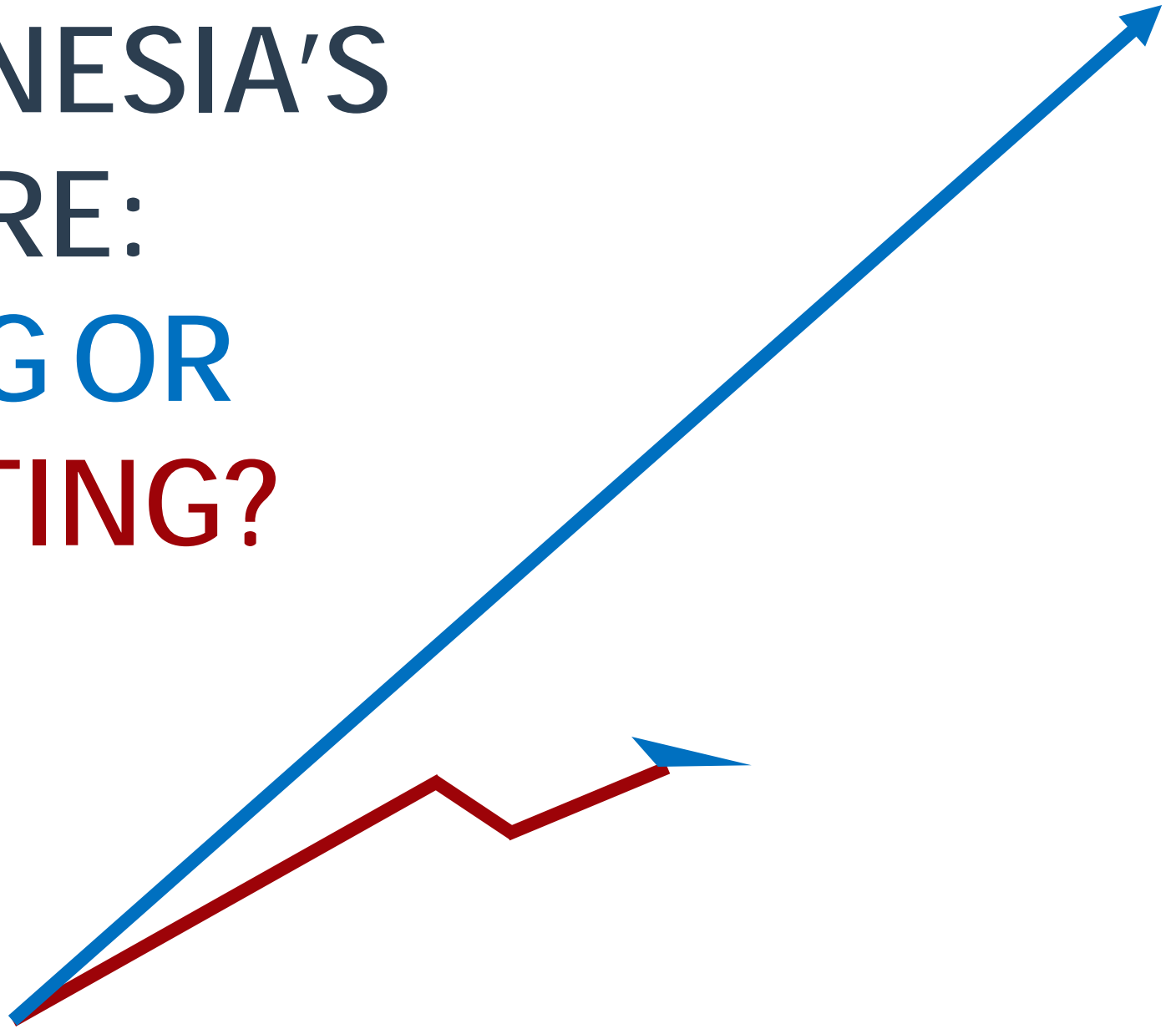




INDONESIA: AVOIDING THE TRAP

Ndiamé Diop, Lead Economist (Indonesia)

