



TOWARDS A WIN-WIN COOPERATION: ASEAN CENTRALITY AND INDONESIA'S ROLE IN THE INDO-PACIFIC ECONOMIC FRAMEWORK

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ISEAS STUDIES PROGRAM WEBINAR



Topic of Discussion

- Indonesia's ASEAN Chairmanship**
- Indonesia Engagement on Indo-pacific Economic Framework**
- Advancing Clean Economy In IPEF With ASEAN's Vision**
- Indonesia's Key National Interests on Clean Economy**
- Indonesia's Key National Interests in Its IPEF Diplomacy**



COORDINATING MINISTRY
FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Indonesia's ASEAN Chairmanship



IPEF
SECOND NEGOTIATING ROUND
BALI 2023



Indonesia Chairmanship in ASEAN 2023

- Indonesia has once again demonstrated its role in global leadership as the 2023 ASEAN Chairman.
- Carrying three themes, namely recovery-rebuilding, digital economy, and sustainability.
- The most important key deliverables are **energy security, food security, and financial stability**

Indonesia's Chairmanship of ASEAN in 2023 "ASEAN Matters: Epicentrum of Growth"

Priority Agenda on Economic Pillars



Recovery-Rebuilding

"Rebuilding regional growth through connected markets and new competitiveness"



Digital Economy

"Accelerating inclusive digital economy transformation and participation"



Sustainability

"Promoting sustainable economic growth for a resilient future"

Key Deliverables on Energy Security | Financial Inclusion | Digital Transformation | Food Security

- Bringing ASEAN **together, surviving and remaining relevant** in the midst of very dynamic changing geo-political and geo-economic conditions
- Affirming ASEAN's position as **a new power** in the region
- Ensuring ASEAN can achieve **the common goal of prosperity** in the region
- Ensuring ASEAN can contribute to handling **the global crisis**



Presiden Joko Widodo's Main Message on the 2023 ASEAN Chairmanship Handover

Phnom Penh, 13 November 2022

1. ASEAN as a region of peace and anchor of world stability.
 - * Consistent in upholding international law
 - * Don't proxy anyone
2. ASEAN as a dignified region, upholding humanity values, and democracy.
 - * Respond to the geopolitical situation.
 - * Prevent indications of a new world war
3. ASEAN is a region with a fast-growing, inclusive, and sustainable economy.
 - * Strengthening ASEAN's capacity to respond to the challenges of the next 20 years.
 - * More adaptive, responsive, and competitive

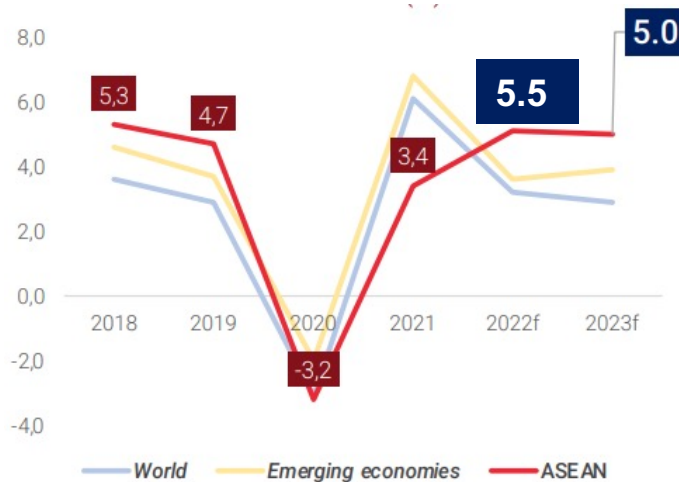
Fight for the ASEAN way:
consistent with the spirit of cooperation,
fully implement the ASEAN Charter

**ASEAN Matters:
Epicentrum of Growth**

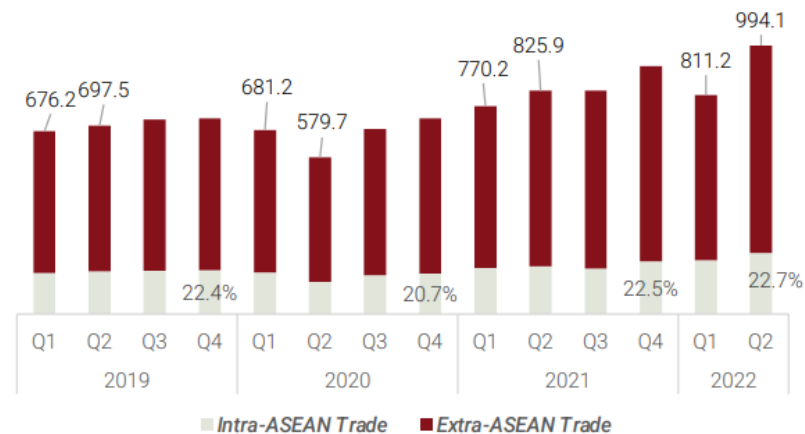
ASEAN, including Indonesia, is the Bright Spot in the Midst of a Slowdown in Global Economic Growth

- *Indonesia is committed to maintaining the continuity of the development agenda in the region to encourage increased prosperity and maintain regional stability.*
- *Currently, ASEAN is in the midst of contestation over the influence of the big powers in the Indo-Pacific Region.*
- *Economic growth in the ASEAN region is almost always above the world's growth average, total trade has increased during the pandemic, and good investment prospects.*

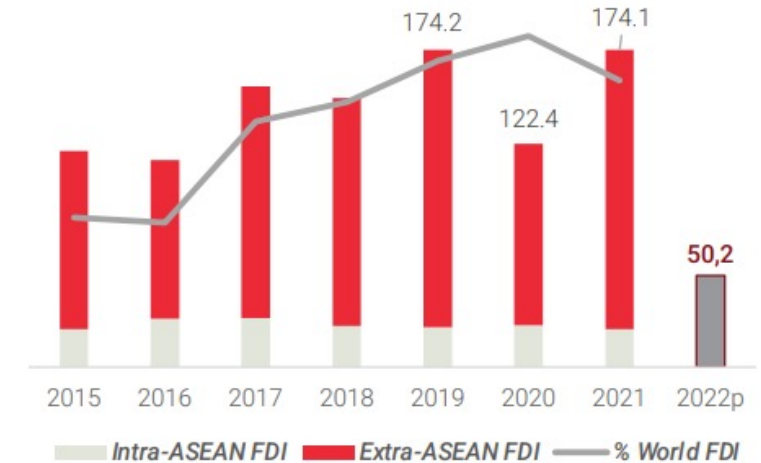
ASEAN GDP Growth 2018–2023f (%)



ASEAN Total Trade Value: Intra-ASEAN Trade 2019–2022 (USD billion)



Foreign Direct Investment (FDI) 2015–2022p (USD billion)



Source: ASEAN Statistics (2022)

The ASEAN economy **continues to bounce back** this year (5.0%) and next year in line with the development of regional recovery efforts.

