

OPPORTUNITIES FOR THE MIDDLE-INCOME TRAP IN INDO-PACIFIC: A CASE STUDY OF INDONESIA

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ABSTRACT

The term Middle-Income Trap (MIT) began to develop due to the growth rate of middle-income countries which had stagnated since 1980 (Pruchnik & Zowczak, 2017). This is due to the inability of a country to compete with high-income countries that are superior in technology, as well as low-income countries which are superior because they have cheap labour costs (Pruchnik & Zowczak, 2017). Indonesia as one of the MIT countries need to find a solution so that it does not continue to be trapped in it, the case experienced by Indonesia does not only threaten Indonesia to be caught in MIT's trap, but it can fall back into a low-income country (Basri & Putra, 2016). Therefore, Indonesia's role in the economic sector in the Indo-Pacific region is essential. The Indonesian government is expected to be able to use this opportunity to get out of the MIT trap as well as take advantage of the opportunities that exist to minimize the potential for Indonesia to fall back into a low-income country. In order to improve its economy, Indonesia can maximize the marine and fisheries sector or better known as the Blue Economy, including developing the marine tourism industry, such as increasing diving tourism destinations. Apart from that, the national leadership role is also significant and crucial, especially in strengthening the industrial sector (Basri & Putra, 2016). Using secondary data and case study methods, this paper will examine the opportunities that can be taken by Indonesia as an MIT country in the economic sector (especially the Blue Economy) in the Indo-Pacific region.

Keywords: Indonesia, Indo-Pacific, Middle-Income Trap, Blue Economy.

1. Introduction

Over the last 70 years, economic growth has occurred in all regions of the world, many low-income countries have experienced rapid development, and millions of individuals have been successfully lifted from the poverty line (Larson, Loayza, & Woolcock, 2016). Standard growth theory predicts that developing countries will grow faster and catch up with developed countries (Larson, Loayza, & Woolcock, 2016). However, only a few countries have achieved high-income status until now, and income growth in many countries is still volatile and unstable (Larson, Loayza, & Woolcock, 2016). In recent years, policymakers in slower-growing middle-income countries have assumed that they are stuck in a "Middle-Income Trap" (Larson, Loayza, & Woolcock, 2016). Many argue about the so-

called Middle-Income Trap, and some consider this phenomenon just a myth (Larson, Loayza, & Woolcock, 2016).

The term Middle-Income Trap (MIT) began to develop due to middle-income countries' growth rate that had stagnated since 1980 (Pruchnik & Zowczak, 2017). This is due to the inability of a country to compete with high-income countries and low-income countries. High-income countries have advantages in the field of knowledge, for example, quality research institutions, while low-income countries excel because they have low labour costs (Pruchnik & Zowczak, 2017). Latin America and the Middle East are examples of countries that have been caught in this trap for decades (Gill & Kharas, 2007).

The ease of interpreting it makes the MIT concept often used in public policy

discussions, even the term MIT also used in several economic magazines and journals such as the Financial Times, Forbes, Times, The Economist, and The Wall Street Journal (Pruchnik & Zowczak, 2017). Economists explain that more and more countries are identified as victims of MIT, these countries do not have to be from 'emerging market' groups such as Indonesia, Malaysia and Vietnam, but can be from 'upper-middle-income' groups such as Poland or even 'high-income' like Greece (Pruchnik & Zowczak, 2017). According to Gill & Kharas (2007), modern growth theory predicts that middle-income countries should witness three transformations: (1) diversification will slow and then reverse, as countries become more specialized in production and employment; (2) investment will become less important, and innovation should accelerate; also (3) education systems will shift from equipping workers with skills that allow them to adjust to new technologies to prepare them to shape new products and processes. Middle-income countries must find driving factors such as increased productivity, innovation, and competitiveness while strengthening the economic fundamentals that promote and stabilize growth (Larson, Loayza, & Woolcock, 2016). It becomes a significant challenge to achieve high-income levels with the possibility of slowing growth along the way (Larson, Loayza, & Woolcock, 2016). Nevertheless, stagnation is inevitable and middle-income countries must have the patience to manage transitions responsibly, avoid traps and promote new opportunities (Larson, Loayza, & Woolcock, 2016).

