

English Summary drafted by NZIIA

Asia-Pacific Forum 2020
Navigating Disruption : Rethinking Economic Development in a
COVID Era

Welcome Remarks from Ms. Melanie Thornton, Executive Director of the New Zealand Institute of International Affairs (NZIIA):

Greetings to everyone, kia hora, konnichiwa, namaste, selamat, nihao and greetings in all the other languages present in this Forum. My name is Melanie Thornton and I'm the Executive Director of the New Zealand Institute of International Affairs. We're delighted to host the 2020 iteration of the Asia Pacific Forum in collaboration with the Japan Economic Foundation (JEF) and the Asia New Zealand Foundation. We look forward to bringing together this excellent and diverse group of speakers from across the Asia Pacific Region and hope that you the audience get huge value from this Forum.

In a year that's seen unprecedented change across the globe due to COVID-19, the value of a forum such as this is tremendous. As countries grapple with the economic and health impacts resulting from the pandemic, exchanges of perspectives and experiences can help countries navigate new approaches towards policies and solutions to deal with the economic and social impacts from this pandemic.

Welcome Remarks from Mr. Kazumasa KUSAKA, Chairman and CEO of the Japan Economic Foundation (JEF):

The Asia Pacific Forum has grown to its 19th round this year. The last Forum was held in October 2019 in Kuala Lumpur, Malaysia, when we celebrated CPTPP entering into force. We talked about the ways to better globalize our region inclusively, despite witnessing the radical divisions over income disparities worldwide. This year RCEP has finally been agreed to. After long negotiations which began in 2013, on November 15 we saw this as a positive message for all the participating countries in this Asia Pacific Forum. But not all is good news. We need to check that our social lives and economic activities can co-exist with the coronavirus.

In America where globalization has progressed with technological innovation, we are

seeing a phenomenon of citizens being left behind, without their consent, and unable to keep up with the speed or the content over the changes which created the disparities. The pandemic has made these issues more prominent. And more bad news is the accelerated social divide caused by the contestation of results following the US presidential election.

RCEP has the DNA of integrating countries' commitment to development all over East Asia, and it also plays a very important role in bringing them into one community through the perspectives of supply and value chains. On the other hand, CPTPP is aimed at high levels of globalisation and rule-making that matches the reality and the needs of the economies. RCEP and CPTPP are not mutually exclusive, but complement each other in addressing challenges and solutions as our common agenda.

In today's globalized world where our economies mutually rely on each other, better globalization is crucial, especially in Asia. We are countries that are dynamically growing. Our region has always grown by that dynamism. I'm looking forward to the discussions and the hearing the expert views over the next two days and to learn from each other.

Welcome Remarks from Rt Hon Sir Anand Satyanand, President of the NZIIA:

Thank you Melanie - and it's a great pleasure to follow you, Mr Kusaka in this important exchange between colleagues here in New Zealand in Japan, in China, and in India at a time where the world's ability to exchange ideas has been severely limited because of the COVID pandemic. But in a way, the modern technology available to us by Zoom has worked in our favour - because this afternoon, New Zealand time and tomorrow, we will have the benefit of listening to a number of experts in their fields speaking about the present and future architecture of how we are going to deal with each other as countries and economies.

The New Zealand Institute of International Affairs, of which I am the current president, has been in operation in New Zealand since 1934. And its essential purpose remains the same - to encourage interest in international relations on the part of ordinary civil society. So at one end sits the people who are engaged with international relations and governments, which do business with each other at one level. Diplomats and trade officials do their business with each other at different levels. And then beyond - at the universities and other organizations who have an interest in making the same

connections between countries evolve and improve.

The Institute of International Affairs regards itself as a catalyst in helping make this happen. And therefore, it is great that we can hold hands this afternoon with the Japanese Economic Foundation, with whom we have worked before - and all of the other people, so that we can gain knowledge and insight about the present and the immediate future.

Guest Speaker: Mr. Vangelis Vitalis, Deputy Secretary for Trade and Economic Division of the New Zealand Ministry of Foreign Affairs and Trade

I like to think that the free trade agreements we do are, of course, a win-win for all of our partners. I wanted to speak in three inter-related parts. My overriding theme that I want to leave people with, is that the golden weather - as it was for trade policy - has really ended now; and COVID has essentially hastened or accelerated the end of that golden weather.

But I also do believe that our region - the Asia Pacific - is actually a better place than most, and to find a way and navigate its way through this; in particular through the architectural structures that are now evolving very rapidly - and most recently through the Regional Comprehensive Economic Partnership (RCEP), which I think is an extremely important initiative, and one of the two pillars that are going to structure the rules and trade around our region alongside CPTPP.

But first let me say by way of a contextual remark, the broad sense that I have of the golden weather - the ending of the golden weather for me was from 1995 until 2019. 1995, because that's the year the World Trade Organization (WTO) was established; we had for the first time a set of legally enforceable rules. This was very important to a small country like New Zealand, and indeed many economies around this region - because it meant that we had some protections against the behaviour of major powers. When they wanted to challenge the rules, we had a mechanism which would allow us to bring those economies into compliance.

Unfortunately, that has now ended with the essentially frozen nature of the appellate body structure at the WTO and the various developments that have occurred since then. And at the moment, it doesn't have a Director General either. So I think what we're seeing is that we're entering an era of some disorder and some uncertainty. And I say

uncertainty essentially for six reasons:

First of all, there is the COVID health crisis - we see that all around the world. We see what's happening across the European continent, the Americas and even our own region as well - and we don't know the direction that that is going to go; where the people are going to be in and out of lockdown; and where, when and how the vaccines will be rolled out. So lots of profound health questions we need to think about.

The second element is the increase of uncertainty around the global economic shock that we're facing - how and how wide that is going to be. It's not yet clear. What is clear, though, is it having profound consequences for the way in which we think about trade policy, but also economic policy more broadly - driven in part because this is a global economic shock that has a demand side and a supply side element to it. And then, of course, makes it very different to the previous kind of financial shocks that the region has suffered.

The third kind of element that I would identify as creating that uncertainty is rising protectionism - not just in our region, but internationally as well. And that is a very troubling indication that people are resorting to the kinds of instruments that we haven't seen for many years. They are well and truly back - and it's a reminder of how fragile the consensus was around trade policy and the benefits of trade.

So the health crisis, the economic crisis, protectionism, the fragmentation of the rules-based system and actually public scepticism, as well as the fifth area. I wanted to identify that people are sceptical about trade. They were sceptical before COVID. They're becoming even more sceptical now, because they worry that the products that they consume - the products that they use, are they COVID-free? Are they COVID-safe? Is this high quality food? How has it been handled along the way that it reached me?

So we're getting increasing signs from economies around the region that they're going to install testing of products that come into the country for COVID, even though there is no scientific evidence that there is a risk. Nevertheless, there is an understandable consumer perception to which governments are wanting to respond. And the sixth element is something of an unknown: how the US-China relationship will play out in our region, and all of the uncertainty that continues to generate for us.

I think that our region is actually well-placed to manage this emerging disorder and uncertainty - even though I think the golden weather has actually ended. I think what our region is looking to do is showing its resilience. And also, if I may say so, the continued understanding across all of the economies in the region that the rules-based system still matters. CPTPP is one example of that. But most recently is another very important signal to the wider world that rules matter. That countries and people can get together, even if that seems very challenging. And RCEP was a seven-year negotiation, which at many points looked like it wasn't going to come together - and it did. I think that is a key-turner in many capitals around the world - not just in our own region, but in places like Brussels, in Washington and elsewhere.

Something very important happened a couple of weeks ago. I was fortunate enough to observe the signing (of RCEP). I think there are some other very interesting elements that are happening in New Zealand. We talked about our trade policy approach combining something that we call “concerted open plurilateralism”. This is where we work with other like-minded economies to set up high quality comprehensive rules and interesting areas that we then hope will be a reference point or a vehicle for the region to build these agreements out further.

For example, the Digital Economy Partnership Agreement (DEPA) was ratified most recently by Singapore, Chile and New Zealand - the first as far as we're aware; the first international trade treaty that was concluded entirely and signed digitally. So that's an example of what can be done creatively. That that will be a reference point we believe for the region, as they think about some of the big challenges that we face in the digital economy sphere.

Another example is the agreement on climate change and trading sustainability that New Zealand's Prime Minister launched last year. It was a very important demonstration of the way in which trade can help us deal with some of the climate change challenges that we face. So we're working with a small group of small like-minded economies to try to drive change by the removal of tariffs on environment of goods and services. New disciplines on fossil fuel subsidies and guidelines on eco-labelling are all designed squarely to help us mitigate those environmental challenges we face; but in particular, to send a signal that trade needs to be part of the solution.

That brings me to my final observation, which is a point I've talked about already: the

hard rules in the region. As all of the colleagues on this call are aware, it's the institution that provides the ecosystem that constructs the norms and understandings that eventually then get translated into the hard rules that we use in the ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA). As with CPTPP and RCEP, our work together in the institution has been a crucial facilitator and enabler of our ability for the move into the hard rules sphere. Having established those norms in APEC, we can then move them into the hard rule sphere. And I think it is very important not to lose sight of that. New Zealand feels very strongly about that responsibility. Next year, as we are the hosts, we will be looking for APEC to be a driver of the confidence-building measures that we need in this region to re-establish and re-invigorate the regional economic and trade architecture.

So let me conclude there by observing that our region is evolving fast; it has adapted very effectively to the end of what I call the golden weather; and it is constructing its own architecture to manage and mitigate as far as possible. Those uncertainties that I described at the start around the health crisis, the economic crisis, protectionism and fragmentation of the rules-based system. Encouraging our citizens to believe again in the power of trade policy, and of course, to help us think about in a structured and coherent way the way in which we work together with some of the major powers in our region. So for all of those reasons I'm actually very optimistic indeed - that our region above all, has found a way and has agency to drive prosperity, wealth and health for our people in our region.

Q&A Session with Mr. Vangelis Vitalis - Moderated by Josie PAGANI, Director, Council for International Development:

You talk about the end of the golden weather and certainly it's looking a lot cloudier with COVID. Just to list some of the human consequences under this global recession: when looking at 400 million people who have lost jobs; there's a decline in tourism by about 65%; trade flows have dropped by about 15%; foreign investment has dropped 45%, which is huge. So I'm glad you feel positive. But is there some sunshine on the horizon in terms of our populations' support for global trade and globalization, given that COVID has been a global problem looking for a global solution?

What gives me a more optimistic way of thinking about it is, that the prediction for international trade flows to collapse was in the order of up to 30-40%. In fact, we are

below that - and all the signs are that international trade will revive. And there is an understanding that without international trade we wouldn't have access to the PPE equipment we need, to the medicines that we need, and of course food. So one of the big challenges I think we faced in the early part of the crisis (February, March, April) was a concern around where would we get the equipment from? And I think international trade has been a really important part and function of that.

