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FINDING THE RE-SET BUTTON OF 2021

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From the desk of the President & CEO – SAIAC, Pvt. Ltd

THE "CHALLENGES OF R&D BASED PHARMACEUTICAL COMPANY

While Investment collapsed in 2020 in many emerging markets, the issue around public health has consumed the most resources, be it financial or manpower. As we exit our way out of the horrors of 2020, it will be fair to say that 2021 will lead us to a gradual recovery while governments roll out the vaccines.

The challenges remain on the policy makers, specially in addressing public health, debt management, budget policies, central banking, and structural reforms—as they try to ensure that this "still-fragile" global recovery gains traction and sets a foundation for robust growth and development in the longer run. Governments, households, and firms all need to embrace a changed economic landscape. While protecting the most vulnerable, successful policies will be needed that allow capital, labour, skills, and innovation to shift to new purposes in order to build a greener, stronger post-COVID economic environment.

Driving healthcare policy agenda is key to ensuring a continues R&D investments and resources that are availed into addressing future healthcare challenges, be it viral, bacterial, or other forms of healthcare scares. The year 2020 has brough us deep into the complications of debts, during the pandemic, many governments have supported lending to firms to address liquidity constraints, including loan guarantees, payment moratoria, and regulatory forbearance. These interventions highlight the challenge of balancing efforts to increase the availability of credit while maintaining proper regulatory standards to mitigate financial risks. As the health and economic crisis abates, these policies need to be reassessed periodically to ensure asset quality transparency and avoid undermining bank capitalization.

Policymakers also need to enhance supervisory assessments of loan quality and improve resolution and recovery regimes to address the potential challenges associated with elevated corporate debt levels. <u>With non-performing loans likely to rise, more rapid bankruptcy and domestic debt resolution processes will be important in allowing assets to be relieved of litigation and repurposed for new uses.</u> A new approach to economic growth is foreseen with the changing global landscape, for example, people are watching the Biden Administration foreign policy in Asia Pacific as well as the regional trade blocs that bodes much promise on forging the economic development.

As for the role of pharmaceutical industry at this given time is one that is of a "partner" to the governments in addressing future hazards or managing new strains. The "pricing factor" and "market access" barriers will determine the economic growth of 2021 and the years following that.

HEALTHCARE R&D – NOT THE SAME!

Our focus as a layman has always been on the "types and benefits of medicines" that have been delivered to us as a result of years of research and development. The Covid19 pandemic and the availability of "super-fast vaccine" has made many apprehensive, concerns are around the development and trial phases and if it has been tested enough. As the world evolve into a digital transparency, the information on drug and vaccine developments is easily attained, but the dignity of the information in the "free information era" is often skewed. The "want to know" notion of the public is nothing but natural, at least in today's digitally savvy world. Eyes are on R&D pharmaceutical companies, they will have to play a pivotal role in defining, addressing, leading, and shaping our "new healthy world". The new healthy world rests only on one aspect, that is "access to medicines/ vaccines/ health solutions". Healthcare will now see a slow shift in how they run trials in an uncertain world and the need to decentralise resources. Below are some of the "future trends" around pharmaceutical / vaccine research & development and general trends.

1. Decentralising - decentralising trials may help clinical trials become more resilient. The deployment of remote clinical monitoring is already proving its value in helping to keep trials going at a time when site management is particularly challenging. But realising this transformation requires a flexible mindset, investment in new technologies and close collaboration between stakeholders.

2. Re-purpose existing medications - As the need for a COVID-19 cure continues to strain the health industry, researchers look to re-purpose existing medications in order to reduce the time searching for a cure. Researchers at the Chinese Academy of Sciences, Shenzhen Institutes of Advanced Technology have identified four drugs that could potentially prevent the replications of the virus, one of which is the Lymphoma drug.

3. Data Management & Transparency - Cerner executives have claimed that they want to play a "defining role in transforming the speed and cost of clinical trials." As the healthcare information technology giant is taking a foothold in the data industry, it has set a precedent in the involvement of large health organizations in improving access to data.

