

CHAPTER III :

ASEAN ECONOMIC COMMUNITY

A. ASEAN Economic Community

It is no doubt that Indonesian foreign policy on the ASEAN Economic Community (AEC) is through long process and involves many parties. There are many factors that are influencing those policies.

Indonesian Government as one of the stakeholders, already consider the ability and the readiness to face AEC. This becomes important because the development of AEC will give big influence to economic, social and politic condition in Indonesia. It is because the AEC is a concept of cooperation intra-ASEAN members based on the concept of free market. The aforementioned facts will trigger several challenges and opportunities that will affect to Indonesia on this cooperation.

It is undeniable that Indonesia has the big interest toward ASEAN. Indonesia considers ASEAN as the main concentric circle of foreign politic (geo-politic), so ASEAN is still as the main external factor in the dynamic process of Indonesian foreign politic.

1. ASEAN as the main concentric circle of foreign politic in Indonesia

Indonesian interest in ASEAN Economic Community literal is national economic development. This is become a natural behavior because every country has a dream to become developed country in every sector especially the economic sector. Considering this reason it is proper if Indonesia sees that there are opportunities to achieve. On the national interest perspective, Indonesia has to realize Indonesia national interest on the cooperation in ASEAN Economic Community.

Indonesia has to avoiding to become an object of other country's national interest. If this happens then it is considered that Indonesia is fails to realize their national interest and with other perspective Indonesia does not have power capability to achieve their national interest. Therefore it would be true like what Thomas Hobbes³⁰ stated that power of a country gives a big influence to achieve national interest. This is because every countries has done in the relation between another country. It is stated that all nations have their national interest.³¹

2. The necessity of Indonesian existence in ASEAN

This shows that Indonesia is really enthusiastic to be a part of the AEC agreement. So with that situation, Indonesia cannot reject to be a part of the AEC. If Indonesia refusing AEC logically there are lot of consequences that will be

³⁰ H.J Morgenthau, Politics Among Nation : The Struggle of Power page : 7

³¹ ibid

affecting all of the sector in Indonesia. Indonesia in become a figure of their foreign politic since “*Orde Baru*” with the spirit of cooperation and does not using stiff maneuver on their foreign policy, anti-western countries and does not maintaining good relation with neighbor country such as Malaysia like “*Orde Lama*” under President Soekarno’s era.

ASEAN becomes concentric circle to the Indonesian foreign policies. That concept explains that ASEAN have a significant influence and role toward the dynamic proses Indonesian foreign policy. Thus, there are no possibilities for Indonesia act closely even implying isolationism politics toward ASEAN. It then needs to be understood that Indonesia need ASEAN or vice versa. There is politic interdependencies pattern that already established between them. Indonesia needs to exist in ASEAN so it would be easy to Indonesia to realize their foreign politics in ASEAN. Thus whenever Indonesian foreign policy are appears and one of them are the agreement toward AEC, it can be concluded that Indonesia has national interest toward AEC.

Indonesia will be using ASEAN as the main concentric circle in their foreign politics. South East Asia is the nearest territory to Indonesia, this means that what happened in South East Asia will affect Indonesia. Indonesia also uses ASEAN as one of the politic instrument and regional security, Indonesia unconsciously cannot fight alone against big pressure from developed countries such as America, China, Europe and Japan, so the position of ASEAN become crucial to Indonesia as geopolitics matters, considering this situation, ASEAN become the main concentric circle. Indonesian Economic necessity in ASEAN In the beginning of Indonesia

Foreign politic toward ASEAN is mostly for politic and security matters. International political system at the earlier ASEAN is divided in two blocks which are western block (United States of America) and eastern block (Soviet Union)³². New Order era saw some opportunities in terms of political and security matters which gained from the establishment of ASEAN. As the time goes by the condition of international politics and economic after cold war, Indonesia saw that ASEAN was capable to transform as a tool to achieve national interest which is the economic. Therefore, seen from the perspective of interest mutation, it also suitable to domestic and international politic that need economic power. From the beginning of new order until it is finished Indonesia does not only focus on politic and security matters but also the development of the economic itself on the activity in ASEAN.