Indonesia as one of the MIT countries need to find a solution so that it does not continue to be trapped in it, the case experienced by Indonesia does not only threaten Indonesia to be caught in MIT's trap, but it can fall back into a low-income country (Basri & Putra, 2016). Therefore, Indonesia's

role in the economic sector in the Indo-Pacific region is essential. The Indonesian government is expected to be able to use this opportunity to get out of the MIT as well as take advantage of the opportunities that exist to minimize the potential for Indonesia to fall back into a low-income country. In order to improve its economy, Indonesia can maximize the marine and fisheries sector or better known as the Blue Economy, including developing the marine tourism industry, such as increasing diving tourism destinations. Using secondary data, this paper will examine the opportunities that can be taken by Indonesia as an MIT country in the economic sector (especially the Blue Economy) in the Indo-Pacific region.

2. Literature Review

2.1 Middle-Income Trap

Through his writing, Ohno (2009) explained that a low-income country that has experienced war, unstable political conditions, and mismanaged its economy is usually characterized as a fragile economic structure. This country is very dependent on extractive resources, monoculture exports, and assistance from foreign parties or foreign aid (Ohno, 2009). The internal value created by traditional industries such as mining and agriculture in the absence of dynamic manufacturing activities, makes this country appear prominent in production and trade but not in industrialization (Ohno, 2009).

From an East Asian perspective, Ohno (2009) said that economic growth began with the arrival of several manufacturing FDI companies that assembled, or processed light industrial products for export, such as garments, footwear, and foodstuffs. Likewise, Ohno (2009) also said that electronic devices and components could also be produced in this way. In the early stage or first stage, design, technology, production and marketing are

directed by foreign parties or foreigners (Ohno, 2009). At the same time, the primary materials and parts are imported, and the state only contributes to unskilled labour and industrial land (Ohno, 2009). While this generates jobs and income for the poor, the internal value remains small, and value created by foreigners dominates, as is the case with industrialization in Vietnam today (Ohno, 2009).

Ohno's research (2009) looks at Vietnam's past achievements as a developing country with vast and many transitions. His research focuses on the future and offers honest evaluation and advice so that Vietnam can develop to its full potential (Ohno, 2009). Ohno (2009) believes that Vietnam's people and government do not only want to achieve the MDGs or stop at the middle-income point. This country's ideals are high and will be achieved if the nation clearly identifies its current shortcomings and confronts its challenges right away (Ohno, 2009).

The main message of Ohno's (2009) research in Vietnam has reached a point where further progress towards higher incomes can only be obtained if internal value creation is increased. This requires appropriate government action rather than *laissez-faire* to guide and supplement private sector dynamism while avoiding MIT (Ohno, 2009). To improve the quality of policies, Vietnam needs to change its policy formulation process (Ohno, 2009). This, in turn, requires radical changes in the public administration system (Ohno, 2009). The scope and sequence of reforms must be chosen carefully to minimize the political and social energy required to transform the system while maximizing its positive impact (Ohno, 2009). Enlightened and strong leadership, a team of new technocrats, and strategic partnerships with foreigners have been proposed as useful starting points to meet these conditions (Ohno, 2009).

In his research, Gaulard (2015) explains the MIT concept, which is too often analyzed statistically by further questioning the sustainable nature of China's economic growth. Although China has experienced an economic slowdown in the past two years, it has achieved its ability to become a 'high-income economy' country (Gaulard, 2015). According to Gaulard (2015), the main problem highlighted by MIT theory is the increase in labour costs, partly due to demographic evolution in China, as well as the loss of international competitiveness. However, Gaulard's (2015) study aims to dampen this analysis' relevance by emphasizing the fact that salary increases in this situation account for less than the intensification of deep productivity problem.

