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Asia Competitiveness Institute - World Scientific Series

Annual Competitiveness Analysis and Impact Estimation of Exchange Rates on Exports from Sub-National Economies of Indonesia



**Annual Competitiveness Analysis
and Impact Estimation of Exchange
Rates on Exports from Sub-National
Economies of Indonesia**

In 2019, ACI was ranked 12th globally, 2nd in Asia, and 1st in Singapore amongst 94 think tanks worldwide under the "Best University Affiliated Think Tank" category by the Think Tanks and Civil Societies Program at the University of Pennsylvania, USA.

About ACI

The Asia Competitiveness Institute (ACI) was established in August 2006 as a Research Centre at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS). It aims to build the intellectual leadership and network for understanding and developing competitiveness in the Asia region. ACI seeks to contribute to the enhancement of inclusive growth, living standards, and institutional governance through competitiveness research on sub-national economies in Asia. It identifies mitigating issues and challenges for potential public policy interventions through close collaboration with regional governments, business corporations, policy think-tanks, and academics. ACI's three key research pillars include (I) Sub-national economies level competitiveness analysis and city-level liveability analysis; (II) Firm-level competitiveness analysis in 16 Asia economies; and (III) Singapore's long-term growth strategies and public policy analysis.

ACI's value propositions may be encapsulated in its acronym:

Analytical inputs to initiate policies for policy-makers and business leaders in Asia

Capacity building to enable others through improvement in productivity and efficiency

Intellectual leadership to create pragmatic models of competitiveness and inclusive growth

The institute's core research competencies can also be encapsulated in this acronym describing our evidence-based assessments conducted on public policies for **A**SEAN in the context of the rise of **C**hina and **I**ndia.

Vision and Mission

- ACI's over-arching vision is to build up its research credibility with policy impact, contributing as a professional, world-class think-tank.
- ACI's mission is to establish our niche as a leading policy think-tank by identifying competitiveness trends, opportunities, and challenges, as well as promoting competition and synergizing complementarities amongst Asian economies and business corporations.
- ACI endeavours to articulate sound recommendations, entice discourse, and shape agenda in the arena of public policy amongst Asian governments.
- ACI undertakes evidence-based analysis of public policy issues and decisions, in order to provide assessment of their effectiveness as well as economic and societal impact.

Research Initiatives and Collaborations

- I. Identify trends of competitiveness and policy analysis on trade and investment of ASEAN, within the regional context of competition and complementarities with China and India.
- II. Identify competitive strengths and conduct policy analysis on Singapore within the context of regional economies with international benchmarking.
- III. We are regularly releasing three indices on liveability ranking including 64 Global Cities, 100 Greater China Cities, and 17 Shandong Cities.
- IV. We have established an Ease of Doing Business (EDB) Index on Attractiveness to Investors, Business Friendliness, and Competitive Policies for 21 sub-national economies of India and 33 sub-national economies of Indonesia.
- V. We have signed Memoranda of Understanding (MoU) with The World Bank (2015), Enterprise Singapore formally known as SPRING Singapore (2014) and European Central Bank (2014). The MoU between The World Bank and National University of Singapore, coordinated through ACI, was signed in 2016.
- VI. We have signed MoUs with various institutions in Greater China economies, including Institute of Economics at Shanghai Academy of Social Sciences (2019), Institute of World Economics at Shanghai Academy of Social Sciences (2016), Shandong Academy of Social Sciences (2015), Chongqing Municipal

- People's Government (2015), China Institute for Reform and Development, Haikou (2015), Counsellors' Office of the People's Government of Guangdong Province (LOI, 2014), and Chung-Hua Institution for Economic Research, Taiwan (2015).
- VII. We have signed MoUs with seven Chief Ministers' Offices in Uttarakhand (2019), Andhra Pradesh (2018, 2017 & 2015), Bihar (2015), Chhattisgarh (2015), Madhya Pradesh (2015), Odisha (2015), and Punjab (2015).
- VIII. We have signed a MoU with Committee for Acceleration of Priority Infrastructure Delivery at Coordinating Ministry for Economic Affairs, Indonesia (2016), Indonesia Investment Coordinating Board (2014), Indonesian Agency for Agricultural Research and Development at Ministry of Agriculture (2014), Indonesian President's Delivery Unit for Developing Monitoring and Oversight (2013), and Employer's Association of Indonesia (2013).
- IX. We have signed MoUs with Asian think-tanks and institutions, including Institute of Economic Growth, India (2018), Vietnam Chamber of Commerce and Industry, Vietnam (2016), Centre for Strategic and International Studies, Indonesia (2015), Institute of Strategic & International Studies, Malaysia (2015), Philippine Institute for Development Studies, the Philippines (2015), Thailand Development Research Institute, Thailand (2015), and Central Institute for Economic Management, Vietnam (2015).

