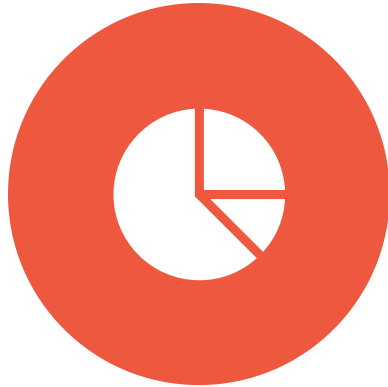


Global Challenges : *Indonesia's* *Response*

Kiki Verico, Ph.D.

LPEM UI & TA Menkeu bidang
Industri & Perdagangan Internasional

Global Challenges: Perfect Storm (Pandemic & War in Ukraine – Geopolitical Tensions:ICs)



GLOBAL CHALLENGES &
INDONESIA'S ECONOMIC
RESILIENCY

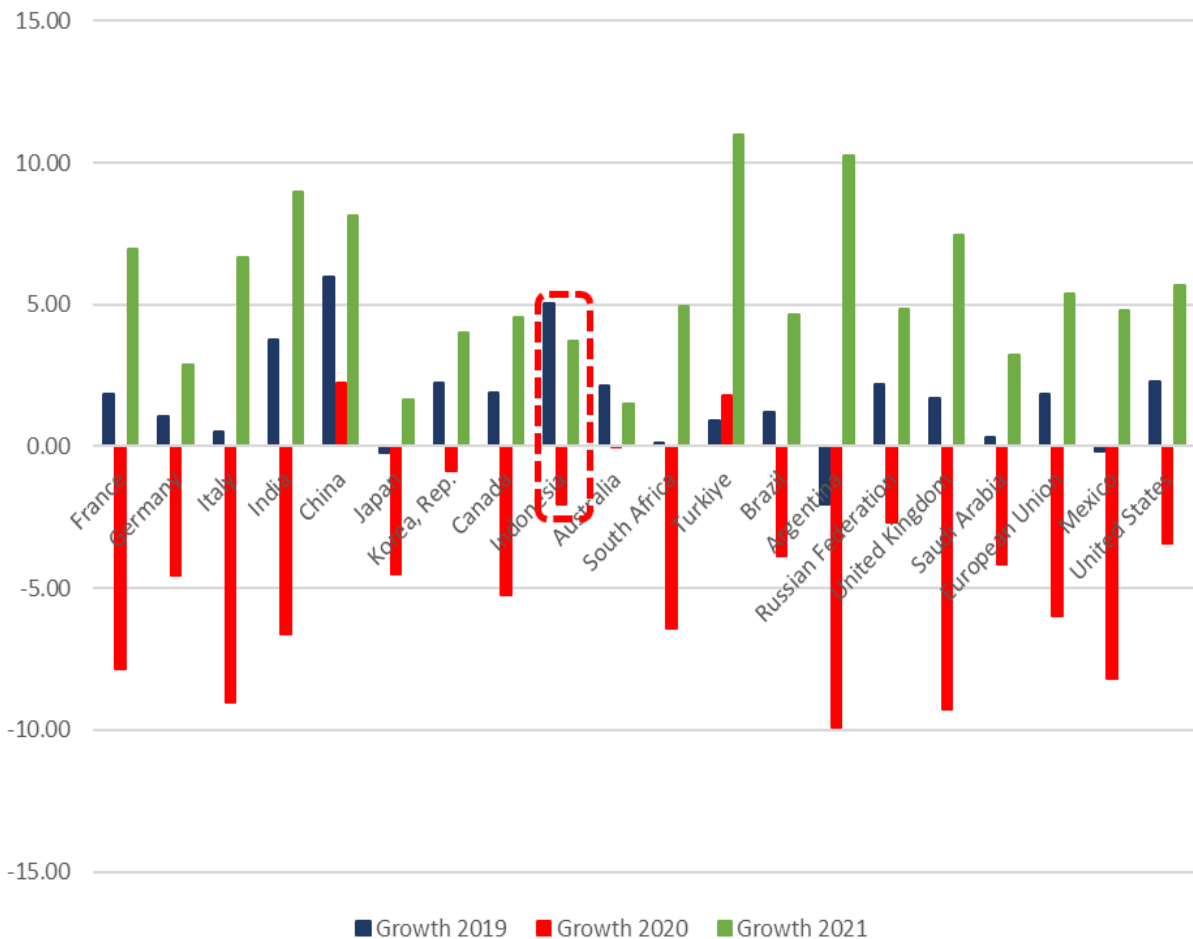


GOOD LUCK FACTORS
GOOD POLICY FACTORS