Whether in the productivity of labour, which has not increased as rapidly as the cost of labour or in the productivity of capital, which has continued to decline since the 1990s, China's productive apparatus faces severe structural problems better understood using Marxist theory (Gaulard, 2015). The decline in the productivity of capital is not unique to countries affected by MIT (Gaulard, 2015). It is an inherent feature of the capitalist mode of production and its particular method of operation (Gaulard, 2015). China may fail to achieve what could be considered high per capita income, as it faces two main challenges: (1) its technology gap compared to all other developed countries; and (2) the reduction in the rate of profit experienced by the productive apparatus in all countries operating under the capitalist mode of production (Gaulard, 2015). Unfortunately, this large country classified as an "emerging" country does not appear to be an exception on the chaotic path that is currently affecting the capitalist economy (Gaulard, 2015). This raises more follow-up questions about the concept of emergence, which may require a more

thorough analysis based on input from recent MIT studies (Gaulard, 2015).

2.2 Blue Economy or Ocean Economy

According to Silver et al. (2015), oceans have been characterized as the common heritage of humankind, as vulnerable to the commons' tragedy, and as a significant ecological frontier. At the United Nations Conference on Sustainable Development (UNCSD) held in 2012, issues concerning oceans and questions relating to the oceans' governance were formally negotiated (Silver et al., 2015). Rio+20 has succeeded in creating interest and concern about the oceans for many individuals, as a broad thing and has never happened in any international meeting (Silver et al., 2015). Silver et al. (2015) believe that emerging issues related to the oceans include ocean acidification and sea-level rise, overfishing and marine biodiversity loss, a growing consensus on the high seas' conservation and development potential, and interest from some countries to territorialize more sea space. During Rio+20, Silver et al. (2015) track ocean negotiations and pay particular attention to using a relatively new term in the global environmental governance arena, namely the blue economy.

Silver et al. (2015) pay attention to ocean governance and the term blue economy which is motivated by three factors, namely: (1) the extent and significance of the oceans for development (the oceans cover 70% of the earth's surface, fish provide an essential source of protein for society, and new sectors such as mining and marine cultivation are developing rapidly); (2) much of the ocean space falls outside national jurisdiction, where many co-owned resources and UN-led governance are fragmented; and (3) state and private interest in ocean conservation and development are currently high, as reflected, for example, by the recently launched World

Bank *Global Partnership for Oceans*. Based on data collected through Collaborative Event Ethnography (CEE) at the summit, Silver et al. (2015) shows how the blue economy is used in four broader discourses on the relationship between humans and the sea: (1) the oceans as natural capital; (2) oceans as profitable business; (3) oceans as an integral part of the Pacific Small Island Developing States (SIDS); and (4) oceans as a livelihood for small scale fisheries (SSF).

The results of the analysis by Silver et al. (2015) suggest that the term blue economy appeared and circulated before Rio+20. Silver et al. (2015) highlighted four crucial discourses on the relationship between humans and the sea, and showed that despite the different problems, solutions and participants of the sea, the blue economy is defined and used to support them. In general, these findings are similar to Corson et al. (2013: 3) who argue that the discourse of global conservation and development is "instilled through and coordinated by international environmental policy agencies, organizations, activists, academics, and the transnational capitalist and managerial classes". Furthermore, the term blue economy was also used in *The Economist* magazine's first World Oceans Summit four months before Rio+20 or the African Union's statement on the concept of a "blue economy" as an essential part of Africa's future development (Silver et al., 2015). Not only that, the European Union also links the term blue economy with capitalization and accumulation and mentions and prioritizes five main sectors of blue economic growth, including: biotechnology, renewable energy, coastal and marine tourism, aquaculture, and mineral resources (Silver et al., 2015).

Walker defines the ocean economy concept in Rogerson & Rogerson (2019) as "the portion of the economy that relies on the ocean as an input to the production process or

which under geographic location, takes place on or under the ocean". Dwyer also identified the significance of the global marine economy as the sum of the marine-based industrial economic activities as well as marine ecosystem assets, goods and services, including offshore oil gas exploration, shipping, shipbuilding and marine equipment, fisheries and fish processing, aquaculture, as well as coastal and marine tourism (Rogerson & Rogerson, 2019). Although there is very little agreement that explains the blue economy, it can be said that "the core of the concept is awareness of maritime resources and their capacity to contribute to poverty reduction, human well-being and economic opportunity" (Rogerson & Rogerson, 2019). Furthermore, marine resources must always be used in a sustainable, stable, and inclusive manner (Rogerson & Rogerson, 2019).

