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EDITORIALS

Olympic spirit lives on

THE LONDON OLYMPIC GAMES ENDED ON SUNDAY, but the moving scenes of athletes challenging their physical limits in the competition arena will live on in the memories of many spectators. And the Olympic spirit will inspire many to excel in their careers.

With the closing of the World's biggest sports gathering for another four years, athletes should bear in mind that the journey is more important than the destination. For all athletes, as long as they have tried their best, they deserve the respect of spectators. As long as they have tried to the best of their abilities to challenge themselves, they have honored the Olympic Spirit.

For spectators who have watched the competitions in the gymnasiums or stadiums or on TV, it is time to chew on what they have seen.

Applause for the outstanding performance of athletes, sighs of helplessness when their favorite competitors failed to grab a medal and even curses for the referees whose judgment was believed to be unjustifiable have suddenly become nothing but memories of passing moments that may not even leave a mark in the history of world sports.

But in watching such sporting events, we should take strength and inspiration not just from the fastest, strongest and highest, but also from the slowest, the weakest and the lowest, as those who never had any hope of getting a medal have dedicated themselves not to winning but to taking part.

Athletes have already achieved a great deal when they make progress in their training. Setting a new personal best is something worth celebrating.

Every one of us has a dream of our own. We all want our dream come true. But factors outside our control mean many of us will never realize our dream. Yet we may parallel what we have achieved in the process of getting our own dreams come true to what the athletes have experienced.

The participation of Oscar Pistorius, the South African runner, who has a double below-knee amputation and who runs on J-shaped carbon-fiber prosthetics, epitomized the Olympic spirit.

This spirit is why this sports event is important, and is where we should look for inspiration in our own lives.

Stable but slower growth

THE UNEXPECTED PLUNGE IN CHINA'S EXPORT and import growth in July has brought home the harsh reality that the ongoing global economic correction may go deeper than previously anticipated.

The country's exports rose just 1 percent year-on-year, which is in sharp contrast to June's 11.3 percent, according to the National Bureau of Statistics. Import growth also fell, to 4.7 percent from the previous month's 6.3 percent. Both figures fell short of market forecasts even though they had been prepared to embrace a slower growth in trade.

Such low export growth, the lowest since January and almost the worst since November 2009, has been hard for the market to swallow, and the lingering European financial crisis and China's domestic economic slowdown offer no grounds for optimism.

Europe is the main culprit for China's export growth slump this time. Shipments to the European Union dropped by more than 16 percent year-on-year as the continent's debt crisis lingers on.

The market is awaiting the outcome of gambits to save Greece from bankruptcy, which will occur in September. But even if Greece successfully passes through the current crisis, there are a lot more troubles for the EU to tackle. It is almost certain that the European economy will become trapped in deflation for a pretty long period of time.

Meanwhile, the US economy, which is in a better shape than Europe's, is recovering; but at a very slow pace.

Both are not good news for the Chinese economy, which still relies heavily on external demand. The reduction in foreign demand may be more serious than we anticipated.

What is making things worse is that data released last week indicate China is also encountering faltering domestic demand.

Monetary easing and fiscal support have often been adopted to offset economic weakening in the past. But China's massive stimulus measures three years ago have pumped too much liquidity into the economic system, leaving less room for it to adopt such measures this time.

It is highly possible, therefore, that the Chinese economy may stabilize, but grow at a slower pace in the coming years.

China played a major role in bolstering global growth in the wake of the global financial crisis. But now it may have to hold its guns, which is not good news for the crisis hit world economy.

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CHINA FORUM | XIAO GANG

Banks need new culture

Remuneration structures linked to short-term performance have created incentives for dishonesty and must be changed

There has been a lot of focus recently on a long and growing list of scandals involving some of the biggest global banks. Barclays has been in the spotlight for manipulating the London inter-bank offered rate and has been fined \$460 million by regulators in the United States and United Kingdom.

But Barclays is not alone, the list of other banks involved includes some of the best-known global banks, from Citigroup, JPMorgan Chase, and Deutsche Bank to HSBC, RBS and UBS.

In addition, JPMorgan Chase announced a fresh assessment of losses in the trading positions of its London-based unit, which have now been revised upward to \$5.8 billion. Meanwhile, HSBC faces the threat of being fined up to \$1 billion by the US authorities for allegations of laundering money and financing terrorists, and Standard Chartered has been accused by the US financial watchdog of violating anti-money laundering rules.

It is not surprising that the banking sector, already under attack in the midst of the global financial crisis, has been hit by a new wave of criticism. But most worryingly, trust and confidence in the financial system

have reached a record low.

Although there are many reasons why the banking sector collectively has perpetrated so many misdeeds and broken ethical norms, greed is one of the root causes. Therefore, to fix the banking sector requires reshaping its corporate culture.

