

Latif Adam

The Roles and Problems of Infrastructure in Indonesia

Abstract

This paper examines the roles and problems of infrastructure in the Indonesian economy. By using the I-O models, this paper shows that infrastructure has a relatively high output multiplier and backward as well as forward linkages to other economic sectors, suggesting that infrastructure plays an important role in driving the Indonesian economy. However, the paper also indicates that the availability of infrastructure is insufficient to support the accelerated development of the Indonesian economy. Due to limited fiscal capacity, efforts of the government to develop infrastructure has in recent years been focused on encouraging participation of the private sector through a public private partnership (PPP) program. Several actions have been taken by the government to support the program. Unfortunately, these government actions have been less successful in encouraging the private sector to involve in the development of infrastructure. This is due to the PPP has several problems, including the overlapping functions of the multiple government regulations, the absence of a viability gap fund and a government's financial guarantee for the private sector when there is a delay in developing the planned infrastructure due to several unexpected problems, poor preparation in the projects' feasibility documents for the private sector, and the low capacity and commitment of PJKP (bureaucrats) to maintain partnership. All these problems should government address to attract more private sector involvement in the development of infrastructure.

Maddaremmeng A. Panennungi

Re-emergence of the Asian Economies: Will History Repeat Itself?

Abstract

Asian economic integration has been strengthened both by market forces and agreements/cooperation among the Asian economies. This paper will emphasize the significant role of economic cooperation agreements that has strengthened Asian economic integration, especially in the M7 or "magnificent seven" economies (Japan, China, South Korea, Indonesia, Malaysia, Singapore, and Thailand) which drive the re-emergence of Asian Economies. By employing literature surveys, secondary data, and a standard GTAP (Global Trade Analysis Project) model, this study shows that the economic forces and cooperation/agreements have contributed to increase Asian economic integration with the potential to support the re-emergence of the Asian economies. Both Japan and China are the poles of integration with different patterns among the other M7 seven economies. Total trade and intra industry trade among the M7 economies have increased steadily, representing the increasing integration among M7 economies. In addition, the impact of RTAs/BTAs in the M7 economies tends to be positive in the developing M7 economies integration. Nonetheless, these cooperations/agreements have the potentials to raise the cost on the world economy.

Lana Soelistianingsih

The Indonesian Government Debt Transformation

Abstract

In terms of the sources of funds, Indonesia's sovereign debt has been transformed significantly from the East European debt crisis and the policy of printing money to finance the government budget deficit during the Soekarno era, to bilateral and multilateral schemes during the Soeharto era. Subsequently Indonesia has been actively looking for loan in the capital markets in Indonesia and the international capital markets. Yet the purpose for getting loans basically is still the same, namely to finance the government budget deficits. The debt crisis happened due to the Asian financial crisis in 1997-1998 which provided painful lesson that forced the government to turn to the second Paris Club for debt rescheduling. The establishment of a debt management office within the Ministry of Finance has become urgent needed. Since 2000 a debt management office has been established under the Ministry of Finance. This new body is not only responsible for managing the debt portfolio properly but also to raise new debts especially debt with a rupiah denomination. Greece's debt crisis is a reminder that domestic currency denomination has not made the country immune from debt solvency and sustainability problems, in particular when the debt is mostly owned by foreign investors, which is then considered as foreign debt. It could also provide a temptation for a country to raise debt in a similar fashion with the Ponzi game trap.

Shahnaz Natasha Arina

The Effect of Change in Compulsory Education on Birth Weight

Abstract

This paper examines the effect of maternal education on birth outcome measured by birth weight. Since there is a presence of endogeneity caused by a correlation between an education variable and an error term, this paper is trying to use a birth year dummy of individuals whether they were affected by reforms as an instrumental variable. Using OLS and IV methods, the finding from this research is that there is no significant effect of maternal education on affecting a birth outcome. However, an increase in the years of education results in a significant increase in the use of prenatal care during pregnancy.

Fithra Faisal Hastiadi

China-Japan-Korea's Vertical Intra Industry Trade with the ASEAN-4 Countries: Impact and Determinants

Abstract

Over the last decade, East Asian countries have experienced increased trade in parts and components. This fact has increased the importance of Intra Industry Trade (IIT) within the region. Hastiadi (2011) argues that Vertical IIT from China-Japan-Korea (CJK) to ASEAN-4 is considered as one of factors that can explain the direct relation between the increase welfare in CJK and the ASEAN-4 economic growth. This paper proves the premise by constructing an appropriate model using static panel data regression. In addition, as almost half of the globe is now rolling deep to trade integration, proper identification of ASEAN-4's export pattern is becoming an important task. To differentiate the types of IIT, this paper employs two types of calculation. The first one follows the work of Abd-el-Rahman (1991), Greenaway, Hine, and Milner (1994), and Fontagné, Freudenberg, and Péridy (1997), which mainly use a 15% threshold, the second one is based on the work of Fukao (2003) that employs 25% threshold. Should we know to which degree ASEAN-4's exports are dispersed, we could easily extract the proper policy to cope with any economic shocks.