

Challenge and Opportunity in the Implementation of ASEAN Economic Community in West Sumatera

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Abstract—The purpose of this paper is to discover the challenge and opportunity in the implementation of ASEAN Economic Community (AEC) in West Sumatera region. The existence of AEC drives the countries in ASEAN region to improve their economy in order to face the global competition. This research uses normative law method, which is a qualitative research method utilizing content analysis of secondary data. The research result shows that Indonesia is one of the countries which prepares their self-quality to take AEC opportunity and increases their economic capacity so that they can take place on the competition among other ASEAN countries. In the implementation of AEC, there are also some leading sector potentials to become the opportunity to West Sumatera province. The opportunity taken by West Sumatera can generate risk which becomes a challenge that must be faced by Indonesia in general and West Sumatera in specific.

Keywords—*opportunity; challenge; implementation; AEC*

I. INTRODUCTION

ASEAN Economic Community (AEC) is a conformation from ASEAN countries to an integration of ASEAN economy in increasing the economic cooperation with the intention of facing the free trade between the regions. AEC is become an important place for the growth of all ASEAN countries' economy. It has 10 (ten) members which are Philippines, Indonesia, Malaysia, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia.

The existence of ASEAN Economic Community (AEC) is become a hero by the countries or local regions, because each of them has the potential so that they are able to compete in improving the economy in South East Asia region and also to create the atmosphere of fair, stable and equitable economy and furthermore to reduce the poverty and imbalance of economic-social situation of ASEAN country member [1].

Indonesia, as one of the member of ASEAN country, keeps the commitment to actualize the ASEAN community through AEC, which is needed to increase the growth of economy in ASEAN countries and to stimulate the efficiency and competitiveness among South East Asia region. Indonesia will not be a passive actor in AEC, Indonesia will not let their selves as only a market target and also Indonesia has to be a part of the production chain regionally and globally [2].

The success of Indonesia in facing the opportunity of the implementation of AEC is determined by the accumulation of ability and competitiveness every province, and so is for the success of every province in taking the benefit of ASEAN economic integration will be determined from the ability to compete by every province, more over for West Sumatera which has great potential in their natural and non-natural resources.

In general, for Indonesia and in specific for West Sumatera, the competitiveness becomes the main problem in the implementation of AEC, so that Indonesia, in facing AEC, has to do evaluation and prepare for the competitiveness of every province from various aspects. The competition in AEC requires qualified skill, because the competition in MEA involves not only within Indonesian, but also independently with other countries in ASEAN region. What needs to be done by the government is upgrading the quality of Human Resources in domestic from the section of formal and non-formal education.

To monitor the implementation of AEC blueprint in national level, Indonesian government has published Presidential Instruction No. 11 of 2011 on The Implementation of ASEAN Economic Community Blueprint, as the preparation in facing ASEAN free-trade [3]. Some liberalized sectors through AEC are the stream of goods, service, investment, stock and competent work force. The priority fields of competent work force sector are doctor, expert doctor, midwife, nurse, architect, tourism, and survey personnel [4].

West Sumatera has many potential and leading sectors which are able to improve the economy and welfare of regional communities and the things to be aware of in the implementation of AEC free-trade is how far the readiness of the central and regional government to anticipate the opportunity and challenge of trade and industry area. Indonesia has the chance to fix the quality of Human Resources, to provide proper education and health and to increase the competitiveness in AEC. Despite the importance of AEC, Indonesia will deal with the challenges and risks through it.

Based on these arguments, the government ought to arrange some concepts, so that the implementation of AEC will turn into opportunity instead of challenge to the provinces, especially in utilizing Natural Resources, increasing capable

Human Resources who reflect the value of Pancasila and leading sectors of Indonesia (West Sumatera in specific). It is necessary that Indonesia and West Sumatera Governments unite for participating in AEC and it is expected that AEC will bring positive impact to the growth of regional economy.

