

Path of Development: A Reflection from Indonesia's Experience of Industrialization by Ahmad Helmy Fuady

This paper presents a narrative of industrialization in Indonesia, particularly when the country started export-oriented strategy at the beginning of 1980s. With decreasing oil price at the end of 1970s, Indonesia's policy maker changed import-substitution to export-oriented strategy; which developed manufacturing to become main engine for growth and to surpass agricultural sector in less than a decade. The changing strategy has often been highlighted as the important key for the success of development in Indonesia before the Asian financial crisis. However, discussion about industrialization and development in the country should go beyond the industrial policy and the outward looking strategy. Without strong agricultural development that guaranteed cheap food for urban sector, manufacturing development would not be achieved. Taking into account historical and institutional factors as well as agencies in development, this paper shows what are necessary for industrialization and rationales behind the adoption of a series of outward looking - liberalization measures in Indonesia.