

Indirect Strategy Of Connectivity: Outward First, Inward Follows

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THE EAST ASIAN TALES OF CONNECTIVITY

Outward orientation: Japan, South Korea, Singapore, Hong Kong, Chinese Taipei, Malaysia, Thailand, China, Vietnam

Why outward? A much larger market than domestic, even for China;
Avoid FDI as far as possible (Japan, South Korea, Chinese Taipei);
Infrastructure investment less formidable than under a development
Model based on domestic connectivity

Less acute bureaucratic, social and political obstacles, given that
Coastal cities are more receptive to changes than interior population
Centers (a city is a creative and innovative arena; it serves as an
Enormous platform for innovation of all kinds)

FOUNDATIONS OF CONNETIVITY

Shared Future (Time Dimension)

Shared Earth (Spatial Dimension)

Shared Elements (Hydrogen, Oxygen, Carbon, phosphate, etc)

Shared Knowledge and Information

IMPERFECTIONS

Our knowledge about possible futures is very limited,
We are biased in favor of the now: hence the threat to sustainability

The gene is selfish, caring less for others as genetic
And memetic distance increases: hence the severe
Obstacles to inclusion

Information-based sources of value are practically
Infinitely scaleable with the help of digital infrastructure

Demand for Growth Is Unsatiabile

Despite better knowledge about the earth's limited
Carrying capacity

Ultimate source of growth is technology progress or
Change and its adoption and diffusion across the entire
Technology possibility curve

21st Century's possibility curve: electric car, airplane
Built with smart materials, 3D, nano technology, robotic,
Big data, second self, genome-based medicine

Technology progress is not perfectly benign but
indispensable

Science & Technology Connectivity

Most deeply rooted source of inequality and disconnect,
Though possible to loosen: inequality country-wise,
Firm-level, even individually

S&T cooperation is not new, but is typically forged
Among equals

Emerging open system and sharing economy

Basically a non-issue in regionalism

Reconnecting Humanity

Systemic changes: the justice spheres, incentivization to
Make possible futures more visible in current agenda,
Likewise integration of “economies of space” into
Development policy (China’s rise produces a huge magnitude
Of space economies).

Human development as core element of connectivity
and progress: health, literacy, skills, entrepreneurship

Frontier project as catalyst

Brief Discussion of Indonesia

RECENT ECONOMIC PERFORMANCE

Economic growth: moderate in the range of 5 percent a year; high growth Of non-tradeable sectors; yet to attain “escape velocity”.

Resource-based (natural resources, labor, physical capital: Sectors' Shares in %: Manuf 25.0; Agric 15.3%; Mining and Quarrying 11.2%; utilities 0.8%; Transport & Com 6.5%; Financial services 7.5%; Government 5.5%

Severe strains from the Super Downswing

Back to being Investment-Driven: Demand as % of GDP
(Household Consumption 53.5%; Government Consumption 9,0%; GFCF 33%; XGS 24.3%; MGS 26.6%

Inflation rate within the target of below 4%, but huge underemployment

Persistent deficit pressure in balance of payments in the range of 3% of GDP; dependence on capital inflows at a time when net international investment position is in big negative (around \$ 425 billion)

CONSTANTS FOR CONNECTIVITY

- Archipelagic physical geography: Nightmarish challenge for multi-modal logistics.
- Inclined to be inward-looking, traditionally treating external trade and investments in recent times a residual rather than integral part
- Inclined to centralize. Regional autonomy a recent phenomenon
- People and economy concentrated on the West (GDP H1/2012: Java = 57.5%; Sumatra 23.6%; Kalimantan 9.6%; Sulawesi 4.6%; Bali and Sunda Islands 2.6%; Moluccas and West Papua 2.1%)
- Metropolitans and big cities concentrated on Java and Sumatra: Jakarta, Surabaya, Bandung, Semarang, Medan
- Minor rather than major hubs to world's main traffic routes such as the Silk Road and contemporary cargo traffic (Eurasia V-Pattern)
- Trade dominated by bulky primary commodities and products of primary processing that are very “logistic-intensive”

Demand for Connectivity Infrastructure

- Rising domestic and international trade (export in 2010 = 479 mio tonnes from 355 mio tonnes in 2008, but import = 111 mio tonnes in 2010 (less than ¼ of export)).
- Rising aircraft departures: 333.3 K in 2006 to 418 K in 2010 (faster than GDP, thanks to deregulation) with passengers rising from 37 Mio to 59 Mio (explosive growth).
- Progressive growth in tourist arrivals (faster than GDP), though lagging far behind Malaysia, Thailand, not to speak of China.
- Rising container traffic from 6.5 Mio TEUs in 2007 to 8.4 Mio TEUs in 2010 (much faster than GDP, though small compared to China 129.6 Mio TEUs in 2010).
- Rapid increase in fixed broadband internet subscribers: 0.34 per 100 people in 2007 to 1.13 in 2011, compared to 11.61 in China and 31.54 in Hong Kong, SAR.
- Rapid increase in internet users: 5.8 per 100 people in 2007 to 18.0 in 2011, compared to 38.4 in China and 75.1 in Singapore in 2011.
- Rapid increase in motor vehicles: four wheels 14.4 Mio in 2008 to 16.0 Mio in 2010 and motor bikes from 47.7 mio in 2008 to 61.1 Mio in 2010.

Big Connectivity Issues

- The ASEAN Connectivity Roadmap and APEC Connectivity Master Plan: Indonesia looks like a southern periphery with little fitness with infrastructure planned for mainland SEA. There is unease, if not resistance, to EA integration even within the government, other than MOFA.
- The Global Production System or Global Value Chain for which the Connectivity is a matter of survival is not felt meaningfully in Indonesia. Export is dominated by primary commodities while export of “connectivity intensive” products and services is very limited
- The Roadmap found little enthusiasts in Indonesia, partly because of the deep-seated wish to connect directly with the ROW rather than indirectly through regional hubs.
- The government launched “Master Plan. Acceleration and Expansion of Indonesia Economic Development 2011-2025: Six Corridors, Comprehensive Sector Coverage, over USD 400 Bio for 2011-2014 (49% private, 12% government, 18% SOEs, and 21% mix).
- Mainly domestic connectivity rather than regional or global connectivity (Unlike China’s New Economic Policy of 1978 which was very clearly aimed at first connectivity to major centers of commerce outside China before turning to domestic connectivity).
- Tight constraints: Very limited capital expenditure of government (huge subsidies = 4% of GDP including fuel subsidy 2.2% of GDP compared to total government expenditure of 17.4% of GDP); frustrating disorder of land rights; discord between different levels of government.