Available online at www.worldscientificnews.com

World Scientific News

An International Scientific Journal

WSN 102 (2018) 146-157 EISSN 2392-2192

The role of marine sector optimization strategy in the stabilisation of Indonesian economy

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ABSTRACT

Indonesian Economic crisis is not economic disaster, but as a market correction for Indonesian economic development strategy. This paper present that development of marine sector is one of development strategy as resources based development in Indonesia. Marine sector development will carry Indonesian out of crisis toward better economic development. Development of the marine sector which is basically the utilization of ecosystem diversity contained in each region, means that the development of marine is identical with economic development in each region. Production technology in the marine sector with wide variation (labor-intensive technology to knowledge-intensive technology) will be able to accommodate human resources with variations of education background. Marine based economic development strategy capable of reaching broad problem solving, capable of being implemented by Indonesia and able to lead the Indonesian nation to a better future economy.

***Keyword*:** economic disaster, economic development, marine sector, human resources

1. INTRODUCTION

In the 21st century, the Indonesian economy faces a number of very serious problems, especially as a result of the end of the prolonged economic crisis. Decrease in income, poverty, high rate of unemployment, high rate of inflation, porous of food security, are a

(Received 11 June 2018; Accepted 25 June 2018; Date of Publication 25 June 2018)

series of economic problems that require solving as soon as possible. In addition, the growing old problem of overstretched foreign debt-even trapped in the debt trap-the equitable distribution of development and its outcomes-adds to the agenda of problems to be solved through economic development in the future.

To solve the widespread economic problems, Indonesia needs an economic development strategy that has the capability of reaching broad and visionary economic problem-solving; a strategy that not only able to achieve economic growth, but also simultaneously able to maintain exchange rate stabilization, generate large foreign exchange for debt repayment, create jobs accommodative to the diversity of labor, strengthen food security systems and control inflation, eradicate poverty, and ensure sustainable development. According Feldman (2011) that the strategy should also not depend on imports, raw materials, capital goods, expertise and financing, so as not to increase the foreign debt that has been so great.

The question is, what kind of economic development strategy has such a wide range of problem-solving capabilities without having to create dependence on imports?

The economic crisis that hit the Indonesian economy is not an economic disaster, but a market correction to the economic development strategy pursued so far. We are reprimanded by invisible hand to return to an economic development strategy based on our comparative advantage. Therefore, the crisis solution is not the SOS forms, but the adjustment is: quickly return to the natural resource sector as a cheap (domestic) local resource.

In this paper it will be discussed that the development of the marine sector is one - not the only natural resource-based economic development strategy capable of reaching broad problem solving, capable of being implemented by Indonesia and able to lead the Indonesian nation to a bright and important international future economy internationally.

2. BASIC CONSIDERATIONS AND LITERATURE

Policies and institutions can, in principle, be associated with crises in three ways. First, they can affect the volatility of domestic economic development and the way international business cycles are propagated to the economy, i.e. the sensitivity of domestic demand to international shocks. Second, economic policies can affect the aggregate demand reaction to crises, such as is the traditional role of Keynesian stabilization policy. Third, economic policies and institutions can affect the supply response to crisis, and in particular the flexibility of the economy when resources are to be reallocated from uses made either redundant or unprofitable by the crisis shock.

2. 1. Trend and opportunity of Natural Resource-Based Exports

The economic crisis that hit Indonesia has worsened Indonesia's economic performance in recent years. Various efforts have been made by the Indonesian government to overcome the crisis, but to date these efforts have not shown any significant progress. One of the government's efforts to get out of the crisis is to increase national exports. This is very reasonable considering that exports are one of the sectors that have been relied upon to defend the Indonesian economy in addition to other sectors such as investment, consumption growth, import and government expenditure. However, as the economic crisis progresses, Indonesia's exports tend to decline.

In the current economic crisis in Indonesia, natural resource-based exports are expected to become economic machines capable of promoting economic growth. However, these expectations to date have not yet come true. There is the fact that natural resource-based exports are an unstable source of revenue.

To understand natural resource-based exports, we should understand the basic concepts inherent in the theory and practice of international trade as well as the basic properties of export based on natural resources. Thus we will be more clear to see the pattern of Indonesia-based exports of natural resources. Next we will try to look ahead to what needs to be considered for the sake of sustainable export-based (natural resource).

The theory of international trade with all its assumptions gives one main conclusion and almost becomes economic doctrine is free trade is the best. With certain comparative advantages, each country will concentrate on producing goods that have comparative advantages, ie goods that can be produced at the cheapest cost. So that every country will be able to produce production efficiently (Bologna, and Young, 2016; Campbell and Snyder, 2012; Bjørnskov, and Foss, 2008).

