An EU-Turkey RESET

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Later this year, Turkey will host the 2015 G20 Leaders' Summit, the 10th annual meeting of the G20 heads of government. The country's prominence on the world stage comes at an odd time, when it finds itself surrounded by a widening arc of instability.

Indeed, two geopolitical orders are unraveling in Turkey's immediate neighborhood: the post-Cold War entente with Russia, and the national borders in the Middle East defined by the 1916 Sykes-Picot Agreement and 1919 Treaty of Versailles. Never have the European Union and Turkey needed one another more, and yet rarely have they been so distant.

Turkey is no longer the rising regional star that it was during the first half of President Recep Tayyip Erdogan's 12 years in office. Long gone are the days when the country was booming economically and advancing toward true democracy, a source of inspiration to many in the region. Today, Turkey faces myriad challenges: growing authoritarianism, unimpressive growth, and a faltering Kurdish peace process.

With a 900-kilometer border with Syria, it is hosting nearly two million Syrian refugees and is vulnerable to attacks and infiltration by the Islamic State.

Tensions with both Iran and Israel have become deeply entrenched, and the country has become increasingly dependent on energy from a revanchist Russia.

Turkey cannot confront these challenges alone. The EU accounts for almost 40 percent of Turkish trade, 70 percent of its foreign direct investment, and more than 50 percent of its tourism industry. Meanwhile, the country's economic ties with its southern neighbors have spiraled downward since the Arab Spring in 2011.

This reality is reflected in Turkish public opinion, with support for the EU rising from a low of 34 percent in 2009 to 53 percent last year. Simply put, Turkey is waking up to the reality that it has no attractive alternative to the EU and close cooperation with the transatlantic community.

The country's "EU Strategy" announced by European Affairs Minister Volkan Bozkir last fall can be read as an implicit recognition of this fact.

Meanwhile, Europe has never had a greater interest in a stable, democratic, and Western-oriented Turkey. Without Turkey's cooperation, Europe and the international community will struggle to confront the threat of foreign fighters, defeat the Islamic State, stabilize Iraq, and craft a political solution to the Syrian quagmire. The EU also needs a sound partnership with Turkey to achieve energy security through diversification.

And yet, rather than being drawn closer together, the EU and Turkey are drifting apart. Freedom of expression, the separation of powers, and the rule of law have been progressively eroded under Erdogan. The country risks being sucked into the region's sectarian conflicts — and being tempted by the authoritarian sirens of Vladimir Putin's Russia.

The EU-Turkey relationship hit a new low at the close of last year, when Turkey increased its pressure on media close to the self-exiled Islamic leader Fethullah Gülen. The clampdown triggered strong criticism by the EU, which Erdogan, in turn, angrily rejected.

Some in Europe argue that the deterioration of rights and freedoms in Turkey is so serious that the already-moribund EU accession process should be suspended. Indeed, it would be difficult to make the case that Turkey fulfills the Copenhagen political criteria. For example, Turkey slid in Reporters Without Borders' World Press Freedom Index to 154th place (out of 180 countries).

But it is unlikely that a formal suspension of accession negotiations would do anything other than remove the last incentive for Turkey to pursue democratization and EU harmonization.

Instead, the EU should redouble its efforts, strengthening both its criticism of Turkey's democratic backsliding and the credibility of its accession process.

Until now, Cyprus has posed the biggest obstacle to Turkish accession. EU member states should engage more actively with the Cypriot government to bring about the necessary change. This would enable the EU to open chapters 23 and 24 of the accession talks — those that deal with rights, fundamental freedoms, and the judiciary — as the European Parliament and the European Commission advocate.

The EU would then be able to cast its criticism within the appropriate legal framework, while Turkish leaders would no longer be in a position to brush aside the EU's concerns.

Lifting its blockade on negotiations would benefit Cyprus as much as Europe. No country would gain more than Cyprus from stable democracy in Turkey, whereas a de-democratizing Turkey in an unraveling neighborhood seriously threatens Cypriot and European interests alike.

Beyond the EU accession process, other important measures should be taken to rebuild trust and deliver concrete benefits to both sides, thereby revitalizing an ailing and yet increasingly strategic relationship.

Such steps should include deepening EU-Turkey cooperation on counter-terrorism, Syrian refugees, and the multiple crises from Libya to Ukraine, as well as upgrading and modernizing the customs union agreement (as the World Bank recently advocated) and vigorously pursuing visa liberalization.

Though these measures are not alternatives to a revamped accession process, they would help to revive it.

