



## EPICENTRUM OF GROWTH: INDONESIA'S ROLE IN STRENGTHENING ASEAN ECONOMIC GROWTH

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### ABSTRACT

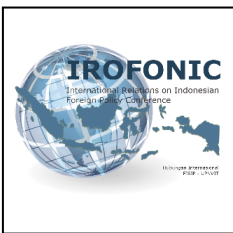
In 2023, Indonesia was selected to host and chair the Summit of the Association of Southeast Asian Nations (ASEAN). Through this chairmanship, Indonesia chose the slogan "Growth Center". This slogan was formed because of the belief that Indonesia's economic development has made a significant contribution to the Southeast Asian economy as a whole. Through this study, the author wants to prove this by analyzing Indonesia's efforts to improve the Southeast Asian economy. In addition, the author also wants to prove whether Indonesia's efforts have improved the Southeast Asian economy as a whole. The author will use the perspective of economic liberalism and use qualitative methods and secondary data. The results of this study are expected to be able to show whether Indonesia's economic improvement has boosted the economy in Southeast Asia as a whole and increased economic interdependence between member countries.

**Keywords:** ASEAN, Indonesia, Economic Development

### INTRODUCTION

In the current era of globalization, the relations between countries in the world are getting closer, resulting in administrative boundaries becoming thinner, where relations between countries include economic relations, both trade, finance, politics and socio-culture. One of these regional organizations is ASEAN (Association Southeast Asian Nation), which is an organization or association of ten countries that are geographically located in the Southeast Asia region. This organization aims to increase friendship and cooperation in the economic field, social progress and cultural development of its member countries. The economy of a country is interrelated and influences each other between other countries, such as in the economy in ASEAN. The increase in the economy in one ASEAN country triggers other ASEAN countries to develop and improve their country's economy (Darwin Damanik & Saragih, 2023).

The Strategy for Achieving Inclusive and Sustainable Growth was initiated in 2023 with the Indonesian Ministry of Finance as part of its chairmanship of the Association of Southeast Asian Nations (ASEAN). Following the motto of Indonesia's G20 chairmanship in previous years in 2022, "Recover Together, Recover Stronger", the theme "ASEAN Growth Hub 2023" signifies a strong desire to build on the G20 momentum to strengthen Southeast Asian integration and development. The current situation is quite difficult for most countries, but this moment is an opportunity to show that Indonesia has a voice that must be heard regionally and globally. After the



success of the presidency of the 20 or G20 movement, Indonesia is now again trusted to lead an important role on an international scale as the chair of ASEAN in 2023 (Department of Communications, 2023). To obtain effective benefits from this chairmanship, Indonesia needs to play a role in creating capacity building in order to provide strong legitimacy to the benefits of ASEAN. The transfer of chairmanship from Cambodia to Indonesia has been implemented at the 42nd ASEAN Summit in Phnom in November 2022. Meanwhile, Indonesia's chairmanship has started from January 1, 2023 which will last for 1 year until December 1, 2023. Since ASEAN was established in 1967, Indonesia has been trusted to be the ASEAN chair 3 times, namely in 1976, 2003 and 2011. Therefore, ASEAN as a regional organization has created representatives at the world economic forum who have a collective strategic position to represent the world's people, global trade and the world economy, especially Indonesia as the ASEAN chair in 2023, needs to immediately start preparing to achieve this target. In this case, Indonesia's role is needed massively. Indonesia's role is as a future solution for ASEAN. In this study, the author wants to prove this by analyzing Indonesia's efforts to improve the Southeast Asian economy. In addition, the author also wants to prove whether Indonesia's efforts have improved the Southeast Asian economy as a whole (Julina, 2023).

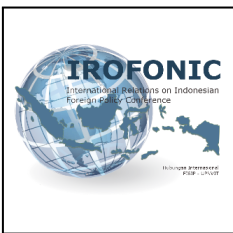
## METHODS

In this study the author uses qualitative research. Opinions from (Sugiyono, 2020), Qualitative research is a research method used to conduct research on the state of natural objects, where the researcher is the key instrument, the data collection technique is carried out in combination, the data analysis is inductive and the research results emphasize meaning rather than generalization. This study was conducted to analyze Indonesia's efforts to improve the Southeast Asian economy as a whole through the perspective of economic liberalism. The purpose of this study is to provide an understanding of aspects of social life, which in the method does not use data as a tool of analysis but uses words. The limitations of this study are in Indonesia's role as chairman of ASEAN in 2023 using the perspective or view of economic liberalism. The data used in this study are secondary data from articles, books, journals and others related to the mass media (John & Cresswell, 2009). These data were taken by researchers with appropriate literature studies, so this type of data is secondary data. This data was obtained from articles, journals related to the ASEAN chairmanship in 2023.