ASEAN's trade value in 2021 (USD 3.3 trillion) **has exceeded the total pre-pandemic trade value** in 2019 (USD 2.8 trillion).

Investment flows to ASEAN **have increased by >42%** (USD 174.1 trillion) in 2021.

The main investments were recorded in the **financial sector** (\$57 billion) and **manufacturing** (\$45 billion).

ASEAN Challenge: The Turbulent Geopolitical and Geostrategic Dynamics of The Region

- *The turmoil in regional geopolitical and geostrategic dynamics will color the atmosphere of Indonesia's Chairmanship in ASEAN 2023*
- *Together with the other six ASEAN member countries in IPEF, Indonesia believes it is important to avert regional conflicts and move towards a clean and fair economy at home.*

SOME GLOBAL AND REGIONAL SITUATIONS THAT WILL COLOR THE ATMOSPHERE OF INDONESIA'S CHAIRMANSHIP IN ASEAN 2023.

Proliferations of Regional Trade and Infrastructure Cooperation

Anticipate food, energy and financial crises

High inflation and tightening global financial conditions

Narrowing of fiscal space in developing countries

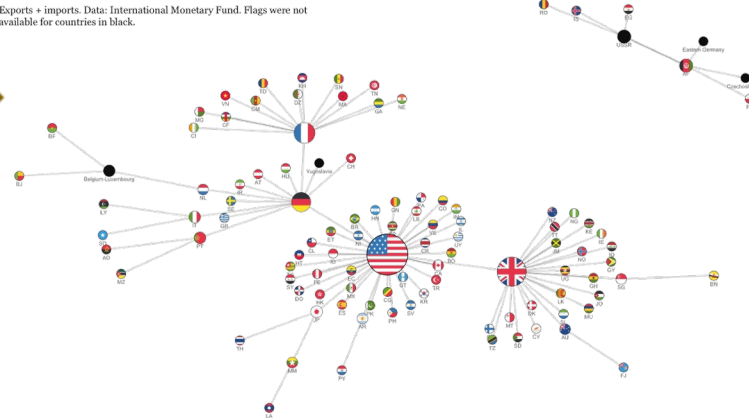
Increased potential for economic recession

Myanmar issues in ASEAN

1960: A Period of U.S. Trade Dominance

Countries connected to their primary trading partner in 1960

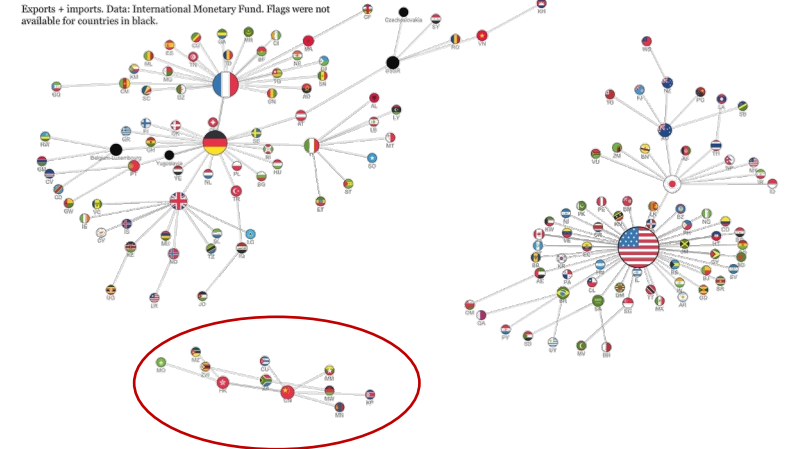
Exports + imports. Data: International Monetary Fund. Flags were not available for countries in black.



1990: The Emergence of China

Countries connected to their primary trading partner in 1990

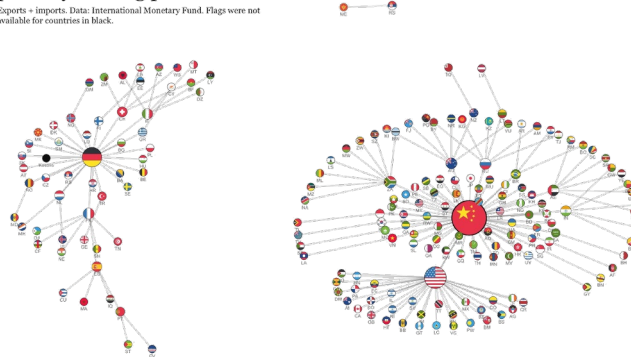
Exports + imports. Data: International Monetary Fund. Flags were not available for countries in black.