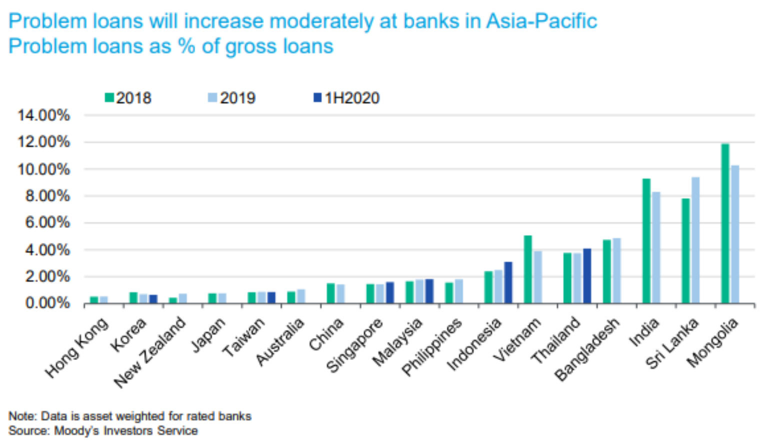
4. Content Credibility – The dearth of information left people panicked and confused, the threat of misinformation compromised many of the efforts towards creating better health. Both YouTube and the social media giants have come forward to address the issue. LinkedIn has created the Healthcare Networking Startup H1 that promotes transparency and collaborations.

The year 2021 will still have to answer many questions around the research and development of vaccines, some of them are:

- How is trial design evolving in terms of data collection, safety reporting, tracking and other processes?
- What are some of the challenges around moving to remote study management and off-site monitoring?
- What can be done to manage the risks and consequences of trials being suspended and re-started?
- How could new approaches to clinical trial management affect access to patient populations and how can direct patient support services be improved?
- How can relationships with regulators, patients and other stakeholders evolve to accommodate new processes and solutions?

WHO MOVED MY RE-SET BUTTON?

The talks on economic re-set were first heard in June of 2020, where governments battled to pump out trillions of dollars of stimulus money to ward off the lingering threat of a global recession. At the early onset of 2021, we are becoming apprehensive of the "economic re-set" as trillions of dollars were allocated for vaccines, depriving funds for growth in other areas. The availability of vaccine has forced the governments to cough up large amounts of funds, either by taking from the state funds or loans from international sources to ensure the availability of vaccines to its people, yet another derail on having any funds aside for economic re-building. On top of that, the recent Moody's credit worthiness in 2021 showed a negative growth due to the slow economic recovery and low interest rate (ref. chart below)



The only certainty we have in 2021 is that things are looking on the upward and the onus is on us to ensure that we stick to the diligence of closing the gap of the Covid19 spread. We should end 2021 not talking about Covid19 deaths, but on how many have been vaccinated and how the economy is improving, we need to find the "re-set button" and hang on to it.

IS IT A VACCINE LED RECOVERY?

Our team has been on the lookout at any signs of economic recovery that is by default associated with the Covid19 vaccine. Below are some of the highlights:

- **The Covid-19 vaccine will supercharge global growth in 2021, but short-term headwinds, and a complete recovery only by 2022, will create transition risks.** Following the sharp Q3 rebound in economic activity, the rollercoaster ride continues at the turn of 2020/21. The resurgence of Covid-19 cases and fresh lockdowns will bring global economic activity to a standstill, with the quarterly rate slowing to +0.1% q/q in Q4 after +7.3% q/q % in Q3. The double-dip in Europe and marked slowdown in the US mean things will get worse before they get better. Recent breakthroughs on the vaccine front have led us to revise up our forecast for global economic growth to +4.6% (+0.2ppt) in 2021, and to +3.8% in 2022, as the policy mix remains supportive for another two years. 2023 may be a reality check as countries shall return close to potential growth, revealing who seized or wasted the crisis.

- **In mid-2021, despite the sizeable hurdles on the demand (vaccination scepticism) and supply sides (production & distribution bottlenecks), we expect the vaccination of vulnerable populations (20-40% of the total) to be completed, setting the stage for a buoyant growth rally in H2 2021.** We should also stress the upcoming sizeable base effect in Q2 2021. Vaccine economics is about confidence restarting the service economy, recoupling (trade in goods are already back to pre-crisis levels, services and tourism should follow suit by 2022), forced and precautionary savings to be consumed in part and corporate investments to resume. Economies with delayed or limited vaccine access – notably in the emerging world – may lag behind. In the end, risks related to sequencing, and transitions (stop-and-go on the lockdown, politicization of vaccination campaigns, policy support) prevail.