The values of an organization are shaped by its corporate culture. Of course, any business aimed at maximizing shareholders' values must strive to make a profit, but the profit-making activities must be legal and morally acceptable. Experience shows that misbehavior in the banking sector often stems from the belief that only bonuses can reward people. Remuneration structures, often linked to short-term performance, have created incentives for dishonesty.

But as Greg Smith, who resigned as a Goldman Sachs executive director and head of the company's US equity derivatives business, wrote in an article, "Why I am leaving Goldman Sachs": "people who care only about making money will not sustain this firm — or the trust of its clients — for very much longer".

Leadership plays an important role in shaping the culture of a bank. Clearly, the "tone at the top" is a key factor influencing how a bank operates. Moreover, qualified leaders motivate subordinates to work

for the good of a bank, not just for themselves. In particular, executives of a bank should have a special responsibility to create an environment where people cannot do bad things. As Bob Diamond, Barclays' former chief executive, once declared, "the evidence of culture is how people behave when no one is watching".

Financial regulatory reforms will help banks change their culture. Imposing higher standards of capital adequacy and liquidity management can lower leverage ratios and increase loss-absorbing capabilities, thus reducing the appetite for taking risks and limiting profits in the banking system.

The scandals of the past months may have been a watershed in the US, which prohibits proprietary trading business in banks, to the Vickers Recommendations in the UK, which separate banks' retail business from their investment business, restrictive measures could force banks to be more transparent and change the incentives driving their behavior. It is important that banks stick to their core mission of supporting the real economy.

Regulators in Western countries should learn from their mistakes.



Chinese banks and regulators must seriously consider how to further promote a healthy corporate culture and enhance the sector's internal control mechanisms.

The Financial Service Authority in the United Kingdom has reportedly tracked the price-rigging back to 2005. In April 2008, a Barclays employee told an analyst at the Federal Reserve Bank of New York that the UK bank was deliberately manipulating LIBOR, which was then briefed to the Bank of England and the British Bankers' Association. But the regulators did not respond quickly and thus missed the opportunity to reform the system.

The effects of these scandals will stretch far beyond developed countries. Chinese banks and regulators must seriously consider how to further promote a healthy corporate culture and enhance the sector's internal control mechanisms.

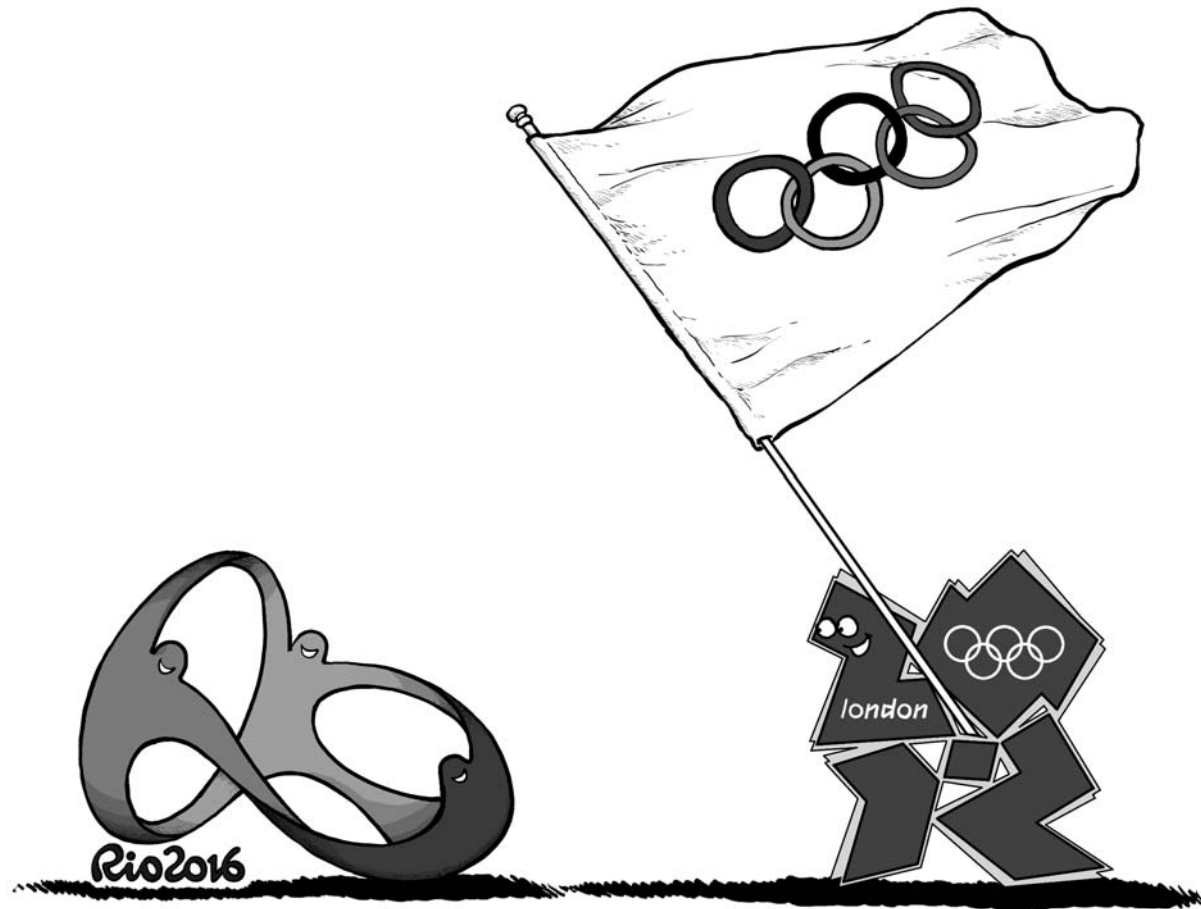
Usually, financial crises occur when what was thought to be low risk turns out to be very high risk. For this reason, the banking sector requires special regulation, because its failures have very big economic, political and social fallouts. In this respect, the nation's top bankers must be accountable and of high integrity, no matter how intensified the competition becomes.

