

Indonesia's strategic steps in facing the ASEAN Economic Community (AEC) 2015

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Abstract

Indonesia has a good development of economy in the last 4 years. The development of the global economy today is quite influential to the global economy. The flow of globalization makes fundamental changes in the international world order, especially on the economic aspect. One characteristic of global economic development is the liberalization of goods, services, capital, and investment. The existence of this liberalization, making the world economy to be open. The process of liberalization makes the global economy more integrated and interdependence stronger. This situation affects the economic situation of the countries in Southeast Asia.

Key word: Indonesia, Member of ASEAN, AEC (ASEAN Economic Community)

Introduction

This situation affects the economic situation of the countries in Southeast Asia. Before the establishment of ASEAN, various conflicts have occurred among Southeast Asian countries. For example, the confrontation between Indonesia and Malaysia, territorial claims between

Malaysia and the Philippines concerning Sabah, and the separation of Singapore from the Malaysian federation, and the separation of Singapore from the Malaysian federation. Departing from these problems, Southeast Asian countries recognize the importance of establishing or establishing cooperation among the countries in

Southeast Asia. Starting from the problems that have occurred, five foreign ministers from Indonesia, Malaysia, Singapore, Philippines, and Thailand held a meeting in Bangkok in August 1967 that resulted in the design of the Joint Declaration. The final result of the meeting, on August 8, 1967, was signed by Bangkok's deputy prime minister and concurrent foreign minister of Malaysia and foreign ministers from Indonesia, Philippines, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, Vietnam on 28 July 1995, Laos PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. With the signing of the Bangkok declaration, it marks the establishment of ASEAN (*Association of South East Asia Nations*).¹ ASEAN is an organization, as well as a community of countries of many races, languages, religions, and is linked through historical proximity and interconnectedness. ASEAN cities today

provide little clue as to their harsh past. Skyscraper buildings now stand in a location that was once destroyed by war and prolonged conflict. Spread over an area of 4,480,000 km² with a population of over 540 million indigenous people, immigrants, and descendants of inter-nations marriages. As a region, ASEAN offers a rich diversity of talents, traditions, resources, and opportunities. ASEAN is an organization, as well as a community of countries of many races, languages, religions, and connected through historical proximity and interconnectedness. ASEAN cities today provide little clue as to their harsh past. Skyscraper buildings now stand in a location that was once destroyed by war and prolonged conflict. Spread over an area of 4,480,000 km² with a population of over 540 million indigenous people, immigrants, and descendants of inter-nations marriages. As a region, ASEAN offers a rich diversity of talents, traditions, resources, and

¹ <http://www.asean.org/asean/about-asean/history> accessed on 04 April 2014

opportunities.² The organization aims to promote economic growth, social progress and cultural development of its member states, promote regional peace and stability, and increase the opportunity to discuss the differences among its members peacefully. Although formally ASEAN is an organization of economic, social and cultural cooperation but the Bangkok Declaration is based on the aspirations and political commitment of member countries to unite and cooperate in the face of the Southeast Asian region which at that time was characterized by turbulence and strife between countries, between Indonesia and Malaysia, as well as between non-state powers outside the region. The political aspirations underlying the Bangkok Declaration are essentially an effort to realize regional stability that can support national development in all fields for ASEAN member countries. The founders

of ASEAN recognize that among member states there is a difference in both historical background and political attitudes as well as the fact that in the economic field most member countries compete as producers of the same commodity. Therefore, the steps taken are pragmatic. While observers assess the growth of ASEAN in the first year is very slow. But it is actually a period of consolidating mutual understanding and eliminating mutual suspicion among its members to solidify the cooperation being developed in a better direction.

