

Regional Integration: A Question Mark for Indonesia

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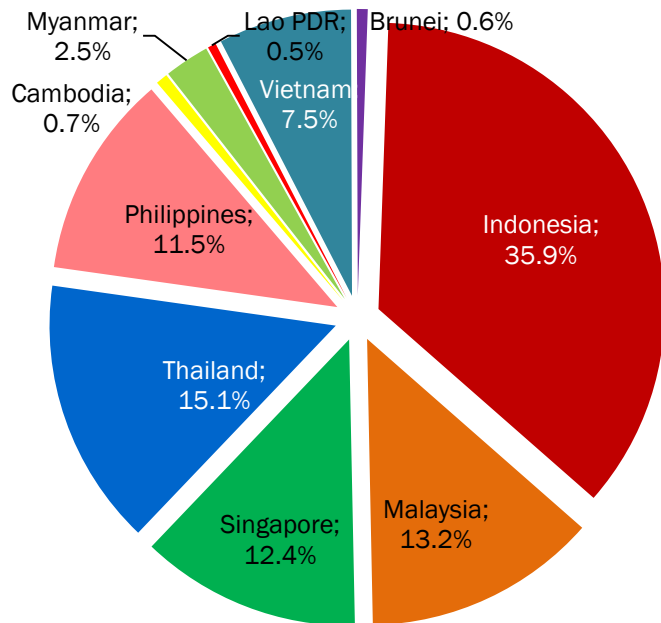
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Indonesia: a Potential Asia's Emerging Power

- Indonesia is the biggest economy in ASEAN and the 16th largest economy in the world.
- It has the largest population in ASEAN and the 4th largest in the world.
- The 3rd largest democratic country as well as a home for the largest Muslim population in the world.
- A resilient country amid 2008-2009 global financial crisis, supported by 60% of domestic consumption.
- Has Indonesia materialized its potential?

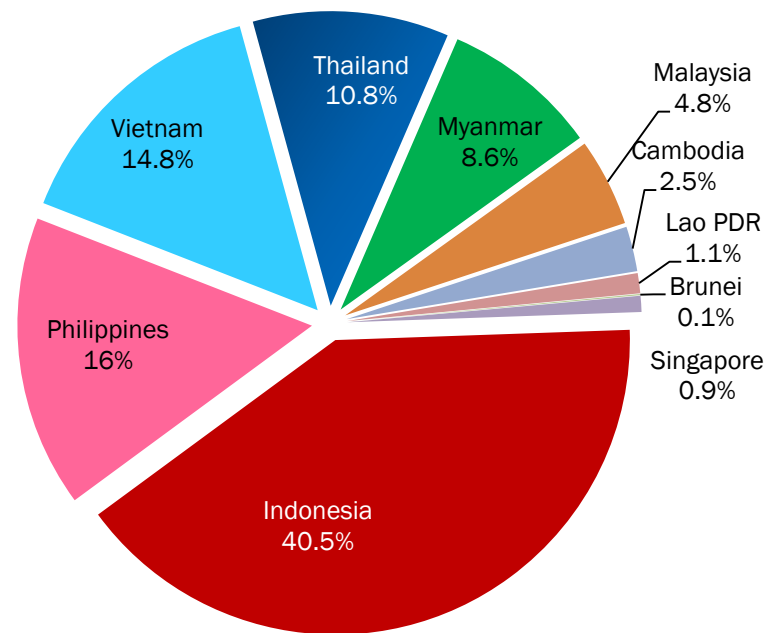
GDP and Population: a Dominant Player

[ASEAN GDP, 2014]



Source : World Economic Outlook Database, IMF

[ASEAN Population, 2014]



Source : United Nations Department of Economic and Social Affairs

- ASEAN's GDP reached USD888.65 billion (2014)
- ASEAN member countries have population of approximately 600 million (2014)

Competitiveness: Lagging Behind

GLOBAL COMPETITIVENESS INDEX (2014-2015)

Singapore	2
Malaysia	20
Brunei Darussalam	26
Thailand	31
Indonesia	34

(GCI, World Economic Forum)

LOGISTIC PERFORMANCE INDEX (2014)

Singapore	5
Malaysia	25
Thailand	35
Vietnam	48
Indonesia	53

(World Bank 2014)

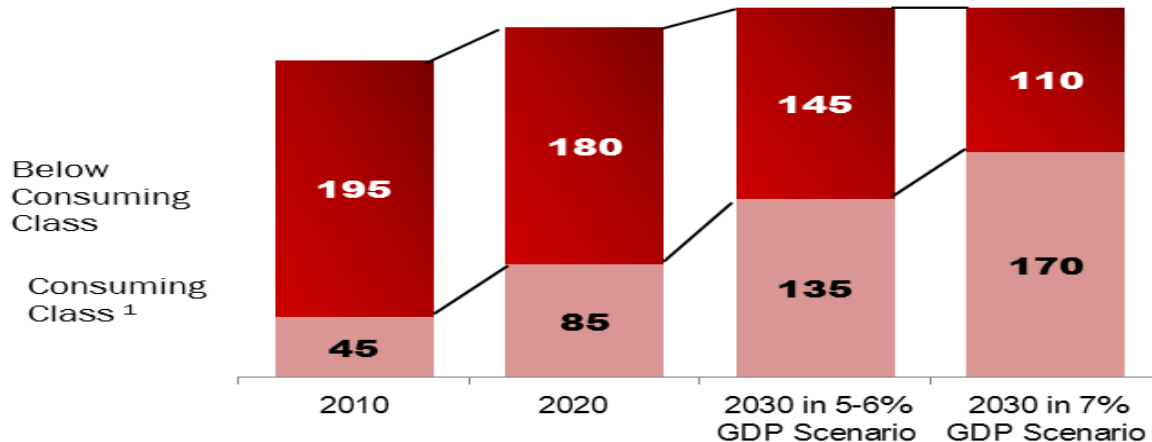
EASE OF DOING BUSINESS (2015)

Singapore	1
Malaysia	18
Thailand	26
Vietnam	78
Philippines	95
Brunei Darussalam	101
Indonesia	114

(World Bank 2015)

The Largest Market: Destined to be a Market?

- Increasing number of a large-vibrant and consuming middle class.
- Strong presence of regional business entities and brands in numerous business sectors.



¹ Consuming class defined as individuals with an annual net income of above \$3,600 at 2005 PPP

² Based on annual GDP growth between 5 and 6 %

Source: McKinsey

Opportunity: Regional Value Chain

- Indonesia has the potential to take advantage of the RVC by enlarging the existing industry i.e. automotive, textile, and processed food.
- It can focus on industrial segments that are comparatively better than the rest.
- Indonesia has a high role for some products of RVC such as chemical, rubber, plastic products, food products, upstream textile, jewelry, and metal products.

Shortcomings and Problems

- Shortage of skilled labors and lack of English speaking skill.
- Increasing labor costs.
- Low level of technology utilization.
- The existing industry has an inward looking and domestic orientation.
- Low awareness toward the regional integration.

Competitiveness Improvement: Is it Enough?

- Economic Deregulation Packages have been launched.
- The government is aiming to complete ambitious infrastructure projects such as power plants, high speed trains, and tollways.
- Business barriers have been reduced to attract more investors.
- However, the impacts of such measures have yet to be examined.

ASEAN Studies Center: Brains to Compete



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Thank you