And I like to think that in a crisis like this, the region has responded very effectively. The last time that it was a global financial crisis, we got the AANZFTA, and there was a real push in the region. We need to send a signal that this region understands that in an international crisis, what you need is more international cooperation, not less.

It is a sincere regret of mine that India is not part of RCEP. We would welcome India to re-join us; we see it as a crucial part of the region, and there is a fast track pathway for India to re-join. But to me, it sends a signal - a really profoundly important one - about our response here in this region to the crisis is more international cooperation. We've all depended on our own governments for a COVID response or not; and in some cases, I get the sense that actually, we wouldn't get the same anti-globalization sentiment and trade demonstrations that we were seeing a number of years ago. I think you're right - that people have seen the positive sides of a global problem requiring a global solution.

Is there anything that you've picked up during this year of COVID about how we can translate the benefits of trade economic development to meaning not just the few - which again helps us build the case for trade?

I think that is one of our really big challenges, and it's not a communication challenge. It's actually a substance challenge which is "how do you demonstrate the actual benefits of trade?" I am a believer in the benefits of trade as actually reaching as broad a part of your population as possible and indeed, the Trade For All report and the Trade for Advisory Boards report was a very important contribution - because what it highlighted: yes, we do need to think hard about what the impact is on women; what the effect is on small to medium enterprises; and what the impact is on the regions around the country. In our case - the impact on indigenous population, the Maori population and New Zealand. What's the impact on sustainable development? So some of the work that I think we need to do collectively in the region, and I know various institutions in the region are thinking about this - is creating the data sets that allow us to think about that as a time series that tells us something thoughtful about the impact of trade on some of

these groups.

We know in New Zealand that COVID and the economic impact has hit women harder than me. Why is that? What is it that's happened, and how is it that we should think about that? As we think about policy responses, we also know that the medium size and larger firms have had credit lines to survive. The smaller medium sized firms and the micro firms? They've really struggled. How do we support them? How is it that trade can be a driver for growth? And that's part of the government's trade recovery strategy as well.

I'm interested in what you said about the way a small country like New Zealand - and other countries in the region - have adapted around the dysfunction and fragmentation of the rules-based system internationally. So we've all adapted, and you mentioned signing these other agreements, such as the digital agreements, the climate change on trade and sustainability agreement. So what's your view on whether or not trade deals post-COVID could be widened in scope and take on these global public goods? About the environment, about labour rights, about benefits to women, to indigenous populations - or should they stick to the knitting, and be quite narrow and leave the public goods to other agreements?

What scares me is that the debate has profoundly changed. If we were talking about this even five years ago, the answer would have been: "well no, try to stick to it, and no you shouldn't really be getting into these other areas." I don't think that's credible anymore in the view of the general public. I think the public does want to know - what is the agreement doing on the environment? Can you re-assure me that there's going to be benefits for the indigenous population.

To give you a practical example of what we're trying to do in New Zealand, Canada and Chile - in the margins of the signing of CPTPP, we put out a declaration that we would assess CPTPP against some new matrix, and that included what it was doing for women. What was it doing for the small and medium enterprises? What was it doing for our indigenous populations? What was it doing for our regions? The regions in Canada? The regions in Chile? What was it doing for sustainable development?

We have acknowledged that to take a five year review, that may not tell us very much in data terms. Thinking as an economist, you need to have more than just a five year data

set. But we were clearly thinking back then, and our ministers who put out the declaration – we were thinking in 10 and 15 years we will know something very interesting about this; we will be able to think about how we devise these trade agreements - which of course get reviewed regularly. And we'll be able to review them in light of actual concrete evidence, and where the impact is negative. Or where it hasn't been as good as we expected. We hope that we can adjust the agreement to try to make that change.

In your view, does something like the Paris Agreement on climate change do more or less to protect climate change than enforceable trade deals like CPTPP, which has enforceable mechanisms on environmental protection?

Yes clearly. Trade agreements cannot address the climate challenge on their own. And I think my point is more what can a trade agreement do to enable and facilitate a positive outcome on climate change? So, for example, I think the agreement on climate change trading sustainability is a really good example of what is possible. We know about the fossil fuel subsidies, which are in the order of 400 to 600 billion, depending on what you calculate them on. We know that if we could eliminate all of those, that will be the equivalent of about 100-200 economies stopping all their emissions and going to zero tomorrow. That's the contribution that the elimination of fossil fuel subsidies would be now.

We tried to eliminate and reform agricultural subsidies using trade disciplines in the 1995 Uruguay Round. What we're trying to do is say, well actually, we could use those trade rules and those trade disciplines to drive actual reform in subsidies - the classical trade problem, but in fossil fuel subsidies - and if we could do that, that would really make a contribution. But we're not going to pretend that trade is going to solve climate change by itself. What trade can do is compliment the policies that have emerged out of the Paris Agreement, and I do see very powerful synergies between what we're trying to do in the Agreement on Climate Change, Trade and Sustainability in fossil fuels policy reform, and what the Paris Agreement says on that. And by the way, the sustainable development goals are very specific about fossil fuel subsidy reform.

The question I am always curious about is, the G-20 since 2008 has been saying we want to reform fossil fuel subsidies; lots of your subsidies have actually gone up. So how are they going to reform that? Well this group of small economies is showing how if you are

serious about reforming subsidies to fossil fuels, here's the trade disciplines that would actually do that. And by the way, those are legally enforceable, and you know that has a certain power in itself. That would actually make a meaningful contribution - but it's a compliment to, it's not instead of.

Let's just talk briefly about RCEP - and many of the countries represented here, are members of RCEP. Some have said it's not a very ambitious deal; not as ambitious as the CPTPP. But the platform creates an ongoing mechanism where we can keep having these discussions and keep holding each other accountable on.

What is the biggest benefit for economic development post-COVID in the RCEP agreement, in your opinion?

I've heard the criticisms of that, and they often come from outside the region, which I've always thought was rather interesting. I've heard people say, "oh, well, it doesn't do this on digital; and it doesn't do that on intellectual property rights." I think the real question is, "where is this agreement going to be in five years and 10 years time?" And the power of this agreement is that we have a single rule of law that brings together economies that were never able to agree before. We have Japan, Korea and China together in a free trade agreement. And that I think is a profound non-trivial change. It tells us that, in this time of crisis, people can work together.

I want to pay particular appreciation to the ASEAN colleagues who had the vision more than seven years ago to launch this process - because it's very easy for those outside the region to say, "oh, It's being dominated by a particular major economy." Actually, that is fundamentally wrong, and it suggests that they do not understand our region. It's ASEAN that drove this agreement; it's ASEAN's vision and commitment that pulled us along. I'd like to say that New Zealand made its own modest contribution to try and bring that together with Australia. They should be given the credit and the power by which they brought that together. And then persistence during some pretty dark moments to bring that agreement together is a real tribute to that organization, and the way that group of economies and the way they think of themselves within the region. It is very, very significant, I think, that you've got ASEAN, Japan, China, Korea, New Zealand, Australia, and the pathway for our crucial partner that we all miss and regret is not there - India.

RCEP provides a potential economic bubble of about 2 billion people. So it's a big bubble where it's not just on a COVID level, but because all of these countries - pretty much all

of them - have done really well on COVID. So you could look at the RCEP community as an economic tourism/trading body that really gets ahead of the rest of the world. Do you think there's some potential to accelerate?

There's no reason that RCEP isn't going to have a profound influence on the development of the architecture and the region. I think it's important not to forget that there's also CPTPP up there as well. And I think it's also really important not to forget that in APEC we've had this vision of a free trade area of the Asia Pacific. And I do see these two important architectural developments to being the building blocks for a vision that we've had in APEC for many years - for a free trade area of the Asia Pacific. What you need is for these things to come together and agglomerated, and that will take a little bit of time. But the vision has to be for our region to have a free trade area in the Asia Pacific.

I think the really important thing about the incoming US administration is that we can together in our region, build some confidence. I think in the way in which trade can drive growth opportunity, inclusion and help us all build back better greener and more inclusively. I really am hopeful that APEC will be seen as a really important institution that can help build confidence and rebuild all about confidence in the value of the rules-based system. I'm very hopeful that it's going to be possible. And I think it's too early to say where they might land on when it comes to joining particular agreements or not. And I think the important thing is that in this first year, that we have some very positive signals being sent about the confidence that they want to rebuild in the region. So there is some sunlight.

Session 1: A Sustainable and Inclusive Economy - Moderated by Josie PAGANI

As they say with any crisis and COVID is no exception, never waste a good crisis. It's an opportunity for us to rethink the way that we work in the way that we can spread the benefits of economic development to the most people. And so it's an opportunity for us to revisit our priorities post-COVID, so I'm very much looking forward to hearing from our panellists.

Panellist A:

I will talk about China's economic development - is the policy of how to solve economic disparity in line with that of economic growth? Yes, the Chinese economy has a high growth rate, yet China has experienced two disparities. One is that rural and urban sectors have so much disparity; and another one that is the regional disparity of people

flows into the coastal cities and moving to the southern parts of China. This is a very interesting fact for the future, because for a long time, China's politics, power and wealth has been in the north, but now it's more towards the south.

So, this disparity of wealth distribution, employment and economic centre really creates a big challenge to China. Fortunately, the Chinese government has started very early to consider this issue and adopted a so-called Western development strategy. And most of the promises are actually in the middle and Western areas, with a long list of special support measures (such as re-allocating resources and investment, special tax policy benefits and also a special policy for FDI) to support Western development.

The second policy is to launch the nationwide poverty reduction agenda. By the end of 2020, China announced that the anti-poverty strategy achieved great success, that there is no absolute poverty in China. But of course, there is a worry whether absolute poverty will come back again. However, this is a priority agenda, addressed in many ways - including special assistance for investment and talent. It's about supporting rural areas and capacity building to train people, to find jobs in other areas. And along with liberalized policy tools for encouraging people to re-locate to cities - with the exception of Beijing, Shanghai and Guangzhou - all the other cities are open for any people to relocate, to live there as normal citizens.

The COVID pandemic has created great challenges to the social-economic life. The economic activities have either stopped or slowed, that caused more problems for people. You may recall post -1930s crisis due to the vulnerability of human life, the social security system have been gradually established. Now, in facing the new situation-the COVID pandemic, we have to rethink and consider a new type of security protection. In China, the government has emphasized development security - not in the traditional sense (high level of social security system), but security in sustainable growth, employment and social safety issues.

Panellist B:

Asia and Europe are two of the three main poles in the world economy. The third being the US. All the three poles are distinct. But they are fulfilling similar objectives of globalization. Globalization makes for soft international borders, but social connectivity is rather influenced by what happens inside the national borders, as in the case of Asia. For example, East Asia, Southeast Asia, South Asia all have individual identities, but are deeply interconnected from an economic perspective.