The sustainable use of marine resources is captured by the "blue economy" concept and has become very important in several global South countries (Rogerson & Rogerson, 2019). Coastal and marine tourism is one of the most critical sectors of the blue economy and is arguably very important for many countries, including Africa (Rogerson & Rogerson, 2019). Rogerson & Rogerson (2019) have analyzed the emerging planning for coastal and marine tourism in South Africa as part of the blue economy planning carried out under Operation Phakisa. The broad planning framework of Operation Phakisa is faced with some drawbacks, the most important of which is to prioritize the attractiveness of investment and stimulation of economic growth over issues concerning marine resource conservation (Rogerson & Rogerson, 2019).

The blue economy idea recognizes the seas and oceans as the prime drivers of economic development with great potential for innovation and growth (Humayun &

Zafar, 2014). In order to obtain optimal benefits from this natural gift, an integrated National Maritime Policy is needed (Humayun & Zafar, 2014). Increased awareness and knowledge among decision-makers and the general public and capacity building through public-private partnerships are needed (Humayun & Zafar, 2014). Developing effective national compliance mechanisms and stimulating the renewal of the potential maritime sector through regional and international collaboration can usher in an era of significant growth (Humayun & Zafar, 2014).

3. Research Method

The literature findings on MIT and the blue economy prove that the sea has potential as a basis for economic and social development (Rogerson & Rogerson, 2019), therefore this paper will focus specifically on Indonesia as one of the MIT countries that can use its opportunities to get out of the trap in the Indo-Pacific region by maximizing the marine and fisheries sector, better known as the blue economy. This research is structured using a qualitative approach so that the data processed produce narrative text in the form of words, sentences, and pictures, not in the form of numbers that must be processed using statistics as in quantitative research. The method to be used is a case study which focuses on one example, phenomenon, or unit of analysis, in this case, the Indonesian state which is studied in depth (Given, 2008)

The data in this study were collected using literature study techniques to obtain secondary data in writings from various sources such as books, articles in scientific journals, and previous studies. To obtain this data, the authors access through online data searches such as JSTOR. The data is then processed using analysis techniques from Miles and Huberman which consist of three stages, including: (1) Data reduction

(summarizing the data obtained, classifying them, and removing unnecessary data); (2) Presentation of data; and (3) Conclusion and Verification (Sugiyono, 2001).

4. Results and Discussion

The MIT concept was first coined by Indermit Gill and Homi Kharas by comparing general phenomena observed in regions such as Latin America and the Middle East to the possible slowdown in developing East Asian countries (Larson, Loayza, & Woolcock, 2016). According to Gill and Kharas, its rapid growth from low to middle-income levels supported by several factors such as cheap labour, pursuing necessary technology, and relocation of labour and capital from low-productivity sectors such as export-supported agriculture or high-productivity manufacturing, is often followed by lower growth (Larson, Loayza, & Woolcock, 2016). When the rural labour force decreases and wages increase, the accumulation factors that once driven high economic growth eventually lose their strength (Larson, Loayza, & Woolcock, 2016). Unless new sources of economic growth are found, a country may not compete with low-income countries dominated by mature industries or high-income countries that dominate innovative and high-tech industries (Larson, Loayza, & Woolcock, 2016).

This phenomenon has become popular and is useful to describe policymakers' busyness in middle-income countries, especially in the impact of the global financial crisis (Larson, Loayza, & Woolcock, 2016). In 2009, the Prime Minister of Malaysia, Najib Razak announced in his speech: "We have become a successful middle-income economy, but we cannot and will not be caught in the middle-income trap, we need to make the shift to a high-income economy or we risk losing growth momentum in our economies and

vibrancy in our markets" (Larson, Loayza, & Woolcock, 2016). In recent years, MIT's nature and risks have been hotly debated by economists, business leaders, media experts, and groups in high-level policy circles (Larson, Loayza, & Woolcock, 2016).

