

Asean Economic Community 2015: Player or Spectator?

Mudrajad Kuncoro¹

Abstract

Basically the blue print of AEC is to build Asean Economic Community as an integrated area for the distribution of goods, services, investment, capital, and skillful work force. 2008 is the year to start establishing the area in that 2015 is expected to be the time for the implementation. It can be said that AEC is nonetheless AFTA plus.

This article analyzes the methods and steps in realizing AEC. The question is, are we ready? Will we be the player or the spectator in AEC 2015? Perhaps the myth of united ASEAN will vanish should AEC be really established. However, there must be some barriers in the ways of establishing AEC 2015. This article identifies the obstacles in both Indonesia and in ASEAN. There is a big gap among the ten members of ASEAN. As the commitment to carry out the programs of AEC heading a competitive economic area, Indonesia has issued two outputs: first, Government Regulation on the Ratification of Protocol to Implement the Third Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS). Second, Government Regulation on the Ratification of Protocol to Implement the Fourth Package of Commitments under the ASEAN Framework Agreement on Services (AFAS).

Keywords: ASEAN, AEC 2015, barriers, ratification

The 13th ASEAN Summit held in Singapore on November 20th 2007 made a new history. In its 40th birthday, the leaders of the state members of ASEAN came to an agreement of declaring the blue print of ASEAN Economic Community (AEC). The target says that in 2015 ASEAN will “one country”, where goods, services, investment, work force, and capital will freely flow from one to another country within ASEAN. The emerging question that is interesting to study further is: Are we ready? Will we be a player or a spectator in AEC 2015?

