

FPCI - Milken Institute Virtual Public Discussion**“The Future of Trade Policy: Pandemics, Populism, and other Challenges”***July 29, 2020***Keynote Speakers:**

1. **Gita Wirjawan**, Former Minister of Trade of Indonesia
2. **Steven Ciobo**, Former Minister of Trade, Tourism, and Investment of Australia
3. **Cesar Purisima**, Former Secretary of Finance of Republic of the Philippines
4. **Frank Lavin**, CEO, and Founder of Export Now; Former U.S. Undersecretary of Commerce

Co-moderated by:

1. **Laura Deal Lacey**, Executive Director of the Milken Institute Asia Center
2. **Dr. Dino Patti Djalal**, Chairman and Founder of Foreign Policy Community of Indonesia

OPENING REMARKS

Dr. Dino Patti Djalal

- Welcome everybody to a joint session between the Foreign Policy Community of Indonesia and Milken Institute. Today we are going to discuss the topic of the future of trade policy, pandemics, populism, and other challenges. I want to welcome everybody who is joining us for this very interesting discussion, with a great panel today. We are indeed living in a strange time; some even say scary. Trade is down, exports are down, imports are down, investments are down, and people do not know what will happen.
- Although most prognosis says that we are going to be living in a recession in the short-term. We are seeing a whole bunch of public attitudes shifting. Attitude towards globalization, attitude towards trade and we are yet to comprehend what does the new normal mean in terms of trade, investment, and globalization.
- As if all those are not enough, we are still facing geopolitical tensions, rising a populist attitude, and a “me first” attitude among many economies around the world.
- International cooperation has started to move but I think seeing some lack of global leadership and still the kind of international cooperation that we are having may not be adequate to tackle the combined problem of COVID-19, economic crisis, and possibly even political crisis in some countries.
- With that background, I am very happy that we have been able to invite several panelists from different countries, all of them were formerly government officials who have been there and who have important views on how to move forward.

MODERATED DISCUSSION:**Laura Deal Lacey:**

- Australia and China now seem to be worlds apart despite having a multibillion-dollar trade relationship. The downturn of the relationship started in April when Australia led an international call for China to find out the origin of the virus in Wuhan. What do you see is the future of China-Australia trade relations?

Steven Ciobo

- Since the real advent of globalization, the Bretton Woods Institution and, the adoption of orthodox trade policy which says that liberalized trade is good for the economy and growing prosperity, we are seeing for the first time in decades a reversal from high labor force cost countries like Australia, where we had been offshoring effectively a lot of our supply chain and we now see a bias towards onshoring again.
- It is not as pronounced in Australia, as it is in other countries like the United States.
- However, we are seeing this friction point between political momentum towards populism, a widespread public concern that says that they want to see critical supply chains on short, as in domestic sovereignty, and that is on everything from medicine to minerals and a whole wide of different things.
- That is coupling with the pretty febrile political environment currently and you see that it is manifesting in several ways.
- It is not uniquely about the bilateral relations between Australian and China. I think you can see the same friction and forces applied to China's relationship with Australia, Canada, New Zealand, the United States, and the United Kingdom or the Five Eyes (FVEY) countries.
- Those FVEY countries are all putting a fair amount of solidarity around their approach in dealing with China especially on issues involving cybersecurity as well as growing their voice about making calls on what they believe to be of

national interest, irrespective to whether or not they will upset what was previously a critical trade relationship. The reason why I used that past tense when I said previously, is because, at the moment, trade is selling to a headwind.

- Deciding to challenge some of the long-standing conventions, for lack of a better term, for matters of example like the South China Sea means that the actual cost that is extracted in terms of trade implications is lower than it has been historically. So, I think that it probably means more friction in the future, not less.

Laura Deal Lacey

- The fact that the US is being tougher on China is one of the issues that both Democrats and Republicans agree on. What do you see is the next step of the trade war between China and the US?

