ABSTRACT

HERU KUSTANTO. The Deindustrialization and Impact of Reindustrialisation on Macro Economy and Economic Performance of Non-Oil and Gas Industrial Sectors in Indonesia (RINA OKTAVIANI as Chairman, BONAR M. SINAGA and MUHAMMAD FIRDAUS as Member of the Advisory Committee).

The objectives of the study were to analyze factors affecting deindustrialisation and to analyze impact of reindustrialisation on macro economy and economic performance of non-oil and gas industrial sector in Indonesia. Deindustrialisation in this study measured with declining of a share of output from non-oil and gas industrial sector. The study used regression and estimated using Ordinary Least Squares (OLS) method to analyze factors affecting deindustrialization and Computable General Equilibrium (CGE) to analyze impact of reindustrialisation on macro economy and economic performance of non-oil and gas industrial sectors. The main analysis used comparative static of CGE model (CGE INDUSTRINDO) that built with combine from other CGE models. The results have shown that in the long term from demand side, deindustrialisation were affected negatively by investment share and export share of industrial goods. Deindustrialisation were affected positively by share of imported industrial goods. From the supply side, deindustrialisation were affected positively by real wage, real price of fuel and were affected negatively by the technology used in industrial sectors. Reindustrialisation were done by simulation of increasing investment of non-oil and gas industrial sectors, increasing export of non-oil and gas industrial goods, reducing import of non-oil and gas industrial goods, and increasing a productivity in non-oil and gas industrial sectors. The results have shown that all simulation increased macro economy performance i.e. output or Gross Domestic Product (GDP) and increased share of non-oil and gas industrial sectors in total GDP. Reindustrialisation with increasing of investment increased the output of small, medium scale industry more higher than large scale industry. Finally, to increase a growth and a share of industrial sector can be done through increasing investment both local and foreign direct investment; increasing of exports and reducing import value of industrial goods; and increasing the technology and productivity of non-oil and gas industrial sectors.

Keywords: Deindustrialisation, Reindustrialisation, Computable General Equilibrium, Macro Economy, Small, Medium and Large Industry