

## The Pacific after Covid-19 and its potentials

### Abstract

Indonesia has tamed the chances of world trade into its watering opportunities in the Pacific region, since Indonesia n. Many activities are done in the cultural, education and arts relations. Trade would be conducted by China and many direct and indirect investors from China, using their diaspora, are happening in the Pacific region. Bussiness activities were historically done by ex colonials powers and somehow replaced by China, in recent years.

The theory of Good neighbor policy", that once was implemented by the U.S.A President to Latin American countries, suc as Mexico and Haiti, also done by so many other countries that tried to implement it mostly similar form. Indonesia, Australia and New Zealand as Pacific countries most close neighbors have so many to offer to the Pacific and East Asia, such as capacity building, technical experiences and other economic potentials; For example, by giving simplification of custom procedures, facilities for export and import,and other policies

**Key words : business—Pacific region—Good neighbor policy.**

### Introduction

The Pacific region, for so long, had become the focus of spower spread of Colonial powers, in the past, and still attracting many attentions of these ex-colonials, and new superpowers after WWII, like China and the United States. Seeing for geographical location, its locus was the neighbor of Indonesia and Australia, and has a special historical relations, and also cultural similarities, which could bound the two regions closer in the future.

Pacific's potentials have to be seen as a fortune under deep sea, since its biodiversity and sophisticated potentials under their wide oceans, could become an answer fot a new recycled source for human being. This writing is just a glance look to this potentials.

### Methods

The writer used theory from International relation to seek a possible policy recommendation for the development of economic and business relation between Indonesia and the Pacific states, while this theory has been successfully done by United States for its neighbors such as Mexico and Haiti before, from the writer side of view, this could be done too in the Pacific region, for the future, especially on the recovery stage after pandemic of covid-19.

### Results and discussion

1. Indonesia has many Strategic Partnership framework with many countries. These frameworks, should give profitable outcomes for Indonesia, for examples in maritime, agriculture, infrastructure and trade, to name a few important sectors. While conducting its development under the Sustainable Development Goals' targets. United Nations and World Trade Organization reforms have to be seen as new opportunities for Indonesia

2. Papua as the gateway to trade & tourism, could be seen from Liberal Theory has some roles ,i.e : Interdependency of countries; and its technological development and global communication

### **Economic potentials in the Pacific after Covid-19**

Since 2015, the rise of Asia is real, rivalry between the United States of America and China is just like a trade war versus technological war (Pramono, Siswo, "The Rise of Asia and the ASEAN Outlook in the Indo-Pacific, October 2021 in a paper A New Outlook: Strengthening Cooperation between Canada, Indonesia and ASEAN in the Indo-Pacific, pages 7-16)

In 2015, many companies of the US moved away its factories and Head Quarters from China to ASEAN's member countries. ASEAN Outlook on Indo-Pacific (AOIP) was made Indonesia and ASEAN's member countries are located in the fulcrum of the Indo-Pacific, both are struggling to maintain their autonomy.

As an economic community, ASEAN's main interest is to promote economic development, of which "Strategic partnership" framework be maintained at least to improve "their profit" and "opportunities" ties.

### **ASEAN Overlook as part of ASEAN vision**

Indonesia has many Strategic Partnership framework with many countries. These frameworks, should give profitable outcomes for Indonesia, for examples in maritime, agriculture, infrastructure and trade, to name a few important sectors. While conducting its development under the Sustainable Development Goals' targets. United Nations and World Trade Organization reforms have to be seen as new opportunities for Indonesia.