Frank Lavin

- We are at an extended moment, a secular decline in bilateral relationships that precipitated before Trump. I think some of China's steps and Obama's steps contributed to the deterioration, but I think it has become acute for the last few years.
- It is not primarily trade-driven although trade stands as one of the more public areas of disagreement. It is primarily geopolitical.
- After 40 or 50 years of reasonably stable and positive relationships, both countries thought it was worth destabilizing these existing relationships in search of a better one.
- China had greater geopolitical aspirations and was just interested in playing a ball role internationally and very sensitive to its immediate vicinity, near and abroad, in its relations with neighbors and so forth.
- The US is at the same time retreating from a global leadership role that started since Obama but became accelerated under Trump. Under both Obama and Trump, trade was viewed as a mixed blessing. So there was a shift in trade

policy after 70 or 80 years of leadership on trade. We had two presidents in a row who each ran against trade, that it is detrimental to the US economy.

- Obama moderated that view once he came into office, but Trump did not. This is the first time in modern history that we have a US president who says trade creates harm to the US economy and we need to withdraw from trade arrangements, added by his willingness to inject friction in these disputes, specifically on tariffs.
- Borrowing Steven Ciobo's architecture, depending on how far back we want to go in seeing this unprecedented-ness, but certainly in the modern era since around 80 years ago, there has been no other country that has imposed those kinds of sanctions in the world of trade.
- There is no particular view that trade itself is useful to the economy.
- There is a view that the US has been cheated by trading partners and there is a willingness to inject friction into relationships to try and correct these wrongs.
- All of those are misplaced but it accurately captures a majority sentiment currently in Washington.

Laura Deal Lacey:

- If Biden wins, do you see a major shift from what Trump is currently doing?

Frank Lavin

- Historically in the US political sense, the Republican party has been more economic rationalist and the Democrats have been less excited about that. But again, we have a role reversal in the last few years where Trump is the protectionist.
- Biden does not have a particular heritage or history in free trade, but I think he is more oriented in that direction than Trump.
- There is one particular initiative where he has his pedigree, the Trans-Pacific Partnership (TPP). This was initiated in the US by the Obama administration. Biden in some sense has, if not authorship, he has at least partial ownership of

these initiatives. So, there is at least one initiative that I think Biden would promote.

- To build on Steven's remarks as well, there is greater concern about China's role in the region and there is a little more appetite for trade initiatives as part of overall US security architecture. This was always part of US trade policy in the cold war. To move ahead with like-minded countries on trade because it was viewed as an important element of US-led international stability. But over the last 20 years, that faded considerably, but now you sense it coming back because of the concern about what China is doing in the region.

Dr. Dino Patti Djalal:

- Do you see any public and political shifts and attitudes towards globalization and free trade in Southeast Asia?

Gita Wirjawan

- I think the process of shifting against globalization in Indonesia has been quite inevitable since some years ago and this could go back to the time when we were being approached for TPP.
- It is evident in Southeast Asian countries that Gini ratios have been rising in the past few years. Unfortunately, as we have seen in other developing and even more developed economies, inequality has also been rising at the rate that the 'haves' has gotten richer and the 'have nots' have gotten less rich.
- This has complicated conversations around the world and, more so than not, in countries like Indonesia. If the question is concerning whether or not we are going to be able to participate in some sort of a frame that is internationalist, I would argue that it is probably going to be more difficult as of today, as compared to maybe five to ten years ago at the rate that the inequality has risen.
- The Gini ratio in Indonesia has risen to 35, the US has to 49 and China to 47. It is not an ideal position for anybody to come to the negotiating table to create a level playing field.