Above all, by embedding Turkey within the European family, such measures would counter the country's dangerous drift away from our common European values.

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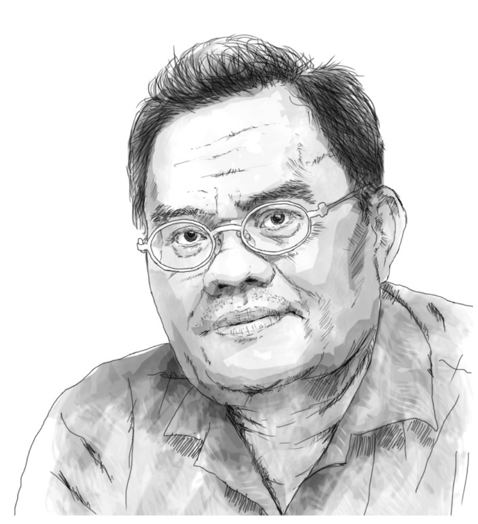
Bad times produce good policies:
Visa-free facility to boost tourism

VIEW POINT



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Bad times usually produce good policies because the government and politicians, jolted out of their complacency, can easily agree on reform policies to prevent things from worsening. This again is clearly reflected in the latest package of policy instruments launched early this week to shore up the weakening rupiah.

The reform package has been designed to bolster exports, reduce imports and reinvigorate foreign investment, thereby decreasing the current account deficit. The effect of all these measures are expected to strengthen the rupiah, which during the first 10 weeks of this year alone has depreciated by 6 percent against the strengthening US dollar.

Allowing the rupiah to be debased further by negative market sentiment will lead the economy into a crisis with spiraling inflation, eroding people's purchasing power and increasing absolute poverty.

The package includes the waiving of visa requirements for tourists from 30 countries, including EU members, three Arab countries, as well as Canada, China, Japan, Mexico, New Zealand, Russia, South Korea and the US.

Tourism officials estimate that the visa-free facility, currently available to only 15 countries, including nine ASEAN members, will increase tourist arrivals this year by 1 million, from 9.4 million last year, bringing in an additional US$1.2 billion in foreign exchange revenues (assuming a tourist spends an average $1,200).

This policy drastically departs from the one taken by then president Megawati Soekarnoputri in early 2003, which abolished the visa-free facility for short-term visitors from 37 countries for the sake of what was then called "national interests and national pride".

The government claimed at that time that a number of visitors, including drug traffickers, had abused the visa-free facility to do illicit business or work illegally in Indonesia.

The visa-free facility is one of the strongest policies to facilitate tourist arrivals. According to the UN World Tourism Organization, the number of international tourists grew by about 5 percent annually over the last five years until 2013 to reach 1.1 billion globally.

International tourism has been one of the world's top exports, generating almost $500 billion in revenues in 2013, the bulk of which was in the Asia-Pacific region.

International tourism is known to be a resilient industry, never suffering a deep and lasting recession and able to recover quickly because the need to travel, whether for business or leisure, is too deeply ingrained in our societies to be easily effaced.

As a resource-based industry, tourism is also one of the most suitable businesses that Indonesia should develop because of its multiplier effects and the labor-intensive nature of its operations.

Travel-related businesses such as hotels, restaurants, transportation, handicrafts and cultural shows are all labor intensive, the very kind of enterprises needed to absorb the huge pool of job seekers.

As a vast archipelago country rich in culture, natural attractions and heritage sites, Indonesia has great potential to attract tourists from around the world.

Travelers are able to revisit Indonesia each year without having to go to the same tourist destination, as there are dozens of fairly accessible attractions in Java, Sumatra, Kalimantan, Sulawesi, Papua and the Moluccas, besides the world-famous Bali.

Yet, due to a lack of well-designed promotion programs and poor policy coordination, Indonesia remains among the less favorite destinations in ASEAN. This deficiency is quite damaging because the coordination of policies or activities in the sectors related to tourism has become one of the biggest barriers to wooing foreign tourists to Indonesia.

However good its promotion and marketing programs, the Ministry of Tourism and Creative Economy cannot do much to attract tourists, because the quality of Indonesia as a tourist destination is determined by factors outside the domain of this ministry.

A simple example. Smooth, expedient visa processing and an efficient customs inspection service at airports are more effective in attracting tourists than the distribution of tourist brochures. But these services are not under the jurisdiction of the tourism ministry.

In fact, the ministry handles only one aspect of tourist development and marketing and, unfortunately, not the most important one.