### **European interest in the Pacific**

Why Europe interest in the Pacific region?, :

Some reasons made Europe interest in the Pacific region, as a part of their colonies, there some other reasons, as follows:

1. Geopolitically strategic;
2. Many Foreign Direct investment of European countries were put in the Pacific region;
3. To Maintain rule-based order, is very important to arrange such a cooperation between two regions;
4. Maritime security;
5. To positioning China power

(Rizal Sukma, Europe in the Indo-Pacific, in a same paper with Pramono, Siswo)

AOIP approaches for European countries include such follows:

1. AOIP would provide rule-based order to face China rising power in the Pacific;
2. European Union embraced inclusive approach;
3. How European Union roles is still un-clear
4. EU wants to deeper its relationship with the region;

Launching of the European Union's Strategy for the Indo-Pacific :

- The launch of the EU's strategy for the Indo-Pacific should mark the beginning of a new approach to the region.
  - But ECFR research shows that, despite the Indo-Pacific's growing economic and political importance, many member states are still largely uninterested in events there.
  - It will take more than just strong support from France, Germany, and the Netherlands to ensure that the new EU strategy for the Indo-Pacific is effective in the long term.
  - The three countries have an opportunity to convince other member states that the region is vital to European sovereignty and prosperity.
  - They can do so by creating visible projects that demonstrate their presence and intent in the Indo-Pacific, and by establishing coalitions for greater European engagement in areas such as technology and maritime security.
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- The Indo-Pacific is key to global growth. Currently, it is the second-largest destination for exports from the EU and home to four of the bloc's top ten trading partners. In 2019 the region accounted for more than 40 per cent of Germany's non-European trade in goods – a share that will only increase (particularly during the post-coronavirus recovery). India, for instance, is the world's largest openly accessible data market. And, by 2025, India and Indonesia will collectively account for almost 25 per cent of the world's data users.[1]
  - The vast majority of EU member states see the Indo-Pacific as an area of huge economic opportunity. At a time of increasing great power rivalry and enormous localisation pressure in China, there is a growing need for diversification within the region away from the dominant Chinese market. This is particularly true for German industry, which is heavily involved in the Chinese markets and deeply intertwined with China through its supply chains. German companies have woken up to this challenge and are also pushing for a diversification agenda, reinforcing the political dynamic at the EU level.

## **PAPUA AS THE GATEWAY TO TRADE AND TOURISM ACTIVITIES IN THE PACIFIC**

Pacific region demand by major countries as a destination of tourism, we would like to see the role of Indonesia. Papua provinces are very close to Australia and New Zealand, but not enjoying its economical profit from their development so far. (Melyana R Pugu, in article Papua as the gateway to trade & tourism in the Pacific, in the same paper.

Liberal Theory :

1. Role of international institutions;
2. International norms commitment;
3. Interdependency of countries;
4. Technological development and global communication

All of these above factors in order to build a trust between countries.

Focusing could reduce political tensions (Pugu, idem)

Table 1: Regional Trade trends in 2021

	IMPORT	EXPORT	IMPORT	EXPORT
Developed countries	Up 19%	Up 18%	Up 15%	Up 11%
Developing countries	Up 30%	Up 30%	Up 21%	Up 24%
Developing countries (Excluding East Asia)	Up 34%	Up 40%	Up 18%	Up 20%
South-south (excluding East Asia)	Both Up 43%		Both Up 22%	

Sources: UNCTAD

Global Trade Update Q1 2021 trend on transportation sector in the world: compare to 2019:

(Road vehicles, transport equipment, energy trade)

For Pacific, the 3 big markets (Australia, New Zealand and Papua New Guinea) still in the same position and there are no big investments that happened in the pandemic time / WTO Statistical numbers)

UNCTAD information centre released information that, while COVID-19 pandemic, 20 member countries of Asia Pacific Economic Cooperation (APEC) implemented new trade facilitation measures such as electronic submissions of trade-related documents and information to mitigate supply chain disruption caused by closed workplaces, rising infections, and social distancing. Almost all APEC economies expedited simplifying customs procedures, similar to priority lanes for essential goods, to address congestion at major ports.