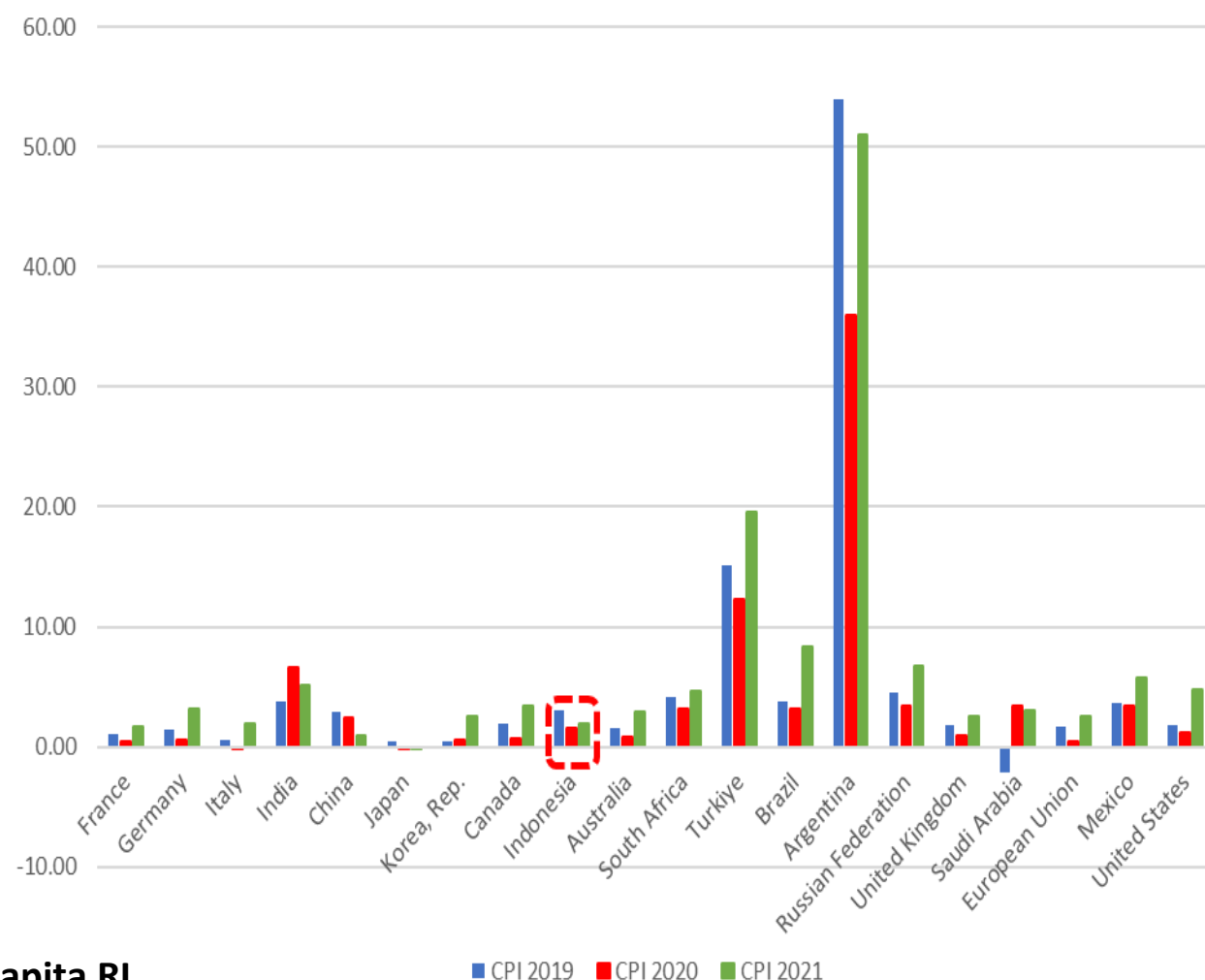


HEADS UP & INTERNATIONAL
ECONOMIC STRATEGIES

Growth G20



CPI G20

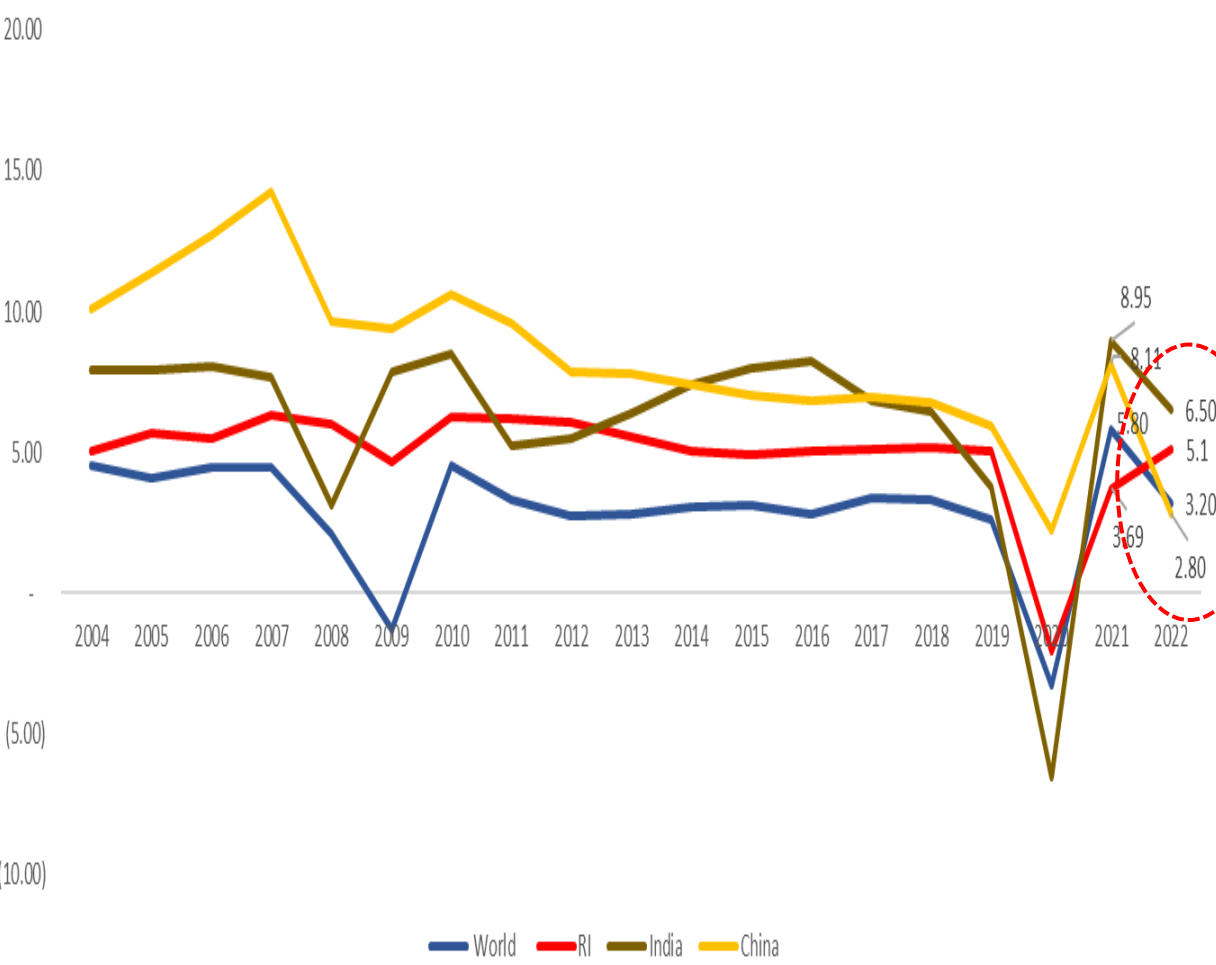


GNI/Capita RI

2019: USD 4,050 UMI: USD 3,996
 2020: USD 3,870 UMI: USD 4,046
 2021: USD 4,180 UMI: USD 4,096
 2022: USD 4,580 UMI: USD 4,256
 2023: ? UMI :USD 4,466

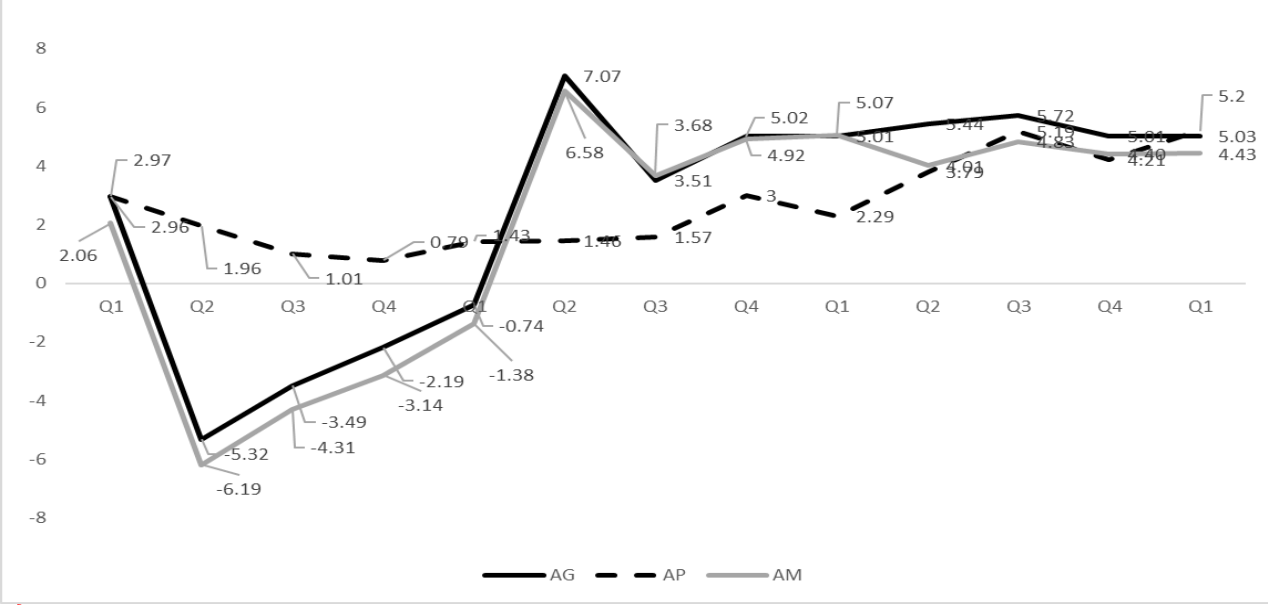
Source: Own calculation based on WDI WB Data, 2022