The more important pillars of the travel and tourism industry such as transport infrastructure, health and hygiene, security and regulatory requirements are completely beyond its control as they lie under the jurisdiction of other ministries.

The quality or image is determined not by promotional activities, but primarily and largely by how efficient, reliable and good our regulatory and physical infrastructure (customs, visa, health, transportation, hotels and other support services) are.

The 2009 Tourism Law stipulates the strategic importance and need for the strategic coordination of policies and activities in various sectors related to travel and tourism such as customs, immigration, quarantine, security and order, physical infrastructure, health and promotion.

But it does not elaborate how policy coordination will be institutionalized and managed on a day-to-day basis, only saying that the coordination will be led by the president and vice president and technical details on the coordination will be formulated in a presidential decree.

It is therefore most imperative that the visa-free facility should be supported by good policies to improve the regulatory and infrastructure framework in travel-related services and businesses.

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Obama abandons allies on China's Marshall Plan

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The administration of US President Barack Obama is looking increasingly left behind as it defies its closest allies and the president's own party on foreign economic policy in Asia.

This week, the administration rebuked the United Kingdom for agreeing to participate in negotiations for the multi-billion dollar Asian Infrastructure Investment Bank (AIIB) — even though the new institution would fill a major gap in Asian infrastructure needs.

At the same time, President Obama abandoned his own party in an attempt to ram through authority to finalize the Trans-Pacific Partnership agreement — a trade deal with Pacific Rim nations that would bring little economic benefit and high economic cost to Asia and the United States alike.

In the wake of the global financial crisis of 2008-2009, China offered its newly acquired financial prowess to help boost Western-led financial institutions such as the International Monetary Fund and the World Bank.

While the Obama administration backed reforms at these institutions that would have given China more clout, it has done little to counter an intransigent Congress that, under Republican leadership, has failed to pass those critical reforms.

Already stuffed with low-yielding US treasuries in need of a higher return, China has decided to go its own way. That is why China is establishing the AIIB with US$50 billion in capital and a Silk Road Fund with $40 billion.

Both are aimed at investing in 21st Century infrastructure projects in Asia and beyond. In 2014, China also established the New Development Bank, along with Brazil, Russia, India and South Africa. This institution has an initial capital of $100 billion.

These moves, intended to diversify the global funding landscape, come on top of financing that China's own development banks already provide across the world. The China Development Bank holds $100 billion in capital, and has over $1 trillion in assets.

China's more intense global engagement — generally something not just welcomed, but demanded by the US government and politicians in Congress alike — does have some surprising consequences in the real world: The China Development Bank and the Export Import Bank of China now provide more loans to Latin American governments than the World Bank and the Inter-American Development Bank — and more loans to Asia than the World Bank and the Asian Development Bank.

> The United States has long demanded that other major countries share in the burden of global initiatives and institution-building.

In this light, China-backed finance has the potential to be nothing short of a 21st Century Marshall Plan, and couldn't come at a better time.

Western-backed financial institutions have not been able to increase their capital in proportion to the growing needs in the world.

According to some estimates, development banks fall short of providing lending for poverty alleviation by $175 billion per year.

The World Economic Forum projects that by 2020 about $5.7 trillion will need to be invested each year into green infrastructure in developing countries.

Not only will this require shifting the current $5 trillion into a greener direction, there will be need to increase $700 million more each year to make the shift happen.

Washington can hardly complain about its sideline status. It was invited to take part in the AIIB. Not joining it is a choice made by the US government. But the US has not only refused to play, it has lobbied Australia, South Korea, Indonesia, as well as Europe not to join in.

This week, the United Kingdom decided — and so did France, Germany and Italy — that it would be foolish not to be part of these efforts.

Australia is now considering joining in as well. Others are bound to follow and leave Washington standing alone.

Obama's official complaint is that the AIIB will not replicate the transparency and anti-corruption norms found in Western banks, as well as safeguards for social and environmental protection.

This claim doesn't even pass the laugh test. Negotiations for the AIIB are not even underway yet — and the US move means it is foregoing an active role in the negotiations where these issues will be on the table.

The United States has long demanded that other major countries share in the burden of global initiatives and institution-building.

Now that the Chinese government has stepped up to the plate, President Obama is passing up an opportunity for the United States to take part in a legacy-making Marshall Plan for the 21st Century.

On top of that, he is alienating Asians, Western allies and his own party. The US government should be embracing the AIIB and abandoning the TPP, not the other way around (abandoning the AIIB and ramming through the TPP).

Hopefully our global allies and the President's own party will help him see the light.

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