Further efforts to strengthen data sharing, mutual acceptance and recognition of manufacturing practices, drug registration, and inspection and evaluation would improve the efficiency and transparency of regulatory decision-making for vaccination. (UNCTAD, Global Trade, 2021)

### Theory of Good Neighbor Policy

The Good Neighbor Policy was first conducted by United States President Franklin Roosevelt in Latin America, in the 1930s, as follows:

The **Good Neighbor Policy** was the foreign policy of the administration of United States President Franklin Roosevelt towards Latin America. Although the policy was implemented by the Roosevelt administration, President Woodrow Wilson had previously used the term, but subsequently went on to justify U.S. involvement in the Mexican Revolution and occupation of Haiti. Senator Henry Clay had coined the term *Good Neighbor* in the previous century. President Herbert Hoover turned against interventionism and developed policies that Roosevelt perfected.

The policy's main principle was that of non-intervention and non-interference in the domestic affairs of Latin America. It also reinforced the idea that the United States would be a "good neighbor" and engage in reciprocal exchanges with Latin American countries.<sup>[3]</sup> Overall, the Roosevelt administration expected that this new policy would create new economic opportunities in the form of reciprocal trade

agreements and reassert the influence of the United States in Latin America; however, many Latin American governments were not convinced.<sup>1</sup>

Indonesia, Australia and New Zealand could implement this kind of policy in the Pacific region, even though some conditions are not the same. Pacific countries have many impediments, such as transportation capacities, and other economic factors.

### East Asia and Pacific Outlook seen from World Bank

Let me jump to Data made by World Bank of the economic performance of East Asia and Pacific countries in October 2021, as follows:

1. The East Asia and Pacific (EAP) region is suffering a reversal of fortune. In 2020, many EAP countries successfully contained COVID-19 and economic activity swiftly revived as other regions struggled with the pandemic and economic recession. Now the region is being hit hard by the COVID-19 Delta variant while many advanced economies are on the path to economic recovery.
2. ***The disease is damaging the economy and is unlikely to disappear in the foreseeable future. In the near term, the persistence of the pandemic will prolong human and economic distress unless individuals and firms can adapt. In the longer term,*** COVID-19 will reduce growth and increase inequality unless the scars are remedied and the opportunities grasped. Policy action must help economic agents to adjust today and make choices that avert deceleration and disparity tomorrow. What Is Happening Now?
3. The uneven recovery in the EAP region is now facing a setback. China is projected to grow at 8.5 percent in 2021, though growth momentum has eased. Overall regional growth is projected at 7.5 percent, reflecting the scale of China's economy. The rest of the region is anticipated to grow by 2.5 percent, compared to 4.4 percent forecast in our April update, with significant heterogeneity across countries.
4. ***While China, Indonesia, and Vietnam have already surpassed pre-pandemic*** levels of output, Cambodia, Malaysia, and Mongolia will only do so in 2022, and the Philippines, Thailand, and many Pacific Islands will remain below pre-pandemic levels of output even in 2023.
5. As a result, ***employment has declined, poverty will persist and inequality is increasing across several dimensions.*** Regional employment rate dropped by about 2 percentage points on average between 2019 and 2020. As many as 24 million people will not be able to escape poverty in 2021 in developing EAP, excluding China, because of COVID-19. While all households have suffered, poorer ones were more likely to lose income, sell off productive assets, suffer food insecurity, and lose schooling for children. Why? Restrictions to contain COVID-19 are constraining economic activity.
6. Testing-tracing-isolation, a successful strategy in 2020, has been less effective against the more infectious Delta variant. Vaccinations, which would have helped reduce mortality and transmission, have been slow. Therefore, governments have been forced to impose restrictions to stop the spread of the virus. In general, economic disruption has been less in countries with higher vaccination. A 10 percentage point higher vaccination coverage was associated with a one-half of a percentage point higher quarterly gross domestic product (GDP) growth.
7. Constraints on vaccination differ for countries in the region. Availability held back vaccination rates in larger countries like Indonesia, the Philippines, and Vietnam. Smaller, poorer countries, such as some of the Pacific islands, benefited from vaccine donations, but some are constrained by limited distribution infrastructure. In several countries, as vaccination levels increase,

hesitancy is likely to be a constraint. Two factors have softened the consequences of the present outbreak. First, domestic economic activity has so far been less sensitive to infections.