2020: A New World Order

Countries connected to their primary trading partner in 2020

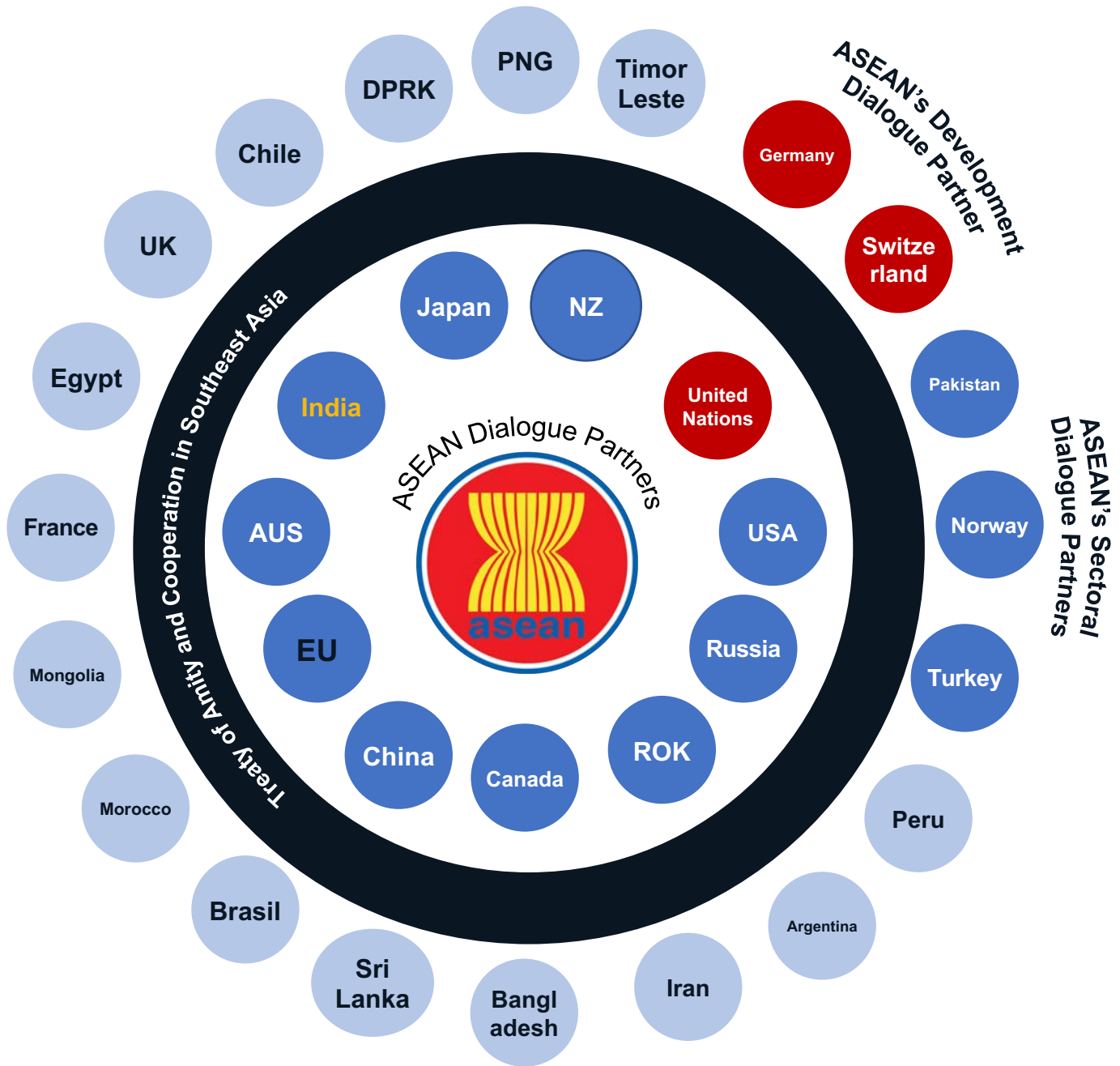
Exports + imports. Data: International Monetary Fund. Flags were not available for countries in black.



- ASEAN is in the midst of contestation over the influence of the big powers in the Indo-Pacific Region.
- The rivalry between the United States and China created a new polarization in the region, with the emergence of economic cooperation frameworks such as the Indo-Pacific Economic Framework (IPEF), an initiative by the United States, and the Belt and Road Initiative (BRI) initiated by China.
- ASEAN needs to navigate the turbulent geopolitical and geostrategic dynamics of the region and use them for ASEAN's own interests.

ASEAN's Evolving Regional Architecture in a Geopolitical Context





ASEAN'S Normative Foundation: TAC



Indonesia's Engagement in Indo-Pacific Economic Framework



United States initiative launched by President Biden on May 23, 2022 .



IPEF Participating Countries: USA, Australia, Brunei Darussalam, Fiji, Philippines, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Singapore, Thailand and Vietnam

4 Pilar IPEF

trade



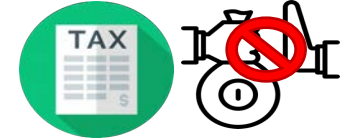
supply chains



clean energy, decarbonization & infrastructure



tax and anticorruption



- IPEF negotiates four pillars (Pillar 1 Trade; Pillar 2 Supply Chains; Pillar 3 Clean Economy; and Pillar 4 Fair Economy. Indonesia participates in all pillars of IPEF.
- US hopes that IPEF can advance participating countries' resilience, sustainability, inclusiveness, economic growth, equity, and economic competitiveness.
- IPEF also offers tangible benefits that stimulate economic activity and investment, drive sustainable and inclusive economic growth, and benefit workers and consumers across the Region.



Indo-Pacific Economic Framework (IPEF) partners



14 participant IPEF countries are representing:

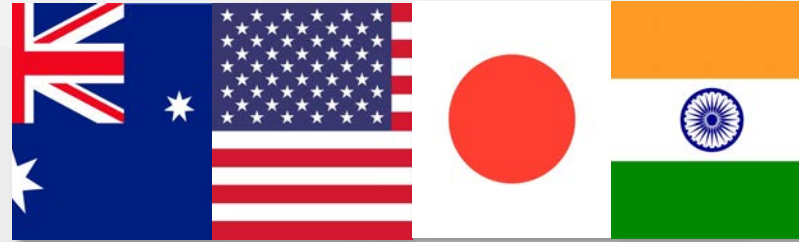
- **30 %** world population
- **28%** world trade in goods and services
- **40%** World GDP

Population, GDP, and GDP per capita IPEF Member Countries

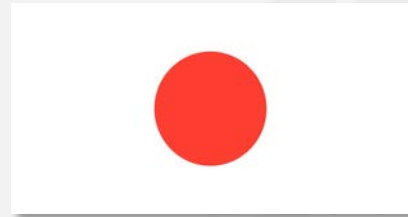
Countries	Population (Million)	GDP nominal, current prices (USD Trillion)	GDP Per Capita, current prices, USD
	2021	2021	2021
United States	336,9	96,1	12.262
Indonesia	273,7	1,2	4.291
Malaysia	32,7	0,37	11.371
Singapura	5,45	0,39	72.794
Thailand	69,9	0,5	7.233
Philippines	110,2	0,39	3.548
Vietnam	98,5	0,36	3.694
Brunei Darussalam	0,45	0,14	31.722
Australia	25,4	1,5	59.934
New Zealand	5,2	0,250	48.801
Japan	124,6	4,94	39.285
South Korea	51,8	1,8	34.757
India	1.417	3,17	2.277
Fiji	0,457	0,004	5.086

Source: World Bank

'DYNAMICS OF INDO-PACIFIC' STRATEGIES



Quadrilateral Security Dialogue (QUAD)



Free & Open Indo-Pacific Strategy



Belt & Road Initiative

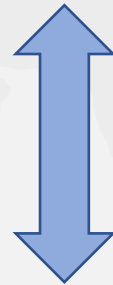


- *SAGAR – “Security and Growth for All in the Region”*
- *Asia-Africa Growth Corridor*