- It is likely to become more difficult and to complicate that, in the context of Indonesia, we take a look at the amount of investment that has been coming to Southeast Asian countries. Indonesia is at the bottom of the list on the per capita basis in terms of FDI per capita basis.
- Singapore is the LeBron James in terms of being able to get \$18,000 to \$19,000 of investment per capita, as opposed to the Philippines, the Thailand, and the Indonesias of the world, each of which is getting around \$90 and \$92 per capita worth of investment.
- However, the Philippines is in a much more favorable spot in terms of being able to repatriate foreign exchange from their workers that are working all over the world. Whereas, Indonesia is not enjoying that favorable position.
- At the rate that Indonesia is having polarizing conversations and has not been able to attract lots of dollars or renminbi or other foreign currency into our country for purposes of building whatever that needs to be built: it is going to be tougher for Indonesia.
- In terms of our marginal productivity, Indonesia stands at about \$24,000 worth of marginal productivity on a per capita per year basis as compared to Singapore which is at about \$140,000 on a per capita per year basis.
- Combining all these factors, I think it is quite difficult to see Indonesia participating in a multilateral framework. I do see a bigger opportunity for Indonesia more into plurilateral if not bilateral types of frameworks.
- This has been happening with Indonesia and Australia. Indonesia is in the middle of discussions with several other countries for bilateral and regional framework purposes.
- Until and unless the marginal productivity of Indonesia gets going in a positive direction and we can show the right kinds of infrastructure to help the financial inclusiveness of the country so that we can help bring down the Gini ratio, I think it is going to be difficult.
- The outlook for Indonesia in terms of entering into a multilateral type of conversation in the next five years is going to be quite tough. But beyond then,

once we start showing traction in increasing marginal productivity, lowering inequality and also being able to narrate our narratives better so that we can bring in dollars for greater investments into the country, the medium future would be much for multilateral than it is today

Dr. Dino Patti Djalal:

- In addition to the previous question, many Southeast Asian countries are also expecting relocation of industry from China to Southeast Asia. How is that doing, specifically in the Philippines?

Cesar Purisima

- The relevant question is the attitude of our markets to globalization rather than ASEAN's attitude to globalization.
- Because ASEAN is one of the biggest winners in globalization. Before the era of globalization, we were all struggling countries and basically, globalization gave ASEAN the opportunity to have a role in trade.
- In May, Biden had an act that criticizes Trump or being too soft on China. He also launched the \$400 million "Buy American" program, which is very similar to Trump's America First.
- With what is happening during this COVID-19 crisis, where our major markets are suffering, globalization will inevitably become the target, especially of the populist leaders.
- The challenge for ASEAN is to be able to adjust to this new normal trade environment. It is time to put ASEAN centrality first because that is our safety net. We need to be able to trade amongst ourselves and act as one market.
- Because individually, other than Indonesia, all ASEAN countries will be irrelevant.
- I know that the rhetoric of our political leaders can sometimes be quite populist, but the reality is that all of us in ASEAN need trade to be able to advance our

goals of improving the quality of standard of our people's lives. Not just trade but even tourism.

- In the case of the Philippines, outsourcing is a major industry that has improved the lives of millions of overseas Filipino workers, which is possible because of globalization.
- We are also patched into trade, although not as big as other ASEAN countries. So the key drivers of the Philippines' growth depend on our ability to be connected to the rest of the world.
- That is why what is happening now is a major concern and should be a major concern for all of us here in ASEAN. Because we have never seen this before where 90% of the world's economies have seen their economy contract.
- Before, politicians would look at trade as a matter of efficiency and resilience; but now, I think they will add political expediency to it. If you add the US and China tiff to the global politics balancing, there will be a tendency to pull back near shore to reassure some of the work that used to be passed on to us.
- China will become a more important part of our lives because it is the only major country that has grown during this period.
- All of us here in ASEAN must focus on creating ASEAN as one seamless market and must focus on closing ourselves so that we can loop in a bigger market so that we are not as dependent on markets beyond us that are now going plotted with the populist tendencies.

Dr. Dino Patti Djalal:

- Do you think that the RCEP will be able to complete its negotiation by the end of this year as planned?

Cesar Purisima

- Before COVID-19 probably there were a lot of doubts whether there was enough urgency to push ourselves to a conclusion by the end of the year.

- I hope the current crisis will drive a sense of urgency to our leaders so that they will see that our way out of this situation is by making ASEAN more seamless to make it one market and then patching it in with a bigger aggravation of countries such as RCEP.
- I doubt that it will be completed because people's attention and the government's attention is really on fighting this virus and dealing with the challenges posed by these buyers in terms of social-political issues at home and rafting stimulus plans that will help especially the bottom of the poor in respective countries.