Growth: World, RI, India, China

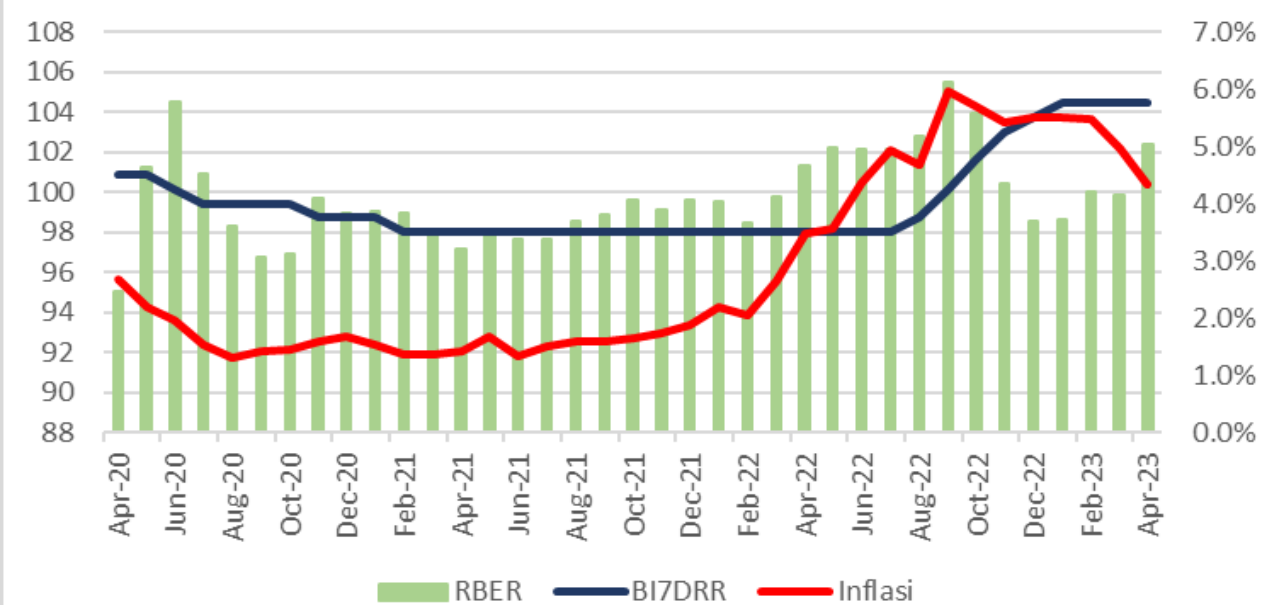


Source: CEIC, BI and St. Louise Fed Reserve, 2022

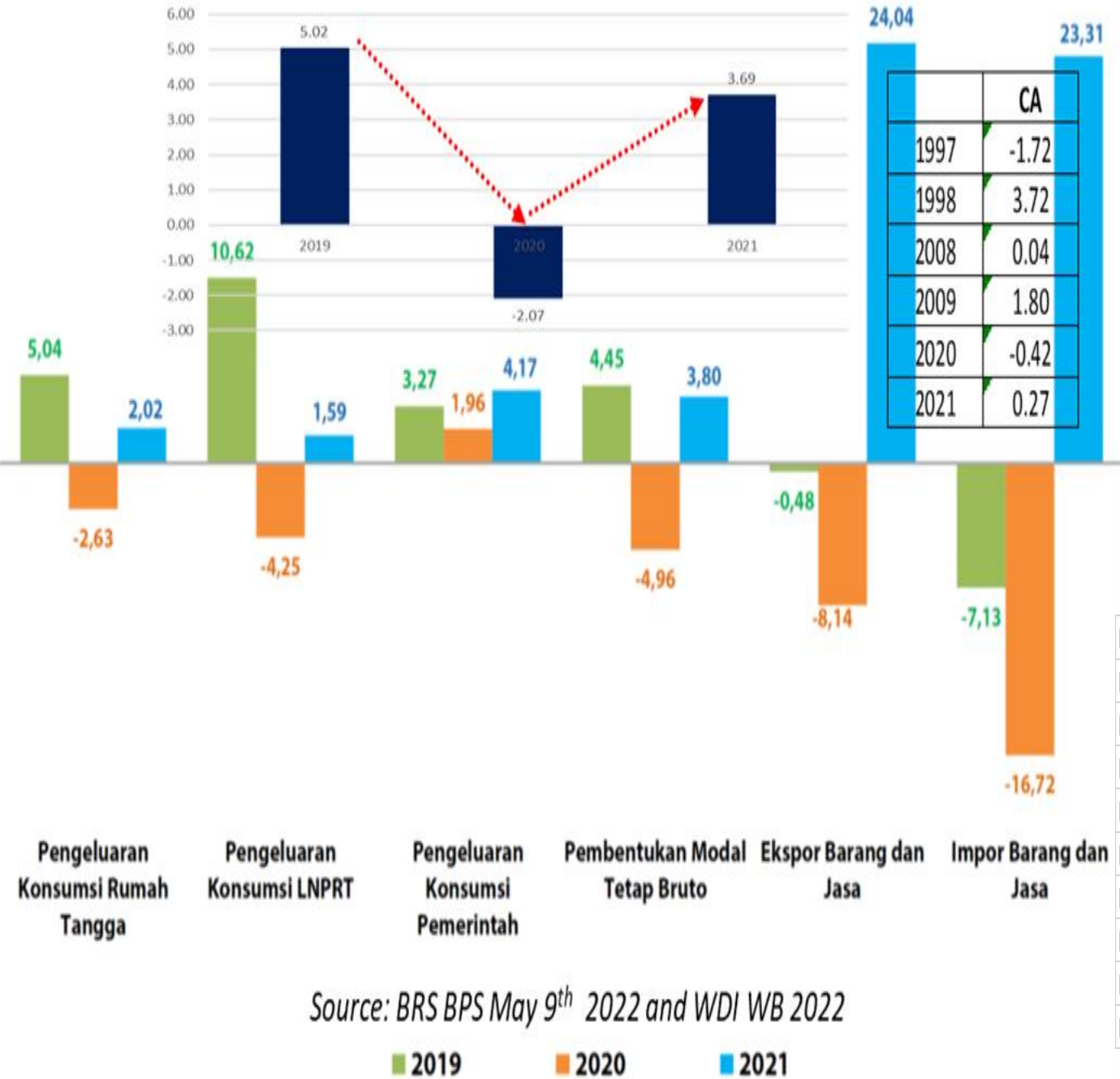
Economic Growth (including Manufacture) and Inflation Rate yoy 1Q20-1Q23



Inflation Rate, RBER, BI7DRR



RI's Economic Growth, 2020-2021



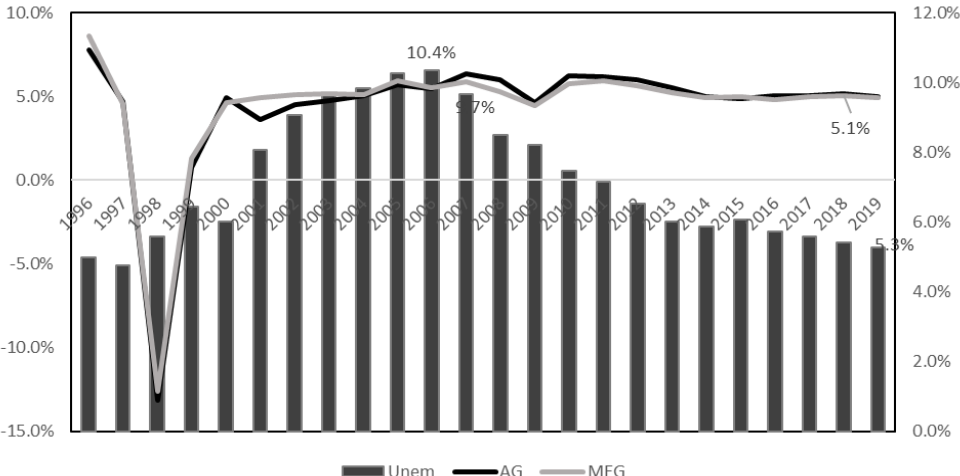
	PMI	CCI
03/2020	45.64	113.78
06/2020	28.55	83.78
09/2020	44.91	83.36
12/2020	47.29	96.50
03/2021	50.01	93.37
06/2021	51.45	107.36
09/2021	48.75	95.47
12/2021	50.17	118.34
03/2022	51.77	110.99
06/2022	53.61	128.16
09/2022	53.71	117.20
12/2022	50.06	119.87
03/2023	50.75	123.31
06/2023	54.79	127.13

Good Luck Factor

Please install the latest CDMNext Addin to paste as r:	Unit	Sep-22	Desember 2022	Maret 2023	
Balance of Payments: IMF BPM6: Current Account	USD MN	4,545	4,181	2,972	-29%
BoP: IMF BPM6: Current Account: Goods	USD MN	17,623	16,951	14,719	-13%
BoP: IMF BPM6: Current Account: Goods: Exports	USD MN	77,836	72,759	67,324	-7%
BoP: IMF BPM6: Current Account: Goods: Imports	USD MN	-60,213	-55,808	-52,605	6%
BoP: IMF BPM6: Current Account: Services	USD MN	-5,412	-5,494	-4,617	16%
BoP: IMF BPM6: Current Account: Services: Export	USD MN	6,571	7,045	7,589	8%
BoP: IMF BPM6: Current Account: Services: Import	USD MN	-11,984	-12,538	-12,206	3%
BoP: IMF BPM6: Capital Account	USD MN	2.4	445	1.5	-100%
BoP: IMF BPM6: Financial Account	USD MN	-5,559	-120	3,379	2928%

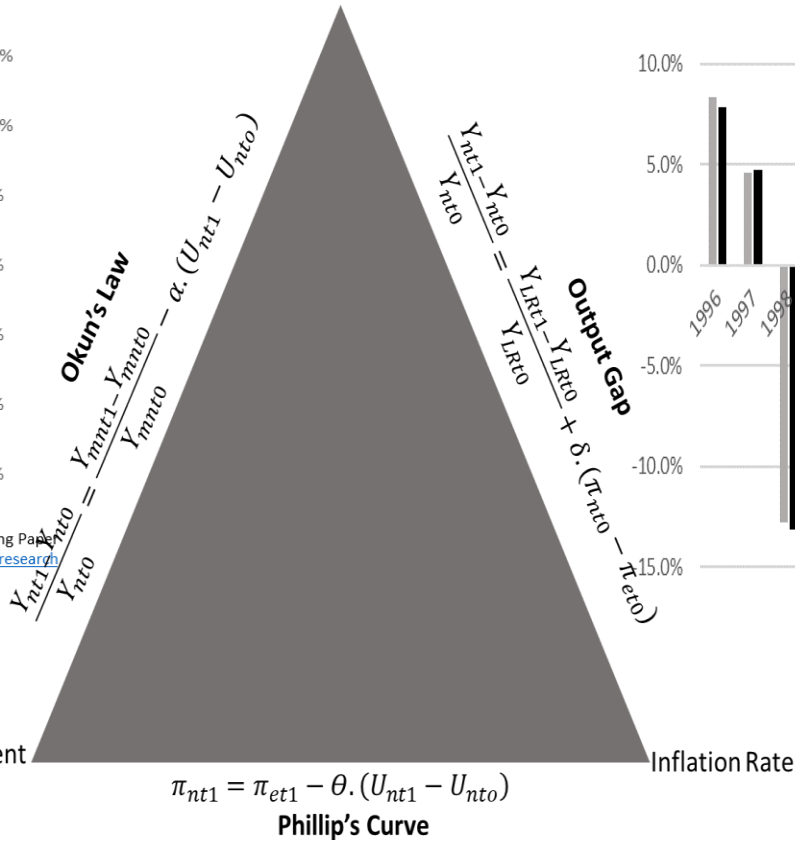
Source: CEIC, WB, BI and St. Louise Fed Reserve, 2023