It should be realized that ASEAN is a regional cooperation organization in an association because of the common interest. Equality of positions within membership is one of the principles of this cooperation. This regional cooperation is also not integrative but cooperative. ASEAN member states still fully possess internal

² Philip Kotler, dkk. 2007. Think ASEAN! Rethinking Marketing toward ASEAN Community 2015. Singapore: McGraw Hill. page. 5.

and external sovereignty. While the main foundation of this cooperation is deliberation to help each other for the common interest (common interest). One of the goals of ASEAN is the economic growth, social progress, and cultural development of its member countries. Since the beginning of the establishment, ASEAN has intensively agreed on some cooperation in the economic field. Such as Industrial Project Plan (1976), Preferential Trading Area (1977), ASEAN Industrial Complement Scheme (1981), ASEAN Joint Venture Scheme (1981), and Enhanced Preferential Trading Arrangement (1987). In the 1980s, ASEAN has become an important and integral regional organization in Southeast Asia. This is because the role of ASEAN in regional issues is so great and significant. In fact, major countries then recognize ASEAN as the key to understanding Southeast Asian issues. Therefore, ASEAN leaders at the

ASEAN Summit in Kuala Lumpur in December 1997 decided to transform ASEAN into a stable, prosperous and highly competitive region with an equitable level of economic development, as well as reduced socio-economic and poverty gaps. At the ASEAN Summit in Bali, October 2003, ASEAN leaders declared Bali Concord II to jointly establish the ASEAN Community by 2020. The community includes three pillars, namely the Political and Security Community, Economic Community and Socio-Cultural Community intersect and encourage each other in order to support the creation of peace, stability and mutual prosperity in the region.³ At the 12th ASEAN Summit in January 2007 in Cebu, the Philippines, the ASEAN leaders affirmed a strong commitment to accelerate the establishment of an ASEAN community by 2015, with the signing of the Cebu Declaration on the Acceleration of the Establishment of

³ Cetak Biru Komunitas Sosial Budaya ASEAN. 2010. Jakarta: Direktorat Jenderal Kerja Sama ASEAN

Kementerian Luar Negeri Republik Indonesia. page. 9.

ASEAN Community by 2015. In particular, also agreed to accelerate the establishment of ASEAN Economic Community by 2015 and transform ASEAN region into an area where there is a free flow of goods, services, investment and skilled labor, as well as a more free flow of capital.⁴ At the 13th ASEAN Summit in November 2007 in Singapore, the ASEAN leaders agreed to sign the ASEAN Charter, which marks the commitment of ASEAN Heads of States to build a common community based on regional cooperation and integration. In line with this, the ASEAN Political and Security Community blueprint is adopted as a roadmap for the establishment of APSC 2015. In addition, the establishment of the ASEAN Socio-Cultural Community blueprint is also agreed to ensure concrete follow-up in promoting the establishment of an ASEAN social and cultural community.⁵ The ASEAN Community

with its three pillars (APSC, AEC, and ASCC) in the future will be an important part of an increasingly complex international relationship, and in such a pattern of international relations changes will occur. The ASEAN Political and Security Community is designed to encourage the sharing of norms, prevention and resolution of conflicts, and peace-building through positive political developments. APSC is used as a vehicle to combat terrorism and other transnational crimes, such as drugs and trafficking.⁶ ASEAN Socio-Cultural Community was formed to represent the social and cultural interests of the ASEAN community, as the region moves towards economic integration and globalization. Resources will be allocated to areas of education, training, science and technology development, employment creation, and social

⁴ Cetak Biru Komunitas Ekonomi ASEAN. 2010. Jakarta: Direktorat Jenderal Kerja Sama ASEAN Kementerian Luar Negeri Republik Indonesia. page. 7-8.

⁵ Cetak Biru Komunitas Sosial Budaya ASEAN. *Op cit.*, page. 9.

⁶ Cetak Biru Komunitas Politik dan Keamanan ASEAN. *Op cit.*, page. 18-19.

protection.⁷ ASEAN Economic Community seeks to bring capital, goods, services and human resources to a single market and production base. Such integration requires acceleration of free trade and facilitation of business (business), increasing SMEs, and attracting investors into ASEAN.⁸ On the way to ASEAN Economy Community in 2015, there are still many people who doubt Indonesia will be ready and able to compete with other countries in ASEAN. Therefore, the competitiveness of both products and human resources are still less competitive with other imported products, and it is feared will turn off domestic products. Indeed, many sanctions that Indonesia will be able to face the plan to integrate the ASEAN region into a single community (ASEAN Community). The abandonment of infrastructure provision, lack of competitiveness, and dependence on imported goods are the main reasons. The

Secretary-General of the Indonesian Businessman Association (Apindo) Franky Sibarani said the implementation of the ASEAN Economic Community (AEC) in December 2015 could be the beginning of the death knell for the national industry. In fact, the impact is worse than the implementation of the ASEAN- China (ASEAN-China Free Trade Agreement / ACFTA) which began January 1, 2010. "It will happen if there is no preparation that is mature since now," said Franky in his statement. According to him, in the implementation of ACFTA, Indonesia could at least benefit from the opening of potential market access to China which has 1.4 billion populations. In the AEC plan, Indonesia has the potential to become a big market for other ASEAN countries because it has 40% of the total ASEAN population. Moreover, the AEC makes ASEAN a single

⁷ Cetak Biru Komunitas Sosial Budaya ASEAN. *Op cit.*, page. 13-14.

