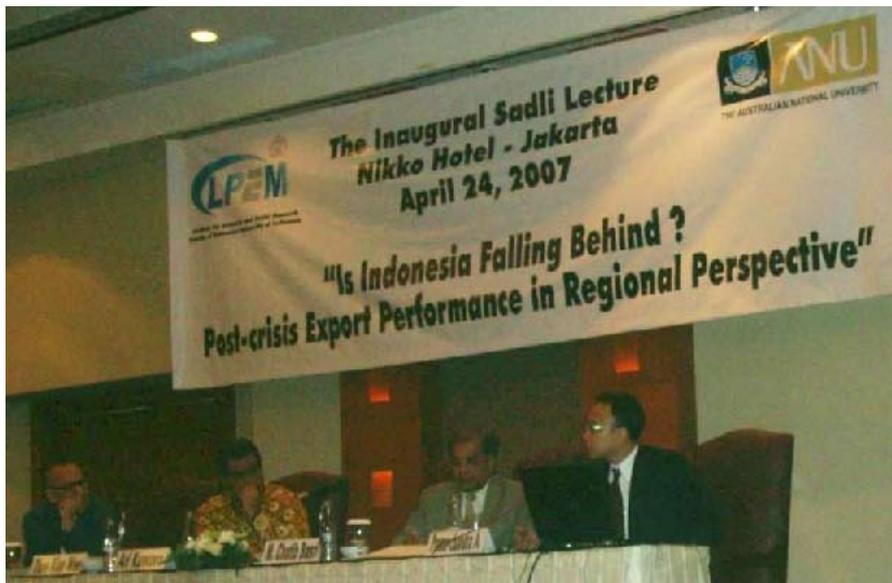


# INDONESIA PROJECT NEWS

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## Highlights



### Sadli Lecture

On April 24, The Institute of Economic and Social Research (LPEM), University of Indonesia in cooperation with the Project, held the inaugural lecture in the annual 'Sadli Lecture Series in Economic Policy'. This first lecture, 'Is Indonesia Falling Behind? Post-crisis Export Performance in Regional Perspective', was given in Jakarta by Prema-chandra Athukorala from the Australian National University.

Thee Kian Wie *Indonesian Institute of Sciences (LIPI)*, Ari Kuncoro *Institute of Economic & Social Research (FEUI)*, University of Indonesia, Prema-chandra Athukorala *ANU*, M Chatib Basri (*FEUI*)

### Other Highlights

On March 6, the Project hosted a meeting of senior Indonesian Ministry of Finance officials, led by Anggito Abimanyu, Head of the Finance Policy Office, Ministry of Finance, to discuss possible areas of cooperation in research and the potential for setting up a policy dialogue group.

On March 22, Chris Manning gave a presentation, 'The Employment Problem in Indonesia', to senior staff and advisors to the Coordinating Ministry, Bappenas (the Planning Agency), the Ministry of Manpower and several other ministries and international agencies, hosted by the Coordinating Minister of Economic Affairs, Boediono, and the Minister of Trade, Mari Pangestu.

Congratulations to three academics associated with the Project, Ed Aspinall, Hal Hill, and Greg Fealy who were all successful, together with Indonesian research collaborators, in the April round of Australia-Indonesia Governance Research Partnership awards in 2007.

## Core Activities

### The Bulletin of Indonesian Economic Studies (BIES), April 2007

The new survey of recent developments, by **Thomas Lindblad** and **Thee Kian Wie**, reports continued acceleration of Indonesia's economic growth rate, together with exchange rate stability, relatively low inflation and declining interest rates. There has also been a surprising jump in the growth of investment spending—despite slow progress with economic reform. The authors also draw attention to the seemingly forgotten issue of financial stability.

A review of the oil and gas and mining sectors indicates how the uncertain legal and regulatory environment is holding back investment and growth. More positive developments are reported for manufacturing, although growth rates are still well below those achieved in the late 1980s and early 1990s. The survey also reports on a second infrastructure summit, and discusses the debate on causes of the recent rise in poverty, emphasising the importance of policies that help or hinder the poor.

Also in the same April issue, **Blane Lewis** writes about the practice of lending by multilateral aid agencies to regional governments, usually to finance local public infrastructure such as water supply facilities. Lewis argues that while there is scope for significant expansion of 'on-lending,' many sub-national governments will need to be persuaded to become involved. On-lending will also be greatly constrained by its restriction to borrowers with no loans in arrears, and the author criticises the multilateral agencies for their past lack of concern about whether borrowers have repaid their loans.

