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Economic Transformation to Get Out of the Middle Income Trap Condition To Reach Indonesia Gold 2045

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ABSTRACT

Objectives – To analyze whether Economic Transformation in Indonesia will be able to bring Indonesia out of the Middle Income Trap (MIT). Whether through economic transformation can realize Golden Indonesia 2045. **Methodology**- The methods used are descriptive studies and literature. The descriptive analysis was conducted by comparing data from several middle-income countries such as Malaysia, China, and Thailand as well as high-income countries such as Japan and South Korea. Data and information used from 1970-2021 from various sources. **Findings** – In the short term, Indonesia must accelerate capital accumulation through accelerated investment, especially related to infrastructure, to boost economic growth above 6%. In the medium term, it must develop, and utilize innovation and technology to increase Total Factor Productivity (TFP). Indonesia's economic transformation is focused on trigger factors and 4 (four) "Global Megatrends" otherwise the opportunity to get out of the Middle Income Trap (MIT) condition will take 30 years around 2053. Efforts are made by building human resources, strengthening digitalization, and improving institutions. Indonesia can exit the Middle Income Trap (MIT) if triggering factors such as export structure, TFP, innovation, and structural change as well as a combination of various interacting factors (against the background of country-specific characteristics). **Renewal-** This study analyzes the efforts made by Indonesia to get out of the Middle Income Trap condition with the vision and mission of Indonesia Emas 2045. This study explains when Indonesia can get out of the Middle Income Trap.

Key Words: Economic Transformation, Middle Income Trap, Indonesia Gold 2045.

INTRODUCTION

One of the benchmarks for a country is economic growth as measured through Gross Domestic Product (GDP). A study conducted by the Asian Development Bank (ADB) that in 2050 the economy in the Asian region will progress and the country is an engine of global economic growth because the GDP of China, India, Indonesia, Japan, South Korea, Thailand, and Malaysia is 90% of Asia's total GDP and controls global GDP of 45% or US $ 37,300 (Slovana, 2019). In 2045 according to the Organisation for Economic Co-operation and Development (OECD) that Indonesia's economic growth will increase as table 1 below because sustainable economic growth is a way for Indonesia to get out of poverty and have a better standard of living.

Table 1: GDP Predictions in Some Countries by 2045

No	Negara	PDB (juta dolar AS)	PDB per kapita (ribu dolar AS)
1	RRT	50.591.680	35.40
2	India	34.792.330	21.47
3	Amerika Serikat	28.978.050	77.62
4	Indonesia	8.894.611	27.31
5	Jepang	6.591.090	60.18
6	Turki	5.411.470	56.43
7	Brazil	5.366.815	23.37
8	Jerman	5.275.824	65.01
9	Inggris Raya	4.434.909	60.47
10	Meksiko	4.406.876	28.82

Keterangan: Satuan PDB menggunakan dolar konstan 2010 disesuaikan dengan daya beli
Sumber: OECD (2018); United Nations, D. o. E. a. S. A., & Population Division (2019)

The facts show that in 2022 the unemployment rate in Indonesia is at 5.2 with a poverty rate of 9.54%, the Gini Ratio is at 0.384 and the HDI is at 73.41 with state revenue of IDR 1,764.4 trillion. However, it is predicted that in 2024 Indonesia can get out of the Middle Income Trap (MIT) condition with an economic growth rate of 5.4%-6.0%, a poverty rate of 6.5%-7.0%, a Gini Ratio of 0.370-0.374, an Open Unemployment Rate of 4.0%-4.6% and a Human Development Index (HDI) of 75.54. However, GDP per worker is still considered to lag behind other countries. There are several indicators of a country being said to be progressing according to ***world bank*** If the Gross National Income (GNI) is above US $ 12,375 per year, global trade > 0.5% of total trade, is incorporated in the G20, and is a member of the Organization for Economic Development Cooperation (OECD) which is an organization consisting of high-income countries. For developing countries have per capita income between US$875 and US$10,725 per year, global trade < 0.5%, is not a member of the G20 and is not a member of the OECD. Indonesia's per capita income is always at US$ 3,000 – US$ 4,000, for 2021 it is US$ 4,140 which is classified as upper middle income. Indonesia also wants to be included in the category of developed countries that have an income of > US $ 10,725, but Indonesia's GNI during 2019-2022 is still around the position of lower middle income – Upper middle income .

Table 2: Income Categories By GDP Per Capita

Revenue Category	GDP per capita
Low Income	USD 1.035
Lower Middle Income	USD 1.036 – USD 4,045
Upper Middle Income	USD 4,046 – USD 12,535
High Income	> USD 12,535

Source : World Bank

The indicator of a country is said to be developing if the trend of Indonesia's total trade from 2017-2021 is at 3.60%, where total trade for oil and gas shows a downward trend of -8.19% while for non-oil and gas 5.04% means that over a period of 5 (five) years there is a trade deficit for oil and gas in contrast to non-oil and gas which shows an increase. A country that has not reached a significant level

of industrialization compared to its population, because it still has a medium to low standard of living. Having a high level of dependence on natural resources, poor infrastructure facilities, lack of environment to support the business world (business) and human capital index that is still low including weak government institutions, low levels of labor productivity, employment more to the agricultural sector is high than industrialized countries. The open unemployment rate tends to be high which increased in 2020 by 7.1%, in 2021 it was at 6.5%, in 2022 the unemployment rate in Indonesia in February 2022 was 5.83%. Employment opportunities for 2022 amounted to 133.82 million people where the previous year amounted to 131.36 million people which increased by 1.87%. Indonesia's unemployment rate of 7.1% is not among the worst, the Philippines has the highest unemployment rate of 10.4%. The downward unemployment trend occurred in Thailand's White Elephant country at 1.1%.