⁸ Cetak Biru Komunitas Ekonomi ASEAN. *Op cit.*, page. 9 and 21-22.

market.⁹ But behind all that, with a sweet record of Indonesia's economic growth at this time even in the last four years Indonesia's economic growth is never below 6 percent should not worry Indonesia in the face of the AEC 2015, because of previous experience when the enactment of AFTA (ASEAN Free Trade Area) since 2002 increasingly lifted the economic growth of Indonesia. Nevertheless, it does not have to make Indonesia complacent because there are still many obstacles and weaknesses owned such as competitiveness and infrastructure that is considered still considered weak. For the Asia Pacific region, even the competitiveness of Indonesia far behind from neighboring countries such as Thailand and Malaysia are ranked 17 and 18. While Indonesia in position 129. Indonesia is also a favorite place to invest but has an unstable climate due to cost or factor high cost and complicated bureaucracy. Therefore, a

proper strategic plan is needed so that Indonesia is ready to face the upcoming AEC.

Methods

Methods research methodology in this thesis is divided into several parts data retrieval Some issues that will be discussed in this thesis is the preparation of Indonesia to face the AEC 2015. Therefore, the data needed as research materials, among others, about the benefits and opportunities of Indonesia in the AEC. Mechanical of data collection to obtain the required data as described above using mechanical data collection, as follows Documentation which is the means of collecting data by searching related data through internet, books, and documents related to AEC. Type of research used in writing this thesis is Library research, which is a research by reading, studying the relevant literature to obtain the basic theory which is applied to the problem

⁹ <http://www.kemenperin.go.id/artikel/5959/AEC-2015-Bisa-Jadi-Lonceng-Kematian-Industri-Nasional>

under study. research method used by the authors in preparing this thesis is a descriptive and analytical qualitative research method. This model seeks to illustrate facts and circumstances that are based on reality, supported by the theories and concepts used to accurately describe his research, his nature, certain circumstances and symptoms.

Discussion

A. Declaration on the ASEAN Economic Community Blueprint

The ASEAN Economic Ministers Meeting, held in August 2006 in Kuala Lumpur, Malaysia, agreed to develop the ASEAN Economic Community 2015 Blueprint which is a guide for the realization of the AEC. AEC 2015 blueprint is a guideline for ASEAN Member States to achieve AEC 2015 integration, in which each State is obliged to implement commitments in the

blueprint. AEC 2015 blueprint contains four main frameworks:¹⁰

1. ASEAN as a single market and an international production base with free flow elements of goods, services, investment, educated labor and a more free flow of capital
2. ASEAN as a region with high economic competitiveness, with elements of competition rules, consumer protection, intellectual property rights, infrastructure mining, taxation, and e-commerce
3. ASEAN as an area with equitable economic

¹⁰ "ASEAN Economic Community Blueprint Dibahas di Bali", <http://plinplan.com/keuangan/31942/2008/05/02/>

asean-economic-community-blueprint-dibahas-di-bali/, accessed on 28 Desember 2014

development with elements of small and medium enterprise development and ASEAN integration initiatives for CLMV Countries (Columbia, Laos, Myanmar, and Vietnam) and

4. ASEAN as a region fully integrated with the global economy with a coherent element of approach in economic relations outside the region, and increasing participation in global production networks.

