APEC realigns priorities

This week's APEC Leaders Meeting in Bali could mark a turning point as to whether the 21-member states organization remains relevant to its members. We therefore fully agree with the view of the Pacific Economic Cooperation Council (PECC) that APEC should focus its attention on only those few specific goals most strategic to the interests of its members.

As PECC co-chair Jusuf Wanandi observed last week, the 24-year-old APEC acutely lacks focus as the organization tends to work simultaneously on so many issues and tries to resolve virtually all development problems.

We think APEC should realign its priorities to focus on the most strategic aspects of its top priority goals: trade and investment liberalization, sustainable and inclusive growth, connectivity in its broadest sense and strengthening the World Trade Organization (WTO)-based multilateral trading system.

Achievements in these areas could become confidence-building bricks to strengthen the role of APEC as a regional institution and as a diplomatic instrument able to mitigate differences between its members as well as an effective forum where different values compete and are played out.

As the host and chair of APEC, Indonesia, despite the absence of US President Barack Obama in the summit due his budget crisis, should exert its leadership and make APEC leaders focus their attention on those important areas.

Trade, investment, sustainable development, connectivity and the multilateral trading system are interrelated. Investment usually follows trade, but trade is virtually impossible without physical and institutional connectivity, which in turn requires basic infrastructure and the removal of non-trade barriers related to customs clearance and quality standards.

Further down the line, good connectivity facilitates superbly efficient supply-chain management. All these things are classified by the Geneva-based WTO into trade facilitation programs.

Various studies, including by the World Bank, have concluded that investment in trade facilitation, such as improvements in customs and ports, significantly increase trade, thereby boosting growth and creating new opportunities for poor people to improve their lives.

The benefits of trade facilitation will be greater still if rich countries act to remove barriers to trade and open their markets to developing countries' exports.

APEC's strong commitment to a multilateral trading system is also quite strategic for a stable global economic condition. APEC leaders should reaffirm their collective and individual commitments to concluding an ambitious and balanced Doha agreement by breaking the current deadlock.

Indonesia's leadership is again on call here as the host of the upcoming WTO ministerial conference in Bali in December. The multilateral talks have floundered for almost 12 years over some sensitive issues.

A united APEC stance is still a force to be reckoned with, putting it in a position not to be ignored. APEC includes seven of the world's 13 largest economies, represents more than a third of the world's population, constitutes 60 percent of the global economy and more than half of the world's trade.

APEC truly has a big role to play in helping unblock global trade talks as a way of achieving the grouping's free trade goals.

Other opinions

Compromise to solve budget standoff

Due to the showdown between the Republicans and Democrats in the US Congress, the budget for the 2014 fiscal year that begins on Oct. 1 has failed to pass into law, suspending some US federal government functions.

Worrisome is the possibility that the showdown between Republicans and Democrats in Congress may also have an adverse impact on the issue of raising the federal debt limit, the deadline for which is Oct. 17. The debt of the federal government has nearly reached the US$16.7 trillion limit set by law.

If the Republicans and Democrats in Congress do not agree on an extension of the debt ceiling, the federal government will be unable to issue additional government bonds, while making it ever more likely for an unprecedented default on US debt to occur.

The US economy is only halfway to making a full-fledged recovery. We need to keep an eye on whether the political paralysis in the United States will throw cold water on the incipient economic recovery, having adverse impacts on the Japanese and even the global economy.

Both the Republicans and Democrats in Congress should be held accountable for this latest development. By exploring a compromise, they must prevent the current confusion from expanding further.

— Yomiuri Shimbun, Tokyo

Silvio Berlusconi undone

Silvio Berlusconi's two-decade-long spell over Italian politics seems to have finally broken this week. His attempt to bring down Prime Minister Enrico Letta's coalition government by withdrawing his party's support collapsed when many of Berlusconi's closest political allies refused to go along.

Their decision to put Italy's stability, and their own political interest, ahead of the machinations of Berlusconi — who faces a year's house arrest, expulsion from the senate and a ban on running for office for his recent tax-fraud conviction — is the most encouraging political development Italy has seen in years. Neither Letta's survival nor Berlusconi's eclipse, however, are enough to assure the deeper changes the country needs.

Italy will have to help itself. It needs to rationalize and recapitalize its wobbly banks to get more credit flowing to businesses and consumers. It needs to reform its electoral laws to weaken party bosses and deliver governing majorities to top vote-getters. It needs to end overly restrictive commercial regulations and create a fairer tax system less prone to evasion and less burdensome for wage-earners, small businesses and family homeowners.

— The New York Times, New York

The Coral Triangle — a new geography for a new age

Nazir Foead
JAKARTA

The Asia-Pacific Economic Cooperation (APEC) Summit in Bali has gathered together an impressive selection of world leaders coming together to enhance economic collaboration around sustainable and equitable development.

This is to meet the needs of those increasingly affected by the impact of climate change, loss of biodiversity and dwindling natural resources. The location for these critical deliberations illustrates the beauty and challenges that surround these intentions, as Bali sits at the base of the Coral Triangle region.