- **Policymakers will particularly be under scrutiny as they will continue to run the show again in 2021-22.** Knowing when and how to pull the plug will be essential. We expect policymakers to step up support to keep a lid on long-term scarring to the economy and provide a tailwind to the recovery. On the fiscal side, in Europe, safety net measures look set to be extended beyond mid-2021, albeit in a more targeted and cost-effective way, while in the US stimulus spending will be stepped up by another USD900bn in 2021. Central banks will continue to act as buyers-of-last-resort to the public and the private sectors to ensure favourable refinancing rates, with the Fed and ECB maintaining record-low interest rates until at least H2 2023. This will be justified by contained inflation dynamics (moderate inflation overshoot in the US after H2 2022) as oil prices are expected to remain below 55 USD/bbl on average until mid-2022. On the other hand, the accelerating global economic recovery could see Chinese authorities already withdrawing policy support in H1 2021, with focus shifting to mitigating long-term risks. Catalysts for economic and financial turbulence include unsuccessful fiscal pivoting, unnecessary regulatory and macroprudential pain points and mismanagement of growing insider/outside divide. In the mid-term, a debt and liquidity overhang will create needed and heated debates, especially in countries with elections looming ahead.

- **Financial markets have been pricing in all possible good news - and more.** However, competing scenarios of a post-pandemic economy are reflected in prices of safe and risky assets. We expect a slight increase in yields due to reflationary expectations. This will put pressure on already stretched equity valuations, leaving investors with an uncomfortable double asymmetry: changes in earnings expectations remain skewed to the downside, while changes in long-term yields are skewed to the upside.

- **In the real economy, cyclical sectors (including energy, metals and automotive) to see strong catch-up growth as soon as Q2 2021 as the recovery starts to unfold and economic uncertainty recedes.** Meanwhile, Covid-19 sensitive sectors (including accommodation, food services and transportation) will outperform markedly from H2 2021 onwards. Despite the favourable momentum, the scars from the 2020 hit on turnover and profitability will take time to heal. We expect the majority of sectors to return to pre-crisis levels of turnover and profitability only by early 2022. Oversized balance sheets pose some concerns. As policy support is gradually phased out, expect a delayed wave of insolvencies to surface, we expect a significant increase of +25% y/y in 2021 and +13% in 2022.

INDONESIA – Domestic & International

Indonesia's growth in 2021 is projected to rebound, partly driven by a base effect and with the assumptions that there is an improvement in consumer confidence. The sentiments on the weaker global demand and slower recovery among advanced economies would weaken trade and commodity prices, which might impact the Indonesian economy. Public health remains a top priority to allow the economy to stay open and to move towards a safe full reopening, thus tracing and testing would need to be as strong as the drive towards vaccination. The beginning of 2021 starts on a positive note for Indonesia, with the following notable developments.

1. **Capital Relocations to Indonesia** - The Investment Coordinating Board (BKPM) announced that around 136 companies would relocate their investment to Indonesia with tens of billions of dollars in capital.

2. **APEXINDO eyes Oil and Gas and Geothermal Projects to Spur Rigs Utility** - APEXINDO is optimistic about improving performance in 2021 as it eyes opportunities from programs targeted by the government in the oil and gas sector and geothermal development.

3. **Radiant Utama Aims to Secure Rp. 1.5 Trillion New Contract** - Radiant Utama is optimistic that the oil and gas sector's performance will improve this year and aims to secure a new contract worth Rp 1.5 trillion.

4. **PHM Allocates US$169 Million Capex in 2021 on Work Program** - PT Pertamina Hulu Mahakam allocated capital expenditures at US$269 million in 2012, soared by 57.3 percent from last year's realization of US$171 million.

