress report on the health reform suggests that while not all targets have been attained, significant changes have taken place. However, it remains unclear whether the Chinese government can now proclaim with confidence, as compared to 2009,

continued on page 14

Leadership Commitment Necessary for Social Reforms

Social policy refers to public policy that deals with social issues. For a transitional economy such as China, social policy is of great importance in two ways.

On one hand, the provision of public goods and services and alleviation of inequality are indispensable for social justice. Disadvantaged groups who have not benefited much during the economic and social transition have to be taken care of and the government has to provide some level of safety nets for all citizens.

Social problems such as insufficient accessibility and lack of affordability for services including education, health care and housing as well as economic inequality must be addressed. On the other hand, the provision of public goods and services and alleviation of inequality are also essential for sustaining economic development. For example, social policy provides supporting framework in response to the coming paradigm shift in China's economic growth, from an investment-driven to a consumption-driven model, since consumption is expected to increase significantly after the government's provision of a basic social infrastructure.

China faced challenges of widening economic inequality over the past two and a half decades, with the Gini coefficient reaching 0.48 in 2007 compared to 0.38 in 1988, according to Li Shi, a leading scholar on income inequality from Beijing Normal University. This implies that inequality has worsened in China, placing it in the world's top rankings of countries with high inequality. In the area of public services in China, public hospital reform has not gone beyond the stage of local pilot projects after three years of reform. The progress of reform in the highly governmentalised higher education sector

is not significant, either. Accessibility to housing remains insufficient for low-income groups.

This issue of the *EAI Bulletin* features a collection of essays that discuss social policies on health care, higher education, housing, long-term elderly care, social management

and environmental protection in China as well as social issues in East Asia. Conclusions drawn from the essays in this issue suggest that political commitment to continuous social reform is the key to the success of future social reforms to overcome vested interests and political inertia.

The year 2012 is the 20th anniversary of Deng Xiaoping's *Nanxun* (tour to southern China), the cornerstone event for reform-era China. Staged at a time when people were debating the direction of reform in 1992, *Nanxun* essentially showed the commitment of the Chinese leadership to economic reform in spite of disagreements from those who had vested interests. Rapid economic development over the past 20 years thus indicates the great success of *Nanxun*. Now, given the commanding challenges from these social issues, China is at another pivotal crossroads which would take a second *Nanxun* to show the commitment to the continuation of a deepening social reform. ■



Prof Zheng Yongnian
EAI Director

EDITORIAL COMMITTEE

Prof Zheng Yongnian
eazyn@nus.edu.sg

Dr Qian Jiwei
eaiqj@nus.edu.sg

Ms Jessica Loon
eailmh@nus.edu.sg

EAI Bulletin is published twice yearly by the East Asian Institute (EAI), an autonomous research organisation set up in April 1997 under a statute of the National University of Singapore. EAI succeeds the former Institute of East Asian Political Economy (IEAPE).

All rights to the materials in this newsletter belong to EAI. The views expressed in this newsletter are those of the authors and do not necessarily reflect the views of EAI. The Institute welcomes contributions and comments from readers.

Please address all correspondence to: **Mr James Tan**, East Asian Institute, 469A Tower Block #06-01, Bukit Timah Road, National University of Singapore, Tel: (65) 6779 1037 • Fax: (65) 6779 3409 • Email: eaitanj@nus.edu.sg.

<http://www.nus.edu.sg/NUSinfo/EAI/>

Major Problems of Chinese Higher Education Institutions

Chinese higher education institutions' political and governmental functions prevent them from better fulfilling their educational and research functions.

QI DONGTAO

Higher education, housing and health care have become “three new mountainous burdens” (*xin san zuo da shan*) to most Chinese for more than a decade. Social reform in China is expected to clear these “mountains” for the Chinese people. Although housing and healthcare reforms have gained strong momentum, higher education reform has been disappointingly slow.

While the common complaints about Chinese higher education are mainly about sharp tuition and fees hike, many scholars argue that Chinese higher education institutions (HEIs) have not performed well in producing graduates with the right skill set and knowledge creation—the two major areas to be undertaken by HEIs that will enable the country to advance in economic, political and social fields.

The disconnect between Chinese higher education system and industry labour demand has resulted in persistent structural unemployment in China. For example, many employers lament about the difficulty in recruiting highly skilled workers among university graduates, and this is in sharp contrast to the ease of hiring administrative personnel of lower skill requirement. Some multinational companies in China have to increase the level of automation in production lines to reduce their reliance on the increasingly scarce supply of skilled workers. On the other hand, university graduates complain that their training in university is of little help or value in finding a job or in career advancement.

The mismatch between labour market demand and skill is rooted in the homogeneous structure of Chinese HEIs. There are too many comprehensive universities with too few students majoring in science, technology, engineering and mathematics (STEM) disciplines. The homogeneity of Chinese HEIs can be attributed to two earlier developments: the rapid expansion in university enrolment and the upgrading of specialised colleges to comprehensive universities since the late 1990s. Universities and colleges were strongly motivated to expand and upgrade due to the potential source of high revenue generated and the availability of funding and resources from the government and market. To boost enrolment and expedite the upgrading process, universities took the effortless route of leveraging on the existing non-STEM degree programmes or launch additional new non-STEM programmes because of the relative ease in recruiting teaching faculty for non-STEM programmes and the more economical option of establishing new non-STEM departments or programmes. As a result, there was an overemphasis on non-STEM majors and an oversupply of graduates from non-STEM disciplines.

As for knowledge creation, projects that are undertaken by university faculty and secured from either the

government (known as vertical projects) or market (known as horizontal projects from enterprises and some non-profit organisations) have become major knowledge production lines of universities. These projects are considered extremely important to most faculty members. First, faculty salaries are low. To supplement their livelihoods, they depend on formal and informal compensations from projects. The number of projects and amount of funds one receives are also important criteria for faculty promotion, along with other performance evaluations in virtually all Chinese universities. Apart from funding for research projects, university faculty usually have no additional source of funding to recruit research assistants for data collection and purchase research equipment.

Project-based research is common in many countries' higher education system, but it should be viewed as one of the many diverse knowledge production lines. China's case is unusual as university faculty members have spent too much time on various projects at the expense of independent research and even teaching. Project-based research, being funded, is usually subject to constraints from sponsors, so knowledge from research of this nature is often more biased than that obtained from independent research.

The root cause of these major problems lies in the unique multifunctions of Chinese public HEIs, which are under the direct and strict control of the Chinese Communist Party and governments at different levels. The governance structure and mechanism within these universities usually shares great commonalities with its supervisory departments from the government. Therefore, Chinese HEIs are highly governmentalised (*xin zheng hua* or *zheng fu hua*) and politicised (*zheng zhi hua*). As a result, Chinese HEIs fulfil important political and governmental functions in addition to educational and research functions. For example, the Chinese government's decision on university enrolment expansion in 1999 was not mainly based on the projection of a rapidly expanding labour market for college graduates, but was largely a political decision to stimulate economic development and reduce unemployment pressures caused by the Asian financial crisis.

The government and the universities have also used various projects to effectively influence the faculty's research directions and reinforce their economic dependence on the government and university. Therefore, to tackle Chinese HEIs' major problems, it is necessary to reduce their political and governmental functions by giving them more autonomy, so that they can better fulfil their educational and research functions. ■

Qi Dongtao is Research Fellow at EAI

Hong Kong's Minimum Wage: What Impact on Jobs and Pay?