As part of a series focusing on economic legislation, a paper by **Chris Manning** and **Kurnya Roesad** notes how the government recently backed away from its attempt to amend the Manpower Law of 2003, even though articles of the law appear to make the fulfilment of the president's promise to reduce unemployment and poverty more difficult.

The paper by **Jay Rosengard**, **Richard Patten**, **Don Johnston** and **Widjojo Koesoemo** looks at microfinance institutions owned by sub-national governments, and the affect of changes to banking law and regulations. Legislative and regulatory changes have increased minimum capital requirements. As a

result, small financial institutions have had to merge into larger, centralised entities. The authors advocate introducing a law specifically for microfinance institutions. They favour continued government ownership of such institutions, in the absence of private sector interest in operating at village level.

The April issue of the BIES also includes a review of an unusually large and valuable five-volume collection of 60 years of essays by Indonesians on economic issues in post-colonial Indonesia. Other book reviews cover publications on the delicate Australia-Indonesia bilateral relationship, liberalisation and growth in Asia, US-ASEAN free trade arrangements, Asian bond markets, historical dimensions of demographic developments in South Sulawesi, rural urban migration, and contemporary conflict in Indonesia.

### The Indonesia Study Group

Eight Indonesia Study Group meetings were held in the first four months of 2007. Ed Aspinall (ANU) gave a fascinating insight into politics in Aceh in the wake of the major success of the Aceh Independence Movement (GAM) in the elections for Governor and District Heads. Peter McCawley (Visitor, ANU), asked whether Indonesia is falling behind in the multilateral aid world, and Pierre van der Eng (ANU) discussed the less favourable climate for Japanese investment in Indonesia since the crisis.

Human rights developments, especially with reference to Papua and child welfare and protection, were the topics of addresses by Charmain Mohamed (Human Rights Watch) and Sharon Bessell (ANU) respectively. Talks to the group also dealt with historical topics, including the origins of the name 'orangutan' (Robert Cribb, ANU), and segregation of the ethnic Chinese in Java from a standpoint of language (Francisca Handoko, PhD candidate, ANU)

## Other Activities

### Workshops, Seminars and Conferences

The Sadli lecture series (see Highlights) is a major new initiative. The aim of the lecture series is to broaden understanding and stimulate debate among students, academics and policy makers of the key economic policy challenges faced by Indonesia, drawing on the experience of neighbouring countries. It is named in honour of one of Indonesia's most influential commentators on economic affairs over the past 40 years, Mohammad Sadli. It is based on

a commissioned paper on Indonesia in comparative economic perspective, published each year in the August number of the *Bulletin of Indonesian Economic Studies*.

The 2007 lecture was opened by Trade Minister Mari Pangestu and the discussion chaired by Thee Kian Wie with M Chatib Basri and Ari Kuncoro as discussants. It was attended by approximately 100 prominent Indonesians, international experts/advisors (including Australian government representatives/advisors), researchers and students. Robust discussion dealt with implications for economic policy of slow export growth for Indonesia (for example, a devaluation of the rupiah versus efforts towards more earnest attempts at economic reform).

Following the Sadli lecture, Prema-Chandra Athukorala and Chris Manning gave public lectures on 'Product Fragmentation in East Asian Trade and its Implications for Indonesia' in Bandung on April 25. (See photo below) The lectures, held on April 25, were sponsored jointly by the Center of Economic Development Studies (CEDS), University of Padjadjaran, Bandung, and the Indonesia Project, and were attended by a lively audience of approximately 75 lecturers, students and several policy makers.

Several staff gave presentations abroad on Indonesian topics. Ross McLeod made a presentation on 'Doing Business in Indonesia: Legal and Bureaucratic Constraints' at a seminar in Paris on 24 March on the theme 'Legal transition in Southeast Asia', and on 'Public Sector Reform in Indonesia' at a conference at The Hague on 25-27 April entitled 'Indonesia and the Netherlands: Past and Future Of Bilateral Relations'.

Hal Hill gave a paper on Indonesia since the crisis (at Doshisha University in Kyoto) and Chris Manning on international migration at the International Center for the Study of East Asian Development (ICSEAD). Back home, Chris Manning gave a talk on April 4 to the Canberra Branch of the Economics Society on the political economy of labour reform in Indonesia.