- **Indonesia, China & South Korea** - Indonesia, China, and South Korea fell around 2% and led sharp losses in Asia's emerging stock markets on 28 January, tracking Wall Street's overnight sell-off. Stock markets in Taipei, Singapore, Bangkok and Mumbai joined those in Seoul, Jakarta and Shanghai in declining more than 1%. US stock suffered its biggest one-day percentage drop in three months overnight pressured by the US Federal Reserve's latest statement, a slump in shares of plane maker Boeing Co. and a selling of long positions by hedge funds. "Fear of the retail marauders seems to have spilt into Asia this morning," Maybank analysts wrote in a note. The sharp drops in equities supported gains in safe-haven US dollars at the expense of regional currencies. The won fell 1.4% against the greenback. The rupiah, which is favoured by foreign investors looking to tap Indonesia's high-yielding debt, fell 0.25%. Bullish bets on Asian currencies that had been building in recent months are now being trimmed, a Reuters poll found, as the pace of the global recovery comes into question as COVID-19 cases continue to spread and cause disruption.

- **Indonesia Start-up Ula** - Jakarta-based fintech Ula has raised US$20 million in a series of funding rounds, just six months after it generated US$10.5 million in a similar drive. The Indonesian start-up which launched in January 2020, is already a strong player in the Southeast Asian marketplace and is helping to transform Indonesia's US$250 billion retail industry with its services. The company has a robust presence in Singapore, India and Indonesia through its work with small retailers. Ula helps small business owners solve their supply chain and inventory inefficiencies, as well as granting them working capital. The latest successful funding round was led by Quona Capital and B Capital Group. Quona Capital was a key participant in Ula's seed round. Existing investors Lightspeed India and Sequoia Capital India also participated in the Series A. The new funding allows Ula to grow its geographical footprint, expand its suite of products and services and move into new categories.

ASEAN 2021

On 15 November 2020, amidst the Covid19 pandemic, the Prime Minister of the Socialist Republic of Vietnam Nguyễn Xuân Phúc, handed over the ASEAN Chairmanship to His Majesty Sultan Haji Hassanal Bolkiah, Sultan and Yang Di-Pertuan of Brunei Darussalam at the closing ceremony of the 37th ASEAN Summit and Related Summits, held virtually via video conference.

We have noticed a changing geopolitical dynamic and during the COVID-19 pandemic, ASEAN experiences a slowdown in its plans for connectivity. With such challenges, Brunei Chairmanship needs to address the issues important to ASEAN, including improving regional resilience in facing financial crises, changing geo-politics, disasters, and non-traditional issues.

Under Brunei Chairmanship, ASEAN aims to achieve the following:

1) Harness the caring nature of ASEAN to build a harmonious and resilient community with people at its center.

2) Prepare and adapt for the future to ensure ASEAN remains relevant and its people can take advantage of the new opportunities, as well as overcome existing and future challenges.
3) Create opportunities for people to benefit through initiatives that enhance the sustainable prosperity of the region.

In order to realize these broad priorities, Brunei will promote a strategic and holistic coordinated approach to address relevant emergencies, economic crisis, disasters, and disruptions that may face the ASEAN Community. The priority is managing the pandemic through ASEAN Comprehensive Recovery Framework to address the impacts of the COVID-19 pandemic, cooperate on vaccines and enable a swift recovery. Additionally, the region remains strong and resilient amidst the pandemic with the following directions/ sentiments:

- There is optimism for ASEAN's strong economic recovery and competitiveness as a production base in 2021 because of RCEP's potential, the China +1 supply chain strategy, boom in semiconductor demand due to WFH requirements, investment opportunities for electric vehicle production, and a concerted effort by ASEAN governments to attract FDI through domestic institutional reforms.
- However, challenges include fiscal deficits due to COVID-19 stimulus packages, labour shortages due to COVID-19 cases, delayed economic recovery caused by new COVID-19 outbreaks, with herd immunity expected to be achieved in 2022 via vaccination.
- The ASEAN Member States must understand that promoting regional vaccination is of each members' national interests and vaccine-nationalism must be avoided.

ASEAN FUTURE TRENDS – WATCH OUT FOR THIS

ASEAN countries have extensively indulged in stimulus packages on several priority areas, mainly, healthcare, workforce, tax, business, households, education, food security, and sectors such s tourism, hospitality, aviation, and SME’s.

Much of the policy instruments, statement of commitments, FDI policies, declared inked projects, funding, aimed for changes in the legal landscape, it is also noteworthy that most of these directives lacks the focus on sustainable and green future of work for the region. There are six trends that are more likely to emerge in the coming years.