Then when the exchange takes place freely (free trade), then every country will be lucky. Not just because it can produce more, but also can consume more. Another advantage of this trade is being able to encourage economic growth and development for these countries. The further development of the theory of comparative advantage is the theory that bases on the abundant resource factor as the main basis of trade. This is known as Hecksher-Ohlin or factor proportion theory. This resource simply consists of three: land (natural resources), labor (cheap labor), and capital. The availability of such resources in each country will determine its production specialization. Furthermore, exchange will give the same implications as the basic theory of comparative advantage (Pritchett, 2000).

Especially Indonesia, for example, reseource and cheap labor is an abundant resource. This automatically means that Indonesia will specialize in the production of goods using both factors. In other words, Indonesian exports will revolve around goods that use reseource and cheap labor as its main component (Rizal, et.al., 2017).

Based on available statistical data on worldwide exports during the period 1970-2008, developing countries only contributed 18% on average per year to the total world exports (van Mulekom, et.al., 2006; Munger, 2008). Furthermore, about 120 developing countries still rely on the export of basic commodities based on natural resources, with the contribution of about 75% of total exports (Rizal, et.al., 2017).

In more detail, 80% of exports from sub-Saharan Africa and 50% from Asia and Latin America are primary reseource-based commodities such as food, minerals, oil, marine and other natural resources are primary. For Indonesia, the main export commodity which is quite significant besides basic manufacturing and petroleum is the product of wood, rubber, and palm oil (Rizal, et.al., 2017).

A normal pattern in the export behavior of each country starts from the export of natural resource-intensive goods, then shifts to unskilled labor intensive manufacturing, then shifts to more advanced ones such as skilled labor intensive skilled labor, capital intensive, and knowledge-based intensive (solid knowledge) (Bjørnskov, 2014).

The first basic nature of this reseource-based commodity exports, especially primary commodities, is the low elasticity of demand for price and income changes. That is, when developed countries as consumers of the exported goods experience a change in prices (related to the goods) and income then their demand for the goods concerned has not changed

much (Giavazzi, and Tabellini, 2005). So this could explain why when Indonesia is experiencing a great depreciation, the demand for export goods based on Indonesia reseource is not commensurate with the depreciation that exists.

Second, low supply elasticity. That is, when there is a spike in prices, in the short term there is the inability of fulfillment. And when efforts are made to meet the demand by increasing supply, it could then happen over supply that makes the price back down. Or rather, the flexibility of exports based on natural resources is very low. This is common in marine commodities, especially fisheries

This low demand and supply elasticity in turn leads to instability in the low acceptance of exports of goods based on natural resources. Therefore, the depreciation policy or floating exchange rate policy does not necessarily support the resource-based export.

The third basic characteristic is the worsening TOT (terms of trade). TOT is a reflection of how much the comparison of export prices with import prices. If export prices fall, for example, more exported goods are needed to fulfill the same amount of imports. Except for petroleum, data from 1977 to 2016 showed a continuous trend in TOT decline. That is, developing countries as exporters of goods based on natural resources must constantly sell more to continue to meet the needs of the same import (Rizal, et.al., 2017).

Low TOT and decrease over time result in continuous transfer of income from developing countries to developed countries (Prebish-Singer Thesis). This is the main reason why then developing countries are competing to shift to manufacturing exports with protection policy or better known as import substitution policy.

In general, the structure of the Indonesian economy follows a normal pattern, ie the contribution of the resource -based sector is constantly increasing towards total production. In addition, increased private spending was also followed by an increase in exports. While government spending actually looks stagnant.

Meanwhile, petroleum dominates Indonesia's exports along with fluctuations over that time period. While other manufacturing exports increased in the period 2015-2016, but decreased throughout the period 2016-2017. Other export goods not included in the classification experienced a surge in the period 2016-2018. This is mainly influenced by natural resource-based exports. There are five major export destination countries of Indonesia, namely Japan, America, Singapore, South Korea, and China. Japan dominates all the time, followed by the United States. China then began to become important since 2005.

2. 2. Projection of Marine Resources

Potential development of marine sector in Indonesia can be seen both from the supply side (supply side) and demand side (demand side) which will be described as follows. Potential supply side include:

First, physically Indonesia is the largest archipelagic country with 17,508 islands and 81,000 km of coastline, and about 70 percent of its territorial territory is sea. The vast coastal and marine areas contain diverse natural resources and environmental services as potential untapped development potential, so that almost all marine commodities of the world can be produced from Indonesia (Rizal, et.al., 2018).