## RESULT AND DISCUSSION

### Theory of Economic Liberalism

Economic liberalism is a belief that the state needs to distance itself from economic intervention until someone who has achievements in the market feels the freedom to regulate themselves. In some of the understandings put forward by experts as something that can help provide a definition, in this case the theory of liberalism is



used as an understanding to see an event that already exists. In this theory there is an opinion that economic interdependence will prevent a country from using coercion in relations with one another because war will create unprosperity. (Saeri, 2012). In addition, this liberalism offers a free market where all countries can work together to build cooperative interactions. Not only countries can move in the development of cooperative interactions, but other actors such as NGOs, MNCs or outsiders can also. But on the other hand, this actor requires the state to use force in implementing something because liberalism does not provide opposition to authority. The state is needed to provide certainty of competition in the market and provide certainty regarding freedom (Hayek, 1973).

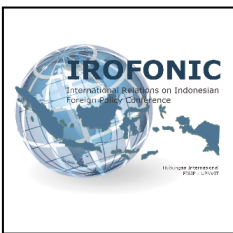
Adam Smith's opinion regarding this theory is related to the prosperity and wealth of a country that can only be obtained by moving the principle of *Laissez-Faire* in a country and the principle of free trade with other countries. Adam Smith also argued that the task of the government is not (a) Creating a country's defense so that it is not attacked by foreign countries; (b) Implementation of the rule of law and conditions within the country; (c) Development and implementation of various general jobs and institutions of the population that cannot be carried out by the private sector because the desired profit from the business is sufficient even though the benefits for the population as a whole are so great. Adam also gave advice for other businesses to be handed over to the private sector because it can guarantee the use and allocation of production factors so that maximum results will be obtained (Soelistyo & Nopirn, 1977).

### **The Concept of ASEAN Matters: Epicentrum of Growth and Indonesia's Role as Chair of ASEAN**

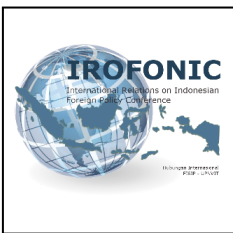
The concept of *ASEAN Matters* means that Indonesia wants to make ASEAN remain important and in accordance with the people of ASEAN and the world. ASEAN has a role not only for regional countries, but also globally. Both the central role as a driver of peace or prosperity in the region. In 2023, Indonesia will focus on strengthening ASEAN to become a place for rapid, inclusive and sustainable economic growth. Indonesia aims to strengthen the capacity and effectiveness of ASEAN institutions so that they can fight the problems that exist in the next 20 years. Indonesia is determined to help realize ASEAN 2045 which is adaptive, responsive and competitive. This needs to be fought for with the ASEAN way, of course with the spirit of cooperation and the application of the principles of the ASEAN charter.

The concept of the epicentrum of growth is as follows: (ASEAN Indonesia, 2023):

1. Strengthening the region's position as a growth hub and enhancing regional connectivity towards a sustainable and resilient future;
2. Strengthening rapid action for food and nutrition security in response to crises;
3. Accelerate a just and inclusive energy transition and enhance interconnectivity to achieve sustainable energy security, while ensuring energy resilience and accessibility;



