



Rebuilding Asia to Prosperity

Jakarta, July 3rd 2021 – Ministry of Finance of the Republic of Indonesia host the 19th World Congress of the International Economic Association (IEA). Through this forum, economists from around the world will discuss various issues including current economic challenges as result of Covid-19 pandemic. In today's session, Vice Minister of Finance Suahasil Nazara discuss ADB's latest report related to "Asia's Journey to Prosperity", with Kaushik Basu (Cornell University), Muhamad Chatib Basri (University of Indonesia), Takehiko Nakao (Former President of ADB), and Yasuyuki Sawada (Chief Economist and Director General of ADB) as moderator.

Countries in Asia are varied in term of economic structure. The structure varies due to the political situation in each country. Asia has also been one of the world's engines of growth before the Covid-19 pandemic emerged. From 1960 to 2018, for instance, Developing Asia increased in term of share of world GDP from 4,1% to 24,0%. This is supported by structural transformation as evidenced by lower output share of agriculture sector and higher output share of high value-added sectors, such as industry and services. "Structural transformation in Asia continues and has shown progress such as in the form of increasing productivity. This could happen because Asian countries could maintain economic stability as well as continues effort to invest in human capital improvement", said Vice Minister Suahasil. The World Economic Forum even predicted that in 2030, Asian economy will contribute roughly 60% of global GDP.

However, due to the pandemic, the world economy contracted, including in Asia. Therefore, Asian countries need to strategize to be able to rebuild better after the pandemic. To handle this pandemic, the availability of vaccines for everyone in the world is critical, because human resources play an important role in the economy, and is central to prosperity. "But when will the vaccine be available to everyone? This is a question because the sooner the better, the sooner we will recover. Otherwise, this recovery will be longer," said the Vice Minister.

Technology and innovation also play an important role, especially during a pandemic, almost all activities are carried out online. According to an ADB study, increased digitalization will have tremendous impact on growth, export, and employment in Asia: due to rapid digitalization, GDP will increase by more than \$1.7 trillion annually (6.1% of its 2020 baseline GDP); cross-border transactions are estimated to increase by more than \$1 trillion annually (6.8% of their regional trade in 2020); and employment in Asia is projected to increase by more than 65 million annually from the baseline levels (3.9% of the 2020 baseline employment).

Kaushik Basu agrees on how digital technology can be a ladder for rebuilding better. However, Chatib Basri warned about the phenomena of digital divide, where many countries in Asia still have limited access to technology, such as computers and the internet. Therefore, accelerating Information and Communication Technology (ICT) adoption is now one of the government top priority programs. We have been starting to invest more on the development of ICT infrastructure. In 2021 we have allocated IDR 26 trillion to build Base Tranceiver Station (BTS) in Indonesia's most remote areas, internet access in public areas, and to initiate the national digital data center.

Asia must build back better after the pandemic, especially in term of "greener" development. Takehiko Nakao agreed that there are new challenges related to climate change. In recent years, the region has turned its attention to more sustainable and inclusive growth. Both economic growth and the quality of life face threats from environmental challenges such as climate change, biodiversity loss, and environmental pollution. Growth that empowers and benefits the entire population remains a work in progress.

The congress is an opportunity to increase discussion in the economic field to a global level which will be utilized as much as possible by the Government of Indonesia, in this case the Ministry of Finance, as ideas for future policy formulation.

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