

Indonesia Economic in Brief

Indonesia, officially **the Republic of Indonesia** is a nation of 17,508 islands in the South East archipelago, making it world's largest archipelagic state. With population 200 million. The Indonesian Archipelago, home of the Spice Islands, has been an important trade destination. Since its Independence in 1945, significant progresses have been registered in all fields including Political, Economic, Cultural and Social aspects.

Today **Indonesia economy** is doing well. Despite the tsunami, the oil price, the rise of the Federal rates, the endless natural disaster, the avian flu, our macro economic performance held up. Our GDP grew by 5.6 last year, and this year expect growth to be at least 6.6% while keeping inflation below 8%. In 2005, our income per-capita stood at US\$ 1,300, and by the end of 2006, we expect it to be around US\$ 1,500, well above the pre-crisis level. Our Rupiah is stable at around RP. 9,200 per US Dollar, our trade grew by 19% last year, our reserves –at over US\$ 40 billion-are the highest it has ever been, and our stock market is one of the top three in Asia. While global interest rates were rising, Indonesia is one of three countries in the world where there is declining interest rate trend.

In maintaining macroeconomic stability and improving Indonesia's investment climate and international competitiveness, **the Government of Indonesia (GOI)** has signed Investment Protection Agreement with 60 countries, guaranteeing that there will be no nationalization. GOI has also signed agreements on avoidance of double taxation with 56 countries including Czech Republic. Domestically, in an attempt to reduce uncertainty in the midst of decentralization, GOI has annulled over 506 local regulations, revised 148, and some 824 local regulations are now being recommended for annulment.

In order to revive investment, GOI issued three policy packages in 2006: an **Infrastructures Policy Package**, **Investment Climate Policy Package**, and a **Financial Sector Reform Package**. Under Presidential Instruction 3/2006 on Investment Package Reform, various aspects are included: Investment, taxation, customs, labor, and the development of small-medium enterprises and cooperatives.

To make 2007 better than 2006, the GOI is preparing a number of macroeconomic conditions like low inflation, lower interest rate, stable foreign exchange, manageable budget deficit, higher foreign reserve, coupled with more conducive external factors like expected declines of oil prices and international interest rate (Fed rate), with result in higher economic growth for 2007