

Globalisation & Geopolitics: Is Indonesia Out There?

If your organisation has operation beyond its home country, then understanding of geopolitics is imperative. Although geopolitical risk is something that although might seem too complex to deal with internally, it is something that should not be disregarded in your key risks bucket.

Geopolitics includes broad and complex interrelated issues such as climate change, outbreak of disease, political instability, war, conflict, and economics, which can present risks with little or no notice. Business leaders should start to include geopolitical risks into their areas of attention.



Caldara, Dario and Matteo Iacoviello, "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, January 2018

Indonesia Global Presence

In the Elcano Global Presence Report 2017, Indonesia is now considered as 'out there', participating in and shaping the process of globalisation.

There are 7 from 10 ASEAN countries that are listed in the 100 countries that have global presence.

It was noted that Indonesia, along with few other countries in East Asia as South Korea, Thailand, Vietnam and China were regarded as

emerging countries that are gaining global presence.

This remark was made based on variations of global presence index value where all countries above showed positive variations in global presence index in 2015–2016 as compared to 2012–2015.

Geopolitical Risk Flag

Political unpredictability has the ability to disrupt supply chains, affect markets, and delay achieving business objectives.

Several red flags to bear in mind include among others: Rising potential conflicts; Frequent updates to insurance terms arising from political events; Increased number of terror incidents in areas of business operations; Presences of sizeable assets in countries experiencing conflicts.

What You Can Do

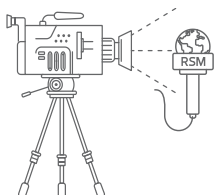
Tracking regulatory changes and mapping the organisation's exposure to geopolitical risk can help ensure an optimal geographical allocation of resources to effectively mitigate risk.

Evaluate the potential exposure on national and regional scale. Examine the capital and assets the organisation has in regions that are experiencing high levels of risk. Map the risk exposure geographically to identify trends. Identify which business processes rely on countries that are experiencing political uncertainty, and assess what risk mitigation strategies presence. You might also want to review your political insurance risk and adjust the coverage and plan to match with the changing risks in relevant countries.

	Index Value	Position
Singapore	128.8	17
Thailand	91.2	22
Malaysia	82.7	24
Indonesia	69.9	29
Philippines	26.3	52
Vietnam	22.2	56
Myanmar	5.9	88



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KEY POINTS

- Geopolitics can present risks with little or no notice.
- Political unpredictability can disrupt business.
- Mapping exposure to geopolitical risk can assist in optimising allocation of resources to effectively mitigate risk.

THE POWER OF BEING UNDERSTOOD

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