



The outlook for Indonesia's economy

Although Indonesia's economy is moving in the right direction, with the government attempting to provide a level playing field, much still needs to be done.

Tanri Abeng, the chairman of PT Telekomunikasi's supervisory board and former minister of state enterprises, told INSEAD Knowledge that while growth of four to five per cent is 'okay', it would not be sufficient to create jobs. "So we need to grow by six to seven per cent, at least, to improve employment conditions in Indonesia and we do have that potential to achieve that kind of growth."

The government does have that target in its sights, though. Among its package of measures, it is planning to allocate some 20 trillion rupiah (2.1 billion dollars) to help small and micro enterprises, who employ about a third of the country's workforce. Tanri Abeng, however, believes the government should be making infrastructure development its top priority as this has taken a back seat since Suharto's time in power, more than 10 years ago.

Red tape and endemic corruption in Indonesia have deterred would-be foreign investors for years. Telkom itself has faced corruption investigations and Abeng says institutional reform is required. The problem, he believes, lies mainly with law enforcement.

President Susilo Bambang Yudhoyono has tried to promote clean government, he says, but "the system must be in place to ensure that the due processes of

doing business, government administration, are done correctly. Before you do that you have to reform the institutions within the government, the law enforcement (agencies), the finance ministry -- because there are a lot of resources going through that -- (as well as) other ministries. So the government institutions must be reformed first because they are the ones which have to ensure that practices are in line with prescribed procedures and corruption can be controlled from (internally-managed) processes."

"Things are reasonably transparent," he told INSEAD Knowledge. "If you have issues you can openly take them up (with the authorities). Ten years ago, you had to rely on political connections. Today, you can independently go to the government and take up your case."

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