The formation of AEC is a part of the effort by ASEAN to become more integrated in economy area. Beside, this becomes the evolutionary effort to adjust the perspective to be more open in discussing domestic problems that affect the region, without leaving behind the fundamental principle of ASEAN, which are respect, non-intervention, consensus determination, dialogue, and consultation. The purpose of the formation of AEC is to improve stability and decrease economic imbalance within ASEAN region, and also it is expected to be able to overcome the problems in economy among ASEAN countries [5].

ASEAN countries proclaims the formation of ASEAN Economic Community (ASEAN community). The ASEAN community consists of 3 (three) pillars [3]:

- *ASEAN Political Security Community - ASC* - is purposed to strengthen the security and stability of the regional for development, to advance on political development through democracy principle affirmation, to improve respect and trust among ASEAN member states, and to be an instrument for Indonesia of projecting the idea and initiative in International.
- *ASEAN Economic Community - AEC* - is purposed to improve the competitiveness and welfare of ASEAN through ASEAN economic integration.
- *ASEAN Socio-Cultural Community - ASCC* - is purposed to promote ASEAN which oriented to society, through the participation of all community elements in the integration process and community development, growing the ASEAN community which are respectful and mutual sharing to strengthen the awareness, solidarity, partnership, and togetherness feeling of community toward ASEAN.

Those three pillars of ASEAN community support become a new paradigm which will drive the cooperation in ASEAN toward a new community and identity with more binding.

It is necessary for government to evaluate how to improve the competitiveness of provinces by keep doing socialization of the importance of AEC, so that the local government officers, businessmen, and society or stakeholders understand the agreement of AEC, where we are demanded to be ready and gather all continuous effort to gain as much benefit as we can.

II. METHODS

A. Approach Method

This research uses normative law approach method with analytical descriptive method using documentary study as the main reference or research on the secondary data. Normative law research is a method or a way used in a legal research by reviewing existing references. Based on Peter Mahmud Marzuki, legal research is a process to discover the legal

regulation, legal principles and doctrines to get the answer to legal issues faced [6].

Based on the characteristics, this is a descriptive research which is a research to describe about something in certain region at certain time [6].

The source of data used in this research is:

Secondary data are the data obtained through documentary and literature study that works to complement, compare, and explain the primary data.

B. Data Collection Technique

Documentary Study, which is conducted by study the literature materials or the one that related to the research object and used to complete the data.

C. Data Collection Technique

Based on the collected data, primary and secondary, data analysis is done by analyze them in qualitative description. The data are chosen, grouped, interpreted and presented in a systematic description with explaining the connection between various types of obtained data and then taking a conclusion of the researched problem.

III. RESULTS AND DISCUSSION

In facing the free trade in ASEAN, the government have to move to improve the competitiveness in all areas of traded products, the featured on or not, and continuous economic growth, moreover that Indonesia and West Sumatera in specific have great potential in Natural Resources.

There are 4 (four) frameworks or AEC pillars to the achievement of AEC implementation stated in AEC Blueprint [3]: 1) Regional Single Market and Production Base of the more free flow of goods, service, investment, competent work force, Priority Integration Sectors (PIS) and also development of food-agriculture-forestry sector. 2) Highly competitive region: competition policy, consumer protection, Intellectual Property Rights, infrastructure development, energy cooperation, taxes, e-commerce. 3) Region of equitable economic development: small and medium-sized enterprises (SME) development, initiative for ASEAN integration (CLMV) and 4) Integration into global economy: coherent approach to the relation of external.

Indonesia has the opportunity to utilize domestic economy as the base to get benefits. But there will be challenge and risk to face ahead. That is why the government is expected to be more aware of fluctuation happened so that we are able to anticipate properly the risks that arise. Besides that, a good collaboration within the state authorities and businessmen is needed, the infrastructure physically and socially (law and policy) needs to be fixed and the enhancement of work force and company competitiveness in Indonesia [7].