4. Striving for the enhancement of the ASEAN Trade in Goods Agreement (ATIGA) and the timely completion of the enhanced ASEAN Free Trade Agreement Plus One (FTA) as well as the full and effective implementation of the Regional Comprehensive Economic Partnership (RCEP) agreement;
5. Strengthening and enhancing the competitiveness of the ASEAN services sector;
6. Accelerating ASEAN industrial project-based initiatives in response to emerging development trends and rapid technological advances;
7. Advancing regional payment connectivity and promoting local currency transactions in local currencies in the region;
8. Maintaining financial stability and promoting deeper financial integration in ASEAN, while recognizing efforts to utilize digital financial services to improve financial access for Micro, Small and Medium Enterprises (MSMEs);
9. Strengthening ASEAN's macroeconomic policy mix and enhancing regional preparedness for macroeconomic shocks and risks;
10. Accelerate digital transformation and enhance digital integration and connectivity, including by addressing the digital divide in ASEAN, and advancing the development of the ASEAN Digital Economy Framework Agreement (DEFA);
11. Realizing the development of a regional electric vehicle ecosystem in ASEAN;
12. Complete the development of the Roadmap for ASEAN Harmonization of ASEAN Standards in Support of the Sustainable Development Goals (SDGs);
13. Declare and effectively implement the ASEAN Blue Economy Framework ASEAN Blue Economy Framework;
14. Supporting the implementation of the Circular Economy Framework for the ASEAN Economic Community (AEC);
15. Strengthening the regional health architecture and ensuring the highest attainable standards of health for the people of ASEAN;
16. Accelerating the development of human resources to be competitive, agile and competitive, agile and resilient, in adapting and responding to the future of work;
17. Strengthen efforts to enhance the role and resilience and promote and protect the rights and welfare of vulnerable groups including the elderly, elderly people, people with disabilities, women and children in the region;
18. Strengthening the role of the family as an institution to promote the values of respect, equality, collectivism and social harmony;
19. Protecting all migrant workers throughout the migration cycle;
20. Empowering and strengthening the capacity of ASEAN youth to be more competitive, resilient, and able to face emerging challenges and future challenges;
21. Strengthening ASEAN cooperation in addressing environmental challenges, including, among others, climate change, transboundary haze pollution, marine debris, biodiversity loss, and sustainable use and management of water resources;
22. Enhance cooperation to improve disaster management and disaster risk reduction and preparedness capacities of ASEAN Member States, and strengthen the role and capacity of the ASEAN Coordinating Centre for ASEAN Humanitarian Assistance for disaster management (AHA Centre);
23. Encourage rural development and accelerate poverty alleviation, through, among other things, strengthening rural networks and empowerment, rural-urban

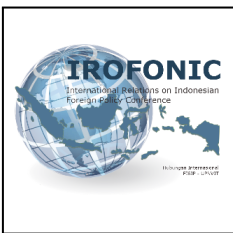


- connectivity, and social protection; and accelerate poverty alleviation in urban areas;
24. Ensuring universal access to quality education at all levels, while reaffirming the commitment to transform early childhood education to realize their full development potential;
  25. Accelerating the digital transformation of education systems in ASEAN;
  26. Achieving a green ASEAN by promoting sustainable economic growth, including by exploring the ASEAN agenda on green economy;
  27. Encourage collaboration across ASEAN and with our external partners in developing smart and sustainable cities, including through the ASEAN Smart Cities Network;
  28. Accelerate ASEAN's efforts to achieve the 2030 Agenda for Sustainable Development and the Sustainable Goals (SDGs) and Universal Health Coverage (UHC); Promoting sustainable resilience as an enabling framework to enhance collaboration in strengthening climate and disaster resilience for sustainable development;
  29. Strengthening efforts to advance regional integration and narrow the development gap among ASEAN member countries and enhancing ASEAN's competitiveness ASEAN's competitiveness as a region in line with the ASEAN Integration Initiative (IAI);
  30. Further emphasizing the importance of ASEAN unity and centrality in promoting ASEAN subregional development, as well as aligning the subregional cooperation frameworks agreed by ASEAN with the ASEAN People that can contribute to enhancing regional connectivity, more sustainable and inclusive development in the region;

The *Epicentrum of Growth* has the meaning that Indonesia wants to make ASEAN the center of regional and international economic growth. As chairman, Indonesia has the goal of strengthening the recovery of the economy and making ASEAN or common interests not because of Indonesia's identity and interests as an actor in international relations but Indonesia cooperatively in maximizing its security without weakening the security of countries that are members of ASEAN. The Indonesian state considers the security of ASEAN to be the most important and important of Indonesia itself. Therefore, the growth of the economy, especially in ASEAN, is almost continuously above the global average, so it is necessary to implement sustainable growth, increase cooperation, maintain food, energy, health and financial stability so that ASEAN can realize its role as the center of the epicenter of growth (Julina, 2023).

To make this happen, the four Pillars of Priorities Economic Deliverables have been prepared, namely:

1. *Recover-Rebuilding*: ASEAN aims to explore a well-organized, planned and communicated policy mix to create certainty in economic recovery and growth, and mitigate risks such as inflation and volatility of capital flows.
2. *Digital Economy*: to strengthen financial inclusion and digital literacy, ASEAN member countries need to improve the ability of each member to formulate



national financial education strategies and improve regional payment system interconnections.