The declaration on the ASEAN Economic Community Blueprint, signed on November 20, 2007, contains a strategic schedule for each of the agreed pillars with time arcs divided into four phases, namely 2008-2009, 2010-2011, 2012-2013 and 2014- 2015. The signing of the AEC 2015

blueprint was held with the signing of the ASEAN charter. One of the main topics discussed deeply by ministers and the ASEAN ministers' meeting of economies held in August 2006 in Kuala Lumpur, Malaysia is the mechanism of the ASEAN Economic Community (AEC) Scorecard. This mechanism aims to enforce the discipline of members in implementing the AEC print, to measure the achievement of the AEC 2015, as well as a tool for public communication on the progress and obstacles of ASEAN in realizing the AEC 2015. The various steps adopted by ASEAN based on the time frame specified in the AEC blueprint are assessed in this scorecard, both as a group (ASEAN as a whole) as well as by individual Member States (individually). Because the scorecard is an instrument to measure progress and become a window for various parties to assess the seriousness of ASEAN. Ministers agreed to make improvements to the appraisal system, such as the specificity of the steps in AEC 2015 (specificity),

accurate assessments through checks and rechecks to individual members as well as to the ASEAN working committees and working groups that address specific issues, as well as the possibility of independent assessments (referred to as Track-2 which distinguishes them from formal processes at government level known as Track-1). The ministers agreed that the AEC Scorecard will be reported by the ASEAN Economic Community Council to the ASEAN leaders at the KRR beginning October 2009. In order to monitor the progress of the AEC implementation, an ASEAN baseline report (ABR) was prepared as a Scorecard with key performance indicators to be reported each year by the ASEAN Secretary-General to the Ministers and Heads of State / Leaders of ASEAN Countries. In addition to the AEC scorecard, the ASEAN Secretariat also explains the latest development and

preparation of the AEC Communication Plan.¹¹ The AEC Communication Plan is intended to enhance stakeholder awareness of the AEC's initiative and to get feedback and support from them in realizing the AEC. The AEC Communication Plan includes information on the ten benefits of AEC, AEC Media Kits, Frequently Asked Questions, testimony or success stories/feature articles and more. Through the AEC Communication Plan, all ASEAN sector agencies, the private sector, the central and regional governments of ASEAN, universities, and NGOs can and should be actively involved.

B. The discussion on the opportunities that Indonesia can exploit for national interests in terms of increasing the growth of trade and the state economy.

Opportunities are an opportunity to achieve the desired thing

¹¹ Business News, Konsep Final Cetak Biru AEC 2015 Disepakati, 25 Agustus 2007

to become a hedged benefit. In the context of AEC, opportunities are defined as expectations or opportunities to gain profit with the enactment of AEC 2015. These benefits can be interpreted economically, socially, politically and culturally. Indonesia as one of the ASEAN countries has a great opportunity to be realized into reality so that it will provide benefits to Indonesia both individually (state), as well as the benefits together as an ASEAN regional organization. Benefits obtained when able to take advantage of opportunities for excellence is the opening of opportunities to increase the volume of exports of goods from Indonesia to other ASEAN Member Countries; The creation of a more conducive business climate with the implementation of the elimination of high cost economy and simplification of licensing; Increased productivity internally to strengthen competitiveness; Increased ability of business actors in ASEAN through the

utilization of various agreed economic cooperation; The creation of more predictable, fair, transparent, and standardized trade in goods; The creation of new job opportunities and reduced social inequality as a result of increased investment in Indonesia; Opening of technology utilization opportunities among Member States.

These opportunities can be described as follows:

1. Large populations such as Indonesia are both opportunities and challenges. Indonesia with a total population of about 255 million people is the fourth most densely populated country in the world. Ethnic composition in Indonesia is very varied because this country has hundreds of different tribes and cultures. Nevertheless, more than half of Indonesia's population is dominated by the two largest tribes of Java and Sundanese tribes. A

large population in the context of AEC 2015 is a great opportunity because of its potential as a large domestic market. The position of the total population of Indonesia in ASEAN is the highest, ie in 2015 reached 255,462,000 people, with a growth rate of 1.3% and the density of 137 peoples / Km². The country with the smallest population is Brunei Darussalam which is only 417,000 people, the country with the smallest growth rate in Thailand which is 0.5%, while the country with the highest population density is in Singapore which is 7,729 inhabitants / Km².