Okun's Law on Indonesia's Open Employment 1996-2019

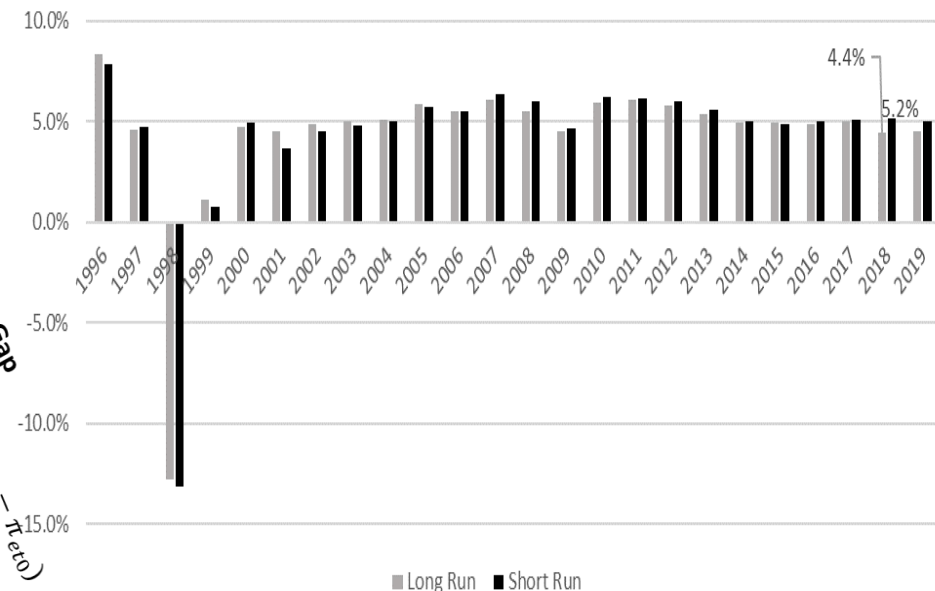


Verico, K., (2021). Global Pandemic 2020: Indonesia's Output Gap and Middle-Income Trap Scenario. January 18th, LPEM FEB UI Working Paper No 57, pp.1-12 [Global Pandemic 2020: Indonesia's Output Gap and Middle-Income Trap Scenario Institute for economic and social research \(lpep.org\)](https://doi.org/10.52813/jei.v10i2.152)

Economic Growth



Long-Run Growth & Short-Run Growth 1996-2019



Q2 : Less Productive (45 Years)

1960	1970	1981	1992	2003
1961	1973	1982	1993	2004
1962	1974	1983	1994	2005
1964	1975	1984	1995	2006
1965	1976	1985	1996	2007
1966	1977	1987	1997	2008
1967	1978	1988	1999	2013
1968	1979	1990	2001	2014
1969	1980	1991	2002	2015

Q1 : Productive (15 Years)

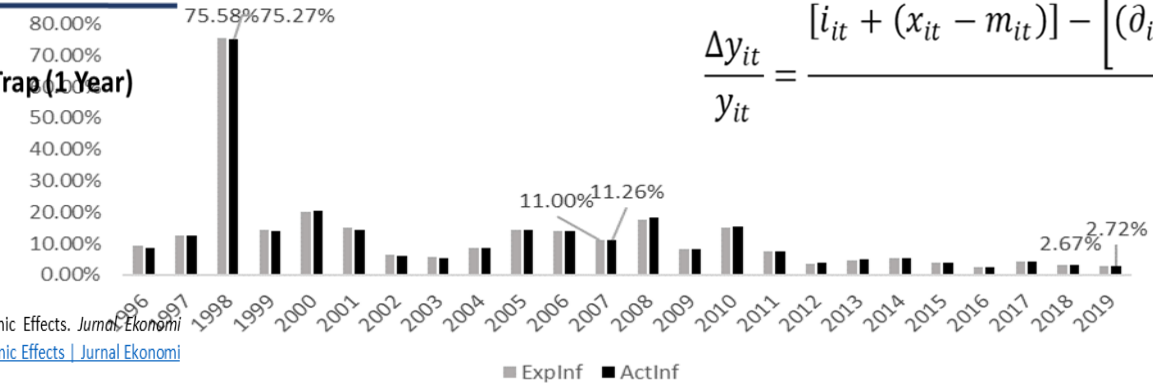
1971	2012
1972	2016
1986	2017
1989	2008
2000	2019
2009	2021
2010	2022
2011	

Q3 : Stagflation (2 Years)

1963
1998

Q4 : Liquidity Trap (1 Year)

2020



Good Policy Factor

$$\frac{\Delta y_{it}}{y_{it}} = \frac{[i_{it} + (x_{it} - m_{it})] - \left[(\partial_{it} + n_{it} + g_{it}) \sqrt{\frac{K_{it}}{l_{it}}} + (\partial_{it} + n_{it} + g_{it}) \sqrt{\frac{k_{it}}{l_{it}}} \right]}{icor_{it}}$$

Year	Infra/GDP (%)	Manuf /GDP (%)
1998	49%	25%
2015	35%	32%
2019	43%	20%
2022		18%

Verico, K. (2021). The Usage of Economic Position in Understanding Indonesia's Economy and the Pandemic Effects. *Jurnal Ekonomi Indonesia*, 10(2), 91-105. [The Usage of Economic Position in Understanding Indonesia's Economy and the Pandemic Effects | Jurnal Ekonomi Indonesia \[isei.or.id\] https://doi.org/10.52813/jei.v10i2.152](https://doi.org/10.52813/jei.v10i2.152)

Infrastructure has been doing great

	2009		2013		2018	
Indonesia		n= 81		n= 277		n= 408
"1 st inquiry, done"	Insufficient infrastructure	75.3	Increased labor costs	82.0	Increased labor costs	71.1
	Time-consuming tax procedures	50.6	Insufficient infrastructure	73.2	Unclear policy management by local government	59.8
	Unclear policy management by local government	49.4	Unclear policy management by local government	58.5	Time-consuming tax procedures	59.3
Vietnam		n= 90		n= 435		n= 763
	Time-consuming administrative procedures	65.6	Underdeveloped legal systems and unclear legal system operation	67.5	Increased labor costs	60.4
	Insufficient infrastructure	63.3	Increased labor costs	66.6	Underdeveloped legal systems and unclear legal system operation	48.2
	Unclear policy management by local government	51.1	Time-consuming administrative procedures	66.1	Time-consuming tax procedures	40.2
Thailand		n= 383		n= 825		n= 579
	Political or social instability	64.8	Increased labor costs	68.7	Increased labor costs	61.0
	Unclear policy management by local government	33.4	Labor shortage or difficulty in recruiting	47.8	Political or social instability	43.2
	Time-consuming administrative procedures	33.2	Political or social instability	42.3	Labor shortage or difficulty in recruiting (specialists/engineers/middle-managers)	33.3
Philippines		n= 87		n= 150		n= 123
	Insufficient infrastructure	73.6	Insufficient infrastructure	60.0	Unclear policy management by local government	64.2
	Political or social instability	58.6	Time-consuming tax procedures	48.3	Insufficient infrastructure	61.8
	Unclear policy management by local government	55.2	Time-consuming administrative procedures	36.6	Time-consuming tax procedures	49.6

※Answers in 2009 are only from manufacturers

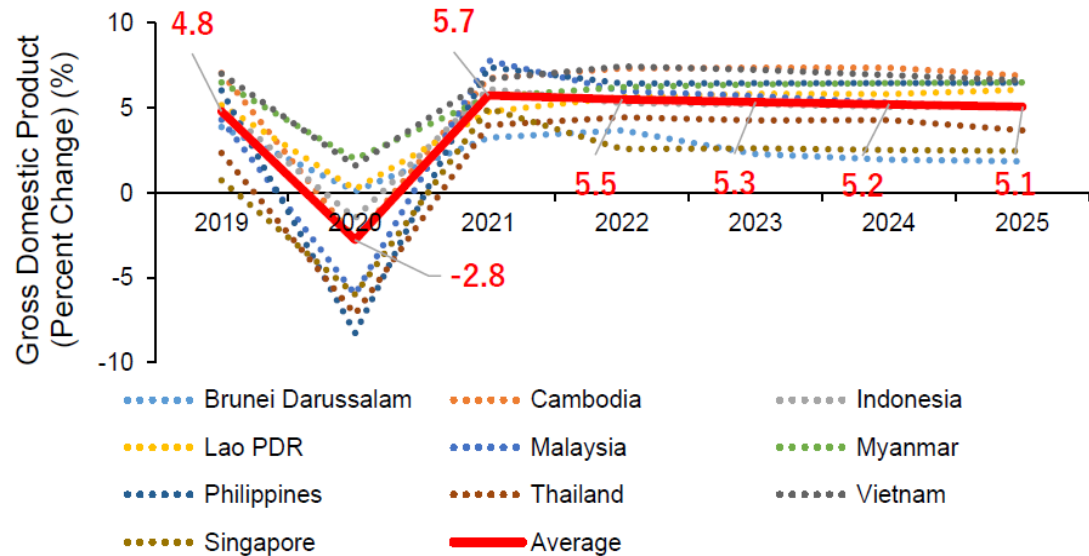
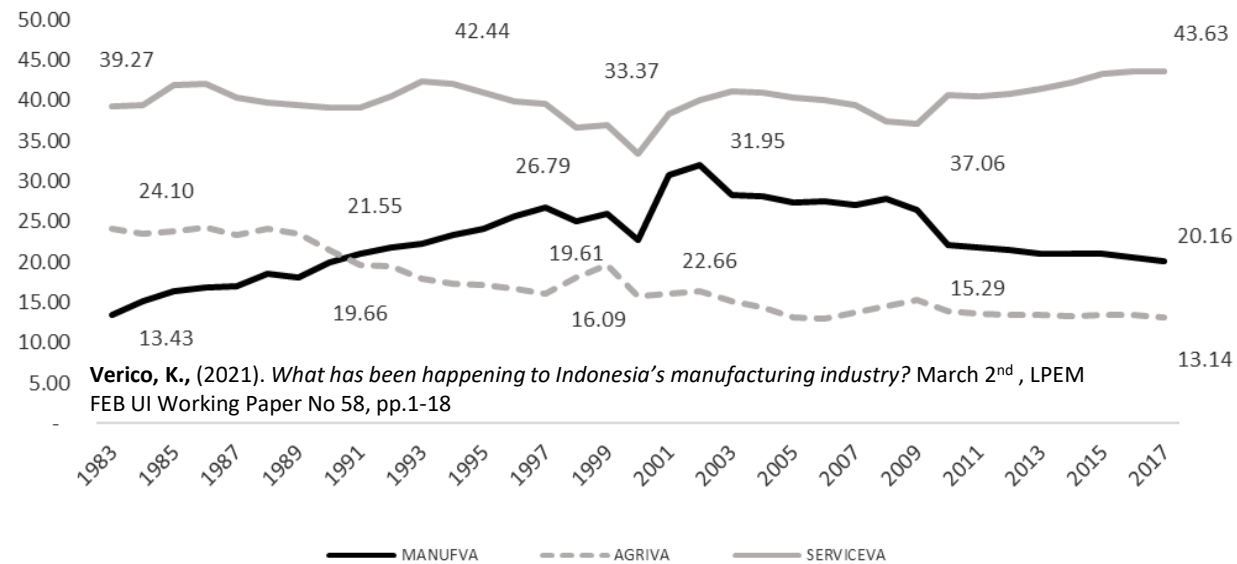
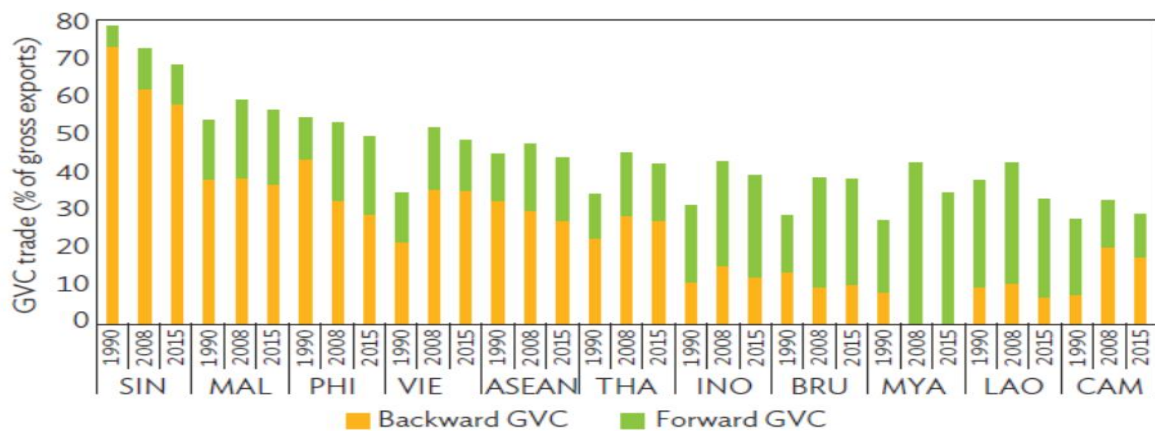


