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

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

MODEST CURRENT ACCOUNT AND CAPITAL SURPLUSES, INCREASE IN RESERVES

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

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

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

PULL FACTORS FROM RECOVERING EAST ASIA AND TO A LESSER EXTENT ALSO OECD EUROPE AND NORTH AMERICA AND SOME EMERGING ECONOMIES
MEDIUM TERM OUTLOOK ?
THE CORE CHALLENGE:

CATCHING UP WITH EAST ASIA THROUGH REDISCOVERY OF MANUFACTURING AS THE LEADING SECTOR RECOGNIZING THE NEED FOR JOB CREATION 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
GREAT OPPORTUNITIES

- EAST ASIAN INTEGRATION
- NEW TECHNOLOGIES
- NEW GEOGRAPHY OF GROWTH CENTERED AROUND EAST ASIA
- CONFLUENCE OF CRISIS: FOOD, HEALTH, FOSSIL FUEL, FRESH WATER, ETC
- DEMOGRAPHIC DIVIDEND FOR INDONESIA: AGING JAPAN, CHINA, KOREA
- MATURRING MANUFACTURING OF CHINA, NOTABLY EASTERN COASTAL CITIES
- INTERNATIONAL GOODWILL
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