Laura Deal Lacey:

- Some say that Australia is one of the developed countries most dependents in their economy to China. What are the options for Australia if it tries to move away from Beijing?

Steven Ciobo

- China is of course Australia's largest trading partner but China is the largest trading partner for many countries, so it is not unique in terms of the bilateral relationship between Australia and China in that regard.
- Where perhaps there is a higher degree of self-dependency with respect to China, it is of course in our extractive sector and resources sector.
- As everybody knows Australia is very reliant on strong export income generated from the sale of in particular iron but also met coal and thermal coal. All of these are key drivers of the Australian economy.
- These are issues that have concerned the Australian government, not just now but actually for quite a number of years. It has been to look at what we can do to maintain a diversified consumer or customer base. What we can do to make sure that we do not put all of our eggs in one basket and we have seen some of the repercussions of that.
- This coronavirus crisis has materially impacted on Australia's very successful tourism and education sectors.

- We have historically seen a very high level of inbound Chinese students which have helped to drive both our tourism industry but also our education export industry. They have all been now effectively shut down and the impact on our export income has been significant.
- So we have been mindful about that for a while and in many respects that is part of what drove the agenda when I was a trade minister.
- One of the achievements that I was able to reach was to reach an agreement with Indonesia on the Indonesia-Australia Conference of the Economic Partnership Agreement (IA-CEPA), which is another way of saying an FTA between Indonesia and Australia.
- The reason we pursued it so aggressively from Australia's perspective was that we fundamentally believe in the good positive story that is Indonesia, in the market that is in Indonesia. We also saw there are tremendous opportunities for there to be a mutual benefit because we saw that we could help to drive supply chains between Indonesia and Australia that saw value add on both sides of the deal and that underpinned our approach. It was not just confined to what we did with Indonesia, we also pursued other economies like for example Singapore and Hong Kong.
- I started the free trade negotiations with the European Union. We were the first off, the blocks in terms of a trade negotiation with the UK and of course, we were able to breathe life back into the TPP. Once President Trump withdrew the US, we reformulated that and called it the CPTPP, which was about driving diversified market opportunities for Australian exporters and producers and our services to make sure that we could have as broad a based market as possible.
- It also was the reason why I drove a really strong agenda into Latin America, and I was pursuing an agreement with the Pacific alliance. That is an example to underscore that we very much did always believe, notwithstanding what has happened in the last 12 or 24 months, that Australia's long-term national interests would be best served by having a diversified export base as possible with as few or as lower tariffs as possible.

Laura Deal Lacey:

- What would you say for the US? What are the options as it moves away from being dependent on China?

Frank Lavin

- The US system is going to depend on presidential leadership. There is no scenario that something consequential will happen.
- At least, we need the acquiescence of the President.
- Trump has given a green light for free trade discussions with Kenya, which is more consequential symbolically, but it would be nice I think to have something in Sub-Saharan Africa.
- There have been back and forth discussions about doing something with the UK but nothing is formally underway but that could happen as well and that would also be consequential.
- We are at a moment where there is a very limited appetite for moving ahead on trade but there is enormous concern about China's role in the US economy. So it is almost a paradox, at the same time there seems to be this animated response to US investment in China or collaboration with China. But to say if that is how you feel, then you ought to look at other sorts of initiatives to take up some of the slack and right now, there is just very little appetite for those initiatives.
- It is very different than most of the modern era where political leadership in most countries favored some kind of trade movement. Now there is ambivalence about it and countries are slow-moving even though the true trade professionals know we have got to go ahead.
- I would frame the question to say, can we move ahead in bad weather? It is bad weather meaning the overall political environment will not be propitious. It will not be supportive of trade for years.

- What initiatives can be undertaken in that kind of environment that would still be fruitful? I think there are a few but you are just being opportunistic and being modest but still just trying to keep things moving ahead.
- Many countries, the US included, still maintain tariffs at 2% or less on various tariff line islands. If you are two percent or less, the cost of collecting the tariff is equal to the value of whatever you collect.
- I would advise that countries should just agree to unilaterally scrap any tariff line before two percent. If that is considered too ambitious, countries can do what they can. Just remove some of these nuisance tariffs off the picture. My guess is that even if the domestic environment is not for trade, you can still find general acceptance of those kinds of moves.

