

THE ROLE OF INDONESIA IN THE ASEAN ECONOMIC COMMUNITY

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ABSTRACT

The formal establishment of the ASEAN Economic Community (AEC) on 31 December 2015 marks a key milestone in ASEAN economic integration journey. Indonesia is the largest country in Southeast Asia and has the most population in ASEAN. It is hoped that Indonesia will not only be a market but will be able to provide good economic power to help the Indonesian people in the economic field. The AEC Blueprint 2025 envisions: A highly integrated and cohesive economy; A competitive, innovative and dynamic ASEAN; Enhanced connectivity and sectoral cooperation; A resilient, inclusive, and people-oriented, people-centred ASEAN; and A global ASEAN.

Keywords: ASEAN, Economic, single market.

INTRODUCTION

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. As set out in the ASEAN Declaration, the aims and purposes of ASEAN are: To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations; To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter; To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields; To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres; To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples; To promote Southeast Asian studies; and To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves (<https://asean.org/asean/about-asean/>).

In their relations with one another, the ASEAN Member States have adopted the following fundamental principles, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976: Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; The right of every State to lead its national existence free from external interference, subversion or coercion; Non-interference in the internal affairs of one another; Settlement of differences or disputes by peaceful manner; Renunciation of the threat or use of force; and Effective cooperation among themselves.

The ASEAN Vision 2020, adopted by the ASEAN Leaders on the 30th Anniversary of ASEAN, agreed on a shared vision of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies. At the 9th ASEAN Summit in 2003, the ASEAN Leaders resolved that an ASEAN Community shall be established. At the 12th ASEAN Summit in January 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. The ASEAN Community is comprised of three pillars, namely the ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. Each pillar has its own Blueprint, and, together with the Initiative for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan Phase II (2009-2015), they form the Roadmap for an ASEAN Community 2009-2015.

The establishment of the ASEAN Economic Community (AEC) in 2015 is a major milestone in the regional economic integration agenda in ASEAN, offering opportunities in the form of a huge market of US\$2.6 trillion and over 622 million people. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world.

The AEC Blueprint 2025, adopted by the ASEAN Leaders at the 27th ASEAN Summit on 22 November 2015 in Kuala Lumpur, Malaysia, provides broad directions through strategic measures for the AEC from 2016 to 2025. Along with the ASEAN Community Vision 2025, and the ASEAN Political-Security Community (APSC) Blueprint 2025 and the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025, the AEC Blueprint 2025 forms part of ASEAN 2025: Forging Ahead Together. It succeeded the AEC Blueprint (2008-2015), which was adopted in 2007.

The AEC Blueprint 2025 consists of five interrelated and mutually reinforcing characteristics, namely: (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation;

(iv) A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN; and (v) A Global ASEAN. These characteristics support the vision for the AEC as envisaged in the ASEAN Community Vision 2025 (Gerald W; 2008).

The AEC Blueprint 2025 sets out the strategic measures under each of the five characteristics of AEC 2025. To operationalize the Blueprint's implementation, these strategic measures will be further elaborated in and implemented through the work plans of various sectoral bodies in ASEAN. The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought and fostered to ensure an inclusive and participatory approach to the integration process. Institutions will be strengthened and enhanced approaches to monitoring and public outreach will likewise be developed to support the effective implementation of the Blueprint (Allan; 2013).

ASEAN Economic Community (AEC) is an agenda of international economic integration of the member countries of ASEAN (Indonesia, Malaysia, Singapore, Brunei Darussalam, the Philippines, Thailand, Laos, Myanmar and Vietnam), which aims to reduce obstacles to the Southeast Asian regional trade in goods and services as well as foreign investment. AEC 2015 will form a regional economic integration by reducing trade transaction costs; improve trade and business facilities, as well as improving the competitiveness of Micro, Small and Medium Enterprises. This will create a free market in Southeast Asia, which would also boost competitiveness among its members (Ariawan; 2016).

Future implementation of the AEC in 2016 remains a big question for ASEAN widely and Indonesia are narrow, but it is inevitable globalization continue to ask countries to open up to one another the depletion boundaries between countries unstoppable due to technological advances and the needs of an increasingly globalized international community then inevitably ready or not all elements of the nation must be prepared. Because if Indonesia itself less competitive than other member states in 2015, the AEC will actually bring harm to Indonesia. For example, unemployment will increase because Indonesian laborers will have to compete with other laborers from other countries which are more (Yoong, ed.; 2011). On the other hand, most Indonesian laborers aren't equipped with the proper skills nor certification to be recognized at regional level. Therefore, Indonesia must be ready and able to compete with other countries members, to establish the readiness of course, requires a variety of business to be done (Ariawan; 2016).