The case of Hong Kong shows that naysayers should examine conditions in their own society and the labour market before a blanket rejection of a wage floor.

YEW CHIEW PING

Ominous predictions of a tide of restaurant closings and job loss in Hong Kong after the implementation of a wage floor have fallen flat.

In August 2011, three months after Hong Kong's Statutory Minimum Wage (SMW) took effect, restaurant operators lamented a shortage of workers. Some had to pay an hourly wage of HK\$30 to HK\$50, above the wage floor of HK\$28, to hire dishwashers, kitchen helpers and servers. Despite higher overheads, the number of eateries grew by 500 to 15,000 between the end of 2010 and August 2011. The expansion of fast-food conglomerates, in particular, was the most evident. A greater number of vacancies in the industry, moreover, saw fewer takers—on average, there was only one applicant for every three to four job openings.

It seems clear now that industry players' earlier claims of operational difficulties had been exaggerated to forestall the SMW's implementation in May 2011, no mean feat in a city which had long prided itself as the last bastion of laissez-faire capitalism, where adherents and business interests fervently sounded dire warnings against a wage floor, averring that any government interference with market-determined wages would backfire and cost jobs. With such fierce contention, it was only after more than a decade of protracted debate that the SMW finally gained passage in the Hong Kong legislature on 17 July 2010.

In a nutshell, the SMW is structured as follows: The minimum wage is HK\$28 per hour; off-days and mealtimes are subject to negotiation between employees and employers; the SMW does not apply to workers who reside in the employer's household, apprentices or interns, and the self-employed; the SMW also extends to the disabled, who may initiate an assessment of their productivity to determine if they should receive the minimum wage or a pay commensurate with their productivity.

The legislation of a minimum wage has long been encumbered by contradictory findings on its impact. The primary goal of the SMW is to raise the income of the lowest paid on the wage scale and lift the poor out of penury. Yet some critics see the policy as hurting the poor and low-skilled workers whom it purports to help.

In the early days, economists proposed that a minimum wage would cost jobs, especially in a competitive labour market. From the 1980s, economists have begun to present countervailing empirical evidence showing that the minimum wage has no obvious effect on the level of employment, or that it may even contribute to higher employment.

The experience of different societies also varies. In Australia, a hike in minimum wage might worsen unemployment and too high a raise might even affect employment; in Japan, an increase in the minimum wage rate had a negative impact on women's employment; and in the US, a rise in minimum wage failed to alleviate poverty. In contrast, Taiwan, France and Britain found that a minimum wage had no apparent negative effect on the labour market.

Hong Kong's case has lent further support to the positive impact of a wage floor on the labour market. Evidence for this does not come from the restaurant industry alone.

Just one month after the SMW came into force, the Hong Kong Confederation of Trade Unions estimated that the SMW had increased the pay of about 100,000 workers by an average of 20%. Over 300,000 workers, or 11.3% of entire workforce, received a pay increment averaging 16.9%.

Higher wages have not cost jobs. Hong Kong Census and Statistics Department data show a marked decline in unemployment to 3.2% from June to September 2011, the lowest since the 2008 financial crisis. Unemployment had fallen in all sectors except manufacturing, which saw a rise to 4.5% during the September-November 2011 period from 3.3% over the March-May 2011 period. The construction industry witnessed a plunge by the largest margin of 1.1%, followed by 0.7% in the import/export trade and wholesale industry, and 0.5% in the retail, accommodation and food services industry.

From May to November 2011, Hong Kong's labour force grew by 2.7% to three per cent, reaching a historical high of more than 3.7 million persons. Although youth unemployment rose from 16.7% to 19% in the first three months after the SMW came into force, it subsequently fell to 14.1% during the September-November 2011 period. Other age groups—20-29, 30-39, and 40-49 years—also saw a dip in unemployment over same period.

All in all, the wage floor seems to have boosted Hong Kongers' ethos of self-reliance. Its implementation is also timely in the context of the city's widening wealth gap and spiralling housing prices, which have bred growing animosity towards the rich. In many societies, naysayers have objected to a wage floor in that it is no panacea for reducing poverty, stemming exploitation and relieving the plight of the working poor. They are partially right. But the successful case of Hong Kong shows that outright rejection of a wage floor before carrying out further feasibility studies is totally uncalled for. ■

Yew Chiew Ping is Research Fellow at EAI

... the wage floor seems to have boosted Hong Kongers' ethos of self-reliance. Its implementation is also timely in the context of the city's widening wealth gap and spiralling housing prices ...

Japan as Number One: Rate of Ageing Society Unprecedented in the World

Japan, the number one economic power in Asia until 2010, appears to be facing an irreversible and sharp decline in its population and is poised to become an upper middle power soon.

LAM PENG ER

Japan is ageing faster than any country in history. Thanks to advances in medical technology, healthy living (including a diet rich in fish and tofu that Japanese cuisine is known for) and perhaps good genes, the Japanese have the highest life expectancy in the world. However, this virtue is also a problem because the cost in pensions and social welfare will rise as the trend of fewer younger workers to support older retirees intensifies.

In January 2012, the Japanese Health and Welfare ministry's National Institute of Population and Social Security Research announced that the country's population is projected to fall to about 30% below the current level in 2060, while people aged 65 or older will account for 40% of the total population. Simply put, Japan's population will dip from 127 million in 2012 to 86.74 million in less than five decades. Another key indicator is that the country's total fertility rate (TFR)—the number of children the average woman is expected to give birth to during her life—is projected to be 1.35 in 2060, way below the replacement TFR of 2.1.

What are the implications of Japan's ageing society and a shrinking population in the long run? There are at least three major consequences. First, the country's gross domestic product (GDP) will shrink due to a smaller population coupled with more retirees (consuming less than younger people who are setting up new households). Second, Japan's decline as an economic superpower will probably relegate the country to the ranks of upper middle powers like France and Germany but not in the same league as the United States and China. Third, issues of ageing such as a planned hike on consumption tax to finance rising pensions and social welfare (which have contributed to a fiscal crisis and public debt equivalent to 200% of its GDP) will become more prominent in Japanese politics.

What is to be done by Japan facing a "silver tsunami"? First, the country can no longer postpone significant hikes in its consumption tax to pay for an ageing society. But this is a thorny issue in its domestic politics. Second, Japan will have to extend the retirement age of older folks who are still healthy and productive. Third, the country must tap its highly educated women, many of whom are housewives, to rejoin the labour market. Fourth, state and companies can conceivably offer greater financial and maternal incentives for women to produce more babies. But the reality is that many Japanese women today are either delaying their marriages or are not keen to get married. Fifth, Japan will rely more and more on robotics not only in factories but also at home and hospices. Sixth, Japan can conceivably encourage foreign labour and immigration to boost its labour force and GDP. However, few Japanese advocate massive immigration from abroad to mitigate the country's impending

population decline.

Notwithstanding the silver tsunami, Japan is extremely reluctant to absorb and integrate large numbers of foreigners beyond immigrants of Japanese descent from Brazil and Peru. It appears that Japanese state and society value ethnic homogeneity and social harmony (*wa*) to avoid social and ethnic conflict (sometimes potentially violent) that occurred in European countries such as Germany and France. These European countries seem to have considerable difficulties assimilating even second-generation ethnic minorities (with non-European cultural backgrounds and often alienated from mainstream society).