Figure 7. Economic impacts of COVID-19 (Based on data from IMF (2020))



Verico, K., (2021). What has been happening to Indonesia's manufacturing industry? March 2nd, LPEM FEB UI Working Paper No 58, pp.1-18

Figure 2.6: Global Value Chain Trade in ASEAN is Driven Mostly by Backward Participation



ASEAN = Association of Southeast Asian Nations, BRU = Brunei Darussalam, CAM = Cambodia, GVC = global value chain, INO = Indonesia, LAO = Lao People's Democratic Republic, MAL = Malaysia, MYA = Myanmar, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam. Source: Authors' calculation. ASEAN State of Climate Change Report t-Eora Multiregional Input-Output.

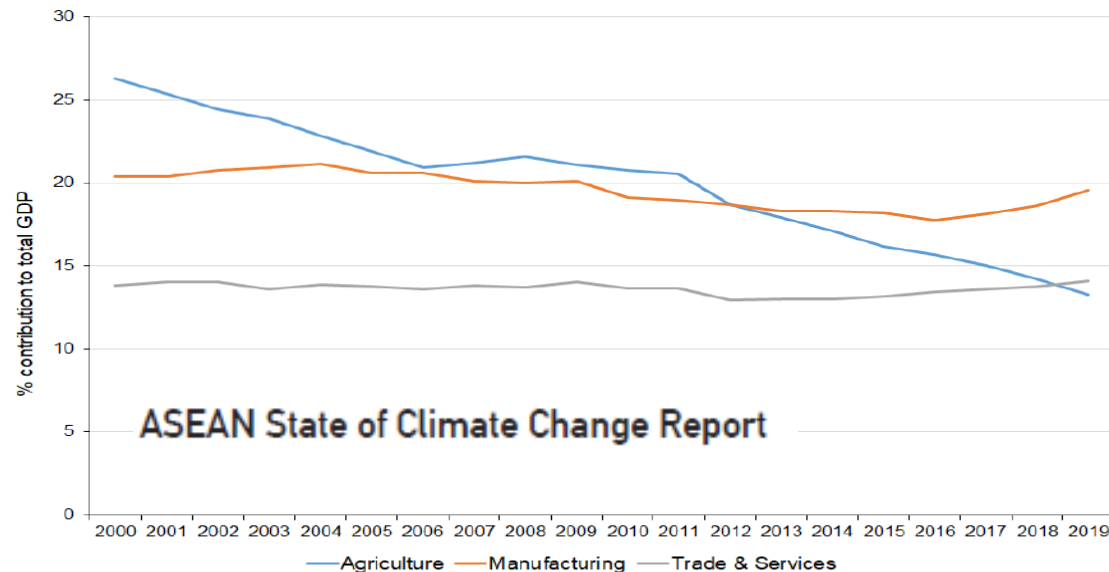


Figure 5. Shifts in percentage contribution to GDP in the agriculture, manufacturing, and trade & services sectors in ASEAN (Based on data from World Bank (2020))

GVC Participation (%)

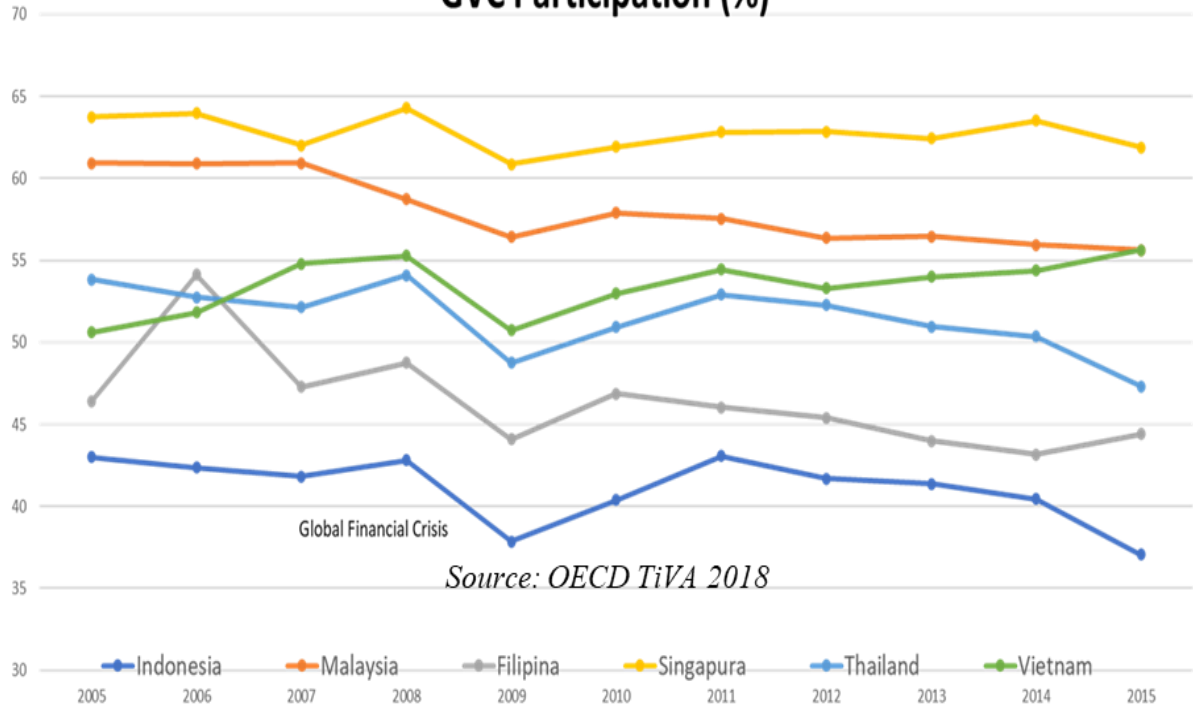
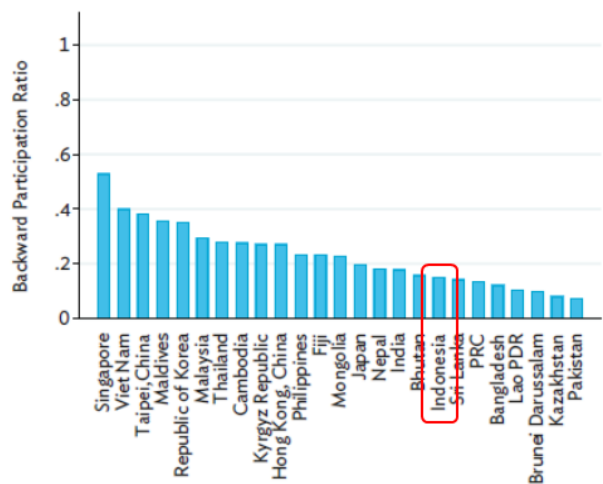
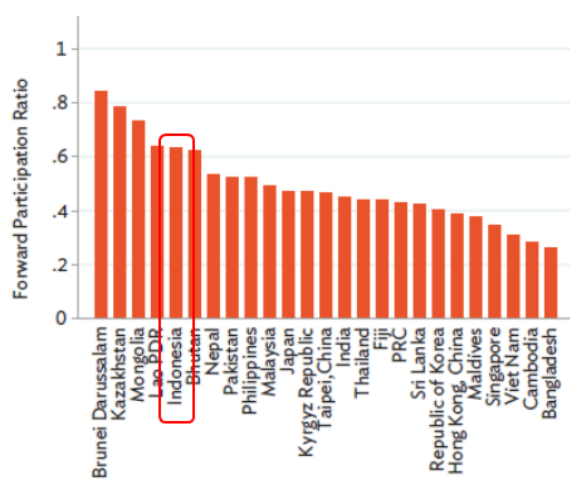