Indonesia as one of the ASEAN founder have big contribution toward the development of ASEAN nowadays. Indonesia direct or indirectly are involved of ASEAN Economic Community arrangements. This can be seen from the several activities of ASEAN in terms of the arrangement of AEC done by Indonesia was held on Bali also known as Bali Concord I, II, III. Thus, Indonesia indirectly also need to exist in ASEAN, Shown by the fact that Indonesia has been involved in that arrangement.

The aforementioned situation shows that Indonesia has enthusiasm on the establishment of AEC. Considering the fact that Indonesia cannot refuse to the

³² Dr. Ali Muhammad , Dr. Ali Maksum; Keamanan Asia Tenggara “Antara Konflik, Kerja sama, dan pengaruh Negara Negara Besar” ,Page 61

involvement on the AEC. If Indonesia refuses to be involved in, one of the impact is the existence matter of Indonesian in South East Asia.

However the preparation of Indonesia to face AEC does not run well. As stated previously, there several ambivalences of policy that happened in Indonesia. In several aspects Indonesia has agreed to the AEC blueprint, but in fact a lot sector in economic matters are not ready to face AEC. In fact, based on the explanation above how the external factor gives influence toward Indonesian foreign policies in AEC, which is Indonesian issue. Existence matter is needed, but in aspect of the Indonesian citizen prosperity also have to be put on the top of priority in the foreign policy decision in Indonesia.

B. The Establishment of ASEAN Economic of Community

The integration of regional economic becomes main discussion in every ASEAN summit. The collaboration of regional economic is not easy thing to discuss, since it needs a long process to realize. ASEAN tries to make a border of economic cooperation which is just not about development only but also as tool to reduce a conflict in South East Asia. ASEAN tends to duplicate European Union which succeeded in terms of the economic development.

The Integration in ASEAN Region

European Union becomes a figure in the international world in terms of regional organization. Nevertheless EU and ASEAN are different whether it is from historical or the establishment. Then ASEAN cannot copy all of the EU aspects,

because EU is different from ASEAN not only from history but also social, politics and cultural aspects. Nonetheless, the spirit of combination in term of regional economic that have been done by ASEAN is one of the commitment to developing together which the purpose is achieving prosperity.

The development of the economic and politics which made the condition among ASEAN members more dependent gives impact toward ASEAN members in that the cooperation becomes more actively. The border decreases (borderless) which make goods and service sector flow are more freely. This reality is irresistible as the spirit of globalization that prosecute almost all of countries in this world opens their market widely. This situation forces developing country such as Indonesia trapped in to capitalization twirl which the ending of this phenomena is called free market.

The acceleration of global economic in order to create free market is behind the reason to achieve economic prosperity. The result is ASEAN cooperate with EU and NAFTA to open the market wider than before. Hence, there is no barrier inhibiting flow of the free market. Cooperation on the regional free market (or known as Free Market Area) could be a momentum to Indonesia developing their economic. AEC is a part of concept of free market cooperation, until now there is no other alternative to replace the benefit of the free market. Similar to other aspects there are plus and minus of the FTA itself. Thus, ASEAN member have to face AEC whether they are ready or not. Recently it is too late to discuss whether Indonesia are ready to face AEC because per January 1st 2016 AEC has been officially launched.

AEC (ASEAN Economic Community)

ASEAN Economic Community is one of sub-concept of free trade agreements in ASEAN. Free market it is means that the trade barrier are decreases even until zero tariff for the commodity such goods and service toward the countries that contributing to that agreement. The process of establishing AEC in ASEAN region is through long process of negotiation. The process is combining regional economic and the level of readiness of the member of AEC to be a part of the agreement. Hence, it is the reason why process of integrating regional economic took a large amount of time.

ASEAN was completely aware about the appearance of the economic power and the development of western economic. Based on those reasons ASEAN has to transform in order to compete and cooperate in regional and other developing countries in terms of economic relation. The will of the economic on the ASEAN have to be appreciated because it is indicates there is dynamical and development of the economy that can give the existence to the ASEAN itself.

This does not mean that AEC agreement does not having negative side. The imbalance of the development process of economic among ASEAN members countries which are not equal are made ASEAN member countries seems forced to sign the agreement. However when ASEAN discusses about the level of readiness of any ASEAN members countries then it would be contra-productive.

