

# Indonesian Green Growth Strategy

AIFED 13

Session 3

Bali, 2 December 2024, 15:00-16:30

Tetsushi Sonobe

# A Green Growth Strategy

- It promotes Green Product Industries
- At the same time, it promotes Creative Economy as well
- Indonesia has great advantages in Green Product Industries and Creative Economy
- Indonesia will also benefit environmentally and economically from the construction of creative economy-green industries centers that reduce the geographical concentration of economic activities in Jakarta

# The Promotion of Green Product Industries

Green Product Industries are those industries (including agriculture/forestry/fishery) that produce either

- (1) Consumer goods: new products or substitutes of existing products that are produced and delivered through supply chains with low (near zero, zero or negative) GHG footprints and ecological footprint, including products from the primary sector, or
- (2) Intermediary and capital goods: products that are used as input to
  - a) Green Energy transition, green Transportation/ Manufacturing / Construction transition, such as batteries, solar panels, windmills, and green cements and steel
  - b) Corporate disclosure, such as electricity smart meters that generate frequent and accurate data automatically
  - c) Nature-based Climate Solutions, such as drones with moisture and temperature sensors and video cameras used for mapping of trees

# Major challenge for green consumer goods producers and green inputs for MSMEs

- Many consumers and MSMEs are unwilling to pay a higher price for products just because they are green. In other words, they do not know the real value.
- In economics terminology, the social value of a green product  $>$  its private value for such consumers = their private value of a non-green alternative  $>$  Social value of the latter
  - The gap between Social and Private Values of the green product could be filled by Pigovian subsidy. This will work for both environmental and industrial promotion.
  - Alternatively, the gap may be reduced by subsidizing advertising campaigns that highlight the value of green products to consumers
  - I recommend the combination of the two, even though Pigovian subsidy may look like having more direct impacts and superior to advertisement subsidy.

# Why giving subsidies to advertisement rather than consumption

1. Creative Economy, which encompasses advertisement and marketing, film/TV/video, animation, music, visual arts and crafts, design, and architecture. Subsidizing this sector will create incomes and jobs.
2. Creative Economy promotion would help to create the value of green products in not only domestic but also overseas markets, helping the domestic green product industries penetrate overseas markets, whereas subsidy to consumers does not address the gap between social and private values.
3. Creative Economy promotion would also help to address the gap between social and private values of Nature-based Solutions.
4. Creative Economy promotion would play an important role in the development of carbon credit markets.

# Great Advantages of Indonesia

- Abundant Nature-based solutions (restoration of rainforest, peatlands, mangrove)
- Creative Economy (17M people in Indonesia > 5M in USA)
- Nickel (1st) → Batteries → Battery supply chains incl. E-vehicle
- Manufacturing capability (19M people, largest GDP contributor) → the country can be a large producer of not just batteries and related products but also a wide variety of AIoT green equipment
- Large and young population (nearly 300M, 4th, 2.1 births per woman) → this supports more manufacturing capacity, more and higher-quality universities, incl. inviting US, Euro, Chinese universities → research-manufacturing-creative economy compound clusters

In this presentation, I could not cover the geographic aspect of the green growth strategy. As a cluster-based industrial development specialist, I wish to talk about it later.

Thank you