Figure 3.1.1: Global Value Chain Participation in Asia and the Pacific, 2017

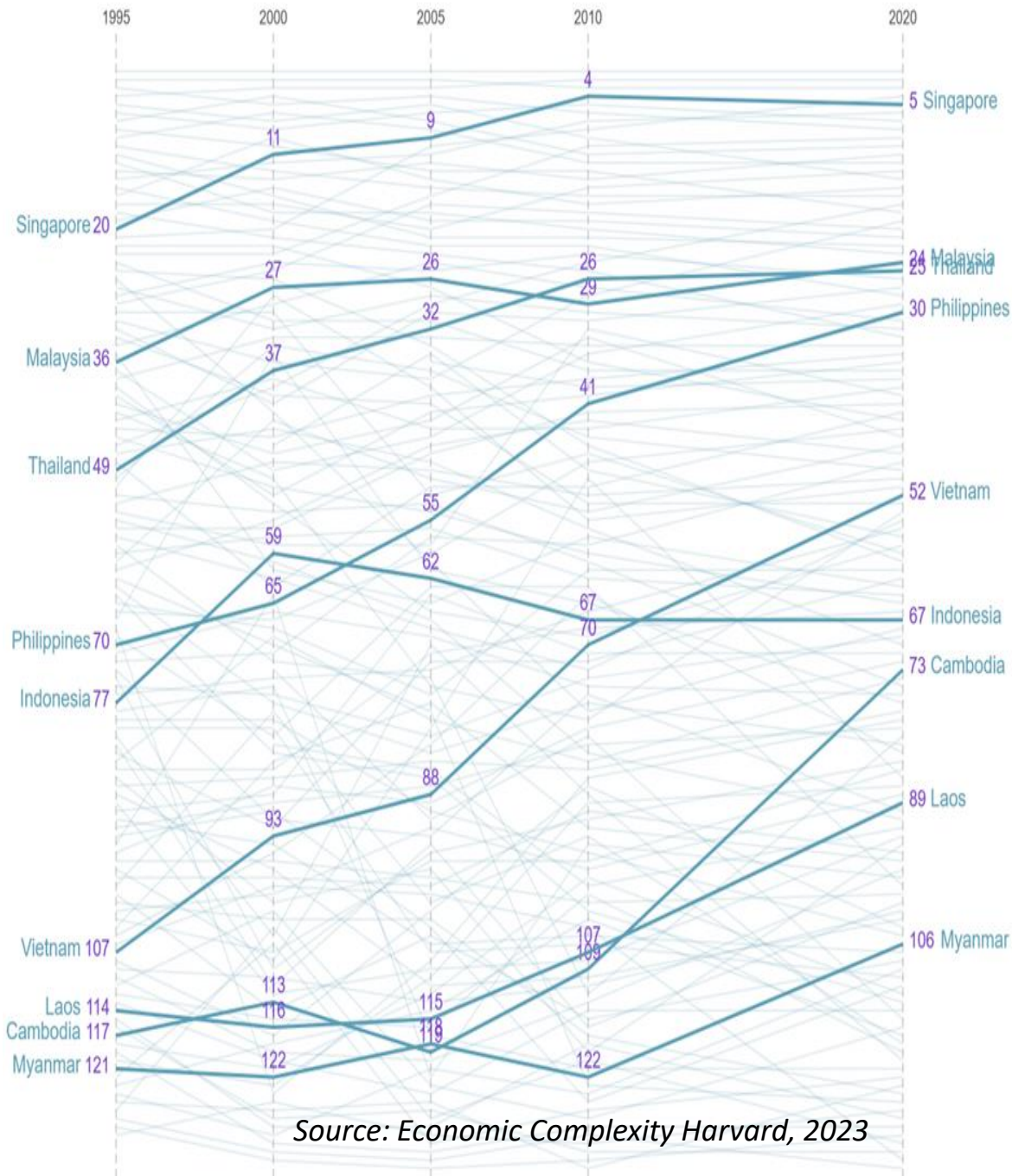
[Part III: Global Value Chains \(adb.org\)](#)