Indonesia's export growth since 1980-2020 has fluctuated, one of the reasons when the economic crisis and Covid-19 hit. Indonesia's exports experienced a boom in 2012 after joining the World Trade Organization (WTO) due to the demand for minerals, coal, crude palm oil (CPO) and rubber. This has an impact on the distribution of capital and labor because the manufacturing sector begins to weaken on the other hand there is an increase in natural resource exports so that the sector in works will be less competitive (Grabowski & Self, 2020). Efforts to carry out economic recovery where economic growth is projected between 4.3%-4.9% (yoy) in 2022. Macroeconomically, the post-Covid-19 pandemic conditions face the challenges faced in the Indonesian economy are: (1) Economic Competitiveness, in fact because the Increamental Capital Output Ratio (ICOR) is high (8.16 in 2021 from the 2019 position which was recorded at 6.88 at that time. ICOR decreased to a level of 6.24 in 2022). The high ICOR is caused by unsupported human resources, non-optimal logistics paths, complicated licensing paths. The higher the ICOR, the budget allocated by the government does not produce optimal output and low productivity. (2) Economic Transformation where the dependence on natural resource exports, less productive labor, symptoms of de-industrialization, low innovation. (3) Economic Democracy where Inequality of Income, Financial Assets and Land Assets between community groups, Inequality between regions, Contribution of Cooperatives and MSMEs is low.

Middle Income Trap (MIT) conditions hit middle-income countries on average. This is the inability of a country to maintain its country's economic growth in a stable state. Indonesia is currently trying to get out of the Middle Income Trap (MIT) condition. Various efforts made by the Indonesian government to make Indonesia a developed country which is the vision and mission of Golden Indonesia 2045. Can Indonesia get out of the Middle Income Trap (MIT) condition to the High Income Trap (HIT) as the slogan in Golden Indonesia in 2045? Can the economic transformation carried out by several countries that were previously classified as developing countries also be carried out by Indonesia in 2045 with the current conditions? South Korea was able to get out of the Middle Income Trap (MIT) to the High Income Trap (HIT) within 14 years by carrying out economic transformation, research and innovation, allocation of natural resources, human capital and the commitment of the South Korean government and its people. **(Nair et al., 2014)** Malaysia has also been able to get out of the middle-income trap condition into a high-income trap, namely with the National Key Economic Area (NKEAs) as a driver of its economic activities.

The economic transformation of the process of moving labor and other resources from low-productivity activities to higher-productive ones. This means moving resources between sectors to higher-value activities (e.g. from agriculture to manufacturing). At the level of the national economy, it involves diversification, the creation of new subsectors of activity, and an increase in domestic added value in trade. At the enterprise and household level, this implies the acquisition of new productive

abilities and the ability to compete in larger and more distant markets on a growing scale (Mcmillan et al., 2017).

According to (Mcmillan et al., 2017) current growth patterns in many parts of the world, where economic transformation 1) generates income broadly across the income distribution, as it is more labor-intensive; 2) strong against price shocks and price cycles, thanks to diversification; and 3) increases opportunities for future economic growth, because it creates linkages and synergies. The economy has the necessary ability to make structural changes progressively complex so that economic performance can be dynamically achieved in the long run. Countries that lack such capabilities are certainly unable to carry out the necessary transformations and are likely to fall into poverty traps that will hinder economic development in the country (Robert et al., 2017). Economic transformation is an effort to make changes to the condition of a country's economic structure with the aim of increasing productivity from low productivity to high productivity. Some previous studies have suggested that economic transformation has a positive correlation with a country's per capita growth but this all depends on the capabilities possessed by the system in that country .(Natera & Castellacci, 2021).

To get out of the Middle Income Trap (MIT) condition, the average economic growth rate must be stable at 6% per year balanced with population growth in a constant state of 1.3% per year. Indonesia's condition in 2022 with the economic growth rate is at 5.4%. To be able to achieve an economic growth rate of 6%, Indonesia needs 30 years to be able to switch status from Lower Middle Income to Upper Middle Income and to High Income which is expected to be achieved in 2053. It could be that Indonesia will indeed be trapped in the Middle Income Trap (MIT) condition (Lukas & Kadarusman, 2014). Then can Indonesia get out of the Middle Income Trap (MIT) condition? By looking at Indonesia's macro and micro conditions as described above.

According to (Eichengreen et al., 2012) Countries trapped in the Middle Income Trap (MIT) are caused by a slowdown in economic growth. This was triggered due to a slowdown in productivity growth in the country. Without economic growth, structural transformation and the country is still in a middle-income country like Indonesia's current condition which will have difficulty being able to be in a High-Income position. Structural transformation is part of economic development where there will be multidimensional and co-evolutionary processes where various factors interact with each other in a complex manner and transformations that go hand in hand with increasing complexity (Metcalfe and Foster,2004; Antonelli, 2011). Economic complexity can be developed based on the interaction between different economic development factors: (1) Transformational complexity indicates the pace of structural transformation of a country over time, arguing that an economy is more complex if a large number of factors can push the system out of equilibrium and towards a new growth path. (2) Systemic complexity represents the overall density of a country's causal relationships linking its development factors, based on the idea that an economy is more complex if its growth path is simultaneously driven by several factors developing together (Natera & Castellacci, 2021).