1) Most of the short-term stimulus packages in ASEAN have minute focus on environment and climate- aligned agenda related to green jobs.
2) Covid19 has worsened income inequality and with weaker fiscal capacity.
   - More than half of workers in ASEAN works for informal sectors.
   - 70% of ASEAN households have had their income negatively impacted.
   - The majority of those in vulnerable employment are youths aged 15-24 years old.
   - Social protection coverage (social insurance, transfers, and labor market programmes0 do not cover the informal sectors.
3) The need to adapt to work-life to pandemic has led to new work trends in the region while putting more jobs at risk due to the push for automation, which includes digitalization, automation, and healthcare jobs in digital fields.
4) Imbalance in fiscal policy responses highlights opportunities for intra-regional ASEAN cooperation and solidarity.

5) RCEP could provide an economic boost amid Covid10 shock and rising of protectionism. Long term economic benefits to accrue for RCEPS's externally oriented economies.

6) Key international green funds are supporting green initiatives in the region, encouraging countries to move to increase social protection and explore green related job creations.

ASEAN & Other Countries

a) **UK** - The UK government has taken steps to integrate with Asia's regional blocs following its successful bid to become a Dialogue Partner of the Association of Southeast Asian Nations (ASEAN). As a Dialogue Partner, the UK gains high-level access to ASEAN, alongside enhanced practical cooperation on various policy issues with the regional bloc. It also enables the UK to join other important dialogue partners, including the US, China, and India. The UK's Dialogue Partner status would further build on its ties with ASEAN by its involvement in annual ASEAN summits and ministerial meetings. The first official ASEAN meeting welcoming the UK's participation took place on 23 January 2021, at the 11th Meeting of the Committee of the Whole (CoW) for the ASEAN Economic Community's Integration Work Plan for 2021-2025. At the meeting, UK Ambassador to ASEAN, Jon Lambe, presented the UK government's and Boston Consulting Group's joint work on enabling ASEAN to utilise global value chains to drive economic recovery, as part of ASEAN's Recovery Framework, post COVID-19 pandemic.

b) **Malaysia** - Petroliam Nasional Bhd (Petronas) has retained its position as the most valuable ASEAN brand in the Brand Finance Global 500 report for 2021. The national oil company also remains in the ninth spot among the brand valuation consultancy's listing of global oil and gas (O&G) brands. Petronas' Brand Strength Index has also improved to 87 points from 86.3 in 2020. The index is judged on a brand's performance on intangible measures relative to its competitors. Brand Finance considers three key components in calculating a brand's value: the brand's strength, business, and economic outlook. All 20 O&G brands on the list have seen a drop in their brand value mostly due to business and external factors. Meanwhile, Petronas president and group chief executive officer (CEO) Tengku Muhammad Taufik has been ranked 38th in the list of 100 best global Brand Guardians 2021 and recognised among the world's top three O&G CEOs as well as the highest-ranked ASEAN CEO.

c) **Thailand** - Foreigners who have been vaccinated against COVID-19 will be welcomed by Thailand through a new campaign set to launch in Q32021 under the "Welcome Back to Thailand Again" campaign. More than one billion people across the world are expected to be vaccinated by the end of June 2021, which could bring about a return in travel demand. If the campaign proves successful, it could save up to 400,000 hotel jobs and 400,000 jobs in related businesses across Thailand. In 2020, 6.9 million foreigners travelled to Thailand, down from 40 million in 2019. It is predicted that Thailand will only see 10 million footfalls this year.

d) **Vietnam** - Intel has invested US$475 million in its Vietnamese assembly and test facility, pushing the company's total investment in the local site to US$1.5 billion. The fund injection went towards "enhancing" the production of Intel's 5G product line, Core processors integrated with its hybrid technology, and 10th Gen Core chips. The US$475 million add-on investment was made over 18 months, between June 2019 and December 2020, according to Intel. The facility currently manufactures the company's latest products including in the areas of Internet of Things, mobile, and desktop. The latest investment included "product-specific capital items" involved in the manufacture of products at the local site, said Intel Products Vietnam's general manager and vice president of manufacturing and operations in an email interview. He declined to reveal what percentage the local plant contributed to the chip maker's overall global production. Intel's incoming CEO Pat Gelsinger said last week the majority of its products leading to 2023 would be manufactured internally, rather than be outsourced to third parties.