A. Backward Participation Ratio

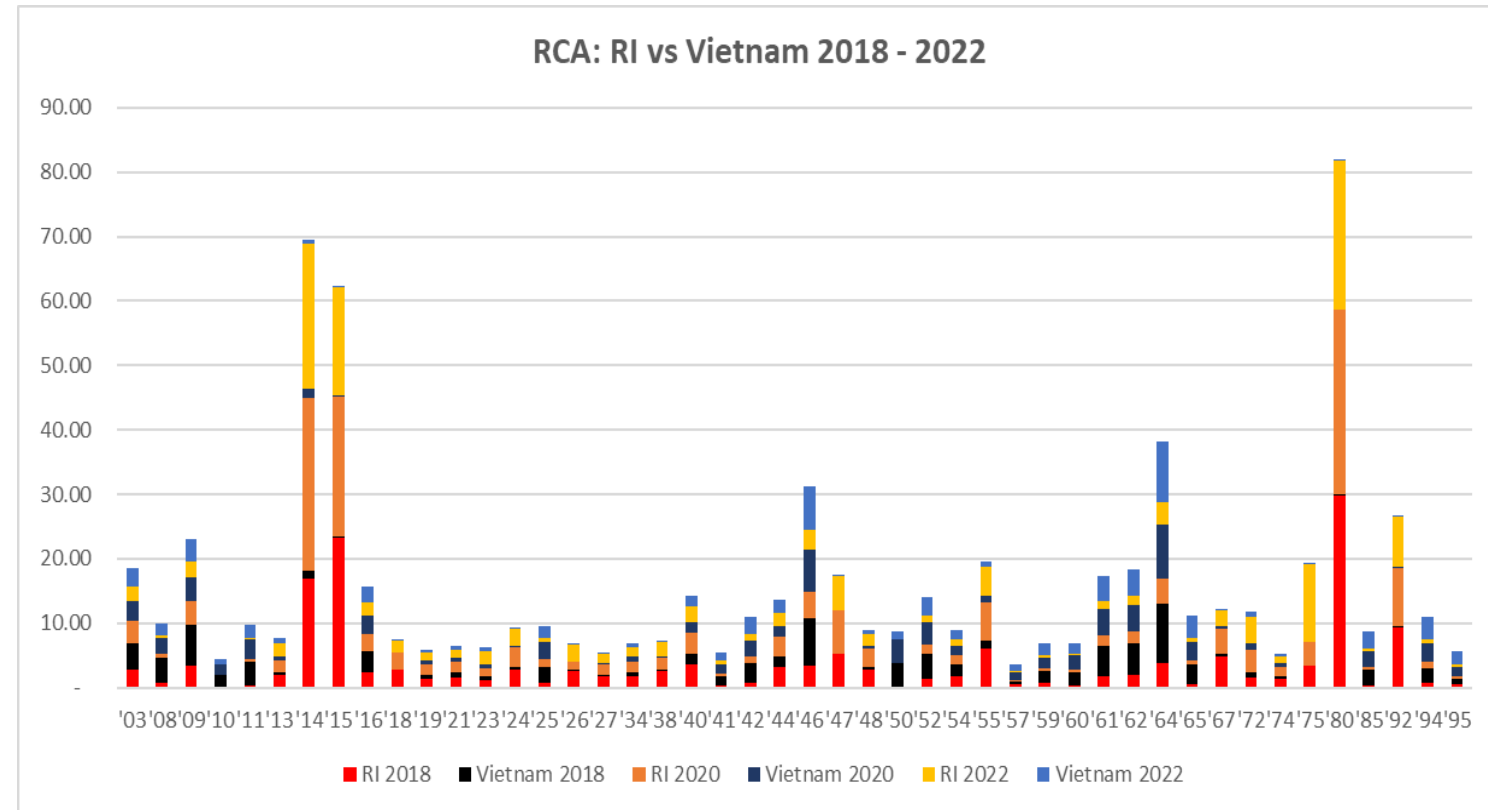


B. Forward Participation Ratio



Source: Economic Complexity Harvard, 2023

'03 Fish and crustaceans, molluscs and other aquatic invertebrates
'08 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...
'09 Coffee, tea, maté and spices
'10 Cereals
'11 Products of the milling industry; malt; starches; inulin; wheat gluten
'13 Lac; gums, resins and other vegetable saps and extracts
'14 Vegetable plaiting materials; vegetable products not elsewhere specified or included
'15 Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; ...
'16 Preparations of meat, of fish, of crustaceans, molluscs or other aquatic invertebrates, or ...
'18 Cocoa and cocoa preparations
'19 Preparations of cereals, flour, starch or milk; pastrycooks' products
'21 Miscellaneous edible preparations
'23 Residues and waste from the food industries; prepared animal fodder
'24 Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, ...
'25 Salt; sulphur; earths and stone; plastering materials, lime and cement
'26 Ores, slag and ash
'27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...
'34 Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...
'38 Miscellaneous chemical products
'40 Rubber and articles thereof
'41 Raw hides and skins (other than furskins) and leather
'42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...
'44 Wood and articles of wood; wood charcoal
'46 Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
'47 Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...
'48 Paper and paperboard; articles of paper pulp, of paper or of paperboard
'50 Silk
'52 Cotton
'54 Man-made filaments; strip and the like of man-made textile materials
'55 Man-made staple fibres
'57 Carpets and other textile floor coverings
'59 Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...
'60 Knitted or crocheted fabrics
'61 Articles of apparel and clothing accessories, knitted or crocheted
'62 Articles of apparel and clothing accessories, not knitted or crocheted
'64 Footwear, gaiters and the like; parts of such articles
'65 Headgear and parts thereof
'67 Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ...
'72 Iron and steel
'74 Copper and articles thereof
'75 Nickel and articles thereof
'80 Tin and articles thereof
'85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...
'92 Musical instruments; parts and accessories of such articles
'94 Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...
'95 Toys, games and sports requisites; parts and accessories thereof

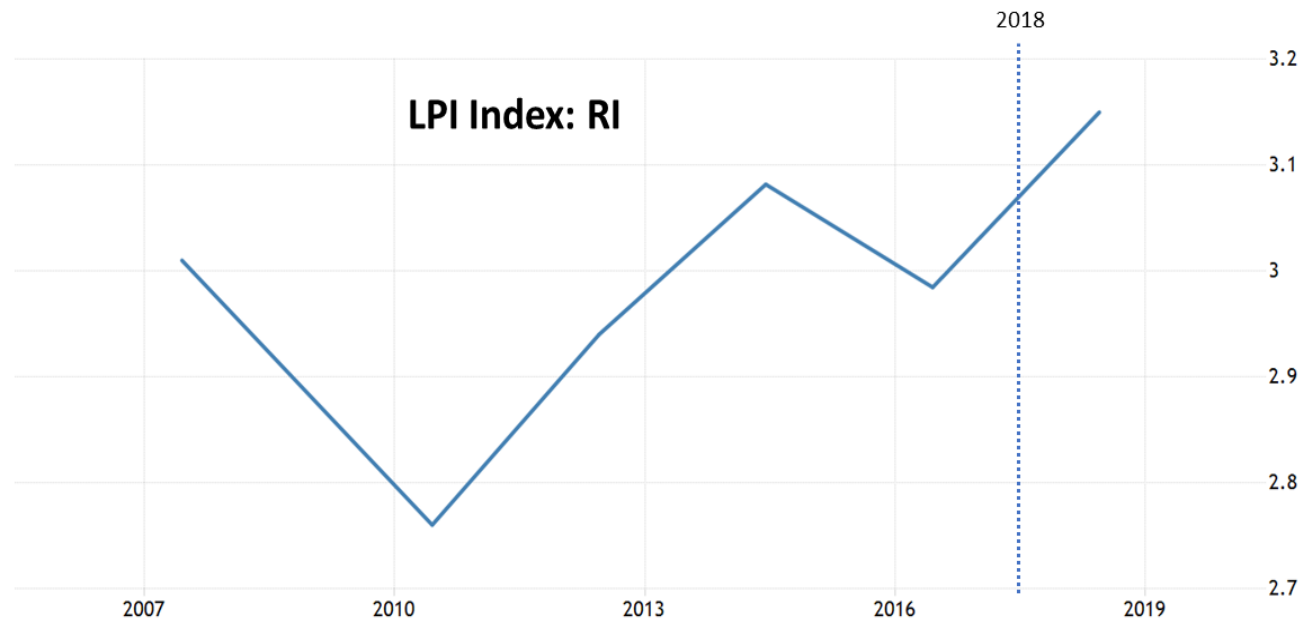


Source: Own Calculation based on trademap data, 2023

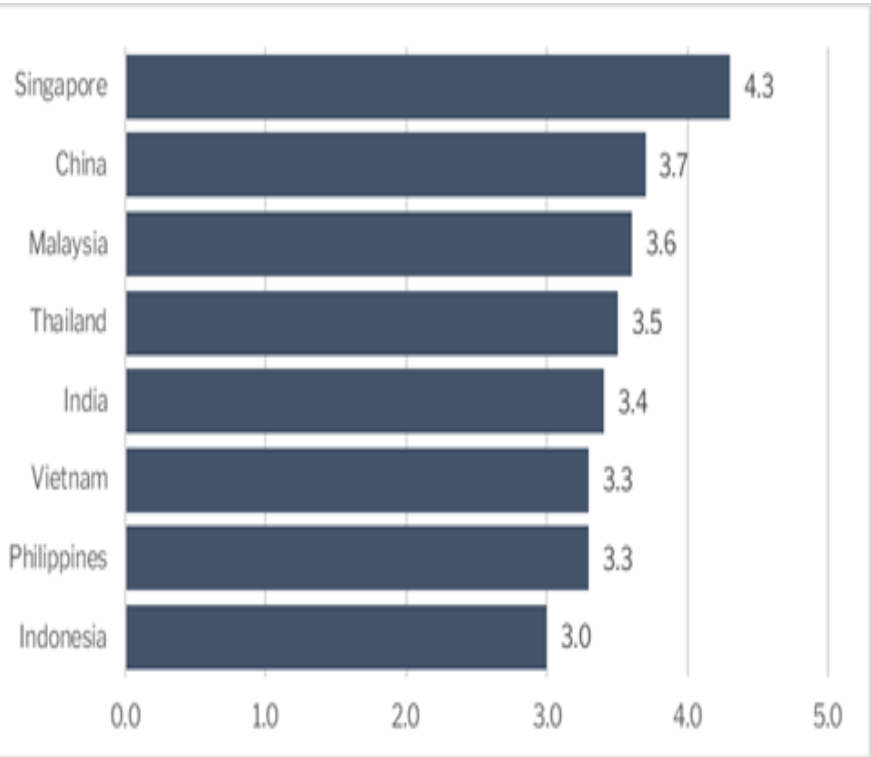
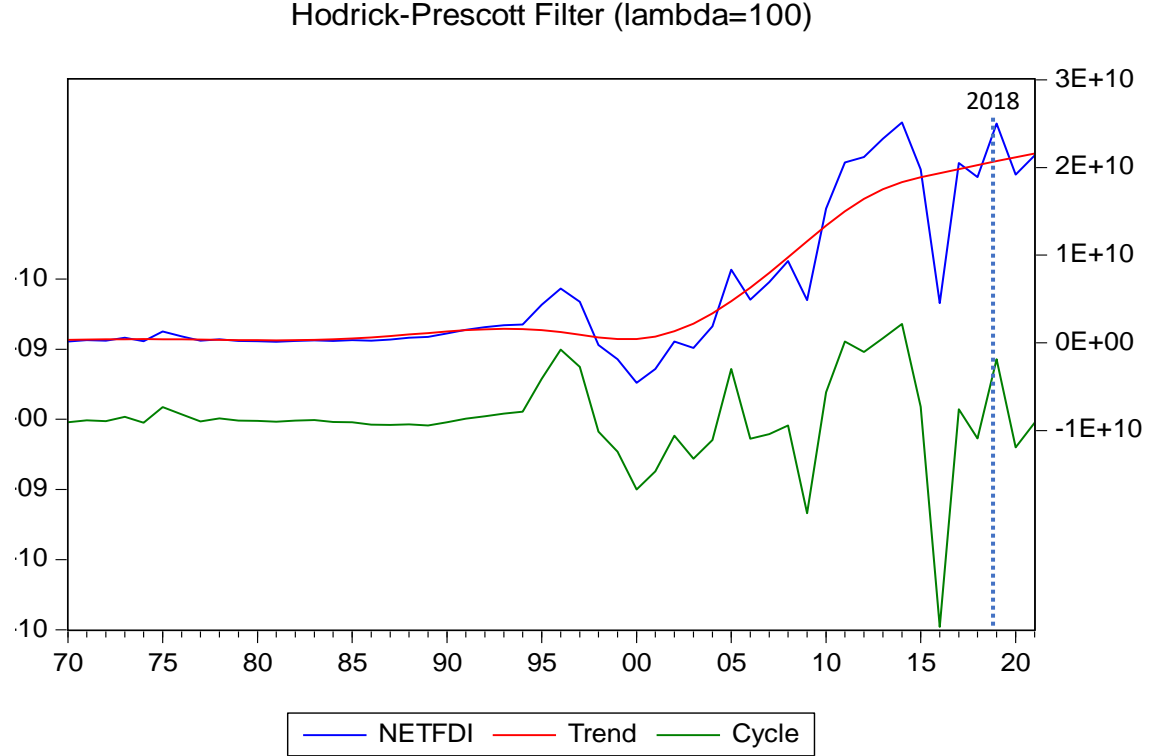
How about if

1. Good luck is no longer with us? “Green” as necessary inquiries
2. Good policy is no longer effective? Expected outcome is lower than real outcome

$$\frac{\Delta y_{it}}{y_{it}} = \frac{[i_{it} + (x_{it} - m_{it})] - \left[(\partial_{it} + n_{it} + g_{it}) \sqrt{\frac{K_{it}}{l_{it}}} + (\partial_{it} + n_{it} + g_{it}) \sqrt{\frac{k_{it}}{l_{it}}} \right]}{icor_{it}}$$



WORLD BANK | TRADINGECONOMICS.COM



Decreasing the rank from 46 with score of 3.15 in 2018 to 63rd in 2023 with score of 3.0.

