



Comments:
Basri & Rahardja on
Indonesia Navigating Beyond Recovery:
Growth Strategy in an Archipelagic
Country

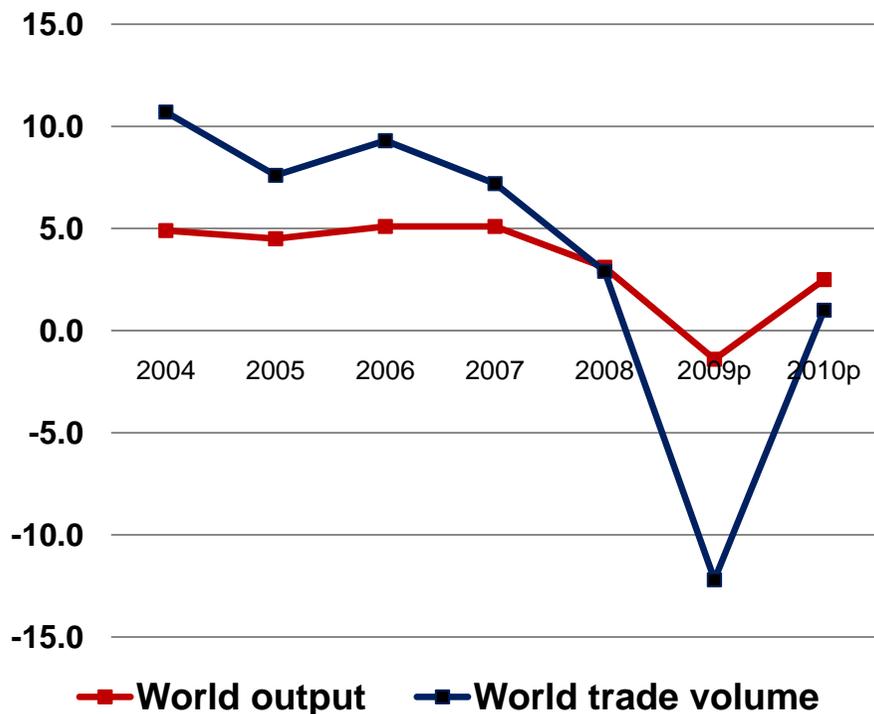
Kiichiro Fukasaku
Head of Regional Desks
OECD Development Centre

OECD/ECO Seminar

Paris, 24 September 2009

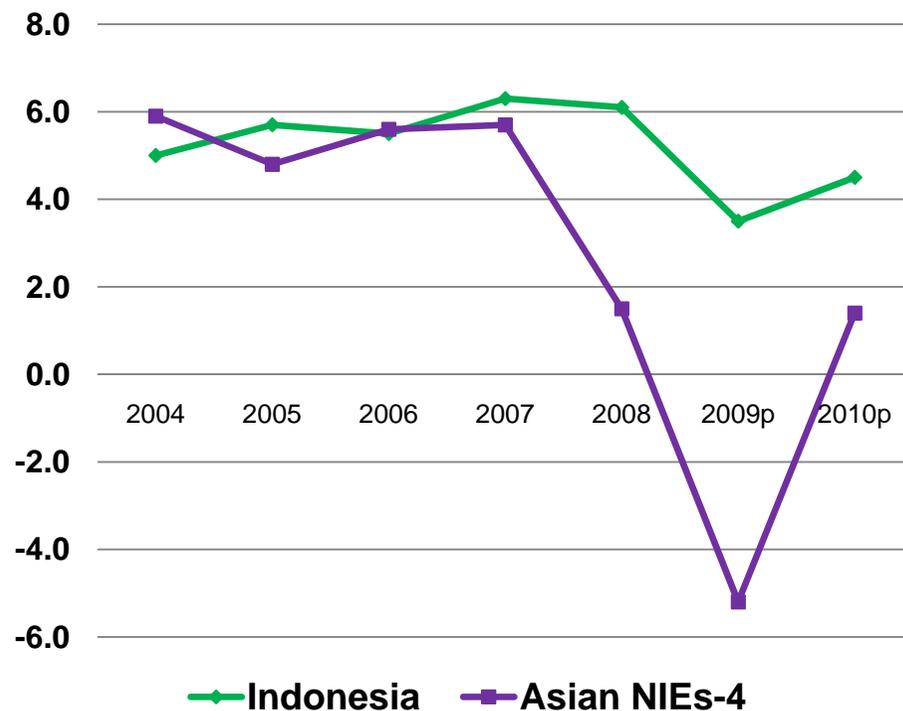
The crisis hit Asia through trade links

Global Recession in 2009



Note: Annual percentage change in world real GDP and world trade volume in goods and services
Source: IMF

Different Growth Trends



Note: Annual percentage change in real GDP
Source: IMF

Asia's growth prospect is changing fast for the better

- From largely a bystander (until 2008/Q2) to a crisis-hit region (growth in 2008/Q4 was one of the worst in post-war history) and then to V-shape recoveries (2009/Q2).
- Over the past few months the recovery of economic activity is gaining momentum.

