



# ROWING BETWEEN TWO REEFS: SAFEGUARDING ASEAN AMID GLOBAL FRAGMENTATION

BAGUS HANDOKO  
MINISTRY OF FINANCE OF INDONESIA

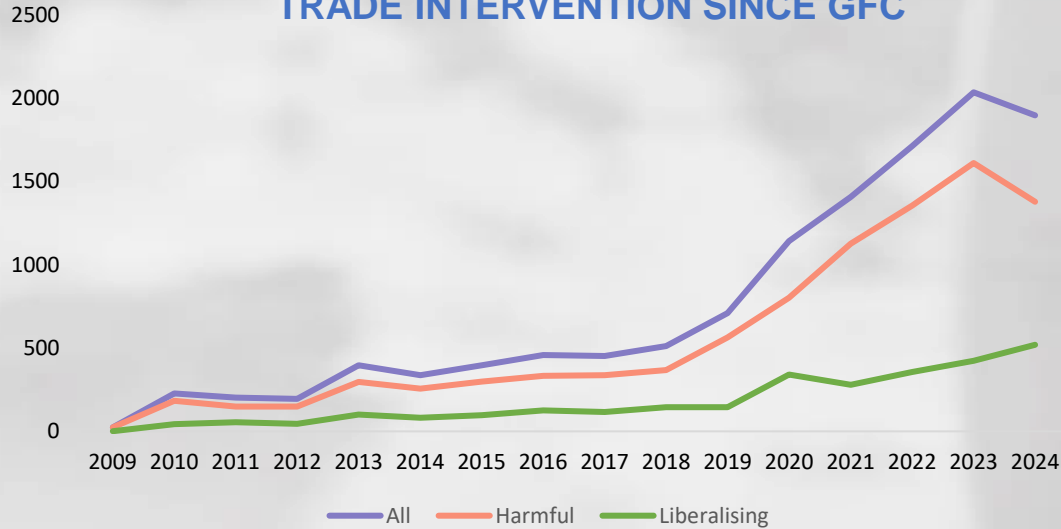
# GLOBAL SITUATION



# THE WORLD COUNTRIES SEEM TO BE MORE INWARD LOOKING

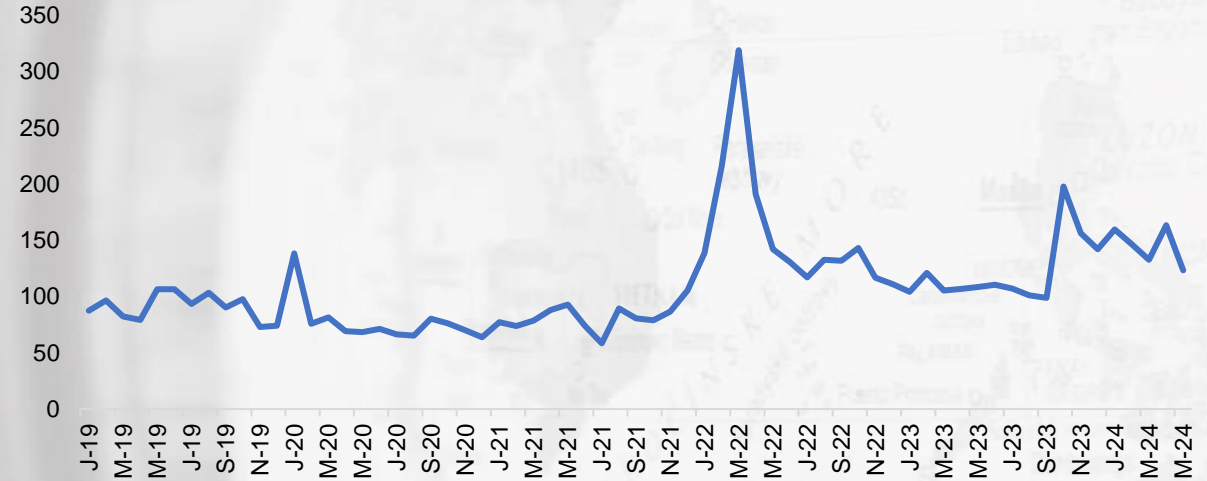
The discourse on deglobalization is increasing, geopolitical risk, and critics on role of global institutions

## TRADE INTERVENTION SINCE GFC



Source: Global Trade Alert

## GEOPOLITICAL RISK INDEX



Source: Dario Caldara and Matteo Iacoviello

## THE RISE OF GLOBAL INDUSTRIAL POLICY



CHIPS Act, Inflation Reduction Act



Production-linked incentives



Green Deal Industrial Plan, CBAM



Larangan Ekspor Critical Mineral



Investment Fund in Critical Mineral & Metal



K-CHIPS Act

## THE WEAKENING ROLE OF GLOBAL INSTITUTIONS

### The Death of the WTO Now Looks Inevitable

Few global institutions have been so beneficial — and so comprehensively neglected.

March 8, 2024 at 8:00 PM GMT+7

### Can the IMF solve the poor world's debt crisis?

The fund will lose its China if that is what it takes to offer relief.

By The Editorial Board

The Editorial Board publishes the views of the editors across a range of national and global affairs.

