SIX-PARTY TALKS *James Schoff*

Getting out of the maze

Much has been written about last month's six-party agreement on initial actions towards implementing a North Korean denuclearisation plan, but the debate has generated more heat than light when it comes to making this deal work.

Say what you want about the politics or the diplomacy behind these initial actions, but the fact is they represent the best opportunity in many years to eliminate North Korea's nuclear programmes. The problem is, most of the important details have been pushed down the road for clarification and implementation via five working groups, and these groups have less than two months to come up with initial answers.

The working group concept is altogether appropriate for the six-party talks as a means to sort out technical details. The talks even have some history of experimenting with working groups, as they were first discussed in February 2004.

But they were a hostage to the broader six-party process, and when those talks went into deep freeze after November 2005, there was no progress regarding questions that would have to be answered some day. We lost more than a year, and now the working groups are going to be hastily arranged and charged with sorting out many of these thorny problems.

The order of the day is to make these working groups work, but they face daunting challenges. Three of the five are multilateral, involving all parties (denuclearisation, chaired by the Chinese; economic and energy co-operation, chaired by the South Koreans and a northeastern Asia peace and security mechanism, chaired by the Russians).

These are multiple, multilateral, multi-agency negotiations going on at the same time in a politically charged atmosphere under tight time constraints. This is not a recipe for success, and the danger is that the mechanism for implementation will be as much to blame for the potential failure of this agreement as will be a lack of political will of one or more parties.

The six parties can do three things to help make the working groups work. First, each country must make a clear political and bureaucratic commitment to staff, fund and support its working group members.

Second, the six parties should consider the establishment of a working group secretariat in Beijing, which in the short term could draw from embassies in China's capital. But eventually it could host technical staff from member countries for extended periods to work through complex logistical challenges.

Finally, lead negotiators and the political leadership in their countries need to give the working groups adequate time to do their jobs. The initial phase of the implementation agreement is sufficiently vague that some of the timelines can be stretched out.

The press and the public should understand that implementation could take a long time. Otherwise, this agreement will be given up for dead before it even has a chance to succeed.

In the end this ambitious, if vague, agreement may lead nowhere if North Korea is not prepared to get rid of its nuclear weapons or if the US fails to follow through on its commitments. Strategically, the US cannot afford to be blamed for a collapse of this agreement.

We must give the working groups every possible chance to succeed. With any luck, both the US and North Korea will try so hard to demonstrate that the other is responsible for failure that we might actually get further with implementation than ever before.

That light at the end of the tunnel could be enough to draw us out of this deep, dark maze we've been wandering around for nearly two decades. That is my hope.

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TAXES AND SPENDING *Tony Latter*

Enough budget goodies to go around

Yesterday's budget was one of the final acts in the administration's current term. Financial Secretary Henry Tang Ying-yen rounded off his speech in valedictory tone, confirming that he will certainly not be the one presenting the budget next year. But would he go out with a bang or a whimper? In the event, there were enough goodies to maintain our interest and produce some smiling faces, but nothing of major substance.

The annual budget process should serve two purposes. The first relates to the short to medium term and involves a juggling act. On the one hand, government expenditure plans have to be restrained and tweaked to make the best use of limited resources and to reflect shifting priorities. On the other, taxation has to be adjusted, broadly within the existing framework, in order to keep it as low as is consistent with a prudent – though not necessarily precise – balance between revenue and expenditure.

In this respect, yesterday's offering was reasonably well judged. It used the scope provided by a healthy surplus to bump up a few needy areas of welfare and education spending and to reduce a number of taxes – though some only temporarily.

The low point of the speech was when Mr Tang fell into the trap of relating infrastructure projects to the number of construction jobs they would create. A project should stand on its own merits, in terms of benefits exceeding costs. Any hint at justification as a job-creation exercise only serves to arouse suspicions.

If anything, Mr Tang erred on the side of caution in his sums, and one can see why in his remarks about the fiscal reserve and the International Monetary Fund. In essence, he is still hung up on IMF warnings about Hong Kong having too narrow a tax base and facing a future fiscal crisis because of an ageing population.

This links to the second purpose of the budget, which should be to shape a longer-term fiscal strategy. This means thinking about how the overall scale and composition of public spending may, or should, evolve; and likewise for the structure of taxation and the mix between different types of tax and other sources of revenue.