2. The Increasing of the middle class.

Asian Development Bank (ADB) divide the middle class as follows: those who have expenses per day above \$ 2 are the lower middle class, \$ 2- \$ 4 is middle class and \$ 10- \$ 20 is upper middle class. The middle class (consumer

class) has an expenditure range per day between \$ 2- \$ 4. As a note, the dollar value used is the dollar value that has been converted by considering the balance of spending factor or known as the term purchasing power parity (PPP). PPP can be said exchange rate between two countries currency (usually using Dollar). If converted to the value of Dollar against the current Rupiah is about Rp13.300, - then the expenditure per day is approximately between Rp. 26,600, - to Rp 53,200, - to be classified as middle class. The growth of Indonesia's middle class can also be marked by an increase in Gross Domestic Product (GDP) from year to year. GDP is the value of goods or services produced by a country. If the middle-class increases, it will increase household expenditure. An increase in household expenditure

will increase the value of GDP. Boston Consulting Group (BCG) released a projection of the number of middle class in Indonesia. The following figure shows the projection of the number of middle class in Indonesia from 2012 to 2020.¹²

3. Indonesia Demographic Bonus. According to the calculations of experts, in 2020 to 2030 Indonesia will get a blessing in the form of a large population of productive age, about 2/3 of the total population. The number of productive people aged 15-64 years is abundant. The group far dominates the number of unproductive populations in the range 0-14 years and 65 years and over. By using the Dependency Ratio parameter or dependency ratio, at that time the number of unproductive population

dependence on the productive population is getting smaller. Referring to the Central Bureau of Statistics (BPS) data, it is predicted to reach 44%. This means that in every 100 productive age population only bear the burden of about 44 people are not productive. The dependency rate is known to be smaller from year to year as the population of Indonesia increases. In 2010, the dependency ratio was 50.5 percent, then decreased to 48.6 percent in 2015 and peaked in a decade between 2020 and 2030 when it reached its lowest point. The full blessing period is called a demographic or demographic advantage or "*the golden period*". One of the important strengths in Indonesia's demographic composition that has a relationship with the economy is the young

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<http://www.bppk.kemenkeu.go.id/publikasi/artike>

[/167-artikel-pajak/21014-penghasilan-kelas-menengah-naik-potensi-pajak](http://167-artikel-pajak/21014-penghasilan-kelas-menengah-naik-potensi-pajak)

population in Indonesia. They are the power of work (provided they can get an adequate education and there is enough job opportunities). The average age of the Indonesian population is 28.6 years (estimated by 2016). This is a median age, which means half of Indonesia's population is 28.6 years old and half is under 28.6 years old. Regarding sex, the median age of Indonesian women is 29.1 years, while the median age of men is younger a year (28.1 years). So in the context of AEC 2015, this condition needs to be utilized by improving human resources with education, health, skills and other quality improvements of human resources.

4. Great Natural and Cultural Resources. Indonesia with all its natural and cultural riches has large capital in international trade, including in regional trade in

ASEAN itself. Therefore, in the context of AEC 2015 that has been applicable, the richness of nature and culture of Indonesia is an abundance of added value. Natural wealth in question is in the field of mining, maritime, biodiversity, forests, mountains and so forth. Indonesia's cultural wealth is also not lost, where the variety of ethnic groups, languages, cultures, customs, and religions as potential domestic and foreign tourism.

Abundant natural and cultural capital becomes an opportunity for Indonesia to compete in AEC 2015. The natural wealth of various kinds allows Indonesia to produce many goods with local raw materials, so as to increase the value of competitive and comparative advantage in global trade. The availability of abundant raw materials and abundant fuels is a great opportunity for production at

a cheaper cost, so in addition to meeting large local needs, it is also likely to sell out. Not to mention the richness of biodiversity that is able to become Indonesia's flagship product. Cultural and natural landscape can certainly be utilized for tourism destinations that are able to attract more foreign tourists in the AEC 2015 era.

5. Bureaucratic Reform (Institutional and Governance). The performance of government institutions is needed to accelerate the economic growth of a nation. The role of government in the economy is vital because the government forms a system, regulates, has broad authority, and has the power in determining state policy. Therefore, with good governance performance, it usually encourages good economic growth in the private sector (private sector) and in the public sector. The vision of

bureaucratic reforms listed in the Grand Design of Bureaucracy Reform Indonesia is "the realization of world-class government". The vision is a reference in realizing a world-class government, a professional and high-integrity government capable of providing excellent service to the community and democratic governance management in order to be able to face the challenges of the 21st century through good governance in 2025.