**INDONESIA'S
FUTURE:
RISING OR
FLOATING?**

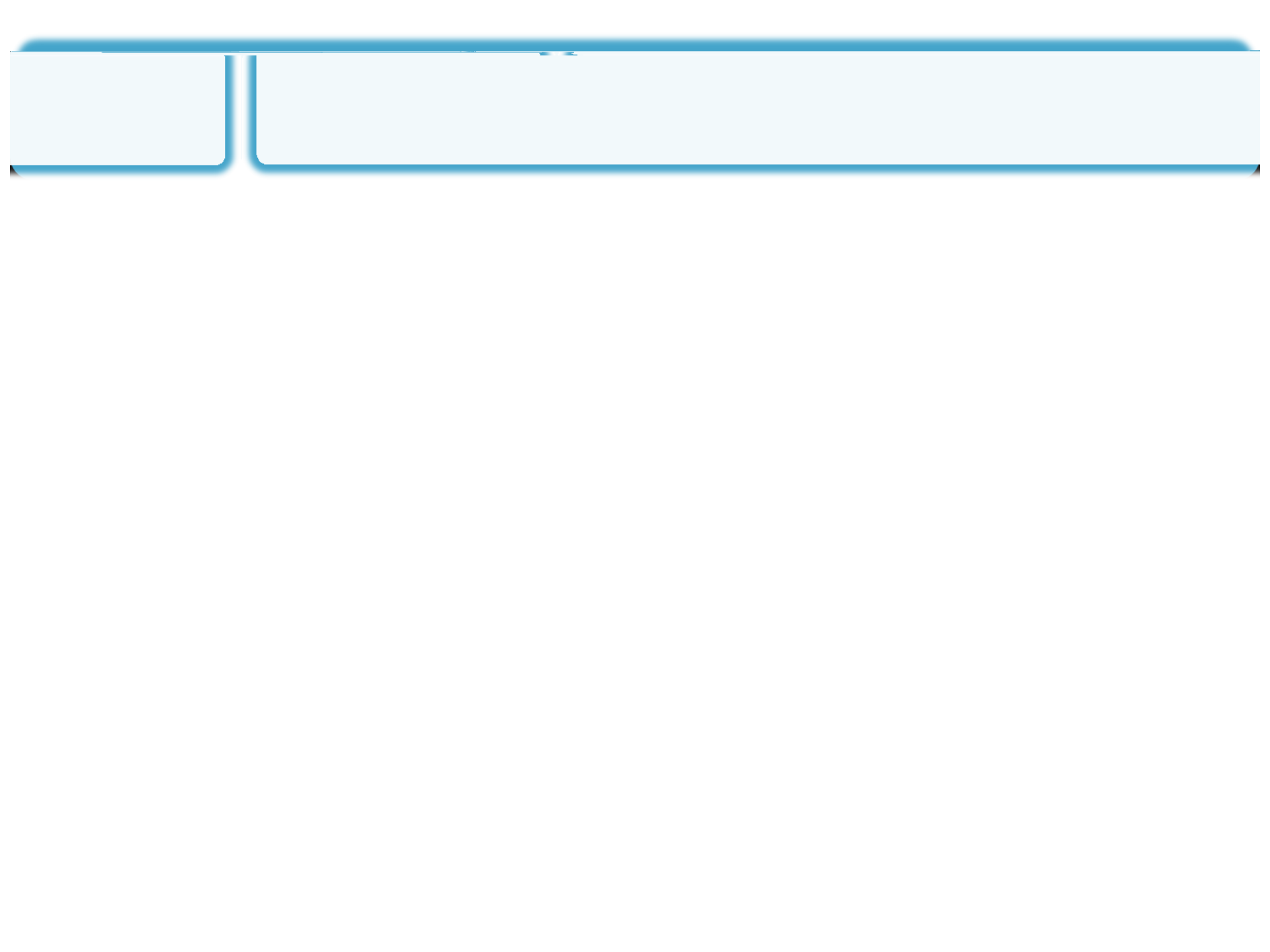


DEMOGRAPHICS

**RAPID
URBANIZATION**

**RISING MIDDLE
CLASS**





- Seven of Indonesia's top 10 export products are commodities
- Indonesia under-exports in manufacturing
 - Half of ASEAN population but only 15% of manufacturing exports
 - Thailand: 15% ASEAN population and 34% of exports
- There is a need to develop intermediate industries but this requires a lot of expertise and capital
- Despite remarkable increase, FDI inflows lower than in ASEAN peers
 - FDI inflows to Indonesia: 1.9% of GDP
 - FDI inflows to Vietnam 5% of GDP; Average Middle Income in ASEAN: 3.3% of GDP