And Europe is similarly multi-layered. It has the European Union (EU), Russia, the Nordic North, the Western Balkans. But the EU in particular is a community bound by law, and where connectivity is administered through rules. A large part of Europe is practicing a rules-based approach to connectivity. There are normative positions on national and global issues such as climate action or freedom of movement, and in addition, on digital economy, and a carbon neutral society.

Among the four freedoms, the citizens in the EU cherish the freedom of movement - which is to say, social connectivity is given the highest choice and preference. Ironically, this very freedom has propelled the UK out of EU. So, with more variety of political and social structures coming from the new members of the eastern Europe, the EU is now resembling more like a union of governments, rather than of societies. But to be sure, its commitment to social connectivity and integration far exceeds the expectations from the rest of the world.

Asia also shares similar political and social heterogeneity, like Europe but with an added layer of colonial past - which can be seen in the multiplicity of education, legal and political systems, and the subtext of economic nationalism. But one can safely say that Asia's economic integration is superior to its social connectivity. Japan's investment in the 70s and 80s created an investment-led growth in Southeast Asia; as did the rise of Asian Tigers. South Asia was slightly outside this, but now it is coming into the same group, with Bangladesh, Sri Lanka, India as the new centers in supply chains.

So Asia has economic integration, and of course China is a huge part of this economic integration. But compared to its economic integration, social connectivity in Asia is patchy and administered through high border controls. RCEP was quoted very strongly in the opening part of today's talks, but in the chapter on the movement of people, it says temporary movement of people - why are we underlining this emphasis on temporary?

Which brings me to the US position on social connectivity. Unlike Asia and Europe, the US is a country, not a continent. So we evaluate its social connectivity with the rest of the world. The US has balanced social and economic connectivity well despite Trump years in-between. It has high entry barriers, but it also has high exit barriers for people from outside the US. The US understanding of connectivity has worked well for its own economy, especially in the digital economy and innovation growth in the US.

Panellist C:

How can the essentially long-run gains of sustainability withstand the pressure of immediate needs? I approached this in a very straightforward manner by looking at what are called 'green fiscal recovery measures'. These are interventions that have been implemented to mitigate the adverse impact of the COVID pandemic and at the same time contribute to the reduction of greenhouse gases.

Everyone is aware of the major impact of the pandemic, which is sometimes described as a triple whammy. You have a demand shock, supply shock, and financial shock - and the Philippines was not spared. There is a silver lining though, and the silver lining is that we have cleaner air. Unfortunately, this is not expected to continue - but there is hope that we don't revert to the pre-pandemic state and implying that some of the gains can be sustained. In order to lessen the economic hardships from the pandemic, governments have implemented several fiscal rescue measures. These are analogous to disaster relief measures in their approach.

The initial set of interventions was correct, because this was a public health crisis and not an economic crisis. But the public health crisis has spawned an economic crisis. In order to respond to this situation, you have to first implement disaster relief. Then you reinvigorate the economy, and these (as shown in the slide) are examples of some of the measures called fiscal recovery measures that follow rescue measures.

Studies have shown there are fiscal recovery measures that at the same time, can promote sustainability - and these are what are called the green fiscal recovery measures. You have in clean physical infrastructure, things like solar and wind energy projects and modernizing grids; retrofitting buildings to encourage or to enhance energy efficiency; investment in education and training; natural flow investment in parks and mangrove forests; R&D in clean energy. One important example of a green fiscal measure is retrofitting existing buildings, and you can see from data from the International Energy Agency that the employment impact is fairly high and this is something that can readily be implemented. So the main takeaway from the presentation is that there are viable channels to reinvigorate the economy - and at the same time, promote sustainability.

Panellist D:

I will talk about digital economy and the digital divide in Thailand, which is a really

important issue in our current globalization era, because globalization at the moment is in reverse. During the past 10 years if you look at the ratio of trade to global GDP, it's been declining during the past 10 years. The same applies to the level of foreign direct investment to grow both GDP and also international loans. International travel is also declining really quickly - and collapsing. The only globalization element that is still going forward - really fast - is international internet connectivity.

I'm talking about this dichotomy, and with our special focus on the digital divide in Thailand, and how we address it. First of all, there are many dimensions to the digital divide. It can be a gender divide; it can be a geographical divide in terms of rural, urban disparity, and also regional disparity; and, thirdly, it can be related to the huge gap in income.

Let me start with the case of Thailand for the gender divide in terms of internet and digital technology usage. We're very happy to tell you that the gap in terms of gender imbalance is really low. Basically, male and female users are using the internet, and enjoying the benefits of digital economy at roughly the same rate in terms of geographical divide. However, we have some disparity in terms of the rural and urban divide; and in terms of income - the income gap is a huge gap for the digital divide.

Let me provide you with the overall picture of the digital economy in Thailand. Basically, Thailand and many other countries, have experienced a rapid increase in the use of IT. The rate of mobile phone ownership is really high at around 90% of the population - that's something really impressive. And if you look at the cell-phone population, it's around 200% of the actual human population. Many people own many devices at the same time. If we look at the usage of the internet, the number will be a little bit lower at around 57%. The internet usage is basically through the use of smartphones. So smartphones with 4G and 3G connection are widespread in Thailand. But if you look at the number of ownership of computers in Thailand, that is declining. And I'm sure this phenomena is reflected in your country as well.

We used to have around 40% of the population having computers in their household five years ago, but now that's decreased to only around 28%. The use of computers in Thailand is really low compared to the use of mobile phones - computers are somehow being substituted by mobile phone usage. So that's the issue of IT penetration. All in all though, the picture is quite good.

But if you look at geographical distribution, that is a huge divide in the country. Around 35% of the people in the urban areas get access to all of this technology, but only 20-22% of the people in the rural areas can access that same technology. So this is an issue that we need to address.

More importantly is the income divide. If you divide the population with the ones that are under the poverty line (somewhere around \$US6600 per year) the number of households that connect to the internet and using computers at the same time would be really low at around 3% of households. But for the rest of the economy, the number is much higher at around 20%. So this is a really huge gap.

In terms of COVID during lockdown, it's a big problem because during that time most of the activities have to go online - and this can create a lot of problems to people without computers. For example, before lockdown, university students that did not own computers could go to an internet cafe or could use university computers to conduct their study. But during the shutdown in Thailand in April, students that did not own computers had difficulties accessing their classes; and they could not simply use their smartphone, because it's really difficult to conduct serious business using smartphones. So there were some policy measures with some universities handing out computers to their students. But other universities did not have such policies and needed to have the private sector provide devices. But most importantly, I think the government has to champion these policies as well. And we have calculated that the government would need around \$US100 million for handing out computers for students. So that's the bottom line, the government has to step in.

Q&A Session:

I recall a quote from a politician in Scotland, who said there has never been a global crisis where the poor came out better off. And so somehow we have an opportunity now in forums like this, to work out how we change that pattern - and all of you have spoken to that. So the topic of this discussion is sustainable and inclusive social development post-COVID. How important it is that we have active governments that create the right incentives? So my question to you is, does COVID make it easier to make the case for active intervention from governments? We've had up to 50% unemployment during COVID in some countries, and you mentioned in the Philippines how unemployment makes the case for long term sustainability. But right now, people are really struggling.

They don't want to know about climate change right now.

That's correct. So, it's a matter of political will. The government has a menu of options to implement in order to reinvigorate the economy, and based on studies, some of those opinions are actually consistent with promoting sustainability. So if the population sees that the employment that is generated along with those measures promotes sustainability, then they will certainly be accepted. I think our government did fairly well in terms of the fiscal rescue measures - but my sense is that they're struggling a bit with regards to recovery measures. One would expect, of course, is dealing with a budget constraint. But then again, the other issue is political will to select the more appropriate measures that also promote long term growth and sustainability.

In New Zealand, a proxy for poverty and inequality at the moment is housing - the cost of housing. What would be the proxies for inequality? Do you think in the Asia Pacific region, some other proxies that are telling us that this is a problem. There are increasing signs of inequality in all our countries for us in New Zealand as the cost of housing has gone up over COVID. Can you comment at all on any proxies for inequality in other countries, in your experience over this year?

Of course, when you give the New Zealand example, you are indicating what's happening within the boundaries of the country with the cost of housing. I was basically comparing economic integration in Asia not keeping pace with social connectivity. So let me equate inequality within a country to the economic integration in the region. Typically those countries which are more integrated economically in the production network and supply chain in this region have a better income indicator as compared to those which are not. For example, let's say the Big Five, which are better connected with the traditional investors like China, Japan, Korea; — these members were better able to pull along the remaining members - that is Cambodia, Myanmar, Vietnam. Of course Viet Nam is a star performer now.

So what we are trying to see here is that economic integration or greater participation is actually reducing income gaps within the country and in-between the countries. South Asia is a very good example because India has been traditionally noted for not being really integrated into the supply chains of East Asia, but now we seeing Bangladesh as the new rising star, despite all other human development issues in the country. This proxy of greater economic integration with the rest of the region is a great reducer of

income inequality, within the country and with other countries in the region.

I know from our own region here, Pacific countries are asking us to prioritize digital connectivity, because it's the answer to market access for products. It's the answer to keeping kids in education during lockdown under COVID, and also even getting health advice online. Are we capable of re-prioritizing the most effective and important thing we could do right now, which is increasing digital connectivity across the region?

I think certainly there are opportunities for every country to increase their connectivity and connect to the digital economy because the price of IT equipment is decreasing really quickly, and the spectrum is becoming more efficient, meaning that we can get the same bandwidth for a lower price. So the challenge would be for every government to get the policy right on how to use the market mechanism as well as government interventions to bridge the digital divide for more people with a reduction in price of equipment as well as bandwidth.

In the case of middle income countries like Thailand, around 80% of the population would be okay without any government support. But all in all, after market forces play their part, then there'll be the roles of the government to provide connectivity and literacy to people in the rural areas or those with low incomes. There are many schemes to do so - one very popular measure is to use universal service funds collected by telecommunication license fees and use it in a way that promotes competitively neutral ways in the market. One option is the provision of universal services to the cheapest provider. By that way, the government will get the biggest bang for the buck and provide people access to the digital economy. But as the economy has become more complicated, providing access alone will not be enough. So we need to provide literacy as well. Nowadays it has to be e-commerce literacy for small and medium sized enterprises, and even individuals, to gain access to the digital market.

The US will be coming under a new administration. Given that they can sometimes renege on promises like those made in recent history, do we trust the Americans? If they sign up to do something, will they stick to it?

One thing we have learned in the past four years is that there has been precedent for the US to renege on agreements. Especially on something like the TPP - if you join, then there has to be commitment right? It was fairly easy for President Trump to go back

against the Paris Agreement. Then there was the Iran nuclear agreement. All creating an atmosphere of distrust. So it could be difficult to correct now.