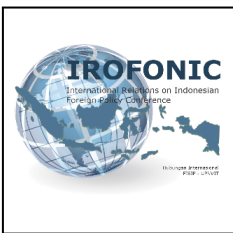
3. *Sustainability*: ASEAN needs to close ranks to make preparations and direct goals related to changes towards a green economy, including by formulating the ASEAN.
4. As the region most affected by natural disasters and climate-related risks, ASEAN needs to close ranks to prepare and move towards a common goal in relation to the transition to a green economy, including through the development of the ASEAN Taxonomy on Sustainable Finance and the Study on the Role of Central Banks in Managing Climate and Environmental Risks.

### **Indonesia's Efforts to Improve the Southeast Asian Economy from the Perspective of Economic Liberalism**

By using the Liberalism Perspective, the author can analyze Indonesia's Role in the ASEAN Chairmanship 2023. The perspective of economic liberalism is the appropriate paradigm to use in an effort to answer research questions. The Liberalism perspective in international relations focuses on cooperation as the main way to achieve global peace and stability. Liberalism emphasizes that countries and other actors on the international stage, such as international organizations, multinational corporations, and civilians, can work together to overcome common challenges. Indonesia's role in the ASEAN Chairmanship 2023 is not just the strength of the Republic of Indonesia but more than that. Liberalism is a perspective that can answer by including elements such as identity and interests. This element can answer Indonesia's role as chairman of ASEAN in 2023. From this identity element, it is related to the similarity of identity as a member of ASEAN in the Southeast Asian region. While this interest element is related to Indonesia's interests as chairman of ASEAN in 2023.

When viewed from the element of identity, Indonesia, as a country that shares an identity with fellow ASEAN members within the framework of Southeast Asian regionalism, places importance on regional solidarity. This shared identity strengthens cooperation between countries in the region to face common challenges, promote stability, peace, and economic growth. When viewed from the element of interest in its chairmanship of ASEAN in 2023, Indonesia seeks to advance ASEAN's common interests through strong multilateral cooperation. Indonesia's interests are not only focused on national goals, but also contribute to shared prosperity by increasing economic integration, strengthening regional security, and encouraging sustainable growth. Indonesia sees ASEAN's collective interests as the key to achieving stability and prosperity for all member countries.

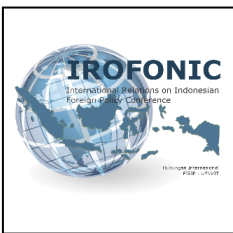
Indonesia has the determination to help realize an adaptive, responsive and competitive ASEAN in 2045 that is fought for through cooperation and the implementation of the principles of the ASEAN charter. Indonesia has made an agenda to resume negotiations regarding the formation of a code of conduct for the disputing parties in the South China Sea. This is carried out considering that the tensions in this sea are increasingly worrying so that the involvement of various parties is needed to



create peace and stability in the region. Indonesia also plays a role in overcoming the Myanmar problem which has a direct effect on the stability of the region. Indonesia's chairmanship in ASEAN is expected to be able to make an agreement so as to prove the effectiveness of ASEAN institutions in dealing with internal problems. This is done to maintain ASEAN's self-confidence and credibility in the security, peace and stability of the region so that it can create growth for the population, region and world (Julina, 2023).

The level of trade between ASEAN and its partner countries also made significant growth, reaching 34 percent. In addition, the value of foreign investment that entered was USD 179 billion with the highest growth in the financial and insurance sector of 32 percent. In terms of inflation, the majority of ASEAN countries are at the global inflation level in 2022. As a country that chairs ASEAN, Indonesia has several focus aspects, namely regional growth development, building a digital economy and creating support for sustainable economic growth. In the economic context, these three focuses are in the spotlight. Indonesia pays attention to the recovery and stability of finance, progress in payment connectivity and digital financial literacy and makes promotions related to green economic transition costs. One of the achievements in the spotlight is the collaboration between finance and health which aims to support the response to the pandemic and other emergencies in the ASEAN region. In the technical discussion, simple efforts to administer taxes and increase customs transparency are the main concerns (Julina, 2023).