In this respect, yesterday's offering, like so many before it, was disappointing. Back in November, the financial secretary explicitly invited views on tax reform as input to this budget. Anyone who responded, then hoped to hear about some follow-up yesterday, has been let down. Mr Tang's speech totally sidestepped the topic under the pretext of awaiting more feedback and, as he had intimated recently, leaving things for the next administration. Here again the IMF cast its shadow, despite being proved fallible in its earlier belief in the immediate need for a goods and services tax. The government must review fundamentally its own structural projections, or engage second opinions from outside, rather than continue to dance uncritically to the IMF's tune.

A significant part of the speech dealt with issues of family, disabilities, getting the poorly skilled into jobs and so forth. All of this is very laudable. Much of it appears to stem from the work of the commission on poverty: each measure tackles a particular problem that has been identified.

But the budget, as the major economic policy statement of the year, ought also to acknowledge the wider picture and open it to debate. For example what, if anything, needs to be done about the huge overall gap between rich and poor, the squalid living conditions faced by many or the social divide created by the public housing system?

Those are big issues of economic and social policy. They could, potentially, have major budgetary implications, in terms of both scale and composition. For instance, is Hong Kong still best served by persisting with high-land-price policies that help the budget and developers but not the average family wanting a decent-sized home? But fundamental questions like this are seldom confronted – not, anyway, in a farewell budget shaped to leave us all with a warm glow.

That glow was partly fuelled yesterday by Mr Tang's reiteration of the government's commitment to sound fiscal principles and his upbeat report card on the performance of various sectors, plus the usual aspirations for Hong Kong to become a high-value-added, knowledge-based economy. If you think you've heard all that before, it's because you have.

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CIVIC ACTION *Ian Holliday and Diana Tsui*

Now, Asia must tackle Myanmar

In Myanmar, tomorrow will be quietly remembered as the 45th anniversary of a 1962 coup that abruptly halted the country's 14-year experiment with democracy and set in place a system of military-backed government. While that system was rocked by nationwide pro-democracy protests in 1988, it did not fall. Rather, the ruling generals reinforced their iron grip on the country by forming a formal military junta and subjecting Aung San Suu Kyi and other opposition leaders to lengthy periods of detention that continue to this day.

This year, the anniversary of the coup falls at a particularly bleak time. In January, a draft resolution jointly sponsored in the UN Security Council by the US and Britain was defeated when China and Russia exercised a double veto. The draft called for Myanmar's generals to make greater progress towards democracy and national reconciliation, to stop attacking ethnic minorities inside the country, and for the unconditional release of Ms Suu Kyi and some 1,100 other political prisoners.

With this defeat, the focal point of political engagement with Myanmar moved away from the Security Council, away from the US, and indeed away from the west. While the UN itself, and agencies such as the International Labour Organisation, will continue to monitor the situation inside the country, it is now up to Asians to take the lead in brokering real change.

This means the Association of Southeast Asian Nations, to which Myanmar was admitted as a full member nearly 10 years ago. It means India, with which Myanmar has increasingly close ties. Above all, it means China, which is the ruling generals' key external backer.

Meanwhile, it is necessary to look for creative initiatives beyond the realm of elite politics and diplomacy. Inside Myanmar in recent months, stirrings of civil action have been visible in signature campaigns, silent vigils, street demonstrations and other forms of peaceful protest. Most are led by the generation of students that animated the country's pro-democracy movement in 1988. By building on this action and enhancing the capacity of civil agents, outsiders can boost the chances of lasting reform inside the country.

Asia has much valuable experience to offer. A central strand of regional development is attributable to corporate investment and leadership, which is partially denied to Myanmar by economic sanctions applied formally by the US and informally by western consumers. Participants in a wide range of social organisations have also played important parts. Moreover, the contexts in which such groups operate have often been difficult, just as they are in Myanmar today.

In China, grass-roots non-governmental organisations blossomed under Deng Xiaoping's (鄧小平) open-door policy. Today, some 300,000 are legally registered. However, both local and international NGOs work in a difficult setting fuelled by official concern about the rise of movements like Falun Gong. In these circumstances, an effective way forward is for international NGOs to build strategic partnerships with both international agencies to enhance resources and impact, and local organisations to strengthen indigenous leadership and institutional capacity. The ultimate aim is to place programmes under the direction of local agencies.

In many transitional environments across Asia, social capital is often depleted and an immediate priority is community renewal, particularly the restoration of economic health. Here, microfinance programmes to ease poverty and create jobs through local business growth offer key ways forward. They can improve both economic and civic health.