About ACI's Research Pillars

ACI has consciously engaged in economic research that has significant relevance to Singapore and the Asian region. Over the years, ACI has focused on our expertise in quantitative competitiveness analysis and simulation, spinning off volumes of research output in the applications of our methodology and regional insight. At this stage, ACI has identified three core research pillars that will guide and define its research efforts moving forward. The three research pillars are as follows:

Pillar I. Sub-national Economies Competitiveness Analysis

ACI engages in systematic and methodical competitiveness analyses of the sub-national economies by using an evidence-based, empirical approach involving a comprehensive list of relevant indicators, which are categorised under multiple layers called the 'environments'. A number of our projects, including competitiveness analyses of Greater China, ASEAN-10, India, and Indonesia, as well as other thematic research projects, were conducted by adopting this common methodology, with potential variations in the specific environments and indicators. ACI's competitiveness analysis of Asian economies goes beyond the usual ranking to offer constructive policy recommendations on how individual member states can improve their rankings vis-à-vis their sub-national or regional peers through the application of the 'what-if' simulation, which provides the projected improvements of each state's ranking whereby the bottom one-fifth of its indicators are enhanced.

Pillar II. Micro-based Firm Level Competitiveness Analysis

Micro-based firm level competitiveness analysis is ACI's second research pillar that has been developed in view of the intrinsic importance of firm-level competitiveness in terms of productivity, efficiency, and governance. In the context of globalisation, mobility of economic activities, and blurring of borders, an understanding of the determinants and dynamics of firm-level competitiveness is paramount, in order for policy makers to adjust and prepare their industries for an increasingly competitive economic landscape. To this end, ACI has partnered with the European Central Bank to carry out research in this area, possessing a solid foundation in firm-level productivity research in the form of European Competitiveness Network database and methodology. ACI envisaged the expansion of Competitiveness Research Network (CompNet) into Asia, thereby pioneering the Asia's CompNet in encompassing 16 economies in Asia.

Pillar III. Singapore's Long-term Economic Growth Strategies and Public Policies Analysis

The third and imminent research pillar focuses on Singapore's long-term economic growth strategies in the context of changing circumstances, future trends, and emerging opportunities for Singapore in the decades ahead. In particular, ACI will take on the task of critically examining Singapore's public policy strengths and areas of improvement by assessing policy successes of the past, identifying new issues to address and the current policy gaps, through a systematic and evidence-based research inquiry using quantitative methodology and empirical data, leveraging on our network of policy experts.

Founding Patron and International Advisory Panel

Founding Patron

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Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore & Former Minister of Foreign Affairs, Singapore

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In the tradition of the Asia Competitiveness Institute (ACI) at the Lee Kuan Yew School of Public Policy, National University of Singapore (NUS), our research publications make a distinctive contribution to the understanding of economic development in Asia. These books, first published in 2013, in the Asia Competitiveness Institute - World Scientific Series evaluate and track competitiveness for the sub-national economies of China, India, Indonesia and ASEAN annually through combining leading-edge methodologies with an extensive dataset. The study covers four environments of competitiveness: (1) Macroeconomic Stability, (2) Government and Institutional Setting, (3) Financial, Businesses and Manpower Conditions, and (4) Quality of Life and Infrastructure Development. It also conducts "what-if" policy simulations to propose policy suggestions.

2018

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**ANNUAL COMPETITIVENESS ANALYSIS AND IMPACT ESTIMATION OF EXCHANGE
RATES ON EXPORTS FROM SUB-NATIONAL ECONOMIES OF INDONESIA**

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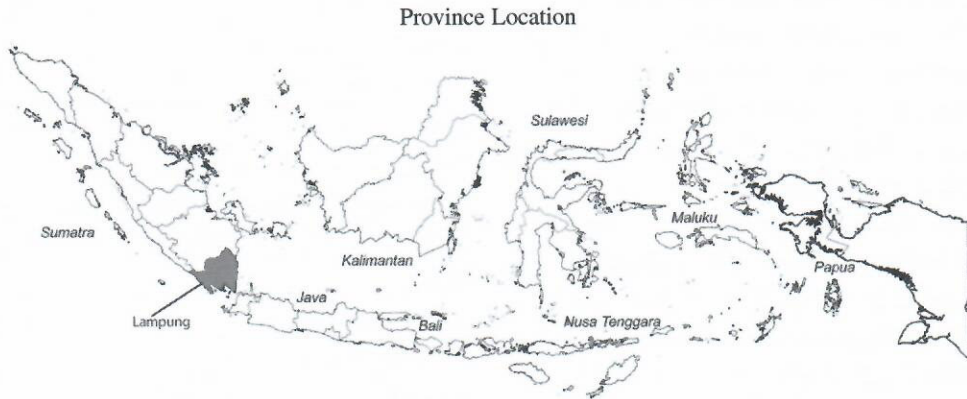
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5.17 Commentary on Recent Developments in Lampung, 2016–2018

By: Ayi Ahadiat

Universitas Lampung



Source: ACI.