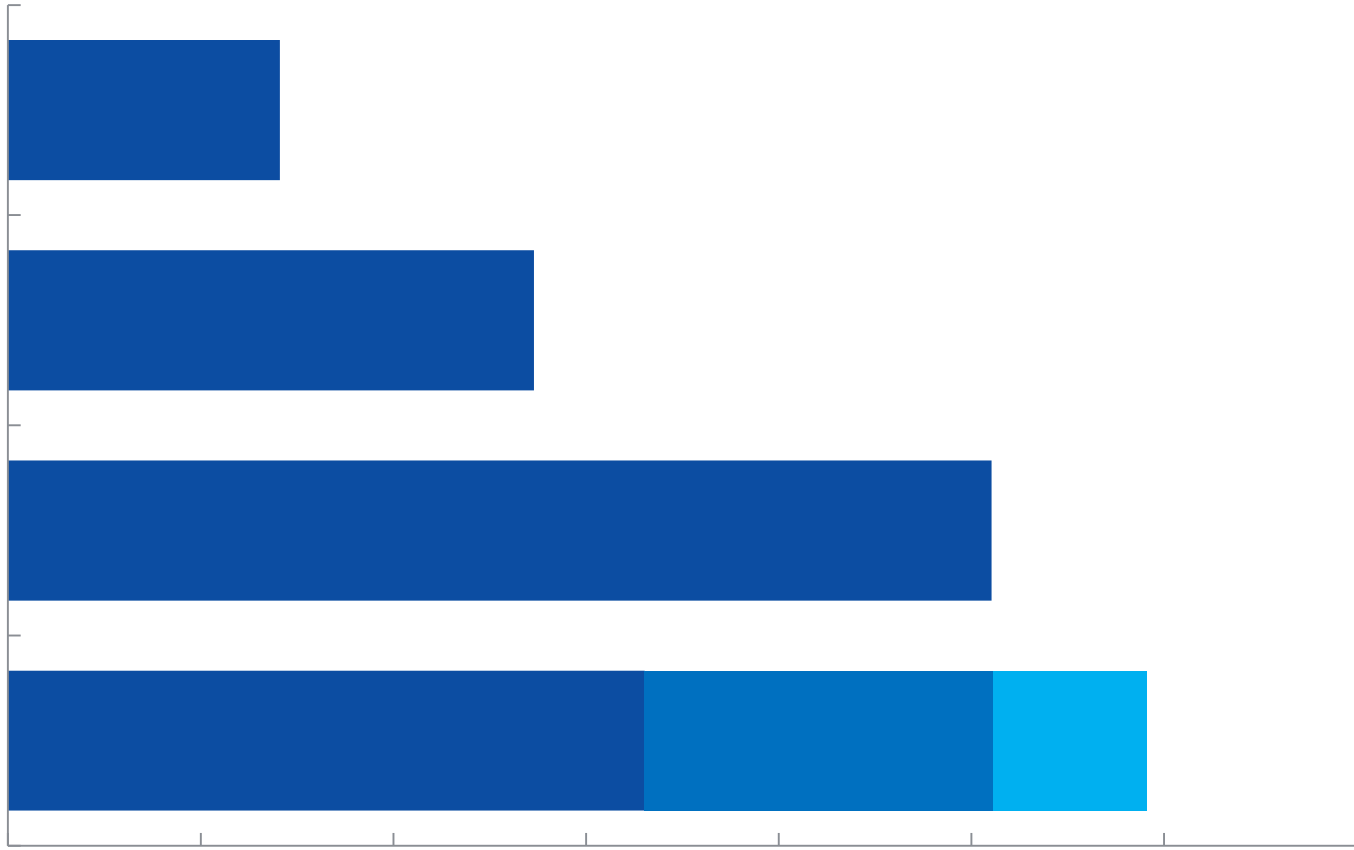




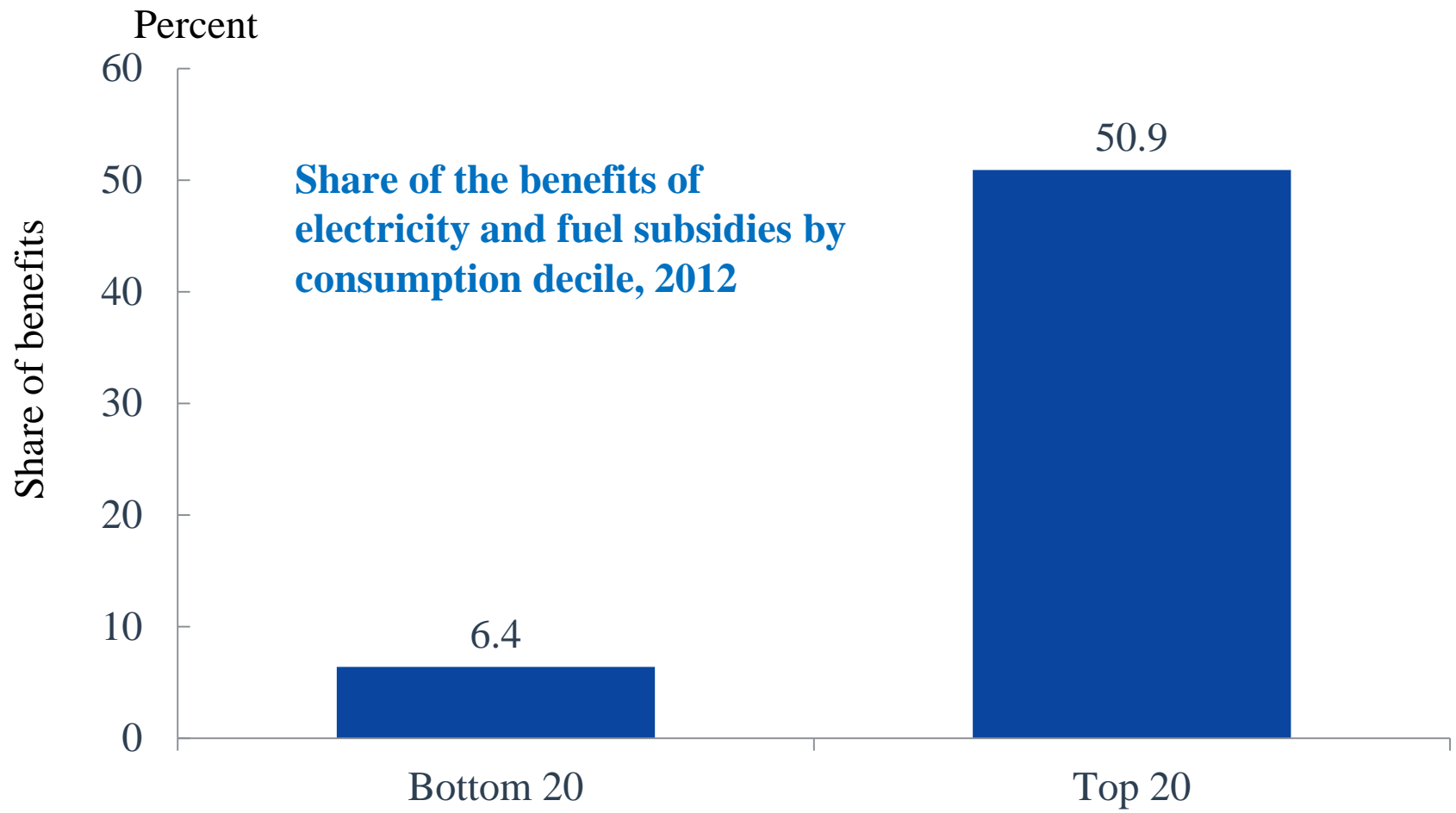
Vertical line of text on the left side of the page.



