



**INDONESIA
DEVELOPMENT
FORUM 2019**
INSPIRE · IMAGINE · INNOVATE · INITIATE



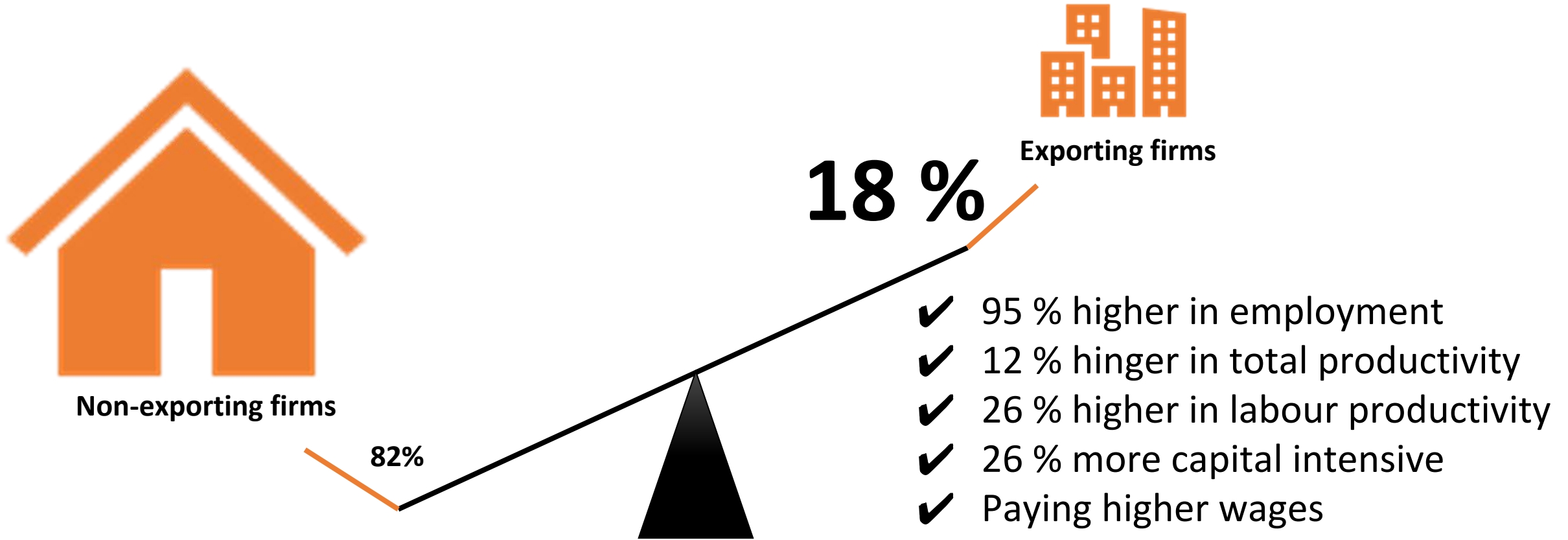
Australian Government

Policy that works and does not work: evidence of Indonesian firms

Deasy Pane
The Australian National University
Presented in IDF 2019
23 July 2019

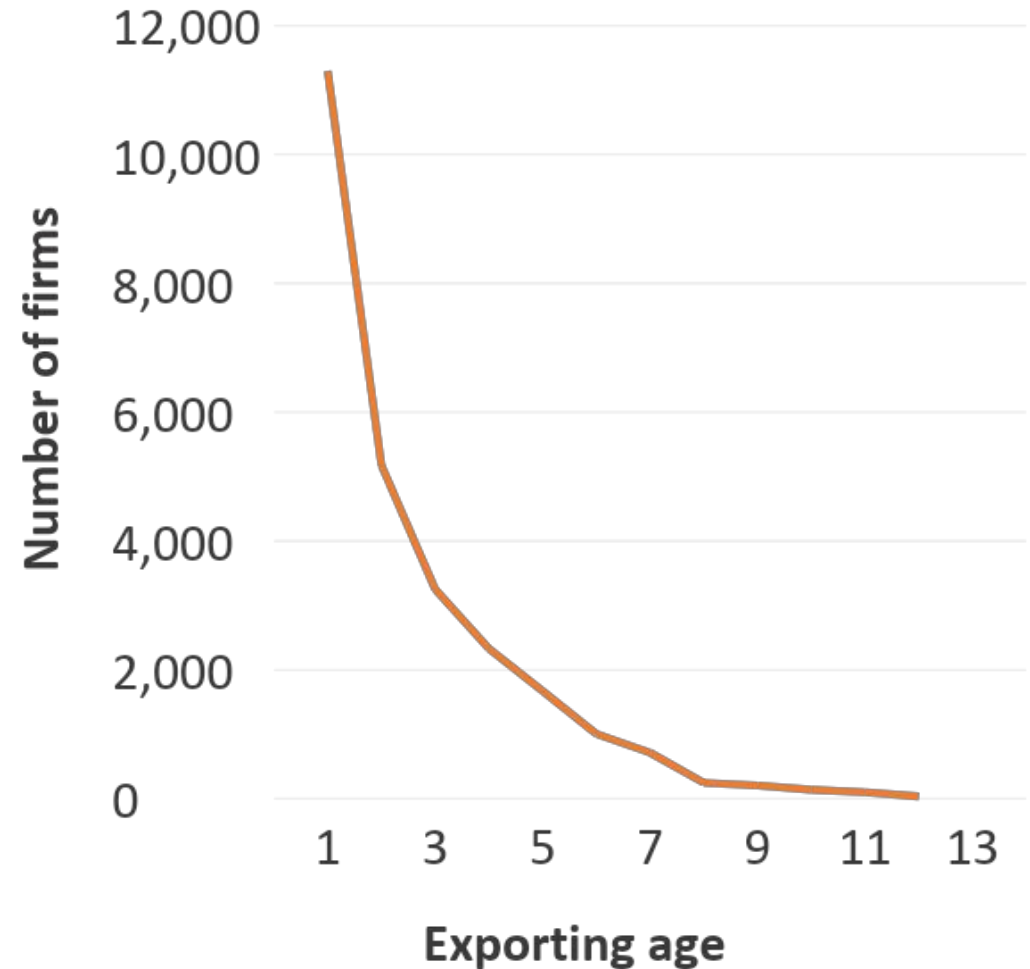


Why do some firms do trade, and some do not?



