

Asia-Ready Webinar Series

What's Next for ASEAN? Prospects and Challenges for Indonesia's Chairmanship and the ASEAN Economic Community

The Asia-Ready Webinar Series is co-curated with various partners to allow youth to gain a better appreciation of the regional developments and a greater awareness of Singapore's interconnectivity with the regional markets.

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10:30 AM - 11:30 AM



About the Webinar

Speakers

Mr. Muhammad Waffaa Kharisma – Researcher, Centre for Strategic and International Studies (CSIS) Jakarta, Indonesia

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Synopsis

Following Indonesia's successful presidency of what was arguably the most tumultuous G20 Summit in recent memory, the country assumes the ASEAN Chairmanship for 2023. Amidst a changing geopolitical landscape, Indonesia will hope to maintain the stability and

cohesiveness of the union while pushing the bloc to become an “epicentrum of growth”, a theme which underscores the broadening of ASEAN’s influence in the Indo-Pacific and beyond.

Concurrently, the ASEAN Economic Community (AEC) is developing a post-2025 agenda that aims to build upon previous blueprints that outlined a vision to deepen economic integration in the region through increased innovation, connectivity, and inclusiveness. The significance of an integrated AEC becomes ever greater in an increasingly dynamic and uncertain international environment. Such a landscape poses numerous challenges and prospects not only for Indonesia and the ASEAN Economic Community, but for individual citizens as well. This webinar will present two perspectives from both Indonesia and the ASEAN Secretariat on Indonesia’s present plans for the region, and AEC’s vision of ASEAN’s future.

This webinar is brought to you by the National Youth Council (NYC) and the Singapore Institute of International Affairs (SIIA).

What We've Learnt

Indonesia’s perspective on the strategic context surrounding ASEAN

As the Chair of ASEAN 2023, Indonesia recognises mainly three strategic challenges that ASEAN needs to address. First, the intensifying rivalry between the United States (US) and China. As a result of the rivalry, the world has witnessed changes to global security, a slowdown in progress of cooperation on common agendas such as climate change, and changes to business supply chains. Closer to home, the issues in the Taiwan Strait and South China Sea are potential flashpoints that Indonesia is mindful of, and that ASEAN needs to navigate carefully.

The second challenge involves the global political polarisation which has brought about food and energy insecurity, financial insecurity from payment systems, and concerns over damage to nuclear non-proliferation. To make inroads into softening the impact of such polarisation, Indonesia recognises ASEAN’s need to work together on common agendas such as climate and energy transition, regionalisation of payment and financial architecture, and strengthening of ASEAN norms on non-proliferation.

The last strategic challenge is more domestic to ASEAN – that is, the Myanmar conflict. At this point, barriers to conflict settlement are high as neither the ruling military junta nor the people’s defence forces is willing to back down. ASEAN’s Five-Point Consensus which calls for the violence to end has been fraught with challenges, such as fragmented and disunified approaches from ASEAN member states and the unwillingness to invest in the issue. Nevertheless, ASEAN is still working hard on managing the issue, with its next target being to push for the reconciliatory dialogue between all stakeholders of the conflict.

Indonesia’s priority agenda in 2023 via “ASEAN Matters: Epicentrum of Growth”

With the tagline “ASEAN Matters: Epicentrum of Growth”, Indonesia’s chairmanship focuses on three key areas. First, under “ASEAN Matters”, Indonesia is leading ASEAN in re-earning ASEAN centrality through strengthening ASEAN capacity and effectiveness and cooperation on combating human trafficking due to misuse of technology. In addition, accelerating the Code of Conduct in the South China Sea and maintaining the international community’s confidence in ASEAN regarding the Myanmar issue.

Second, under “Epicentrum of Growth”, the goal is for ASEAN to not only be able to navigate the global economic challenges but also prosper economically. For this, Indonesia is taking the lead in strengthening the regional health architecture and funding through the ASEAN Emergency Health Fund. Additionally, enhancing food and energy security, mainstreaming economic digitalisation and ensuring regional financial stability and sustainability. Post-pandemic recovery, rebuilding regional growth has become a priority through the establishment of the Regional Comprehensive Economic Partnership (RCEP) support unit in the ASEAN Secretariat in Jakarta. Additionally, the Leaders’ declaration on strengthening food security has connected markets, introduced new competition and ensured competitiveness. In terms of economic digitalisation and financial stability, it is crucial to accelerate the transformation and participation in an inclusive digital economy. This is done through developing the ASEAN Digital Economy Framework Agreement (DEFA), advancing payment connectivity, as well as promoting digital financial literacy and inclusion to support inclusive economic growth and strengthening resilience in the financial sector. Lastly, with regard to promoting sustainable economic growth for a resilient future, Indonesia is taking the lead in formulating the roadmap of ASEAN harmonised standards in order to support the implementation of Sustainable Development Goals (SDGs), development of the electric vehicle ecosystem, and endorsing the Joint Declaration on Sustainable Energy Security through Interconnectivity.

Third, against the backdrop of a destabilising geopolitical situation, Indonesia aims to ensure that ASEAN and its surrounding Indo-Pacific region remains an oasis of stability. In emphasising the importance of the ASEAN Outlook on the Indo-Pacific (AOIP), ASEAN will uphold the principle of inclusivity by prioritising concrete economic and development cooperation in the Indo-Pacific region.

It remains to be seen whether these priority agendas could effectively bring ASEAN to new heights amidst the global and regional challenges, and whether these could be delivered in time under Indonesia’s chairmanship. Nevertheless, ASEAN needs to be more responsive and proactive in managing these challenges.