Dr. Dino Patti Djalal:

- Despite the US trade deal, Southeast Asian are seeing the US and China differently in terms of trade opportunities. The US pulled out of TPP and it is not part of our set and in fact, some of the bilateral trade relationships with some Southeast Asian countries tend to be stagnant, including with Indonesia. On the China side, China is part of the RCEP, and it is experiencing growth from Q1 to Q2 from -6% to 3%. Also, China has a very strong policy on getting more imports from around the region. Are we going to see a continuing trend in the short or medium-term whereby Southeast Asian countries are going to trade more to China relative to the US?

Gita Wirjawan

- That is a pretty safe presumption by way of how China has been able to deliver efficiency and efficacy in terms of producing goods and services.
- The overall theme by way of COVID-19 is that we are likely to see a future that is characterized by a deceleration of growth, globally speaking.
- This is on the back of two things. Number one is the collapse of demand, globally speaking, and also the disruptions on the supplies that are happening in many

places around the world, so that only productivity comes down, but production comes down.

- This will entail a deceleration of growth. In the context of a decelerating phenomenon, I think the Southeast Asian countries will do two things. If they were to deal and trade with an international member of the community beyond Southeast Asia, it would have to be somebody who can deliver the goods and services the cheapest.
- The second attribute is that Southeast Asian countries will try to figure out how to jack up the intra-trade element of our trade.
- It is a bit of a mockery in our intra-trade. Within the 10 countries is still sub \$1 trillion. In the context of the collective economy that is around \$3 trillion.
- This has been the conversation of all the cabinet members of Southeast Asian countries for the last 10 to 20 years, but not seeing the number to tick up as meaningfully as we should.
- COVID-19 is going to be a catalyst in terms of getting at least a number of the critical ASEAN economies to try to figure out a way to ramp-up intra-trade.
- That is going to only mean that Southeast Asian trade with China is going to inevitably increase; as much as we would like to trade more with other continents or other countries such as the Western European countries of Australia, New Zealand, South Korea, Japan and also the United States.
- All these rhetoric about onshoring and re-globalizing the supply chain is a lot easier said than done. If you were the CEO of a multinational company and if you were to decide where you want to relocate from China, then you have got to take a look at the metrics again.
- If you take a look at the metrics of Indonesia where our marginal productivity is still at 24,000 our i-corps at 6.3 vis-a-vis that of Vietnam at 4.30 you know it is not going to be easy for some Southeast Asian countries to be the beneficiary of the relocation or relocating narrative.
- The trade between ASEAN and China could quite easily go up more than proportionally vis-a-vis other places around the world.

Dr. Dino Patti Djalal:

- Intra ASEAN trade has been rather stagnant. It went from 15% to 25% rather quickly but for some reason, it is just hovering around that number. On top of that, the market is shrinking.
- The Indonesian economy probably this year will be 0% or minus. Singaporean economy, they said it is going to be contracting and most of Southeast Asia as well. So, their buying capacity is much weaker than before.
- In the time when intra-ASEAN trade needs to be elevated, policy-wise, what can be done to make that happen?

Cesar Purisima

- This probably is the silver lining of this crisis, to finally realize that ASEAN is stronger together as one seamless market.
- I think we have to open our eyes to the realities that our trading partners in the West are facing. The number of unemployed people in the US and the EU and that will take years to undo.
- It will not just be efficiency or resilience of the supply chain to them, it is political expediency as well that will guide a lot of these CEOs to make decisions in terms of where they will locate their supply chain.
- I think there is general agreement after the problem that they have had now, supply chains were generally shortened.
- The trend that you must focus on is the things where you have greater control. That is regionalization.
- Our immediate region is ASEAN and then a wider region of ourselves. Even travel, I think there will be travel bubbles that will be created where countries that are comfortable with the health standards of each other will allow travel to resume on a more normal basis.