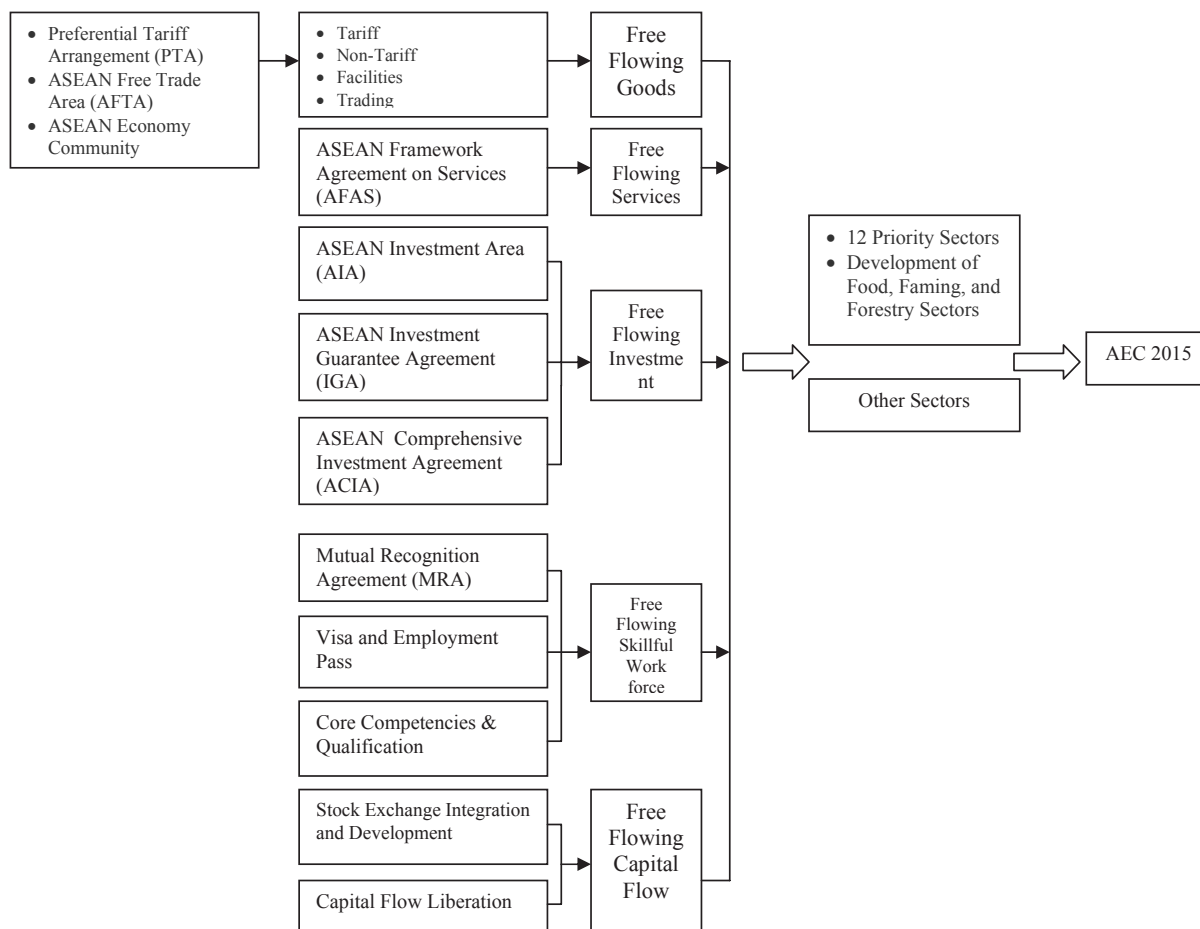
A. Blue Print of AEC 2015

Since ASEAN Summit in Bali in October 2003, the ASEAN leaders have declared AEC as the goal to integrate the regional economy in the big frame of the Vision of ASEAN 2020. In Bali Concord II, besides AEC, two other pillars were declared in the construction of ASEAN Community i.e. ASEAN Security Community and the ASEAN Socio-Cultural Community. Thus, those three pillars are expected to fully function when the ASEAN Economic Community comes to reality in 2020.

This blue print of AEC contains the ambition of building ASEAN as the trading center of an integrated area. It is targeted that the starting point is in 2008 and the implementation will be in 2015. AEC is expected to be equal to European Union

¹ Professor of Faculty of Economic and Business, Universitas Gadjah Mada, Indonesia.

Figure 1. Mechanism to Attain AEC 2015



Source: Djaafara, *et al.* (2008)

(EU)². It is also expected that investors will be attracted to make investment in ASEAN because of its being one of the world's big markets. Unlike EU, AEC still applies different currencies referring to its members. Furthermore, AEC is not a free passport area, and it does not have a central bank.

Technically, the embodiment of AEC 2015 applies the mechanism and initiative already built by ASEAN and strengthened by increasingly strong-bonded institutions

in the frame of ASEAN cooperation. Each institution and initiative involved within the five elements of single market and a production basis can be seen in Figure 1. Concerning the element of the free goods inflow, for example, the initiative of tariff and non-tariff reductions and the trading facilities reaching the free AEC are based on the development and the perfection of the available mechanisms i.e. Preferential Tariff Agreement (PTA), ASEAN Free Trade Area and the blue print of AEC. The same thing happens to other elements within this pillar.

In the document signed by the ASEAN leaders, the blue print of AEC has four main features: (1) single market

² A more detailed study on the development of European Union from European Economic Community, European Single Market, until European Monetary Union can be seen in Kuncoro (2002: chapter 26).

and production basis; (2) competitive economic area; (3) area for an apportioned economic development; (4) an area that is fully integrated with global economy. These four characteristics interconnect and strengthen each other. Box 1 explains further the four main characteristics of AEC.

Box 1. Four Characteristics of AEC

I. Single Market and Production Basis with 5 core elements (see Table below).

Five Core Elements of Single Market and Production Basis

	Liberation	Facilities
Free Goods Inflow	Tariff and Non-Trade Barriers write off, external tariff synchronization	Custom standard integration and technical trade barriers
Free Services Inflow	Full access to the market and removal on all substantial restrictions of services trade	MRA (Mutual Recognition Arrangement) on professional services; professional resources exchange
Free Investment Inflow	Services and industries supply for ASEAN investors	Transparency; slim procedure, double-tax removal; common marketing
Free Capital Inflow	Simplifying the regulations on investment control of intra-ASEAN portfolio	Standard harmony for stock exchange; market strength to create stock exchange bonding
Free Workforce Inflow	Workforce discrimination abolition	Common standard for education and training; MRA for vocation training

Priority Integrity Sector

- conducting study every semester to monitor the status, process, and the effectiveness of the road map of Priority Integrity Sector to ensure the that the implementation is done in time
- identifying project sector specifically or gaining initiative through dialogue or routine consultation with the concerned parties especially private sectors

- 12 priority sectors covering up electronics, e-ASEAN, healthcare, wood based products, fishery, aviation, tourism, and logistic are determined

Food, Farming, and Forestry

- increasing trading and long term competitiveness of ASEAN food, farming, and forestry products
- encouraging cooperation with regional and international organizations, and private sectors

II. Competitive Economic Area

- developing competition policy
- strengthening protection towards consumers
- regional cooperation for intellectual rights
- regional cooperation for infrastructure development
- bilateral agreement on double tax wipe off
- encouraging e-commerce.