ASEAN Economic Community will be basically implemented on 2020 according to Kuala Lumpur summit 1997 and Bali concord II in 2003. Yet the agreement is being forwarded in to 2015 (the implementation of AEC start to implemented per January 1st 2015) as the result of ASEAN highest conference 12th in Cebu Philippines on January 2007.³³ After that summit Indonesia and all of the members of ASEAN are ratified ASEAN Economic Blueprint on the 13th ASEAN summit in Singapore on November 20th 2007.³⁴ Then on the 15th ASEAN + 13 summit (Japan, China, South Korea) in Phnom Penh Cambodia in 2012, the agreement of ASEAN Economic Community were implemented per December 31st 2015.

C. Globalization, Modernization and liberalization of services sector of AEC

The development of global economy give a big impact to regional economy. The flow of globalization had changed global economic climate. One of the example of global economic development are the flow of goods, service and investment had been liberated. Liberalization had changed the economic system to be more opened where the integration of economic market are wide open into international scope. The liberalization process itself give the influence to global

³³ LIPI, Masyarakat Asia Tenggara Menuju Komunitas ASEAN 2015.: 6,

³⁴ Edy Burmansyah, Rezim Baru ASEAN : Memahami Rantai Pasokan dan Masyarakat Ekonomi ASEAN : 28

economic more integrated and independent and much stronger than before³⁵, this condition give a big impact toward the economic development in south east Asia.

1. Globalization

It is generally known that process of the development on the global scale is rapidly changing, so it would implied complexly, which is triggering interdependence in all of the life dimension among country and international relation. The changing and the implication itself is called as globalization.

Economic globalization refers to the increasing interdependence of world economies as the result of the growing scale of cross border trade of goods and services, the flow of international capital, wide and rapid spread of technologies³⁶. It reflects the continuing expansion and mutual integration of market, and it is no changeable trend for the economic development in the whole world at the turn of the millennium. Under the framework of GATT and WTO, many countries has periodically cut down their tariff and non-tariff barriers. The rapid growing significance of information in all types of productive activities and market are the two major driving forces for economic globalization. In the other words, the fast globalization of the world's economies in recent years are based on the development of technologies, and the result from the environment in which market economic system has been fast spreading through the world, and have developed on the basis

³⁵ Jiwandono 1999

³⁶ Gao Shangquan : Economic Globalization: Trends, Risks and Risk Prevention page 1

of increasing cross border division of labor that has been pushed down to the level of production chains within company of different countries.

The process of economic globalization is also the process of global industrial restructuring and reorganizing. With the development technology and increase of income level, industrial structures of all the countries also undergoing readjustment and upgrading. In recent years, developed countries in the west are periodically entering the era of knowledge economy and have started to shift to developing countries many labor-intensive industries of weak international competitiveness. Economic globalization has intensified the competition at the international market among company from different countries. In order to raise their positions and improve their competitiveness at the international market, both domestic company and those from other countries have been resorting to mergers and acquisitions one after another, which has resulted in the dynamic situation of industrial reformation.

Economic globalization give the positives impact which is the global product can be improved so there are no lack of material etc. another benefit of the globalization are increase the quality of human resources and can be indicator level prosperity in certain state. Globalization give lot of benefit to the society, in Indonesia context, it is clear how the globalization affect the economic in Indonesia. This is mostly because many corporation are dominated by foreign investors so that the flow of goods and service are more intense like the border of trade will be invisible. The development of technology, including information, become the

entrance's gate for the globalization that causing working assessment of the architect can be measured not only from the material issues but also from the technical issues such as time efficiency and also cost of the building itself. This development implying the competencies of architects in their working process to serve the society.

In term of globalization there are several thought to define globalization, so these are claims about the globalization:

1. Globalization is liberalization and market integration

American magazine, *Business week*, explains that "Almost one decade, the politicians and businessman are fought to convince American society about the benefit of Globalization." this magazine is just one of the magazines, journals, newspapers, and electronic media that give the claims of the pro-globalization to American society and all of part in this word simultaneously. The ideology neoliberalism give the option in pursuit of politic concrete. They define globalization with certain method to achieving their goals and the idea of certain group in the society are the most benefitted parties by economic liberalization, privatization, minimal regulation from government and power devolution on the private sector.

