As navies battle the scourge of hijackings in the Indian Ocean, Beijing has been slow to join in, writes **Michael Richardson**

The piracy challenge

Mainland media recently showed some harrowing pictures of Somali pirates holding the crew of a hijacked Chinese fishing trawler at gunpoint. The captives sat on deck with heads bowed in the sweltering sun. The photographs were taken by a US warship as the trawler headed through the Indian Ocean towards the coast of Somalia, where it was later anchored.

If the previous pattern of pirate operations is followed, the owners of the Tian Yu 8, of state-owned Tianjin Ocean Fishing Corp, will have to negotiate the freedom of the 25 crewmen, 17 of whom are Chinese nationals, by paying a big ransom. The US Navy says there have been at least 95 pirate attacks reported so far this year in the Gulf of Aden and surrounding waters, with 39 of them resulting in the capture of vessels.

Close to 20 of these ships are still held, along with their crews, including a Hong Kong-registered freighter, the Delight. It was seized in the Gulf of Aden on November 11, three days before the Tian Yu 8 was captured. Another cargo ship from Hong Kong, seized by Somali pirates in September, was released last month.

In response to this outbreak of maritime crime and the threat to international shipping off the Horn of Africa, the US, Europe, Russia, India, Pakistan and Turkey have sent warships to patrol waters in the region and protect shipping. At least 14 warships are in the area. The European Union is about to deploy a naval force of up to six ships at a time, supported by maritime patrol aircraft.

India is planning to increase its contribution by sending several of its most modern warships at a time. Japan and South Korea are also seeking parliamentary approval to make anti-piracy deployments.

Meanwhile, the UN Security Council is discussing proposals to give foreign navies a more robust mandate to counter Somali pirates.

Where is China in all this activity? Of the five permanent members of the Security Council, only China has yet to announce the dispatch of its navy to the scene. A Foreign Ministry spokesman was quoted as saying after the seizure of the Tian Yu 8 that Beijing condemned all pirate actions and was willing to combat piracy provided Somalia's government agreed.

Will Beijing seize this opportunity to start sending the People's Liberation Army Navy on routine deployments into the Indian Ocean? Many analysts predict this will happen anyway as China's naval power grows, and the need to protect its sea trade with the Middle East and Africa increases.

> The longer Beijing hesitates ... the more its Asian rivals – India and Japan – can consolidate their activity

More than half of China's vital oil supplies are imported, and about 75 per cent of them come from the Middle East and Africa. China's commercial interests in Africa and the Middle East are increasing rapidly and its fishing trawlers already roam through the Indian Ocean and into the Atlantic. The longer Beijing hesitates before establishing an Indian Ocean naval presence, the more its Asian rivals – India and Japan – can consolidate their activity in the region.

According to the US Defence Department, China has Asia's largest naval force of destroyers, frigates, submarines and amphibious warfare ships. Since 2000, China has built at least 60 warships and the PLA Navy now has 860 vessels.

However, Beijing seems to be proceeding cautiously, for both operational and geopolitical reasons. Unlike India, China is far from the Indian Ocean. To get there, it has to send warships through Southeast Asian waters and past India – a deployment that would be widely noticed and not necessarily welcomed in the region.

Beijing is not yet used to working in international naval coalitions. In patrolling off the Horn of Africa, it would need to have access to its own replenishment ships or to local ports.

China's ability to project and sustain naval power over long distances remains limited. The Pentagon's latest assessment of China's armed forces published this year says Beijing is neither capable of using military power to secure its foreign energy investments nor of defending critical sea lanes against disruption.

If this assessment is correct, Beijing will probably avoid entanglement in anti-piracy patrols off the Horn of Africa and wait until it can more easily sustain global deployments before entering the Indian Ocean on a regular basis.

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Ian Holliday

A hub with heart

The Clinton Global Initiative meets outside America for the first time this week with the Hong Kong launch of CGI Asia. Adopting the successful format of annual meetings in New York, former US president Bill Clinton will challenge regional leaders to find creative solutions to contemporary problems. During two days of panel discussions and working sessions, the spotlight will fall on education, energy and climate change, and public health.

While CGI Asia is an important platform for regional debate and analysis, it is also an occasion for Hong Kong to consider why and how it promotes itself as Asia's "world city". Seven years on from its launch at the Fortune Global Forum in Hong Kong in 2001, Brand Hong Kong is now subject to review. A fresh vision of Asia's world city will be unveiled at the Shanghai World Expo in 2010.

To date, the Hong Kong brand has been defined by the city's core values and attributes. The positioning platform emphasises opportunity, creativity and entrepreneurship. Clearly, there is little to quarrel with here. Equally, however, there is little sense of how the city can provide leadership across Asia.

Furthermore, although its financial and commercial sectors have long been key regional leaders, Hong Kong has rarely been a pioneer in wider social spheres. For sure, the city is very good at responding to emergencies like the Sichuan (四川) earthquake in May. But its track record in leading lasting social change across Asia is less distinguished.