Nearly half a century on from Myanmar's last experience of democracy, a rebirth of civic engagement at the local level provides a window of opportunity for outsiders. The country may or may not be on the verge of the breakthrough its people have long craved. But change will only be sustainable if outsiders draw on their experience in other parts of Asia to help rebuild the country from the bottom up.

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CLIMATE CHANGE *Gwynne Dyer*

Welcome to your new job – maintenance

Twenty-eight years ago, we knew very little about the way human activities affect the global climate. Independent scientist James Lovelock warned that the sheer scale of human activities threatened to destabilise the homoeostatic system – which keeps the Earth's climate within a comfortable range for our kind of life – the system he named "Gaia". "We shall have to tread carefully," he said, "to avoid the cybernetic disasters of runaway positive feedback or sustained oscillation."

Then he said something that has stuck in my mind ever since. If we overwhelm the natural systems that keep the climate stable, Dr Lovelock predicted, then we would "wake up one morning to find that [we] had the permanent lifelong job of planetary maintenance engineer … The ceaseless, intricate task of keeping all the global cycles in balance would be ours."

I have a nasty feeling that we are almost there. The fourth assessment of the Intergovernmental Panel on Climate Change, published last month, says that global temperature rises of between 2 and 4.5 degrees Celsius are almost inevitable in the course of this century – but much higher increases of 6 degrees or even more cannot be ruled out.

It's already worse than you think, the IPCC reports, because the sulfate particles that pollute the upper atmosphere as a result of human industrial activity are acting as a kind of sunscreen: without them, the average global temperature would already be 0.8 degrees higher.

If the global average temperature rises by 4.5 degrees, shifting rainfall patterns will bring perpetual drought to most of the world's major breadbaskets (the north Indian plain, the Chinese river valleys, the US Midwest, the Nile watershed), and reduce global food production by 25 to 50 per cent. If it goes to 6 degrees, we lose most of our food production worldwide.

Obviously, the main part of the solution must be to reduce our greenhouse gas emissions, but we are probably not going to be able to get them down far enough, fast enough, to avoid catastrophe. Short-term technological fixes would be very welcome, and a variety are now on offer. But they are all controversial.

Bring back nuclear power generation on a huge scale, and stop generating electricity by burning fossil fuels. Fill the upper atmosphere with even more sulfate particles (you could just dose jet fuel with sulfur) to thicken the sunscreen effect. Seed clouds over the ocean with atomised seawater to make them whiter and more reflective. Float a fleet of tiny aluminium balloons, or a giant mirror, in the upper atmosphere to reflect sunlight.

The purists hate this, and insist that we can do it all by conserving energy and shifting to non-carbon energy sources.

In the long run they are right, but we must survive the short term. Welcome to the job of planetary maintenance engineer. We won't like the job a bit, but Dr Lovelock stated our remaining options eloquently. If the consumption of energy continues to increase, he wrote, we face "the final choice of permanent enslavement on the prison hulk of spaceship Earth, or gigadeath to enable the survivors to restore a Gaian world".

Maybe in a couple of centuries the human race will be able to restore the natural cycles, but it won't happen in our lifetimes, or our children's either.

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NORTH KOREA AND IRAN *David Ignatius*

US sanctions that actually work

Everybody knows that economic sanctions don't work: just look at the decades of fruitless pressure on Cuba. But in the recent cases of North Korea and Iran, a new variety of US Treasury sanctions is having a potent effect, suggesting that the conventional wisdom may be wrong.

These new, targeted financial measures really stick. Deputy Treasury Secretary Robert Kimmitt doesn't even like to call them sanctions, preferring the term "law enforcement measures". Authority for the new sanctions, as with so many other policy weapons, comes from the USA Patriot Act. It authorises the Treasury to designate foreign financial institutions that are of "primary money laundering concern". Once a foreign bank is so designated, it is effectively cut off from the US financial system. It cannot clear dollars, have transactions with US financial institutions, or have correspondent relationships with American banks.

The new measures work thanks to the hidden power of globalisation. Because all the circuits of the global financial system are inter-wired, the US quarantine effectively extends to all major banks around the world. The impact of this little-noticed provision of the Patriot Act "has been more powerful than many thought possible", says Stuart Levey, the Treasury's undersecretary for terrorism and financial intelligence.

The Treasury applied the new tools to North Korea in September 2005, when it put the Banco Delta Asia in Macau on the blacklist. Wham! The international payments window shut almost instantly on Pyongyang's pet bank. Transactions with US entities stopped, but the Treasury announcement also put other countries on notice to beware of Banco Delta Asia. The Macau banking authorities, realising that they needed the oxygen of the international financial system to survive, took regulatory action on their own and froze the bank's roughly US$24 million in assets. Around Asia, banks began looking for possible links to North Korean front companies – and shutting them down.

