

Editorial Note

Downstreaming as a Game Changer for Indonesia's Reindustrialization

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Economic transformation rarely unfolds in a linear and gradual manner. More often, it emerges through decisive shifts that redefine the trajectory of development. In Indonesia today, mineral downstreaming—particularly in nickel—has become one of those defining shifts. It is reshaping the country's economic structure from a reliance on raw commodity exports toward a more industrial and value-added foundation. In this sense, downstreaming has become a central pillar of Indonesia's reindustrialization strategy.

This editorial note opens a series titled *Indonesia's New Growth Center: The IMIP Model*. The series aims to draw sustained attention to one of the most significant development phenomena in contemporary Indonesia, the Indonesia Morowali Industrial Park (IMIP). This industrial cluster is not only a production hub, but is increasingly functioning as a new model for regional growth based on mineral downstreaming.

Over the past decade, IMIP has transformed Morowali in ways that would have been difficult to imagine just a few years ago. A region once dominated by extractive activities has evolved into a global center for nickel processing and related industries. The scale of this transformation is clearly reflected in economic indicators. By 2025, Morowali had recorded the highest GDP per capita among all regencies in Indonesia, exceeding Rp1 billion. This remarkable achievement signals a rapid and deep structural transformation.

More importantly, the impact of IMIP is not confined to Morowali alone. It has also reshaped the broader economic landscape of Central Sulawesi. Over the past decade, Morowali has emerged as the largest contributor to the province's GDP. Its share increased dramatically from around 12 percent in the mid-2010s to approximately 46 percent by 2024. This shift illustrates how a single industrial cluster can redefine regional economic geography and create a new center of gravity for growth.

At the same time, the absolute size of Morowali's economy expanded at an extraordinary pace. Total regional GDP rose from roughly Rp120 trillion in 2016 to nearly Rp377 trillion in 2024. This expansion reflects not only increased

production capacity, but also the integration of Morowali into global value chains, particularly in the electric vehicle battery ecosystem.

The transformation is equally evident in the structure of the local economy. A decade ago, Morowali's economy was heavily dependent on mining and quarrying. These extractive sectors dominated economic activity, with limited value added and weak linkages to other sectors. Today, that structure has fundamentally changed. The share of manufacturing has surged from around 12 percent in the mid-2010s to more than 70 percent by 2024. In contrast, the share of mining has declined significantly over the same period. This shift marks a clear transition from an extractive economy toward an industrial one.

A similar pattern can be observed at the provincial level. In Central Sulawesi, the contribution of manufacturing to GDP has increased sharply, rising from less than 10 percent in the early 2010s to more than 40 percent in recent years. This indicates that the industrialization driven by IMIP is not an isolated phenomenon, but one that is reshaping the broader regional economy.

The gains in income are also striking. Morowali's GDP per capita rose from around Rp126 million in 2016 to more than Rp1 billion in 2024. This level far exceeds the provincial average, which stood at approximately Rp120 million. The widening gap highlights both the success of industrialization and the emerging disparities within the region.

Taken together, these trends provide strong evidence that the IMIP model of industrialization is delivering tangible economic results. It has accelerated growth, restructured the economy and elevated Morowali to a central role in the regional economy. In many respects, it represents one of the most successful examples of resource-based industrialization in Indonesia's recent history.

Yet high growth does not automatically ensure balanced development. This is where Morowali presents a critical paradox. While economic indicators point to remarkable success, the spatial and social dimensions of development tell a more complex story. Bahodopi, the subdistrict where IMIP is located, has not experienced the same level of development as the industrial complex it hosts.

Bahodopi serves as the core of industrial activity and the primary destination for migrant workers. It supports the entire production system of IMIP. However, infrastructure provision, urban planning and public services have not kept pace with the scale of economic expansion. This creates a visible gap between industrial growth and local development.

From the perspective of development economics, a successful industrial cluster should generate strong multiplier effects. Industrial expansion is expected to stimulate growth in trade, finance, tourism and other service sectors. In Bahodopi,

however, these sectors remain relatively underdeveloped. This suggests that the benefits of industrialization have not yet fully diffused into the local economy.

This pattern indicates that industrialization in Morowali still retains enclave characteristics. Economic activity is concentrated within the industrial zone, with limited spillovers to surrounding areas. If this condition persists, the broader potential of IMIP as a national growth center will not be fully realized. Growth may remain high, but inclusiveness will remain limited.

Another important issue concerns the reliability of labor data. Accurate data is essential for effective policymaking. In the case of Morowali, there are clear signs that official statistics may not fully capture the realities on the ground.

According to the National Labor Force Survey conducted by Statistics Indonesia, the number of employed people in Morowali reached 82,653 in 2025. While this suggests a steady increase, it does not align with actual conditions in the industrial sector. Data from IMIP indicates that employment within the industrial park alone reached 88,601 workers in the same year. This figure already exceeds the total number of employed people recorded for the entire regency. It also excludes workers in other sectors and foreign workers.

This discrepancy points to a likely underestimation in the current statistical system. Survey-based approaches face challenges in capturing rapidly changing labor dynamics, especially in areas experiencing large inflows of workers and rapid industrial expansion.

The implications are significant. When data does not reflect reality, policies risk being misaligned with actual needs. Labor planning, infrastructure development and public spending decisions may become less effective. Strengthening the statistical system is therefore a critical priority, particularly for emerging growth regions such as Morowali.

The IMIP experience demonstrates that downstreaming can serve as a powerful engine of growth. However, sustaining this momentum requires a broader policy response. Industrialization must be accompanied by investments in infrastructure, human capital and institutional capacity. It must also ensure that growth is inclusive and that its benefits are widely shared.

The experience of IMIP also offers an important lesson for Indonesia's broader industrial strategy. It shows that industrialization through downstream-based industrial zones is not only viable, but can deliver rapid and large-scale transformation when supported by consistent policy, investment and global market integration. In this sense, IMIP has moved beyond being a single success story and has begun to function as a reference model. Other regions must learn from this experience, especially as Indonesia continues to expand similar industrial zones across the country. In Central Sulawesi alone, a new cluster is emerging in North

Morowali. Beyond the province, comparable developments are underway in Konawe in Southeast Sulawesi, Central Halmahera in North Maluku, and Bulungan in North Kalimantan. Several other locations are also being prepared as future industrial hubs. The key challenge is not simply to replicate the infrastructure, but to internalize the lessons on governance, integration and inclusiveness. Without this, new industrial zones risk repeating the same limitations, particularly in terms of spatial imbalance and weak local linkages.

In this context, Bahodopi should be positioned as a development priority. It is not only an industrial site, but also a living environment for workers and communities. Transforming it into a livable industrial town is essential for long-term sustainability.

Ultimately, downstreaming has become a defining feature of Indonesia's economic transformation. It offers significant opportunities, but also presents complex challenges. The direction of policy will determine whether this transformation leads to inclusive and sustainable development.

This series invites a deeper reflection on the future of Indonesia's industrialization. Growth alone is not enough. What matters is how that growth translates into broader prosperity and long-term development.