The Trump administration has not left itself in any sort of glory and there is a lot of soothing that needs to be done by the new administration both nationally and internationally. But there is something happening at the ground level which is not going unnoticed - reminding us of the US commitment, time and again - this is the kind of narrative. I find in Asia the question is "where is US leadership?" The fact of the matter is that between 2013 and 2019, the US has increased its presence in terms of trade. In terms of investment, the scenario is even more breath-taking: the US is now the third largest investor. So at the ground level the US is making penetration in the region. I think the commentary on its commitment into the region is disproportionate to what the US is actually doing in terms of trade and investment in Southeast Asia.

The Chinese government announced openly that China considered joining the CPTPP in negotiation, and I think even if the US joined CPTPP, China probably also might consider it too. So this is a very positive sign that China wants to open it further. I think it's very important domestically that China has now adopted a dual circulation strategy, which is made for the domestic market while being highly integrated with regional economic development.

For the case of Thailand. I think we would welcome the US to join the CPTPP; it will give a big boost to the COVID trade and stability and reduce the fear of protectionism. Unfortunately, Thailand is not a member of CPTPP yet. Without the US joining, Thailand would be in a disadvantaged position compared to Vietnam - which from time to time has also considered to be a competitor to Thailand. So it's a big plus and a small minus for a country like Thailand.

On India re-joining RCEP, suffice to say for now that the COVID emergency has actually given a reason for India to stay out even longer than it had to - before it can start to consider re-starting the process. We may have to wait longer than member countries would expect.

What would it take to have an economic bubble in our region, whether it be through RCEP in addition to those countries that aren't in RCEP. Do you see that as a possibility?

We've talked a lot about travel bubbles between countries - and every time the bubble

has burst - like what happened with Hong Kong and Singapore. So first of all, change the word - not the “bubble” but something else more positive.

We could change it to “club”. But then, that sounds like the OECD – a rich countries club. So yes, we'll try and find a new word by the end of the two days. A question to you all is, if you could prioritize one policy intervention or one action post-COVID to increase economic development in an inclusive way, what would it be?

Can I start by responding to the issue of populism - populism and inequality. One way to frame the issue of climate change is to put it as humans versus nature; so how about populism versus science? What happened with the pandemic is that nature gained a victory - it humbled humans and in a sense it reined in populism. So, if there's any positive takeaway from the COVID pandemic, is that it has pushed science to the forefront. And this will help our policies that are science-based, and these generally benefit the majority of people. So that's my main takeaway from the COVID experience, and it will really give a boost to the green fiscal recovery measures.

One of the panellists has made a very valid point and I just take this analogy a little further from an economic perspective. The hallowed days of international trade are behind us. Asia, which actually grew on the back of international trade, that trade induced growth is not coming back, at least in terms of merchandise trade. So preparing for the digital and tech economy is here to stay. The tendency to conflate e-commerce with digital economy is very common in Asia. But the two are very different things - and preparing the human capital, preparing technology literacy, preparing for international cooperation for investment in digital economy – those are the things I think that other parts of the world are slightly ahead of Asia. So this technology led economy will be something that we will have to watch out for and make some very quick and nimble preparations for that.

We have moved forward with transforming our economy into an online economy from a home economy. So there'll be a huge impact on that, and I really agree with the previous panellist that we need to invest in that. Another important dimension, though, is that government needs to also accommodate the transformation into the digital economy. There are so many processes in the government that are so cumbersome and paper-based in Thailand, and in Japan - and I think everywhere, in every country. In Japan, for example, the use of paper is still really popular, but not efficient. We have so many laws out there that we need to make more digital economy compatible. And I think we need

to invest in reforming bureaucracy, and also adopting and investing in technology, in AI.

A lot of the initiatives cost a bit of money. So an interventionist government that's intervening is a good thing, but it costs money. So the government debt that will inevitably increase during our post-COVID era. is this a problem for sustainability?

It could be a problem, but not necessarily rising in every country. The most important indicator would be the debt to GDP ratio - because if you have growth, even though you have higher debt the debt to GDP ratio would be sustainable. In the case of Thailand, we started with a corporate crisis, with only 40% of debt to GDP ratio, which is really sustainable. And the worst-case scenario is by the end of COVID, it would be around 60% debt to GDP ratio. So what we need to realize is that we need to sustain growth. I think Japan is a really good example. Japan has been stagnant economically and people now really worry about having low growth. Abe, in the previous administration, used Abenomics - fiscal policy, monetary policy, and also restructuring of money. And I think to sustain growth in the long run, certainly fiscal policy and monetary policy will not be enough. It can help us avoid deflation in the short run. But to have growth and sustainable debt to GDP in the long run, we have to have productivity and that's why digital transformation is so important.

In the short run, there won't be a problem. But maybe in the next three years because many countries in the region have very low interest rates, we have a situation that is akin to a liquidity trap. So fiscal policy has to be relatively effective, or highly effective in that kind of situation. If you look at the formula for sustainability of debt, apart from the debt to GDP ratio, you can also consider interest rates.

From a corporate perspective, it is important to spend now rather than later - because in terms of emergency spending, spending earlier is better than spending later. And the other thing is that many of the economies in this region (such as Australia and Japan) are sitting on huge reserves and with very little idea of how to get along with investments. So digital economy points to that. More integration is required - rather than less. Evidence shows that in terms of supply chains, there is a greater vertical integration happening in Asia as one is more vertically integrated. Now China is more vertically integrated, except for small pockets in Singapore and Vietnam. Europe is creating its own kind of vertical integration for technology of the future - such as electric car batteries, because they have promised to themselves to become a carbon neutral society

by 2030. With all cars going carbon neutral by 2030, we are witnessing more and more vertical integration, rather than cross integration in this region and outside also. So perhaps now, achieving greater trust rather than actual integration is more important.

What would you advise our governments and in each of our countries if you really do have to look after people initially in order to make the case for long term sustainability measures, whatever they may be?

We need not only greater integration, but greater cooperation, right? Especially in terms of the vaccine. We look forward to developed countries, including China, to help developing countries in this area. The short-term builds to the long term, and you have to get the short-term right – it's the initial conditions that matter.

In each of our countries we have communities that have not necessarily benefited from economic growth and globalization, or feel that they haven't. And if we talk of the call for women's participation, it's a no brainer. If you want to increase productivity and have your population involved in the workforce, and involved in entrepreneurship, how well are we doing across the region in terms of woman's participation and economic development?

What is the main role of government in bringing on board a moral agenda? Raising the productivity levels begins with creating the conditions to encourage participation of women in the mainstream economy; and those conditions must be provided through essential social, economic and legal structures. My worry is that much of the policy debate either gets hijacked or gets side-lined by issues which do not necessarily ensure structural changes or greater participation. Governments need to always keep focused on providing the structural requirements.

Our Maori indigenous community is potentially creating some of the big corporations of the future. So there's a lot of reason to be very hopeful that what New Zealand will offer others in terms of trade will come from our Maori population. I wonder if any of you in your own countries have some thoughts on how you might encourage indigenous participation in the economy post-COVID?

I think one area is using the digital economy platform. In the case of Thailand, we have seen some studies that there are people in Europe who used to have difficulties joining

the global market. But now with an e-commerce platform, not necessarily an indigenous platform. Platforms in the region like Alibaba. They can join the global economy by putting goods and services online, and allow for a greater market access. So that's one way of doing things.

Teleworking is important so that husbands and wives can work from home. Now this is an issue that has emerged in the Pacific region. For communities that may be geographically far away, teleworking may well be the way that we deal with issues like robotics and AI taking jobs away from traditional workplaces. Do you think teleworking is something that should be far more at the forefront of our discussions?

In Thailand, teleworking or remote working is changing the workplace drastically. There are many large companies that are already returning or terminating their rental building contracts even ahead of time to allow for smaller and more compact spaces; and it will also change the way we live in the city. For example, in the case of the US, there is a trend that people are moving from the city centre to suburban areas - not necessarily to the rural areas yet, but they are certainly moving into suburban areas. Just look at the data in New York City, or in Austin, Texas – it's been happening in many cities. But there are frictions in the workplace, and people don't meet as often as they used to. And having husband and wife, working together, staying together all day - it's not really a good idea. I have seen cases that people are getting divorced, because they're seeing too much of each other - so be careful what you wish for.

If I could ask each of you to talk about the one priority that you would ask the governments of this region to prioritize right now, as we go into the rebuild phase post-COVID, what would be one priority for sustainable economic development?

I would advocate to cooperate more closely because regional problems, global problems need regional and global cooperation.

In my case it would be healthcare.

My view is that the temptation to go back to 'business as usual' mode should be hugely avoided. That is to say, a much more realistic assessment of where we are heading should be taken and that calls for greater cooperation with the international community.

Our forum is Asia Pacific Forum, so Asia Pacific has been divided, and it's a big problem. APEC has lost momentum, so the concept of Asia Pacific integration is a problem. How to get back to cooperation and integration across the Asia Pacific? That's very urgent; that's where we started.

**Session 2: The International Economic Framework Moderated by Charles FINNY,
Partner**

Saunders Unsworth:

The topic of this session is the International Economic Framework. Is there a new global order emerging? Changing trading systems and rules, what will the impact of the US election be? What about US-China trade relations for us in New Zealand? This is very, very relevant.

Not a day goes by without my having to engage on this subject. We recently had the RCEP agreement signed; we have CPTPP looking as though it's about to expand with at least the United Kingdom joining – interestingly. China is expressing interest. We have the role of hosting a big APEC event this year coming up. So that's going to be putting New Zealand in the spotlight. We're watching very closely what the new Biden administration is going to mean for world trade. We're very concerned about what's been happening to the WTO over the last few years under the Trump administration, and we're very keen to see the whole issue of WTO reform debated. Closer to home, there's some interesting developments in the trading relationship between Australia and China - which pretty much every New Zealand businessperson is watching with enormous interest.

Panellist A:

I was asked to look at whether developing economies will ever graduate or not. Since we are discussing about international economic frameworks and multilateral trading systems, let me take the liberty to see it from a trading system perspective. The developing status we're talking about here is the developing status in the WTO. And in the context of WTO, let me look at this from two aspects: the first one is from the perspective of the economic situation of developing countries - whether those countries grow substantially to the next level of development and then being graduated. And the second one is mostly related to developing economic status in the WTO, where we talk about the willingness of those countries to give up their developing country status in the

multilateral rating systems – and to note that the status in the WTO is basically a self-declared status.

I would like to focus on looking at the second aspect and discuss about the willingness of developing economies to give up their developing country status in the multilateral trading system. The advantages of having those developing countries status in the WTO comes from at least three aspects. Firstly, it allows developing countries to get some kind of special treatment from developed countries. The second is to be eligible for technical assistance; the third is special flexibility on the implementation of agreements and trading rules.