To realize the ideals of the AEC, the scope of cooperation includes the development of human resources and capacity building, recognition of professional qualifications, close consultation on macroeconomic and financial policies, measurement of trade finance, enhancing infrastructure and communication connectivity, developing electronic transactions through e-ASEAN; integrating industry in all regions to promote regional sourcing, and increase the involvement of the private sector to build AEC. In short, the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and freer flow of capital. In this paper we will discuss about Indonesia's Role in the ASEAN Economic Community.

THE FOUNDING OF ASEAN

On 8 August 1967, five leaders – the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand – sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born. The five Foreign Ministers who signed it – Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand – would subsequently be hailed as the Founding Fathers of probably the most successful inter-governmental organization in the developing world today. And the document that they signed would be known as the ASEAN Declaration (<https://asean.org/asean/about-asean/history/>)

It was a short, simply-worded document containing just five articles. It declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN) and spelled out the aims and purposes of that Association (Noel M., eds; 2010). These aims and purposes were about cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter. It stipulated that the Association would be open for participation by all States in the Southeast Asian region subscribing to its aims, principles and purposes. It proclaimed ASEAN as representing “the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity (Taiwan ASEAN Studies Center).

The goal of ASEAN, then, is to create, not to destroy. This, the Foreign Minister of Thailand, Thanat Khoman, stressed when it was his turn to speak. At a time when the Vietnam conflict was raging and American forces seemed forever entrenched in Indochina, he had foreseen their eventual withdrawal from the area and had accordingly applied himself to adjusting Thailand's foreign policy to a reality that would only become apparent more than half a decade later (Daniel; 2015). He must have had that in mind when, on that occasion, he said that the countries of Southeast Asia had no choice but to adjust to the exigencies of the time, to move toward closer cooperation and even integration. Elaborating on ASEAN objectives, he spoke of “building a new society that will be responsive to the needs of our time and efficiently equipped to bring about, for the enjoyment and the material as well as spiritual advancement of our peoples, conditions of stability and progress. Particularly what millions of men and women in our part of the world want is to erase the old and obsolete concept of domination and subjection of the past and replace it with the new spirit of give and take, of equality and partnership. More than anything else, they want to be master of their own house and to enjoy the inherent right to decide their own destiny ...” (<https://asean.org/asean/about-asean/history/>).

The original ASEAN logo presented five brown sheaves of rice stalks, one for each founding member. Beneath the sheaves is the legend "ASEAN" in blue. These are set on a field of yellow encircled by a blue border. Brown stands for strength and stability, yellow for prosperity and blue for the spirit of cordiality in which ASEAN affairs are conducted. When ASEAN celebrated its 30th Anniversary in 1997, the sheaves on the logo had increased to ten – representing all ten countries of Southeast Asia and reflecting the colors of the flags of all of them. In a very real sense, ASEAN and Southeast Asia would then be one and the same, just as the Founding Fathers had envisioned (Acharya; 2009).

ASEAN ECONOMIC COMMUNITY GOAL

Our ASEAN Economic Community by 2025 shall be highly integrated and cohesive; competitive, innovative and dynamic; with enhanced connectivity and sectoral cooperation; and a more resilient, inclusive, and people-oriented, people-centered community, integrated with the global economy. We, therefore, undertake to achieve (Rodolfo; 2008):

A highly integrated and cohesive regional economy that supports sustained high economic growth by increasing trade, investment, and job creation; improving regional capacity to respond to global challenges and mega trends; advancing a single market agenda through enhanced commitments in trade in goods, and through an effective resolution of non-tariff barriers; deeper integration in trade in services; and a more seamless movement of investment, skilled labor, business persons, and capital.

A competitive, innovative and dynamic community which fosters robust productivity growth including through the creation and practical application of knowledge, supportive policies towards innovation, science-based approach to green technology and development, and by embracing the evolving digital technology; promotion of good governance, transparency and responsive regulations; effective dispute resolution; and a view towards enhanced participation in global value chains.

Enhanced connectivity and sectoral cooperation with improvements in regional frameworks, including strategic sectoral policies vital to the effective operationalization of the economic community.

A resilient, inclusive, people-oriented and people-centred community that engenders equitable development and inclusive growth; a community with enhanced micro, small and medium enterprise development policies and cooperation to narrow the development gaps; and a community with effective business and stakeholder engagement, sub-regional development cooperation and projects, and greater economic opportunities that support poverty eradication.

A global ASEAN that fosters a more systematic and coherent approach towards its external economic relations; a central and foremost facilitator and driver of regional economic integration in East Asia; and a united ASEAN with an enhanced role and voice in global economic fora in addressing international economic issues.