SUPPLY-SIDE REVOLUTION

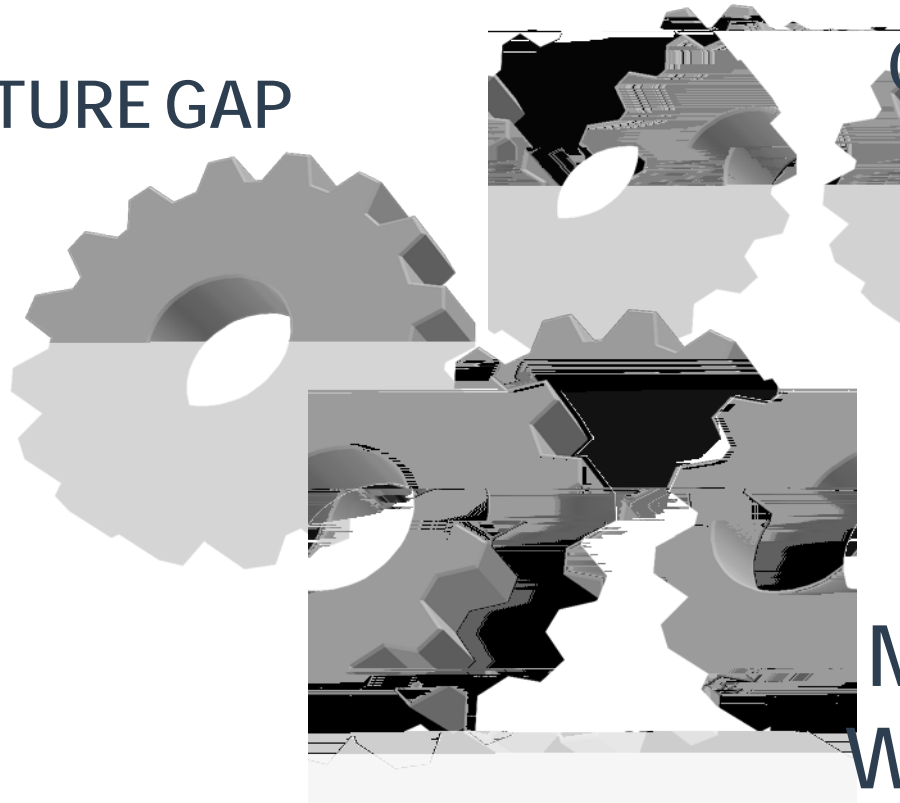


Source:



**CLOSE
INFRASTRUCTURE GAP**

**CLOSE SKILLS
GAP**



**MAKE
MARKETS
WORK FOR
ALL**





REFORM OPTIONS

A large, empty rounded rectangular box with a blue border, intended for content related to the 'REFORM OPTIONS' header.



Product markets.

Labor market.

