

FPCI Ambassadorial Lecture
with H.E. Vincent Piket
European Union's Prescription in Averting A Global Economic Crisis After COVID-19
Thursday, 25th June 2020

Key Speakers:

1. H.E. Vincent Piket

Ambassador of the European Union to Indonesia and Brunei Darussalam

Opening Remarks:

1. Dr. Dino Patti Djalal

Founder of Foreign Policy Community of Indonesia (FPCI)

H.E Vincent Piket:

- The COVID-19 crisis has changed the political landscape around the globe. It has created tensions, highlighting weaknesses in the international system. It has laid bare the vulnerabilities of countries individually and the multilateral governance system we have.
- Not to mention, the competitive relationships between global powers where we have seen a further growing bipolarity between the US and China that affects world politics.
- Moreover, there is the rise of inequalities among nations, which can serve as a potential source of conflict whether it is a civil war or armed conflicts. The pandemic has also had an impact on human rights, with governments restricting certain rights for the sake of strengthening their capacity to deal with the coronavirus.
- The global governance system is under severe pressure. The US has gone to the extreme decision to withdraw funding for the World Health Organization (WHO). The European Union (EU) does not agree to that - our view is that we should examine closely how the WHO and other institutions have performed, in a manner to see how the performance can be improved for the next crisis.
- International solidarity was tested as witnessed in Europe at the beginning of the pandemic. The first response of the member states is naturally to focus on its national interests, namely to make sure they have enough available medical supplies and medicines which caused political friction at that time. Internally, the EU has worked very hard to make sure that member states who are most in need got what they needed to deal with the crisis at home.
- A lot of money has been raised to form international actions to help the most vulnerable countries in order to overcome the crisis. As an example, in late April, the EU had a global pledging summit, co-hosted by a number of G20 members, and raised 7.5 billion Euro for therapeutics assistance and vaccine development.

- A similar global pledging summit was also initiated in June where 5 billion Euro was raised. Bilaterally, the EU has raised 36 billion Euro in the form of assistance for third countries. Of that money, 350 million Euro are for ASEAN and within that package, there are 20 million Euro for Indonesia.
- The World Trade Organization (WTO) was already weakened before the crisis, particularly by the US decision to withdraw its support from the dispute settlement panel. The panel is key to ensure that member countries live up to the obligations by becoming a member of the WTO. The EU together with other 18 member countries of the WTO has set up an alternative tribunal system that will replace the original WTO's dispute settlement panel. A message that we are conveying is that without a multilateral trading system, without a strong adherence by the common rule of all WTO members, we are not helping ourselves and we are not going to have the economic recovery that we need. Strong adherence to the multilateral system is what we advocate, not only politically but also through actions or examples.
- In the wake of the crisis, there are ideas about how to promote self-resilience in the economy. For the EU, that does not diminish our objective to stay engaged and integrated into the global economy. We are not withdrawing from the global trading system. It is unthinkable to diminish globalization and go back to the economic situation we had in the 1970s or 1980s because there would be major economic costs.
- The EU had a tremendous financial crisis back in 2008-2009 and it was overcome by 2013. In the past 7 years, we had tremendous achievements in bringing back growth in all individual EU member states. Lowering unemployment rates, creating new jobs, getting investment back into the companies, and strengthening the banking system.
- However, due to the coronavirus pandemic, in the past 3 to 4 months, we have to observe that many of the jobs have been lost and unemployment is soaring. The forecast says that growth will be back at about 6% next year with a big conditionality that COVID-19 has been brought under control. But with that number of growth, we will not be able to recuperate everything we lost this year, we could not bring back the newly unemployed back into jobs immediately, and we still have to face the problems of the company's indebtedness. Thus, that is a big job that we need to do in Europe, to bring back the financial and employment rate performance to the levels that we had at the beginning of this year.
- How do we get these economies back in motion and how do we avoid a collapse? I will be referring to the EU case and I think it is also applicable to other economies because we live in the same globalized system characterized by globalized production and supply chain. That globalized production system is under tremendous strain. The same is true for logistics and there is a problem to maintain the logistic lines, avoid a breakdown in logistics, and ensure that goods continue to be delivered.
- In Europe, we had a condition where our internal borders (the borders within the Schengen system where it is a passport-free system) were closed and the impacts on trade and transportation were enormous. We tried to solve it with several measures but the real solution is always to open up the internal borders. Fortunately, on June 15 the internal borders were opened. The next step is the external borders

which are currently closed for foreign entrances unless they are for a specific business or for people who own a permanent residency. Foreign entrances will start to re-open from July 1 and it will be done gradually and partially.

- To try to avoid permanent damage, to keep them afloat to protect them, to give them sort of lending and access to lending money that they need to stay alive. There is a tremendous amount of money available, 670 billion Euro for that, with a focus on a number of sectors; aviation, transport, tourism, culture, and entertainment. All of them are large employers in Europe, there are 27 million jobs at stake here.
- In logistics, for aviation, rail sector, marine, inland navigation, road. To try and make sure that no particular sector is bad, and to make sure the overall transport infrastructure remains intact through the crisis. This involves a relationship with Indonesia in transport. Right now only 1 or 2 airlines have direct flights in Indonesia, particularly Jakarta from Europe. That shows how little communication, and how little travel has been between our countries. That is something we need to restore.
- One point that relates to the EU and Indonesia: The EU has continued to elaborate, bilateral trade agreements of key partners that bring us to Indonesia. We are convinced that further trade will have a comprehensive economic agreement with a number of additional information on it. On intellectual property, the government curriculum, that goes above a simple free trade agreement. We are determined to go ahead. In fact, we had a series of video conferences between the Indonesian government and the European Commission to push the talk further. We hope that in the second part of this year, we can stage a full-scale negotiation on this.
- Consumption in the past 4 months has been rising, there was no demand in Europe. That has had a huge impact on companies in retail sectors, thus something that now needs to be resumed both in Asia and Europe. An example would be, the European car industry has lost our sale worth of 2.6 million cars, not sold or worth 66 billion Euro. This shows how important it is for our government to create an economic and health context in order to resume our economy.
- The EU has been softening the blow of the COVID-19 crisis; to try to avoid permanent damage and to protect the citizens. There is tremendous money made by the EU for this, 670 billion Euro with a focus on a number of sectors that are hard hit by the pandemic. To keep businesses alive is our key. To try that a particular sector is accommodated, with support is our main priority - this is in line with Indonesia's priority.
- On the green economy, the EU is firm that the condition should be maintained through the green deal that we have to support the situation and to make the EU economy truly green by 2050 and to make carbon-neutral by 2050. This is challenging because it needs to cater to many aspects but we are convinced that we have to get out of the crisis, by the green economy.