US Free & Open Indo-Pacific Strategy

vis-à-vis



ASEAN OUTLOOK ON THE INDO-PACIFIC

KEY ELEMENTS

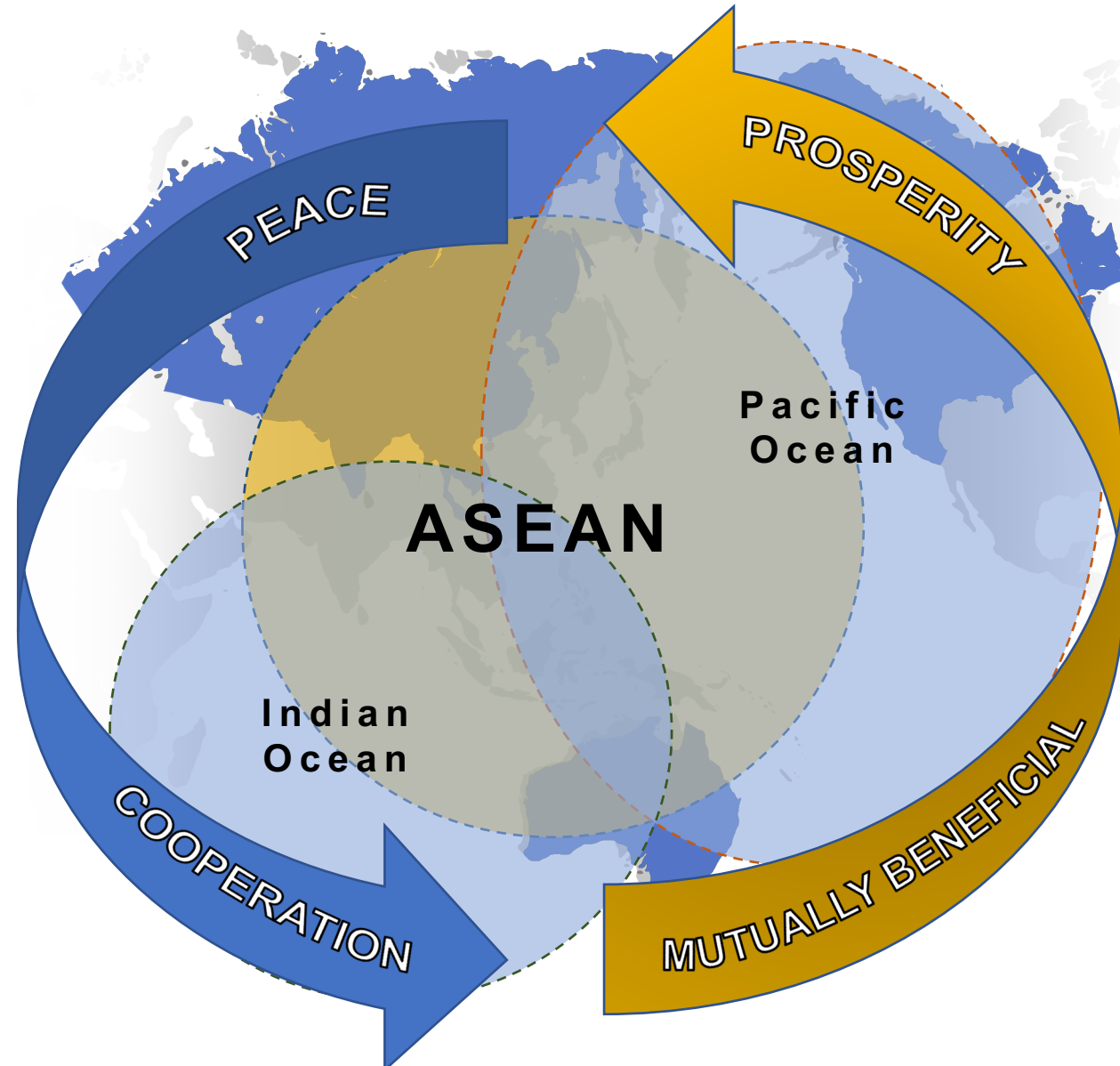
- Single Geostrategic Theatre
- Region of Cooperation, **NOT** Rivalry
- Region of Development and Prosperity for All
- Maritime domain and perspective

PRINCIPLES

- Openness
- Inclusivity
- Transparency
- Respect for International Law
- ASEAN Centrality
- Mutual respect, trust, and benefit
- Respect for sovereignty
- EAS Bali Principles (2011)
- Treaty of Amity and Cooperation (TAC)

OBJECTIVES

- Promoting a new outlook of cooperation
- Creating an enabling environment for peace, stability, and prosperity
- Strengthening the existing ASEAN-Led Mechanism (EAS)
- Developing priorities that are important for all



ASEAN Countries EAS Participating Countries

MARITIME COOPERATION

- Political-Security
- Socio-Economic
- Environment
- Technical Cooperation

CONNECTIVITY

- Developing Public-Private Partnerships on Connectivity in the Indo-Pacific region
- Building synergies with other countries and sub-regional framework on connectivity in the Indo-Pacific region
- Connecting the Connectivities

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

- Developing Indo-Pacific agenda for achieving the SDGs
- The alignment of the regional development agenda with the SDGs.