### The liberal international order is slowly coming apart

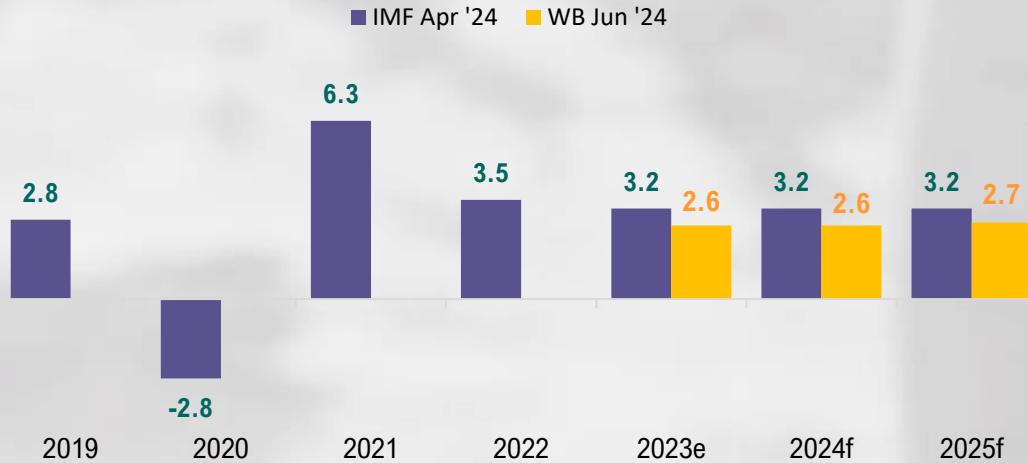
Its collapse could be sudden and irreversible



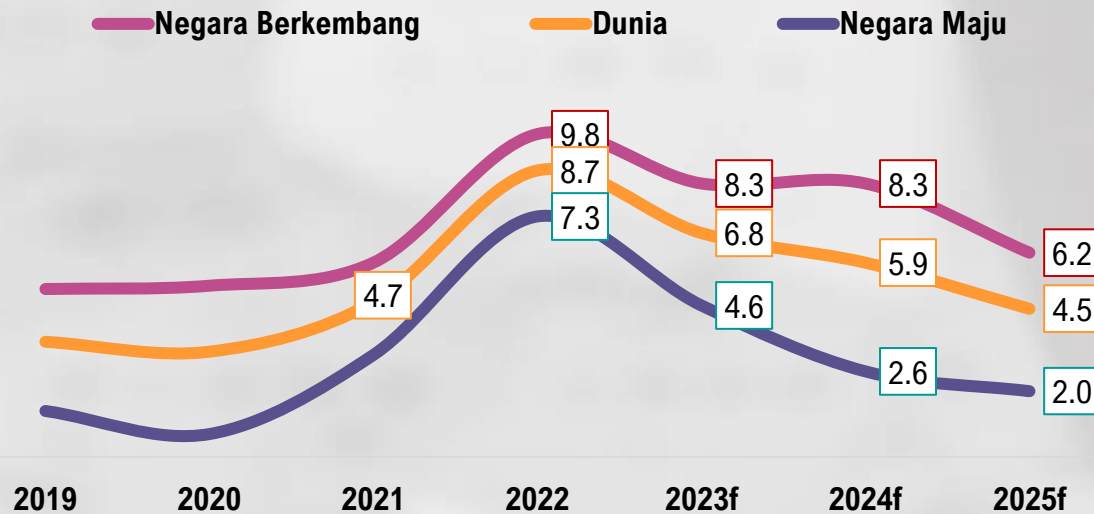
# THE WORLD ECONOMIC HAS BEEN AFFECTED

The tension has caused disruption on supply, and the economic prospects are expected still slow

## GLOBAL ECONOMIC PROJECTIONS (% yoy)



## INFLATION PROJECTIONS (% yoy)



## ECONOMIC GROWTH PROJECTIONS (% yoy)

Country/Region	20 23	WEO IMF (April 2024)			
		2024f		2025f	
<b>World</b>	3,2	3,2	↑ 0,1 (from WEO January 2024)	3,2	same
<b>Developed Countries</b>	1,6	1,7	↑ 0,2	1,8	same
United States	2,5	2,7	↑ 0,6	1,9	↑ 0,2
Eurozone	0,4	0,8	↓ 0,1	1,5	↓ 0,2
Japanese	1,9	0,9	same	1,0	↑ 0,2
<b>Developing Countries</b>	4,3	4,2	↑ 0,1	4,2	same
Tiongkok	5,2	4,6	same	4,1	same
<b>Indonesia</b>	5,1	5,0	same	5,1	↑ 0,1
India	7,8	6,8	↑ 0,3	6,5	same
Brazil	2,9	2,2	↑ 0,5	2,1	↑ 0,2
<b>ASEAN-5</b>	4,1	4,5	↓ 0,2	4,6	↑ 0,2

Sources: WEO IMF April 2024, WB GEP Jun 2024 processed





# GLOBAL PRODUCTION ACTIVITIES HAS BEEN AFFECTED

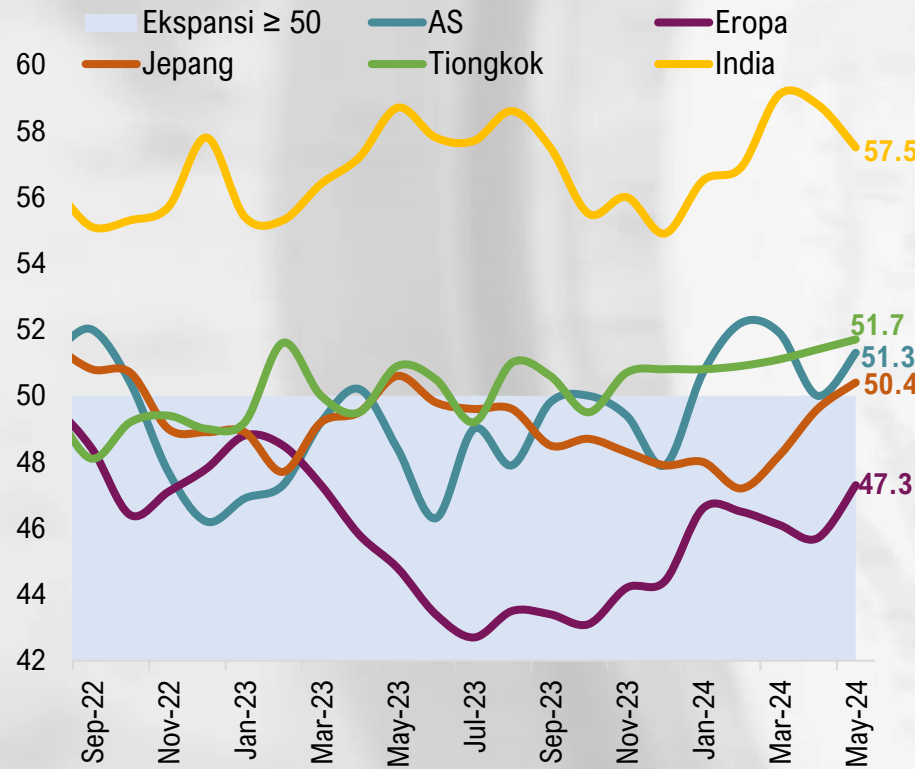
The sluggish global production activities has impacted on many countries and region such as ASEAN.