LITERATURE REVIEW

The term Middle Income Trap (MIT) is a condition where a country on the one hand has rapid economic growth but the condition of the country is still in the Middle Income Country (MIC) which is not too long, but it is difficult to reach the high-income group. This happened in China (China) in 2011

where the country's economic growth experienced a slowdown so there was a concern that China would also be in MIT conditions. At that time, China's economic growth fell by 6.9% in 2017. If you pay attention to one of the conditions to be able to get out of MIT conditions, growth is above 6% while China has economic growth of 6.9% but can be trapped in MIT conditions. The question arises, is the condition of MIT only experienced by countries that have middle incomes? China is in the Middle Income Range (MIR) as are some Latin American countries that have failed to leave the MIR and catch up with high-income High-Income Countries (HICs) in the past. The danger of MIT is the occurrence of a prolonged slowdown where MIT conditions recognize that a country can actually be trapped in MIR like in China and some countries in Latin America (Glawe & Wagner, 2020).

The slowdown in economic growth that occurs in each country is different triggering factors such as the study conducted by (Shekhar Aiyar & ⁎ , Damien Puy, Yiqun Wu, 2018), (Oreiro et al., 2020), (Otsuka et al., 2017) where there are several factors that trigger a slowdown in economic growth, namely: Institutions, Demographics, Infrastructure, Environment and macroeconomic policies, Economic structure, Trade structure, poor social capital and negative growth results. The slowdown was triggered by several factors that have an impact on the occurrence of MIT conditions in a country caused by the export structure, and TFP, innovation and structural changes as well as a combination of various interacting factors (against the background of country-specific characteristics) as shown in figure 8 below.

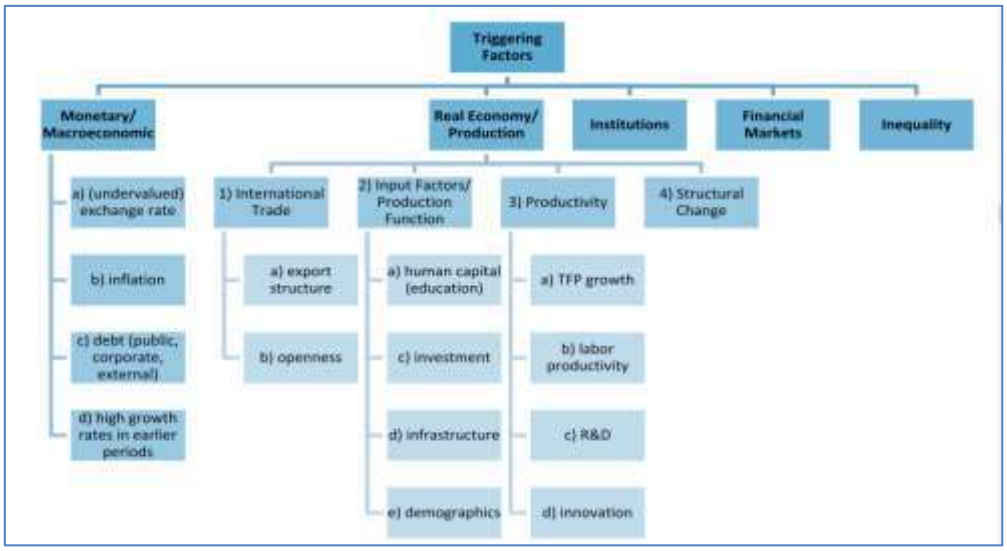


Figure 1 : Facteurs déclencheurs du piège du revenu intermédiaire (MIT) Source : Linda Glawe et Helmut Wagner Publications, China Economic Review China in the middle-income trap?, Journal China Economic Review, 2020

A rapidly developing country stagnating at the middle income level and failing to transition to a high-income economy, many argue that the country has fallen into the middle-income trap like Brazil and Argentina where the recommended strategy consists of implementing an export-based growth regime in which the promotion of the manufacturing sector encourages the acceleration of capital accumulation and the use of modern production techniques(Oreiro et al., 2020).
Failure to transition is one of the causes due to too early (fast) deindustrialization that can increase the slowdown in economic growth, including that experienced by middle-income countries. So it is

very important to be able to get out of middle-income status by re-evaluating the deindustrialization that has been carried out, otherwise this could be a threat to middle-income countries (R & M, 2022). According to (Felipe et al., 2019) and (R & M, 2022) that countries that are experiencing a premature deindusrialization phase (earlier) will raise concerns about achieving higher economic growth if they rely solely on transformation, which will have an impact on low productivity, especially the manufacturing sector, so that it will be increasingly trapped in the middle income level. So in this study, it is emphasized the importance of strengthening the manufacturing sector to increase economic growth.

In the Middle Income Trap, a country's economy will face challenges to catch up. Because relatively expensive labor will trigger a struggle in the international market for low value-added goods. On the other hand, they have achieved a level of structural sophistication to compete internationally for high value-added goods (Hartmann et al., 2021).

To be able to become a country that is on high income takes more than 50 years where the country must analyze what causes it is very difficult to get out of the Middle Income Trap (MIT) condition, one of which is by combining additional tax (VAT) values, tariff rates, and credit subsidies to exporters, with this policy to increase growth rates and per capita income while maintaining government revenue neutrality (Yi, 2021).

Can a country be in a state of continuous slowdown in growth or what is commonly called the Middle Income Trap (MIT)?, it could be because there are concerns of middle-income country governments. The slowdown occurred due to demographic barriers, skills and export diversification patterns, insufficient productive structures and economic policies that had to be responsible for a slow or non-existent transition of extensive growth patterns, based on technological imitation and broad-based mobilization of unskilled labor and physical capital, towards a more sive pattern of relying on technological innovation and skills that led to a slowdown growth in addition to that due to the pattern of accumulating factors and inadequate economic growth resulting in dynamic inefficiencies that end up being more difficult to get out of these conditions (Andrianjaka & Rougier, 2019).