ASEAN Economic Community (AEC): Milestones, key achievements and AEC Post-2025 progress

ASEAN is now collectively the fifth largest economy in the world and projected to become the fourth largest by 2030. The economy will continue to recuperate this year (5.6%) and next year (5%) following the reopening post-Covid, with total trade values in 2021 exceeding pre-pandemic level in 2019 and investment inflows to ASEAN increasing by 42% in 2021.

Adopted in 2007, the AEC Blueprint 2015 has led to the formal establishment of the AEC in 2015. The AEC is the realisation of regional economic integration among the 10 ASEAN member states. The key achievements since the establishment of the AEC include the ASEAN Open Skies Agreement in 2016, the ASEAN Framework on Digital Data Governance in 2018, the signing of the RCEP Agreement in 2020 and ASEAN Framework for Promoting the Growth of Digital Start-up Ecosystems in 2022. These achievements meant that ASEAN has realised several features that have enabled businesses to effectively operate in the region, such as through tariff elimination and trade facilitation, investment liberalisation and facilitation, and regulatory frameworks streamlining and harmonisation. These are important milestones in moving towards the AEC's goal of creating a single market under the central themes of having free flow of goods, services, investment, skilled labour as well as freer flow of capital.

Since then, ASEAN adopted the AEC Blueprint 2025 in 2015. Its midterm review highlighted general progress and the ongoing work for ASEAN to prepare the post-2025 economic agenda, which was adopted into the Ha Noi Declaration on the ASEAN Community's Post-2025 Vision in 2020. The ASEAN Community Councils (ACC) oversee the overall process of developing the ASEAN Community's Post-2025 Vision. Moving forward, the adoption of core elements by ASEAN leaders and the drafting and consultation of post-2025 vision will be conducted in 2023. Followed by consultations and drafting of attendant documents in 2024, and finally the finalisation and endorsement of post-2025 vision by the ACC in 2025. Consultation and engagement with various stakeholders will be conducted throughout 2023 to 2025.

In the spirit of being the epicentrum of growth, the current priorities of the AEC include further market integration through the upgrade of the ASEAN Trade in Goods Agreement (ATIGA), RCEP implementation, the upgrade of ASEAN+1 Free Trade Agreements (FTAs) such as with Australia, New Zealand, and China. Closer engagement with various segments of society, such as young entrepreneurs, medium and small-medium enterprises (MSMEs) and women, helps emphasise and ensures more inclusivity in the AEC.

Questions Answered

by Mr. Muhammad Waffaa Kharisma, Researcher at Centre for Strategic and International Studies (CSIS) Jakarta, Indonesia, and Mr. Arief Rizky Bakhtiar (Abe), Senior Officer of Analysis and Monitoring on Trade, Industry, and Emerging Issues at the ASEAN Secretariat.

Since Indonesia is holding presidential and parliamentary elections next year, how will developments in ASEAN under Indonesia's chairmanship affect the campaigning process?

Strategic and regional issues only play a small part in presidential campaigns, thus it would be more appropriate to ask how the presidential election may affect the ASEAN chairmanship. Currently, the ASEAN chairmanship does not play a big role in the presidential election as the focus is on how global incidents, like the Ukraine-Russia War and Covid-19,

affect the daily lives of Indonesians. But there is a concern that the election may draw attention away from the chairmanship.

How can foreign individuals and companies effectively engage in business in Indonesia (bearing in mind the multiple restrictions on foreign ownership of land and transaction of business in the country)?

Indonesia has invested heavily in trade and business in the past five years, especially under the Jokowi presidency. A lot of initiatives are new and will take time to fully bear fruit but there have been a lot of improvements in the business and investment environment.

Additionally, Indonesia is currently undergoing a transition period to becoming increasingly business-friendly, but push-back exists from nationalist groups, for instance due to concerns about competition over employment opportunities from the influx of foreign labour.

How can Indonesia lead Southeast Asia to be a more sustainable and greener ASEAN? Are there Indonesian company(ies) whose work champion sustainability?

Sustainability is a relatively new area in Indonesia, but there are several companies in Indonesia leading the charge. A common strategy on carbon neutrality is still missing but there are existing frameworks on sustainable finance and agriculture. The challenge lies in implementing such frameworks and agendas.

How can ASEAN under Indonesia's chairmanship help shift the world from unipolarity to a multipolarity?

The world is shifting to a multi-polar world order and ASEAN aims to push certain behaviours collectively, specifically towards abiding by the international rules-based order. Indonesia always sees ASEAN as a cornerstone of foreign policy and sees the importance in maintaining ASEAN centrality and relevance. The way ASEAN copes with future challenges will define it moving forward.

Will ASEAN under Indonesia's leadership seek to de-dollarise their economies to better resist the increasing US weaponization of the global financial system?

Within ASEAN, there is a movement to promote the Local Currency Transaction (LCT) Scheme where cross-border trade within the region is conducted in local currencies instead of the US Dollar. This will decrease the region's reliance on the Dollar and strengthen regional financial resiliency.

How might Timor-Leste's accession pan out during Indonesia's chairmanship?

Under Indonesia's chairmanship, Indonesia remains supportive of assisting Timor-Leste in becoming a full member of ASEAN. ASEAN member states such as Indonesia and Singapore continue to provide Timor-Leste with capacity building and training to prepare Timor-Leste with the necessary knowledge and capability to become an ASEAN member that can meaningfully contribute to ASEAN's vision as a whole.

Additional Resources

[ASEAN Chairmanship 2023: Indonesia](#)

[ASEAN Economic Community – Overcoming Challenges and Realising ASEAN Community Vision](#)