LPI: Poor (below 2.5), Partial (2.5-3.2), Consistent (3.3-3.6) and Excellent/Logistic Friendly (above 3.6)

This decreasing index will affect Indonesia's FDI inflows in 2024.

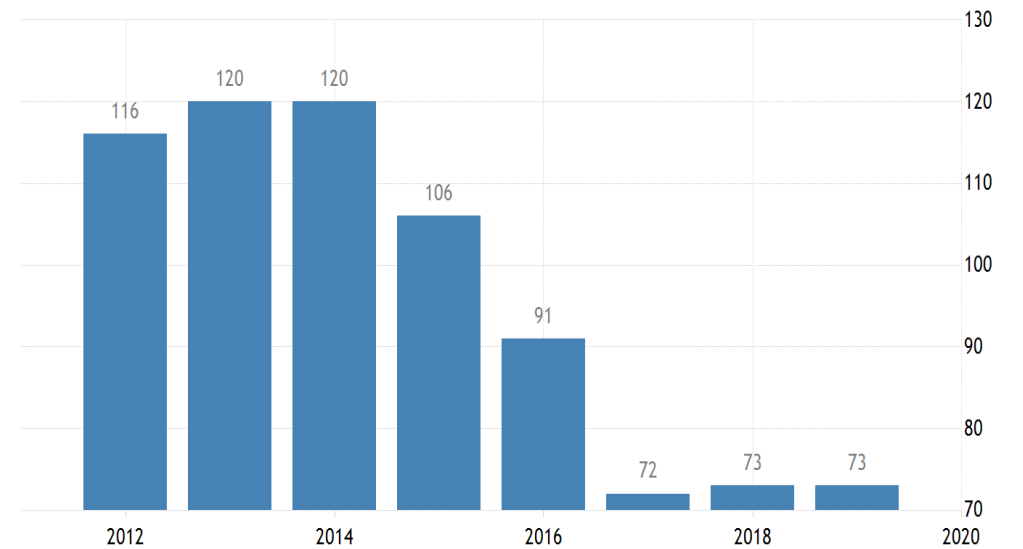
*The efforts can focus on : **Timeliness** from 3.67 to 3.3, **Tracking and Tracing** from 3.3 to **3.0**, **International Shipment** from 3.23 to **3.0**, and **Logistic Competence and Quality** from 3.1 to **2.9**.*

Two significantly improved indexes were Custom, 2.67 to 2.8, and Infrastructure, 2.89 to 2.9.

HDI RANK	Human Development Index (HDI)	SDG 3 Life expectancy at birth	SDG 4.3 Expected years of schooling	SDG 4.4 Mean years of schooling	SDG 8.5 Gross national income (GNI) per capita (2017 PPP \$)	GNI per capita rank minus HDI rank	HDI rank
	Value	(years)	(years)	(years)			
	2021	2021	2021*	2021*	2021	2021*	2020
63	Georgia	0.802	71.7	15.6	12.8	14,664	17
63	Mauritius	0.802	73.6	15.2*	10.4*	22,025	-1
63	Serbia	0.802	74.2	14.4	11.4	19,123	4
66	Thailand	0.800	78.7	15.9**	8.7	17,030	6
High human development							
67	Albania	0.796	76.5	14.4	11.3*	14,131	17
68	Bulgaria	0.795	71.8	13.9	11.4	23,079	-8
68	Grenada	0.795	74.9	18.7**	9.0 ¹	13,484	18
70	Barbados	0.790	77.6	15.7*	9.9**	12,306	26
71	Antigua and Barbuda	0.788	78.5	14.2*	9.3 ¹	16,792	2
72	Seychelles	0.785	71.3	13.9	10.3	25,831	-17
73	Sri Lanka	0.782	76.4	14.1*	10.8	12,578	21
74	Bosnia and Herzegovina	0.780	75.3	13.8 ¹	10.5	15,242	4
75	Saint Kitts and Nevis	0.777	71.7	15.4*	8.7 ¹	23,358	-16
76	Iran (Islamic Republic of)	0.774	73.9	14.6	10.6*	13,001	15
77	Ukraine	0.773	71.6	15.0*	11.1**	13,256	11
78	North Macedonia	0.770	73.8	13.6*	10.2	15,918	-3
79	China	0.768	78.2	14.2*	7.6**	17,504	-8
80	Dominican Republic	0.767	72.6	14.5*	9.3*	17,990	-11
80	Moldova (Republic of)	0.767	68.8	14.4	11.8	14,875	-1
80	Palau	0.767	66.0	15.8*	12.5*	13,819	5
83	Cuba	0.764	73.7	14.4	12.5*	7,879*	37
84	Peru	0.762	72.4	15.4*	9.9*	12,246	13
85	Armenia	0.759	72.0	13.1	11.3	13,158	4
86	Mexico	0.758	70.2	14.9	9.2	17,896	-16
87	Brazil	0.754	72.8	15.6	8.1*	14,370	-5
88	Colombia	0.752	72.8	14.4	8.9	14,384	-7
89	Saint Vincent and the Grenadines	0.751	69.6	14.7*	10.8	11,961	11
90	Maldives	0.747	79.9	12.6	7.3	15,448	-14
91	Algeria	0.745	76.4	14.6**	8.1*	10,800	13
91	Azerbaijan	0.745	69.4	13.5	10.5	14,257	-8
91	Tonga	0.745	71.0	16.0	11.4**	6,822	34
91	Turkmenistan	0.745	69.3	13.2	11.3	13,021	-1
95	Ecuador	0.740	73.7	14.6	8.8	10,312	11
96	Mongolia	0.739	71.0	15.0	9.4	10,588	9
97	Egypt	0.731	70.2	13.8*	9.6*	11,732	4
97	Tunisia	0.731	73.8	15.4*	7.4*	10,258	10
99	Fiji	0.730	67.1	14.7*	10.9*	9,980	9
99	Suriname	0.730	70.3	13.0**	9.8**	12,672	-6
101	Uzbekistan	0.727	70.9	12.5	11.9	7,917	18
102	Dominica	0.720	72.8	13.3*	8.1 ¹	11,488	0
102	Jordan	0.720	74.3	10.6	10.4	9,924	8
104	Libya	0.718	71.9	12.9 ¹	7.6 ¹	15,336	-27
105	Paraguay	0.717	70.3	13.0*	8.9	12,349	-10
106	Palestine, State of	0.715	73.5	13.4	9.9	6,583	21
106	Saint Lucia	0.715	71.1	12.9	8.5	12,048	-7
108	Guyana	0.714	65.7	12.5*	8.6	22,465	-47
109	South Africa	0.713	62.3	13.6	11.4	12,948	-17
110	Jamaica	0.709	70.5	13.4**	9.2*	8,834	4
111	Samoa	0.707	72.8	12.4	11.4	5,308	24
112	Gabon	0.706	65.8	13.0 ¹	9.4	13,367	-25
112	Lebanon	0.706	75.0	11.3*	8.7 ¹	9,526	-1
114	Indonesia	0.705	67.6	13.7*	8.6	11,466	-11
115	Viet Nam	0.703	73.6	13.0*	8.4	7,867	6
Medium human development							
116	Philippines	0.699	69.3	13.1	9.0	8,920	-3
117	Botswana	0.693	61.1	12.3*	10.3	16,198	-43
118	Bolivia (Plurinational State of)	0.692	63.6	14.9	9.8	8,111	0
118	Kyrgyzstan	0.692	70.0	13.2	11.4**	4,566	26
120	Venezuela (Bolivarian Republic of)	0.691	70.6	12.8*	11.1*	4,811 ¹	20
121	Iraq	0.686	70.4	12.1 ¹	7.9**	9,977	-12
122	Tajikistan	0.685	71.6	11.7*	11.3**	4,548	23
123	Belize	0.683	70.5	13.0	8.8	6,309	6

TABLE 1 / HUMAN DEVELOPMENT INDEX AND ITS COMPONENTS

Continued -



TRADINGECONOMICS.COM | WORLD BANK

Major Bilateral Partner	Trade Character	Investment Character	GVCs Character
	V-Index		V-Index
China	Export	FDIIn	PO
Japan	Export	FDIIn	PO
USA	Export	FDIIn	PO
India	Export	FDIIn	PO
Singapore	Import	FDIIn	PO
Korea	Import	FDIIn	PO
Malaysia	Export	FDIIn	PO
Philippines	Import	FDIOut	HQ
Thailand	Import	FDIIn	PO
Vietnam	Import	FDIOut	HQ
Netherlands	Import	FDIIn	PO
Australia	Export	FDIIn	PO
Germany	Export	FDIIn	PO
Pakistan	Import	FDIOut	HQ
Spain	Export	FDIIn	PO
Italy	Export	FDIIn	PO
UK	Export	FDIIn	PO

Please do not quote as this calculation is forthcoming

Terima Kasih

JAKARTA - 14 JULY 2021