Apparently, Japan is prepared to make a trade-off: settle for a silver tsunami and an eventual upper middle power economic status in exchange for a homogenous and harmonious society. Arguably, Japan is no longer a model of state-led economic development attractive to East Asia since its bubble economy burst in 1991. But it remains an important reference for East Asian countries with low TFR facing their inevitable silver tsunami soon. ■

Lam Peng Er is Senior Research Fellow at EAI

Submission of Papers

East Asian Policy (EAP) examines and evaluates recent political, economic, societal, legal, cultural and foreign-policy trends in East Asia. Articles covered are of significant relevance to academics, policy makers and business leaders. With EAP, the Institute hopes to update them on the latest developments in East Asia as well as provide them with a useful platform for the global debate on the rise of East Asia.

EAP invites submissions of insightful policy articles from East Asian specialists. All articles must be between 3,000 and 3,500 words, not including a 70-word abstract. Submissions should conform to a stylesheet provided on the website mentioned below. All editorial correspondence should be sent to:



The Editors
East Asian Policy
East Asian Institute
National University of Singapore
469A Bukit Timah Road
Tower Block #06-01
Singapore 259770
Email: eap@nus.edu.sg
www.eai.nus.edu.sg

China's Environmental Non-governmental Organisations

Although environmental NGOs have become increasingly visible players in China's green politics, their roles and functions are still quite restrained under China's current state-centric political systems, and are therefore not as strong and influential as their international peers.

CHEN GANG

The burgeoning non-governmental organisations (NGOs), albeit being strictly restricted by the authoritarian regime, are able to create a perceivable impact upon China's environmental politics, in which internalisation of norms and agenda-setting are essentially important for final policy outcome. The establishment of Friends of Nature in 1994 kicked off the rapid growth of environmental NGOs (ENGOS) in China. Such organisations, a symbol of China's emerging civil society, have become a major source of environmental knowledge and champions of public participation in environmental protection.

When the Chinese government started to intensify its reform and opening-up policy in the 1990s, civil activities became increasingly frequent and resulted in the proliferation of various NGOs working for public and special interests. As a result of increased awareness about environmental protection, activists set up ENGOS, engaging in environmental education, nature conservation, endangered species protection, policy advocacy and many other activities. Generally speaking, China's environmental NGOs can be categorised into seven different types: registered NGOs, non-profit enterprises, unregistered voluntary groups, web-based groups, student environmental associations, university research centres and government-organised NGOs (GONGOS). In China's state-centric system, GONGOS definitely enjoy more financial advantages and policy conveniences as compared to other NGOs, but such government backing also restricts the GONGOS' role as a third force against the state and market.

The large number of national and local environmental GONGOS represents the government's endeavour and willingness to fight pollution. Due to administrative restraint and greater focus on academic activities, environmental GONGOS lack passion and incentives to push forward environmental protection on certain sensitive issues. Compared to other environmental NGOs in China, however, some of these GONGOS such as the China Association of the Environmental Protection Industry, the China Society of Environmental Sciences, the China Energy Conservation Association and the Chinese Society for Sustainable Development are more professional and boast expertise in environmental planning, decision-making, enforcement ability and project application. Other kinds of ENGOS in China, with a common aim to promote environmental consciousness and public participation, avoid confrontational methods and adopt approaches that encourage learning, cooperation and participation. The usual activities include public lectures, symposiums, field trips, newsletter announcements, online discussions and even Internet petitions. Although some organisations are edging their way into more contentious

areas, the general tendency has been to shy away from radical issues and tactics.

Now most ENGOS in China have their own websites. Using the Internet as the information and knowledge-sharing platform, some ENGOS maintain active mailing lists to send environmental information regularly to subscribers by e-mail. The Internet is also being used by individual ENGOS to expand their capacity and engage in dialogues with other interest groups. When voices from some marginalised organisations are amplified through the Internet, they tend to attract more social attention and have a larger influence upon policymaking process. Presently, information exchanges between NGOs through e-forums and e-newsletters are becoming increasingly frequent, and joint advocacy targeting focal issues demonstrates the intensive interaction among NGOs. The Chinese government has, to some extent, encouraged the development of NGOs for handling increasing social problems. High-level Chinese officials have praised ENGOS such as Friends of Nature and called for support for the healthy development of these organisations.

Although ENGOS have become increasingly visible players in China's green politics, their roles and functions are still quite restrained under China's current state-centric political system, and are therefore not as strong and influential as their international peers. Past experiences in Western countries since the 1960s show that significant supervision and participation from NGOs, the media, and other civil society groups are requisites for better environmental governance. If China wants to address ecological problems more efficiently, it has to improve the institutional environment for the vibrant growth of ENGOS and effective media surveillance. Meanwhile, by interacting with the traditional mass media, the Internet, and international NGOs, indigenous ENGOS can serve as both sites and agents of democratic social change in China.

Most Chinese ENGOS have become more mature and sophisticated after more than a decade of development, but they still face challenges of inadequacies and weaknesses in their managerial structure and professional capacity, which prohibits them from playing a larger role in boosting social environmental protection causes. Despite the growing public concern about the environment in China, the knowledge and self-awareness of Chinese citizens about the environment are still relatively low, further impeding the development of ENGOS. Many of China's first generation of grass-roots ENGOS are spontaneous in management and function, but are overly dependent on their founder-leaders, whose personal ambitions and charisma helped shape these organisations and mobilised the followers. Management is not institutionalised and decision-making

continued on page 15

China's Long-term Care Strategy for the Elderly

Facing huge challenges posed by accelerated population ageing and weakened family support for the elderly, China has adopted national strategies to strengthen its social security system and establish a social care system for the elderly.

ZHANG YANXIA

China is the first nation in the world to get old before getting rich. It became an ageing country in 1999 when it registered only US\$806 in per capita GDP (gross domestic product), far below that of most developed countries. China is still a developing country without a sound social system for its ageing population.

China's population is ageing fast. In 2010, it already had 178 million people aged 60 and above (13.3% of its total population), making it the only country in the world with more than 100 million old people. The number of disabled and frail elderly people is also considerably large. In 2010, China had about 33 million disabled and frail elderly people (19% of its total ageing population). Meeting the long-term care needs of senior citizens is an enormous challenge. Population ageing will accelerate in the next two to three decades in China. It is projected that by 2050, China will become one of the countries in the world with at least 30% of its total population aged 60 or older.

The country mainly relies on the family to provide care for the old. Family support for the elderly, however, has been weakened by dramatic demographic, economic, and cultural changes. Declining fertility rates and massive population migration have greatly reduced the number of multigenerational families. More than half of the elderly people (the percentage is as high as 70% in some major cities) live separately from their adult children, a notion that was previously unthinkable in early days. About 40 million elderly (37% of rural elderly) are left behind in rural China by their adult children who have migrated to the cities. Social norms are also changing. The traditional value of filial piety is gradually eroding in China. The capacity and willingness of Chinese families currently engaged in long-term elderly care remains uncertain. Whether the family can continue to be the first line of care and support for the elderly has become a pressing issue. An ageing population and care crisis is thus emerging in China.

To deal with these challenges, China has made great efforts to revive the tradition of filial piety. More importantly, it has adopted national strategies to strengthen its social security system and establish a social care system for the elderly.

China has basically established a universal social security for the elderly that includes basic healthcare insurance. The government has set specific targets for expansion of basic pensions and provision of minimum livelihood protection. It will establish a universal basic pension system in urban areas by 2012 and in rural areas by 2020. By 2015, all elderly

people who are below the local poverty line will receive minimum livelihood protection.