Secondly, Indonesia has the largest biodiversity of biodiversity in the world, so Indonesia is often referred to as the biggest biodiversities country. With the diversity of biological resources we have, through the technology of gene recombination (DNA) and

processing technology, marine products can be produced almost unlimited in both quantity and type.

Third, Indonesia has considerable human resources with a variety of educational diversity, ranging from never attending school to a doctorate / professor. The diversity of human resources (HR) is not an obstacle in marine development, because each has a niche (niche) or accommodated in the marine sector

Fourth, Indonesia has marine research and development institutions-both research and development / R & D of government departments and in universities-supported by qualified human resources in science, doctoral and professors. From the existing marine R & D is now able to produce technology ranging from simple to high tech (hi-tech).

Meanwhile, from the demand side, the potential of the Indonesian marine sector can be seen from the market potential. Indonesia has a large enough population, the consumption of marine products is still the lowest in the world. Large population and with increasing purchasing power is a very large and emerging market for marine products (Messina, and Vallanti, 2007).

In addition to the large domestic market potential, the international market is still very large for marine products. There are a number of changes that increasingly provide market opportunities for the Indonesian marine in the future:

First, an international sponsored study (Rizal et.al., 2017) on the world's major food projections shows that developing countries (Asia, Latin America, Africa) are still net importers main food with an average increase of 200 percent from 1990 to 2020 net imports. This indicates that primary food market (not yet processed) is still quite prospective in the international market

Second, the shift of industrialization strategy in many countries from agrobased industry to non-agrobased industry will increase the import of marine products of the country. Japan for example, imports of fishery commodities-not yet processed-have increased from about 17 billion dollars in 2010 to about 51 billion dollars in 2016.

Third, the liberalization of world trade that will be applied will affect the country of importers and exporters of marine. Marine importer countries will lower import tariffs so as to increase the import of marine products. Marine exporter countries will reduce / remove the fishery subsidy, thereby reducing the ability of export to international market, even some become net importer. This will increase the marine market opportunities in the international market.

Fourthly, the increasing awareness of the international community on the importance of environmental sustainability, has changed the assessment of the products to be consumed, and increasingly leads to products that are biodegradable. The use of non-organic raw materials will continue to decline and switch to organic raw materials. The changes will enlarge the market of marine products in the international market.

The above description shows that Indonesia has a comparative advantage in the marine sector and has a clear market prospect both domestically and internationally.

However, a comparative advantage alone is not enough to cope with an increasingly competitive world economy. Our marine comparative advantage must be transformed into competitive advantage. Therefore, we are not enough to build fisheries, but should build the marine sector systemically through technology development, human resource quality improvement, and so forth. Thus, marine products that are currently relying on natural resouce based and non-labor intensive will turn into products that rely on capital and skilled

labor intensive (an intensive, educated workforce) and then to marine products that are technology intensive and based on knowledge (knowledge based).

3. DISCUSSION

Indonesia maintained strong economic growth in 2017 and the outlook continues to be positive, according to the World Bank's March 2018 Indonesia Economic Quarterly. Indonesia's real GDP growth picked up to 5.2 percent year-on-year in the fourth quarter of 2017 from 5.1 percent in the previous quarter. For 2017, the country's GDP growth rose to 5.1 percent from 5.0 percent in 2016, its highest growth rate in four years. Faster growth in 2017 was due to stronger investments and net exports, lifted by improved global trade, and the continued recovery in commodity prices. Public investments also supported growth, with total government spending growing the fastest in three years (World Bank, 2018).

Rizal et.al (2017) and Tran U et.al., (2017) discloses an economic development strategy would be a viable national economic development strategy if it is able to solve the main economic issues facing society, so that the strategy is beneficial to the people. Looking ahead does not need to lament. For despite all the facts showing that marine-based exports are still not optimal, we can still take important strategies by looking at future challenges. Some of the policy strategies that need to be done are:

The First Strategy, in the short and medium term (about two to five years ahead) the government and export producers based on marine resources should prepare themselves for the instability of demand for their production. In addition to the problem of low elasticity, it is also related to the fact that export demand is highly dependent on two economies that are likely to face future instability: the US and Japan.

The recession in both countries could be interpreted as a global recession. So far, there has been a downward trend in export value by 2020 (Rizal, et.al., 2017). Several studies with simple econometric models also show that there is a close relationship between the two economies and Indonesian exports as a whole.

The Japanese economy is indeed experiencing a long-standing crisis, especially since the financial crisis took place in the mid-2010s to the present day. While Japan is Indonesia's main export destination. To this day, signs of Japan's economic recovery have yet to be seen. However, what could be the source of the global crisis in the future are events such as the war on terrorism that is increasingly worrisome.