6. The Resilience of Indonesian Economy. Indonesia has a relatively strong economy because the real sector is strong, so the economic resilience of Indonesia is good. This has been proven in the economic crisis in 1999 and the crisis in 2009, Indonesia still survive and experience the negative effects are lighter than other countries. Many indicators

show the resilience of the Indonesian economy. Among them is the level of economic growth, the rate of inflation and the value of exports - imports.

7. Massive Infrastructure Development. The cuts in fuel subsidies have allowed the government to allocate more funds to build infrastructure to remote areas. So far, infrastructure development cannot be maximized due to limited funds due to the large allocation of fuel subsidies. Infrastructure, both to support transportation, communication, and energy and food security is a weak point that makes productive activities in the country hampered.
8. Indonesia Economic Policy Package. The new government is well aware of the need for revolutionary economic policies so that Indonesia can catch up with its economic development. In an

attempt to stabilize Indonesia's economic conditions, the Jokowi-JK government launched programs to stimulate slow economic growth at the start of their administration.

The most popular policy is the Bid Economy Package because it consists of several volumes that have a different focus to target multiple targets that are thought to stimulate the economic movement. This policy is intended in addition to general economic development, also prepared to deal with AEC 2015 and AEC 2030.

9. The potential of MSMEs sector is very big. Micro and Small Business Sector (UMKM). The population of UMKM in Indonesia is 57.9 million. Potential that can go international a lot. But the problem is, not all IT has touched. Access to the internet is still limited, so it has not utilized e-commerce to market its products. If the potential of

MSMEs is well managed by the state, facilitated and developed and enhanced capacity and quality, then the opportunity to compete in the ASEAN market will be even greater.

10. Potential as an Investment Destination Country. Data The Economist mentions for 2015 Indonesia is the second ranked destination of Asia Pacific investment, after China. As for foreign direct investment (FDI), the amount shown is United Nations Conference On Trade and Development (UNCTAD) data. The large population and most of the productive age are the two main factors that make Indonesia a potential market in the eyes of investors.

C. Indonesia's Challenges Facing AEC

The challenges that exist are the manifestations of the problem that must be

solved or overcome so that becomes an achievable opportunity. The challenges that Indonesia must face in facing the AEC 2015 are as follows:

1. Improving the Quality of Human Resources
2. Increasing competitiveness
3. Improving the Quality and Competitiveness of MSMEs
 - a) Facilitation of Institutional Sector
 - b) Facilitating Access to Financing
 - c) Facilitation of a Conducive Business Climate
4. Increasing Stability of Business Climate and Investment in Indonesia
5. Improved Effectiveness of Central and Regional Government Institutions

The effectiveness of both central and local government is still a challenge that needs to

be improved. With a variety of new government policies (Jokowi-JK), the actual package of economic policy has overhauled ineffective systems. But the effort has not been transmitted to the regions, so it has not felt the change. To deal with the AEC 2015, the effectiveness of government is needed to support various economic policies that benefit the country.

D. Indonesia's Strategic Steps In Facing the AEC

The discussion will be preceded by the strategic steps taken by Indonesia in AEC based on the 4 AEC pillars. In the AEC Blueprint, there is four main purposes of AEC want to achieve and have a close relationship with each other.

First, the establishment of a single market and production base. This objective will create a free flow of goods, services, investment, labor, and a free flow of capital between countries in the region. As an initial stage, twelve priority work sectors representing more than 50% of intra-

ASEAN trade, namely (1) agro-processing, (2) rubber-based industries, (3) wood-based industries, (4) aviation, (5) automotive (6) electronic, (7) information communication technology, (8) fishery, (9) health, (10) logistics, (11) textiles, and (12) tourism. Indonesia became the coordinating country for the automotive and wood-based industries. Achieving these goals will transform the diversity of characteristics in the region into business opportunities that can make ASEAN more dynamic and strong in the global supply chain. The establishment of a single market will facilitate the establishment of a production network within the region and increase the capacity of ASEAN as a global production center or part of the global supply chain. To achieve these objectives, each ASEAN member country is required to liberalize or open its domestic market.

Second, a competitive economic region. It is a precondition needed to support the achievement of a single market and international production base. The

achievement of the second objective is done through cooperation in various fields including (i) infrastructure development, such as transformation, information, energy, mining, and finance; (ii) competition policy; (iii) consumer protection; (iv) intellectual property rights; (v) taxation; and (vi) e-commerce.