III. Just Economic Development

- accelerating the development of Small Medium Enterprises (SME)
- initiating ASEAN to narrow down the development gap

IV. Integration towards Global Economy

- gaining a coherent approach towards external economic relationship, including Free Trade Area (FTA) negotiation and a comprehensive economic partnership
- improving the participation in the global supply network

Source: Hew (2008); ASEAN Secretary (2008); ISEAS (2008)

As a single market and a production basis, AEC means liberation of the flowing goods, services, investment, capital, and skillful work force. It can be said that AEC is AFTA plus. Through ASEAN Free Trade Area (AFTA), many kinds of barriers such as tariffs and non-tariff are either reduced or wiped out. Besides that, the distribution of trading products facilities are conducted through integrating the custom procedures with what is called ASEAN Single Window, developing Common Effective Preferential Tariffs (CEPT) Rules of Origin, including the procedures of operational certification, harmonization of standard, and procedures.

CEPT is a mechanism in order that AFTA might function well. AFTA, through CEPT, is a result of the agreement among the state-members of ASEAN to build a free trade area in the frame of increasing the economical competitiveness of ASEAN regional area by making ASEAN as a world production basis.

Prabowo and Wardoyo state that the criteria of a certain product able to be traded through CEPT program are: (1) the product must be within the inclusion list both in the exporting country and importing one and must have an average range of equal tariff either above or under 20%; (2) the product must have a tariff reduction program approved by AFTA Council; and (3) the product must be the product of ASEAN, meaning that the product must load the ASEAN local content of at least 40%. Furthermore, the product having tariff in the range of 0%-5% will automatically fulfill the requirements of CEPT program.³

The products of CEPT are categorized

³ Prabowo, Dibyو dan Sonya Wardoyo. *AFTA: Suatu Pengantar*. Yogyakarta: BPFE, 2004.

Table 1. Kinds and Characteristics of Regional Economic Integration

Policy	Kinds				
	FTA	CU	CM	EU	TEI
Barriers write off for tariff and quotas	Yes	Yes	Yes	Yes	Yes
Common external tariff	No	Yes	Yes	Yes	Yes
Inter state members free mobility of production factors	No	No	Yes	Yes	Yes
Economic policy harmony under supra-national organizations	No	No	No	Yes	Yes
Full economic union policy	No	No	No	No	Yes

*FTA=Free Trade Area, CU=Customs Union, CM=Common Market, EU=Economic Union, TEI=Total Economic Integration

Source: Dicken (1992: 160); Jovanovic (2006)

into 4 kinds of products i.e.: (1) Inclusion List (IL), meaning that the products should have liberation in tariff reduction under CEPT program, and should wipe out both quantitative and other non-tariff barriers; (2) General Exception List (GEL), referring to products list excluded from CEPT program by a country due to some important considerations concerning the national security, social morality, life and health (human, animals, or plants), art values, and history; (3) Temporary Exclusions List (TEL), referring to a list containing sensitive products that are temporarily excluded because the products are considered not ready to be CEPT products; and (4) Sensitive List (SL), referring to a list containing non-processed farming products.

Products included within the inclusion list are divided into two program groups, i.e. fast track program and normal

track program. Those included in the fast track program are vegetable oil, cement, chemical products, pharmaceutical products, fertilizers, plastics, products made of rubber and leather, pulps, textiles, ceramics and glasses, gemstones and jewelries, copper cathodes, electronics, and furniture made of wood and rattans.

Products included within the exclusion list are: (1) farming products under GATT agreement; (2) sensitive products determined by negotiation; (3) all products under PTA program but not traded within AFTA program shall benefit the MOP facility until 31 December 1992.

It seems that the steps to attain AEC 2015 imitate many of those run through by European countries in their process of establishing European Union (EU). Economic cooperation in an area follows some sequential steps started from Free Trade Area (FTA), customs union, common

market, and then economic union, and total integration.^{4 5} Table 1 summarizes the differences among the four steps of regional economic integration.