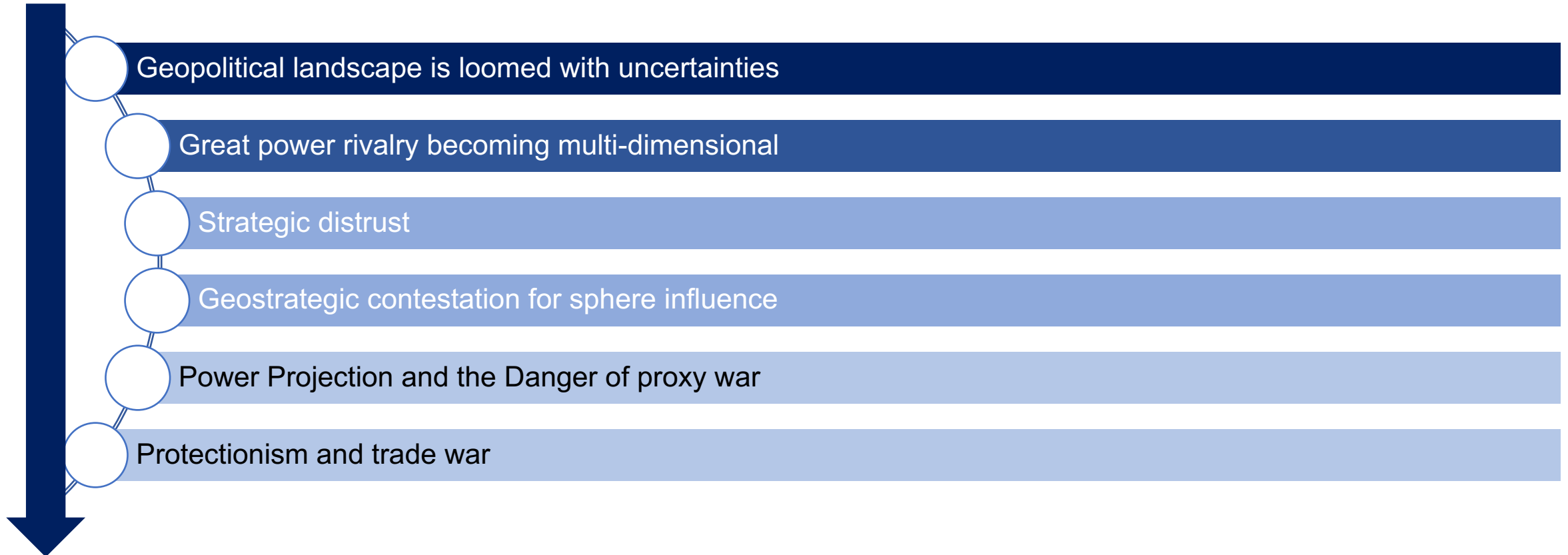
ECONOMIC COOPERATION

- Ensuring open and fair economic system;
- Increased business interaction;

WAY FORWARD

INDO – PACIFIC – BACKGROUND & RATIONALE

Geopolitical and Geoeconomics Landscape Changing



The outlook has the strategic goals:

- Safeguarding the ecosystem of peace, and stability for us to continue with endeavors to promote prosperity
- Reducing the strategic distrust through regional cooperation
- Turning challenges into opportunities