This is where Hong Kong can profit from hosting CGI Asia. Central to the CGI philosophy is a determination to deliver change. Every participant at every meeting must make a "Commitment to Action" – "a new, specific, and measurable initiative that addresses a social, economic, or environmental problem". Since its inception in 2005, CGI has amassed hundreds of commitments.

> Hong Kong can become a hub not simply for commerce and finance, but for social development

For Hong Kong to measure up as Asia's world city, it must make the CGI philosophy central to its identity. Stimulated by government, but also reaching out to the business and non-profit sectors, it must show it can take the lead in devising practical solutions to diverse social problems. Only in this way can it become a regional hub not simply for commerce and finance, but for social development.

Moreover, at this time of economic crisis and gloomy job prospects, Hong Kong has an ideal opportunity to make better use of the extensive skills and talents of its young people. Hong Kong is now providing more education for more young people than ever. Yet many university graduates will fail next year to find work to match their abilities.

Teach for All, an initiative launched at CGI's annual meeting last year, offers one exciting way forward. Since 1990, Teach for America has recruited recent college graduates and professionals to teach for two years in urban and rural public schools across America. It is now so prestigious that 2005 saw 12 per cent of Yale's graduating class apply. At CGI in September last year, Teach for America went global.

Teach for All is precisely the kind of opportunity Hong Kong must seize if it is truly to be Asia's world city. Already, social leaders in India have created Teach for India. Hong Kong can reach still higher by creating Teach for Asia, and recruiting recent graduates from universities across the city to teach for two years in public schools throughout the region.

Hong Kong graduates speak excellent Chinese and English. They are educated to exacting global standards. Their talents should be deployed both for social advance across Asia and for real personal growth among our future leaders.

Hong Kong has a good claim to be Asia's world city. But to give substance to the vision, it needs to lead social development on a broad scale. That requires more than a relaunch of Brand Hong Kong. It also demands active social projects that deliver measurable gain. Teach for Asia, supported by a coalition of government, business and social actors, can be an important step.

Professor Ian Holliday is dean of social sciences at the University of Hong Kong

Other Voices

Don't overplay the importance of terrorism

Gwynne Dyer

The latest US National Intelligence Council report on global trends predicts that the terrorist organisation al-Qaeda "may decay sooner" than many experts expect because of its "unachievable strategic objectives, inability to attract broad-based support and self-destructive actions".

Hot on the report's heels came the terrorist attacks in Mumbai last week, which killed more than 190 people. Is the National Intelligence Council wrong?

Not at all. There is no evidence that al-Qaeda had anything to do with the attacks in India's financial capital, nor does it seem very likely. Besides, this event will be forgotten within a year by everyone who was not actually there – as it should be.

Fifteen years ago, there was a much worse attack in Mumbai. Thirteen bombs exploded all across the city, killing 257 people and injuring 713 others. Although the September 11, 2001, atrocity in the US has come to overshadow all other terrorist attacks in terms of loss of life, the Mumbai bombings of 1993 remain the third-worst incident in the history of terrorism. Yet who remembers them today?

I do, because I was in the city with a film crew at the time, and they barely escaped with their lives. The stock exchange was bombed only 20 minutes after they finished filming there. For hours afterwards, the city centre's streets were full of people who had evacuated their offices, and I still recall how calm and disciplined they were.

I was in central London during the 2005 bombings that killed 52 people, and the mood was the same. Given a story like this, the media will always try to depict it as the apocalypse, but the general public didn't buy it. The attacks were a tragedy for a few hundred people and an enormous nuisance for hundreds of thousands of others, but they didn't change anything important. How could they?

Terrorism is only as important as you let it be. The perpetrators, whatever their goals, are by definition few, weak and marginal. If they were many, strong and central, they would be a major political force or a government, and they wouldn't need to resort to terrorism.

All good anti-terrorist strategies deny the terrorists the status of a legitimate enemy. Maybe you have to get the army's help occasionally when the police are overstretched, but dealing with terrorists should remain primarily the job of the police and the ordinary courts. Don't pass any special laws, and never set up special courts and detainment camps. The terrorists are marginal; keep them that way.

The response of the Bush administration to the 9/11 attacks, by contrast, provides a horrible example of the cost of overreaction.

For seven years, George W. Bush served as al-Qaeda's most valuable (though unwitting) ally. The fact that it is still in decline despite having him in charge of US foreign policy is proof of what a marginal outfit it is. As the National Intelligence Council said, its strategic goals are unrealistic, and its actions are so brutal that they alienate most of the people whose support it wants.

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A new capitalism with less focus on finance

Michel Rocard

When the heads of state of the world's 20 largest economies come together at short notice, as they just did in Washington, it is clear how serious the current global crisis is. They did not decide much, except to call for improved monitoring and regulation of financial flows. More importantly, they committed themselves to launching a lasting process to reform the world's financial system.