According this perspective the dream of neoliberalism about *self-regulating market* can be achieved by democratization which appreciating and preserving individual rights. For Freidrich Hayek and his neoliberal followers, free market represented as freedom, so the preserving individual rights depend on the country

to put the hands off to private market business. Because the standard of liberalism and all of constitution are same to all society. What they understanding about liberalization is about fairness and beneficial (*meritocratic*). In the other words, the result from market interaction is not intentional. But it is the result of the “*invisible hand*”.

The opposite with the expansion of government intervention to economic that happened in western country in the early 19th century, all of the pro-globalization demanding “*market liberalization*”; which is deregulation of national economic.

2. Globalization is something irresistible and irreversible

The faith about globalization is irresistible, is not suitable with the ideology of pro-globalization at glance based on the neoliberal principals. Moreover on the 20th century, liberalism group and conservative group are often not in the same way with Marxism because their determined claims that eliminate “*human free-agency*” and avoid non-economic factors in term of shaping their social realities.

On the other hand, it is investigated more deeply it will reveal *mono-causal like* they using, which is economic narrator about their history. As pro-globalization are disagree with the Marxism about the end of history, pro-globalization also using terms such as “*absolute*”, “*irresistible*”, and “*irreversible*” to explain the direction of globalization. Focusing on “logic” technology and market, globalist group minimize human agency and individual option. The abstraction of neoliberalism is about the globalization as a power to convince society to adapting market discipline

to survive and prosperity. It is the reason globalist claims several basic political functions which is neutralize anti-globalizations disagreement with minimizing political power to public about globalization, with alibi it is already set by nature. Globalist tend to manipulate the idea of irresistible on the history of globalization in purpose to promote their political project in terms of implementing neoliberal economic policy.

If technological development and IT development is like steering force for economic globalization, then the market-oriented reform carried out through the world should be regarded as the institutional driving force for this trend. In the development of the complexion of service industries sector, the competencies are the most important thing to acquire because the specification of the building (material and aesthetically) are also developing which mean IAI have to make sure that the members are adaptable with challenges in future.

2. Modernization

Development is something that have to do in certain country, because with doing development which is on good reason then it will increasing the level of prosperity on that country. As what Peet and Hartwick³⁷, Development is an effort to create better life in all aspect. So it is not surprising many countries start to develop almost all of aspects in society such as political field, economic and cultural field.

³⁷ Richard Peet and Elaine Hartwick : Theories of Development

Modernization is a form of transformation from the condition which is under developed into better condition with the purpose is to achieving better life in all aspect that is more developed and prosperity. Modernization is the result of the development of science and technology that is would developed continuously.

Many developed countries that increasing their speed to developing their aspect internally by doing modernization to their aspects in life. They also doing transformation on politic, economic, and also culture, with combining the relation of regional and global as we known as globalization.

On the other hand, many developing countries tend to follow developed countries in Europe and also America in terms to develop their own country, on purpose to achieving like what developed countries have done. This phenomena happened because the achievement in developed countries in Europe and America seen as ideal model of civilization which is it can guarantee the prosperity in their society. So it become proper many developing countries tend to pursue modernization like what developed countries had achieved.

On modernization process every countries have different speed. This is because the process of transformation and development have to do from the understanding, strategy and ripe concepts in term of transforming organization and society in certain country, and also involving transformation of structural and cultural that are crucial in the society's life.

The level of technology that build the modernization itself give a big influence to the society and also can be enjoyed by all of level of society. In term of architects the specification of certain building or infrastructure project are also

developed, because architects are sued to innovating on technology, construction and also environment sector, that is why the capabilities of an architects in term of modernization are crucial.

3. Liberalization on service sector in AEC

The impacts of liberalization of trade in goods and services can be happened as the result of lowering the tariff barrier ; for example, reducing import tariffs, ameliorating custom procedures, removing potential barriers to trade in services as well as improving logistics. Collecting information and estimates of tariffs and trade costs associating with liberalization potential is essential part of this study in order to conduct quantitative evaluation. The liberalization would give big impact to all the ASEAN member countries from agriculture, resources, manufacturing, and service industries sector.