A country will be classified as MIT when it has the following characteristics: (1) GDP or per capita income ranging from 5,000 USD to 10,000 USD, at this stage a country will face difficult challenges in the form of a transition period to a higher income level (Spence, 2011); (2) An economic growth rate of less than 3.5% for 30 years, there is no specific determination that explains how many years a country will spend as an MIT country (Islam, 2015); (3) The GDP ratio against the United States is close to 5% to 45%, it is necessary to know several reasons why the United States has become the benchmark for many countries in determining MIT: first, it is a high-income country; second, have sophisticated technology; and third, it is assumed as a country with long-term balanced economic growth (Jones, 2002); (4) Average growth rate of 4.8% per annum for 28 years in Lower Middle Income (2,000 USD - 7,500 USD) (Felipe, Kumar, & Galope, 2014); and (5) Average growth rate of 3.5% per year for 14 years in Upper Middle Income (7,500 USD - 11,500 USD) (Felipe, Kumar, & Galope, 2014). The fourth and fifth characteristics are based on the number of years it takes a country to move from one income category to another (Pruchnik & Zowczak, 2017).

One of the advantages of determining the upper and lower limits of per capita income is that one can easily judge whether a country is included in MIT or not (Pruchnik & Zowczak, 2017). Although it does not fully describe the development of a country, per capita income can be correlated with indicators of the quality of human life such as birth rates, mortality rates, and participation

in education (World Bank, 1989). There are two indexes built to evaluate whether a country has fallen into the MIT, including the Catch-Up Index and the ESCAPE Index (Pruchnik & Zowczak, 2017). However, these two indices are still elementary, and the results given are also inconsistent (Pruchnik & Zowczak, 2017). The Catch-Up Index is obtained by dividing the income level of a country by the income level of the United States (the premise is that a country is caught in the MIT because it does not meet the global economic leader - the United States) (Woo et al., 2012). Countries with a Catch-Up Index of more than 55% will be classified as high-income countries, while those below 20% will be classified as low-income countries, and the rest will be classified as middle-income countries (Woo et al., 2012). The ESCAPE Index is a little more complicated because it combines 20 indicators in five dimensions, consisting of: (1) economic growth and stability; (2) social progress; (3) communication technology; (4) legal institutions; and (5) environmental sustainability (Pruchnik & Zowczak, 2017). If we use the ESCAPE Index, countries that have managed to escape MIT are China, Chile, Malaysia and Saudi Arabia, while Brazil, India, Indonesia, South Africa and Turkey are still trapped (Pruchnik & Zowczak, 2017).

The following are some of the factors that are often associated with the cause of MIT: (1) An unfavorable demographic structure, the country will be faced with a difficult situation if the labour force population or productive age is smaller (example: the aging population in Japan); (2) A low level of economic diversification, meaning that a country has an export composition dominated by products with low value chains (exported commodities do not have derivative industries, for example iron ore which is sold directly without being

processed into stainless steel so that there is no added value); (3) Financial markets are inefficient, even though financial markets play an important role in stimulating innovation and supporting a country to shift (transition) to high income levels (for example: availability of financial services, underdeveloped venture capital, and low access to loans); (4) Inadequate infrastructure, access to infrastructure is needed to increase productivity with indicators, namely electricity infrastructure, telephone infrastructure, and transportation and logistics (for example: Oranges brought by truck from Medan to Jakarta will certainly take a lot of time and money when compared to Oranges brought directly by ship from China); (5) Low levels of innovation, including capacity for innovation, low R&D funds, and weak collaboration between private and public or universities and industry; (6) Weak institutions, including the efficiency of the legal framework, protection of property rights, and the quality of government regulations (investors do not want to invest not because of many regulations, but lack of certainty in regulations); and (7) An inefficient labour market that can hamper and harm the state, including freedom to determine wage rates and termination of employment relations or contracts (from the entrepreneur's perspective, wages are expected to be in accordance with the level of productivity, the same as markets that are expected to operate in accordance with the law of demand) (Pruchnik & Zowczak, 2017).