ASEAN leaders have now embarked the Southeast Asian association to the next step of economic development, which will also ultimately bring the Southeast Asian peoples closer. They have engaged since 2007 towards the integration of ASEAN into an ASEAN Economic Community based on 4 economic pillars (Luhulima; 2010):

- a) Single Market and Production Base: the region as a whole shall become a single market, while the and production base to produce and commercialize goods and services anywhere in ASEAN.
- b) Competitive Economic Region: the region must emphasize on the competitiveness of its production and capacity for export, as well as the free competition inside of its frontiers.
- c) Equitable Economic Development: to receive the benefits of the AEC, the people and businesses of ASEAN must be engaged into the integration process of the AEC.
- d) ASEAN's integration into the globalized economy: ASEAN must not be isolated but an integrated part of the global economy (www.asean.org).

Through the implementation of these 4 pillars for economic integration, stability, competitiveness and dynamism, ASEAN is bound to realize the principles of an Economic Community (Teodoro J.; 2014), inspired by the model of the European Union. After the entry into force of the AEC, trade and services will converge and integrate into a common market. This means that businesses in Indonesia, especially businesses who wish to expand their business in ASEAN or dealing with businesses in other ASEAN countries must understand the applicable business law in force in member countries, including competition law.

INDONESIA'S ROLE IN THE ASEAN ECONOMIC COMMUNITY

The concept of the ASEAN Economic Community is in line with the dynamics of relations between nations in ASEAN which recognize the importance of the integration of countries in Southeast Asia. At an informal meeting the Heads of ASEAN Countries in Kuala Lumpur on 15 December 1997 agreed on ASEAN Vision 2020 which was then followed up with a meeting in Hanoi which resulted in the Hanoi Plan of Action (HPA). Vision 2020 including the HPA includes, among others: the conditions to be realized in several fields, such as outward orientation, peaceful coexistence and creating international peace (Atep; 2014).

Some of the agenda of activities that will be carried out to realize Vision 2020 is to improve the quality of human, economic, environmental, social, technological, intellectual property, security and peace, as well as tourists through a series of joint actions in the form of good and mutually beneficial relationships among ASEAN member countries.

The integration of ASEAN countries in the AEC will not only provide opportunities for members to grow and develop together but progress will certainly also trigger the birth of problems that will disrupt the growth speed of each member. The freedom given

to each country in the concept of ASEAN economic unification is feared will also trigger the proliferation of integrated and transnational crimes (Mursalim Nohong).

The 2015 AEC is not only attractive to business people outside the region, but also a promising dream for the business of each of its members. AEC's policies will be more profitable for members, given the priority of sustainability and development in the region in order to experience a significant increase. That is, with the opening of AEC, all concentration will be focused on economic cooperation and improving the quality or quality of each of the main commodities of member countries. The beauty and sweetness of each commodity that will be transacted in the AEC will also deliver every criminal. The ease with which people enter the area from one point will open opportunities for transnational criminals to access or control their crimes in ASEAN. Of course this is important because transnational crime is increasing. An example that must be highlighted is how an area that is easy to access, then becomes a place for money laundering.

Indonesia's success in entering and taking an important role in every space provided in the AEC is influenced by the government, society and entrepreneurs. The government as the policy maker and one component in the business environment must be optimal in growing the local economic forces to become players in every economic activity. The presence of resilient local and national entrepreneurs and the young generation who will be the trigger for each change is the government's duty as the basis for shaping national resilience. In the history of Indonesia, the term national security is always present when the nation's adhesive values show alarming developments and even tend to threaten the integrity and integrity of the Indonesian nation. Along with the development of environmental dynamics, the integrity of the nation is no longer a major issue in social and political life. Some facts show that disintegration can also arise from inequality or economic problems and other environmental elements. Therefore, the concept of potential national security into the glue and foundation for building a nation state must be seen from a broader perspective. National resilience must be seen as an awareness to play an active role in every effort to deal with everything that has the potential to disrupt the integrity, identity and continuity of the nation (Mursalim Nohong).

Indonesia's readiness in facing the 2015 MEA can be seen from the comparison of aspects of economic growth, national export growth and the national per capita income of the Indonesian people. Indonesia's readiness when viewed from the aspect of economic growth Based on the economic growth report reported by the IMF in 2012, it can be seen that in the last 10 years Indonesia's economic growth was very stable at around 5.5 percent \pm 1 percent with an average growth of 6.11 percent. From 2007 to 2012, the growth rate was almost always above 6 percent with the exception of 2009 (4.6 percent) in line with the global economic crisis due to the failure of the property credit sector where most countries even experienced minus growth. This trend is different when compared to Singapore which has an average growth rate of 6.55 percent, but the fluctuations are very high starting from 14.7 percent (2010) after contracting -1.3 percent (2009) (Atep; 2014).