It is understandable that the recent scandals have enraged the public. Nevertheless, it is useless to direct perpetual "blame and shame" at the banks. Instead, the focus should be on how to inspire and encourage banks to fulfill their responsibilities and redefine their culture.

The banking business involves risks and its corporate culture cannot be managed by outside regulation alone. It must be cultivated internally step by step.

The author is chairman of the Board of Directors of Bank of China.

PANG LI



HONG LIANG

Play catches conscience of kings

Among the many highly popular television drama series depicting palace intrigues one stands out, not only for its superb cinematography and beautiful locations, but also for its convincing plot and characterizations that are almost Shakespearean in context and substance.

The rebellious prince in *Mu Jia Feng Yun*, which literally translated means Tempest in the House of Mu, is a complex lead character in the Shakespearean mold, although he is eventually redeemed by the magnanimity of his nephew the king instead of falling on his own or his enemy's sword.

The plot revolves around the ruling Mu family in Lijiang, Yunnan province, during the Ming Dynasty (1368-1644). At that time the region was inhibited by various ethnic groups. The largest was the Naxi to which the Mu family belong, and although a vassal to the Ming court

the fictional Mu family rules with absolute power in the region.

The aging patriarch of the family has two sons. The peace-loving elder son, who is the heir apparent, is a devoted admirer of Han culture and a scholar of Han classics. His younger brother on the other hand is tempestuous and paranoid. Although he has gained control of the army, he lives in constant fear that his elder brother is plotting to kill him.

At the center of the seething family feud is a survivor of the ruling family of a tribe subjugated by the Naxi in a clan war. Masquerading as a lowly servant, this avenger gains the confidence of the younger Mu and uses his influence in the Mu's household to plot his revenge together with his young and beautiful niece.

What sets this drama series apart from the many others in this genre that cropped up over the past few years is that the villains' dark tricks

are foiled by their own consciences and the forgiveness of their intended victims, rather than counter-plots that are even more ruthless and deadly than theirs. Though blinded by jealousy and greed for power, the younger Mu prince has resisted time and again the outright murdering of his elder brother and his only son, who eventually ascends to the throne.

His conscience denies viewers the drama of a classic tragic hero led by fate into a trail of bloody crimes until the end when only death can release him from the grip of evil or remorse. But, of course, tragic heroes in the form of either brutal Macbeth or gentle Brutus in *Julius Caesar* are alien to the Chinese culture. Similar characters in Chinese legends are all branded as murderers and traitors deserving no respect or sympathy whatsoever.

In this series the belligerent prince is pardoned by his nephew and sup-

posedly lives out the rest of his life in peace and harmony. The evil avenger's niece, who was a princess of the fallen clan, rises above her personal vendetta to become the loyal and loving wife of the young king.

I was most impressed by the performance of the lead actress playing the princess torn by love for her enemy's grandson and her vow to avenge her parents' demise.

This moving story is set against the exotic scenery of one of China's most enchanting regions of green hills and gentle rivers. Much attention has been given to ensure the elaborate costumes of the different ethnic groups from the intricate headdresses to the unusually designed footwear, are historically authentic.

The plea for ethnic harmony may seem cliché. But the plot and fine acting succeed in making it convincing. Watch it, and I am sure you'll be impressed too.