The efforts made by several countries to get out of the MIT situation are one of them by carrying out economic transformation which is considered successful in several countries, such as South Korea and Malaysia. The study of economic transformation (He et al., 2020) conducted in China is an important policy practice of economic development in China where the rising cost of trade has a devastating impact on China's economic transformation and has an impact on the cost of trade on China's economic transformation from the perspective of corporate exports, and also explains the policy implications for promoting corporate exports and economic transformation in the period of "deglobalization".

Transformation brings impacts as in terms of the behavior of energy companies' innovation activities, energy consumption can drive total energy innovation, among which renewable energy innovations are stimulated much more significantly. In addition, there is an increasing tendency to transform energy structures into renewable energy as energy consumption increases, the transformation of green innovation, instead of the total number of innovations, can reduce energy consumption and benefit economic sustainability.(Jiang et al., 2020).

Malaysia is also carrying out economic transformation which is a strategic plan of the Malaysian government to transform high-yield tourism in 2020. Malaysia's transformation in the tourism industry is based on Malaysia's ETP where the results of the study resulted that affordable luxury, family fun, events, entertainment, spa, and sports, as well as the tourism business have a positive impact in transforming Malaysia's tourism industry into high yields. Thus, it is concluded that the direction of ETP is in line with the perception of foreign tourists. ETP can encourage the tourism sector

to become a high-yield industry. ETP is essentially a partnership program between the Malaysian Government and the private sector. In this case, the Government should be more proactive in setting sustainable public policies, creating transparency of the business environment, organizing public-private dialogue, providing public investment and facilitating private investment. The public and private sectors also need to collaborate in finding better ways to engage local communities in the development process, increase economic activity and engage in areas critical to sustainability. (Nair et al., 2014).

METHOD

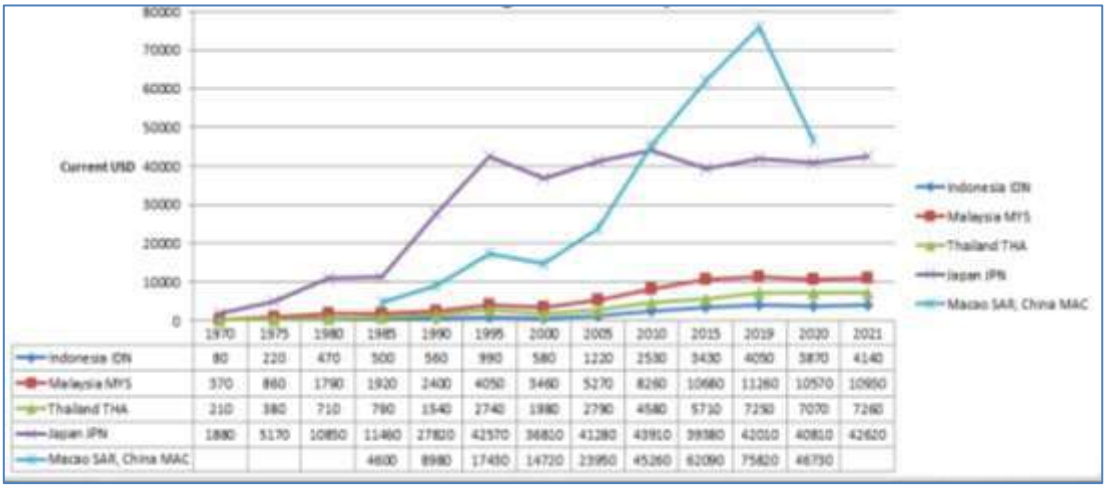
In this study, the method used is descriptive and literature study where in descriptive analysis data and information will be displayed by comparing several countries that were originally included in middle-income countries such as Malaysia, China and Thailand as well as high-income countries such as Japan and South Korea. The data and information collected are taken from 1970-2021 from various sources.

RESULT AND DISCUSSION

Before discussing further whether Indonesia can get out of the Middle Income Trap (MIT) condition towards a Golden Indonesia 2045 with economic transformation. So please note that the vision of Indonesia Emas 2045 is not something easy to achieve because its main focus is economic growth and community welfare. The economy can grow if there are adequate jobs available to guarantee the lives of workers. In addition, fiscal needs are also an absolute requirement for inclusive growth. The condition of Indonesia's economic growth and development is an out-of-control situation due to the explosion of commodity prices and is quite influential on the Indonesian economy (Krisna Gupta & Enny Susilowati Mardjono, 2021).

From some of the theories above, it is stated that to be able to get out of the MIT condition, one of the indicators used is the level of economic growth seen from the GNI of a country. In 2020 the World Bank has updated the income classification of a country (See Table 2) where Indonesia is in the Upper Middle Income. But the most important thing is how to achieve sustainable economic growth which is the first step for Indonesia to become a high-income country. Indonesia's economic strength will still grow until 2045 (See Table 1). MIT's condition occurs due to a slowdown in economic growth of Institutions, Demographics, Infrastructure, Environment and macroeconomic policies, Economic structure, Trade structure, poor social capital and negative growth outcomes (Eichengreen et al., 2012) , (Glawe & Wagner, 2020), (Shekhar Aiyar & ⁎ , Damien Puy, Yiqun Wu, 2018), (Oreiro et al., 2020), (Otsuka et al., 2017). However, what is seen is that Indonesia's economic growth has fluctuated as seen in the chart below.

GNI Indonesia in 2021 (USD 4,104), Thailand (USD 7,260), Japan (USD 42,620), Malaysia (USD 10,930), where Indonesia, Thailand, Malaysia are still in the category of upper middle income countries while Japan is in the category of high income countries (High Income). However, Indonesia was in the position of Lower Middle Income in 2012. It took Indonesia 30 years to move from Low Income to Lower Middle Income, to be able to get to the Upper Middle Income Indonesia income category took 15 years. Meanwhile, other countries to be in the high income category take 5 years like Japan.



