COMMENT

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Insurance reform boosts social welfare

Transfer of SOE assets is to bridge shortfall in pension funds, ease financial burden of an aging population

By ZHENG BINGWEN

The State Council, China's cabinet, recently decided to transfer 10 percent equity shares of State-owned enterprises and financial institutions to the National Council for Social Security Fund (NCSSF). A pilot program for such transfers will be launched in some central SOEs by the end of this year and gradually extended to other SOEs.

Under certain circumstances, the NCSSF could establish a pension fund management company to independently use the transferred assets. The council can receive only equities and earn dividends on them but cannot take part in the management of the SOEs or financial institutions concerned.

This is the third round of reform aimed at transferring SOEs' assets to the NCSSF since 2001, when the central government first decided to reduce its holdings in SOEs to raise funds for the NCSSF. The second round of reform was launched in 2009.

But the reform this time is bigger, because the first two rounds of share transfers related only to partial IPO shares or additional shares.

The central government has transferred the shares of SOEs and financial institutions to the NCSSF several times to narrow the widening gap between the social security fund and increasing financial pressure in recent years due to the aging population.

For instance, in 2014, the nationwide premium for urban employees' basic pension insurance was 2.04 trillion yuan ($308.5 billion), whereas the old-age pension was 2.18 trillion yuan.

In 2015, the annual overall premium increased to 2.3 trillion yuan, but the pension amount increased to 2.58 trillion yuan. And last year, the annual overall premium rose to 2.68 trillion yuan, but the pension amount soared to 3.19 trillion yuan.

In the past three years, the growth rates of national pension insurance premium were much lower than those of old-age pension, indicating an ever-increasing fiscal subsidy for pension.

Established in 1997, China's basic pension insurance system for urban employees is different from that of Western countries, which was implemented after World War II, because in China it is used to pay old-age pension to retired employees, most of whom did not pay any pension insurance premium before.

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In some countries, such as the United States and Canada, the basic old-age pension insurance fund did not have to bear the historical burden like China does.

The recent document issued by the State Council said the purpose of transferring State-owned assets in this round of reform is to bridge the gap in pension funds, in order to ensure equality between different generations of employees.

The transfer of State-owned assets to the NCSSF will help reduce the financial and premium burden on those paying pension insurance premium today.

The current amount of State-owned capital is 147 trillion yuan. If we deduct the assets of some special SOEs, State-owned institutions such as public welfare-oriented enterprises and noncommercial financial institutions from the overall State-owned assets, the estimated State-owned assets transferred to the NCSSF are likely to reach 10 trillion yuan.

And the dividend large-scale State-owned shares earn can basically offset the gap between annual pension insurance premium and old-age pension expenditure.

The reform, however, faces many challenges. For instance, SOEs should take the asset transfer into consideration before making any significant changes such as those related to shareholding, restructuring and listing in the market.

Moreover, it is important to establish a reasonable dividend mechanism, and the shares transferred to the NCSSF should be managed independently, which requires specific regulation on State-owned asset management and collection.

When the nationwide pension insurance system is unified, the relationship between the central and local governments in terms of financial and administrative powers should be further coordinated and regulated.

Transferring State-owned shares to the NCSSF is a significant part of supply-side structural reform, which reflects the new idea, new thought and new strategy of the Communist Party of China Central Committee, with Xi Jinping as the core, for national governance. It will benefit the people and enhance their sense of gain, laying a solid social foundation for promoting socialism with Chinese characteristics in the new era.

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Australia takes diplomatic misstep

Canberra keeps a Washington-centric foreign policy while its suspicions about Beijing damage bilateral ties

By HAN FENG

It is a pity that Australia's diplomacy is still based on ideology and focused on the United States even after decades of cooperation and commercial exchanges with China.

That Canberra is biased against Beijing was evident when reports by Fairfax Media and the Australian Broadcasting Corporation were used to whip up anti-China backlash in June, which, in a way, culminated on Dec 5 with Australian Prime Minister Malcolm Turnbull explaining the need to ban foreign interference in domestic politics on "disturbing reports about Chinese influence".

The media organizations have used unsupported claims as facts in their reports to accuse China of prompting Australian businesspeople of Chinese origin to donate funds to Australian political parties in order to influence the country's political system.

Before that, the Australian government issued the 2017 Foreign Policy White Paper on Nov 23, emphasizing the importance of consolidating its alliance with the US, and embracing the "Indo-Pacific" project and West-led world order.

Given the mutual interests of Australia and the US in areas such as politics, economy, military and culture, and the fact that the Canberra-Washington alliance remains the bedrock of Australia's national security, it is understandable that Canberra wants to strengthen the US-Australia alliance. But does Australia have to use China as a scapegoat in an attempt to consolidate its alliance with the US?

Besides, at a time when Washington is losing its clout in regions across the world, and US President Donald Trump is bent on shirking his global responsibilities — thanks to his America First strategy — it is uncertain what Australia stands to gain by sticking to its US-centric foreign policy.

One of the first acts of Trump as US president was to pull out of the Trans-Pacific Partnership agreement. His predecessor Barack Obama had worked tirelessly to push its implementation, so that the US could call the shots in regional trade and TPP members, including Australia but excluding China, would benefit from it. Despite such moves by Trump hurting its allies, does Canberra still expect to benefit from its trade ties with the US?

As Australia's is an open economy, it can better protect its interests from the changing winds of international relations and trade by building more multilateral relations.

Australia and China established diplomatic relations in 1972, and their diplomatic and economic ties have advanced with the times since then. For instance, the two countries formed a comprehensive strategic partnership in 2014.

Moreover, China has been Australia's largest trade partner since 2009. Also, China is one of the biggest foreign investors in Australia and a leading contributor to the country's education and tourism sectors. And after the China-Australia Free Trade Agreement came into effect in 2015, China has been playing a vital role in Australia's economic transformation.

Australia realizes the importance of Beijing-Canberra relations. But because of China's ideological difference with Australia and its ally the US, which also regards Beijing as a rival and has been using different ploys to contain China's peaceful rise, Australia still views China with an element of suspicion.

This suspicious attitude is hurting bilateral ties. It is time Australia acknowledged that China has been promoting communication and cooperation with the rest of the world not only to benefit from the resulting economic exchanges, but also to fulfill its responsibility as a member of the international community.

Australia stands to gain by widening its outlook and striking the right balance between its relations with the US and China.

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