Connecting the Connectivity is on the map

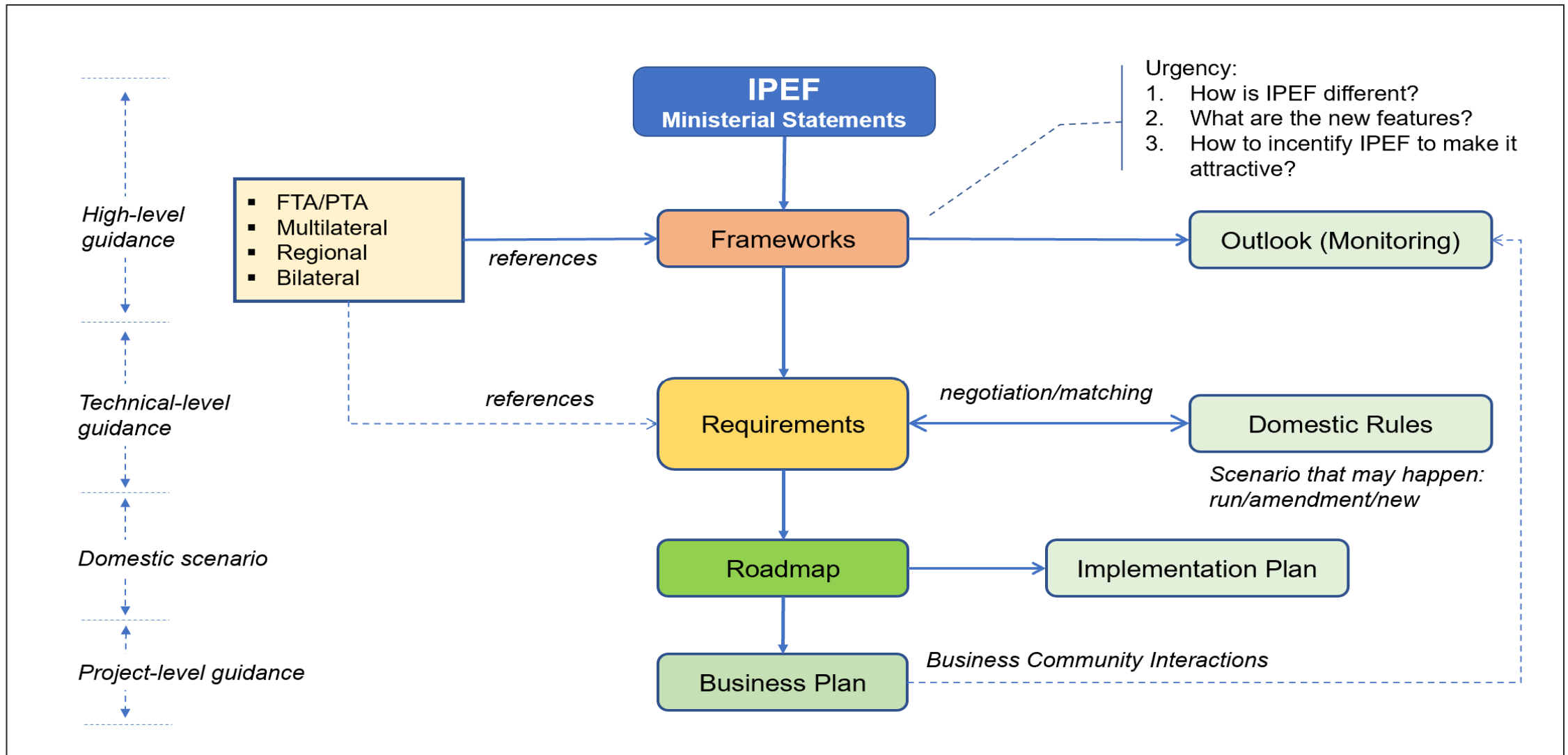


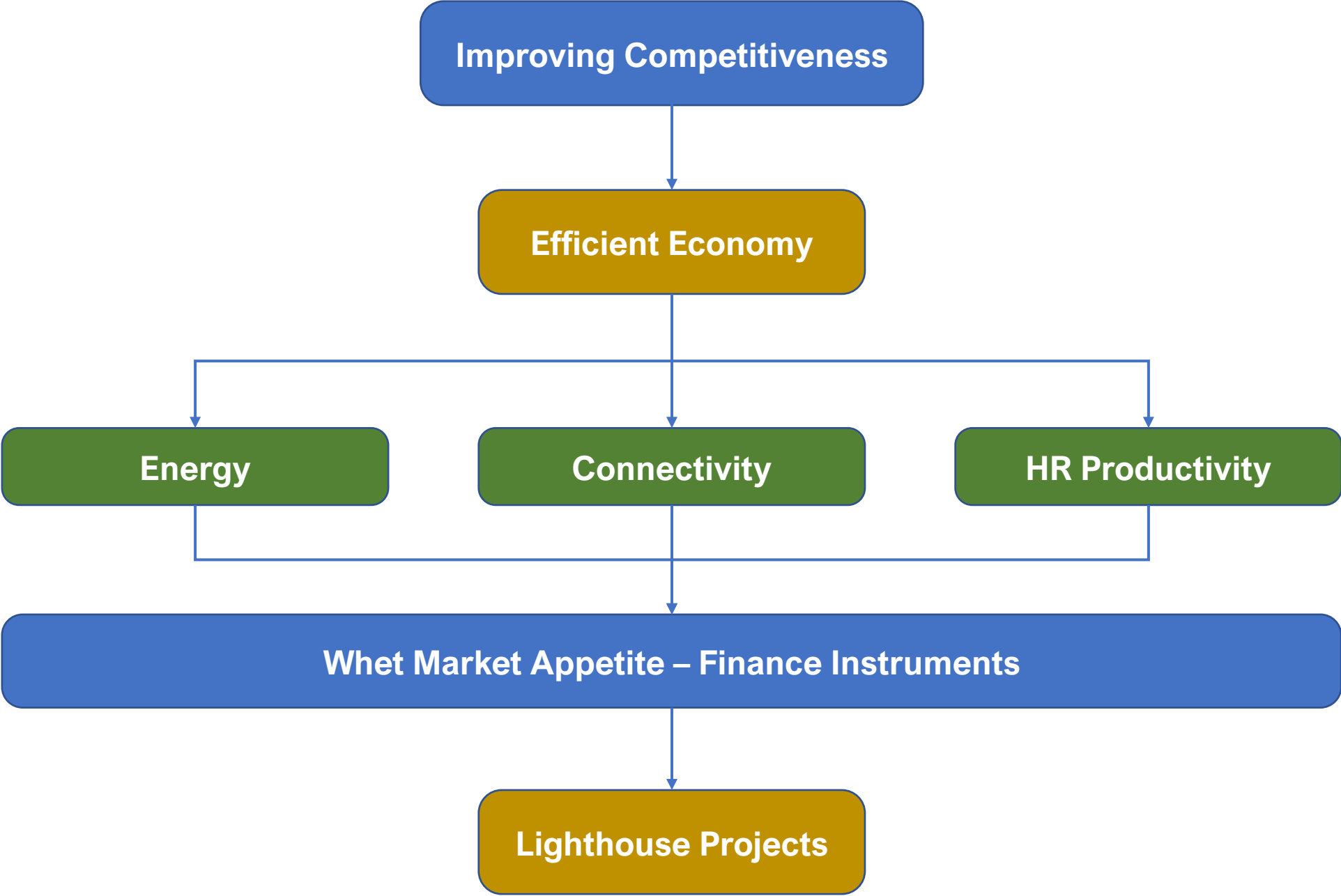
Gambar 1.7:
Peringkat Pelabuhan
Dalam Jalur Pelayaran
Kontainer Dunia

- ↔ Jalur Utama
- Regional Hub
- Mega Hub
- Pelabuhan Regional Utama

Catatan:
Nomor dalam lingkaran menunjukkan
peringkat pelabuhan di dunia

INDONESIA'S VIEW ON THE MECHANISM








IPEF Update

Follow up on IPEF's the 2nd Round Negotiation Plan for All Pillar in Bali, Indonesia



The Second Round of the Senior Officials' Meeting and Technical-level Negotiating have been successfully held on **13-19 March 2023 in Bali**



As the host of the second round of IPEF negotiations, Indonesia involves the private sector by organizing the Indo-Pacific Chambers of Commerce and Industry Business Forum to explore opportunities for concrete collaboration in the Indo-Pacific region.

Activities in the IPEF Bali

- ❑ IPEF second round of negotiations
- ❑ Bilateral Meetings
- ❑ Stakeholders Meeting
- ❑ Gala Dinner (Social Activities)
- ❑ Business Forum



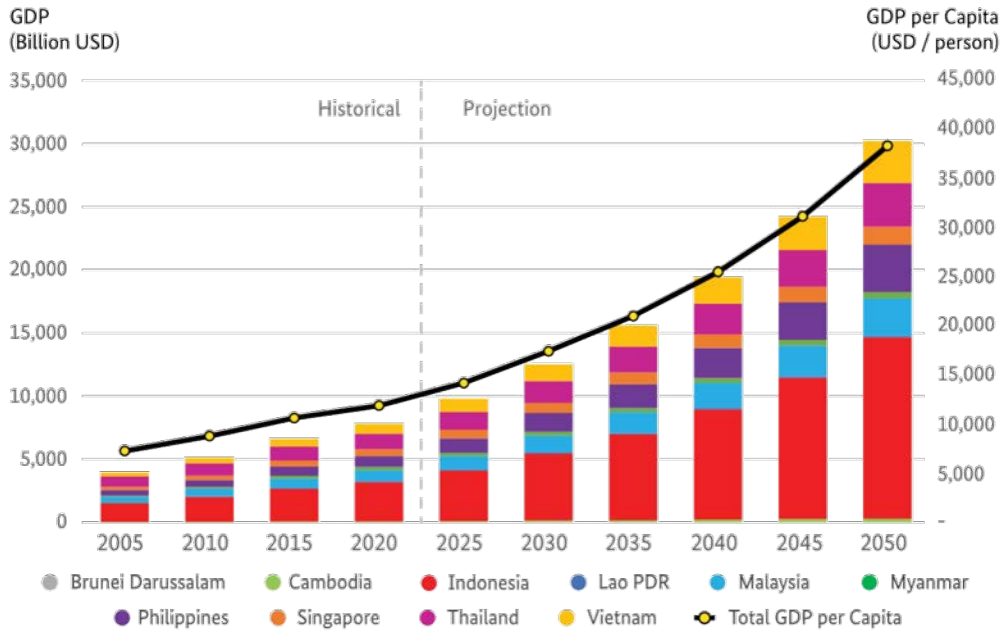
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Advancing Clean Economy in IPEF with ASEAN's Vision

ASEAN Economic and Energy Demand Status

As one of the most dynamic and fastest-growing economic regions in the world, the energy demand in ASEAN is increasing rapidly. In line with rapid economic growth, **energy demand in the region is expected to triple by 2050 from the 2020 level.**