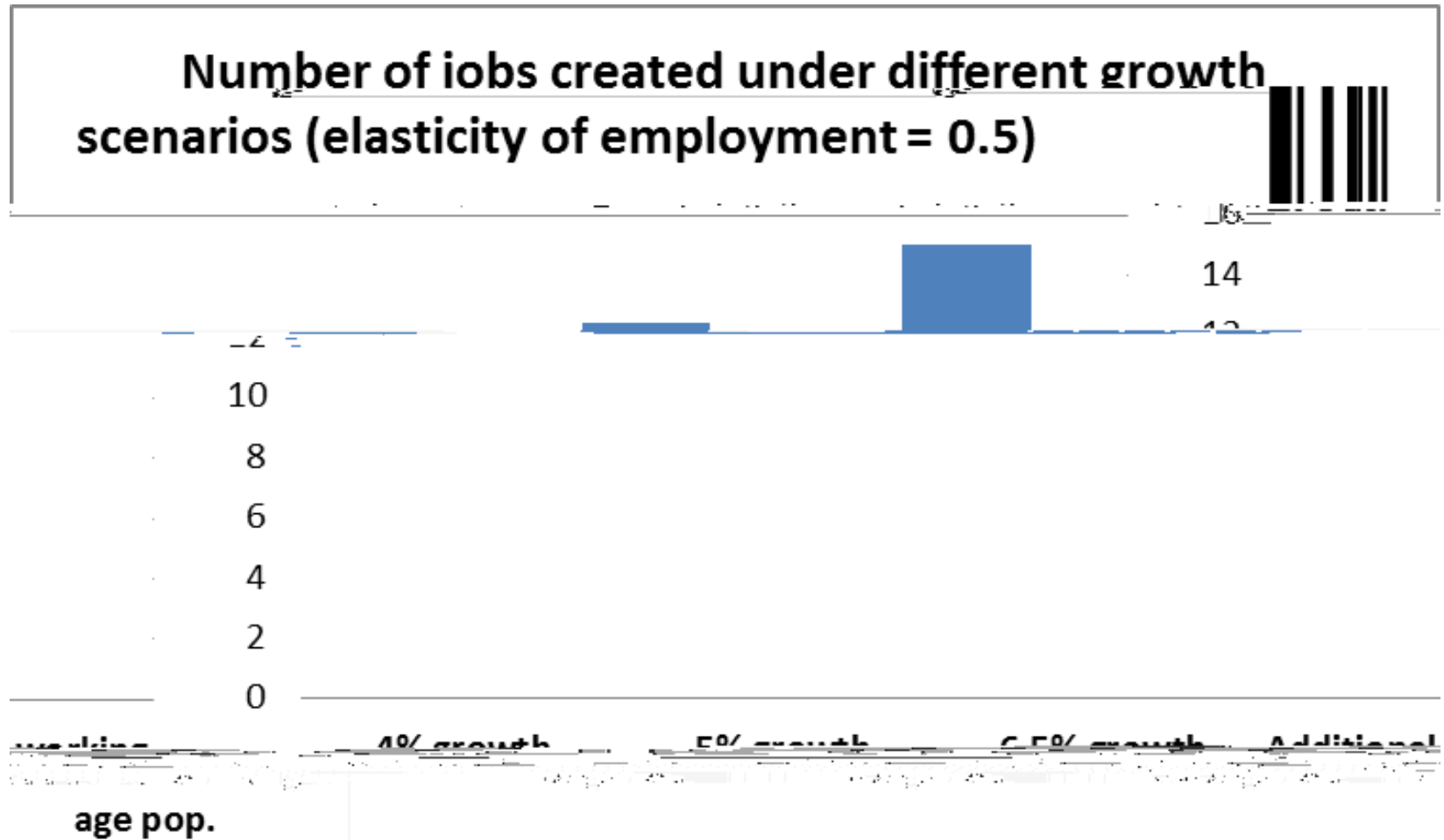
Financial market.

Land market.

REFORM OPTIONS



The difference between growing by 6.5% and 4% = millions of jobs!