Free Trade Area (FTA) is an area where imported goods from state-members are free from tariff and quota. However, each country still applies common external tariffs. Some other FTA(s) are among others North American Free Trade Agreement (NAFTA), ASEAN Free Trade Area (AFTA), and European Free Trade Association (EFTA).

Customs Union (CU) is a kind of FTA which removes the barriers of intra state-members commodities movement and applies Common External Tariff. An example of CU is Mercado *Común del Sur* (Mercosur). In the beginning, Mercosur was a kind of Regional Trade Agreement (RTA) covering up Argentina, Brazil, Paraguay, and Uruguay. This agreement was established and began to run in 1991 through a Treaty of Asunción among those four countries. The aim was to create a free trade and smoothen the mobility of commodities, people, and exchange rates. Mercosur now has more countries as the members i.e.: Bolivia, Chile, Colombia, Ecuador, and Peru.

Common Market is a kind of Custom Union which also removes restrictions upon the distributions of all production factors (goods, services, and capital flow). The tariffs of production factors are expected to create an efficient source allocation. An example of CM is European Union before the establishment of European Monetary

Union (EMU).

Economic Union (EU) a kind of Custom Union with a certain level of harmony for economic policies to remove distortion resulted from different policies. Total economic integration is a unification of monetary, fiscal, and social policies by establishing supra-national authority whose decisions are compulsory for the state-members. A good example is European Central Bank which formulates the monetary policy and issues Euro currency for European countries as the members of European Union.

Total Economic Integration is a union of monetary, fiscal, and social policy followed by the establishment of supra-national authority whose decisions are compulsory for all the state-members.

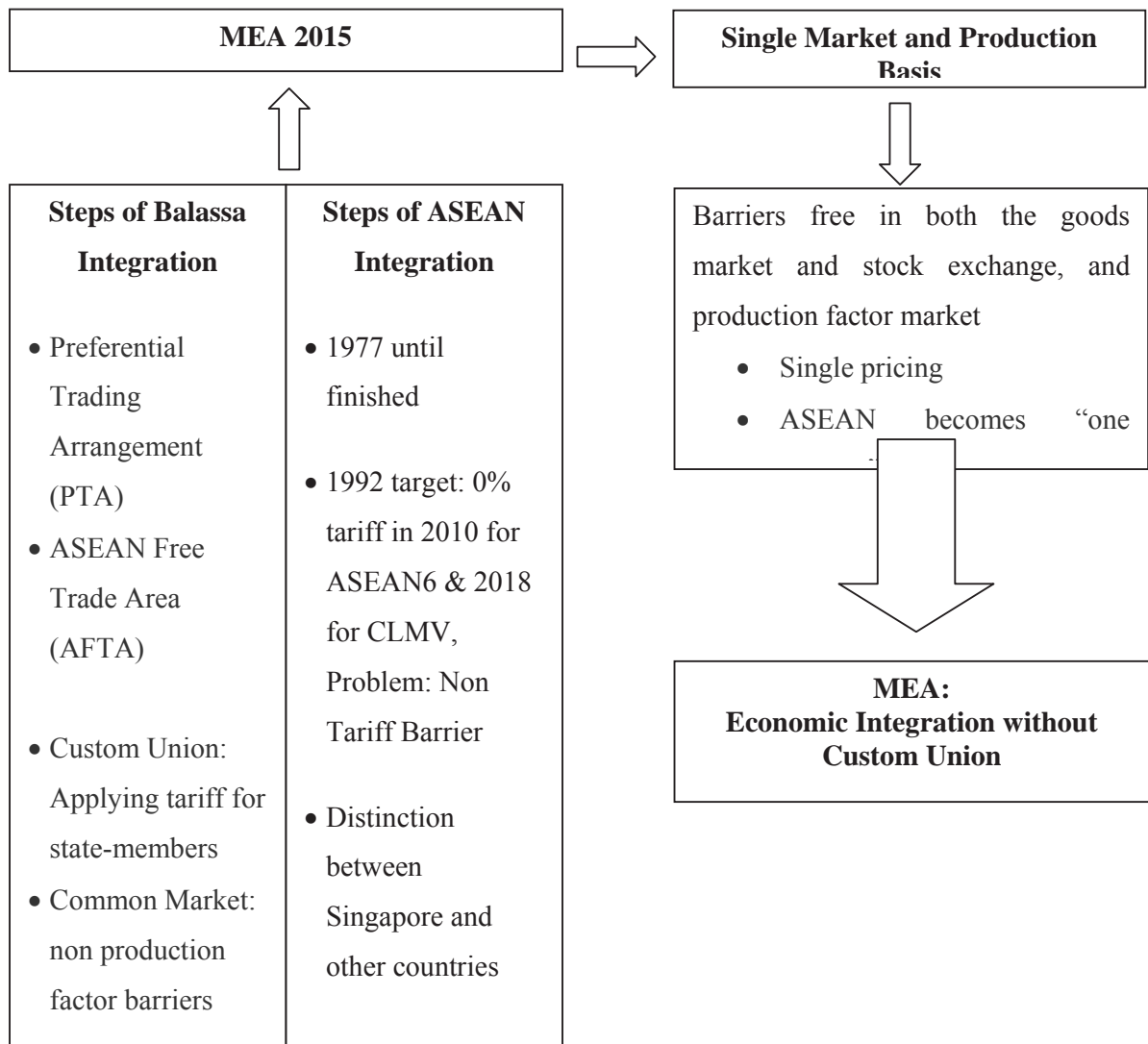
The way ASEAN conducts a process heading to the end form of ASEAN Economic Community (AEC) refers to the preceding economic cooperation process done by ASEAN as presented in Figure 2.