China has also begun to put in place a social care service system for the elderly as not only a timely response to the ageing and care crisis, but also an effective means to increase consumption and create new employment opportunities.

Since 2006, the government has focussed on establishing affordable and convenient home-based and community-based care services for the elderly to enable them to live on their own with minimal dependence. The government has recently attached greater importance to institutional care as well. China's national strategy proposed for the 12th Five-Year Programme (FYP 2011-2015) is to establish a social care service system "with home-based care as the foundation, backed up by community-based services and supported by institutional care". China intends to add more than three million new institution-based beds to accommodate three per cent of China's elderly population by 2015. It has also planned to establish a comprehensive service network to support home-based care in all urban communities, 80% of the rural townships and half of the rural villages by 2015.

None of the aforementioned goals are easily achievable within the next five years.

Currently, China can only provide institution-based beds for 1.8% of the elderly. A complete community-based service system has yet to be established to support home-based care, even in the urban areas. China's social care system for the elderly is still in its infancy. Rural areas especially are lacking in social care facilities. The disabled rural elderly and those left behind are particularly vulnerable.

To achieve the national targets set by the 12th FYP, the government needs to train a large pool of qualified care workers, increase financial support for social care facilities, find effective ways to attract private capital in the care industry, and play a larger role in regulating and monitoring social care provision to the elderly. In the long run, it is practical for the state to rely on other sectors, particularly non-governmental organisations (NGOs) or non-profit organisations (NPOs), to provide the bulk of social care services to the elderly. Nevertheless, the state should make sure tax incentives and preferential policies in land use are properly implemented and grant non-state sectors the necessary financial aid beyond tax incentives. ■

Zhang Yanxia is Visiting Research Fellow at EAI

In 2010, China already had 178 million people aged 60 and above (13.3% of its total population ...

Recent Staff Publications

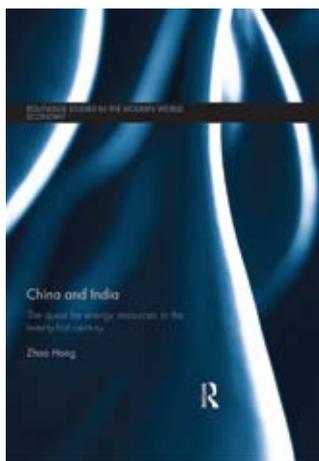
Books

Political Parties, Party Systems and Democratization in East Asia

Author: **Zhao Hong**

Publisher: **Routledge Taylor & Francis Group**

Year of Publication: **2012**



The primary goal of this book is to deepen the understanding of the relations between economic development and global energy security by focussing on case studies of China and India. It addresses the following issues: What is the new definition of energy security? How does it affect global politics and international relations? What are the energy security concerns of China and India, and what policies and approaches have they taken

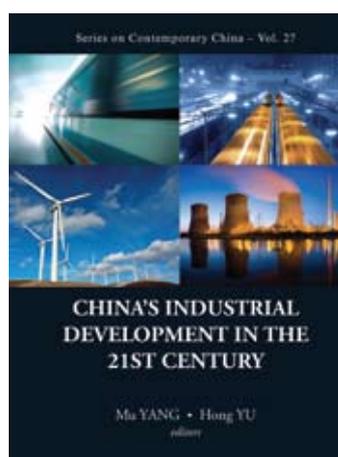
to deal with energy security issues? This book provides a lucid analysis of China's and India's energy status, as well as policies they have taken to enhance their energy security.

China's Industrial Development in the 21st Century

Editors: **Yang Mu and Yu Hong**

Publisher: **World Scientific Publishing**

Year of Publication: **2011**



In response to the global economic crisis in the short run and to cope with the existing structural problems of production in the long term, the Chinese central government has successively released new development outlines for 10 key industries since 2008. In this book, the authors used key sectors including automobile, steel, shipbuilding, high-speed railway and new energy to analyse the development

of China's industries, along with their challenges and future prospects. The effectiveness of state-oriented policies in rejuvenating these industries has been evaluated. The authors assess the contribution of these policies to industrial development and identify and analyse existing and potential challenges to the sustainable development of China's industries.

China's Reform: A Roadmap

Author: **Zheng Yongnian**

Publisher: **China Eastern Press**

Year of Publication: **2012**



China's Reform as a historical and systemic project must obey the basic rule of historical continuity. It must follow a systematic and stage-by-stage approach. There is a great deal of intricate interconnections between reforms in different areas. Although there is no definite rule of reform from history, there is still a common logic of systemic reform to be found in the reform processes both in China

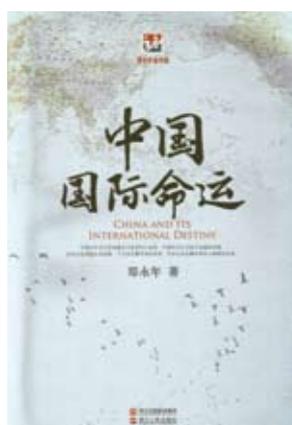
and abroad. In this book, Professor Zheng Yongnian designs a roadmap for China's reform as a three-stage process, from economic, social to political reforms. By reasserting the importance of historical contingencies and policy processes, he argues against both radical and conservative approaches to reforms.

China and its International Destiny

Author: **Zheng Yongnian**

Publisher: **Zhejiang Publishing United Group**

Year of Publication: **2011**



China and Its International Destiny is the third volume in the series *Zheng Yongnian on China*. In contrast to the first three books focussing on China's domestic affairs, this volume is a collection of Professor Zheng Yongnian's commentaries on China's international relations and geopolitical situations published in the past 10 years.

The book is divided into seven sections, addressing China's big power policy, the North Korean dilemma, Sino-Japanese relations, Sino-ASEAN relations, Sino-American relations and conflicts and integrations in the Greater China Region. These commentaries contain some of the most important insights into China's current foreign policy options and dilemmas.

The Road to Great Power: China and the Reshaping of World Order

Author: **Zheng Yongnian**

Publisher: **China Eastern Press**

Year of Publication: **2011**



This collection brings together Professor Zheng's papers and lectures on China's international relations published over the last decade. Focussing on the central theme of China's rise, this collection examines the external impacts of China's domestic transformation through the lens of economic and financial globalisation, China-US

relations, international security, global soft power, the Global Financial Crisis, power structures of the contemporary world and changing landscape of East Asian geopolitics. Professor Zheng's timely observations on China's international environment and policy suggestions for the decision makers offered unique insights into China's strategic situations and the possible outlet from China's present dilemma.

CIJ in Partnership with Project MUSE

As of Vol 2 No 1, *China: An International Journal* is available by subscription only. In addition to normal print subscriptions, online subscriptions are also available through Project MUSE, a database of journals put together by a consortium of university presses led by Johns Hopkins University Press. The online subscriptions are priced at US\$32.00 per year for a single title subscription. For further details, please go to Project MUSE website at <http://muse.jhu.edu>

For hardcopy joint online/hardcopy subscriptions, please email supbooks@nus.edu.sg. For editorial matters, the email is cij@nus.edu.sg.