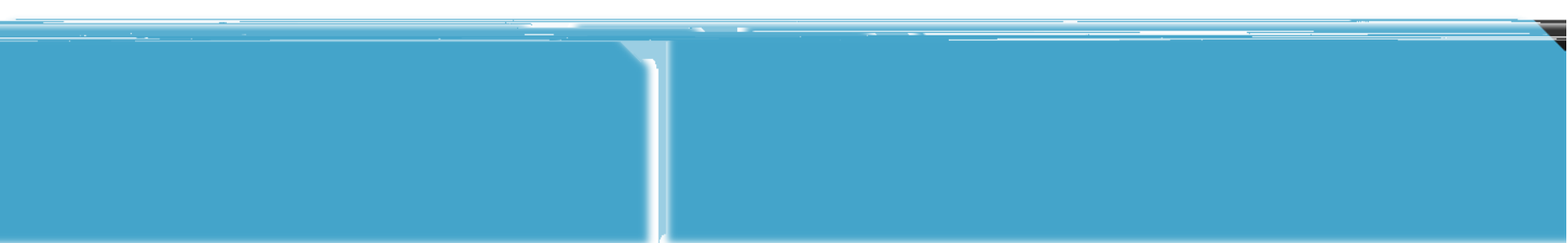
**LOCAL SERVICE
DELIVERED TO ALL**

(health, waste management,
water, sanitation)