I am proposing an argument that the first and second aspect are less important nowadays. The third one, however, remains to be an important incentive for those countries to keep their status as developing economies – such as countervailing measures or to provide subsidies in agriculture. This reason alone will make countries with developing status unwilling to graduate or unwilling to give up their developing status. Unless rules, criteria or agreements change, only a few countries would want to graduate - so there is a need for new rules and criteria to be discussed in the WTO, or for a new kind of a developing country status.

Those kinds of criteria and rules need to take in consideration the interest of developing economies, as well as the interests of those less-developed ones by also giving them a chance to keep their developing status and to get special treatment - hopefully they can have a criteria that would not be just taking away that kind of special and differential treatment from those who really need it.

Panellist B:

On the topic of joint writing of international norms and rules post-COVID for trading systems in Asia-Pacific - the trade landscape in Asia-Pacific post-Covid is likely to be shaped by four major factors:

- 1) when and how the Covid pandemic is fully controlled,
- 2) when the recently concluded RCEP becomes effective and how many new members will enter the expanded CPTPP,
- 3) how the ongoing trade conflict between the U.S.-China will unfold under the Biden administration,
- 4) whether action-oriented collective leadership to safeguard a liberal trade order can be

established.

Against this backdrop, writing norms and rules for intra-regional trade and investment post-COVID could be approached with a top-down institutional arrangement, such as regional FTAs, or bottom-up, local-to-local, private-to-private interaction architecture. Whatever the norms and rules for post-Covid regional trade, they need to adhere to the fundamental principles of the GATT/WTO – the most favored clause among nations for non-discriminatory trade policies and national treatments for imported goods and services with respect to internal taxation or other government regulations beyond borders.

Henry Kissinger has said that Covid-19 will alter the world order forever. The pandemic does not recognize national borders. Any exit strategy can be fully effective only through concerted multilateral efforts for disease prevention and vaccine development.

Cross-country behavioral norms in Asia-Pacific economies must be shared and respected to salvage the worst regional economic setbacks since the Great Depression. For this purpose, all regional economies should commit to global COVAX facilities as regional norms. These facilities are a G20 initiative that was later joined by the WHO, UN, and European Union to engage in global collaborations to accelerate the development of, production of, and equitable access to Covid-19 diagnostics, therapeutics, and vaccines.

The financial burdens must be equitably shared by the regional economies. This underlying spirit of a concerted joint effort is likely to pave the way for the UN and WHO and could be more effective to manage a global health crisis.

As for the responsibility of rule writing, ideally it should belong to the WTO, but the group can no longer rely on a traditional consensus-based method due to the distrust between the China, U.S., and EU. However, in the Asia-Pacific, it is fortunate that RCEP has been concluded with 15 signatory members, with the door open for India. In addition, the CPTTP has been partially effective. More good news is that the Biden administration, although it might take time to renegotiate, is likely to return to multilateralism and the TPP. Thus, most Asia-Pacific economies have an agreed-upon basic frame for a liberal regional order but need additional inclusions and refinements suitable for controlling the pandemic and embracing digital technology in trade.

Although the quality of RCEP is lower than CPTTP, most conceivable rules and norms are already contained in the two mega deals. The question is how we can enhance RCEP provisions to effectively accommodate newly emerging post-Covid issues, including

digital trade and data movements, to embrace the higher standards of TPP. Another challenge is combining RCEP and the CPTTP for the integration of Asia-Pacific economies in the long run.

As an immediate action agenda, we need to first extinguish the pandemic wildfire. Then, to revive well-embedded regional supply chains, qualified business travel and tourism need to be allowed, provided that the international traveler carries a mutually recognized health certificate.

These urgently needed rules could be addressed at the APEC or G20. It might take time to reach a consensus-based agreement even at a sub-regional level. If so, some of those successful at controlling the pandemic may take a pathfinder approach, as adopted in the APEC process.

In the post-COVID era, one of the best ways to foster growth will be to expedite digital trade through e-commerce and digital connectivity, starting with electronic authentication. For this, we need to enforce a stricter policy against internet hacking and counterfeit goods and services. Consensus must also be reached regarding newly emerging digital tax and data protection issues.

Finally, amid the ongoing U.S.-China strategic rivalry, especially with respect to 5G technology, and to avoid any geopolitical risks in which other Asia-Pacific economies would have to choose between the U.S. and China, regional constructive powers should be able to make persuasive rules in such a way that a level playing field could be developed free from the hegemonic competition.

In conclusion, the post-pandemic regional trade order will need not only stability of rules and processes, but a mechanism to help build consensus on how to set new rules. Uniform regulations by likeminded countries must be made clearly, simply, and as transparently and online as possible.

Panellist C:

I was asked to address the question of whether open regionalism is the same as open plurilateralism. Both describe variations on “regionalism”. In the conventional North American and European literature of political science and international relations, “regionalism” originated with reference to the formation of exclusive alliances within a geographic setting. The language evoked thoughts of exclusive trading arrangements as

were common in the 1930s. The more immediate reference was likely to be to the development of the European Economic Community in the 1950s. The classic example was the EEC Common Agricultural Policy which sought free trade in agricultural products within the EEC while raising high and even prohibitive tariffs against non-members seeking to access European markets.

“Open regionalism” was Asian thinking about an alternative to the EEC model. It was especially associated with the track 2 Pacific Economic Cooperation Council and then with the inter-governmental Asia Pacific Economic Cooperation. The core idea was that those engaged in “open regionalism” lowered barriers to trade and investment flows among themselves without increasing barriers against others. There is something paradoxical about the notion. Lowering barriers among participants in open regionalism inevitably raises relative barriers against others. But there is still point to the absence of any increase in absolute barriers; the underlying idea was that as the benefits of increased interdependence amongst members of an open region became apparent, there was more likelihood that barriers against outsiders would also be reduced. “Open regionalism” was an instrument to promote the economist’s ideal of international trade free from tariffs (and other barriers).

“Open plurilateralism” builds on this thinking. First, it establishes freedom from the usual idea of a “region” although in practice the meaning of “region” could be stretched to encompass any grouping of economies. More importantly, it hints at the possibility of an economy joining an established “open plurilateral” of its own volition. Criteria for membership are announced and membership is open to any economy willing to satisfy those criteria.

In practice, things are not so simple. Economies differ in many ways and the criteria for adherence to any grouping can seldom be stated unambiguously and with finality. It is usually necessary to consider how a general condition relates to the particular circumstances and institutions of a specific economy. “Open plurilateralism” is therefore best understood as an expression of intention to consider the claims of applicants to adhere to an established grouping with a liberality of spirit.

That still leaves adherence to an “open plurilateral” dependent on all existing members making the same judgement about the claims of an applicant to satisfy the existing conditions for membership. Any existing member can veto an applicant – although in practice some members are more influential than others. The claim of a plurilateral to be “open” is still dependent on the intent of members to avoid being exclusive, even for

applicants with whom their relations are less than entirely cordial.

“Open plurilaterals” would have a stronger claim to be supportive of a genuinely collaborative international community if members surrendered in advance their ability to exclude an applicant. The judgment about claims by applicants to adapt their particular institutions and processes so as to accord with the criteria for the plurilateral could be delegated to an impartial authority charged to judge whether the applicant’s claim is at least as good as those of the most comparable existing member. The impartial authority could be some kind of WTO Panel, or a research organisation like OECD or ERIA.

“Open regionalism” and “open plurilaterals” are not the same. They are both mechanisms intended to promote international collaboration and preclude protectionism. “Open plurilaterals” are an improvement on “open regionalism” but could be further improved.

This is more than a comment on how preferential trade agreements may develop. Plurilaterals are how the international trade system is most likely to be maintained and improved. We are a long way from the world of the late 1940s when delegates from 23 countries could assemble and, remote from national capitals, agree on the content of the General Agreement on Tariffs and Trade. GATT evolved over nearly 50 years and morphed into the World Trade Organization which now has nearly 200 members and where delegates to its meetings are subject to instantaneous and virtually continuous communication with their home capitals and the pressures of political processes and civil society organizations which dominate there. Negotiating rounds (Geneva 1947, Annecy 1949, Torquay 1951, Geneva 1956, Dillon Round 1960-1, Kennedy Round 1964-67, Tokyo Round 1973-79, Uruguay 1986-94, Doha 1995-?) got steadily longer and more complex. Techniques like entrusting specific topics to subgroups with major traders and those with special interest in a topic – Iceland in fishing, New Zealand in agriculture – ceased to be trusted to take account of minority interests.

Some economies were always more equal than others but the “rounds” of earlier years are unlikely to be revived. There is no shortage of issues challenging existing rules, and international rules can be maintained and developed only by agreement. But we are likely to see rules formulated and experimented with in groups smaller than the WTO as a whole. When they are shown to be practical and successful, they are more likely to be multilateralised. The essential task of the WTO will probably be to monitor

plurilateral agreements to ensure that they remain compatible with the multilateral system while they experiment with additions. In such a system, having the subcomponents as open plurilaterals is important.

Panellist D:

I've been asked today to speak about the digital economy. There's often much talk about the terms that come with technology, the corporate competition, as well as applications that citizens can enjoy in their real lives. I think another set of discussions is probably more germane to today's discussion, about the existing rules and the ones that need to be developed.

In many ways the pandemic is very much an accelerator of some of the trends that impact the terms of the technology - clearly the digitalization with the Internet of Things. All these things and the transformation of the work processes and workplace had really started to happen before, and given the lockdowns or limitations, these have increased the pressure on the opportunities for digital, as well as demand and supply chains to become accelerated.

We are now debating issues - not as officials and in Geneva - but in the full blown atmosphere and spotlight of domestic concerns of citizens and consumer groups. This applies very much to the area of technology, and what it will do to the livelihoods of people on the geopolitical side as well. I think clearly, reference to Sino-American competition and the pressure on supply chains to decouple is severe.

Let me talk about the prospect of efficiency of innovation, which is critical to supply chains. It's really been complicated by the geopolitics as much as by the possibilities of the new technology and utilization. There is a question mark about rules, standards, and marketplaces pressures. They are all coming into question, together with various concerns on security, sustainability and resiliency. So, we're really seeing that the making of rules is much more than a technical issue, but really front and centre confronted by both the local politics as well as these geopolitics - and I think this is really creating a very difficult situation and a fast moving one.

I'm hoping that the Biden administration in time - not too soon I think sadly - will come to a realization that multilateralism is essential. Of course, there will always be new areas. And there will be contestation in these areas about making new rules.

We might be in for a bit of a boxing match but boxing or sumo also has roots, whereas some of the brawls we have seen in the last few years remind me of drunken ballroom brawls, or about men fighting over something that matters to them.