e) **Singapore** - Singapore has again made it to the top ranks of the least corrupt countries in the world based on a global survey released annually by Transparency International (TI). Singapore took the top spot in Asia and was the only Asian country to make it to the top 10. Corruption often intensifies the effects of a crisis, and when combined with a public health emergency like COVID-19, poses a threat to lives and livelihoods, said TI. The situation in Singapore remains well under control with corruption-related reports on a downward trend, and public sector cases remaining low over the years said the Corrupt Practices Investigation Bureau (CPIB). It pointed to Singapore being ranked, since 1995, as the least corrupt country in a yearly study by the Hong Kong-based Political and Economic Risk Consultancy (PERC) covering Asia, the US and Australia. In 2020, civil society organisation World Justice Project also ranked Singapore third - and top in Asia - in a rule of law index measuring the absence of corruption in public office in 128 countries. The bureau also noted that its most recent biennial public perception survey of over 1,000 respondents in Singapore last year found 94% rating local corruption control efforts to be effective - up from 92% in 2018. "Our success comes from the public's vigilance and resolve in keeping corruption at bay as a nation. We must not let our guard down in our fight against corruption despite the disruptions from the Covid-19 pandemic," said CPIB director Denis Tang.

f) **Lao** - The Lao government expects to earn its first income from the sale of carbon credit in 2022 after signing an agreement with the World Bank. Local daily Vientiane Times on Friday quoted Deputy Director-General of the Forestry Department Khamsene Oukham as saying that the government had signed an agreement with the World Bank to sell carbon credits from designated forest areas in the six northern provinces of Huaphan, Luang Prabang, Oudomxay, Luang Namtha, Bokeo and Xayaboury. Under the agreement with the World Bank, the relevant sectors will reassess the production of carbon credit from the designated areas in 2022 to determine the total amount of carbon credits available. According to the World Bank, the international financial institution has committed a budget of about US$42 million under the Forest Carbon Partnership Facility to purchase carbon credits from Laos from 2020 to 2025.

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

China and New Zealand signed the upgrading protocol of their free trade agreement (FTA) via video link on 26 January 2021 with new commitments in trade market entry, investment, and other key aspects, sending a positive signal of partnership to combat the pandemic, and to support multilateralism and free trade. Based on the original China-New Zealand FTA signed in April 2008, the two sides will enjoy more benefits after the upgrading, according to a statement on the website of China's Ministry of Commerce. China will expand opening-up of its aviation, education, finance, and other sectors to New Zealand, **based on the Regional Comprehensive Economic Partnership (RCEP), while New Zealand will relax the review threshold for Chinese investment, making sure that Chinese investment enjoys the same treatment as members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**.

AUSTRALIA

The Australian Competition and Consumer Commission (ACCC) is considering letting internet users choose what personal data companies like Google share with advertisers, as part of the country's attempts to shatter the dominance of tech titans. It is also proposed limiting the internet giants' ability to access users' online histories to cross-sell products. The proposals were part of the ACCC's interim report into digital advertising in Australia, a US$2.6 billion (A$3.4 billion) market the regulator said is marked by a lack of competition, transparency, and choice. The ACCC estimates Google's share of Australian digital advertising revenue at between 50% and 100%, depending on the service. Proposals by the ACCC that Google pay local media for content that drives traffic to their websites have been adopted in draft legislation by the government. Google has criticised the planned News Media Bargaining Code, threatening to pull its search engine from Australia if they go ahead. In the 222 pages digital advertising report, the regulator also suggested a system under which users' personal data would be shared more widely with advertisers, on an anonymised basis, to foster more competition. Indonesia, China, and South Korea fell around 2% and led sharp losses in Asia's emerging stock markets on 28 January, tracking Wall Street's overnight sell-off. Stock markets in Taipei, Singapore, Bangkok and Mumbai joined those in Seoul, Jakarta and Shanghai in declining more than 1%. US stock suffered its biggest one-day percentage drop in three months overnight pressured by the US Federal Reserve's latest statement, a slump in shares of plane maker Boeing Co. and a selling of long positions by hedge funds. "Fear of the retail marauders seems to have spilt into Asia this morning," Maybank analysts wrote in a note. The sharp drops in equities supported gains in safe-haven US dollars at the expense of regional currencies. The won fell 1.4% against the greenback. The rupiah, which is favoured by foreign investors looking to tap Indonesia's high-yielding debt, fell 0.25%. Bullish bets on Asian currencies that had been building in recent months are now being trimmed, a Reuters poll found, as the pace of the global recovery comes into question as COVID-19 cases continue to spread and cause disruption.