5.17.1 Economic Conditions

Lampung's economy in the past two years has been growing above the national average: 5.15 percent in 2016 (5.03 percent national average) and 5.17 percent in 2017 (5.07 percent national average). Overall, performance is good amidst slowing global and national economy. GRDP per capita is lower than the national average, but its growth is the highest in Sumatra at an average of 9.29 percent per annum from 2016 to 2017, higher than seven percent at the national average.

Exports increased by 24.85 percent in 2017 with commodities such as CPO, coal, canned pineapples, coffee and cocoa as the main drivers of exports. On the other hand, imports were down by 9.18 percent with commodities such as cattle as the biggest drop.

Investment rose significantly at 14.18 percent (y-o-y) compared to last five years average of 4.47 percent (y-o-y). Domestic investment has grown due to national construction projects. Meanwhile, FDI growth is dominated by electricity, gas and water sectors, followed by the food industry. Infrastructure developments are expected to bring more investments in agriculture processing, tourism and other supporting services.

5.17.2 Social Conditions and Development

Lampung's Gini Ratio increased in 2016–2018, from 0.358 (0.394 national) to 0.333 (0.391 national) and to 0.326 (0.384 national), respectively. These figures are lower than the national average, meaning that Lampung population has more equal income compared to the national average. Also, unemployment rate has always been lower than the national average. However, HDI has been lower than the national average and lowest in Sumatra: 67.65 (2016), 68.25 (2017) and 69.02 (2018).

There have been no notable social issue or industrial relation in Lampung. The society's attention is more drawn towards the regional election. Tensions between ethnic groups and other racial issues are already resolved and the situation is getting better. The government has taken the right steps by involving various regional, ethnic and religious groups in overcoming the issues. As an academician, I appreciate what Governor Ridho Ficardo and Forkompinda have done in keeping Lampung as a peaceful and safe region.

5.17.3 Provincial Government Policies

Several provincial government policies are expected to affect the region's growth, including grain distribution and management, construction, intellectual property protection, the protection and empowerment of Micro, Small and Medium Enterprises (MSME), rural empowerment, television broadcast, and port services and organisations.

These policies are expected to support existing legislations regarding investment climate and ease of doing business in Lampung. Some projects that are prioritised by the provincial government such as constructions of bridges and roads have shown positive impacts related to domestic tourism. The projects also improve the access to export port and Bakauheni port to Jakarta and other cities in Java.

5.17.4 Local Political Scene

Arinal Djunaidi and Chusnunia Chalim were elected as governor and deputy governor respectively in the June 2018 election. They are supported by Golkar, National Justice Party (PKB) as well as Party of National Mandate (PAN) and got 37.78 percent of total votes. Their vision is to create religious, safe and peaceful life in Lampung. They also promised to realise good governance to increase the quality and fairness of public services. The elected governor and deputy have also promised infrastructure development to increase production efficiency and regional connectivity.

Meanwhile, DPRD formation is dominated by PDI-P, with 20 percent of total seats,

Key Economic Indicators, 2016	
Land Area (km²)	34,624
Population	
Total Population	8,205,100
Urban Population (%)	28,90
Poverty Rate (%)	13.86
Labour Force	4,121,668
Labour Force Participation Rate (%)	50.23
Gross Regional Domestic Products (GRDP) — 2010 prices	Rupiah (million)
GRDP	209,813,980
GRDP (Non-minerals)	197,208,000
GRDP per Capita	25.57
GRDP per Capita (Non-minerals)	24.03
Economic Composition	% of GRDP
Primary Sector	37.34
Secondary Sector	27.05
Tertiary Sector	35.61
Trade — 2010 prices	Rupiah (million)
Exports	29,773,682
Imports	22,141,062
Top-3 exports: fats and oils; coffee, tea and spices; mineral fuels	
Top-3 imports: mining products; drinks and tobacco; food and animals	
Infrastructure	
Paved Roads (km)	12,318
Domestic Air Traffic (passengers)	1,829,125
International Air Traffic (passengers)	0
Domestic Cargo at Seaport (tons)	18,885,781
International Cargo at Seaport (tons)	9,956,799

Source: BPS Indonesia compiled by ACI.

and Golkar with 11.76 percent. The government has been running peacefully, without conflicts between executive and legislative.