Considering that AFTA has already been established, it is most likely that ASEAN will apply an economic integration called customs union before functioning AEC expected to be the common market. In other words, AEC has a higher level of economic integration than does free trade area or customs union, because in a common market, it is not only the wipe off for inter state-members trade and the implementation of common trade, but most of all, the production factors move freely from one country to another within the union. To reach the highest level of economic integration or economic union, it is suggested that trade barriers should be removed and a harmony of economic policy under the 'supra-national' supervision is implemented.

⁴ Mudrajad Kuncoro. *Manajemen Keuangan Internasional: Pengantar Ekonomi & Bisnis Global*. Yogyakarta: BPFE, 2002.

⁵ Peter Dicken. *Global Shift*. Paul Chapman Publishing: University of Manchester, 1992.

Figure 2. Steps of Balassa Integration and Steps of ASEAN for AEC



Source: Kosotali, *et al.* (2008)

B. Stumbling Block

B. 1. For ASEAN

Many observers see that towards AEC is a tough road for ASEAN and there can be many stumbling blocks on the way. There is a big gap among the 10 state-members of ASEAN. First, seen from the tariff, Singapore has applied import tariff 0%, yet Vietnam has 17% average.

In the beginning of implementing CEPT for all ASEAN 6, some countries tended to take careful steps in liberating tariffs. This can be seen from the relatively

many products from some countries included in TEL, such as Indonesia (1,654 products), Philippines (714 products), and Malaysia (627 products) (see Table 2). This condition shows that some industries in ASEAN were not ready to liberate their trading. It is assumed that it had a connection with the role of some business lobbyists who demanded protections for their industries from the governments.

Table 2. Goods Distribution Based on Route Kind and Tariff Group 1993

Country	Fast Track	Normal Track	Temporary Exclusion	General Exception	Unprocessed Agricultural Products	Total
Brunei Darussalam	2,42	3,659	208	201	56	6.544
Indonesia	2,816	4,539	1,654	50	324	9.383
Malaysia	3,166	5,611	627	98	541	10.023
Philippines	1,033	3,418	714	28	398	5,591
Singapore	2,205	3,517	-	120	-	5,842
Thailand	3,509	5,254	118	26	415	9,322

Source: Asean Secretariat dalam Arifin *et al* (2008)

