

Indonesia Cements Status as China's Top ASEAN Partner with Historic Currency Pact – EBC Financial Group Insights

With bilateral trade projected to hit USD160B in 2025, Indonesia's Yuan-Rupiah pact with China for de-dollarisation and reshapes ASEAN's financial future.

JAKARTA, INDONESIA, June 4, 2025 /EINPresswire.com/ -- As one of China's largest ASEAN trading partners, with bilateral commerce reaching USD147.80 billion in 2024, which brings a 6.1% YoY increment, Indonesia has solidified its Bilateral ties with China (Data Source: Global Times). During Chinese Premier Li Qiang's state visit ahead of the Summit of the Association

of Southeast Asian Nations (ASEAN), the Cooperation Council for the Arab States of the Gulf (GCC), and the People's Republic of China (ASEAN-GCC-China Summit), the two nations inked four new Memoranda of Understanding (MoUs)—most critically, an upgraded Local Currency Settlement (LCS) pact between Bank Indonesia (BI) and the People's Bank of China (PBOC) (source: Antara News). [EBC Financial Group \(EBC\)](#) examines how this financial MoU redefines Indonesia's economic resilience and signals a strategic shift in emerging-market (EM) alliances.

Sectoral Wins: The Foundation for Deeper Ties

The bilateral accords signed on 25 May 2025 lay a solid foundation for Indonesia's deeper engagement with China across multiple economic sectors, directly supporting the LCS framework. In trade and tourism, Indonesia anticipates welcoming nearly 2 million Chinese visitors in 2025 through streamlined visa policies and improved payment systems (Data Source: Bloomberg Technoz). This tourism expansion aligns with significant supply chain developments, including a USD5 billion commitment for twin industrial park development that will generate over 100,000 jobs at projects linking Fujian and Batang Special Economic Zone (SEZ). Beyond trade, the agreements foster soft power through joint TB vaccine research and Antara-Xinhua



Indonesia cements its position as China's top ASEAN partner with USD147.8B bilateral trade in 2024, strengthened by a historic Yuan-Rupiah currency pact.

media collaboration, strengthening people-to-people connections.

The LCS Breakthrough: Financial Sovereignty in Action

The BI-PBOC agreement expands direct Rupiah-Yuan use to capital accounts transactions, comes with three strategic advantages. First, it creates a powerful trade shield - with bilateral commerce reaching USD147.80 billion in 2024 that brings a 6.1% YoY increase and is projected to exceed USD160 billion in 2025 as Indonesia solidifies its rank as one of China's biggest ASEAN partners, among Vietnam and Malaysia. The LCS framework eliminates costly USD conversions for Indonesian exporters of key commodities like palm oil and nickel. Second, it provides BI with better rate cut buffer by leveraging the 5.3% of reserves already held in Yuan, the central bank gets more flexibility to ease policy without destabilising the Rupiah. Lastly, this breakthrough unlocks strategic BRICS+ initiatives, granting Indonesia access to New Development Bank (NDB) funding that could accelerate President Prabowo's ambitious USD20 billion infrastructure agenda while reducing reliance on dollar-denominated debt.

"This isn't just about cutting transaction fees—it's a recalibration of Indonesia's financial DNA," says David Barrett, CEO of EBC Financial Group (UK) Ltd. "By enabling Yuan-backed trade and investment flows, BI is building a hedge against Fed policy shocks."

ASEAN's New Template: Unity Amid Global Realignments

Indonesia's recent currency pact mirrors regional momentum, with China-ASEAN trade surged to 2.38 trillion Yuan (approximately USD330B) where the combined trade from January until April 2025, shows a 9.2% YoY increment. The upgraded China-ASEAN Free Trade Area (CAFTA) 3.0 underscores a commitment to deeper economic integration, encompassing sectors like digital and green economies. This development offers ASEAN nations alternative trade pathways amid global uncertainties. Furthermore, the ASEAN-GCC-China Summit in Kuala Lumpur highlighted the regions' intent to bolster economic ties and explore diversified financial collaborations. While not explicitly a "post-dollar" strategy, the summit signifies a collective move towards more resilient and diversified economic partnerships. As Barrett notes, "Indonesia is crafting a blueprint for monetary diversification. The Local Currency Settlement (LCS) deal illustrates how mid-sized economies can reduce overreliance on a single dominant currency, balancing regional cohesion with global standards."

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