### Global PMI Manufacture

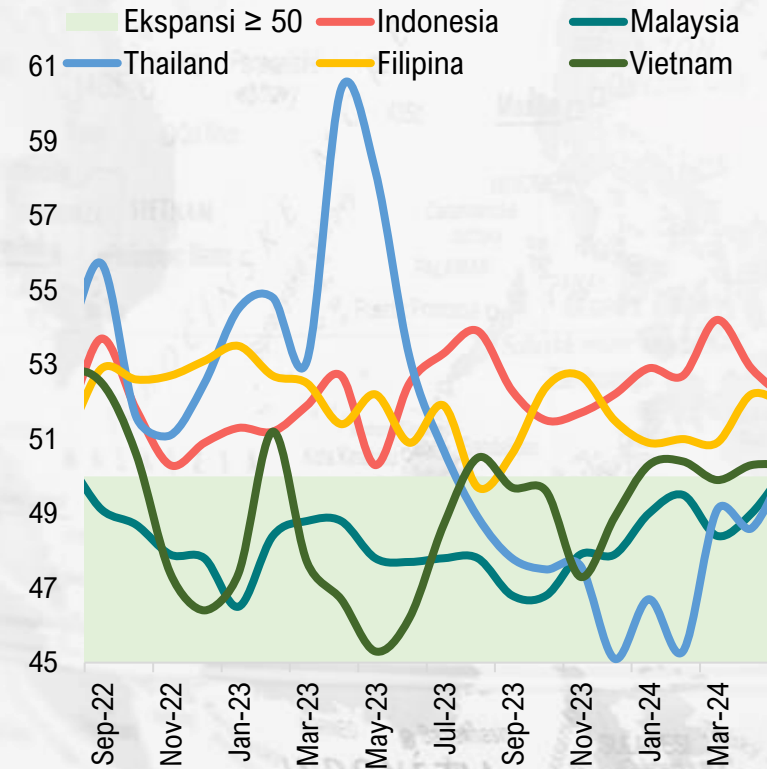


Source: Bloomberg

### PMI Movements in Some G20 Countries



### ASEAN's PMI Manufacture



# **REGIONAL CHALLENGES AND OPPORTUNITIES**

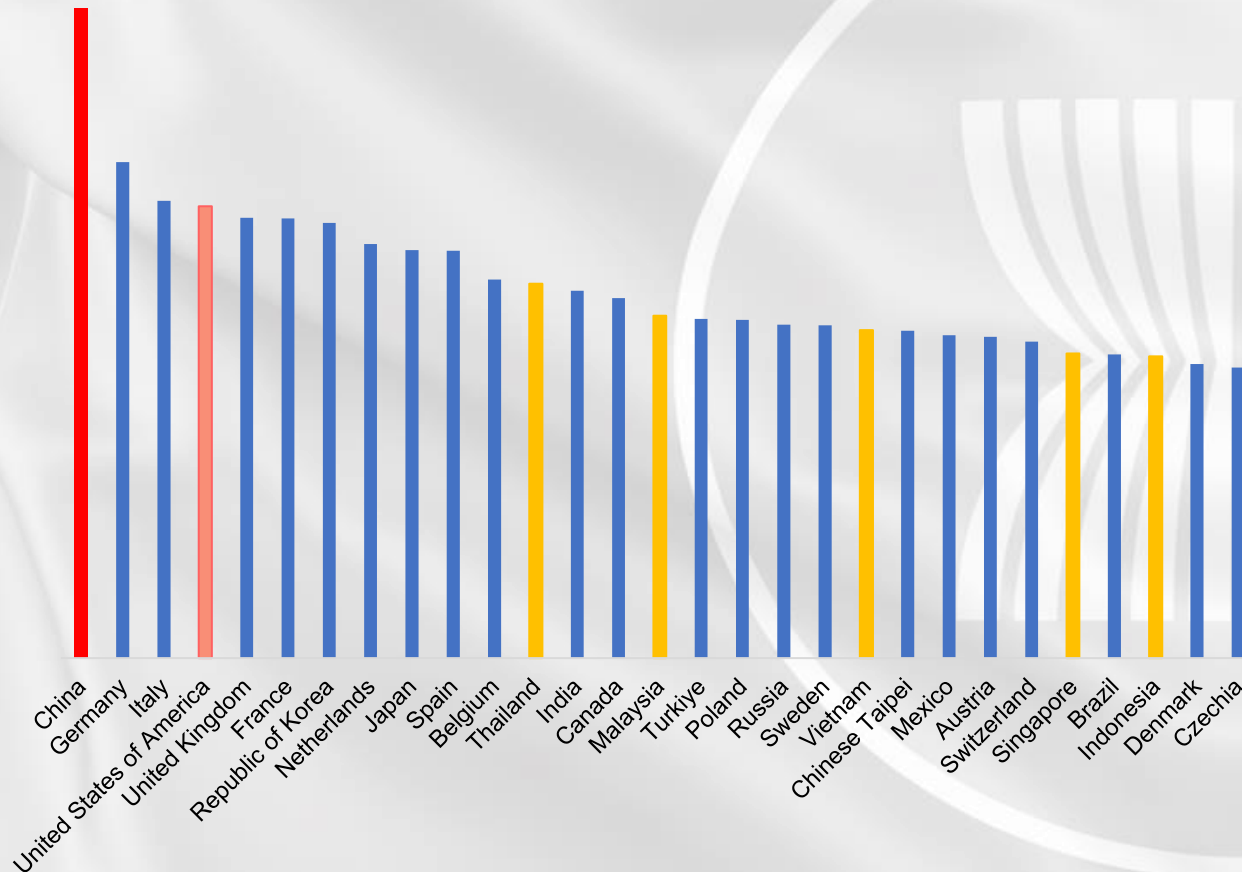




# GLOBAL FRAGMENTATION WILL HAVE STRONG IMPACT ON THE ASEAN

Trade restrictions can create negative impacts on major ASEAN countries, and regional economies

## COUNTRY WITH EXPOSURE TO HARMFUL TRADE INTERVENTION



Source: Global Trade Alert

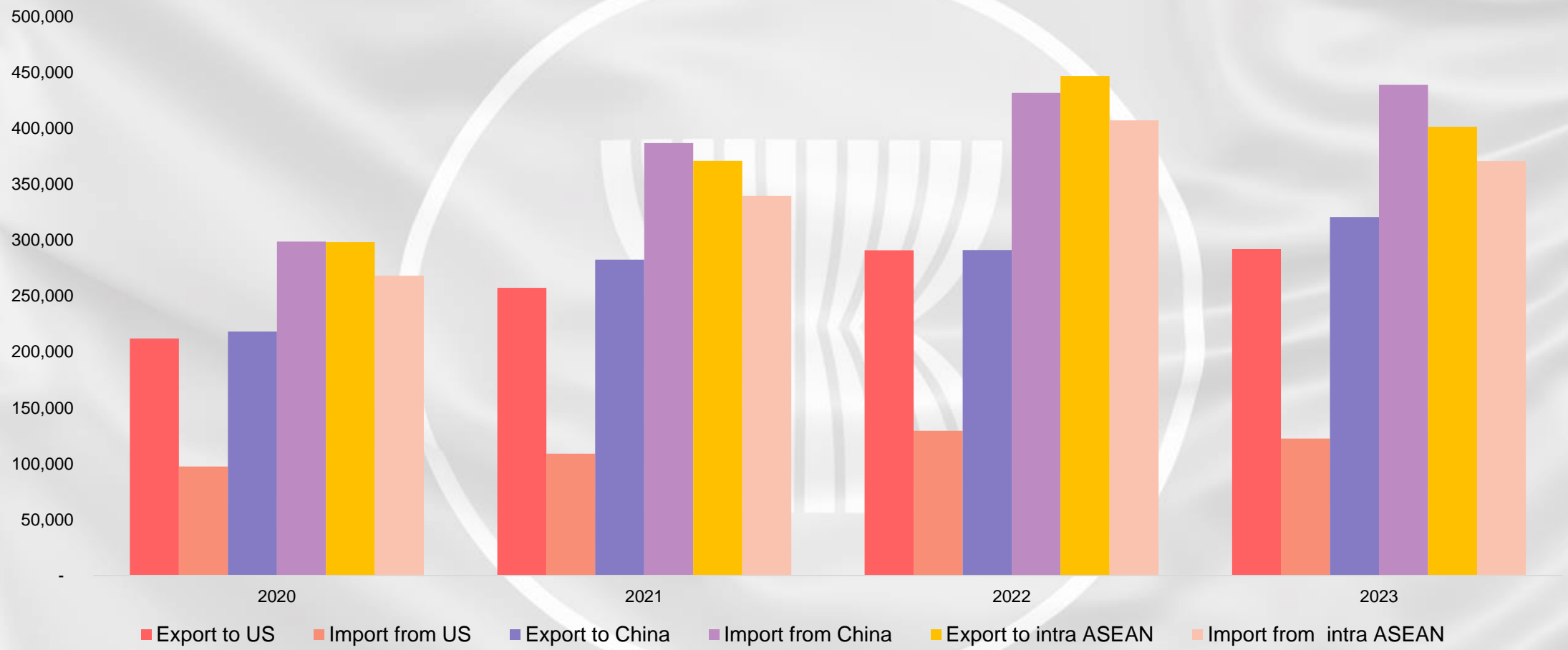
- ASEAN is not new in experiencing the impact of global uncertainty in economy and geopolitical tension.
- Over decades, the member countries have maintained neutrality and peacefulness in the region, thanks to “**ASEAN Centrality.**”
- Some member countries has experienced economic and political stability, that bring them to be “**emerging middle power.**”
- ASEAN economies are heavily intertwined with major global economies. **The region's reliance on foreign investment and trade makes it susceptible to external pressures and influences from superpowers.**