The Coral Triangle spans the seas of Indonesia, Malaysia, Papua New Guinea, the Philippines, the Solomon Islands and Timor-Leste — known collectively as the CT6.

Home to 75 percent of all known coral species and more than 3,000 species of reef fish and commercially valuable species such as tuna and sharks, the Coral Triangle is the world's center of marine life. The confluence of the Pacific and Indian oceans and the South China Sea channels an exchange of nutrients that are vital to the Coral Triangle's economic wealth — its abundant fisheries.

In 2007, the combined value of fisheries and aquaculture in the CT6 was estimated at US$11.7 billion and contributed 1.2 to the 6.8 percent of the six countries' gross domestic product (GDP).

The live reef fish trade alone has an estimated value of more than $1 billion annually. The Coral Triangle also hosts four highly valued tuna species: blue fin, yellow fin, big-eye and skipjack, with waters producing approximately 40 percent of the world's tuna market.

The region's spectacular coral reefs and sandy beaches provide an ideal habitat for sea turtle nesting as well as tourism — an asset worth over $12 billion annually. Meanwhile, research indicates that the region's marine organisms could provide cures for some serious diseases.

A recent Asia Development Bank (ADB) report estimates that some 4.9 million people work as fishermen across the CT6 countries. Between 2007 and 2009, seafood constituted approximately 20 percent of the animal protein consumed in Coral Triangle countries.

As fish comprise a higher percentage of protein for poorer people and with the population of the Pacific islands expected to increase by 50 percent by 2030, more fish will be needed.

Aquaculture is playing an increasingly important role and now accounts for some 13 percent of food fish production in the Coral Triangle. In Indonesia, production from aquaculture has increased 14-fold in just seven years. Aquaculture is also creating jobs across the region, and in Malaysia, women make up approximately 10 percent of the aquaculture workforce.

Unfortunately, the Coral Triangle's coastal ecosystems are among the most threatened in the world. Overfishing, destructive fishing, pollution and impacts from ill-planned development, unsustainable tourism and climate change are taking a heavy toll.

Currently, only 2 to 5 percent of Coral Triangle waters are protected and even where marine protected areas exist, rules are often not enforced. Left unchecked, reefs will become rubble that will no longer sustain fish or coastal communities, attract tourists, or protect coastlines and coastal infrastructure. Cures for diseases may be destroyed before they are even discovered.

Addressing these threats across such a large area requires a high level of leadership with new approaches for sustainability, equitable economic development, job and food security.

In 2007, CT6 leaders boldly began creating a common platform for the sustainable management of marine resources, and in 2009, the Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security (CTI-CFF) was launched.

The CTI-CFF Regional Plan of Action together with the National Plans of Action provide an effective platform for regional collaboration and national delivery of marine commitments made through various multilateral agreements including the UN Convention on Biological Diversity and the UN Conference on Sustainable Development.

The "Blue Economy" recognizes the ocean-related links between the private sector and sustainability. Responsible public private partnerships are needed in the seafood sector to redirect investments toward sustainability.

Through the CTI-CFF, governments have developed commonalities to derive more sustainable fisheries both for their populations and for exports. Recognizing that government policy changes alone are not enough to sustain fisheries and associated livelihoods, the CTI-CFF began organizing an annual Coral Triangle Regional Business Forum.

Over the last three years, these events have helped pave the way for multi-sector partnerships that cultivate sustainable growth across the region. Fishing companies, seafood retailers, financial institutions and tourism operators have publicly announced concrete steps to reduce their impact on the marine environment by adopting responsible business practices at this forum.

Climate change — rising sea levels, increased sea temperatures, acidification and storm frequency — is the greatest threat facing Coral Triangle countries.

To help communities across the region prepare and adapt to climate change, CTI-CFF experts have developed the Regional Early Action Plan (REAP) and the Local Early Action Plan (LEAP), two resources that set forth urgent and immediate actions that need to be taken across the Coral Triangle to address climate change impacts.

Addressing issues of poverty, biodiversity and climate change requires the adoption of innovative approaches based on ecosystem goods and services, an understanding of the links between poverty, environmental degradation, economic incentives and conservation behavior and conditions that will improve collaboration for resource management.

While incentives such as the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certification may resonate in US and European markets, they are not as successful in the Coral Triangle where the majority of production is destined for domestic markets and consumer choice is largely influenced by price and availability.

There are currently too few incentives for industries and communities to sustainably source seafood. The CT6 are adopting policies and working with industry to develop and instill tools and practices that will ensure sustainability and ideally, eventually leading to certification.

In the tourist sector, certification programs are becoming valuable business assets, rewarding operations exhibiting better practices, differentiating them from those that are less environmentally sound, and providing consumers with a means to identify businesses they wish to support. A program in Bali is working to reduce energy use in large hotels with simple and affordable technology.

There are already a wealth of technical solutions and knowledge across the Coral Triangle that address unsustainable use and move toward a "green/blue economy" that will allow us to live within the limits of our planet.

We need strong leadership, initiative and vision to secure a sustainable future for future generations. The CTI-CFF provides a significant platform for getting us there. Ratification of the CTI-CFF by its member governments is key to illustrating to the people of the CT region and international community that these countries are serious about ensuring economic development stays within the limits of what already degraded oceans can provide, and that they are also serious about restoring and protecting the health of our ocean ecosystems.