Indonesia's efforts to improve the economy from the perspective of economic liberalism are: (a) Trade Liberalization and Open Markets: As a major member and chair of ASEAN, Indonesia advocates for tariff reductions, the elimination of trade restrictions, and the establishment of a free trade zone among ASEAN countries. This is in line with liberal theory which states that a competitive market will lower prices, encourage innovation, and increase economic growth. Indonesia supports trade liberalization through initiatives such as the ASEAN Free Trade Area (AFTA) and the Regional Comprehensive Economic Partnership (RCEP), which further integrate the Southeast Asian economy with the rest of the world. (b) ASEAN Economic Integration: Indonesia encourages greater regional economic integration, which increases interdependence among ASEAN members. Indonesia advocates for the smooth movement of capital, skilled labor, goods, and services across international borders through platforms such as the ASEAN Economic Community (AEC). As countries become more economically integrated, economic liberalism claims that this integration reduces the likelihood of war and encourages shared wealth; (c) Attracting Foreign Direct Investment (FDI): Indonesia is actively working to foster an environment conducive to attracting foreign direct investment (FDI), in accordance with liberal economic principles. By pushing for regulatory reform, improving infrastructure, and offering legal certainty for companies, Indonesia contributes to increasing the attractiveness of ASEAN economies to international investors. Increased FDI boosts the region's economy as a whole by bringing in money, transferring technology, and creating jobs; (d) Inclusive Growth and Sustainable Development: Indonesia actively



supports policies aimed at reducing inequality in Southeast Asia and ensuring sustainable development. Economic liberalism supports the idea that long-term prosperity can be achieved by combining economic expansion with measures that encourage innovation, education, and sustainable practices. An increasingly resilient and balanced regional economy is facilitated by Indonesia’s emphasis on equitable growth through programs such as expanding the digital economy and shifting to green energy.

Indonesia as a member of ASEAN has taken an active role in economic cooperation in this region. ASEAN cooperation in the economic sector provides various benefits for the Indonesian people such as (a) increasing market access: through this cooperation, the Indonesian people can access a wider market in ASEAN member countries. This provides an opportunity for Indonesian business actors, both large companies or small and medium businesses to export goods and services to other countries. The existence of this market, business actors can increase the scale of production, optimize factory capacity and increase the competitiveness of Indonesian goods; (b) Stimulus for economic growth: this cooperation encourages Indonesia's economic growth by increasing trade and investment. The effort is to create an attractive investment climate and open up opportunities for foreign investors to invest in Indonesia. This investment is to help develop infrastructure, create jobs and improve the overall economy; (c) Transfer of technology and knowledge: this cooperation involves the exchange of technology and knowledge from each member country. Through this, Indonesia can gain access to create new innovations in various economic sectors. In addition, this exchange of knowledge can be carried out through seminars, training and others with the aim of improving human resource capabilities so that they are competitive at the regional or global level.

The existence of ASEAN economic cooperation has a positive effect on the Indonesian population as a whole. Higher economic growth, increased employment, and sustainable technology transfer contribute to improving the welfare and standard of living of the population. In addition, this cooperation also encourages the development of strategic sectors such as the manufacturing industry, tourism, agriculture, renewable energy, and the digital sector. However, to be able to fully utilize the benefits of ASEAN economic cooperation, ongoing commitment and efforts are needed from the government and business actors in Indonesia. The government needs to continue to encourage structural reforms, simplify regulations, and improve infrastructure to increase competitiveness and investment in the country. In addition, business actors also need to adapt to market changes and take advantage of existing opportunities. In short, ASEAN cooperation in the economic sector provides various benefits for the Indonesian population. In the context of increasing the Chairmanship or ASEAN Chairmanship 2023, this cooperation will be further strengthened and provide

## CONCLUSION





Based on the results obtained, it can be concluded that as the chair of ASEAN, Indonesia can increase ASEAN's economic growth from the previous year. As the chair of ASEAN 2023, Indonesia focuses on three main aspects: regional growth development, building a digital economy, and supporting sustainable economic growth. In the economic context, these three focuses are in the spotlight. Indonesia pays attention to financial recovery and stability, progress in payment connectivity and digital financial literacy, and makes promotions related to green economic transition costs. One of the achievements in the spotlight is the collaboration between finance and health which aims to support the response to the pandemic and other emergencies in the ASEAN region. However, even though Indonesia has played an active role in encouraging ASEAN's economic growth, Indonesia also needs to consider the acceleration of deeper ASEAN economic integration, especially in terms of harmonization of regulations, product standards, and cross-country trade policies. This will increase the efficiency of intra-ASEAN trade and strengthen the region's competitiveness in the global market.

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