- We should use technology that gives us an ASEAN health card and tracker so that then we can restart travel again because tourism is a very important component of the ASEAN economy
- In the case of the Philippines, tourism is about one-fourth of our economy. To ASEAN I believe it is about 13%.
- So, we must try and remove all the non-tariff barriers as it is going in the opposite direction. During this crisis, we have added a lot of phytosanitary measures that make trade more difficult.
- Take advantage of digitalization so that we can be connected to trade and realize that ASEAN single window. Harmonize product standards, so that we can treat each other as one market.
- Let's create an ASEAN internet because when you go to Lazada, all these platforms, basically they will lead you to sellers in China and sometimes even the US.
- I think it is time that we force the issue on our businesses. With everyone accumulating debt, trying to stimulate their or just protect their citizens, it will be years and years before they will become comfortable enough to start looking at the interest of other countries. Therefore, we must take care of ourselves and the biggest ace in our sleep is ASEAN.
- Our intra-ASEAN trade has been stuck at about one-fourth of our total trade. We increased that by 10% but that is at least about a trillion of additional economic activity. If we put closure on ourselves then we can be more integrated and therefore give ourselves hope.
- We can have some semblance of free trade at least among the 15 member countries of ourselves and that is what we have to do.
- That is why we have leaders; they are the ones who are up there and able to see better. We need them to make a difference to ASEAN by looking beyond the political challenge and for the long term good for their countries.

- This has several dimensions, first the ASEAN education. Because of this online learning, I would love to see ASEAN Universities giving cross-enrollment options and for businesses to take the lead to integrate ASEAN as well.
- We have to continue shipping in this opportunity, or else the reality of the situation is our key markets are struggling. If the base before was the U.S or EU as the ultimate market, we have to make ASEAN, China, and the US along with the EU the gravy.

Frank Lavin

- Trade investment business activity tends to go where there is a return. The least effective mechanism to attract business activity is through exhortation. You're simply saying we need to do this, that is the least effective and that is all you've got is exhortation.
- If there is some kind of desire to say our future is ASEAN and we have to be more inward-looking and our neighbors are going to be our best, if that is the truth, we take that as premises. Then what policy changes will you make to validate this point? What will you say to the business communities and other nations that now you have to come to our country because now there is a business opportunity and environment, better return, better law, better financing, better distribution?
- Initially from pre-coronavirus from China's point of view, this made a lot of sense, they're looking for ways to spread their wings, to better international connectivity, there is no doubt in my mind that there is a political and economic dimension that they also playing on their strength and their two attributes to drive BRI is that China has a lot of liquidity and logistic needs and capability.
- Post coronavirus, we have said that trade patterns, as others have noted, have really diminished, and appetite for debt has diminished and all economic activity has diminished. So, I would say this whole initiative is on hold because I would say it is oversold or overbought. But I think the lesson on BRI is that China is

spreading its wings to play a role in shaping those to make a China-centric global supply chain trading partners.

Caesar Purisima

- I agree with Frank, there must be a plan, in fact as I mentioned we need to harmonize our standards, we need to connect each other digitally because we need to make ASEAN really as one market and the good thing about this is that we could be an attractive market if we can present our self as one market.
- The digital economy is going to be a major silver lining here, basically, the crisis has pressed the fast forward button on fintech, health tech, e-commerce in the Philippines. Our bank before thought that it was about five years away, they had to scramble after the lockdown so they would be able to keep and serve their customers and we hoped that our government could waive the wake-up call.
- Another silver lining is that climate change is probably also the reason why we have this pandemic and I hope we become aware of the damage of climate change to our economy. If not, this type of pandemic could happen more often.

Gita Wirjawan

- As much as we have shifted from being a much more communal type of behaving community to a much less communal as a result of requiring a bigger role of technology and digital, I think we cannot underestimate the speed of which technology is going to collapse costs.
- Specifically in financial inclusion, several countries in Southeast Asia do not have 50% of financial inclusion. And I think the role of technology, by way of how COVID-19 has affected people in not being able as communal as before, thereby using digital technology a lot more than ever, we are going to see a faster spike in the way people embrace financial inclusion.
- I am hopeful in terms of how we are going to be able to respect the planet a little bit better; I am not so sure the respect we are having is sustainable and humanity tends to be forgetful on what is supposedly important. We can sustain our current

behavior of respecting the planet and the climate a little bit better. I think there is a great future for the younger generation of ASEAN.