And really, we as people are interested in global order. We've been dissatisfied. Now, what can the smaller countries like mine, or New Zealand or others do? ASEAN has taken some steps. I'm proud to say that we've put some of the first rules in place. We've talked about personal data protection and Digital Economic Partnerships. There are serious limits to how much small countries can do. But working in a group or bilaterally like Singapore and New Zealand have on digital economy, I think the essential first responses have come from the less powerful countries.

I do believe that, in a sense, this Forum is privileged. I've learned so much from people in this group that really understand some of the fundamentals of governing the WTO. There is still, I think a lot of hope that these fundamental rules can be adjusted. To these new areas of digital competition and policy space, I must tell you that other people not here on this call may not agree with us - that there's no turning back the clock to the old ways. This is very real in my mind. The only question then is, what is the new world order? And in fact, at the moment, I see simply a time out - and in that space, rather a lack of order.

Panellist E:

Vietnam very much relies on the comparative advantage it enjoys with trade liberalisation and technology progress. But over the last five to seven years, when supply has been changing more and driven by politics - and not so much efficiency. In that context, many say Vietnam can benefit from the shift in global supply chains, especially from China.

We see in the danger, a lot of opportunities. Why has Vietnam continued to restructure its economy? From the start-ups and SMEs in promoting innovation, how will we utilize the fourth industrial revolution? How will we continue to deepen our integration, not just economic integration, but now a more comprehensive integration?

In terms of its international engagement, Vietnam has a “four no's” policy, including: no military alliance, no affiliation with one country to counteract the other, no foreign military base in the Vietnamese territory to act against other countries, and no force or threatening to use force in international relations. Vietnam is “Firm in Principles, (but) Flexible in Response to the Multi-unexpected Changes”.

Q&A Session:

On WTO reform, how might the issue of special and differential treatment be best handled? Obviously, we're going to have to somehow resolve issues around the dispute settlement mechanism, the role of the appellate body and its mandate, and we're clearly going to have to be doing something around state-owned enterprises as well. But in terms of the willingness of developing countries to negotiate on special and differential treatment, do you think that is realistic?

And do you think it's something that would be best to address in the WTO, or in our region first?

I think we should look at two aspects here. The first one is the importance of the roles of the WTO, and the second one is how the special and differential treatments actually play important roles. I think on the first one, we already know that during the last couple of decades, especially because of regional agreements, it's also related to the willingness of reforms in the WTO if the multilateral trading systems need to be, or wants to be revitalized; and whether the country or the developing countries are willing to accept reform. To accept the reform depends also on how the reforms would be implemented.

I've been studying about the WTO for the last couple of years. And I saw most of the proposals were actually a bit sensitive to developing countries' interests. So maybe we should also need to hear from developing countries, because they are the future of the multilateral trading system; and that really depends on the WTO reforms. In my opinion, it has to be done outside of the WTO, because it needs the political support. So G20 perhaps can be used as a political support at the higher level; and when it comes down to detail, we need to do that in the WTO.

I noted that you seem to be reasonably optimistic about the United States - maybe re-engaging with CPTPP at some stage; I'd be interested in any further comments from you about why you are so optimistic? Also, I'd be very interested in your views on when Korea might put its hand up to become a member of CPTPP? Certainly those of us in New Zealand would be very supportive.

I think that President-elect Biden carries on the legacy he inherited from the Obama administration - which worked very hard to organize TTP. I think the United States,

after seeing RCEP finally concluded, and will be ratified pretty soon, should engage in East Asian or Asian development as they emphasized by their “Pivot to Asia” policy during the Obama administration. So it may take time because the United States wishes to include an investor state dispute clause and environmental label standards, as well as upgrading the intellectual property rights - the extension of the IPR has been excluded in the current CPTTP - so it will take time.

But I think the big issue is how we can negotiate with China and how we negotiate the Japan-China-Korea economic relationship. We have already piloted an FTA, so the big issues are like how we can settle political negotiation between Japan and Korea. On CPTPP, we hope we should join the expanded CPTPP, so that we can carry on our broader trade and economic orientation.

I'm not quite desperate. I do, in the long term, hope that America sees itself very much as part of our broader region no matter what name we give it. But I would be a little bit more cautious about wanting the Americans back so quickly. While Biden has announced a number of key names in his team, when we look at trade relations, neither the trade rep or commerce secretary have been named. Until we get a sense of them, we might be inviting the gorilla back into the room.

The second thing I think is that, Trump did lose. But so many people voted for him that the Republicans would not necessarily want to give up some of the Trumpian points about ‘America First.’ So that policy attitude hasn't gone away.

And the third point I'd like to make is how the US might behave in multilateral settings - like the WHO and the WTO - before we really invite them back. We should be focusing on what we can do ourselves first before we think about dealing with a very difficult America and a very big America at this time.

In our data driven society we need to have a well-balanced set of rules on trade and security, would RCEP or CPTPP provide a good template for this rulemaking? Or do you think the private sector should be involved in this rulemaking process as they are more well informed about sensitive technologies?

The private sector has to be involved. I think that's a matter of the way in which that happens will be a natural question for each economy; but does it have to be involved, simply because in many cases it's the best-informed component? I think, however, it's a mistake to think that you can let the private sector resolve all the questions policy developments in something which requires some professional expertise. And an ability

to mediate between competing interests – noting those competing interests tend to be in the private sector as well as in the public sector. So yes, the private sector must be involved, but it's not something that can be linked to the private sector.

Yes, on the digital issues we have to involve the private sector - but not because they know more or they know innovations - nobody knows where the innovations will go. Anyway, I think the most important thing by having the private sector involved is because they are the ones where they can provide data. The data is currently in private sector hands, and nobody has access to that data, especially big data – it's still very limited. So, the rules basically need to look at what the current trends are, and the current trends can only be looked at and analysed using the big data currently in the hands of the private sector.

On the private sector, the standards and the market size of these companies will also have a big influence. And so, there are still very strong and different values in the more western American technology companies, the Europeans and the Chinese. So, I think the space is really going to get more contested in the next few years; and there will be a mix of both the private sector of rules and logics as well as the more public ones. And the question about security is exactly that - security is perennially written into all tables. The exception is how one defines security - as the Trump administration has shown, it can really differ.

There are multiple traditional views of that. And there is a sense that I don't want people to compete. With me on technology, it's a security threat if they can produce better chips than I can. I think that's a very disturbing trend in the US of over-burdening around the word 'security'.

On China and the CPTPP, I'm open to that because China actually will be a huge engine for our region in the post-pandemic era. I was envying the trends of the Vietnamese economy. But China will double that probably, given its internal size and the dual circulation idea. But there are things we can do. I think that one of the key pathways to help Japan do this, is to help bring some of the Asian countries that are thinking about CPTPP into the fold. Thailand is an obvious candidate. It's been on the minds of the policymakers and they need a nudge to make this bold step at this difficult time.

Thank you very much for those comments on the issue of the use of the term security and security threats. We in New Zealand are both alarmed - but hugely amused - to

discover that our steel and aluminum industries are security threats to the United States and therefore have safeguards applied to them. Here we've got two very small plants, and the volumes are extremely small. And if we're a threat to the US industry, the US has got enormous problems.

A number of my friends in China are telling me that this is a mixture of posturing within the regions and trying to show some leadership vis a vis a United States that is currently unable to show leadership. A number of people around the world are looking at that chapter in CPTPP as perhaps the solution to the WTO issue. So, if China can somehow be on top of that issue and in control of it, it might help with the multilateral process. So, it's going to be fascinating to watch and see how that that develops. The CPTPP has the potential to expand with the UK, which is working very seriously to join it. And I would anticipate that will stimulate some other potential members as well. How do you see CPTPP perhaps expanding and influencing the multilateral system?

If people see the CPTPP as an appropriate way of organizing things, the rules of the CPTPP can be multilateralised. And it's not something where you want to see regional agreement as a final goal; rather, it's a step towards greater interdependence on agreed terms. So, I would welcome interest.

I think there would be enormous difficulties that are emerging in an attempt to form trade agreements between New Zealand and the UK, and New Zealand in the EU. I think we can generalize that you will see similar problems in the UK or the EU and proposing any sort of membership of CPTPP. We have talked a good deal about the rules. What we want are clear understandings of appropriate behaviour. And that's what a rule is. But we should also recognize that the notion of a rule can be seen in several ways. It's a constraint on the one hand; on the other hand, it is also a statement of objective of where we want to get to.

One can take a very positive approach to rules - not as something to bang people over the head with - but as things to be discussed and to be used as a basis for finding a way forward. And that's about changing an attitude. The approach in APEC of finding an agreed objective and then discussing different ways of reaching it. That is the way in which I would prefer to think of rules, rather than the way lawyers can tend to think about it. I think a political approach is the key that we should be focusing on.

Session 3: Regional Economic Integration - Moderated by Suzannah JESSEP, Director Engagement and Research, Asia New Zealand Foundation:

In this session, our third and final, we examine the matter of regional economic integration. And I couldn't think of a more important time to be looking at an issue like this. With borders closed and most international travel suspended due to the pandemic, countries of the Asia-Pacific have had to explore the formation of new partnerships and processes for keeping their economies active and societies safe. Technology, in its various forms, has played a key role in this. But so too has the negotiation of arrangements that have kept physical trade routes and supply lines open, to facilitate the flow of essential goods. For others, services have become the most critical component of their economy. Let's begin:

Panellist A:

Do ASEAN and the Quad have a common conception of the Indo Pacific? I would say both "Yes" and "No". First, some background.... The "Indo Pacific" is hardly a new term, especially in the context of maritime issues, but its increasingly wider use as a geopolitical concept or description of a group of countries is a recent and evolving phenomenon.

By 2020, there is now widespread and common usage of the term, but what it means as a concept to any one country, or to any one of the various regional groupings, or sub-groups, can easily be different in substance, emphasis and nuance. No time to go through this in any detail but such differences arise from a range of factors including geographic location, broader strategic considerations and particular economic interests and relationships. It means that what is understood by the term Indo Pacific varies and is a developing story.

Let me provide a couple of examples. For Australia and Indonesia, as maritime countries sitting in the middle of, or in between the Indian Ocean and the Pacific Ocean, the term Indo Pacific is a natural and inclusive one to use embracing the many countries bordering or within the area covered by these two oceans. For such countries use of the term "Indo Pacific" does not necessarily mean, or imply alignment with a United States view, or against a Chinese view or for that matter any other view. Another more specific example relates to India - the Indo Pacific in its wider use as a geopolitical description, has been aimed particularly (at least in part) to be more inclusive of India than terms such as East Asia or perhaps even Asia Pacific do.

How do the Quad and ASEAN's respective conceptions of Indo Pacific stack up? Two

members of the Quad, Japan and Australia had been increasingly using the term Indo Pacific since 2011, but by 2017, when the Quadrilateral Security Dialogue was resurrected after a hiatus of ten years, usage of the term “Indo Pacific” had already evolved to become accepted parlance (albeit with differing nuances) amongst all four of the Quad countries namely: Japan, Australia, India and the United States.