	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2019	2020	2021
Indonesia IDN	80	220	470	500	560	990	580	1220	2530	3430	4050	3870	4140
Malaysia MYS	370	860	1790	1920	2400	4050	3460	5270	8260	10680	11260	10570	10950
Thailand THA	210	380	710	780	1540	2740	1980	2790	4580	5710	7250	7070	7260
Japan JPN	1880	5170	10850	11460	27820	42570	36850	41280	43910	39380	42010	40810	42620
Macao SAR, China MAC				4600	8980	17430	14720	23950	45260	62090	75820	46730	

Figure 2: GNI Per Capita Comparison Source: World Development Index, World Bank, https://data.worldbank.org/

If Indonesia wants to get out of MIT then the average economic growth rate must be stable at 6% per year and population growth in a constant state of 1.3% per year **(Lukas & Kadarusman, 2014)**, Indonesia needs a long time to get out of the MIT situation, which is 30 years to be able to switch status from Lower Middle Income to Upper Middle Income and to High Income which is expected to be achieved in 2053.

Indonesia was once in the Lower Middle Income category in 1970-2015 and even persisted in middle income conditions, this happened because at that time it was still vulnerable to global conditions where at that time there was an Asian and global crisis. In fact, the world bank also signaled at that time that developing countries must immediately switch to changing the structure of their economies in order to recover their countries' economic conditions and be able to make adjustments to global economic turmoil. Some of the triggers for Indonesia's difficulty in getting out of MIT conditions by looking at the past few years, this is due to **(Slovana, 2019)**:

1) The development of Foreign Direct Investment (FDI) which has a tendency to be unstable even to the point of -2.7% in 2000.

2) The development of high-tech export levels to manufacturing exports was also unstable by 10.36%. South Kore in 1985 had a high-tech export rate of 9.2% to manufacturing and in 2000 South Korea was able to increase up to 35%.

3) The Declining and Unstable Higher Education Participation Rate was 23.3%. South Korea has an increasing tendency for its educational participation rate even since 1997 (69.2%), in 1985-2015 by 30.9%.

4) The Gross Fixed Capital Formation Rate (PMTB) against GDP, which has an unstable tendency, even fell sharply to 28.3%. South Korea was able to maintain the PMTB trend from 2000-2015, which was an average of 30.5% because South Korea has a strong foundation to build an investment climate in its country.

5) The Dependency Ratio rate decreased from 74.4% in 1985 to 49.60% in 2015, where the dependency ratio shows the burden that must be borne by the population of high productive age to finance the non-productive age population. Meanwhile, South Korea in 1970 has been able to reduce its dependency ratio.

Several countries that were previously trapped in the middle income condition were able to transition, one of which was carried out by South Korea, but Indonesia before 2000 until after the 2000s experienced a slowing economic growth trend or what is called a growth slowdown. According to (Felipe, 2012) South Korea was able to move from a country that was in a Lower Middle Income to Upper Middle Income condition took 19 years with the achievement of an economic growth rate of 7.2% from 1969 to 1988. Then it took South Korea 7 years with an economic growth rate of 6.5% to be able to move to High Income conditions in 1995, so the trend of South Korea's economic growth from 1988-1995 was 13.8%. South Korea is able to achieve High Income because South Korea focuses on Foreign Direct Investment (FDI) for its manufacturing sector by using technology transfer so that it can support the industrial sector in South Korea.

Indonesia actually has a very large potential to increase its economic growth because it has a very large population of 275,361,267 people in 2022 which is ranked fourth in the country that has the largest population where the first is China. However, the increase in population is not offset by an increase in Indonesia's economic growth which causes growth stagnation because so far it is considered that the economy can be supported by human resources which can be seen from the level of education.

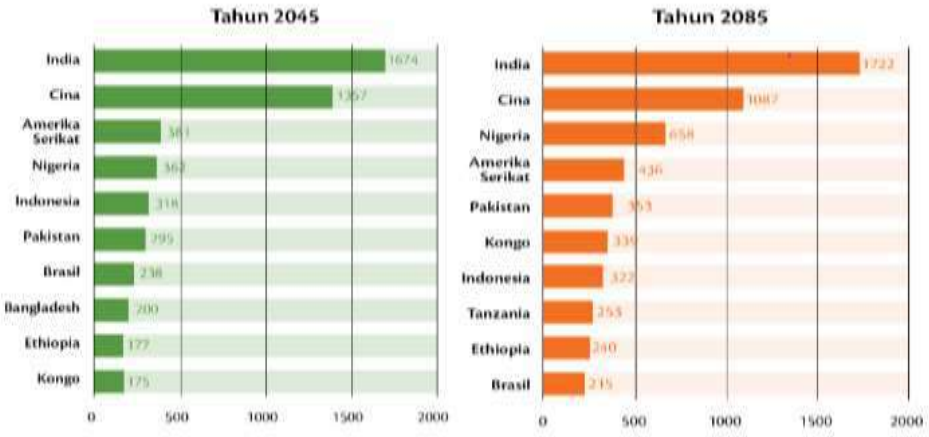
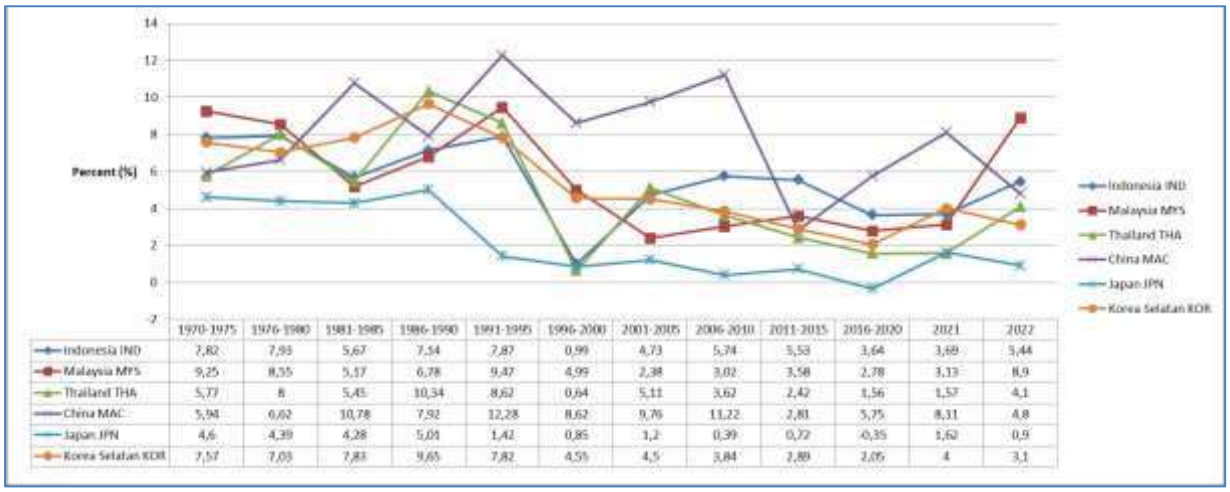