“Picking the winner” policy might not work!

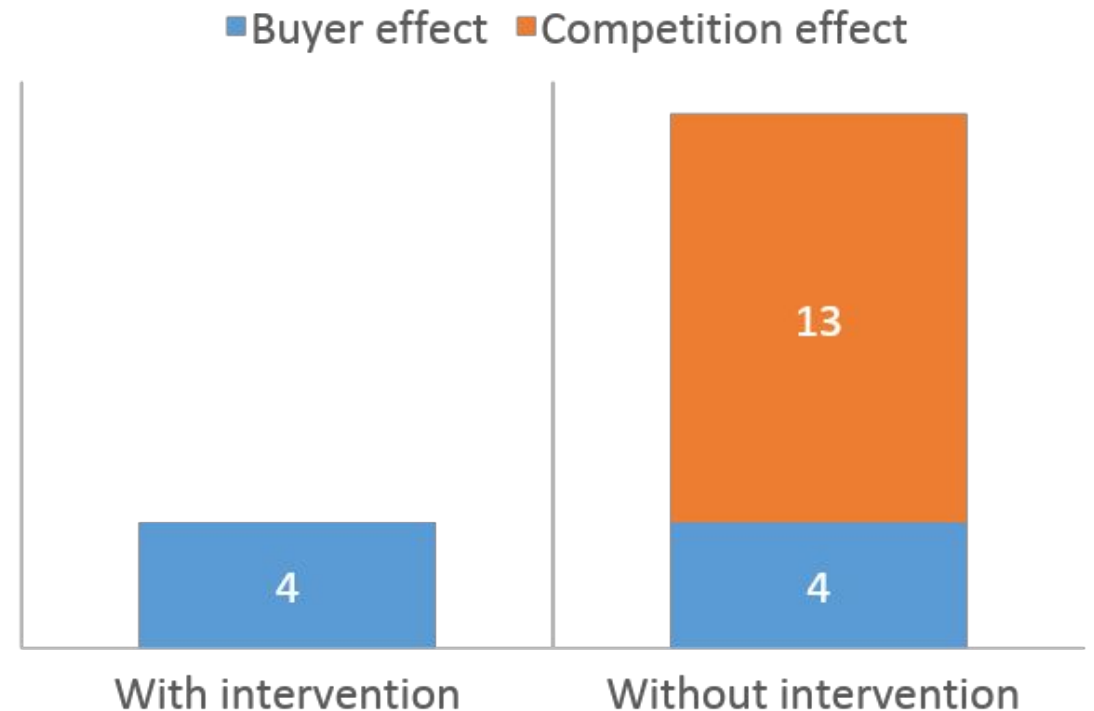
- Doing export is costly!!
- Selection into export: only the most productive ones can compete and make profits in the global market.
- **Doing export is a good thing, BUT not every firm can do export!!**



Intervention to help firms to export could result in counterproductive outcome!