Liberalization on service sector is the idea of ASEAN economic community, as part of integral of AEC liberalization on service sector give the impact to labor force mobilization in ASEAN much easier than before. Free trade in bilateral scope and regional known as Bilateral Free Trade Agreement (BFTA), and Regional Trade Agreement (RTA), both of them also known as Free Trade Agreement (FTA), all of trade agreement state above are based on the Agreement on World Trade Organization (WTO) that is multilateral agreement. The integration in South East Asian economic is removing tariff barrier which is on the agreement are require another agreements of free trade which is that is the strategy to ASEAN to expand

the scope of economic market in ASEAN also attract investment in ASEAN. Liberalization seen as the competition for the labor force, as art of the ASEAN member Indonesian through IAI have a commitment to prepare Indonesian architects to face the challenges.

D. Economic Integration in South East Asia region

The existence of ASEAN nowadays are because the spirit of the member of ASEAN itself. The main motivation of the establishment of ASEAN regionalism is based on security system needs and increases the capabilities in term of economic development of each country members. Then it is irresistible that the reason behind the establishment of ASEAN is necessity, so it is not just about solidarity. The potential economic that exists on the ASEAN are made this regional organization are survives until nowadays. Not only concern about politic of security but also it is focus on NATO or Warsaw Pact during the cold war.

ASEAN members are aware that there is no another way except starting the cooperation among ASEAN member countries in terms of economic. It is because the end era of SEATO (*The Southeast Asia Treaty Organization*), Maphilindo (*The Greater Malayan Confederation*), and ASA (*Association South-east Asia*) is because of many factors that already explained. The economic cooperation is the most prestigious and it also reaches all of aspect in life. Then it is proper if ASEAN always prioritizes economic cooperation than other cooperation at the beginning era

of ASEAN in 1970 until the end of the cold war. ASEAN is capable to reduce the determination of both block (western and eastern) during the cold war.

Five countries which are the founder of the ASEAN (Indonesia, Malaysia, Philippines, Thailand and Singapore) are aware that there is possibility if they are directly involved on the dynamical of international politics at that time will risk their sovereignty. However almost all of the member countries tend to maintain relation with the western block (including Indonesia). Independent and active politics are the main jargon of Indonesia which gives a big influence toward ASEAN decision making.

Bangkok declaration that discusses about the non-intervention principal and respecting domestic matters among member countries, this principal is the evidence of how the independent and active politics have been succeeded to influence ASEAN.³⁸ This principals is important to the existence of ASEAN, because when that principal is not obeyed than every members of ASEAN will attack each other open or closely based on what they believe on war.

ASEAN is really serious to maintain the principal and it will become compulsory to a members to obey the rules or policy which is related to independent and active principal and it will become the essence of regionalism. Multilateral cooperation that tied among countries is the form of the commitment that poured on legal standing which is the Bangkok Declaration.³⁹ This commitment would shape ASEAN strong and not easy to persuade or *Devide et Impera*, even as we

³⁸ H.M. Sabir, Politik Bebas Aktif : Tantangan dan Kesempatan. : 227 - 228

³⁹ Op.cit, HM Sabir, Politik Bebas Aktif : Tantangan dan Kesempatan : 216-217

know that the members of ASEAN is the countries which are often confronting each other such as Indonesia-Malaysia, Philippine-Malaysia. However, with the spirit of integration, desire to confronting each other are succeeded to reduce in ASEAN.

E. Analysis Readiness level of Indonesia on national construction service to Face ASEAN Economic Community

The level of readiness of Indonesia to face ASEAN Economic Community (AEC) becomes the major issue that is supposed to be prevented by Indonesian government since the AEC has been ratified. It is because one of the foreign political policies in AEC are not supported by the condition of Indonesian economic then it would be contra-productive to Indonesia. The level of readiness of Indonesia to face AEC is the one of important issues to be discuss so spoken can analyze where opportunities and where the challenges that have to be prepared as soon as possible. ASEAN has agreement to adopt *free market intra-regional* made any ASEAN members and ASEAN based ideologies. The implementation of such concept in the state ideology level should be adjusted to ASEAN free market concept.

