The One-Belt-and One-Road Initiative from a Global Perspective: Indonesia

Inne Dwiastuti
Researcher, Economic Research Center-Indonesian Institute of Sciences
Beijing, China, 10-11 Oct 2016
Contents

• Indonesia in brief
• One Belt One Road (OBOR) milestone
• Indonesia-China partnership
• OBOR: challenges
• OBOR: opportunities
• OBOR: the way forward
• Indonesia is the largest economy in Southeast Asia,
• The world’s 10th largest economy in terms of PPP
• The only Southeast Asian member of the G-20
• Population: 252 million (the world’s 4th most populous nation)
• GDP (million of US$): 861,934 (2015), the world 16th largest
• Annual GDP Growth (%): 4.79 (2015) to 5.11 (2016)
• Islands: 17,508; Ethnic Groups: >more than 300
• Life expectancy: 68.9 (2014)

One Belt One Road Initiative

Rasionalitas One Belt-One Road

- Silk Road Economic Belt in Kazakhstan: Oct 2013
- Rusia’s-Euro Asia Railway: Feb 2014
- Terminal Logistic Fase 1 China & Khazakhstan: March 2014
- UD$40 billion for Silk Road Fund: May 2014
- 21st Maritime Silk Road in Indonesia: Oct 2014
- Economic Corridor: BCIM & China-Pakistan: Nov 2014
- 21 countries support AIIB: Jan 2015
- 26 countries support AIIB
Middle Term Development Plan RPJMN 2015-2019

Sea toll concept - the world maritime axis:
- Develop 24 new strategic ports
- Add vessels (pioneer cargo, transport vessel, pioneer crossing vessel)
- Develop 60 crossing ports

Develop 15 new airports
- Develop air cargo facilities in 10 airport through PPP
- Increase number of pioneer airplanes by 20 units

Road
- 2,650 km new roads
- 1,000 km of new Toll Road
- Rehabilitate 46,770 km existing road

Power
- Develop 42 GW Electricity Power Plant
  (7GW + 35,000MW program)

Urban transport:
- Develop Bus Rapid Transit (BRT) in 29 cities
- Develop Mass Rapid Transit (MRT) in 6 metropolis
  and 17 large cities

New railway tracks in Java, Sumatera, Kalimantan and Sulawesi:
- 2,159 km inter-urban railways
- 1,099 km urban railways

Source: National Development Planning Agency (Bappenas)
One Belt-One Road (OBOR) Rationale

Global Imbalance, Monetary Crisis & Global Conflict

Production Process and Marketing between continents

Region Development Reorientation

High urbanization → shifting to high technology industrialization

Source: Economic Research Center-LIPI, 2015
Synergy Indonesia’s National Development Agenda

One Belt–One Road Initiative

Master Plan on developing ASEAN Connectivity (MPAC)


Mutual benefit, inclusive Development & Common Prosperity

China-ASEAN Maritime Cooperation (CAMC)
National Development Agenda (NAWACITA)

- Indonesia’s National Medium-Term Development Plan 2015-2019 (RPJMN) is part of the country’s National Long-Term Plan 2005-2025 and sets out the Government’s vision and priorities for the country (BAPPENAS, 2015).

- The nine priority areas:

  1. State existence to protect and provide safety for the citizen
  2. Government existence in developing clean, effective, democratic and trusted governance
  3. Develop country from the frontier and strengthening regions and village in Indonesia unity
  4. Strong state role in reforming into a free corruption, dignity and trusted of system and law enforcement
  5. Increasing people’s productivity and competitiveness in international market
  6. Improving better human quality of life
  7. Achieve economic independence by mobilizing strategic sector on domestic economy
  8. **Strengthening national identity as a maritime nation**
  9. Strengthening unity in diversity and social restoration
Indonesia-China Bilateral Partnership