Figure 3: Ten Largest Populated Countries in 2045-2085 Source: Ministry of National Development Planning/Bappenas

Indonesia's per capita income has been in the middle position for many years with an economic growth rate of around 5.91%, to get out of this condition, the government has begun to make a strategy to get out of the Middle Income Trap (MIT). Efforts to get out of the MIT condition long before have been carried out but this is difficult to realize because Indonesia is still dependent on only a few sectors and this will have an impact on tax performance. In addition, the structural transformation of the economy when heading towards the industrial revolution 4.0 where the development strategy is

directed at the supply side in line with demand. Balanced conditions are realized so that economic transformation will be realized, but the previous problem is that economic transformation is directed more towards the traditional sector (agriculture) to the modern sector (industry) which is more centralized in urban areas so that this has an impact on the increasing flow of urbanization which results in a mismatch of skills from the modern sector to the traditional sector.



	1970-1975	1976-1980	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015	2016-2020	2021	2022
Indonesia IND	7,82	7,93	5,67	7,54	7,87	0,99	4,73	5,74	5,53	3,64	3,69	5,44
Malaysia MYS	9,25	8,55	5,17	6,78	9,47	4,99	2,38	3,02	3,58	2,78	3,13	8,9
Thailand THA	5,77	8	5,45	10,34	8,62	0,64	5,11	3,62	2,42	1,56	1,57	4,1
China MAC	5,94	6,62	10,78	7,92	12,28	8,62	9,76	11,22	2,81	5,75	8,31	4,8
Japan JPN	4,6	4,39	4,28	5,01	1,42	0,85	1,2	0,39	0,72	-0,35	1,62	0,9
Korea Selatan KOR	7,57	7,03	7,83	9,65	7,82	4,55	4,5	3,84	2,89	2,05	4	3,1

Figure 4: Comparison of Source Economic Growth Rates: World Development Index, World Bank, https://data.worldbank.org/

Figure 6 above describes the comparison of the economic growth rates of the 6 (six) countries analyzed. Indonesia had an economic growth rate at the beginning of 1970-1980, 1986-1995 to match South Korea's at 7%. However, Indonesia's economic growth rate tends to fall and is at 5% per year. For China, it has a downward trend although from 1981-2010 the trend has increased, as well as Malaysia and Thailand. From the chart above, it shows that high economic growth cannot always be expected to be positively correlated with a country's GDP.

According to **(Barry Eichengreen Donghyun Park Kwanho & Working, 2013)** mentioned that a country can get out of the Middle Income Trap condition if the country can carry out economic transformation, namely by focusing on industrialization in the manufacturing industry by exporting high technology. To achieve this, qualified human resources are needed to be able to increase export capacity with high technology. However, the condition that occurs in Indonesia is that the level of education has not been maximized to be able to create a workforce for the industrial sector with the technological capabilities needed so that Foreign Investment (FDI) is needed to be able to increase employment, develop cutting-edge technology and carry out equitable development in addition to exporting high technology, this is what South Korea is doing to be able to get out of the Middle Income Trap condition that ensnared the country.

Because there is a link between investment and a country's GDP per capita where the infrastructure and human resources owned by a country are low-skilled, it will hinder a country's economic growth **(Aviliani et al., 2014), Kasenda, D. (2013).** The study of the noose from the Middle Income Trap was also carried out in several countries such as China, India, Indonesia, Malaysia, the Philippines and Thailand

(Lubis & Saputra, 2016) which mentions that government spending, investment expenditures and high-tech export products have a very significant but negative influence on a country's GDP.

Indonesia strives to get out of MIT's condition through a vision to achieve a Golden Indonesia 2045 focused on: (1) Indonesian human resources whose intelligence, outperforms other nations in the world, (2) Indonesian society that upholds pluralism, culture, religion and upholds ethical values, (3) Indonesia becomes the center of education, technology and world civilization, (4) Society and Government apparatus that is free from corrupt behavior, (5) The establishment of equitable infrastructure throughout Indonesia, (6) Indonesia became an independent country and the most influential country in the Asia Pacific, (7) Indonesia became a barometer of world economic growth.