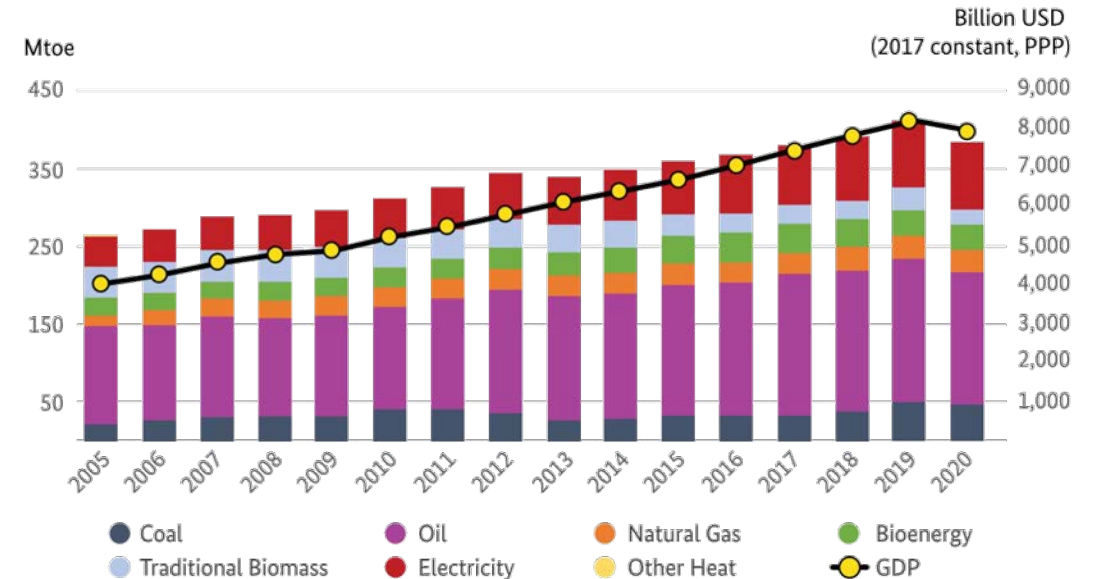
Projection of ASEAN GDP and GDP per Capita (2005-2050)



source: ASEAN Centre for Energy (2020)

- ASEAN Member State (AMS) shows a combined real GDP growth rate from 3% -7% during 2005-2050*.
- Positive signs of economic recovery in the AMS began in 2021, with total economic growth of about 3%.
- In 2022, the real GDP of AMS is predicted to reach USD 8.5 trillion (2017 constant, PPP)
- **GDP is expected to continuously expand by 3.6 times into 2050.**

Energy Demand by Fuel and GDP in ASEAN (2005-2050)



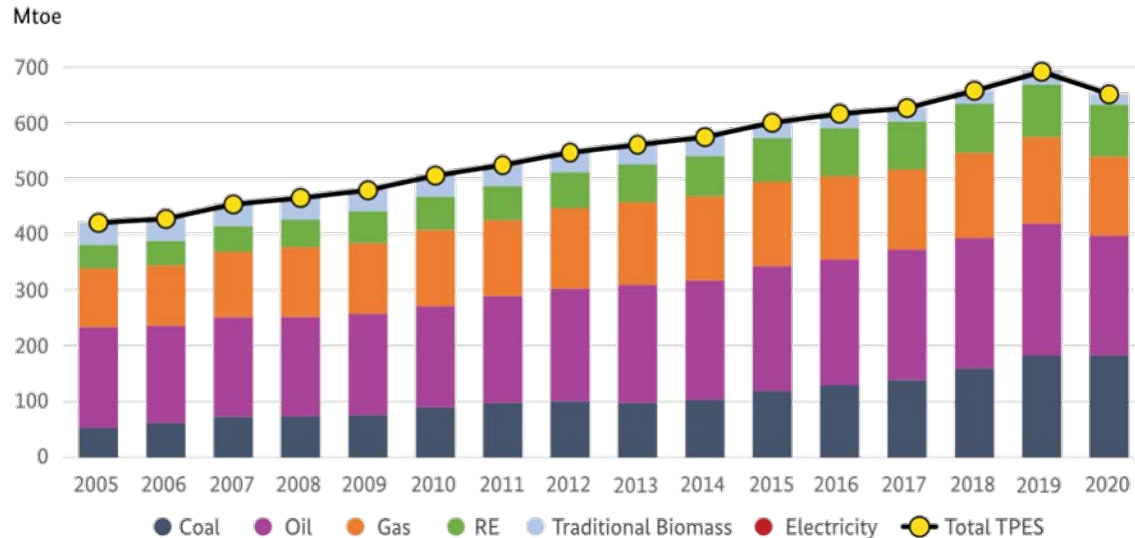
source: ASEAN Centre for Energy (2020)

- ASEAN's total final energy consumption (TFEC) had grown by 1.6 times in 2019, from 2005 levels.
- In 2020, consumption declined to 385 million tonnes of oil equivalent (Mtoe), or approximately 1.5 times higher than in 2005, due to the Covid-19 pandemic.
- Total final energy consumption (TFEC) is expected to reach 473.1 Mtoe by 2025 and 1,281.7 Mtoe by 2050.

ASEAN Energy Supply Status

Responding to growing demand, ASEAN's total primary energy supply has sharply increased. However, the ASEAN region is still relied on fossil fuels to secure energy demand. ASEAN needs to work harder on the sustainability side, otherwise will become a **net importer** of natural gas by 2025 and coal by 2039.

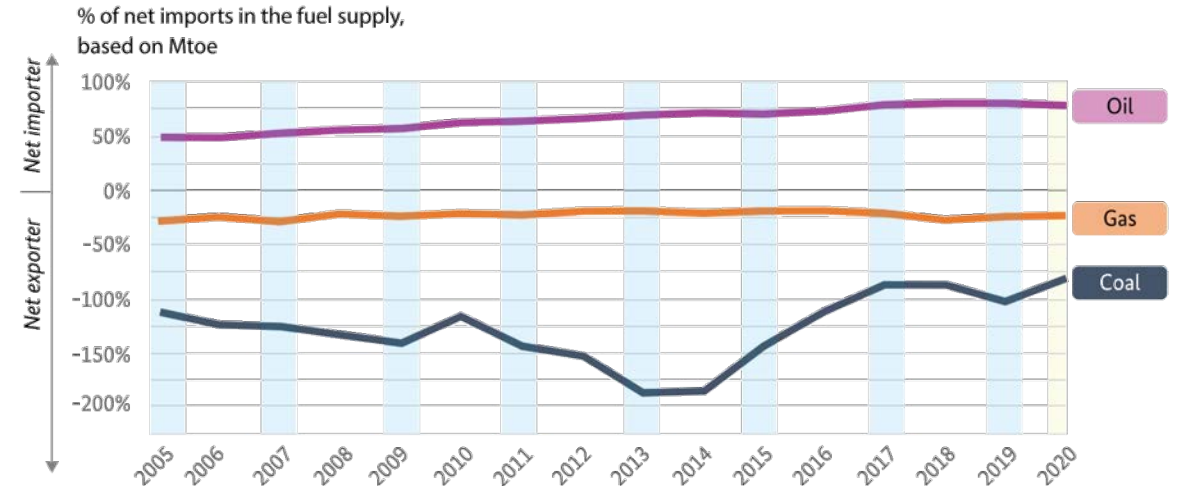
Total Primary Energy Supply by Fuel in ASEAN (2005-2050)



source: ASEAN Centre for Energy (2020)

- Fossil fuels dominated the region's energy mix (83%) in 2020, as compared to 14.2% renewables (excluding traditional biomass).
- The energy supply in 2020 reached 654 Mtoe, approximately 1.5 times the 2005 level.
- In the medium term, without policy interventions, the region is projected to reach a renewable energy (RE) share of only 14.4% of TPES by 2025, little changed from the 2020 value.

