

Abstract

Factorial analysis on Indonesia's Premature De-industrialization -Focused on the Role of the State-

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This thesis aims to analyze the factor of Indonesia's premature de-industrialization phenomenon after Asian finance crisis. Premature de-industrialization hinders economic development with rising unemployment rates and poverty because it constricts manufacturing industry which is called 'escalator industry' to catch up economy of advanced countries. So it is an important research subject to examine the factor of Indonesia's premature de-industrialization.

Previous researches on Indonesia's de-industrialization explain it with external factors such like trade liberalization, finance liberalization and dutch disease. But these viewpoints can't explain the difference between developing countries which do not show a tendency of de-industrialization. So this research try to analysis Indonesia's premature de-industrialization in terms of internal factors, industry policy.

With this in mind, the thesis firstly looks into Indonesia's industry structure, employment ratio of manufacturing industry and export ratio of manufacturing goods to make sure whether Indonesia is on the process of de-industrialization or not. As a result Indonesia shows the tendency of relative de-industrialization in comparison with Thailand and Vietnam which have a similar economic environment.

Also, Indonesia shows weakening of competitive power on manufacturing industry and goods consistently with open economic systems like previous research mentioned. But it can not be the fundamental factor of Indonesia's de-industrialization. because Thailand and Vietnam do not show a same tendency.

So, this thesis examines Indonesia's industry policy to explain the phenomenon of premature de-industrialization. As the result we can confirm that Indonesia has lack of government capacity to adjust market economy and to innovate industry. in other words Indonesia's premature de-industrialization is result of entering open economic system under the lack of capacity to improve manufacturing industry competitiveness.

Keywords: Premature de-industrialization, Indonesia, Industry policy, Manufacturing industry, the Role of the State, Open economy