- China is trade partner #1 for Indonesia
- China is #1 export destination country for Indonesia (No 2 and 3 respectively: Japan and USA)
- Trade volume between both countries reached 48.23 Billion US$ (2014)
- Total contract value from China for Indonesian infrastructure project reached 43.24 billion US$, with total revenue reached 27,95 billion US$
- Total FDI from China increased to 800 million US$ (501 project) in 2016, from 296.9 million US$ (411 projects) in 2013
- China is the 8th biggest Investor in Indonesia
- Partnership includes economic, maritime, defence and cultural cooperation
- Education sector → number of Indonesian students in China: 13,689 people
- Tourism sector: Chinese Tourist visit Indonesia: 883,725 people (2014)
Comparative Global Competitiveness Index of Indonesia with Other ASEAN Countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IDN</td>
<td>MYS</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>82</td>
<td>25</td>
</tr>
<tr>
<td>Road</td>
<td>78</td>
<td>23</td>
</tr>
<tr>
<td>Railway</td>
<td>44</td>
<td>18</td>
</tr>
<tr>
<td>Port</td>
<td>89</td>
<td>24</td>
</tr>
<tr>
<td>Airport</td>
<td>68</td>
<td>20</td>
</tr>
</tbody>
</table>
Root causes of poor logistics

- Road based transportation
- Poor Road Quality
- Slow road construction
- Unsuccessful public private partnership
- Slow development of railway sector
- Over capacity ports
- Old and small ships
- Inefficient dwelling time

Source: economic Research Center-LIPI, 2014
## Logistics Performance Index (LPI)

<table>
<thead>
<tr>
<th>Country</th>
<th>LPI</th>
<th>Custom</th>
<th>Infrastructure</th>
<th>International Shipment</th>
<th>Logistics quality &amp; competence</th>
<th>Tracking &amp; Tracing</th>
<th>Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>25</td>
<td>27</td>
<td>26</td>
<td>10</td>
<td>32</td>
<td>23</td>
<td>31</td>
</tr>
<tr>
<td>Thailand</td>
<td>35</td>
<td>36</td>
<td>30</td>
<td>39</td>
<td>38</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Vietnam</td>
<td>48</td>
<td>61</td>
<td>44</td>
<td>42</td>
<td>49</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td><strong>Indonesia</strong></td>
<td><strong>53</strong></td>
<td><strong>56</strong></td>
<td><strong>56</strong></td>
<td><strong>74</strong></td>
<td><strong>41</strong></td>
<td><strong>58</strong></td>
<td><strong>50</strong></td>
</tr>
<tr>
<td>Philippine</td>
<td>57</td>
<td>47</td>
<td>75</td>
<td>35</td>
<td>61</td>
<td>64</td>
<td>90</td>
</tr>
<tr>
<td>Cambodia</td>
<td>83</td>
<td>71</td>
<td>79</td>
<td>78</td>
<td>89</td>
<td>71</td>
<td>129</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>131</td>
<td>100</td>
<td>128</td>
<td>120</td>
<td>129</td>
<td>146</td>
<td>137</td>
</tr>
<tr>
<td>Myanmar</td>
<td>146</td>
<td>150</td>
<td>137</td>
<td>151</td>
<td>156</td>
<td>130</td>
<td>117</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td><strong>28</strong></td>
<td><strong>38</strong></td>
<td><strong>23</strong></td>
<td><strong>22</strong></td>
<td><strong>35</strong></td>
<td><strong>29</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

One Belt One Road: Opportunity for Indonesia

• Investment Potential from China:
• FDI source (textile, bioenergy, petrochemical, agriculture industry, etc)
• Infrastructure funding (infrastructure spending of China 8.5% GDP 1992-2011, BRICS Bank, AIIB, Silk Road Fund, China Indonesia Maritime Cooperation Fund, etc)
• Global production and marketing chain through various Free Trade Agreement between China and the world (China-Euro Asia Cooperation, China Europe Corridor, China Arab State Cooperation, China Africa, BRICS, Greater Mekong Sub-region/CMS, CAREC, etc)
• Transfer technology in infrastructure development (railway, highway, deepwater port, free trade zone, renewable energy)
The way forward

• Economic cooperation reform between Indonesia and China to increase the more qualified trade and investment pattern

• Holistic studies about maritime connectivity in the context of One Belt One Road (OBOR), about institution, logistic performance, business potential, energy resources, human resources, social economic impact, biodiversity.

• Increase the frequency of dialogue between Indonesia and China stakeholders: businessmen, government and researcher

• Increase the FDI from China to Indonesia especially in social development and community empowerment, mainly in coastal areas.
Thank You
谢谢
Xie Xie