ASEAN Mutual Recognition Arrangements (MRA)

ASEAN members has been agreed to legalize skilled labor flows in employment field where eight professions nowadays are having MRA which are engineers, architects, medical force, nurse, dental, accountant, surveyor, and tourism actors. Focusing on skilled labor for the construction service, ASEAN members have been agreed to recognize each other in ASEAN that poured in to *Mutual Recognition Agreement (MRA) on engineering service and Architectural service* that was signed by Ministry of ASEAN Economic on December 5th 2005 in Malaysia and on November 19th 2007 in Singapore.

Table 3.1: Mutual Recognition Agreement in ASEAN⁴⁰

No	MRA	Tempat/Tanggal Penandatanganan
1	MRA on Engineering Services	Malaysia / 9 Desember 2005
2	MRA on Nursing Services	Filipina / 8 Desember 2006
3	MRA on Architectural Services	Singapura / 19 November 2007
4	Framework Arrangement for Mutual Recognition on Surveying Qualification	Singapura / 19 November 2007
5	MRA on Tourism Professional	Vietnam / 9 Januari 2009
6	MRA on Medical Practitioners	Thailand / 26 Februari 2009
7	MRA on Dental Practitioners	Thailand / 26 Februari 2009
8	MRA on Accountancy (sebelumnya berupa framework arrangements yang ditandatangani pada tahun 2009)	Myanmar / 25 Agustus 2014

Table 3. 1 : Mutual Recognition Agreement in ASEAN

Source: Direktorat Perundingan Perdagangan Jasa, Kesiapan Sektor Jasa Konstruksi Menghadapi Masyarakat Ekonomi Asean (MEA) 2015

⁴⁰ Direktorat Perundingan Perdagangan Jasa, Kesiapan Sektor Jasa Konstruksi Menghadapi Masyarakat Ekonomi Asean (MEA) 2015

The main purpose of MRA is creating procedure and mechanism accreditation to achieve similarity/equality and also acknowledging the differentiation among countries in term of education and training, experience, and licensing to engineers and architects. There are six components which will be recognized by ASEAN education, test, registration, and licensing, advance educational experience and code of ethic (*professional conduct*).

Until September 2015, the number of engineers that registered in ASEAN is 1.483 engineers whose details are: 569 from Indonesia, 2 from Brunei Darussalam, 3 from Laos, 228 from Malaysia, 133 from Myanmar, 119 from Philippines, 230 from Singapore, 65 from Thailand and 134 from Vietnam. Meanwhile ASEAN license was obtained by only 285 architects with the distribution: 1 from Brunei Darussalam, 84 from Indonesia, 6 from Laos, 35 from Malaysia, 12 from Myanmar, 53 from Philippines, 74 from Singapore, 11 from Thailand and 9 from Vietnam.

Table 3.2: The comparison of engineering and architectural sector in ASEAN⁴¹

⁴¹ ibid

Member States	Engineering (ACPEs)	Architecture (AAs)
Brunei Darussalam	2	1
Cambodia	0	
Indonesia	569	84
Lao PDR	3	6
Malaysia	228	35
Myanmar	133	12
Philippines	119	53
Singapore	230	74
Thailand	65	11
Viet Nam	134	9
Total	1,483	285

Table 3.2: The comparison of engineering and architectural sector in ASEAN

ASEAN members have been agreed to sign the requirement and the mechanism to get ASEAN certification to engineering and architects from ASEAN member countries.

Achievement of the development of construction service

The contribution of national construction service toward Gross National Product (GDP) is always increasing since 2007 until 2013. In 2007 GDP is Rp. 3,950,893.20 trillion and around Rp. 304,996.80 million or 7.72% is the contribution from the construction service. In 2013 the GDP is around Rp 9,083,972.20 trillion and Rp 907,267.00 million from the construction service sector.