## Briefings and Meetings

The meeting with the Ministry of Finance officials (see Highlights) was also attended by Fuad Rahmany, the Head of the Capital Market and Financial Institution Supervisory Agency (BAPEPAM). The meeting discussed possible areas of cooperation in research on key policy issues in Indonesia and the potential for setting up an academic policy dialogue group to meet on a regular basis. The meeting was attended by staff of the Indonesia Project, the Treasury, AusAID and the Indonesian Embassy in Canberra.

As part of efforts to widen engagement with the donor community, staff of the Project gave a number of presentations to World Vision staff in March-April 2007. Ed Aspinall and Budy Resosudarmo addressed a group at World Vision in Melbourne on developments in Aceh, focusing especially on implications of the elections for peace in the province, and the pace of rehabilitation after the tsunami. Chris Manning, together with the Director of RSPAS, Robin Jeffrey, and Mike Bourke (Human Geography, ANU), briefed a meeting of World Vision leaders in Canberra on important areas of research being undertaken in the School of Pacific and Asian Studies, specially in the field of development economics and in the Pacific region, and discussed possible synergies between academic research and World Vision.

In centre: Chris Manning and Prema-chandra Athukorala (ANU). From left: Staff of Faculty of Economics, Padjadjaran University, Nury Effendi, (Vice Dean for Academic Affairs,) Armida Alisjahbana (Director CEDS), Tati Joesron (Dean Program MET), Rina Indriastuti, (Chairperson, Economics and Development Studies), Budiono, (Secretary, Program MET)



## Research Activities

The ANU awardees of research grants from the AIGRP April 2007 round (see highlights) plan to undertake research on a diverse range of topics: Acehese political developments (Ed Aspinall with O Sjamsuddin Ishak), Sjariah Law (Greg Fealy and Luthfi Makhasin) and manufacturing employment (Hal Hill with Donny Narjoko and Haryo Aswicahyono).

While on sabbatical, Ross McLeod will be working on a book manuscript, with the working title 'The Soeharto Franchise: Economic Policy and Progress in Indonesia before the Crisis and Beyond'.

In February 2007 Budy Resosudarmo conducted fieldwork in Bantul, Yogyakarta, for his collaborative study with Catur Sugiyanto: 'The Recovery of Small and Medium Enterprises after the May 2006 Yogyakarta Earthquake'.



Budy Resosudarmo (ANU), visiting a tempe (bean curd cake) household enterprise while conducting fieldwork in Bantul

In March, Budy Resosudarmo, Sherry (Tao Kong) and Chris Manning worked intensively with a group at Gadjah Mada University in Yogyakarta on the Indonesian household questionnaire of the China-Indonesia rural urban migration project.

Budy Resosudarmo and Chris Manning attended a seminar on future directions in Indonesian Economic policy at the Gadjah Mada Center of Public Policy on Saturday March 17 and Chris Manning gave an opening address at the Seminar. Budy also participated in an AusAID and ASEAN Secretariat workshop on Private Investment for Economic Growth in East ASEAN in Macassar, South Sulawesi, on March 5-6. At this workshop, Budy met staff from Bakti (East Indonesia

Knowledge Exchange), and they discussed possible collaboration in the dissemination of information and research findings on development in Eastern Indonesia.



Chris Manning, Budy Resosudarmo and Sherry (Tao Kong) from ANU and their collaborators from Gadjah Mada University involved in pre-field work discussions (and a nutritious Yogya meal!)

Frank Jotzo is doing research on efforts to reduce deforestation in Indonesia, which is a very large source of greenhouse gas emissions. Deforestation has received renewed attention with Indonesia hosting this year's UN climate change negotiations—Sir Nicholas Stern highlighting the issue in his report on the economics of climate change—and the Australian government's launch of a \$200 million Global Initiative on Forests and Climate. Much of that money is to be spent in Indonesia, on capacity building but also on economic incentive schemes for sustainable forestry. Frank talked about some of the issues in an interview with ABC Radio in April.

## Staff

Ross McLeod took six months Sabbatical leave from March 1 2007 and Peter McCawley, former Dean of the ADBI in Tokyo, kindly agreed to edit the *Bulletin of Indonesian Economic Studies* in his absence. Cathy Haberle returned as Administrator, from maternity leave, and we said goodbye to Karen Guest who had done a marvellous job as the Project Administrator in 2006.

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