APEC leaders are expected to take a long-term view of international collaboration for economic development.

The writer is conservation director of the Worldwide Fund for Nature (WWF) Indonesia.

Trade deals must allow for regulating finance

Kevin P. Gallagher
THE GLOBALIST/WASHINGTON DC

World leaders who are gathering for the Asia-Pacific Economic Cooperation (APEC) summit in Bali, Indonesia this week had hoped to be signing the Trans-Pacific Partnership Agreement (TPP). The pact would bring together key Pacific Rim countries into a trading bloc that the United States hopes could counter China's growing influence in the region.

But talks remain stalled. Among other sticking points, the United States is insisting that its TPP trading partners dismantle regulations for cross-border finance. Many TPP nations will have none of it — and for good reason.

Not only does the United States stand on the wrong side of experience and economic theory. It is also is pursuing a policy that runs counter to the guidelines issued by the International Monetary Fund. That is especially noteworthy, as the IMF used to be considered the handmaiden of the US government in such matters for quite a few decades. Unfortunately, its newfound independence and insight has not yet rubbed off on the US government.

That surprising development aside, the US government could learn a few lessons from the TPP countries when it comes to overseeing cross-border finance.

As shown in a new report that I co-authored with Katherine Soverel, Ricardo French-Davis and Mah-Hui Lim, TPP nations such as Chile and Malaysia — one in the Americas, one in Asia — successfully regulated cross-border finance in the 1990s to prevent and mitigate severe financial crises.

Their experience proved critical in the wake of the 2008 financial crisis, when a global rethink got underway urgently regarding the extent to which cross-border financial flows should be regulated.

Many nations, including Brazil and South Korea, have built on the example of Chile and Malaysia and have re-regulated cross-border finance through instruments such as taxes on short-term debt and foreign exchange derivative regulations.

It is only prudent that, after the global financial disaster of 2008, emerging market nations now want to avail themselves of as many tools as possible to protect themselves from future crises.

> Emerging market countries should refrain from taking on new trade and investment commitments.

New research in economic theory justifies this. Economists at the Peterson Institute for International Economics and Johns Hopkins University have demonstrated how cross-border financial flows generate problems because investors and borrowers do not know (or ignore) the effects their financial decisions have on the financial stability of a particular nation.

In particular, foreign investors may well tip a nation into financial difficulties — and even a crisis. Given that constant source of risk, regulating cross-border finance can correct for this market failure and also make markets work more efficiently.

This is a key reason why the IMF completely rethought its earlier position on the crucial issue of capital flows. The IMF now recognizes that capital flows bring risk — particularly in the form of capital inflow surges and sudden stops — that can cause a great deal of financial instability. Under such conditions, the IMF will now recommend the use of cross-border financial regulations to avoid such instability.

I observed this entire process up close when I led a Boston University >task force that examined the risks of capital flows between developed and developing nations. Our main focus was on examining the extent to which the regulation of cross-border finance was compatible with many of the trade and investment treaties across the globe.

Our task force consisted of former and current central bank officials, IMF and WTO staff, members of the Chinese Academy of Social Sciences, scholars and other members of civil society. In a report published this year, we found that US trade and investment treaties were the ones least compatible with new thinking and policy on regulating global finance.

US treaties, however, still mandate that all forms of finance move across borders freely and without delay, even though that was a key component in triggering the last big crisis. And it gets worse.

Deals such as the TPP also would allow private investors to directly file claims against governments that regulate them. This is a significant departure from a WTO-like system where nation-states (i.e., the regulators) decide whether claims are brought.

Therefore, under the so-called investor-state dispute settlement procedure, a few financial firms would have the power to sue others for the costs of financial instability to the broader public which these firms were instrumental in creating in the first place.

Can there be a more pernicious way to deal with these issues? It seems like a repeat of the classic mantra "Heads, I win; tails, you lose."

Such provisions also fly in the face of recommendations on investment from a group of more than 250 US and globally renowned economists in 2011. In 2012, the IMF decided to embrace this new thinking, saying, "These agreements in many cases do not provide appropriate safeguards or proper sequencing of liberalization, and could thus benefit from reform to include these protections."

If even a traditionally conservative institution like the IMF can get its head around these new realities, why can't the US government do the same?

Until Washington sees more clearly the connection between the problems carelessly created by financial firms that are often headquartered in the United States and what their actions mean for the economic and social fate of hundreds of millions of people, there can be only one logical consequence. Emerging market countries should refrain from taking on new trade and investment commitments unless they properly safeguard the use of cross-border financial regulations.

Leaked text of the TPP reveals that Chile and other nations have proposed language that could provide such safeguards. If US government really intends to establish a trans-Pacific partnership (sic!), then it should work with those two nations to devise an approach that gives all of the potential TPP member nations the tools they need to prevent and mitigate financial crises.

The writer, a regular contributor to The Globalist and associate professor of international relations at Boston University, is part of the Ford Foundation's project Reforming Global Financial Governance.

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