Table 3.3: Table of the contribution of construction service sector toward GNP 2007-2013⁴²

⁴² Ibid page 19

KONTRIBUSI SEKTOR KONSTRUKSI TERHADAP PDB, PERIODE PDB TAHUN 2007 - 2013															
No.	LAPANGAN USAHA	2007		2008		2009		2010		2011		2012 *		2013 **	
		Jumlah	%	Jumlah	%	Jumlah	%	Jumlah	%	Jumlah	%	Jumlah	%	Jumlah	%
1	PERTANIAN, PETERNAKAN, KEHUTANAN & PERIKANAN	541,931.50	13.72	716,656.20	14.48	857,196.80	15.29	985,470.50	15.29	1,091,447.10	14.71	1,193,452.90	14.50	1,311,037.30	14.43
2	PERTAMBANGAN & PENGGALIAN	440,609.60	11.15	541,334.30	10.94	592,060.90	10.56	719,710.10	11.16	876,983.80	11.82	970,823.80	11.80	1,020,773.20	11.24
3	INDUSTRI PENGOLAHAN	1,068,653.90	27.05	1,376,441.70	27.81	1,477,541.50	26.36	1,599,073.10	24.80	1,806,140.50	24.34	1,972,523.60	23.97	2,152,592.90	23.70
4	LISTRIK, GAS & AIR BERSIH	34,723.80	0.88	40,888.60	0.83	46,680.00	0.83	49,119.00	0.76	55,882.30	0.75	62,234.60	0.76	70,074.60	0.77
5	KONSTRUKSI	304,996.80	7.72	419,711.90	8.48	555,192.50	9.90	660,890.50	10.25	753,554.60	10.16	844,090.90	10.26	907,267.00	9.99
6	PERDAGANGAN, HOTEL & RESTORAN	592,304.10	14.99	691,487.50	13.97	744,513.50	13.28	882,487.20	13.69	1,023,724.80	13.80	1,148,690.60	13.96	1,301,506.30	14.33
7	PENGANGKUTAN & KOMUNIKASI	264,263.30	6.69	312,190.20	6.31	353,739.70	6.31	423,172.20	6.56	491,287.00	6.62	549,105.40	6.67	636,888.40	7.01
8	KEUANGAN, PERSEWAAN & JASA PERUSAHAAN	305,213.50	7.73	368,129.70	7.44	405,162.00	7.23	466,563.80	7.24	535,152.90	7.21	598,523.20	7.27	683,009.80	7.52
9	JASA - JASA	398,196.70	10.08	481,848.30	9.74	574,116.50	10.24	660,365.50	10.24	785,014.10	10.58	889,994.40	10.81	1,000,822.70	11.02
	PRODUK DOMESTIK BRUTO	3,950,893.20	100	4,948,688.40	100	5,606,203.40	100	6,446,851.90	100	7,419,187.10	100	8,229,439.40	100	9,083,972.20	100

Table 3.3: Table of the contribution of construction service sector toward GNP 2007-2013

Based World Bank 2014, construction service market in Indonesia are around US \$267 million and nominated as the biggest construction market in ASEAN and on top ten biggest construction market in the world. The priority to developing national infrastructure, real estate, mining, and energy sector. This is need requirement to guide construction counseling to synchronize national power to conquer regional construction market.

The performance of infrastructure can be measured based on the performance or competence ranking of certain state compare to other countries based on the ranking of World Economic Forum about the competition of infrastructure per 2010 until 2015, from 140 countries in the world, Indonesia are decreased as what table show below.⁴³

⁴³ Ibid pages 14

Table 3.4: The performance of infrastructure of World Economic Forum Per 2010 until 2015

Tahun	Ranking
2010 – 2011	90
2011 – 2012	82
2012 - 2013	92
2013 - 2014	82
2014 - 2015	72

Table3. 4: The performance of infrastructure of World Economic Forum Per 2010 until 2015

