

It's Time to Change Gears on ASEAN

Wishnu Wardhana

HONGKONG - Very recently more than two thousands global financial and business leaders participating in the 9th Asian Financial Forum (Hong Kong, 18-19 January 2016) concluded that new paradigm for growth must be adopted in the face of the world's increasing volatility.

Right across Asia, business is in a struggle to find traction in a world of slower growth. Investors are re-assessing the growth prospects in each economy. And as part of this, the spotlight is on Indonesia and its ASEAN neighbors.

ASEAN's pitch in this challenging environment is deeper integration. We have the new ASEAN Economic Community which officially, at least, was completed last year. By the end of 2016, the much bigger Regional Comprehensive Economic Partnership (RCEP) is due to be finalized. Its aim is to position ASEAN at the hub of six significant neighbors. Already, four ASEAN countries are set to ratify the new Trans Pacific Partnership (TPP).

There is a lot going on but little urgency in the air. The process is slow. Implementation on the ground is still a big challenge. And the vision has not yet been fully embraced within ASEAN, by business and consumers. There are real questions about ASEAN's determination.

Will ASEAN integration really deliver on its promise of new growth and opportunity? Will it drive the changes that investors are looking for? Is it going to be an economic community for business?

There is room for optimism. Why? Because ASEAN, and Indonesia in particular, have diminishing choices. In the new economic climate of today there is real pressure on ASEAN to perform and to implement. The fall in resource prices, the slow-down in China, strong competition for investment and even the longer term potential of the TPP have all raised the stakes for ASEAN. In Indonesia, the consumer market, which has driven so much growth over recent years, has slowed and can no longer be taken for granted.

The big message for ASEAN governments and stakeholders, and particularly for Indonesians, is that the world has changed.

Comfortable reform will no longer deliver adequate growth, strong employment and rising living standards. ASEAN must act proactively to build and capture the opportunities that the ASEAN Economic Community and integration can bring.

Indonesia's robust democracy has been seen as part of the problem. But it can be a great asset. It has the potential to mobilize change, innovation and better governance.

The Government has been trying to address the lack of understanding of the Indonesian people to compete and integrate at a faster pace. There is a greater need to take a more strategic view of the future and face down the nationalist and protectionist sentiment.

There are signs that the government is moving in this direction. But in the Indonesian democracy there has to be genuine debate, clearer explanations and real action to make Indonesia more competitive.

The new trade deals in ASEAN and East Asia, and even the TPP, do open doors, but for Indonesia they are not enough to build competitiveness and opportunity.

With low resource prices, Indonesia should give more focus to its other significant assets: the rich potential of its provinces; the demographic plus of a large and young population; and the capacity for sustainable agriculture. These all present major investment opportunities.

Across the long list of reforms, Indonesia can mobilize around three key strategies.

The first is investment in infrastructure. This has been on the agenda for the last decade, and we are now seeing more actions focused on electricity, ports and transport. But we need unambiguous progress because infrastructure is the key to new manufacturing, more food production, new development in the provinces and, most importantly, connectivity inside Indonesia and with the region.

The second is boosting the services sector through more investment and better regulation. We need efficient services to transform infrastructure into real business opportunities and jobs, and cost effective value chains linking Indonesia with the region. We need a lot more high quality education, training and health for our young population. And we need lower cost, more efficient communications, e-commerce, finance and transport services for the millions of SMEs and farmers. There can be big dividends for Indonesia.

The third issue is faster adoption of innovation and technology to generate higher-valued added manufacturing and more productive agriculture. This will lift the incomes of SMEs and farmers and give them a greater stake in the integration process.

The Government is progressing with these three issues. None of it will be easy, of course. But more strategic and proactive approaches will provide both immediate business and employment opportunities and position Indonesia as a strong partner in regional integration. We have no time to lose.

The writer is chair of the APEC Business Advisory Council of Indonesia and president director and group CEO of Indika Energy. The views expressed are his own

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