A similar financial tourniquet is now being applied to Iran. Here again, the impact has come from the way private financial institutions have reacted to public pressure from the US Treasury.

The Treasury began squeezing Iran in September, when it accused Bank Saderat, one of the largest government-owned banks, of financing terrorism by funnelling US$50 million to the Palestinian groups Hezbollah and Hamas since 2001. The Treasury cut the bank off from any access to the US financial system, direct or indirect. A similar ban was imposed in January this year on Bank Sepah, which the US Treasury alleged was a key intermediary for Iran's Aerospace Industries Organisation, which oversees the country's ballistic missile programme.

Meanwhile, top US Treasury officials began visiting bankers and finance ministers around the world, warning them to be careful about their dealings with Iranian companies that might covertly be supporting terrorism or weapons proliferation. That convinced most big foreign banks in Europe and Japan to back away.

The new sanctions are toxic because they effectively limit a country's access to the global ATM. In that sense, they impose – at last – a real price on countries such as North Korea and Iran that have blithely defied UN resolutions on proliferation. "What's the goal?" asks Mr Levey. "To create an internal debate about whether these policies [of defiance] make sense. And that's happening in Iran. People with business sense realise that this conduct makes it hard to continue normal business relationships."

David Ignatius is a Washington Post columnist

Who's guilty on the harbour?

Hongkongers concerned about heritage and the environment should spare a thought for Ho Loy, who led the protest against the demolition of the Star Ferry clock tower in December. She has been charged with two criminal offences: damaging the canvas covering the scaffolding at the fenced-off pier, and possessing an offensive weapon – a paper cutter – that she used to cut the canvas to gain entry to the clock tower. She pleaded not guilty and her case will be heard in May.

The facts behind this unfortunate episode shows that the government is by no means blameless.

The demolition of the Star Ferry and Queen's piers was planned as part of phase three of the Central reclamation. Although the Protection of the Harbour Ordinance was enacted in 1997, the government gazetted a plan in 1998 to reclaim 38 hectares of the harbour at Central. The Legislative Council condemned the plan, 45 votes to zero, which halted it.

Those 38 hectares formed only a minor part of the 584 hectares of harbour reclamation that the government had gazetted despite the ordinance.

In 2002, the government reduced the scale of reclamation to 23 hectares and submitted the new phase-three plan for public consultation and for approval by the Town Planning Board. But the government justified the plan with an incorrect interpretation of the harbour ordinance: showing some public benefit, it said, was enough to prove compliance with the law. That misled the board and the public.

The government's interpretation was successfully challenged in the law courts by the Society for Protection of the Harbour. The court ruled that "public benefit" was not enough, and that an "overriding public need" for the reclamation must be established.

Knowing only too well about the pending legal challenge, but before the courts could pronounce judgment, the government hastily signed the phase three contract with the current contractor. The government's action was challenged in legal proceedings by another contractor who had also tendered for the contract.

"The government owes the community an explanation for its culpable behaviour on harbour reclamation"

The government lost, and was criticised by the arbitration panel for having entered into a contract with "undue haste". The government has not published the amount of damages it had to pay, but it must be in the millions.

In subsequent legal proceedings begun by the Society for Protection of the Harbour, the court was confronted with a fait accompli.

The government argued successfully that, because the contract had already been awarded, stopping the reclamation would be very costly. So the court refused to order the work halted.

The conclusion is clear. The third phase of the Central reclamation was never properly considered by the Town Planning Board, nor was the public ever properly consulted.

The government owes the community an explanation for its culpable and extraordinary behaviour in failing to comply with proper procedure.

It has led to the loss of a major piece of Hong Kong's historic heritage, the Central harbour, and millions of dollars in damages being paid out of the public purse.

Had the government followed proper procedure, phase three might never have been approved by the public or the planning board, and Ho's protest might not have been necessary.

It is amazing that the government disregarded a planning board directive that the reclamation plan be reviewed – and a legislators' motion urging the government "to immediately suspend the demolition works of the Star Ferry pier and expeditiously convene an experts' meeting, so as to examine the various preservation options".

By its high-handed and hasty demolition of the Star Ferry pier, the government again presented the community with a fait accompli.

The clock tower is gone. And Chief Executive Donald Tsang Yam-kuen expresses regret – but did not salvage matters when he could have.

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