Figure 3.1: 10 factors that influencing the competition of construction service

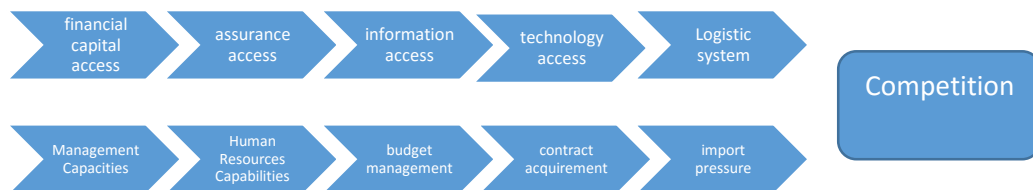


Figure 3.1: 10 factors that influencing the competition of construction service

Foreign company on construction service in Indonesia

Based on the data from ministry of labor in 2013, there are 3 main countries that have company on construction service in Indonesia which are Japan, China, and South Korea. Based on table below, since 2005 until 2013 the amount of those company are keep increasing, this is causally effect of the contribution of Indonesia in International agreement such as ASEAN-South Korea, ASEAN-Japan, ASEAN-India, and also as the effect of the implementation of Acceleration of the development of economic sector in Indonesia master plan (MP3EI) since 2011, the permission of foreign company that given by the ministry of labor.⁴⁴

Table 3.5: Acceleration of the development of economic sector in Indonesia master plan 2011

Tahun	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total BUJK Jepang	32	80	55	77	75	74	80	82	81
Total BUJK Cina	0	9	25	30	32	32	39	47	53
Total BUJK Korea	5	11	11	19	26	33	57	73	81
Total BUJK India	2	2	1	0	0	1	5	5	4

Table 3.9: Acceleration of the development of economic sector in Indonesia master plan 2011

Figure 3.2: The comparison of domestic construction company in Indonesia and foreign company that existed in Indonesia⁴⁵

⁴⁴ Ibid page 14

⁴⁵ ibid

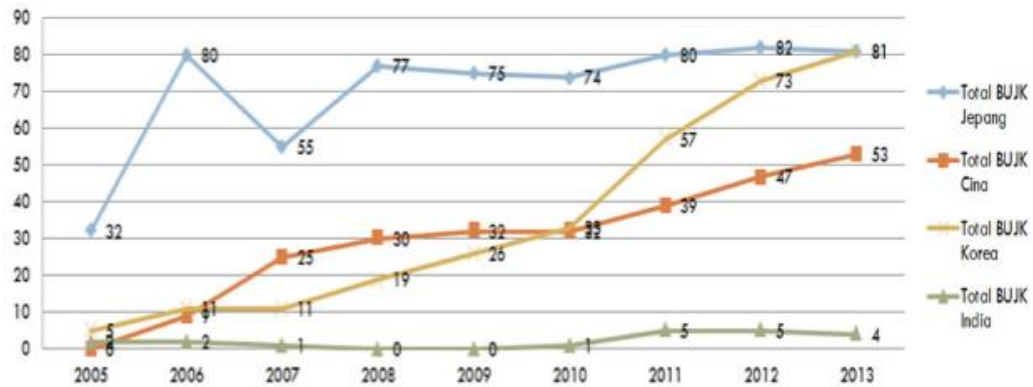


Figure 3.3: comparison of domestic construction company in Indonesia and foreign company that existed in Indonesia

The challenges of the development of construction service

Indonesia as the biggest construction service market in ASEAN still facing several challenges that have to prevent by the interest group. This matters should overcome by optimization on national resources that existed in Indonesia. The challenges that have to optimize by government are:

1. Formal education output are not ready to work as professional
2. The quality of human resources in Indonesia are not spreads evenly (the gap of development in economic and also the gap between western Indonesia and eastern Indonesia)
3. Not all of industry in Indonesia recruiting their human resources based on the competencies
4. The procedure, the requirement and qualification or standard of labor force are not comprehensive
5. Not attracted to expanding in other ASEAN countries
6. Not supported by financial capital to the actor of national service sector

7. The direction of development medium-long range to making business plan are limited on short-medium range plan.

Human resources is one of the important factors in the development of service sector including construction service sector. The process of creating human resources into skilled labor who can complete the challenges to face ASEAN Economic Community is a long-term planning which has to be prepared since early stage. The level of awareness about increasing individual capacity through training and certification about the competencies has to be established. Based on president regulation number eight in 2012 about national qualification framework of Indonesia (*Kerangka Kualifikasi Nasional Indonesia/KKNI*), anyone who has hold the accredited professional certification is said to be acquiring work competencies compatible to the standard of national competencies of Indonesia (*Standar Kompetensi Kerja Nasional Indonesia/ SKKNI*)