Likewise, Thailand, Malaysia, Brunei Darussalam were not free from the impact of the global crisis in 2009, so that they also experienced minus growth. Vietnam's economic growth does show a level that is always higher than Indonesia from the 2002 to 2010 period, but looks to start experiencing overheating and slowing growth. While Myanmar experiences a level of economic growth that is almost similar to Indonesia, in general the economic growth of the ASEAN community is not farther and higher than Indonesia's growth, therefore Indonesia's competitiveness at the ASEAN level is still quite strong (Atep; 2014).

Indonesia's collective export growth had stagnated, especially after the economic crisis in 1998, the value of non-oil exports in 1990-1996 was at 16 percent per year, while after the monetary crisis the non-oil exports experienced a decline of only 3 percent even as late as 2003 With the economic growth, the value of national exports also increased. At the end of 2013, the growth of Indonesia's non-oil exports experienced an increase of 6.5 percent compared to November 2013, compared to December 2012 exports increased by 10.33 percent. The increase in export in December 2013 was due to an increase in non-oil and gas exports by 3.09 percent as well as oil and gas exports rose by 23.07 percent, a positive increase in exports showed Indonesia's readiness to face the 2015 ACFTA and MEA (Atep; 2014).

Whereas based on national per capita income it is seen that the national per capita income of the Indonesian community has increased by 8.8 percent from 2012, from 33.5 million to 36.5 million. Throughout 2013, Indonesia's GDP was recorded at Rp. 9,084 trillion at current prices (ADHB) while GDP at constant prices is Rp. 2,770.3 trillion. For the fourth quarter of 2013 ADHB GDP is Rp. 2,367.9 trillion, and ADHK of Rp. 699.9 trillion, this figure is up compared to the fourth quarter of 2012, where the GDP of the ADHB was Rp. 2,092.4 trillion and ADHK of Rp. 662.1 trillion. But Indonesia's per capita income of US \$ 4,700 is still far from Thailand which reaches US \$ 10,000, Malaysia reaches US \$ 15,000 and Singapore has exceeded US \$ 50,000, this condition shows that Indonesia's economic growth is still uneven, the quality of Indonesia's economic growth is still problematic, Indonesian people's income is still inferior to other countries. The opening of ACFTA and MEA will actually make the massive migration of the Indonesian people into workers of other countries. Economically this situation benefited Indonesia in the utilization of 2015 AEC, but in the long term, Indonesia would lose its best human resources in its development activities. Nevertheless, Indonesia's position can still be said to be ready to face the 2015 AEC with per capita income which continues to increase every year (Atep; 2014).

In a number of conditions, the Indonesian economy has faced challenges in facing the 2015 MEA. The enactment of the MEA in 2015 became a reality that must be faced by various industrial sectors, amid a comparison of current market needs with industrial labor. Today's national economy is driven by the contribution of the creative industry by involving many young people who have creativity and innovation oriented to Small and Medium Enterprises (SMEs).

SMEs are basically resistant to the flow of the monetary crisis in 1997 and 1998 due to 4 factors: (1) some SMEs produce consumer goods, especially those that are not durable, (2) the majority of SMEs rely more on non-banking financing in the aspect of business funding, (3) generally SMEs specialize in strict products, meaning only produce certain goods or services, and (4) the formation of new SMEs as a result of the many termination of employment in the formal sector.

At the time of the enactment of the MEA, SMEs would not necessarily be able to survive the flow of globalization which emphasized competition in terms of quality and price. Globalization can shed the foundations of small and medium enterprises very quickly, because the market psychology of the Indonesian people is still more pleased with imported products. With the free trade entering Indonesia, making the domestic market sluggish because Indonesian people prefer and like foreign products. And every year the impact of free trade on Indonesian SMEs is increasing, this is due to the low competitiveness of native Indonesian products compared to external products that have good quality.

CONCLUSION

Facing ASEAN free trade, the first step that the government must take is to increase the competitiveness of Indonesian products, given the huge population of Indonesia that has the potential to become a market for similar products from neighboring countries. This increase in competitiveness includes both superior and non-superior products. Indonesia's readiness in facing the 2015 MEA can be seen from the comparison of aspects of economic growth, national export growth and the national per capita income of the Indonesian people. Indonesia's readiness when viewed from the aspect of economic growth Based on the economic growth report reported by the IMF in 2012, it can be seen that in the last 10 years Indonesia's economic growth was very stable at around 5.5 percent \pm 1 percent with an average growth of 6.11 percent.

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