

# Connecting the dots of Indonesia's competitiveness

**F**rom April 19-24, Indonesia is the host country for at least three major regional events.

The first event is the World Economic Forum on East Asia (WEFEA), second is the Africa-Asia Business Summit (AABS) — both to be held in Jakarta — and third is the 60<sup>th</sup> anniversary of the Asian-African summit in Jakarta and Bandung.

The leaders of several countries in the East Asian and African regions, business owners and CEOs of hundreds of multinational companies are scheduled to attend the forum. The WEFEA and AABS are expected to be the largest business events in East Asia in 2015.

The government estimates that Indonesia will be able to attract new investments of up to US\$30 million through this series of events. The central question is, beyond the short-term, imminent success of Indonesia in its role to host the events and to attract foreign investments, will the country's long-term competitiveness in the region remain steady and sustainable?

The World Economic Forum (WEF) annually issues reports that are frequently used as a common reference for many countries, including Indonesia, to benchmark and measure the progress of development of each country and to compare the relative competitive positions among countries. The reports use a competitiveness index as their main measure.

The recent Global Competitiveness Report 2014-2015 put Indonesia's competitiveness at 34 out of 144 countries. Indonesia's position has not been steady in the past few years. Indonesia was ranked 54<sup>th</sup> in



**Ansan Furinto**  
JAKARTA

2009, then rose to 44<sup>th</sup> in 2010, down again to 46<sup>th</sup> in 2011, further down to 50<sup>th</sup> in 2012, back with a quantum leap to 38<sup>th</sup> in 2013, then another rise to 34<sup>th</sup> in 2014.

Indonesia is the only ASEAN country that belongs to the G-20 countries, thanks to the size of the country's gross domestic product (GDP). However, in terms of competitiveness, Indonesia's rank is still below those of three ASEAN countries, namely Singapore which is ranked world's second most competitive nation, Malaysia at 20<sup>th</sup> and Thailand at 31<sup>st</sup>. However, Indonesia outperforms the Philippines which is ranked 52<sup>nd</sup> and CLMV (Cambodia, Laos, Myanmar, Vietnam), which are at 95<sup>th</sup>, 93<sup>rd</sup>, 134<sup>th</sup> and 68<sup>th</sup>, respectively.

In performance measurement, a measure such as a competitiveness index is a lagging indicator, which means that it measures an achievement or an outcome. To be able to determine the extent to which a process or an activity goes well prior to achieving a certain outcome, one must use leading indicators.

How good Indonesia is in making policies on energy use and security, the impact it has on the environment, for instance, is an example of a leading indicator. Another example is concerning the level of innovation. When it comes to building competitiveness, innovation is the

key. A measure of how well a country manages the innovation process is also a leading indicator.

Against this backdrop, we can refer to the Energy Architecture Performance Index Report 2015 also issued by the WEF, in cooperation with Accenture. There are three main indicators used, which are economic growth, environmental sustainability, as well as energy access and security. In this report, Indonesia is grouped with E7 (emerging economy) countries, together with Brazil, Russia, India, China, Mexico and Turkey.

Total energy consumption of E7 countries makes up to 40 percent of the world's energy consumption and contributes to 43 percent of carbon dioxide (CO<sub>2</sub>) emissions of the whole world combined. In the report, Indonesia is ranked 76<sup>th</sup> out of 125 countries. It is obvious that Indonesia is relatively mediocre when it comes to energy policy and management.

As for the measure of innovation management as another example of a leading indicator, we can refer to the annual report from Cornell University, INSEAD and the World Intellectual Property Organization, which provides ranks of countries in the Global Innovation Index (GII).

Last year's GII report ranked Indonesia 87<sup>th</sup> out of 143 countries. Switzerland topped the list, the US was in 6<sup>th</sup> place, Singapore in 7<sup>th</sup> and Malaysia in 33<sup>rd</sup> position. Indonesia's relative position in innovation is further left behind its rank of competitiveness, and of sustainable energy and environmental management, respectively.

Going further upstream to the

root of competitiveness, one could not neglect the paramount importance of human resource quality as the ultimate "men behind the gun" factor. A survey from the Organization for Economic Cooperation and Development (OECD), called the Programme for International Student Assessment (PISA) 2012, placed Indonesia in 64<sup>th</sup> place of 65 countries.

The abilities of Indonesia's 15-year-old pupils in math, science and reading skills are unfortunately some of the worst in the world. Indonesia was only slightly better than Peru, which was at the bottom of the list. It will be interesting to find out the new rank of Indonesia in the next PISA survey, scheduled to be conducted this year.

Various research has supported the idea that pupils' ability to master math, science and reading skills is a source of social capital for the country's future competitiveness posture. Students conversant in these three subjects have higher self-esteem and could act as key actors for innovation practices. Indonesia should start preparing the social capital of its future competitiveness from its very roots.

The answer to a steady and sustainable source of competitiveness of Indonesia lies in the quality of education received by its teen population, especially in science, technology, engineering and math related subjects.

*The writer is head of strategy and growth studies, doctoral program in management, Bina Nusantara University in Jakarta.*