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US – ASIA PACIFIC DIPLOMACY

As the 46th President of the US, Biden faces numerous challenges on multiple different fronts. First, questions are being asked as to how Biden will revitalise US foreign relations and its position on the international stage. However, to do so, President Biden must first address certain domestic issues as it can be argued 'foreign policy begins at home'. The main domestic issue facing President Biden revolves around democratic reform, including electoral reform, electoral education, and other steps necessary to strengthen democratic institutions. Second, President Biden must be able to create a comprehensive strategy for the Indo-Pacific, one that recognises the Indo-Pacific as the geo-political and geo-economic centre of the world. The strategy must allow the US to work with and stand up to China at the same time, engage the ASEAN-centred multilateral processes, and incorporate economic partnership in the region, perhaps through joining the RCEP. As the ASEAN Chair and host of the East Asia Summit in 2023, Indonesia is in a prime position to help the US as a country that faced democratic backsliding in the past and as the largest ASEAN country. *(Rizal Sukma*)

〉 Regional Strategic Outlook After Biden's Victory

It is hard to argue that under President Biden Administration, the US-China relations will significantly change in the immediate future as it is unlikely that the two countries will suddenly stop seeing one another as threats. President Biden will want to deal with China in a smarter, more strategic manner, combining cooperation with the Chinese on some issues, such as global warming and the COVID-19 pandemic, whilst challenging it technologically and confronting its military expansionism, human rights violations, and unfair trade practices. To do so, President Biden will engage multilateral mechanisms and engage allies more so than his predecessor - as evidenced by his calls for a 'forum of democracy' - in order to slowly put pressure on the Chinese and continue its strategy of preventing a single power from controlling the region. China, on the other hand, is also approaching the 'new' US-China relationship with caution. China views hegemony and containment as the US' main foreign policy goals and counters these aims through strengthening ties with Russia. The US and China must now decide whether they will pursue primacy and dominance or seek regional balance by making room for one another. (*Jusuf Wanandi*)

MANY FINGERS ON MANY TRIGGERS – The South China Sea

Recent flare-ups from the Caucasus to the Himalayas are a reminder that "frozen conflicts" are never so. They are always a trigger pull away from a sudden shift towards violence. This is certainly true with the South China Sea, where there are many fingers on many triggers. China has reclaimed and militarised various rocks and reefs, Vietnam is now doing the same, the US Navy is conducting freedom of navigation operations while supporting the Philippines and Vietnamese navies to assert themselves, and Britain has deployed a carrier to the region. As one of the world's most strategic maritime trade corridors becomes more claustrophobic, it has also become more confused and dangerous.

Throughout Asian history, great civilisations have expanded and contracted across vast terrestrial and maritime spaces. In the past century, Japanese imperialism, decolonisation, Cold War proxy competition and China's dramatic rise have left an indelible mark on East Asia's patterns of interaction. The confluence of these legacies forms the complex backdrop to disputes such as in the South China Sea, where pre-colonial coexistence has morphed into intricate military and legal manoeuvring to exclusively demarcate what, for most of history, has been shared.

One of the tragedies of the South China Sea is how national rivalries have sublimated across generations. Optimism decays, suspicions are reinforced, and the military-industrial complex prevails.

What could have become a moment of diplomatic success rooted in the historical norm of openness has become a sordid tale of modern sovereignty and competitive exclusion. Self-fulfilling prophecies appear more likely than solutions. Can the South China Sea reclaim its better history?

With the Biden administration keen to reassure allies, and fellow Quadrilateral Security Dialogue members India, Japan and Australia stepping across the region, their collaboration and support for Indonesia, the Philippines and Vietnam will only grow.

This suggests that exclusive control over the waters will become ever less likely. On this trajectory, the outcome is either an unproductive stalemate or uncontrolled escalation. Neither is desirable nor constructive. Asian leaders should learn to think a few steps ahead, factoring in the likely reactions to their actions and changing how they behave accordingly. If China had operated according to this principle in the mid-to-late 2010s, the Belt and Road Initiative may have unfolded differently, with less backlash.