8. Commodity prices have stopped increasing. The Delta variant is disrupting production at home and in source countries, leading to shortages as well as increased shipping times and costs. The Delta variant has set back the recovery of tourism in the region. The prolonged economic distress is straining the capacity of governments to provide economic support.
9. As intertemporal budget constraints begin to bite, fiscal support across the region declined from an average of 7.7 percent in 2020 to 4.9 percent in 2021, even though economies are still operating below their potential. In contrast, as consumer price increases remain within central bank targets in most countries, monetary policy remains supportive and interest rates have not been increased, unlike in some other emerging markets. Despite increases in loans at risk, most countries other than China have not yet tightened financial sector regulations or rolled back regulatory forbearance. The Near-Term Economic Risks COVID-19 could hit all countries in the region even harder. Continued deficiencies in vaccination trainings

### **India's View on the Indo-Pacific**

India has been active in championing a Free and Open Indo-Pacific. The US, Australia and the members of the ASEAN have all expressed a common view that India should play a greater role in the region.

India's trade in this region is growing rapidly, with overseas investments being directed towards the East, e.g., the Comprehensive Economic Partnership Agreements with Japan, South Korea, and Singapore, and the Free Trade Agreements with ASEAN and Thailand. India's approach to the region is exemplified by its evolving "Act East Policy," comprising economic engagement with Southeast Asia and strategic cooperation beyond that to East Asia (Japan, Republic of Korea), Australia, New Zealand, as well as the Pacific Island countries. (Premesha Saha, India's Role in the Emerging Dynamics of the Indo-Pacific, Observer Research Foundation, 26 Januari 2022)

### **Conclusion**

#### **Analytical Approaches**

From all the above mentioned articles, we could now draw a conclusion about Indonesia's role in the Pacific and seeing through many obstacles hinged out from such concepts, the writer wants to put some few collaborative measurements :

1. As a geographically closer to the Pacific regions, Indonesia has to tamed the wave of world trade into its watering opportunities, since Indonesia itself at the very moment, does not have a big trade relation with the region. Many activities are done in the cultural, education and arts relations. Trade would be conducted by the PRC and many direct and indirect investors from China, using their diaspora, are happening in the Pacific region.
2. Doing business, not as other activities, was historically done by ex colonials powers and somehow replaced by China, in recent years.
3. Good neighbor policy, once was implemented by the U.S.A President to Latin American countries, such as Mexico and Haiti. In modern days, many other countries tried to implement it mostly similar form. Indonesia, Australia and New Zealand as Pacific countries most close neighbors have so many to offer to this region, such as capacity building, technical experiences and other economic potentials;
4. Through simplification of custom procedures, facilities for export and import, all of these could be conducted to ease the movement of goods in the region and to the region.

### Role of the author :

Given some data from the above mentioned papers, raised the curiosity of the writer to read more about Neighboring Policy from International relations's theory, thus enabled us to understand what is supposed to be the mapping condition in the Pacific after covid-19 pandemic will over. Hence, this writing is so premature, due to many new development in the Pacific which might not be known globally. Whilst, at the least we have to bring about this issue, because there are many potentials in the region could contributed to the welfare of the world in the future.

**Table 2: TABLE OF SUMMARY**

1	World Bank's Views  3 countries (China,Indonesia and Vietnam  3 countries (Cambodia, Malaysia and Cambodia)  Many countries ( Philippine, Thailand and many Pacific countries	Longer term of covid-19 reduce economic growth and increase inequality  Surpassed pre-pandemic in 2021  Might be recovered in 2022  Might be recovered in 2023
2	UNCTAD's views  Employment  Poverty  Slowing	Decline  Arise  tourism
3	France's views  Ready to	Digital technology funding  Quality infrastructure funding
4	Germany's views	Free trade  Enforcement of rules and norms

		Supply chains
5	Indonesia's views	Papua as a gateway for trade and tourism
6	India's views	Resilient Supplu chain initiative (RSCI) India should workm with the QUAD



Fig 1: Indo-Pacific Region

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