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2020 MEGATRENDS AND INDONESIA

Part 2 of 2

This column is the second of two parts. The first part ran in the April edition.

According to economist Thierry Malleret, by 2020, the six global megatrends engendering instability are: unfavorable demographics, resource scarcity, climate change, geopolitical rebalancing, indebtedness and fiscal issues, and rising inequalities. We have discussed the first three trends in the April 2013 issue of *Forbes Indonesia*.

The fourth trend is geopolitical rebalancing. Despite the popular belief that the 21st century is Asian, Asian countries have a long way to go in leading the world's geopolitics. America remains the dominant power, despite its much lower hard power due to the ongoing slow economy.

The G20 has not been showing any strong leadership and China has been a reluctant leader. Thus, the past G7 countries have been maintaining global leadership despite the sluggish economic growth. In other words, a country's economic power does not correlate to global leadership.

Whether Asia can be the dominant power is now questionable because its low-cost advantage is disappearing and post-industrialization and re-industrialization of the West are strengthening. Indonesia might well be losing momentum to lead global, or even Asia, power in the next few years due to various elements, one of which includes the high real cost of doing business here in comparison with oth-



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er Asian countries in the form of inefficiencies and poor infrastructure.

Indebtedness and fiscal issues will continue to require structural reforms in U.S., Europe and Japan. However, they may as well continue to lead the global power with their post and re-industrialization activities. Policy makers, however, will also continue to juggle the overleveraged global economy and high unemployment as the "new normal."

Countries with low debts and low dependence on exports like India and Brazil are likely to do well. Indonesia, on the other hand, may be able to sustain economic stability as long as the debt to GDP ratio is low. BKPM stated that the current ratio is 25%. Maintaining this ratio is key for a stable

economic future. However, like other statistics, its reliability is of utmost importance, to ensure public trust.

Rising inequalities is a new trend, which was recognized in 2010 by the World Economic Forum. Out of the six trends, rising inequality imposes one of the biggest risks. Throughout the world, globalization has propelled a select few with super talents and skills at the top of the totem pole. Japan and Germany have been recognized with "less harsh" equality. Indonesia, on the other hand, despite its approaching \$4,000 per capita GDP, is notorious for severe inequalities. The U.S. and U.K. with their Occupy Movement and London Riots have expressed the majority population's social anger toward top earners. Their anger stems in a multitude of unequal opportunities resulted from economic inequality.

Alas, we can't change how the world turns out in this interconnected and highly globalized complex world. We can only live prudently, observe cautiously, steer away from making simple average computations, adapt quickly, and not rely on the obsolete concept of *ceteris paribus*. The world is no longer constant and variables have become too volatile to be accounted for under an assumption of constancy.

These six trends might sound like the ending of a dystopian novel, but these are sincere warnings that we must be aware of. After all, Darwin posited that those who succeed aren't the strongest, but the most adaptive to change. 