The Quad’s aim announced at the 2017 meeting was to support a “free, open, prosperous and inclusive Indo Pacific region” - with an unstated but implied objective of responding to rising Chinese influence in the Indo Pacific region. • While Japan, Australia and India have been somewhat more nuanced, the US has publicly stated its focus on China most directly in its national strategic reviews since 2017. The other three countries, have been more nuanced in public, reflecting a debate over whether it is an objective geopolitical statement, or a more loaded political term used to signal support for the US over China.

At the first Quad Foreign Ministers’ meeting in 2019, more specific and broad-ranging areas of potential cooperation beyond generalised statements were identified. • These included maritime security, quality infrastructure and connectivity based on preserving and promoting rules-based order in the region, together with cooperative initiatives on CT, cyber security and regional disasters.

Importantly, the Quad also affirmed its strong support for ASEAN centrality and ASEAN-led architecture and in a meeting later in 2019 welcomed the ASEAN Outlook on the Asia Pacific’ (AOIP).

These sentiments are now common in all subsequent statements issued at Quad-related meetings including the most recent October 2020 Quad Foreign Ministers’ meeting. That meeting spelled out the importance of solidifying the Indo Pacific vision. It also discussed cooperation on the challenges posed by COVID, regional issues “including North Korea, and the East and South China Seas” and for the first time also “welcomed proactive efforts by other countries including Europe towards a free and open Indo Pacific.”

As ASEAN participants well know, in mid-2019, after extended debate, ASEAN issued its “ASEAN Outlook on the Indo Pacific” (AOIP) defining the Asia Pacific and Indian Ocean regions as a single interconnected region, namely, the “Indo Pacific” with ASEAN playing a central and strategic role, noting that its member states are situated in the centre of two dynamic regions.

This formulation is consistent with Indonesia's view of itself as a maritime fulcrum, indeed agreement on the AOIP's was driven significantly by Indonesia. Even though there are subtle differences between the AOIP and the Quad especially in use of language describing the Indo Pacific ("free", inclusive etc.), the Quad countries welcomed the AOIP. Moreover, while some dislike the Indo Pacific term, the AOIP's statement effectively means that at least for now, the "Indo Pacific" is the geographic term shared in common by most if not all countries in the broad region. As such this is a significant development. Despite this broad acceptance of "Indo Pacific" as appropriate nomenclature, ASEAN has made it clear this should not be misinterpreted as saying that ASEAN's Indo Pacific concept is either directed at China or that it is choosing the United States' stated position. Rather, the AOIP is directed at the whole region embraced by the geographic term "Indo Pacific" in "an attempt to reclaim the geopolitical narrative amid the strategic rivalry between the United States and China."

The ASEAN Leaders summit in November 2020 "reaffirmed the importance of the AOIP as a guide for ASEAN's engagement in the wider Asia-Pacific and Indian Ocean regions, encouraging external partners to cooperate with ASEAN, on the four key areas of maritime cooperation, connectivity, Sustainable Development Goals (SDGs) and economic and other possible areas of cooperation....".

In other words, the AOIP is consistent with ASEAN's comprehensive security approach and existing ASEAN norms and mechanisms.

When one matches up the statements that were made at the Quad's Foreign Ministers meeting in October 2020 and this ASEAN Leaders' statement there is much in common. So, in quick summary - where there are differences in conception these are often differences of degree only. They relate to several areas: How to regard and refer to China's BRI and other maritime activities. Unlike the Quad's use of "free, open, prosperous and inclusive IP", AOIP avoids use of "free", albeit that it refers to "freedom of navigation" Whether the concept is viewed mainly as enhancing existing mechanisms of cooperation (AOIP) or whether it takes a more overt military-strategic orientation (Quad).

Panellist B:

I would rather reflect on India's idea of addressing the creation of self-reliance in the

service and manufacturing sectors that are giving a new opportunities with Industry 4.0, and the very idea of sustainability that we require in the manufacturing sector - but I think given the size of the Indian market and reliance on the services sector, there is a need for course correction and more focus on manufacturing than being realized - thanks to India's partnership with Japan.

India and Japan are working extremely closely in terms of bringing in “Make In India” a reality, with more than 700 Japanese firms already present in India, and investing not only for India's domestic market, but also multiplying energies for India – such as the Japan-Africa Partnership, as part of the larger connection into the region - and that's where the larger question of Make In India is being addressed.

There is also a debate unfolding in India on the nature of globalization - that we require post-pandemic; the whole question of shifting away from economic-led or centralized globalization to more human-centric globalization - something that Japan raised in the Osaka G20 Summit. We had some reverberations of that and hoped for continuation in the G20 process.

When it comes to India's process of self-reliance, the idea is not just to address the trade issues alone. But also to focus on India's domestic reforms that are needed - and these domestic reforms are tough. These would also help prepare India for CPTPP or our global trade agreements that we would see in future. So basically, the idea is to bring in reforms and bring in regulatory frameworks along with the connections and knowledge.

There are five pillars of India self-reliance, a programme that has been unleashed by Prime Minister Modi. The first is, of course, to focus on the nature of economic reforms that we need. And I think that's where the whole fulcrum on the balance is in terms of identifying the quantum jump. That is, the major factors that would give the quantum jump to India to catch up with the neighbouring countries. The second is very much about improving the infrastructure that would be a sort of identity for modern India. The third component is in terms of systemic reforms that are needed for the ease of doing business; and also other legal frameworks that require changes. The fourth is the demography and the huge young population that we have – essentially the vibrancy of geography that is required and for a self-reliant India. And the fifth pillar is about demand that is there in the Indian economy, an issue for the central bank of India and the financing institutions to really address.

Out of these five pillars, the broad objective is in terms of preparing India for the tough competition and also trying to see how China has created a huge challenge for Indian manufacturing for local jobs and industries. Unlike our experience with Japan, which has invested in India and has created jobs, China has largely been interested in taking over the local firms and also only in the exports to India - and that's where the disconnect is emerging. This include parts and components on which India's import dependence is huge on China: automobile components, medical devices, pharmaceuticals and energy storage. And the technologies that are needed for that.

So, from this perspective, a self-reliant India is not automatic in nature. It is very much part of the global production networks and the intent is that we become part of it but becoming part of it when we do the economic reforms, together with the sequencing that is required along with domestic preparedness.

Panellist C:

I have been asked to make a presentation on Just-In-Time manufacturing and trading tasks versus the resilience of supply chains. I will focus on one issue: that is the impact of the COVID pandemic on supply chains. And I'd like to talk about how companies have responded to this, and how governments have responded.

Firstly, looking at how the COVID pandemic has hit Japanese automotive production - it dropped substantially in April and May this year. Mainly because of the disruption of supply chains which stopped inflow of parts and components from China. This is a case of one industry and there are of course other industries which had a similar experience. How did companies respond to this disruption of supply chains? I interviewed some companies and I looked at some of the survey results.

Responses from firms fall into two categories: one is the immediate to short-term response, and the other is the medium to long-term responses. Let me start with the immediate to short-term responses. Companies responded by running down inventories first and by building up inventories late. They shifted from the so-called Just-In-Time production system to Just-In-Case production system. Many companies had to reduce their production because of the shortage of parts and components.

Many large companies, particularly those procuring parts and components turned to alternative sources within existing supply chains. In a survey, I found one auto company

shifted the procurement source of parts and components from their affiliates in China to affiliates in Mexico.

In formulating medium to long-term responses, companies consider some possible risks in the future including natural disasters, new infectious diseases, climate change and so on – as well as a rising China, which has been discussed already. In terms of technological progress, digital transformation is very important. These are the kind of assumptions that companies are making when formulating their medium to long term responses. Given these assumptions, many companies are trying to apply measures such as diversifying supply chains and reducing dependence on China. Another problem in China is raising wages. Despite these problems, many companies try to remain in operation in China because China is a big, very attractive market. Many companies have shortened their supply chains, and some companies may eventually move their production to the place of consumption, in order to avoid a negative impact of risk, resulting in disappearance of international supply chains.

Some companies are introducing labour saving technology because the pandemic has made it very difficult for people to move. So, they use less people; turning to robots instead. Some companies are shifting from custom made parts to general use parts, to minimize the disruption of parts and components supply. One interesting development is a shift from trading products to trading services. Although very few companies have applied this strategy yet, but I think this will be a trend in the future. Instead of trading physical goods such as parts and components, they export blueprints to the importing country or company, which then uses 3D printing to produce components. Physical trade is replaced or substituted by digital trade.

How did governments respond to this pandemic? Some countries have turned to securing supplies of essential goods by restricting exports and promoting domestic production. Restricting exports is not a good economic policy. Some governments provided firms with assistance for adjustment. For example, the Japanese government provided subsidies to Japanese firms for reshoring and diversifying supply chains. Having noted this, the government should avoid excessive intervention. It should try to achieve inclusive growth by avoiding protectionism - the key to do is to develop human resources and also to promote technological progress, particularly in ITC. In order to reduce risks faced by companies, the government should establish an open and transparent rules-based trading system. Examples are free trade agreements such as the CPTPP

Panellist D:

How do regional economic initiatives and agreements spur domestic policy reforms? I will be speaking more in the context of Malaysia and share our experience of how regional initiatives have provided the required momentum for Malaysia to implement some of its domestic reforms. As you are fully aware, domestic policy reforms are not easy. They are very complex in nature and dismantling domestic policies or instituting domestic economic reforms definitely pose a major challenge - particularly when there is political interference or political opposition to instituting domestic reforms.

We find that domestic regulatory reform has remained a major priority for the government - not just to inject greater efficiency into the economy, but to ensure that we remain attractive to foreign direct investments. We definitely recognize that this is behind the border measures that need to be addressed. We need to be aligned with the interests of business - while investors need to ensure transparency and consistency, so that we reduce the business transaction costs.

Now let me give you a few examples of how Malaysia has signed 16 free trade agreements and seven bilateral agreements. I'm very confident that it's a matter of time before Malaysia moves to join and ratify the CPTPP. What is important is how to amend the 18 laws and regulations in order to bring it in conformity with the requirements of CPTPP. Now that we have already taken the first steps (we have already amended five of these laws and regulations), some others are being attended to, and I'm sure within the shortest possible time. There are also another five laws that need to be amended, particularly the IPR. I see a complimentary approach that the government is taking in terms of what amendments are required in the CPTPP. Now for Malaysia to move forward in being globally integrated and to be part of the value chain, joining CPTPP will be very, very important - because we are also looking at trying to negotiate an FTA with the EU. So, the ratification of CPTPP will definitely provide that additional momentum for us to start restarting negotiations with the EU.