Indonesia as one of the MIT countries need to find a solution so that it does not continue to be trapped in it, the case experienced by Indonesia does not only threaten Indonesia to be caught in MIT, but it can fall back into a low-income country (Basri & Putra, 2016). This is caused by: (1) The level of quality of human resources in

Indonesia is still low in terms of education (lack of innovation because only 27.2% of Indonesia's population has tertiary education) and health so that it becomes uncompetitive (inadequate vaccination will make it difficult for students to study well, considering health is the main prerequisite in forming quality human resources); (2) Stagnant productivity of the manufacturing sector (lack of assistance from the state which makes it difficult for the industry to design backwards-forward linkage and weak total factor productivity and capital stock); (3) Large and widening income gap or inequality (high rent-seeker pressure, pressure on social assistance policies - redistributive policies, access to infrastructure that does not directly address poverty, and intergenerational poverty trap for low-income families) (Basri & Putra, 2016). Therefore, the national leadership role is significant and crucial, especially in strengthening the industrial sector such as fixing and designing pro-industrialisation policies for the long term in an integrated manner (Basri & Putra, 2016).

As a foundation for building sustainable industrial policy in Indonesia, the Joko Widodo government has issued Nine Programs or Nawacita, consisting of: (1) Renewing the state's obligation to protect all its people and provide security to all citizens through a free and active foreign policy, security national and national defense development based on national interests and strengthening the national identity as a maritime country; (2) Clean, effective, democratic and trustworthy government by giving priority and efforts to restore public trust in democratic institutions, as well as continuing democratic consolidation through reform of the political party system, electoral institutions and representatives; (3) Developing Indonesia, significantly strengthening rural areas within the framework of the unitary state of Indonesia;

(4) Rejecting a weak state by reforming the system through law enforcement that is free of corruption and dignity; (5) Improving the quality of the Indonesian people through improving the quality of education and training through the "Indonesia Cerdas" (Smart Indonesia) program, as well as improving the welfare and health of the Indonesian people through the "Indonesia Sehat" (Healthy Indonesia) and "Indonesia Sejahtera" (Prosperous Indonesia) programs; (6) Increasing the productivity and competitiveness of people in the international market so that Indonesia can advance and stand together with other Asian nations; (7) Realizing economic independence by moving strategic sectors into the domestic economy; (8) Revolutionizing the character of the nation through the policy of structuring the national education curriculum with citizenship education, teaching the nation's history, the values of patriotism, and building the spirit and character of defending the country through national education; at the same time (9) Strengthening Indonesia's diversity and social recovery by focusing on education policies for diversity and creating spaces for dialogue between citizens (Basri & Putra, 2016).

Apart from strengthening in the industrial sector, another strategy that Indonesia can take to get out of the MIT trap is to increase its role in the Indo-Pacific region's economic sector. The Indonesian government is expected to be able to use this opportunity to get out of the MIT trap and take advantage of the opportunities that exist to minimize potential if Indonesia falls back into a low-income country. In order to improve its economy, Indonesia can maximize the marine and fisheries sector or more commonly known as the Blue Economy (Ocean Economy) which is defined as: "the economic activities that take place in the ocean, receive outputs from the ocean, and

provide inputs to the ocean" (Patil et al., 2016). Seeing the very strategic geographical position of the Indonesian archipelago (Lasabuda, 2013), of course, it is not surprising that the marine economy is used as a foundation for the design of national economic development through the idea of a world Maritime Axis (Poros Maritim) (Syahrin, 2018). The marine economic sector is an economic activity that takes place in coastal areas and oceans, it would be better if Indonesia could develop several marine economic sectors, such as: (1) capture fisheries; (2) aquaculture; (3) fishery product processing industry; (4) marine biotechnology industry; (5) mining and energy; (6) marine tourism; (7) sea transportation; (8) maritime industry and services; (9) small islands resources; (10) coastal forestry; and (11) unconventional natural resources (Lasabuda, 2013).