**ENHANCED
SOCIAL
PROTECTION**



**IMPROVED
MANAGEMENT
OF NATURAL RISKS**

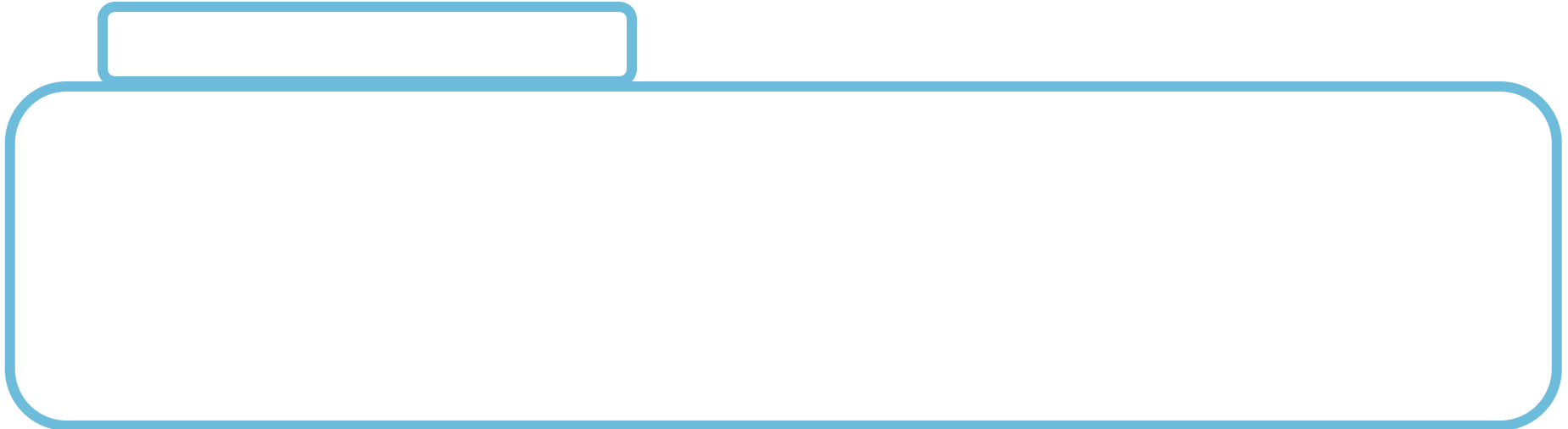


REFORM OPTIONS





REFORM OPTIONS

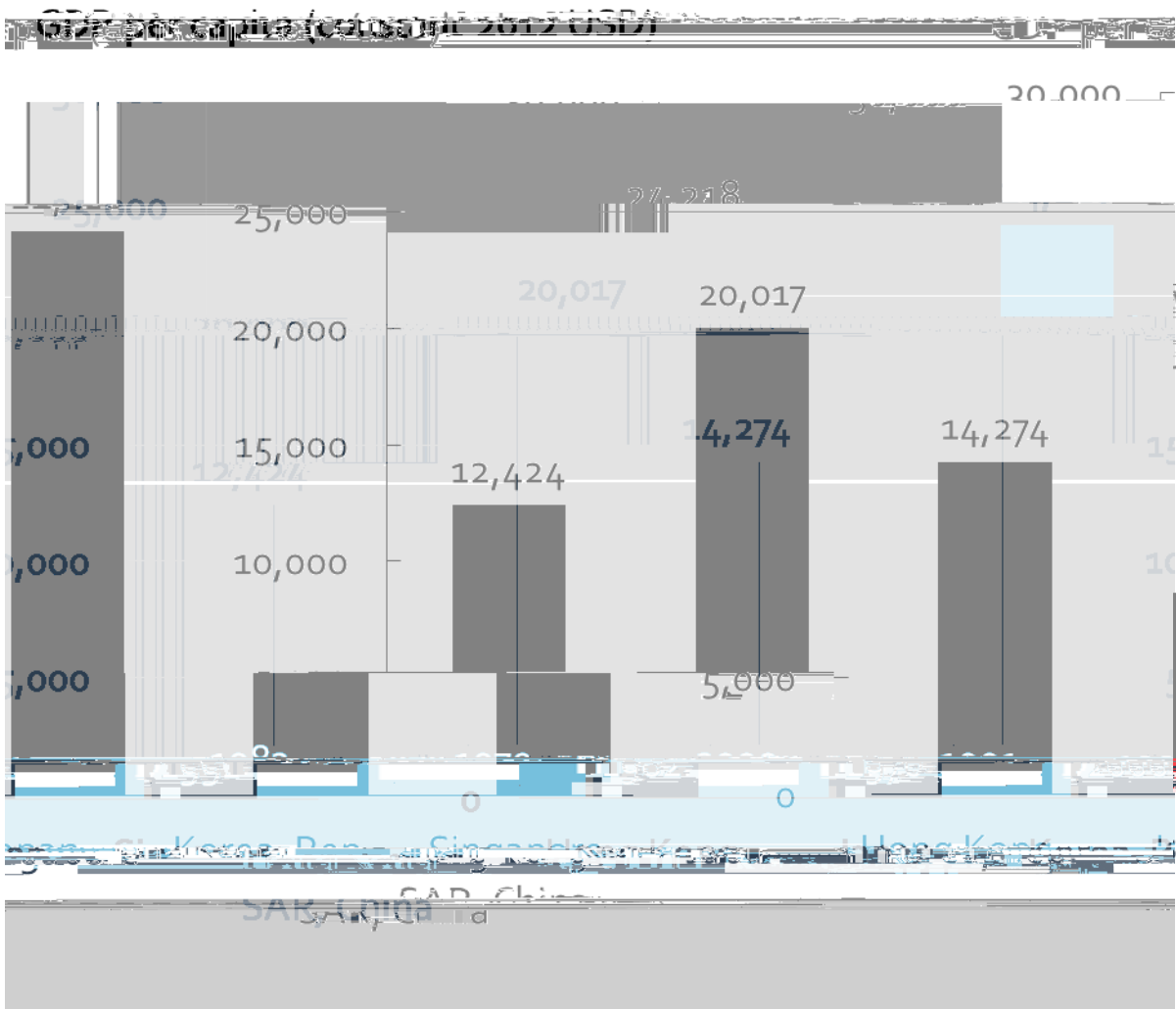








The poor and vulnerable did not benefit from past growth as well as the rich



Assuming 10 percent real GDP growth

Assuming 6 percent real GDP growth

Indonesia

