Discussion Topics:

- Inflation
- Infrastructure
- Weak manufacturing growth
- ASEAN-China Free Trade Agreement
- Is Indonesia ready if there’s another GFC?
Inflation has increased but no sign of tightening Monetary Policy

- Government may think that the increase in inflation is just temporary because of the increase in electricity price and rice price, starting of new school year and Lebaran Festive, therefore there is no need to change Monetary Policy yet.

- News on Minister of Agriculture allowing the rice import as an anticipation of El Nino is encouraging since the previous Ministry of Agriculture was not in favor of rice import although it was necessary.

- However, it is still not clear whether this is a sign of a change in the mind set on food security or it’s just an ad-hock policy for El Nino anticipation.
Infrastructure

- Spending more in infrastructure project is not sufficient to improve infrastructure condition.
- There are some institution issues behind the lack of private participation in infrastructure project:
  - **Land clearing issue:** sometimes we can find a house standing in the middle of toll road in Indonesia because of land clearing issue.
  - Private sector will be willing to participate if there is **certainty** on their investment for example on risk guarantee.
Weak Manufacturing Growth

- Weakening of manufacturing growth happened not only in Indonesia, it’s caused by the **declining in investment** because of limited availability of funds.

- In the new production and trade pattern, i.e. global production network, investment in manufacturing sector not only depend on **comparative advantage** (labor cost, quality of labor, technological capacity) but also on other factors outside firms such as transportation, communication, infrastructure, trade liberalization which is known as **service links**.

- With **weak service links in Indonesia**, the growth of manufacturing sector in Indonesia is weaker compares to other ASEAN countries.
ASEAN-China Free Trade Agreement

- In the paper, increase of imports happened after the implementation of ASEAN-China Free Trade agreement which raise concern among Indonesian observer that Indonesia’s agricultural and manufacturing sectors may not be able to compete with China’s cheap products.

- This situation should be regarded as a **challenge** for Indonesia to either increase the competitiveness of its product or to move up to more technological skilled products.

- Trade happened both ways, therefore the ACFTA is also an **opportunity** for Indonesian products to enter China big market. Not only for final products but also for **parts and components** by taking advantage of **global production network**.
Is Indonesia ready if there’s another GFC?

- Indonesian economic growth was accelerating in the last four quarters
- Is Indonesia ready if there’s another GFC in the future?
- What should government do to prepare for the next GFC?
THANK YOU