Some topics in the coming issue:

- **Special Issue on Foreign Direct Investment in China**
- **China's Food Security and Its Global Implications**
- **Chinese Education in Diplomacy**
- **Is the Chinese Health Bureaucracy Incapable of Leading Healthcare Reforms?: The Case of Fujian Province**



As Book Chapters

"A Two-Ocean Mediterranean". In Geoff Wade and Li Tana, eds., *Anthony Reide and the Study of the Southeast Asian Past*, Singapore: Institute of Southeast Asian Studies, 2012, pp. 69-84
By Wang Gungwu

"Regime Types, Political Change and Economic Development: The Cases of India and China". In Xiaoming Huang, Alex C Tan and Sekhar Bandyopadhyay, eds., *China, India and The End of Development Models*, Basingstoke, Hampshire: Palgrave MacMillan, 2012, pp. 99-128.
By Bo Zhiyue

"United States-China Relations". In Pavin Chachavalongpun, ed., *Asean-US Relations: What are the Talking Points?*, Singapore: Institute of Southeast Asian Studies, 2012, pp. 83-98.
By Bo Zhiyue

"China's New Patterns of Relationship with East Asia". In Sudhir T Devare, Swaran Singh and Reena Marwah, eds., *Emerging China: Prospects for Partnership in Asia*, Routledge, 2012, pp. 143-167.
By John Wong and Sarah Tong

"Malaysia-China Economic Relations: Challenges and Opportunities". In Pingleng Liao and Lim Chee Men, eds., *Perspectives on Malaysia-China: A Cross-Border Dialogue*, Centre for Chinese Studies Research, University of tunku Abdul Rahman, Malaysia, September 2011, pp. 293-316
By Sarah Tong and Catherine Chong

In Journals

"Thoughts on Four Subversive Words," *The Asia-Pacific Journal of Anthropology*, vol. 13 no. 2, April 2012, pp. 192-202.
By Wang Gungwu

"The Eighteenth National Congress of the Chinese Communist Party: Leadership Transition and Policy Changes", *Studies on Chinese Communism*, 46, no. 1, January 2012, pp. 49-65
By Bo Zhiyue

"Cross-strait Economic Integration in the Regional Political Economy," *International Journal of China Studies*, vol. 2 no. 3, December 2011, pp.681-700
By Chiang Min-hua

"Not much China can do for the World Economy this Time", *global-is-asian*, Lee Kuan Yew School of Public Policy, National University of Singapore, Issue 12, October-December 2011.
By Yang Mu

Book Reviews

The Chinese Communist Party as the Organizational Emperor by Zheng Yongnian, *The Copenhagen Journal of Asian Studies*, vol. 29, Issue 2, 2011
By Huang Yanjie

FORTHCOMING

Renewal and Revolution: The Chinese State in the Global Era, Hong Kong, the Chinese University Press, 2012
By Wang Gungwu

How will Beef Derail Taiwan-US Relations?

When Public Health Stands Second to Politicised Interests

While the United States pushes to provide Taiwan with “more beef” after the island’s 2012 election, do Taipei’s “excellent” relations with Washington come at the price of public health?

KATHERINE TSENG HUI-YI

Besides sensitive issues like initiating political negotiations with Beijing in the post-election period, Taiwan is facing immediate pressures from Washington to re-open its domestic markets to US beef products. The island banned imports of US beef in January 2011 upon finding traces of the locally banned feed additive, ractopamine. The move angered Washington, who reportedly suspended free trade talks with Taiwan, scheduled to take place in January of the same year.

Ractopamine is a feed additive used to enhance feed conversion rate and increase lean meat proportion in livestock meat. With worries of potential harmful effects yet to be verified scientifically, the European Union (EU) adopts a zero-stance proposition, banning the use of ractopamine in either domestic production or foreign imports totally. The United States, on the other hand, allows a permissible limit of ractopamine residues in meat products, arguing that these additives would increase the competitiveness of US meat products. Ractopamine, sold under the brand name Paylean, is reported to have harmful effects on certain groups of people like young children, pregnant women, the elderly and those with cardiovascular diseases. Ractopamine residues are often found in the internal organs of the animals. The Taiwanese government has banned the use of certain lean-meat enhancement in livestock feeds due to the uncertain impact on human health.

One month after Taiwan’s 2012 presidential election, Chairman of the American Institute in Taiwan, Raymond Burghardt, visited Taipei, conveying Washington’s desire to reopen Taiwan’s domestic market for US livestock products. His straightforward requirements stirred up heated debates in Taiwan. The issue is further complicated by the polarising opinions held by officials in different departments in the Ma administration. Head of the Legislative Yuan, Wang Jing-Pyng, told the media during a short interview after his meeting with Burghardt that Taipei needs to face this issue seriously and come up with a solution as quickly as possible. Su Chi, a former National Security Council secretary-general, opined that resolving the US beef issue would help stabilise Taiwan-US relations, indicating that the preferable solution would be to allow and not restrict beef imports.

However, experts in civil groups advocating consumers’ rights and food safety strongly objected to allowing imports of US beef. The newly assigned head of the Council of Agriculture, a professor at National Taiwan University’s Department of Animal Science and Technology and a long-term advisor of agricultural policy, revealed that the government is considering a new approach. An educated guess would be the decision to adopt the dual approach taken by Japan when it banned the use of similar feed

additives in domestic production and allowed a permissible limit of residues in imported meat products.

The US beef imports controversy signifies the inability of the Ma administration to effectively manage food safety issues, the overt, yet inevitable dependence on other big powers to handle international relations for Taiwan, and the trend of over-politicising non-political issues.

The ban on US beef laced with leanness-enhancing additives has caused a great dent in Taiwan-US relations. The mad cow disease in 2003 and 2005 had also raised Taiwanese concerns over US livestock products, resulting in long import bans spanning several years. The last debate occurred in January 2011 when traces of lean-meat additives were found in US livestock imports. Relevant departments pledged to formulate practical resolutions to safeguard public health while keeping the beef trade with Washington. However, the Taiwanese government has proven to be incapable of handling the US beef issue again, one year after the latest ban when no workable resolution could be proposed this time. This is compounded by the lack of a common standpoint among various government departments and the absence of a sustainable long-term resolution. It is reported that the biggest hurdle lies within the conflicting positions of the Council of Agriculture and the Department of Health. The former tends to adopt a more flexible approach mimicking that of Japan, while the latter insists on postponing the enactment of a domestic standard until global guidelines on the residual level of lean-meat additives has been established in July 2012. The prospect is pessimistic that Taipei could figure out a practical resolution, not to mention in such a short time frame, to accommodate these conflicting opinions and facilitate health and trade interests simultaneously given the constant pressure from Washington to lift the ban.

The US beef issue also reveals that Taiwan’s dependence on the US has in many aspects become the Achilles’ heel of the island’s integrity as a political entity. Opinions like Su Chi’s, hinting that prioritising Taiwan-US relations over public health, are not rare. While pragmatism is the order of the day compelling countries to seek a balance between confronting interests involving trade and social concerns, Taipei’s overtly antagonistic responses to Washington’s reactions may unduly endanger Taiwan’s interests.

The US beef imports debate could affect future Taiwan-US relations. Taipei needs to conduct a comprehensive assessment of various feed additives and their impact to human health, as well as the economic impact of US beef imports. A balanced resolution with the required nuances that fulfil societal and cultural conditions can then be enacted. ■

Katherine Tseng Hui-Yi is Research Associate at EAI

continued on page 15

Fertility Trends, Policy Responses and Prospects in East Asia

The fertility trends in Japan, South Korea, Taiwan and Hong Kong—the four East Asian economies—are not only an economic but also a cultural issue, when compared with developed Western countries such as France and Sweden.