# US-CHINA SITUATION REMAINS BIG FACTOR FOR ASEAN

It is also important to look at the role of intra-regional trade in ASEAN

### Export-import Activities in ASEAN (US\$ Bill)



Sources: Trade Map





# OPPORTUNITY: DIPLOMATIC POWER



## Rank number 8 for Comprehensive Power

- Economic capability
- Economic relationship
- Defense network



## Rank number 11 for Comprehensive Power

- Cultural Influence
- Economic relationship
- Resilience



## Rank number 9 for Comprehensive Power

- Diplomatic influence
- Resilience
- Future resources



## Rank number 12 for Comprehensive Power

- Diplomatic influence
- Economic relationship
- Future resource



## Rank number 10 for Comprehensive Power

- Cultural influence
- Diplomatic influence
- Economic relationship



## Rank number 16 for Comprehensive Power

- Defense network
- Diplomatic influence
- Cultural influence

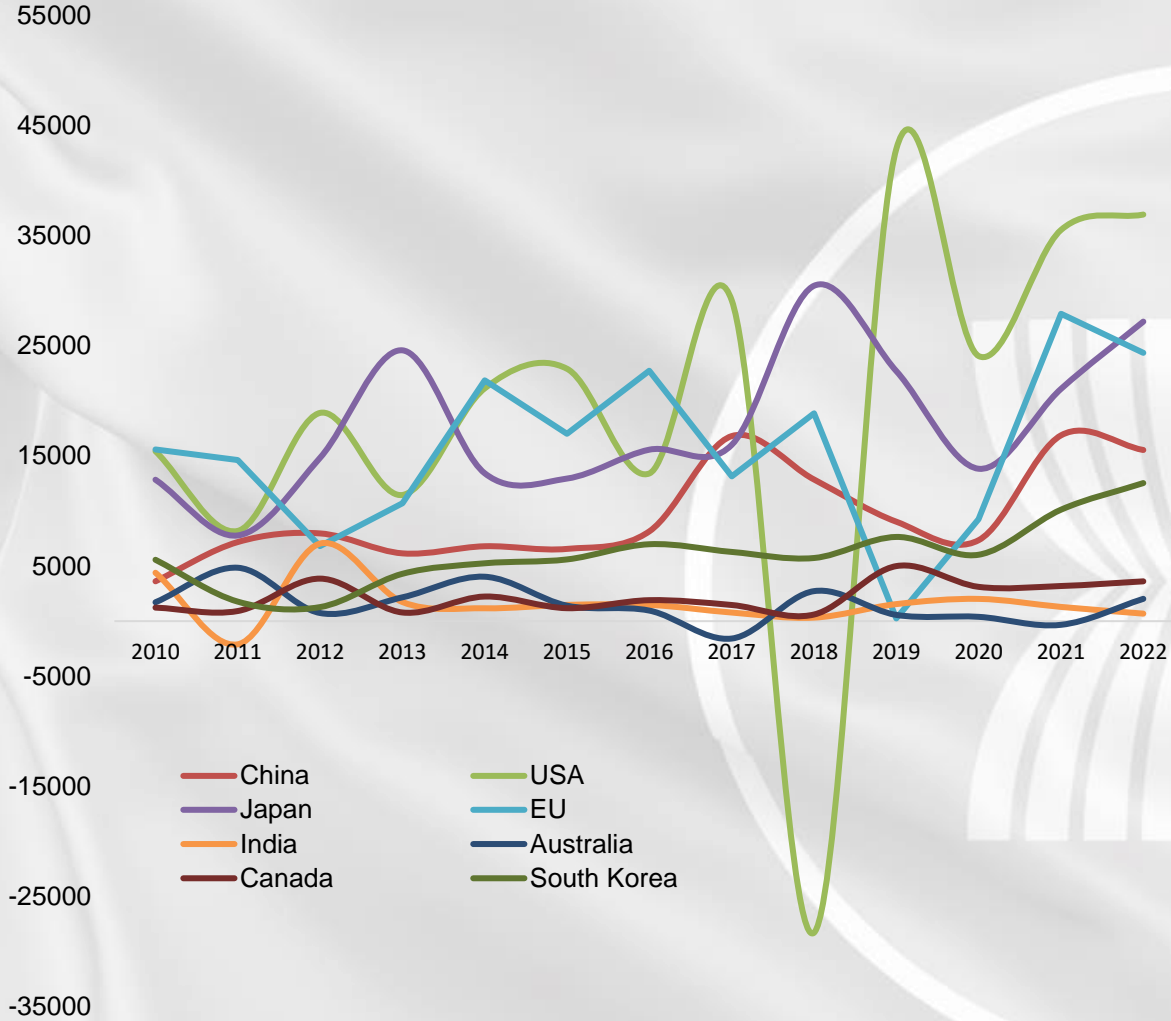
Source: Lowy Institute

- During last few years, some of the ASEAN countries have maintained their economic and political stability. They are also actively participating in many forums, not only to seek support but also global acknowledgement.
- Since comprehensive power has gained significantly, it is imperative both for ASEAN and the world to understand the potential in maintaining global order and cooperation.