A diplomatic mechanism for conflict settlement should be established that allows all sides to negotiated in private setting independent of arbitration o mutually agree to unlock the stalemates.

South China Sea claimants are currently as interested in naval bases as drilling operations – in fact, they are building the former to protect the latter. But what if all parties agree to recognise current realities as de jure ownership in exchange for rescinding exclusive maritime rights?

A strong accord would ratify most (but not all) Chinese fortifications, if for no other reason than that, simply put, they are not reversible. At the same time, none would be recognised as "islands" entitled to exclusive economic zones. To the contrary, China would, in exchange for acceptance of its de facto possessions, forfeit claims to maritime sovereignty over international waters and aerial zones. The "nine-dash line" would be no more. An amicable approach to ensure all regions, countries are benefited with the outcomes and no one reigns one over another. Perhaps, this is the much-awaited outcome of the new Biden Administration in the coming years.

THE TEA & COFFEE DIPLOMACY – UK (Post Brexit) USA under Biden Administration

One of the largest tea drinkers, the Brits would have an interesting relationship with USA (the so known coffee drinking nation) on many fronts post Brexit and under President Biden's administration. It is notable that Britain is geographically placed between America and Europe and has played a strategic role in the past within the transatlantic relations.

When Europeans in 2001 were assailing President George W. Bush for his foreign policy plans, including pulling the U.S. out of the 1997 Kyoto Protocol on climate change, Britain's then-leader, Tony Blair, emphasized his desire to "build bridges of understanding between the U.S. and Europe."

Many analysts are making the assumptions that post Brexit, President Biden's foreign policy will likely switch roles and act as a diplomatic bridge for Britain to an estranged European continent, but our team at SAIAC had debated that US at this juncture has a lot on their plate in terms of domestic polices, this was recently proven true since President Biden's administration refused to interfere over Northern Ireland row.

Britain's messy departure from the European Union, which saw more than four years of bruising has left the relationships in tatters. Additionally, since Britain and its 27 partners are struck a final Brexit deal last month, the ill feeling has grown stronger between the two.

This week a diplomatic row broke out between London and Brussels over the status of the bloc's ambassador in London with Britain's Foreign Office withholding full diplomatic recognition to the envoy on the grounds that the EU is not a sovereign state but an international body. That breaks with the practice of 142 other countries that grant full privileges to the bloc's diplomats. Infuriated EU officials have dubbed Britain's move "petty."

British policymakers remain highly anxious about the future of Anglo-American relations post-Brexit, and now post-Trump. Britain's Boris Johnson at one time saw himself and Donald Trump as kindred spirits. Trump dubbed Johnson as "Britain Trump."

〉 Special relationship

Proximity to U.S. power enhances British power — hence Britain's perennial eagerness to maintain the much-vaunted "special relationship" between London and Washington. Some observers say Britain has shown such an over-eagerness to engage that it could be construed as a sign of weakness, even desperation.
The fear in London is that the Biden administration will relegate Britain, seeing Germany and France as the more important transatlantic partners. President Biden's key foreign policy advisers, including his nominee to be the new U.S. secretary of state, Tony Blinken, a Francophone and Francophile who

was raised in Paris, and Biden's national security adviser, Jake Sullivan, were disparaging of Brexit, viewing it as a strategic mistake by the British and one that would diminish Britain's usefulness to the United States.

The Biden administration appears to be in no mood to leave any democracy behind. Speaking in December at an event in Washington, and before her pick to re-join the State Department, Nuland said in her concluding remarks: "It's going to be very, very important for all of us to relink hands with the U.K. and ensure that London stays a strong global player and is well docked into the U.S.-EU conversation, the democracy conversation, and is really the global Britain that they have said they want to be." The Atlantic Council's Damon Wilson says under the Biden administration "there will be a big and dramatic change when it comes to relations with Berlin and a very big emphasis on Berlin." "Germany will have a more prominent place in consultations," he adds.

But Wilson, who knows the Biden aides well, does not see that as necessary coming at the expense of Britain. "The UK is going to be valuable because it will be quicker, it will be nimbler" compared to the EU and Brussels. "You work with the British because they can move fast, they can do things and that expediency will make Britain still relevant," he adds.

Biden aides presented "strong and compelling cases about why Brexit would not be in American interests, but they won't hold Brexit against the British," he says.

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