

INVESTING IN INDONESIA: A BEACON OF RESILIENCE IN A FRAGMENTED WORLD

Wempi Saputra¹ & Safari Kasiyanto²

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As the global landscape grapples with uncertainty, turmoil, and geopolitical fragmentation, Indonesia stands out as a paragon of economic resilience and opportunity. This year marks the 75th anniversary of Indonesia's robust relationship with the United States, a milestone celebrated with a roundtable discussion and business reception on 19 April 2024, hosted by the Indonesian Embassy in Washington, DC, in collaboration with the ASEAN-US Business Council. The event, attended by leading US businesses and spearheaded by Indonesia's Finance Minister and Central Bank Governor, showcased Indonesia as an inviting harbor for investment.

Economic Resilience: Indonesia's Forte

Amid the global economic tumult, Indonesia has distinguished itself through its unwavering economic stability. Boasting a consistent growth rate of about five percent, it outshines its peers by maintaining a robust economic performance regardless of global financial weather. This stability is no accident but the result of prudent fiscal and monetary policies, accommodative macroprudential policy, and a commitment to structural reforms that have bolstered investor confidence. With inflation controlled at around four percent and a fiscal deficit kept tightly within 1.6 to 1.7 percent of GDP, Indonesia's fiscal prudence paints a picture of a nation on a steadfast march towards a brighter future.

The linchpin of Indonesia's economic resilience is the harmonious collaboration between government agencies and the central bank. Recognizing that monetary and fiscal harmony is essential in navigating complex economic challenges, Indonesia has exemplified how strategic cooperation can bolster the economy. This collaborative ethos extends to the legislative arm, with the parliament ardently supporting measures aimed at catapulting Indonesia towards becoming a high-income country by 2045. The country's blueprint for this ambitious journey involves significant investment in human capital, through initiatives like sending bright minds abroad for education and extensive vocational training programs, thereby preparing the workforce for the demands of a future economy.

¹ Executive Director at the World Bank Group.

² Senior Financial Sector Expert at the IMF.

The Foundation of External Sector Resilience

In the domain of external sector resilience, Indonesia stands tall. Its low external debt profile and astute debt management strategies have insulated the economy from the vicissitudes of global financial currents. The financial sector's robustness, characterized by a high capital adequacy ratio and controlled non-performing loans, further underscores the nation's financial health. Even as the global economy faces the headwinds of a higher for longer Fed Funds Rate, Indonesia's central bank has adeptly navigated these challenges, employing a comprehensive policy mix to safeguard macroeconomic stability and foster economic growth. It has no hesitation to employ necessary measures (Rupiah stabilization, interest rates, financial market deepening) to maintain Rupiah stability.

Championing Climate Action and Sustainability

Indonesia's commitment to climate action is both ambitious and strategic. From a decisive pivot towards renewable energy to extensive mangrove restoration projects, the nation is at the forefront of the battle against climate change. This commitment is bolstered by innovative financing models that blend public and private sector efforts, signaling Indonesia's holistic approach to environmental stewardship, as there is no magic wand to achieve the climate action goal. The dialogue with global leaders and international financiers underscores a proactive pursuit of sustainable financing solutions, a critical component in realizing Indonesia's environmental objectives.

Digital Payment Evolution: Embracing the Future

The evolution of digital payment systems in Indonesia marks a significant leap towards financial inclusion and economic modernization. The launch of the QR Code Indonesian Standard (QRIS) and the adoption of fast payment systems (BI-FAST) exemplify Indonesia's commitment to leveraging technology to democratize financial access. These initiatives, supported by the central bank's visionary "4i + 1pc" strategy, illustrate a comprehensive approach to digital finance, encompassing: (i) infrastructure development, (ii) innovation, (iii) industry consolidation, (iv) international collaboration including for cross-border transactions, and (v) a Central Bank Digital Currency (CBDC) exploration, started wholesale digital rupiah where is now on a proof of concept phase, and the industry is planned later to distribute the retail digital Rupiah. These policies create huge opportunity to invest in technology and innovation, including on cybersecurity risk and management.

Conclusion: Why Indonesia?

As the world navigates through the complexities of the 21st century, Indonesia stands out as a testament to what is possible when economic policies are aligned with long-term vision and resilience. The nation's economic stability, strategic reforms, commitment to climate action, and digital innovation offer compelling reasons for investment and partnership. Indonesia's journey is not just a narrative of overcoming adversity but a forward-looking blueprint for sustainable growth, innovation, and resilience. Reflected on the 75 years of fruitful relations between Indonesia and the United States, it's clear that Indonesia is not merely navigating global uncertainty; it is setting a course for a prosperous future.