Third, equitable economic development. The ASEAN region has different stages of economic development that impact on the readiness and speed of each member country to liberalize. ASEAN should be able to ensure the benefits of regional economic integration that all ASEAN members and communities can feel. This is done through the development of MSMEs and cooperation and technical assistance in order to reduce development gap among member countries, especially between ASEAN-5 countries and Brunei, Cambodia, Myanmar, Laos, and Vietnam.

Fourth, the integration of the global economy. With the achievement of the above three objectives is expected ASEAN

market more attractive for foreign investment and ASEAN industry can be more competitive in the global supply chain. In the pursuit of this objective, a coherent approach is made in ASEAN's external economic relations with trade partners such as ASEAN + 1 (ASEAN + China, ASEAN + India, ASEAN + Japan) or ASEAN + + (ASEAN + 3, EAS) to ensure the centrality of ASEAN and expanding ASEAN's participation in global supply chain.

Based on the Presidential Instructions above, in general, the strategic steps to be undertaken include the revamping of potential strategic sectors and related to the mechanisms established by ASEAN in order to create a free market and international production base. These strategic steps include:

1. Increased Economic Competitiveness
2. Improved Bureaucratic Reform and Regulation

3. Improvement of MSMEs Empowerment

Information technology is a form of technology used to create, store, modify, and use information in all its forms, through the utilization of this information technology. Macro, small and medium companies can enter the global market. Utilization of information technology in running a business or often known as e-commerce for small companies can provide flexibility in production, enabling faster delivery to customers for software products, sending and receiving payments quickly and sparingly, and supporting paperless fast transactions. Utilization of the internet allows SMEs to do marketing with the aim of global markets, so export opportunities are very possible. This means that MSMEs have a wider opportunity to sell their products exported.

E. Conclusion

Indonesia's opportunities in the AEC are: 1) a large population which

means a large domestic market share with a total population of about 255 million; 2) Increasing Class Amount of middle-class growth is estimated at 64%; 3) Indonesia Demographic Bonus where the years 2020 to 2030 the number of productive age population about 2/3 of the total population; 4) Great Natural and Cultural Property, covering the rich fields of mining, maritime, biodiversity, forest, mountains and so on, as well as its cultural richness; 5) Bureaucratic Reform (Institutional and Governance), with the issuance of Presidential Regulation No. 81/2010 on the Grand Design of Bureaucratic Reform 2010-2025 and has a vision of "realizing world-class government"; 6) Resilience of Indonesia's economy Strong, including because the real sector is strong; 7) Massive Infrastructure Development, with an asset-building contribution to GDP in Indonesia reaching US\$ 1.2 trillion; 8) Indonesia Economic Policy Package Volume 1 - 13 that focuses on stimulating economic movement by accelerating, simplifying

procedures and removing regulatory/bureaucratic obstacles; 9) The potential of MSMEs sector is very large with a population of MSMEs in Indonesia 57.9 million; and 10) Potential as Investment Destination Countries, mainly from China, Japan, South Korea, and Taiwan.

The challenges faced by Indonesia in AEC are: 1) The quality of human resources is still low quality; 2) The low competitiveness that is proven with Indonesia's competitiveness in 2015 is still in the 37th position of the world; 3) Quality and Competitiveness of MSMEs is still relatively low; 4) The stability of business climate and investment in Indonesia has not been stable and 5) Efforts to increase the effectiveness of central and local government institutions are still running.

Indonesia's strategic steps in dealing with the AEC are three steps: Improving economic competitiveness, Improving bureaucratic reform and regulation; improvement of MSMEs empowerment.

Increased Economic Competitiveness include Human Resources Competitiveness or Manpower; Infrastructure Competitiveness; Competitiveness of Products and Services; Competitiveness of Micro, Small and Medium Enterprises (MSMEs); Marine Competitiveness and Fisheries and Investment Competitiveness. Improved Bureaucratic Reform and Regulation includes regulatory reform and institutional reform of the bureaucracy. Improvement of MSMEs Empowerment include Legalization of MSME (Institutional Strengthening); Access to Capital; Standardization of MSME products; Capacity building and management of MSMEs; Increased access to Information and marketing of MSME Based Information Technology.

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