Now all new regulations and rules have to go through a special task force before it is enforced. So, in a way, I see that CPTPP, RCEP, or being part of any initiative has forced more public consultation as a platform for companies and businesses to move forward. In many ways for Malaysia, as a small developing country or a small market, we find the regional economic initiatives have provided the required momentum for us to annotate

domestic policy reforms. In the case of CPTPP there is now an active conversation going on - people who initially were not in favour of ratification are now seeing the CPTPP in a completely different light, given the impact of COVID on the Malaysian economy.

Panellist E :

I was asked to address the issue of how interruption to travel might affect cross-strait investment. Let me begin by outlining three business uncertainties: firstly Cross-Strait Policies, whereby there is mutual governmental distrust between Beijing and Taipei. There is a lack of support in Taipei for the “92-Consensus” as an anchor to bilateral relations. The stalled Cross-Strait Services Trade Agreement since the Sunflower Movement has not helped either, Nor have the National Security Information Protection Law and Anti-Infiltration Law – both of which have generated uncertainty and in the case of the latter, more ambiguity. Secondly, the geo-political landscape in terms of US-China competition. We have seen high-ranking US government officials’ visit Taiwan, and US demand for “supply chain restructuring” add more tension to the cross-strait relations. Finally, the COVID pandemic has restricted personal travel (for example, quarantine has inconvenienced business travel) and wider use of video conferences are in place to maintain people-to-people exchanges.

Taiwan’s Investment in Mainland China has not dropped. During January-August of 2020, the Investment Commission approved outbound foreign investment totalling 682 cases with the value of US\$10.2 billion. This is an increase of 49.5% year on year. The accumulated outbound investment to China since 1991 has a value of US\$190.4 billion, which is 56.1% of Taiwan’s total foreign investment. During January-August 2020, China’s investment into Taiwan totalled 71 cases with the amount of US\$118.3 million. The accumulated total was 1,442 cases with the amount of US\$2.4 billion from June 2009 to August 2020. In short, there is no sign of meaningful de-coupling from the supply chain with China. Taiwan’s investment to China has not been curbed by business uncertainties of the pandemic, nor by man-made political and trade tensions. Just as other FDI interests in China remain high, Taiwanese business sectors continue their investment in China, and sustain their contribution to the supply chain.

Q&A Session:

The question we have is really on the pace of change in an area where we're all dealing with COVID - and with the culture that is emerging. We're going to see slow and incremental growth, when in fact the time calls for a faster pace and more direct and

speedy stimulus growth - so how do governments, how do commentators and experts such as yourselves help address that?

The pace of globalization, the pace of building supply chains - it's going to slow down because of COVID and other possible risks, such as natural disasters. My personal view is that the government is very much concerned about the deepening of US-China rivalry, and how to respond to China's rise. Companies have to adjust their policies -to deal with uncertainties they are faced with. Companies have to slow down. It takes time for them to make decisions, and if they have to take precautionary measures, they cannot put 100% on building one very efficient supply chain. They try to reduce risk by diversifying supply chains. Instead of continuing a very efficient Just-In-Time production system, companies are adopting so called Just-In-Case production system, which is not as efficient as Just-In-Time system.

As an Australian cousin, we've seen the challenges of a carrot and stick approach to trade - most recently with Australia and China. I wonder if you might like to comment on how destabilizing the situation is in the medium term, and how much that might drive Australia's wish to Australian private sectors wishing to diversify - or is the economic pull of China too strong?

Well, obviously this is a big subject here in Australia at the moment. I think the government is very clear that there should be a real commitment to a re-engagement of communication at the most senior levels to talk over the issues that have been attributed as the cause of the trade disruption that has been initiated by China. Notionally, each of these actions by China has been related to certain trade rules like anti-dumping and what-not. But it is clear they also have a political motivation.

From the perspective of the Australian business community, they're obviously very committed to the China market. 38% of Australia's exports go to China. But interestingly, there's not been a significant drop – in fact there's been an increase in Australia's overall exports over this past six months - partly due to the fact that the price of iron ore, which China is consuming at an amazingly fast rate at the moment, is at its highest in seven years. Also, barley has found markets in the Middle East and other areas. So Australian barley producers have been able to adjust. So, a lot of this means adjustments are being made. And it's not a “zero-sum” issue.

We very much hope that there can be a dialogue so that we can sort these things out. But

certainly, it has meant that the businesspeople and companies in Australia have had to be very much more agile than they normally are in looking for other markets.

Looking at India's trade policy and how India might look as it's working through its domestic reforms and furthering bilateral FTA arrangements, I know I've seen through media reporting that the EU and the UK are markets that India will be interested in - rather than big regional blocks. Might it be possible to marry together these bilateral arrangements, and make a sort of quadrilateral trade arrangement? What's your feeling on your international trade, so that you've got the reform process? What's the trade stance given people could misconstrue the RCEP signal - as India had, in the end, moved to self-reliance despite being so close on trade?

India is trying to put its house in order. It's more open for competition - preferring to have parts and components industry as a priority area for trade; and bringing in trade in tasks as part of the whole policy stance. India has also been very clear in terms of the commitment for free trade, and also has been thinking about the bilateral trade agreements with Japan, Singapore and South Korea.

With China's presence in RCEP, we were having a lot of reservations in terms of how the negotiations were going, but I think with other countries (which have commitment for rules-based trading order) India would be in favour of having trade agreements with them - Japan, being one. And as I mentioned ASEAN and also, South Korea, Singapore - they are very much part of that, and similar dialogues are now being renewed with the UK and also with the US. Definitely, New Zealand's insistence on agriculture products was an issue.

We haven't mentioned the Belt and Road Initiative (BRI), and I believe the Blue Dot Network hasn't really been mentioned today - but I wonder how is Malaysia looking at these big regional development opportunities and these big infrastructural programs? Is it possible to subscribe to both, or are the two opposing, and do they have different strategic objectives? How has a country like Malaysia been grappling with those two initiatives?

We have been very much a part of the BRI initiative, and we have been supportive of BRI both bilaterally, as well as through the regional process. So, I don't see a conflict. I think Malaysia will continue to be part of these regional initiatives. I am personally not

concerned too much on what the government is thinking right now, to go back to the earlier question. Because of the pandemic, the general view of the public is that growth has to come now from domestic investments. While we continue to attract FDI, I think we need to promote domestic investment. There is a general public reaction now that they feel that state-owned enterprises have been very much involved in business activities. I think they are now calling for a total revamp of the role of state-owned enterprises - which is very much in line with what we have signed on with the CPTPP. So that's a very important part for the Malaysian government now, because of the public support for the revamp of the issue. So, that will make it easier for the government to ratify and make the amendments.

If you want us to sign onto the FTA with the EU, I think the first step is to ratify the CPTPP, because that will then set the threshold for negotiations with the EU and also will be making it much easier for the negotiators to begin negotiations, because I don't think the EU is in any way going to lower their ambition in negotiations with Malaysia. Trade agreements can drive reforms and then connect us into the region, but also risks a dirty recovery - that while countries turn inward, they risk forgoing regional priorities such as combating climate change in favour of domestic trade objectives or domestic stimulus. What's your view on the possibility that we face a dirty recovery? Are wider objectives (such as climate mitigation and equity and inclusiveness) featuring in Taiwan's trade interests?

Due to its lack of international participation, Taiwan has been always trying to keep on the top of the agenda of global concerns, including the issue of climate change. We Taiwan heavily depend on trade due to limited resources. We are also exploring new energy resources and keeping in line with international standards despite of the fact that we are not formally a member of any other regional integration scheme.

It would be interesting to know if the change of leadership in the US might have an impact on the regional trading order.

I would make a couple of points, and that it is notable that when Biden rang three or four of the leaders in this region - including Prime Minister Morrison, President Moon of Korea, Prime Minister Modi, and Prime Minister Suga - he did not use the term "free and open and prosperous Indo-Pacific" - he used "secure and prosperous."

Now that perhaps is a very interesting hint that he is wishing to broaden the level of support for the Indo-Pacific concept. I think there's no doubt that under Biden, the Indo-Pacific will continue to be used, but it might have an evolving formulation which will have to be more compatible, perhaps with the ASEAN Outlook on the Indo-Pacific.

On Quad-plus coming together, and who their 'plus' might be, there is a broad interest in the Quad.

There have been a number of countries, including some in Southeast Asia, as well as South Korea, that would be obvious candidates to potentially join in some of the Quad discussions. But I think it's pretty early days still yet. We'll have to wait and see how the new US administration manages its approach to the Quad. They are, I think, likely to try to revamp their approach to Asia, and to make it more inclusive rather than exclusive in any way. That's a big, big factor to look at.

We should not forget that in the Indian Ocean, the Pacific has been our focus. But Africa is very much part of this conversation too, and we need to see agreement that is coming up. And also the wider linkages of the region with our countries here. And that's where I think Australia and New Zealand both would have to bring the focus within the Indo-Pacific.

Closing Remarks from Mr. Naoyuki HARAOKA, Executive Managing Director of the Japan Economic Foundation (JEF):

I truly enjoyed our discussion yesterday and today. It's always fun to listen to this Forum's discussion. It's very enlightening and insightful and productive, of course. And first I noted the word "uncertainty." Uncertainty is not only provided by COVID, but also provided by some other things. One is disparity caused by inequality - income inequality or regional inequality, who are digital divided. And another thing might be geopolitical crisis or geopolitical risk - that is the possible disruption with US-China relations.

And also a lack of certainty about the US trade policy, the new US administration's trade policy. So in uncertain situations "pre-cautionism" is now expanding. That's what most people agreed upon.

But fortunately, on the other hand, we have some efforts to achieve rule-making processes, such as RCEP and CPTPP. Those efforts and also a possible WTO reform would lead to a rules-based international trade regime that would be perhaps be

instrumental in decreasing uncertainty.

Those efforts could be a good promoter for domestic policy reform in particular. I would say CPTPP should be a good template for domestic policy reform because it would include the same regulatory reforms for the domestic economy.

However, it's easy to say, but it's not easy to be done. And as I said, we would need a holistic approach. Because geopolitical risks, economic risks and domestic economic risks or risks intertwined - are all closely related to each other. So, we would need to discuss that. Not in isolation, but at the same time. So, we will need a sort of interdisciplinary approach and holistic approach to the issue. And secondly, we need diversity. In essence, in uncertain situations we need diversified views. Those that are different, and not single and unified views.

We see rising populism and though the US Administration has changed, it's not that difficult in my personal thinking, to imagine the US with a nationalistic or anti-globalization policy. Therefore, in order to counter populism, which is sometimes motivated by emotional thinking, we would need some data and a clearly objective approach. I recently read an excellent book titled "Good Economics for Hard Times" written by an Indian economist, Abhijit Banerjee who won the Nobel Prize of economics in 2019. It's recommending evidence-based approaches to get our objective.