

TRIGGERING A SUSTAINING ACCELERATION
OF INDONESIA'S ECONOMIC GROWTH IN
A NEW EAST ASIAN ECONOMIC GEOGRAPHY

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RECENT DEVELOPMENTS

COMPARATIVELY FAVORABLE GROWTH OF A LITTLE OVER 4% IN 2009, BUT SLOW INVESTMENT

CONSUMPTION DRIVEN ON DEMAND; AGRICULTURE, TELECOMMUNICATION, ISIC 38 AS LEADING SECTORS, WEAK MANUF OVERALL

BELOW TARGET INFLATION: WEAKER DEMAND, STRONGER IDR, LOWER INTERNATIONAL PRICES

MODEST CURRENT ACCOUNT AND CAPITAL SURPLUSES, INCREASE IN RESERVES

HIGH UNEMPLOYMENT, LARGE VULNERABLE EMPLOYMENT

GLOBAL RECOVERY 2010

MACROECONOMIC POLICY PROFILE
REMAINS STIMULATING

GROWTH-REBALANCING THROUGH
STIMULUS IMPACT POSITIVELY ON
GLOBAL TRADE

RISKS OF A WORSENING CURRENCY
MISALIGNMENT FOLLOWING THE
YUAN-DOLLAR PEG

REGIONAL INTEGRATION AND
COOPERATION IN EAST ASIA: BILATERAL,
SUBREGIONAL, PLURILATERAL, PAN-EA

ALL EAST ASIAN ECONOMIES GROWING
AT POSITIVE RATES, NOTABLY
CHINA, INDIA, VIETNAM

PULL FACTORS FROM RECOVERING
EAST ASIA AND TO A LESSE EXTENT
ALSO OECD EUROPE AND NORTH
AMERICA AND SOME EMERGING
ECONOMIES



RELATIVELY WIDE ROOM FOR
FISCAL AND MONETARY POLICY
MANEUVRE;
DEMOCRATIZATION AND
DECENTRALIZATION DIVIDEND;
WEAK LAW ENFORCEMENT
AND STRUGGLE AGAINST
CORRUPTION



STRONGER GROWTH RATE OF CLOSE TO 6%
IN 2010 DRIVEN BY RECOVERING TRADE, GOVERNMENT
CONSUMPTION AND HOUSEHOLD
CONSUMPTION; INDONESIANS ARE UPBEAT

MEDIUM TERM OUTLOOK ?

THE CORE CHALLENGE:

CATCHING UP WITH EAST ASIA
THROUGH REDISCOVERY OF MANUFACTURING
AS THE LEADING SECTOR RECOGNIZING THE
NEED FOR JOB CREATIONM AND A RELATIVELY
LOW TRANSNATIONALITY INDEX

THE EMERGING POST-NEOLIBERALISM

DECELERATION OF LIBERALIZATION AND PRIVATIZATION

RISK OF REBALANCING COMBINE WITH LATENT PROTECTIONIST SENTIMENTS

EXIT STRATEGY OUT OF THE RECENT PUBLIC DEBT EXPLOSION

INTRUSIVE REGULATIONS ON CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

REDISCOVERY OF SOCIAL PROGRAMS

EAST ASIAN INTEGRATION

NEW TECHNOLOGIES

NEW GEOGRAPHY OF GROWTH
CENTERED ROUND EAST ASIA

CONFLUENCE OF CRISES: FOOD,
HEALTH
FOSSIL FUEL, FRESH
WATER, ETC

DEMOGRAPHIC DIVIDEND FOR
INDONESIA: AGING JAPAN,
CHINA, KOREA

MATURING MANUFACTURING
OF CHINA, NOTABLY EASTERN
COASTAL CITIES

INTERNATIONAL GOODWILL

GREAT OPPORTUNITIES

LOCATION ADVANTAGES OF INDONESIA

PROXIMITY TO EAST ASIA'S SUPER CITIES WITH
UPSCALEABLE LINKS

COMPARATIVELY FAVORABLE NATURAL CAPITAL
AND YOUNG, MORE HEALTHY, BETTER EDUCATED
LABOR FORCE PARTICULARLY ON JAVA AND A FEW
CITIES ON SUMATRA, SULAWESI, AND KALIMANTAN

MATURING DEMOCRATIZATION AND
DECENTRALIZATION

RECOGNITION OF ENTREPRENEUR AS RESPECTABLE
STATUS OF EMPLOYMENT

WEAK POINTS AS LOCATION

**BOTTLENECKS IN PHYSICAL INFRASTRUCTURE:
ELECTRICITY, TRANSPORTATION AND ICT**

SPEED AND COSTS OF DOING BUSINESS

PERENNIAL LABOR ISSUES

HIGH UNCERTAINTY ABOUT LAW ENFORCEMENT

**UNFAVORABLE HUMAN CAPITAL RELATIVE
TO NEIGHBORS IN EAST ASIA**

CATALYSTS OF ADJUSTMENTS

SPECIAL ECONOMIC ZONES AS WAYS OF ACQUIRING
BEST PRACTICES, CAPITALIZING ON CONVERSION OF
EXISTING INDUSTRIAL ZONES

PUBLIC SERVICE CHANGE MANAGEMENT PROGRAM
IN SELECTED DISTRICTS THAT SERVE AS CENTRES OF
MANUFACTURING

MAJOR INCREASES IN PUBLIC SPENDING ON HUMAN
CAPITAL: HEALTH, EDUCATION, ENTREPRENEURSHIP

POLICY MEASURES IN FAVOR OF CRISIS-RIDDEN
SECTORS: FOOD, ENERGY, ELECTRICITY, TRANSPORTATION
AND TELECOM INFRASTRUCTURE