This incident may have reversed the phenomena we experienced fantastically in the 1997s: the deglobalization process or the reversal of globalization. That is, as a consequence of the war against terrorists, the movement of goods, capital, people, and technology will be hampered.

Especially in the field of sea transportation. For security and political reasons, this field will experience a reversal of increasing return to scale. In other words, the inefficiency in this sector will in turn decrease the movement of goods and people drastically. And will further reduce the movement of capital and technology.

For example, the terror Bombing and the threat of security has made the marine transportation sector and our marine tourism worse off as well as the decline of tourist visits to Indonesia. It even makes Indonesians harder to travel abroad.

This means that the movement of people declining. As a result, two problems will result in a mutiplier effect that negatively affects almost all sectors of the Indonesian economy. Not to mention, the possibility of an embargo or boycott of future goods from a particular country as a consequence of the ongoing war (Rancière, and Tornell, 2008; Reinhart and Rogoff, 2009)

The implication of deglobalization is the global economic and political crisis. The outcome of that will be a nightmare of mankind. If the deglobalization process occurs quickly then the global economic crisis in the future is much more powerful than the economic crisis in the 1997s. Political impact we can imagine how messy (Reinhart and Rogoff, 2009; Rizal and Nurruhwati, 2018).

In anticipation of the decline in demand from the two countries, preferably in the short and medium term target European and Chinese markets are calculated as the destination of export goods based on marine resources. Europe is an economic region that although not very encouraging, but still better than the two export destination countries earlier. While China is still seen as a country that the economy is passionate.

In addition to diversifying these objectives, product diversification with in-depth study of demand in the target country is also essential. That is, producers should not rely on goods that have been established as an export commodity, but try other innovations by still rely on the existing marine resources. Surely the adoption or purchase of related technologies also needs to be taken into account. Strategy Second, central and local governments should be able to anticipate the negative impacts of decentralization / autonomy on the production of marine-based exports. As some studies conducted in the region, especially in the cost of doing business, it seems that the implementation of autonomy / decentralization has contributed to the uncertainty of business in the regions. Especially with the emergence of many local regulations that provide additional burdens to production and distribution as part of the local policy of pursuing local revenue.

While we know, almost all marine resource-based exports are in the region. Anticipating this, the central government should be able to provide understanding to the local government and its regional authority that the measure of the success of economic development from the region does not lie to how large the local revenue, but to the economic impact on the welfare of society as a whole. Because decentralization / autonomy is aimed at the welfare of society as a whole, not just for local government with its tools.

Third Strategy, the government and producers of marine resources should anticipate issues related to the environment that increasingly widespread lately. This anticipation is part of the alignment effort between economic growth, population growth, and environmental degradation. Some of the most sensitive issues today are the closing proposals of some mining companies that are considered to be environmentally destructive (and certainly harmful to the environment).

This insistence is not only from NGOs, but from activists and communities in production areas. Even at the recommended level for stop mining !. Handling this is not easy. The government should justly and firmly resolve this dispute, especially the firmness of environmental friendly waste disposal requirements. In addition, the producers should promote community development (CD) as much done by multinational corporation in the field of mining.

Fourth Strategy, a serious effort by the government and producers in terms of research and development from various aspects for marine resource-based exports with one main

focus: adding value to marine resource-based exports. Starting from production problems (selection, adoption and technology development, raw materials, management, human resources, product quality), distribution (transportation tool selection, distribution network, use of ships /air cargo services), to marketing, product diversification plan, destination country diversification, promotion type, competitor analysis in the world, etc.). Thus, the optimization of marine resources to be exported done best, given that the potential of our wealth, especially the sea, there are still many that have not worked well.

Fifth strategy, industrial deconstruction. The business world has undergone many changes. The industrial world is undergoing a tremendous deconstruction process, so to become an oil exporter, we do not have to own oil fields. Just like the brand of Nike shoes that do not have their own shoe factory, but simply become an orchestrator only. The question is, how to avoid the trap of economic orientation of low value-added natural wealth? This means that we can be a producer of a commodity without having to have a factory, just have a brand and a strong design that can become global players.

The same thing also happens when we mendikotomikan economy based on resource versus Industrial economy. The problem is that one is seen as the primary sector, the only manufacturing sector that supposedly believes to add greater value. Should we leave one of them? Why do not we disassemble the links of each industry, then look for which links are the biggest added value.