To realize this in Vision 2045 known as 4 (four) "Global Megatrends", namely:

a) Human Development and Mastery of Science and Technology
To study this item can be seen from the aspects of population, education, health, science and technology, culture and employment**.**

- **Population, Causes:** Tingkat fertilitas total (Total Fertility Rate/ TFR) menurun , Usia harapan hidup penduduk Indonesia diperkirakan meningkat dari 69,8 tahun pada tahun 2010 menjadi 75,5 tahun pada tahun. **Strategi** Population Development: Utilization of Demographic Bonus, Population Ageing and Utilization, Second Demographic Bonus, Urbanization Control, Migration Management, Population Distribution by Maintaining Environmental Carrying Capacity, Sustainable Social Protection
- **Education**, Education Development Strategies: Increasing Access and Participation in Education Equitable Distribution of Educational Services, Increasing the Role of Society in Educational Development, Increasing Teacher Professionalism, Changing Learning Approaches, Improving School Culture, Improving Reading Culture, Increasing Foreign Language Mastery and Regional Language Preservation, Increasing Vocational Education, Increasing Educated and Entrepreneurial Labor, Improving The Field of Science in Higher Education, Universities Higher as a Center of Excellence, Improved Character Education

	2015	2025	2035	2045
Rata-rata Lama Sekolah	8,3 Tahun	9,5 Tahun	10,7 Tahun	12 ,0 Tahun
APK Perguruan Tinggi	29,9%	35%	50%	60%
Angkatan Kerja Lulusan SMA sederajat dan PT	39,3%	50%	70%	90%
Persentase Lulusan Perguruan Tinggi bidang *Science, Technology, Engineering, Art, and Mathematics*	39,9%	45%	55%	70%

Figure 5: Education Development Targets in Indonesia
Source: Ministry of National Development Planning/Bappenas

- **Health, the Strategy:** Increasing The Degree of Public Health with an Increase in Life Expectancy to 75.5 years by 2045, Increasing Access for All Populations and Various Age Groups, Socio-Economic Groups and Populations throughout Indonesia to Good, Quality and Equitable Health Services. Increasing Production of Domestic Medicines and Medical

Devices, Mastery of Technology with the Utilization of Indonesia's Biodiversity and Becoming the Flagship of Asia and the Pacific, The Continued Role of Puskesmas as a Center for Driving Health-Based Development, Community Empowerment Center, and Comprehensive Health Service Center in the First Strata, Establishment of a Disease Prevention and Control System including Transnational Diseases, Guaranteed Sustainability of Health Insurance Nationally, the capacity to handle the impacts of climate change is well organized.

- **Science and Technology, The Strategy**: Development of Focused Science and Technology, Development of Information and Communication Technology (ICTs), Increasing the Adoption and Application of Science and Technology, Improving Science and Technology Infrastructure, Improving Science and Technology Culture, Institutionalizing Higher Education– Private – Government Cooperation.

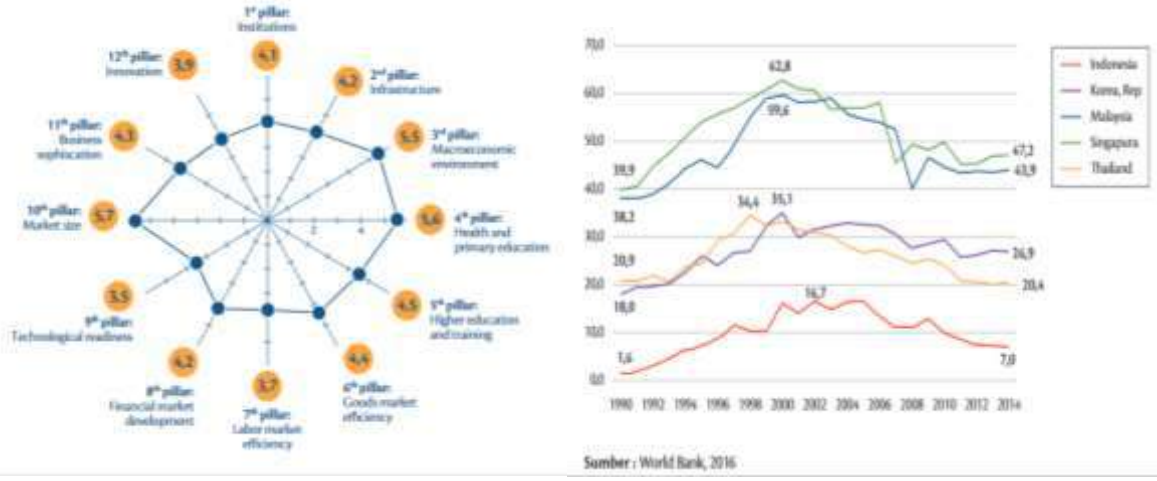
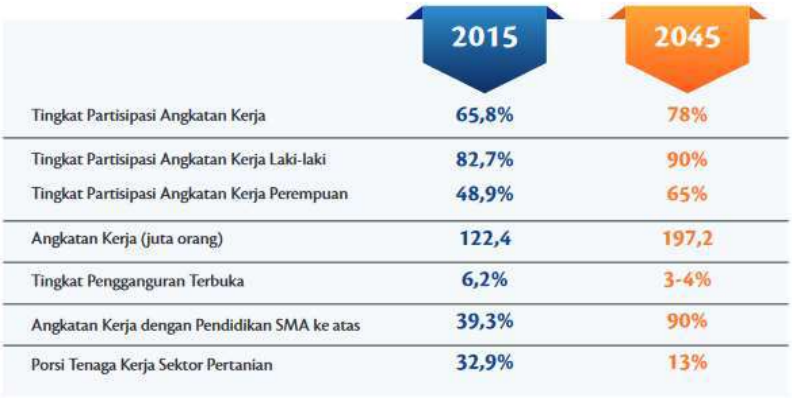