- Firms getting more productive after exporting.
- Channels: buyers and competitors.
- The effect of competition is much larger.
- **Interventions that protect exporters to compete might lessen the productivity improvement benefit.**

Productivity growth of exporting firms



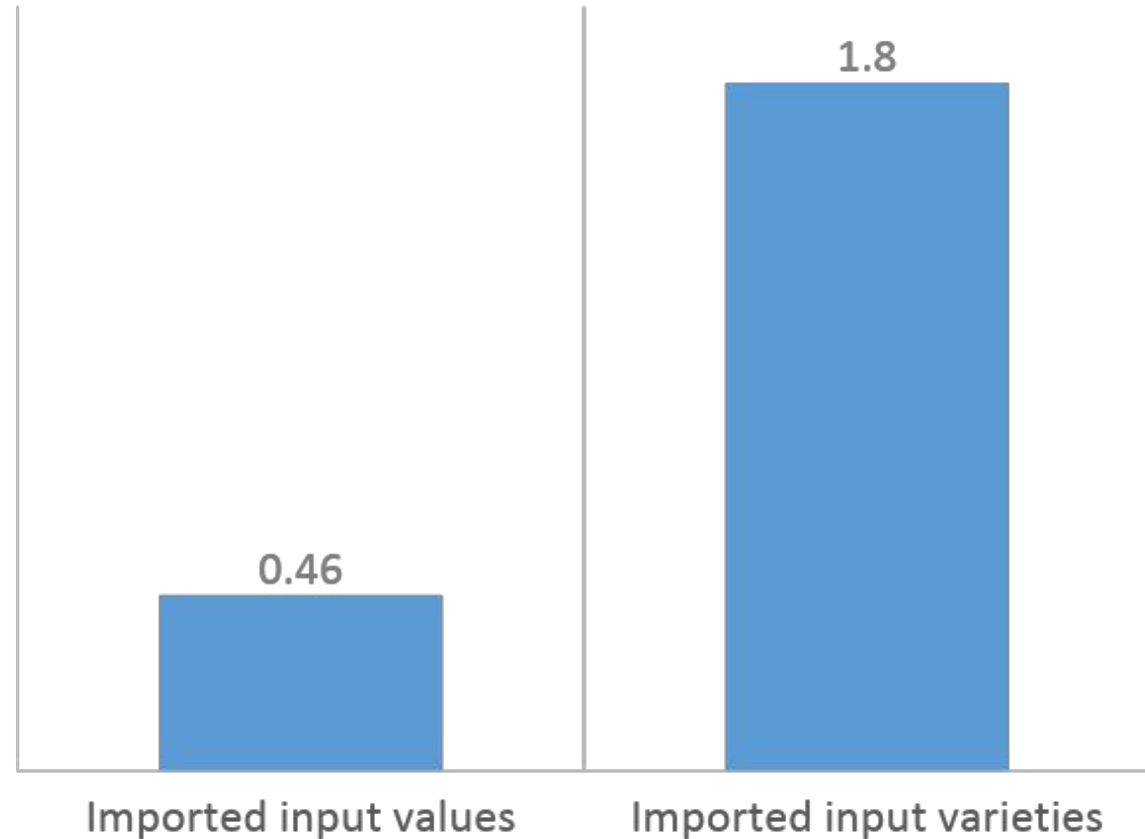
Which firms do export (or start to do export)?

- ✓ More productive firms
- ✓ Firms with foreign ownership
- ✓ Firms that do import of intermediate inputs
- ✓ Relatively younger firms
- ✓ Relatively capital intensive firms



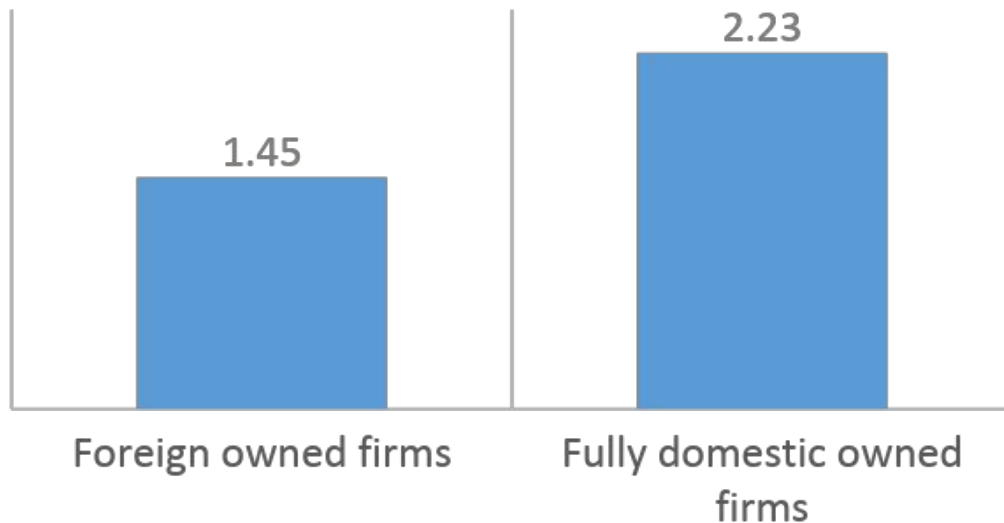
Importing intermediate inputs help firms to grow and export

- Increase total productivity by 6% via technology, quality and variety.
- Increase firm's exports, mainly from access to more varieties.



The benefits of imported inputs

- Imports of intermediate inputs have higher impact for domestic firms.



- Imported inputs help Indonesian firms connect to regional manufacturing value chains.