In China, real GDP is estimated to have risen by over 14 % (seasonally-adjusted annual rate) in the second quarter 2009 (OECD Economic Outlook Interim Assessment, 3 September 2009).

As for Indonesia, ADB has revised upwardly its real GDP growth from 3.6 % to 4.3 % in 2009 and from 5.0% to 5.4 % in 2010 (Asian Development Outlook 2009 Update, 22 September 2009).

Indonesia: Positive News

- Economic growth in the 1st half of 2009 was 4.2 % on a yearly basis.
- The Jakarta Stock Market Composite Index is the world 2nd best performer this year in US \$ terms (next to Brazil). It has more than doubled since the end of 2008.
- The rupiah has recovered its loss over the past year (9720 rupiah/\$ on 16 Sep 2009, compared to 9,400 a year ago).
- Policy continuity is expected as a result of the July presidential election.

Basri & Rahardja Paper

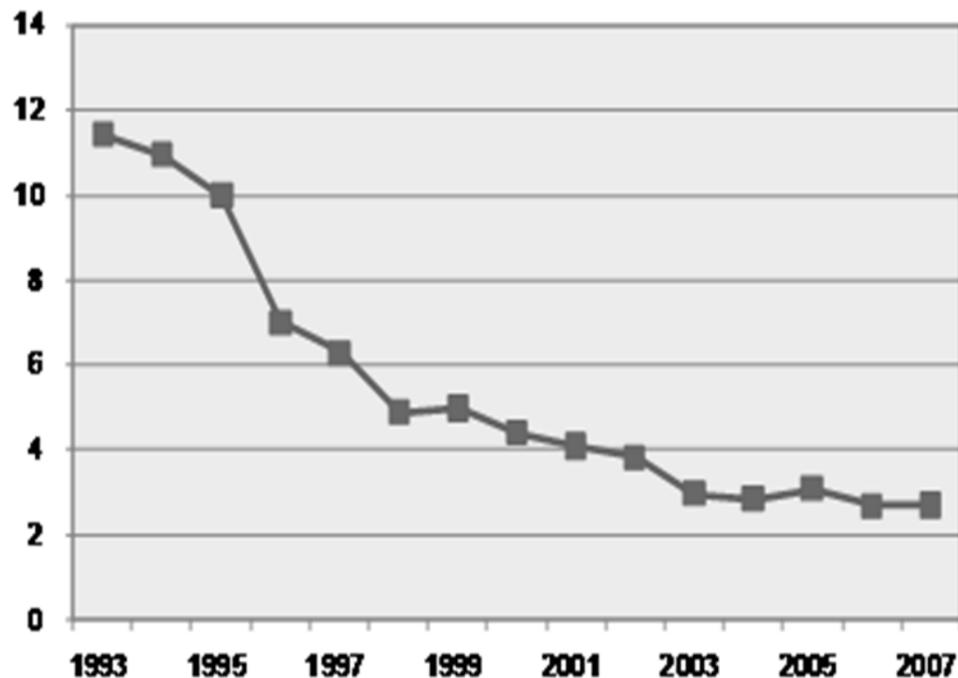
1. The Indonesian economy has proven to be more resilient to external shocks than its neighbours. Why?
2. National characteristics and integration into international production sharing
3. Rebalancing export orientation and domestic market integration
4. Getting reform priorities right from the political economy perspective

Some questions need to be addressed

1. Fiscal consolidation and exist strategy
2. The export shock is much larger than the demand shock in Indonesia (VAR analysis) - volatility in the external sector
3. Orientation of export specialisation and deeper regional integration
4. Improve transportation and logistic infrastructure (how to finance?)
5. Improve “soft” infrastructure” (labour regulations, business environment and anti-bribery code) at the local level
6. Transition to a low carbon economy (not dealt with in this paper)

ASEAN is Moving towards Deeper Integration

Progress in Tariffs Reduction Average tariff rate under AFTA (%)



Source: ASEAN Secretariat

- 1992 - ASEAN Free Trade Area
- 1995 - ASEAN Framework Agreement on Services
- 1996 - ASEAN Industrial Cooperation
- 1997 - ASEAN Vision 2020
- 1998 - ASEAN Investment Area
- 2000 - Initiative for ASEAN Integration
- 2003 - Bali Concord II
- 2004 - Vientiane Action Plan
- 2006 - ASEAN Economic Community to be brought forward to 2015
- 2008 - ASEAN Charter
- 2009 - Roadmap for the ASEAN Community (2009-2015)

Sub-regional Economic Integration and Cooperation





Thank you

Southeast Asian Economic Outlook 2010

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