QUESTION AND ANSWER:

Dr. Dino Patti Djalal:

- Question from the audience: Ade Rina - Indonesia - If FTA is important for the future of our trade, how about the trend of "blocking" FTA as done by, for example, a group of people initiating a referendum in Swiss to block EFTA (European Free Trade Association)?

Steven Ciobo

- Those that argue in protectionism argue for lower living standards in the future, those who argue that in some way you make a country rich by taxing imports into it, but we prove it in time that it is wrong and part of the challenge that we have seen in the past to 30 or 40 years that it has not been orthodoxy.
- I think for the first time in a long time, the general community is going to see that protectionism is not the panacea that they think it is. They are going to see that protectionism declines living standards and doesn't improve them; and that there is a whole range of consequences to that. But, like anything, there is a fairly significant time lag involved. So, when you see pushback against free trade agreements you hope that it does not take root, you hope that it does not cut through political leadership.

Dr. Dino Patti Djalal:

- Question from the audience: Dicky - Independent - I would like to ask regarding one of the biggest regional trade partnerships, RCEP, which India will not be joining. How will this be a disadvantage to RCEP itself?

Gita Wirjawan

- I can give some color as to why countries like Indonesia in the past chose to embrace RCEP more quickly than TPP at the time, when it was introduced to us in 2011. The struggle we had for TPP at that time was when we were tasked to sell noble ideas that are more of a 22nd century conversation pieces such as: embracing intellectual property, government procurement, human rights, to Indonesians in 2011 and 2012.
- But the sentence that we wanted to be infused in the framework would stipulate something like this: there was a real effort to pour some money as an investment into countries like Indonesia to build, for example, a Chrysler factory in West Java. Even though it would employ maybe only 30 people as opposed to 3000 people. That was a political necessity for us: to be able to socialize this to the people. As a result of the inability to put that sort of sentence which resonated politically with the people of Indonesia, we were not brave enough to push ahead.
- We smelled that it was a lot more difficult to socialize anything that belonged in the 22nd century as opposed to an RCEP framework which was more of a 19th century architecture that is easier to roll forward as opposed to rolling backward from a 22nd century conversation.
- It is indeed unfortunate that India does not join RCEP and indeed it is a little hard to engage them in a bilateral conversation, if not multilateral ones. I do not see India as a permanent bystander with regards to RCEP, this seems largely episodic. However, I do not see the need for all of us to shy away from finalizing the RCEP framework without India.

Laura Deal Lacey:

- Alfonso Silva Musayon - Deakin University- In a post-COVID world, states will want to re-start their economies by concentrating on job opportunity. Will the Belt and Road initiative be a more attractive incentive, when economies need local jobs?

Cesar Purisima

- I think the Chinese are starting to realize this crisis might be an elegant opportunity to redesign their approach to BRI. There has been a push back because of many reasons: the contract has been granted to Chinese companies, Chinese labors, Chinese loans from Chinese banks, and the term could be quite onerous.
- It is also a good opportunity for them to revisit the opportunity that BRI presents to them in several ways.
- One is not to push through the old vertical plans or the old economy types of infrastructure that they have been pushing. Instead, use this as an opportunity to make this region to be greener.
- Two, they also should use this opportunity to increase the dimension of BRI to also digitize it.
- Third, is to also build a travel bubble - make it a health-focused BRI.

Laura Deal Lacey:

- Question from the audience: Zein - Indonesian Ministry of Finance: Pre-pandemic, trade remedy measures are often used to compensate trade. Will this practice continue post-pandemic?