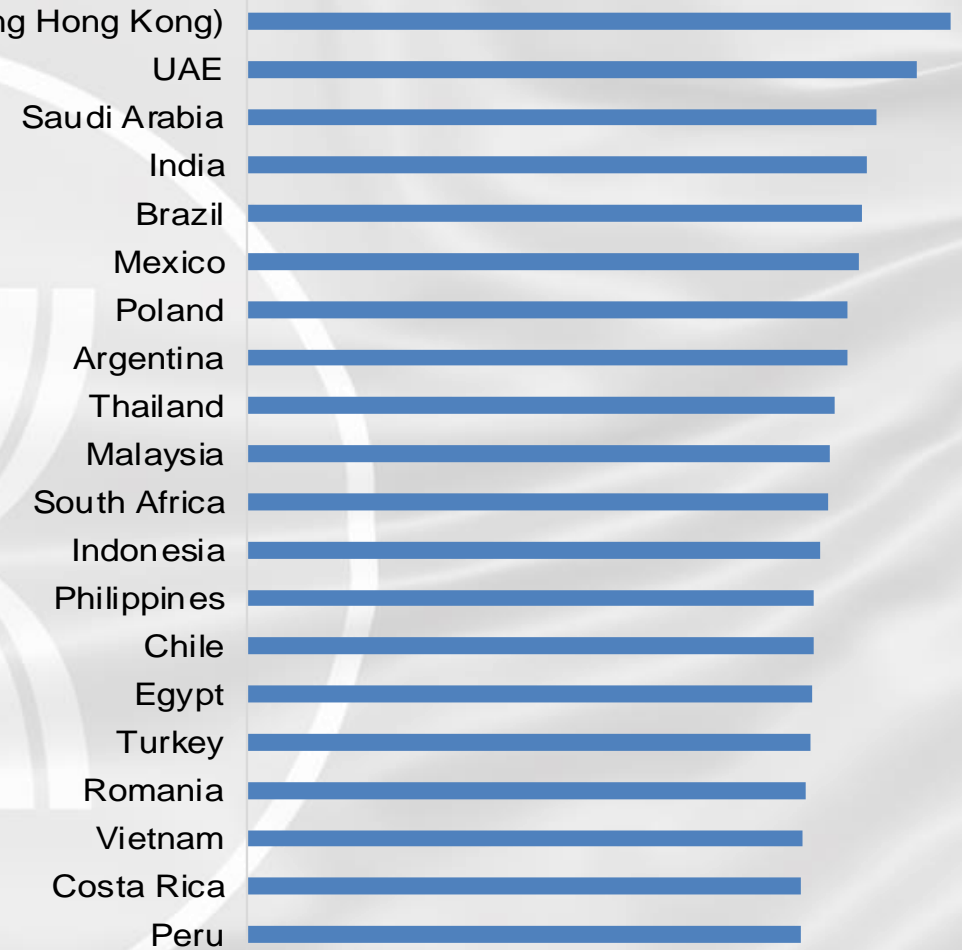


# OPPORTUNITY: TRADE DIVERSION AND RELOCATION

## FDI NETT INFLOW TO ASEAN (USD Mill)



## TOP 20 FDI CONFIDENCE INDEX (EMs)



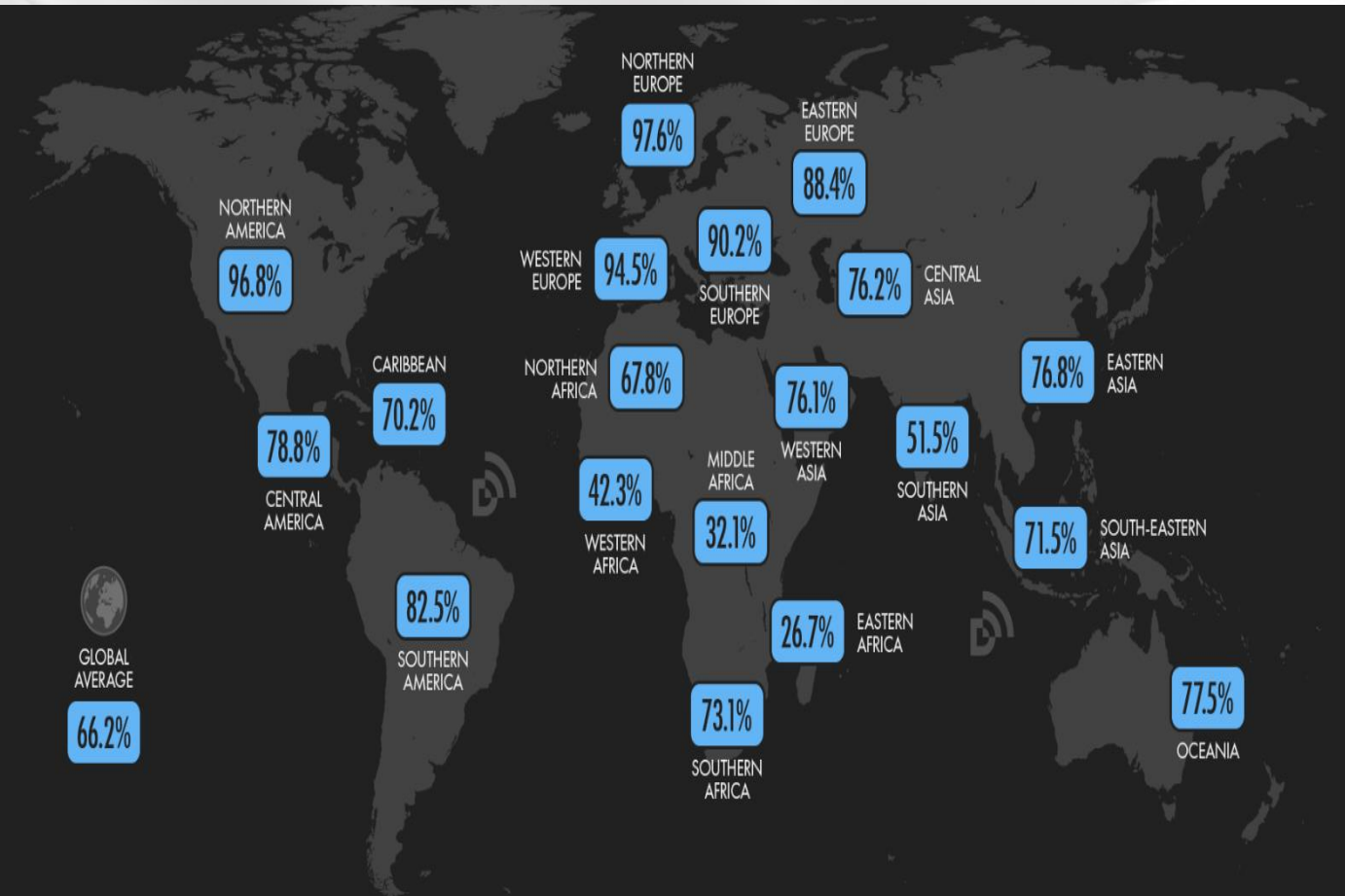
Source: CEIC

Source: 2024 Kearney FDI Confidence Index



# OPPORTUNITY: DIGITAL INDUSTRY AND SERVICES

## INTERNET ADOPTION



- During the pandemic, the adoption of digital technologies accelerated, facilitating the tradability of services. Digital platforms in sectors such as retail, finance, transportation, and tourism have significantly enhanced the productivity and traceability of services.
- However, in term of digital and tech industry, the capability of ASEAN countries are different. This is something that needs to look at.