Figure 6: Pillars of the Global Competitiveness Index and High-Tech Exports Against Manufacturing Exports Source: Ministry of National Development Planning/Bappenas and the World Bank

- **Culture, The Strategy:** Pancasila as a Philosophy of National Life, The Formation of a Strong National Character, Increasing Respect for Diversity, Increasing Space for Local Culture-Regional Identity, Increasing Tolerance and Anti-discrimination, Increasing Cultural Diplomacy, Increasing Maritime Culture and Insight, Increasing Cultural Contribution to Development
- **Employment** , In the last 11 years (2005 – 2016), the labor force has increased by 19.6 million people., Relatively high economic growth in the period has created 24.5 million new jobs, open unemployment can be lowered from 11.9 million people (11.2 percent) in 2005 to 7.0 million people (5.6 percent) in 2016. About 60 percent of job types will be automated and 30 percent of jobs could potentially be replaced by the technological revolution. The labor market is required to be flexible and adaptive). Strateginya : Employment policy is directed at improving the competitiveness of Indonesian workers. First Stage (2016-2025), Second Stage (2026-2035)., Third Stage (2036-2045). , In 2045.



	2015	2045
Tingkat Partisipasi Angkatan Kerja	65,8%	78%
Tingkat Partisipasi Angkatan Kerja Laki-laki	82,7%	90%
Tingkat Partisipasi Angkatan Kerja Perempuan	48,9%	65%
Angkatan Kerja (juta orang)	122,4	197,2
Tingkat Pengganguran Terbuka	6,2%	3-4%
Angkatan Kerja dengan Pendidikan SMA ke atas	39,3%	90%
Porsi Tenaga Kerja Sektor Pertanian	32,9%	13%

Figure 7: Employment Structure in Indonesia in 2015-2045 Source: Ministry of National Development Planning/Bappenas

(a) Sustainable Economic Development

- Economic Growth
- Economic Productivity
- Investment
- Foreign Trade and International Relations
- Industry
- Creative and Digital Economy
- Tourism
- Financial Services
- Maritime
- Food Security
- Environmental Energy
- Security and Low Carbon Development

(b) Equitable Development

- Income Equality
- Poverty Alleviation
- Welfare of Farmer
- Regional Development
- Infrastucture Equality

(c) **Strengthening National Resilience and Governance:**

- Domestic politics Bureaucratic,
- Institutional reform Legal Development
- Prevention
- Eradication of Corruption Defense Security

It is difficult for Indonesia to get out of the MIT condition because from the results of previous studies, countries that were previously entangled in MIT conditions took a long time, such as Japan, South Korea. Indonesia to be able to be from the condition of Lower Income to Upper Middle Income it takes 15-30 years, for the current condition if you want to get out of the MIT condition it takes approximately the same 15-30 years 2053.

There are several factors behind the middle income trap, including the lack of added value from the manufacturing sector, the quality of human resources in the economic sector unable to implement policies that have been implemented by the government, and problems in conducting bureaucracy

due to the many overlapping rules and authorities that clash between regions. From the narrative above, to achieve a Golden Indonesia in 2045, it can be done if Indonesia's economic growth is above 6% as long as several fundamental factors that can affect long-term growth can be overcome, namely: the first is given factors and the second is social choices. In given factors there are cultural hypotheses and geographical hypotheses, cultural hypotheses in the form of values in individual or social preferences and beliefs that can then have an influence on economic performance.

The hope is that many investors will then enter after the enactment of these new rules, so that we can transform into developed countries after many countries invest in Indonesia. There are several grand strategies planned by Indonesia in strengthening sustainable economic growth. Among them are by strengthening digitalization, creating omnibus laws on job creation laws, green economy, value creation through commodity downstreaming, extreme poverty alleviation, and Indonesian investment authorities. Finally, the strategy employed by Indonesia in avoiding the middle income trap. The first is to build Human Resources (HR), the second is the social safety net as an equal distribution of welfare, the third is economic transformation, and the last is to improve institutions. To achieve advanced Indonesia by 2045 and get out of the middle income trap, the Indonesian government created many programs to break away from the middle income trap. The target made by the government is for the period of 2030 and above, most of the programs are in the form of laws related to debirocratization and deregulation which will then become a mainstay for the government to escape the middle income trap.

CONCLUSION

In order for Indonesia to get out of the Middle Income Trap (MIT) condition, the efforts made are to carry out economic transformation, especially: In the short term, Indonesia must accelerate capital accumulation through accelerated investment, especially related to infrastructure in order to encourage economic growth above 6%. In the medium term, it must develop, utilize innovation and technology in order to increase Total Factor Productivity (TFP). Building Human Resources (HR), the second is the social safety net as an equal distribution of welfare, the third is economic transformation, and the last is improving institutions. Strengthening digitalization, creating omnibus laws on job creation laws, green economy, value creation through commodity downstreaming, extreme poverty alleviation, and Indonesian investment authorities. Indonesia can get out of the Middle Income Trap (MIT) condition if triggering factors such as export structure, and TFP, innovation and structural changes as well as a combination of various interacting factors (against the background of country-specific characteristics) as shown in figure 8 can be overcome. The economic transformation carried out by Indonesia is focused on the triggering factors and 4 (four) "Global Megatrends" otherwise the opportunity to get out of the Middle Income Trap (MIT) condition will take 30 years approximately 2053.

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