KWONG KIN-MING

While fertility rates have consistently fallen worldwide, particularly low rates have been recorded in East Asia, such as Japan, South Korea, Taiwan and Hong Kong. Conventional thinking usually attributes falling fertility rates to economic development, suggesting that “development is the best contraceptive”. However, it fails to explain the difference in fertility rates among developed countries. While fertility rates in the four East Asian economies have been labelled as the “lowest low”, with their total fertility rate (TFR) close to or lower than 1.3, Western countries such as the United States, France and the Nordic countries are generally identified as the “highest-low” fertility countries, with fertility rates close or equal to the TFR replacement level of 2.1. Cultural differences with regards to child-bearing responsibilities, family value and work-life balance may better explain the phenomenon.

In 2009, the TFRs in Taiwan, Hong Kong, Japan, South Korea, Sweden and France were 1.03, 1.04, 1.37, 1.15, 1.94 and 1.99, respectively.

Sweden and France are representative cases challenging the thesis that “development is the best contraceptive”. Sweden experienced a sharp drop in TFR from 1992 to 1997. After the government’s efforts to increase fertility rate through policies, Sweden’s TFR started to increase in 1998 and the upward trend persisted till 2009. Similarly in France, despite the drop in TFR since the 1980s, there was a rebound in 1994. In 2006, France became the most fertile nation in the European Union (EU).

Total fertility rates in Japan, South Korea, Taiwan and Hong Kong started to drop to 1.3, the lowest-low level, in the 1980s. The fertility rates then continued to stay below, or close to, the lowest-low level till 2009 without scaling up again. Taiwan even hit its lowest TFR in 2009. Hong Kong’s TFR plunged most rapidly, hitting the lowest-low level in seven years, in comparison to the 20 years that the other three economies took on average to hit the lowest-level. Till 2009, Hong Kong’s TFR has stayed below the lowest-low level for 15 years, as compared to six to seven years for the other three states. Comparing the four, Japan had the highest TFR, at 1.37, which was slightly higher than the lowest low fertility.

Two contributing factors to the trend of fertility rates are: (i) individual decisions concerning marriage and childbearing (indicative in marriage rates and marital fertility rates); and (ii) environmental factors, which encompass the number of working hours, cost of living, female labour involvement, welfare expenditure, gender equality and the human development index compiled by the United Nations.

Unlike Western societies, marriages in East Asia still contribute to the majority of childbirths as extramarital fertility

is relatively rare. Except for Hong Kong, Japan, South Korea and Taiwan are facing problems of declining marriage rates, resulting in lower TFRs. Despite the rise in marriage rate, Hong Kong had the largest proportion of single women aged between 30 and 34, in 2005, among the four East Asian states.

Compared with Hong and South Korea, Japan performed the best in terms of marital fertility rates (MFR), which in 2000 had levelled out after a decline but rose significantly in 2005. Between 1986 and 2006, Hong Kong’s MFR remained steady while the MFR in South Korea continued to decrease.

Marriage and childbearing decisions in Japan, South Korea, Taiwan and Hong Kong weigh considerably on material well-being and economic security. In Japan, females have become increasingly picky about their choice of husband, evaluating them based on their income level. As reported by NHK (Japan Broadcasting Corporation) in 2011, 70% of Japanese females expect their potential mates’ income to reach their acceptable prescribed level—a level which sees about 74.9% of Japanese males being classified below that specific income category. In Taiwan, females being interviewed ranked economic burdens as the top reason why married couples do not want to have children.

However, higher TFRs in France and Sweden do not necessarily mean economic burdens in these countries are much lighter. Although their gross domestic product (GDP) per capita in 2009 were roughly about two times higher than that in the four East Asian economies, the misery index—a measure of inflation plus unemployment rate—in France and Sweden were 10.5% and 11.1% respectively, compared with only three to six per cent in Hong Kong, Japan and South Korea. Taiwan’s misery index was even as low as -0.54%. Besides, according to *The Economist*, housing prices against the average income index in France and Sweden were about two times higher than that of Hong Kong and Japan.

Three explanations can be given for this phenomenon in Europe. First, unlike the East Asians, people of Western Europe are generally post-materialists and enjoy greater gender equality, according to World Values Survey and Global Gender Gap index. This means that European families’ decision-making on childbearing weighs less on material well-being and economic security than East Asian families; European mothers also face less stress as husbands generally share the load of housework and child-rearing responsibilities.

Second, contrary to the situation in East Asia, EU states provide greater family support, with markets and individuals chipping in with significantly smaller shares. In other words, family support in the EU are less commoditised and delivered with higher level of equality.

continued on page 15

State Intervention in the Private Housing Market from 2010 to 2011

Draconian cooling measures implemented during the 2010-2011 period have put the brake on the land and housing sectors to effectively curb the overheated housing market particularly in major cities that implemented the purchase-limitation regulations.

ZHOU ZHIHUA

China's housing reform is fraught with problems due to the overheated private housing market, inadequate provision of social housing and the subsequent housing affordability problem for the majority of the citizens (70% of total urban population). This has led to great social grievances in recent years. The central government has realised that more efforts are required to improve the market efficiency of the private sector, housing affordability for the majority and housing provision for the poorest. Since 2010, the Chinese authority has adopted a series of regulations and measures in the land and housing sectors to alleviate the problems and allay social discontent.

The most significant document with regards to this state intervention is the Notice on Issues Related to Further Regulation of the Real Estate Market (2011 No. 01) released on 26 January 2011 by the General Office of the State Council. It provides further implementation targets and details to the housing measures and policies previously announced in 2010, in terms of supervision and accountability of the government, construction of social housing, relevant taxation measures, land use optimisation, limitations of housing purchases and credit, and scope of participating cities. In response, the regional governments have issued various measures applicable to their specific cases. As a result, the number of cities—mainly the more developed coastal cities—that implemented the purchase-limitation regulations (*xian gou* 限购) jumped from 24 in January 2011 to 46 in October 2011.

Such draconian measures have put the brake on the land and housing markets. Firstly, in the housing sector, housing transactions declined dramatically at both the national and major-city levels. The tight monetary policies, for example increasing the deposit reserve ratio by six times and raising interest rate by three times in 2011, have directly affected the capital scale of the capital-intensive real estate industry. The high housing stock caused by sharp decline in housing transactions generated more capital pressures on developers. Housing prices varied across regions. At the national level, housing price in 2011 was 6.8% higher than that in 2010. According to a survey by the National Bureau of Statistics on 70 large and medium-sized cities, after continuing dips in the number of housing transactions, a turning point was observed as the overall housing prices in these cities fell by 0.14% and 0.19% in October and November 2011, respectively. More Chinese cities—up from 34 in October 2011 to 49 in November 2011—experienced house price drops, and most of these cities had implemented the purchase-limitation regulations.

Secondly, the average land prices and total revenues

from land-use rights transfer in 130 large and medium-sized cities decreased by 17% and 13%, respectively. It is interesting to note that the revenue from residential land contracted by 24%, and that for commercial and industrial uses actually increased by 21% and 34%, respectively. While land prices in Beijing, Shanghai, Guangzhou and Nanjing declined sharply by over 30%, some cities in the mid-western part of China, like Changsha, Xi'an and Chongqing, experienced dramatic surge in land price by 34% to 48%. The high incidence of aborted land auctions also implies that the many developers have lost confidence in the land and housing markets.