In general, the opportunity that can be taken by Indonesia in AEC [8] are: Increasing the economic growth, becoming global potential market, becoming exporting country, as target country of investors, enhancing the competitiveness, opening the service sector, and benefit of the foreign capital flow. There

are also opportunities to business actors in Indonesia central or regional [9]: The business actors in Indonesia can show the quality and quantity of products and human resources of Indonesia to other countries, the business actors can attract the investors from overseas to have investment in Indonesia by showing the quality and quantity of the products produced, and can expand the marketing of products to international level.

The potential sectors to be developed in the implementation of AEC [9] are:

A. Goods Sector

- ASEAN market represents +25% of Indonesia export market, still becomes a potential market as the growth of ASEAN, especially the mid-class.
- In average ASEAN-5 (Brunei Darussalam, Malaysia, Philippine, Singapore and Thailand), about 99,1% the import duty rates is already 0%. This will become the opportunity for Indonesian products to enter the big market of more than 200 million people.
- More than 99% of import duty rates CLMV (Cambodia, Laos, Myanmar and Vietnam) would be 0% in 2015. This will become the opportunity for Indonesian products to enter the big market of more than 180 million people.
- The simplification of Certificate of Origin Form-D gives chance to Indonesian exporters to expand the export to ASEAN.

B. Service Sector

- Indonesian competent work force in all fields (doctor, accountant, nurse, tourism practitioner, dentist, engineer and architect) will get a chance to work in international-standard company in all ASEAN Member States (AMS).
- Potential service sectors of Indonesia, such as health service, communication service, and tourism service (tour/travel) can expand the business to all AMS.

C. Service Sector

- A more open investment regime makes ASEAN become a place which will attract more foreign capital flow.
- High and stable economic growth in Indonesia with the support of rich Natural and Human Resources makes Indonesia in general and the provinces in specific as special attraction to foreign Investor to invest in Indonesia.

Beside the opportunity, there are also challenges to face by central and regional Indonesia since the implementation of AEC was started [10]: 1) Low understanding about AEC by the stakeholders (Central and Regional Government, Business Actors, Academia, Professional Staff, Worker and General Public). 2) Lack of harmony between the central level of government policy and the regional government policy. 3) Low use of Certificate of Originality Form-D. 4) Indonesia public's

mindset in general toward AEC as a thread not an opportunity. 5) Low competitiveness of Indonesian product because of various problems (infrastructure, logistic, finance and energy access). 6) Weak network of Indonesia business. 7) Human Resources competence that has not been maximized. 8) More tight competition level. 9) Higher demand from foreign and domestic investors. 10) More critical opinion and preference from consumers.

In facing AEC, the general public and business actors has well thought about the risks and challenges ahead, they are [9]:

- When the product in Indonesia lose in the competition with foreign products, then the companies in Indonesia will suffer the loss.
- A broad of job field in Indonesia will increase unemployment instead decreasing it, because of the lack of competent human resources.
- Exploitation by foreign companies can damage the ecosystem in Indonesia, meanwhile the regulation of investment is not strong enough to guarantee the availability of Natural Resources.
- Able to increase the export, on the contrary the import level will rise. The high risk of competence can make the business actors lose competition.

Despite the challenges for Indonesia, we have to keep the optimism in facing the implementation of AEC, at the central and regional level. Indonesia must still be able to see the opportunities without thinking much of the possible risks. Indonesian government must be able to increase the Human Resources in developing the potential, that all of these are not only a responsibility to the government but also to the societies and they need to be aware, because the implementation of AEC will directly affect the Indonesia society. The role of government and society is needed in the implementation of AEC so that it will affect the improvement of economic growth in Indonesia.

IV. CONCLUSION

The participation of Indonesia in various cooperation in ASEAN is an important matter because the ASEAN free trade in AEC gives the opportunities to Indonesia. Indonesia in general and West Sumatera in specific must be able to grab the opportunity and face the challenge of the implementation of AEC ahead, creative and innovative in producing the goods, service and investment to compete with ASEAN countries. Quality improvement of Human Resources and utilizing Natural Resources must continue to be carried out optimally, so that they can drive Indonesian economy by strengthening the cooperation in South East Asia region.

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