Source: Digital 2024 Report

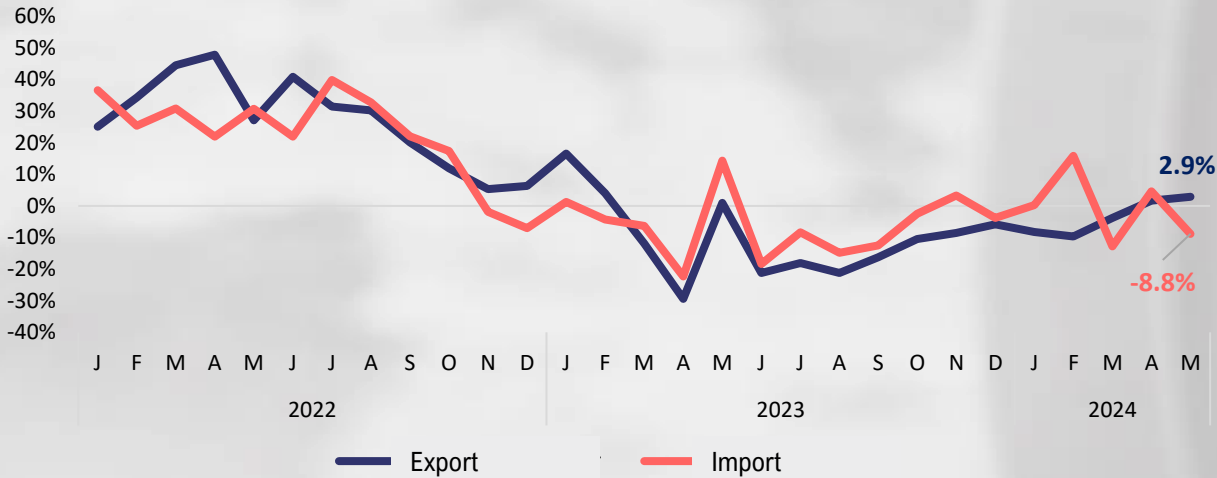
# WHAT TO DO: INDONESIA AS AN EXAMPLE



# EXPANDING TRADING PARTNER IS CRUCIAL

Export performance at the beginning of 2024 continued its positive trend with increasingly diversified trading partners

## INDONESIA'S EXPORT-IMPORT GROWTH (%)

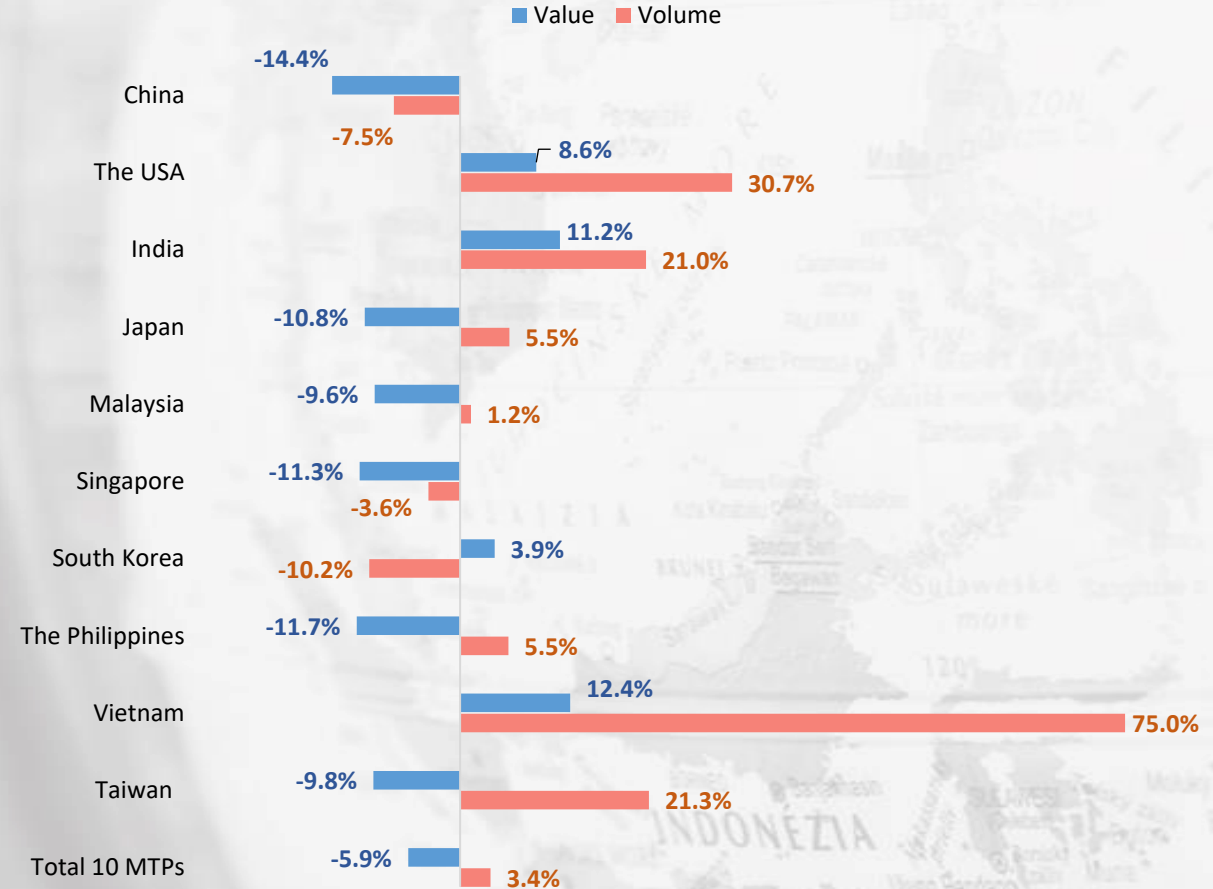


## INDONESIA'S TRADE BALANCE (USD Billion)



Source : Statistics Indonesia (processed)

## EXPORT GROWTH TO MAJOR TRADING PARTNERS (Jan-Apr 2024)



■ The May 2024 trade balance recorded USD 2.93 billion. The surplus trend continues into the 4th years.