The central government has indicated at the 2011 Central Economic Working Conference that it will not slow down the implementation of cooling measures so as to maintain housing prices at a reasonable level. It is expected that in 2012, (i) both housing transactions and prices may continue to dip, particularly in some major cities. A JP Morgan Chase report released on 30 January 2012, predicting China's economic performance in 2012, states that housing prices will decrease by five per cent to 10% at the national level and 15% to 20% in certain major cities. However, a housing market crash is an unlikely scenario as the central government has the capacity to avoid crisis from happening; (ii) the significant decrease in revenues from land-use right transfers and taxes from real estate businesses will put huge pressure on local governments, which will probably introduce other measures such as property tax or government bonds; (iii) the built-up capital pressure under tight monetary policy and high housing stock may lead to the collapse of some property companies and restructuring of the real estate industry; (iv) the housing market downturn will benefit the industrial and commercial sectors (e.g., hotels and offices, etc.), which face less state intervention. This, together with the substantial ongoing construction of social housing during the 2010-2012 period, may to certain extent make up for the reduced contribution of the stagnant private housing development to China's GDP in 2012.

Overall, state intervention during the 2010-2011 period has effectively curbed the overheated housing market in major cities by imposing purchase limitations to discourage speculative activity and behaviour. However, from an economic perspective, strong administrative intervention such as purchase limitation should not be regarded as a pertinent long-term tool to regulate the housing market, one of the pillars of the property sector. Alternative solutions are thus needed. ■

Zhou Zhihua is Visiting Research Fellow at EAI

Social Management: China's New Struggle to Maintain Stability

To meet challenges caused by social changes and rising protests, the Chinese government has adopted a new strategy to maintain social stability and controlling the public: social management.

SHAN WEI

At a seminar on “Social Management and Its Innovation” held in February 2011 for provincial-minister-level officials at the Central Party School, Chinese President Hu Jintao, and Zhou Yongkang, head of intelligence and security services, unveiled a new strategy of maintaining social stability and public control: social management. A month thereafter, Premier Wen Jiabao in his government work report to the national congress emphasised that “we will strengthen government functions for conducting social management and providing public services.”

This new strategy is a reflection of the government's concern over domestic social problems and the fear of the contagion effects of the Jasmine Revolution. In a broader sense, social management policy is a reflection of the new challenges faced by the Chinese Communist Party (CCP) leaders due to the changing society and rising protests.

WHAT IS SOCIAL MANAGEMENT?

Social management involves several aspects of policy adjustments and new measures. First, improving people's livelihood. What makes the social management policy significantly different from the old “maintaining stability” system is that the new policy gives a crucial role to economic development, the first time Beijing combines economy with stability in an official statement. The basic assumption is that improved livelihood will reduce people's dissatisfaction and therefore their inclinations to protest.

Second, shifting from governing to service and management. Also, this new strategy develops new ways of governance rather than using conventional means such as suppression, directing, or disciplining. Public services become more important. The government is trying to develop and improve agencies that provide services for floating populations, mitigating civil disputes, providing residential community services and so forth. These agencies are expected to manage the society by serving and regulating the people.

Finally, administering sophisticated social control. In the centre of the social management system is still the state apparatus of maintaining stability – the security and police forces, or the Political and Legal System (政法系统). The primary task of social management is to keep the state's control of society and to maintain stability. Yet there are several new mechanisms of social control.

From government-centred to multiple centred. In the past social management in China is essentially administrative

management as the government is the only manager. As the Chinese society is getting more and more open and diverse, non-governmental organisations, non-profit organisations, voluntary organisations and private enterprises are increasingly involved in public issues. In this situation, it is reasonable to allow more players to manage the society and to give the government more leeway to coordinate different social strata, interests and organisations. Many local governments have outsourced their management functions to social organisations or even private companies.

From administrative means to various means. In the past the most common way of control was administrative commands from the government. Now there are various means to exercise control over the society. Economic cooption is becoming an important way to appease dissatisfied people and buy support. For instance, in November 2010, there was a fire in a high rise building in Shanghai. Official reported death toll was 58. A peace protest took place after ill-management and corruption were attributed as the causes of the accident. To prevent an escalation of the unrest, the government quickly promised almost one million *yuan* to each casualty and subsequently more in compensation for housing.

Prevention-centred. According to Zhou Yongkang, the emphasis is on “moving from suppression to prevention” (关口前移). The policy adopts two approaches. First, suppressing dissidents before they take any actions. The government maintains an iron fist on the dissidents. During the peak of the Jasmine Revolution in the Middle East, several local leading dissidents were arrested, including the famous artist Ai Weiwei. The second approach is “mind work” (思想工作) and this targets people who have the potential of holding “politically incorrect” ideas. For instance, in March 2011 Peking University introduced a “Student Consultation System” (重点学生学业会商制度), under which students with “radical ideas” will be required to receive counselling from university authorities. Many believe it is to blacklist radicals.

In March 2011 the Beijing municipal government kicked off a GPS system of citizen communication. Based on technology of tracking mobile phone signals, this system can position each mobile phone holder instantly on the municipal map.

GRIDIRON CONTROL SYSTEM

In 2004 Dongcheng District of Beijing established a three-level social management system: the district level social service and management control centre, subdistrict social service and management branches, and residential community social service and management work stations. With the aid of GPS technology, Dongcheng District is divided into 589 grids of 10 kilometres each. Each grid comes under

the purview of a seven-person management group.

The Chinese government is promoting the gridiron system at all prefecture level cities to localise social unrests which must be solved within the grid. The idea is for “minor issues to be solved by the village, major issues solved by the township, and tough issues left to the county.”

With the expansion of the gridiron system, the traditional self-governance communities have been replaced by the grids, playing as grass-roots cells of the party-state. This system helps the party-state to firmly control the grass-roots.

MANAGING SOCIAL ORGANISATIONS

In the past, all social organisations must have a relevant government bureau as their professional superior before they could register with the local civil affairs bureau. The stance has been relaxed for nonpolitical organisations such as industrial, welfare, charity and service-oriented organisations. Registration remains mandatory but the need for a professional superior has been waived. For organisations with political or religious purposes, the government retains strict control over their activities.

In the past, “governmental non-governmental organisations” (GNGOs) undertook the role of non-governmental organisation (NGOs). Now the authorities are de-governmentalising these GNGOs by withdrawing seconded civil servants from these organisations.

For some local governments such as Shenzhen, which have more ambitious initiatives, the social organisations are not required to have a supervising government body.

CONTROLLING AND GUIDING ONLINE PUBLIC OPINION

To guide online public opinions, the 50-cents army, the nickname for online commentators employed by governmental bureaus, universities and other state-owned institutions to participate in discussions in online forums, chatting rooms, microblogs, etc, has been deployed. In October 2004 the CCP committee of Changsha, Hunan Province began employing “online commentator” at a compensation of 50 cents per post. This is popularly accepted as the origin of the 50-cents army.

HIGH-TECH CONTROL

Advanced technology has been extensively introduced into the new system of social control. In March 2011 the Beijing municipal government kicked off a GPS system of citizen communication. Based on technology of tracking mobile phone signals, this system can position each mobile phone holder instantly on the municipal map. While the official explanation for such a system is to “track traffic flows and improve traffic management,” observers believe that this system can also be used to monitor any mass gathering, report collective protests immediately and identify participants based on their mobile phone identities.