Of course, those who dreamed of a Bretton Woods II were disappointed. But the original Bretton Woods framework was not built in a day; indeed, the 1944 conference was preceded by 2½ years of preparatory negotiations. The recent G20 summit occurred with virtually no real preliminary work.

Three tasks must now be addressed. First, a floor must be put under the international financial system to stop its collapse. Second, new regulations are needed once the system revives because, if it remains the same way it will only produce new crises.

The third task is to focus on real economic activity, end the recession, sustain growth and, above all, reform the capitalist system to make it less dependent on finance. Long-term investments, not short-term profits, and productive work, rather than paper gains, need to be supported.

The first task is already being tackled. But, although the US and some European countries have gone a long way towards restoring the lending capacity of banks, that may not be enough.

After all, if the economy is to grow again, banks need borrowers, but the recession has led entrepreneurs to cut their investments.

The second task remains open. Disagreements about how to reregulate the financial markets are deep, owing to countless taboos and the huge interests at stake.

The essential problem in addressing the third task is to find out precisely what is going on in the real economy. Some nations (Iceland and Hungary) are clearly bankrupt. Some merely face a hazardous financial situation (Denmark, Spain, and others). Their financial crisis is the main reason for their weakness.

> Today's recession will be a long one, but it will compel everyone to consider its root causes

All of these problems are so difficult to resolve because they have been festering for so long. It is now increasingly evident that today's crisis has its roots in February 1971, when US president Richard Nixon decided to break the link between the US dollar and gold.

Until then, the US pledge to maintain the gold standard was the basis for the global fixed-exchange-rate system, which was the heart of the Bretton Woods framework.

During the 27 years that it lasted, huge growth in international trade, supported by non-volatile pricing, was the norm, and large financial crises were absent.

Since then, the international financial system has been highly volatile. The era of floating exchange rates that followed the end of the gold standard required the development of financial products that could protect international trade from price volatility. This opened the way to options, selling and buying on credit, and derivatives of all kinds.

These innovations were considered technical successes. Prices were (mostly) stabilised, but with a slow, if continuous, rising trend. The market for these products grew over 30 years to the point that they delivered huge opportunities for immediate gain, which provided a strong incentive for market participants to play with them more and more.

Today's crisis marks the end of economic growth fuelled only by credit. But untying the knot that an overweening financial sector has drawn around the economy will take time. Indeed, there is still no consensus that this needs to be done. Yet the G20 has opened the way to discussion of these fundamental issues. Today's recession will be a long one, but it will compel everyone to consider its root causes.

Michel Rocard, former prime minister of France and leader of the Socialist Party, is a member of the European Parliament. Copyright: Project Syndicate

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Resorting to Keynes and other crutches

Dan Ryan

The world's governments are about to embark on a massive spending spree. China is busy spending US$586 billion. Others in the region have committed to large government spending packages. US president-elect Barack Obama has just announced he plans to save or create 2.5 million new jobs through spending on government projects.

Now, our chief executive has suggested that there needs to be large-scale government-funded infrastructure spending here. Before we go ahead, it is worth asking whether such government spending will actually bring our economy out of recession earlier than would otherwise be the case.

The rationale for such action is that a "stimulus" is needed, through "deficit financing" if necessary, as a "countercyclical measure" to "kick-start" the economy by injecting money into the system.

We have grown used to this language and thinking but, before the era of economist John Maynard Keynes, for government to assume such a role would have been considered very foreign to the average citizen. While deficits certainly occurred, they were generally seen as something to be avoided. Instead, the rather quaint view prevailed that a government should balance its budget and live within its means.

Keynes' influence was created during the Great Depression when he found a receptive ear in governments eager for new solutions. Yet there is meagre evidence that his policy prescriptions did anything to reduce the length of that downturn.

Spending on make-work projects and infrastructure simply failed to pull the economies of the world out of recession as Keynes claimed they would – real growth only occurred after the second world war because of the peace dividend and a more liberal global economy.

Keynesian-style public spending and borrowing were further discredited during the stagflation of the 1970s when governments reluctantly came to accept the view that you can't spend your way out of a recession.

The fact that Keynesianism seems to be once again the default policy setting for most of the world's governments is not because the theory isn't false. It is because it allows governments to expand their role, to "do something", and to gain popularity by dispensing largesse to key interest groups.

Certain private companies may benefit from government-directed projects, but it does not contribute to growth of the private sector as a whole – it just gives bureaucrats a role to decide which firms or industries do and don't get funding.

But, they say, we're spending money on "infrastructure". The problem is that it matters a great deal what is being built, not simply that you're building something. Either a project provides a net benefit to the economy as a whole or it doesn't. If it doesn't, then it is an overall drag on growth. If it is worthwhile, then it should be justifiable in good economic times or bad – and it is preferable that the private sector should finance and take the risks associated with it.

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