The high content of imported materials in some industries shows similar symptoms. That is, developed or developing countries begin concentrating on one of the links-not vertical integration-the industry with the greatest added value. We harvest seaweed, already happy with only 0.5 dollars for one kilogram exported to Japan. Meanwhile, to make jelly and drugs, this seaweed should be used as jelly powder first. It means we have to import again from Japan with high price. There is a missing industrial link in Indonesia, which is foreign-dominated, which is the industry with the greatest added value.

Sixth Strategy, set economic policy (monetary and fiscal) that support the implementation of marine sector development. One of the obstacles to marine development is the high investment cost for some economic activities in the marine sector. Therefore, economic incentives (monetary and fiscal) mechanisms are needed to encourage the development of marine sectors (Gramlich, 1971).

According to the economic sense, incentives mean the stimulus provided by the Government to investors or entrepreneurs in order to invest in certain areas or work harder. To accelerate the development of marine sector development, the government should give special treatment economically to marine development from planning aspect to optimum utilization of marine resources. In this context, the variable provision of adequate infrastructure is one of the solutions. Infrastructure is the provision of public facilities or services to the public on a large scale such as the provision of clean water, roads, railways, aviation systems, telephones, telex, radio communications, harbor darmaga, educational facilities and others. All services to the community are used to support economic activities, especially in the marine sector. Under such conditions large capital is required and usually carried out by the government. Investment incentives identified to stimulate economic activity in the marine sector include:

a) Incentives for entrepreneurs / investors who invest their capital in Eastern Indonesia;

b) Incentives in the process of simplifying administrative and investment licensing by, for example, providing an integrated service system in Kota and kabupaten (this is more conducive to the existence of regional autonomy legislation);
c) Incentives in the form of compensation for loss of marine business people;
d) Payment of Land and Building Tax for up to five years;
e) Incentive of suspension of import duties and additional import duties on capital goods related to marine sector production;
f) Incentives on Value Added Tax (VAT) and Sales Tax on Luxury Goods and Income Tax Article 22, for example for exports of non-oil and gas exports, taxation facilities in VAT and PP VAT in the form of unpaid taxes and suspension of VAT payments for imports of capital goods and equipment machines to be used for the activities of producing exported goods, such as fishery commodities;
g) The need for the identification of special incentives for qualified human resources, for example through land grant university in some marine development centers, in the form of granting the right to manage natural resources on the university side, among others, can be in the form of conferment of Marine Resources Concession Right to the local community;
h) Interest rate incentives for investors, such as loan rates pegged for investment credits in the marine sector, usually average interest rates ranging from 21-23 percent to about 4 percent;
i) Incentives in the form of a tax holiday, for example, are imposed on marine efforts which generally have a long period of planting and are slow yielding and full of uncertainty.

The Seventh Strategy, making the development of the marine sector as a national economic development strategy. The implication is that the future projection of the Indonesian economy is to become a Newly Marine Indutry Country (NMIC) with developmental stages: from the current NMIC-1, moving into NMIC-2 and then NMIC-3.

NMIC-1 is characterized by a production-as well as export-structure that is still dominated by marine products that are natural, resource-based and labor-intensive as they are today, where resource abundance is a factor-driven one. At NMIC-2, Indonesia's marine production structure will be dominated by labor-intensive capital and skill products, where investment is an investment-driven one. Then in the NMIC-3 phase, the marine production structure will be dominated by technology and knowledge based products, where innovation becomes the prime driver (innovation-driven).

4. CONCLUSIONS

Development of the marine sector which is basically the utilization of ecosystem diversity contained in each region, means that the development of marine is identical with economic development in each region. Production technology in the marine sector with wide variation (labor-intensive technology to knowledge-intensive technology) will be able to accommodate human resources with variations of education background. Thus the development of the marine sector will be able to realize the equality of development, increased employment and striving in each region.

Development of the marine sector based on domestic resources is less demanding of large foreign debt financing, and does not require the import of raw materials and experts. Then the products produced by the marine sector in the form of food and non-food products are intended for domestic and export markets. The provision of national food based on the biodiversity of food resources in each region is a robust and efficient national food security system.

This strong food security will support the control of inflation in the country. Exports of marine products will generate substantial foreign exchange so as to finance the import of capital goods that can not be produced and pay off foreign debt. Fertilizing foreign exchange reserves from the export-not from capital inflows like so far-will be able to maintain the stability of the rupiah exchange rate.

In short, Indonesia's economic problems can be solved through the development of the marine sector. If the maritime development is done in every region then economic growth, equity, economic stability will be realized simultaneously. The more advanced the marine sector the higher the quality of growth, equity, economic stability achieved.

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