Rapid social changes in China have posed a great deal of challenges to the CCP leaders. The new system of social management is an effort to deal with the problems without making substantial political reform. Whether this new system is able to deliver in the long run remains unclear. ■

Shan Wei is Research Fellow at EAI

continued from page 1

Health Reform in China, 2009 to 2012

that it has grasped the direction that China’s future health reform should head.

The social insurance programmes have indeed been expanded, whether in terms of total premium and subsidy revenues or in terms of the number of applications. The latest data suggest that by the end of 2011 over 95% of China’s population were covered by some form of social health insurance. However, for many residents, the insurance coverage remains relatively minimal, with reimbursement limited to certain drugs and services and low limits on total benefits. Moreover, there are few signs that managers of social insurance plans have become more aggressive in negotiating with hospitals about fees and other terms of services, as supporters of the decentralised market-oriented model had been hoping for. At the same time, large amounts of money have been spent on establishing the planned network of primary-care clinics, partly by refurbishing and staffing the existing community clinics and township health centres, which were little utilised in recent years. As laid out in the 2009 plans, these centres receive most of the funding directly from the state and provide health services at relatively low, regulated fees, in alignment with the recommendations of conservatives at the Ministry of Health.

The changes introduced to the pharmaceutical market and hospital financing, due to new government rules and regulations and not because of market-based competition, are particularly important. Restriction is imposed on the revenue-generating practice of hospitals profiting through high mark-up on the drugs dispensed to patients. More comprehensive regulations that limit the type of drugs allowed for prescription and regulate the price of drugs are in place to prevent malpractice. Moreover, the government has reformed the system of drug purchasing whereby the supply of drugs to hospitals comes from provincial government agencies instead of directly from the drug companies. The rationale is that government purchasing agencies can exert greater pressure on drug companies to offer reasonable price for bulk purchases, which may not be possible in a more decentralised competitive environment. New models of hospital reform are finally being tested in Shanghai and other places in China. While these models may have involved some degree of decentralisation from the state to municipal agencies, there are few signs that hospitals are given greater autonomy in the management of internal affairs, such as dealing with competition with other hospitals in healthcare delivery. Instead, the emphasis has been more on citywide planning and management of the hospital system than on strengthening incentives and competition among hospitals.

Health reform in China remains a work in progress, and whether the Chinese healthcare system will remain heavily regulated and government-managed or move towards the direction of market and competition will, as always, depend to a great extent on the intentions of the incoming leaders who are poised to take over in 2012. However, as for other areas

EAI Distinguished Public Lecture

Chinese Economic Growth: A Miracle or a Bubble?



From left: Prof John Wong and Prof Lawrence Lau

Professor Lawrence J. Lau, chairman of CIC International (Hong Kong) and Ralph and Claire Landau Professor of Economics at the Chinese University of Hong Kong, gave an enlightening lecture with a comprehensive coverage on the economic fundamentals of the Chinese economy to support his argument that Chinese economic growth is neither a miracle nor a bubble.

China opted for a “dual track” approach to implement its economic reform, introducing enterprise autonomy and free markets on the one hand, and continuing to enforce the existing central plan, on the other. No one is worse off in the dual-track approach because everyone—a commune, a township, an enterprise, a household and an individual—has the option of staying with the pre-reform arrangements, with identical rights and obligations. The Chinese government, at the same time, also tries to create new value and new winners. Chinese economic growth will slow down gradually but Professor Lau foresees that it has the potential to grow at an average annual growth rate of seven to eight percent for at least another two to three decades, given China’s strong economic fundamentals.

Professor Lau rationalises that China’s real GDP will approach US level by 2025, exceeding US\$20 trillion (in 2010 prices). China and the US will each account for about 15% of the world’s GDP. By 2025, China’s real GDP per capita will exceed US\$14,000 (in 2010 prices). Professor Lau maintains that China’s economic growth is definitely not a miracle as the Chinese economic development experience has been adopted and emulated by transition economies like Vietnam, Laos, Cambodia and North Korea. ■

continued from page 14

Health Reform in China, 2009-2012

of social policy, many important decisions in health policy are now being taken at the local level. It thus seems likely that over time, there will be more varieties of approaches that will be used in various provinces and cities, and opportunities for local decision-makers to adopt initiatives that have worked well elsewhere. If the new leadership continues to be driven by a spirit of pragmatism, as it seems likely to be so, successful local models will emerge and be allowed to promulgate regardless of ideology. ■

Ake Blomqvist is Adjunct Research Professor at Carleton University and Health Policy Scholar at the C.D. Howe Institute. Qian Jiwei is Research Associate at EAI

continued from page 6

China’s Environmental Non-governmental Organisations

remains concentrated among small groups of individuals. These ENGOs need to institutionalise their managerial structure and improve internal evaluation systems to promote administrative efficiency. As today’s environmental problems become more and more sophisticated, the solutions to these problems demand expertise in environmental engineering, chemistry, medical knowledge, biology, meteorology and other sciences. ■

Chen Gang is Research Fellow at EAI

continued from page 11

Fertility Trends, Policy Responses and Prospects in East Asia

Third, the work environment in the West is less stressful than in East Asia. Notwithstanding the fact that female workforce participation level in the West and East Asia are quite similar, East Asian workers tend to spend longer working hours at the workplace.

Remarkably, Japan has the highest TFR, in comparison to that in South Korea, Taiwan and Hong Kong. This correlates with the fact that post-materialistic orientations of people and emphasis on gender equality in fertility policies in Japan are closest to those in France and Sweden among the four East Asian places.

Japan has consistently maintained its focus on the country’s birth rate, whereas South Korea, Taiwan and Hong Kong recently began to commit greater efforts in formulating fertility policies in the 2000s. These efforts cover three main areas, namely leave arrangement for maternity, paternity and family care; childcare service provision; and cash allowance.

The success of these efforts will hinge on giving due consideration to the cultural aspects of fertility—such as the division of labour in childbearing responsibilities among individuals, markets and state—as well as, perhaps more importantly, the perceived importance of having babies in peoples’ life aspirations, instead of singularly focussing on the economic aspects during policy formulation process. ■

Kwong Kin Ming is Research Assistant at EAI

*INTERNATIONAL
CONFERENCE*

Some Highlights at EAI



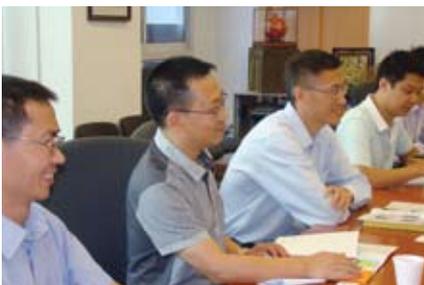
Above: At the conference on "East Asia: Outlook for 2012" organised by the East Asian Institute in February



At the "Second China-India-Singapore Dialogue on Higher Education: Models of Public and Private Higher Education" organised jointly by the Office of the Vice-President (University and Global Relations) and the East Asian Institute of the National University of Singapore



Above and below: EAI scholars in meetings with overseas delegates



CHINA'S HIGHER EDUCATION REFORM

Organised by
East Asian Institute, Singapore
and Western Returned Scholars
Association, China

21 APRIL 2012
Beijing, China



FORUM

CHINA'S FIVE-YEAR PROGRAMME

Organised by
East Asian Institute, Singapore

29 MAY 2012

FOR CONFERENCE DETAILS, CONTACT

JAMES TAN

TEL: (65) 6779 1037

EMAIL: EAITANJ@NUS.EDU.SG