As a country with a high level of biodiversity, Indonesia has 2000 out of 7000 fish species in the world (Lasabuda, 2013). According to Lasabuda (2013), Indonesia's marine fishery resource potential reaches approximately 6.4 million tons per year, consisting of: large pelagic fish (1.16 million tons), small pelagic fish (3.6 million tons), demersal fish (1.36 million tons), penaeid shrimp (0.094 million tons), lobster (0.004 million tons), squid (0.028 million tons), and reef fish (0.14 million tons). From these data, the allowable catch is 5.12 million tons per year, or about 80% of the marine potential that is spread across nine Indonesian Fisheries Management areas (Lasabuda, 2013). Besides, Lasabuda (2013) also discusses the Indo-Pacific waters which are mostly located in Indonesian waters as the centre of the world's coral reef diversity with more than 400 species. Biologically, Indonesia's coastal and marine areas also have global value because Indonesian waters are the spawning grounds for highly

migratory species such as tuna, dolphins, and various types of whales and turtles (Lasabuda, 2013).

The potential of Indonesia's marine and fisheries which are estimated to be able to drive the country's economic growth has potential economic values respectively: (1) capture fisheries of US\$ 15 billion per year; (2) marine cultivation of US\$ 46.7 billion per year; (3) aquaculture ponds of US\$ 10 billion per year; and (4) marine biotechnology amounting to US\$ 4 billion per year (Lasabuda, 2013). Furthermore, it is estimated that around 70% of Indonesia's oil and gas production comes from coastal and marine areas (Lasabuda, 2013). Of the 60 basins with potential oil and gas sources, 40 basins are on the offshore, 14 in the coastal area, and six on the mainland (Lasabuda, 2013). This area is also rich in various other resources such as mining materials and minerals (gold, silver, tin, iron ore, and heavy minerals) (Lasabuda, 2013). In addition to the energy sources mentioned above, several other non-conventional energy sources are tidal energy, wave energy, OTEC (ocean thermal energy conversion), solar and wind power, and mineral resources developed from deep ocean water (Lasabuda, 2013).

Indonesia can also develop the potential of maritime industry and services, for example, shipbuilding and dockyard, ship machinery and equipment industry, fishing gear industry (nets, fishing rods, fish finders, and rope), pond waterwheel industry (pedal wheel) and water pumps, offshore engineering, coastal engineering, submarine cables and fibre optics, as well as remote sensing, GPS, GIS, ICT, and so on (Lasabuda, 2013). According to Lasabuda (2013), another potential that Indonesia can develop is a marine transportation and environmental services. About 75% of trade products and commodities are transported through the Indonesian sea with a value of

around US\$ 1,300 trillion per year (Lasabuda, 2013). Indonesia's strategic potential with environmental aesthetics that is difficult to match by other archipelagic countries also provides excellent opportunities, especially for the tourism sector such as nature tourism and marine tourism, which is estimated at US\$ 54.3 billion per year (Lasabuda, 2013).

Finally, Indonesia's marine potential is related to an artistic potential such as cultural heritage objects of the past that have high economic value, often referred to as Shipwrecked Cargo (Benda Muatan Kapal Tenggelam - BMKT) (Lasabuda, 2013). Indonesia has 463 points where ships sank, which occurred from the 14th to 19th centuries (Lasabuda, 2013). This opportunity is certainly not to be missed because the past's cultural heritage can be useful as an attraction for diving tourism destinations with an estimated value of US\$ 40 million (Lasabuda, 2013). Through Presidential Decree No. 107 of 2000, the Government of Indonesia has formed a BMKT National Committee so that Shipwrecked Cargo provides benefits to the community and the state (Lasabuda, 2013).

But unfortunately, the idea of the Maritime Axis (Poros Maritim) that was put forward by President Joko Widodo still faces several obstacles that specifically need attention, for example, the threat of maritime border disputes or violations of sovereignty, piracy of maritime terrorism and separatism (social unrest between sea users, piracy, immigrants, as well as smuggling), and illegal fishing (Syahrin, 2018). As an implementation, the Indonesian government has ratified the Maritime Affairs Bill into the Maritime Law as a legal umbrella to regulate Indonesian marine's utilization and activities in a comprehensive and integrated manner following Indonesian national regulations (Syahrin, 2018). Not only that, President

Joko Widodo also appointed the Coordinating Ministry for Maritime Affairs as an institution that integrates problems related to the maritime sector and their solutions, and does not forget to disseminate information to people in the coastal areas of Indonesia as the first implementer of things that happen in the Indonesian oceans (Syahrin, 2018). The Maritime Coordinating Ministry's responsibility is not only limited to dealing with fisheries and marine resources issues, but also security issues, maritime boundaries, customs, and other matters that are the responsibility of several other ministries (Syahrin, 2018).