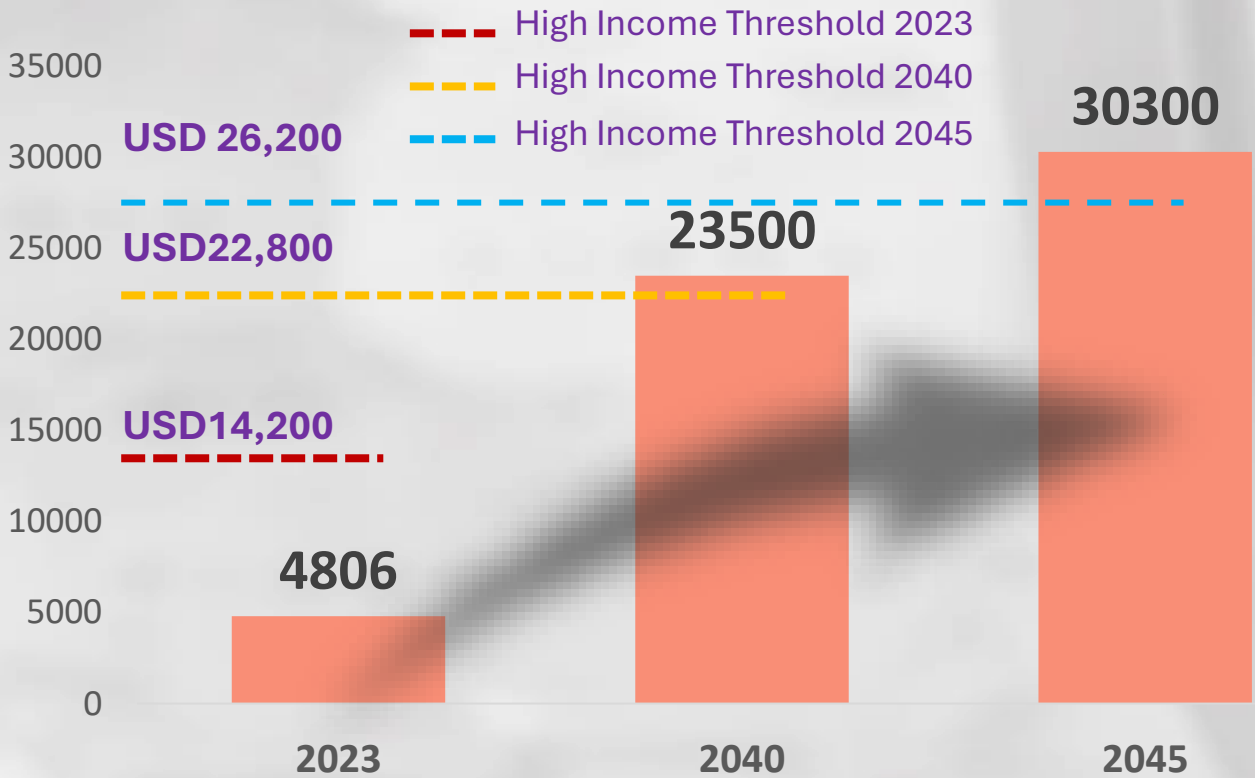




# VISION OF INDONESIA 2045 TO BECOME A DEVELOPED COUNTRY

The transformation economy is the key to get out of the middle-income trap.

To Get Out of the Middle Income Trap before 2045, Need to Accelerate Growth by 6-8% per Year



Economy  
5th largest  
in the world

Towards  
Net Zero  
emission



Poverty continues to decrease, Equity is getting better

	2023	2045
Population (million people)	120 278	324
Productive age population (Total)	69 %	65 %
Middle-class population (Total)	17 %	70 %
Urban population (Total)	58 %	73 %



# 1

## HUMAN CAPITAL

- Increase literacy rate from an early age
- Huge investments in education and health.
  - improving access and quality of public education.
  - Link & match the curriculum with employment opportunities to enrich knowledge and job opportunities are getting wider.



# 2

## INDUSTRIALIZATION

- The manufacturing sector is the main driver for economic growth.
- R&D to increase the added value of production goods.
- Economic growth by relying on exports and investment.
- Long-term financing for investment in strategic sectors.

# 3

## GOVERNANCE

- Modernize institutions and public governance to face more complex challenges in the future.
- Strengthening coordination between government agencies in innovation and economic transformation.
- Region-based policymaking to identify new sources of growth and make them more inclusive.

# STRUCTURAL REFORM TO OVERCOME BINDING CONSTRAINT



# INDONESIA'S LEADERSHIP HAS PLAYED CRITICAL ROLE IN THE INTERNATIONAL FORUM

It is proactively contributing to global agenda setting during its G20 Presidency and ASEAN Chairmanship



**G20**  
INDONESIA  
2022

- Strengthening global health architecture through Pandemic Fund
- Expediting sustainable energy transition through Energy Transition Mechanism (ETM)
- Regional Payment Connectivity (RPC) in ASEAN as digital transformation initiatives



- Bandar Seri Begawan Roadmap on Digital Transformation
- ASEAN Taxonomy for Sustainable Finance
- ASEAN Local Currency Transaction Framework



- Indonesia is the first ASEAN countries to have status of accession to OECD
- The membership to OECD will not only benefit Indonesia, but also ASEAN



**THANK YOU**