







# A historic opportunity for Indonesia

The rise of the digital economy and acceleration of infrastructure development were the key themes at this year's Indonesia Economic Forum (IEF), themes that provide a historic opportunity for Indonesia to join the ranks of the world's top economies. With speakers from the region and around the world, the IEF provided an ideal platform for business leaders, policymakers and investors to gather to discuss both the opportunities as well as the challenges that confront the nation. By [Shoeb Kagda](#)

**A**s global economic forces reshape the world order, Indonesia has a unique opportunity to join the ranks of the elite economies if the country gets its policy framework right. Speaking at the opening of the Indonesia Economic Forum, Trade Minister Thomas Lembong noted that Indonesia would join the Trans Pacific Partnership (TPP) within three to five years to take advantage of the opportunities that will open up.

Lembong said that having just returned from the APEC meeting and ASEAN's East Asia summit, he was confident that President Joko Widodo's policies were on the right track. "We are really at a point of historic change," he said. "TPP will change the dynamics of trade in this region and, as trade minister, I have to look at the world through trade glasses."



‘We are really at a point of historic change. TPP will change the dynamics of trade in this region’

Thomas Lembong

The second historic change underway is the internationalization of the Chinese currency. The International Monetary Fund (IMF) has just announced that the renmmbi will be included as a global reserve currency. “This is an historic event. The last time a global reserve currency was introduced was in 1999 with the euro and that changed the world,” Lembong said. “I expect the renmmbi will change the word more than the euro did.”

With these changes, he added that the government, especially its economic team, is already working hard to prepare the country for the coming changes. This included changing the dialogue and public perception within the country on the need for greater openness.

Patrick Teng, founder and CEO of Six Capital, noted that the internationalization of the renmmbi will help stabilize volatility of asset classes. “Almost all global assets are quoted in US dollars and if the dollar is volatile, all assets classes will be volatile.” But with the renmmbi coming in as a reserve currency, there is a sign of hope for greater stability. “But with power comes great responsibility,” Teng noted.

With the external environment is a state of flux, Indonesia must put its domestic economy on a strong footing and create new platforms for growth. The forum touched on a number of these platforms, including infrastructure and greater internet connectivity.

Phillia Wibowo (right),  
Gita Wirjawan (below left),  
Ilham Habibie (below right)



Guillaume de Gantes, a partner at McKinsey and Company Indonesia, said Indonesia could still grow to become one of the top 10 economies in the world by 2030. But to get there, the country must improve its productivity, especially among the fast growing middle class. “Today’s more challenging economic situation is a call to action to improve productivity,” he said. This is where the digital economy can play a critical role.

#### Indonesia unchained

With the theme for the Indonesia Economic Forum focusing on boosting infrastructure development and promoting the digital economy, a number of speakers spoke on the need for continued reforms.

Sofyan Djalil, Minister for National Development Planning, illustrated the reforms underway by using the example of the movie *Django Unchained*.

MOH. DEFRIZAL





Patrick Teng (above right)  
Prof. Gordon Hewitt (above)



The Indonesia Economic Forum was graced by a host of international experts in the fields of infrastructure development; bureaucratic reforms and empowering the digital economy.



Shoeb Kagda



Sofyan Djalil (left) Raj Kannan (right)





Government ministers, business leaders and investors gathered to discuss and find solutions for Indonesia's economic challenges. The digital economy was widely regarded to be the heart of the Future Economy.

"We in the government realize that we need reforms to boost the economy. When Django was chained, he could not do anything but when he was unchained, he defeated all his adversaries. Indonesia's economy is like Django," he said. "We must unchain the economy from red tape, inefficiency and wrong policies."

Djalil noted that the government had launched six economic stimulus packages to date aimed at easing rigidity in wages, improving efficiency of state budget usage and creating better synchronization between various government ministries in executing large infrastructure projects.

"We will use government funds in partnership with private sector in ensuring the completion of these projects," he noted. "In the past PPP (public-private partnership) meant plan, patience and postpone. We have to change this," he noted.

But while progress is clearly being made, former trade minister and founder and chairman of the Ancora Group Gita Wirjawan said that Indonesia would face some headwinds ahead. He noted the US and other developed nations had pumped \$7 trillion into their respective economies over the past few years. But Indonesia and other Southeast Asian countries

had not undertaken similar actions.

"From the get go, you can see a difference. We are being challenged from a fiscal space perspective because 70% of Indonesia's fiscal space has been dominated by energy and commodities," he noted. The country must diversify its economy and create a new delta for growth, he stressed.

"But we need to game change the system a bit more. G20 is a platform to talk about fiscal and monetary policies. How about Indonesia if Indonesia does its own quantitative easing through greater financial inclusion," Wirjawan added. "Without such game-changing policies, I don't think we can rise up and become a player."

Former chairman of the Indonesian Chamber of Commerce and Industry, Suryo Bambang Sulisto, speaking on the same panel, highlighted the importance of better infrastructure for the wheels of business to move smoothly. He added that the right policies were also critical in improving the business environment.

"There is an increasing awareness from the government on how the business world really works. This is a great improvement for us," he noted. "We hope the government will include us in policymaking."

The government's approach was also praised by World Bank economist Ndiame Diop, who noted that Indonesia's manufacturing competitiveness on direct costs was high. Wages, electricity and import costs were lower than its neighbors but where the country needed to improve was on indirect costs such as logistics and regulatory impediments.

"We are quite pleased to see the current government's approach in improving competitiveness in reducing infrastructure costs and the regulatory burden," he noted. With better infrastructure and connectivity, Indonesia could improve its market share in the fast-growing tourism sector, education and healthcare services. But this will require greater openness. ©