Total Primary Energy Supply by Fuel in ASEAN (2005-2050)



source: ASEAN Centre for Energy (2020)

- ASEAN has been a net oil importer since before 2005 but a net exporter of gas and coal. Total net imports of oil, including petroleum products, as a share of the primary oil supply, rose from 48% in 2005 to 79% in 2020.
- Too much dependence on energy imports might harm the region's energy security.
- Huge investments in renewable energy and sustainable green financing are required.

ASEAN's Vision of Clean Economy in IPEF

The IPEF could be a platform for ASEAN to address the regional energy and infrastructure needs, whilst advancing commercially meaningful initiatives to capture economic gains in the fast-growing energy sector.

Our priority outcome is enhancing the clean energy business environment to **attract cross-border trade and investment**, as well as promoting measures to **enhance access to finance and technology** by developing countries in the region.

Promote cooperation to create tangible benefits in Clean Economy in the ASEAN Region



BALI INITIATIVE ON TANGIBLE BENEFITS



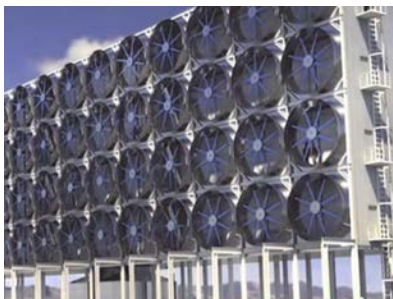
Energy Security and Transition



Low GHG Technologies in Priority Sectors



Sustainable Land, Water, and Ocean



Technologies for GHG Removal



Incentives to Enable Clean Eco. Transition



Just Transition

1. Rapidly scaling up the deployment of currently available clean energy technologies by preparing a **priority list of bankable projects**
2. Establishing a **clean economy talent initiative** for enhancing access to skills for transitions
3. Establishing **consortiums or centers of excellence** for the clean economy in IPEF countries
4. Strengthening **collaborations for innovative partnerships**
5. Establishing **G2G rules** for cross-border clean energy and power trading
6. **Affordable financing** or **concrete investment** into projects both within-country and across IPEF Partners
7. Mainstreaming **innovative financing instruments** unique to IPEF
8. Promoting **technology transfer** between IPEF countries
9. Developing **green corridors**
10. Developing **carbon markets**
11. Launching **co-innovation programs**
12. Promoting **sustainable and efficient** water, land, forest, and agriculture solutions
13. Developing a **network of regulatory** sandboxes in IPEF countries
14. Supporting **job creation in the clean economy** sectors



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Indonesia's Key National Interest in Clean Economy



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- ❖ The Government of Indonesia is fully committed to addressing climate change issues as stated in the **Indonesia Long-Term Strategy for Low Carbon and Climate Resilience 2050 (Indonesia LTS-LCCR 2050)**.
- ❖ It is hoped that Indonesia's **Net-Zero Emission (NZE)** target can be met **in 2060 or sooner**, by reducing the use of fossil resources including coal, and optimizing new and renewable energy
- ❖ According to our estimation, the funds needed for coal phase-out by 2029 range from **USD 9,52 billion to USD 25,72 billion**. We believe this can be achieved with international support in the form of funding, transfer, technology development, and capacity building.
- ❖ Indonesia and the United States **agreed on a framework for Indonesia to significantly accelerate its renewables deployment this decade**, in conjunction with, Japan and other country partners mobilizing significant public and private finance for investment in Indonesia's energy transition.





- ❖ They acknowledged that **finance for the energy transition, including public and private finance**, will be a key tool for supporting Indonesia's energy transition, and the United States expressed its commitment to **mobilizing finance in support of the transition**.
- ❖ The private finance representatives, all members of the Glasgow Financial Alliance for Net Zero (GFANZ), **expressed their support for a just energy transition in Indonesia and for expanding the availability of capital for renewable infrastructure and coal transition**.
- ❖ Indonesia looks forward to committed **sustainable and blended financing from developed countries including the United States, multilateral institutions, philanthropy, and investors** as well as capacity building and technology support in order to implement a just energy transition for our common future, and the partnership should ensure that economic development and growth is not compromised in the transition





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Indonesia's Key National Interests in its IPEF Diplomacy



IPEF
SECOND NEGOTIATING ROUND
BALI 2023





INDONESIA'S KEY NATIONAL INTERESTS IN ITS IPEF DIPLOMACY

Indonesia is working to make sure IPEF mobilizes resources and capabilities for accelerating just transition pathways, where no community, or economy, is left behind



According to the Sustainable Development Report 2022, Indonesia has achieved **69.16%** of all SDGs, an improvement from its 2015 score of **65.03%**. Indonesia is currently ranked 82nd out of 163 countries. To achieve the SDGs targets by 2030, the National Development Planning Agency of Indonesia (Bappenas) noted that the **SDGs financing gap is estimated to be USD 1 trillion.**



The Renewable Energy Mix target for Indonesia as stated in the RUPTL 2021-2030 is **23% in 2025** and **31% in 2050**. Meanwhile, Indonesia has committed to reducing emissions by 29% in 2030. In 2022, **the required investment for Renewable Energy Mix is USD 3.9 billion**, and the investment needs are expected to increase in 2023. In this regard, **Indonesia could cooperate with IPEF and PGII to attract investment and technology cooperation.**



JETP is estimated to reduce emissions by more than 300 megatons of greenhouse gas emissions in 2030 and more than 2 gigatons in 2060. The commitment of G7 countries to the JETP funding scheme is USD 20 billion, which will benefit two ASEAN member countries, Vietnam, and Indonesia. **With IPEF as a new regional framework for energy transition promotion and facilitation, Indonesia believes that the implementation of JETP can be further streamlined.**





Thank You

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