Gita Wirjawan

- I think depending on the size of the fiscal space, the COVID-19 has put pressure on fiscal space on every government.
- Indonesia is also allocating 3 to 4% of its GDP to its recovery compared to other ASEAN countries; it is pretty small, Singapore and Malaysia, respectively, allocating about 19 to 20% for recovery purposes.
- It also depends on the tax ratio. Indonesia stands on 11% on tax ratio. That doesn't give a lot of room for us to consider other purposes and remedies, until

and unless we can see a more sustained recovery and some traction on being able to ramp up our tax ratio from 11% to perhaps 15% or 20%.

- We are still far away from where the OECD countries are with tax ratios of 30%. Therefore, I think it will be less easy for the Indonesian Government to be providing the same kind of trade remedies in the post COVID-19 basis.

Frank Lavin

- Generally, I would suggest countries think about trade remedies, anti-dumping, countervailing duties, other kinds of trade remedies: please make sure that you have an affirmative agenda and you're not defining your entire trade policy by a negative agenda and you're saying we are going to somehow correct trade problems or improve our trade position through trade remedies because it is a niche tool. It might be celebrated but it does not help your overall national status in terms of its trade policy.
- Every country has a policy obligation to lead an affirmative sense. Where we are trying to trade, where we can liberalize, where we can work with like-minded countries, where we can improve our trade position, and then we have a breaking mechanism if you will, and trade remedies if someone's behavior is exploitative or illegal.

Steven Ciobo

- Something that we have not yet addressed here is the future of the World Trade Organization and what a Biden presidency or the Trump administrations would mean for the organization. Right now, we know that votes are underway to replace Roberto Azevedo.
- When you look at trade remedies in the WTO context and its appeal process, I think it is fair to say the canary in the coal mine with respect to multilateral institutions and the way that the world deals with these trade frictions.
- What is the next multilateral institution that will succumb to potential pressures from the US or others? These are some questions that we should ponder.

Dr. Dino Patti Djalal:

- Geopolitical rivalries and economic frictions, which one do you think needs to be settled first in order for the other to get fixed? Or are these two independent from each other?

Frank Lavin

- The singular benefit of economic and trade issues is that they are not zero-sum so there is a win-win solution. On the other hand, the problem of geopolitical issues is they are zero-sum, they are frequently win-lose situation.
- The trade issues lend themselves to resolutions more readily than geopolitical issues. Over the next ten years I can see China moving itself to a tariff regime closer to world's norms.
- However, I do not see a grand solution of sovereign rights in the South China Sea in the next ten years.
- So *the* geopolitical question of the 21st century is how does China define its role in the world and to what extent do other countries have a say in that or have interest that might be impinged by how China defines its role and that is a conversation that would go on for decades. Trade issues are in a solvable range.

Dr. Dino Patti Djalal:

- Aryamah - Jakarta - Digital method will be more advantageous these days, how can we make sure that each country is ready to use it?

Caesar Purisima

- Each country will have to make sure that they are not only to focus their education system to be relevant in the digital world but also invest in retraining those who are already in the workforce. That is the only way to make a more inclusive society because if you do not, this digitization will become more of a problem than a friend for countries like the Philippines.

- The outsourcing industry has been a blessing for our country. However, the improvements in Artificial Intelligence (AI), voice chat boxes and call centers can disappear in the next few years. Therefore, it is incumbent upon governments to keep moving up the value chain.
- That is another challenge that countries like ASEAN are facing, with improvements in technology, countries that have been used to competing in labor costs will now not only have to change their positioning, but also to improve productivity.

Gita Wirjawan

- We have been talking about how digitalization is a way to go forward. Unfortunately, a good chunk of Indonesia's 132 million people in the workforce are not able to embrace the digital space, to adjust by way of COVID-19. Anybody that can embrace the digital space more cleverly than others is likely to survive better than others. I am seeing the potential of a dislocation with respect to a good chunk, if not a small chunk, of this population.
- In regards to digitization, If we take a look at the posturing of our education budget, I think we still need a plan from a policy standpoint to set a minimum threshold in terms of how we should be spending and how many people should be attending STEM programs or any empirical science and the social sciences respectively. This is important for Indonesia and other developing economies to prevent situations such as now, whereby many people are not able to make technological advancement.