One of the advantages that Indonesia has in being able to take full advantage of the blue economy is that it has many underwater cultural heritage objects which are defined by UNESCO (n.d.) as "all traces of human existence that lie or have lain underwater and have a cultural or historical character". For example, shipwrecked can be used as a diving attraction, some of which are Molas Wreck and Mawali Wreck in North Sulawesi as well as USAT Liberty Wreck, Boga Wreck, and Japanese Wreck in Bali. In other words, Indonesia's opportunity to get out of the MIT trap especially in the Indo-Pacific region is not only limited to economic activities such as capture fisheries, fishery product processing industry, mining and energy, or marine biotechnology industry. Indonesia can also take advantage of the underwater cultural heritage objects which have high economic value too.

5. Conclusion

Economic growth that has occurred during the last 70 years in all regions of the world has resulted in many countries, especially those with low income, experiencing rapid development, one of which is the millions of individuals who have succeeded in being lifted from the poverty

line (Larson, Loayza, & Woolcock, 2016). However, only a few countries have achieved high-income status until now, and income growth in many countries has tended to be volatile and unstable (Larson, Loayza, & Woolcock, 2016). Some policymakers in slower-growing middle-income countries even assume that they are trapped in the "Middle-Income Trap" (Larson, Loayza, & Woolcock, 2016). MIT began to develop due to middle-income countries' growth rate that had stagnated since 1980 (Pruchnik & Zowczak, 2017). This is due to the inability of a country to compete with high-income countries and low-income countries. High-income countries have advantages in the field of knowledge, for example, quality research institutions, while low-income countries excel because they have low labour costs (Pruchnik & Zowczak, 2017).

As one of the MIT countries, Indonesia needs to find a solution so that it does not continue to be trapped in it, the case experienced by Indonesia does not only threaten Indonesia to be caught in MIT's trap, but it can fall back into a low-income country (Basri & Putra, 2016). Therefore, the national leadership (President) role is significant and crucial, especially in strengthening the industrial sector by fixing and designing pro-industrialization policies for the long term in an integrated manner (Basri & Putra, 2016). As a foundation for building sustainable industrial policy in Indonesia, the Joko Widodo government has issued Nine Programs or Nawacita (Basri & Putra, 2016). Apart from strengthening the industrial sector, another strategy that Indonesia can take to get out of the MIT trap is to increase its role in the Indo-Pacific region's economic sector. To improve its economy, Indonesia

can maximize the marine and fisheries sector or more commonly known as the Blue Economy (Ocean Economy). Indonesia can also take advantage of the underwater cultural heritage objects such as shipwrecked.

Seeing the very strategic geographical position of the Indonesian archipelago (Lasabuda, 2013), of course, it is not surprising that the marine economy is used as a foundation for the design of national economic development through the idea of a world Maritime Axis (Poros Maritim) (Syahrin, 2018). The marine economic sector is an economic activity that takes place in coastal areas and oceans, and it would be better if Indonesia could develop several marine economic sectors, such as: (1) capture fisheries; (2) aquaculture; (3) fishery product processing industry; (4) marine biotechnology industry; (5) mining and energy; (6) marine tourism; (7) sea transportation; (8) maritime industry and services; (9) small islands resources; (10) coastal forestry (mangrove); and (11) unconventional natural resources (Lasabuda, 2013). Nevertheless, unfortunately, the idea of the Maritime Axis (Poros Maritim) that was put forward by President Joko Widodo still faces several obstacles that specifically need attention, for example, the threat of maritime border disputes or violations of sovereignty, piracy of maritime terrorism and separatism (social unrest between sea users, piracy, immigrants, as well as smuggling), and illegal fishing (Syahrin, 2018). As an implementation, the Indonesian government has ratified the Maritime Affairs Bill into the Maritime Law as a legal umbrella to regulate Indonesian marine's utilization and activities comprehensively following Indonesian national regulations (Syahrin, 2018).

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