Table 3. Distribution of Tariff Group (CEPT) and the Segment

Country	Group of Tariff					Group Segment of Tariff (%)				
	IL	TEL	GEL	SL/HSL	Total	IL	TEL	GEL	SL/HSL	Total
Indonesia	8.62	0	96	16	8.732	98,72	0	1,1	0,18	100
Singapore	10.705	0	0	0	10.71	100	0	0	0	100
Malaysia	12.504	0	89	0	12.59	99,29	0	0,71	0	100
Brunei Darussalam	9.924	0	778	0	10.7	92,73	0	7,27	0	100
Thailand	8.242	0	0	0	8.242	100	0	0	0	100
Philippines	11.444	0	27	19	11.490	99,6	0	0,23	0,17	100
ASEAN-6	61.439	0	990	35	62.46	98,36	0	1,58	0,06	100
Cambodia	10.454	0	181	54	10.69	97,8	0	1,69	0,51	100
Laos	10.023	0	464	203	10.69	93,76	0	4,34	1,9	100
Myanmar	10.611	0	51	27	10.69	99,27	0	0,48	0,25	100
Vietnam	10.523	0	166	0	10.69	98,45	0	1,55	0	100
CLMV	41.611	0	862	284	42.76	97,32	0	2,02	0,66	100
TOTAL ASEAN	103.05	0	1.852	319	105.2	97,94	0	1,76	13,30	100

Source: ASEAN Secretariat in Arifin *et al* (2008)

Table 4. Distribution of Tariff in Inclusion List and the Segment

Country	Group of Tariff				Group Segment of Tariff (%)			
	0%	0-5%	>5%	Total	0%	0-5%	>5%	Total
Indonesia	5.731	8.620	0	8.62	66,48	100	0	100
Singapore	10.705	10.705	0	10.705	100	100	0	100
Malaysia	10.181	12.439	34	12.473	81,62	99,73	0,27	100
Brunei Darussalam	7.591	9.924	0	9.924	76,49	100	0	100
Thailand	4.513	8.229	13	8.242	54,76	99,84	0,16	100
Philippines	5.756	11.369	75	11.444	50,30	99,34	0,66	100
ASEAN-6	44.477	61.286	122	61.408	72,43	98,80	0,20	100
Cambodia	603	6.638	3.816	10.454	5,77	63,50	36,50	100
Laos	629	9.960	63	10.023	6,28	99,37	0,63	100
Myanmar	365	9.325	1.286	10.611	3,44	87,88	12,12	100
Vietnam	5.478	10.285	238	10.523	52,06	97,74	2,26	100
CLMV	7.075	36.208	5.403	41.611	17,00	87,02	12,98	100
TOTAL ASEAN	51.552	97.494	5.525	103.019	50,04	94,64	5,36	100

Source: ASEAN Secretariat in Arifin *et al* (2008)

In the last trend (August 2007), from 105,221 tariff posts, there were 103,050 tariff posts (or 97.9 percent) included in IL category (see Table 3). It is most likely that some products were switched from TEL into IL. This condition shows the seriousness of ASEAN countries in implementing intra-area trade liberation, especially the commitment to write off tariff barriers. As the results, 97,494 tariff posts (about 95 percent) in IL tariff were successfully reduced to become 0-5 percent (see Table 4). Based on country group, almost all posts in IL in ASEAN 6

(99.8 percent) were successfully reduced to become 0-5 percent, while CLMV reached 87 percent.

Second, various business climates occur in ASEAN countries. Singapore, Thailand, and Malaysia place themselves on big 20 of the world rank in the facility of starting businesses. Out of these three countries are the countries far below rank 20 (see table 5). There is a possibility that if those countries far below rank 20 do not quickly manage their business climate, only these three countries benefit from AEC.

Table 5. Business Climate of ASEAN Countries

Country	Rank of Facilities to Start a Business	Rank of Starting a Business	Number of Days to start a Business	Rank of Business Contract Making
Singapore	1	10	4	14
Thailand	13	44	33	25
Malaysia	20	75	13	59
Brunei Darussalam	88	130	116	157
Vietnam	92	108	50	42
Indonesia	129	171	76	140
Cambodia	135	169	85	136
Philippines	140	155	52	114
Lao PDR	165	92	103	111

Source: World Bank (2009)

Third, gap also occurs in the Gross National Product (GNP) of ASEAN countries. In average, ASEAN countries have GNP per capita US\$2,227, with Myanmar having the lowest GNP of US\$215, Indonesia in the middle with GNP of US\$1,919, and the richest country Singapore with GNP of US\$35,206 (see Table 6).

Unlike EU, intra ASEAN trading is relatively low. Moreover, the economic integration among ASEAN state-members runs slowly. The statistic shows that trading and investment in ASEAN do not show a significant development. Both export and import from and to ASEAN state-members were about 25% from the total export and import in 2006. Even worse, Indonesia noted about 23.4% of

its total export to other ASEAN countries. This shows a low economic dependency among the ASEAN countries. It is different from EU whose intra-trade is two third of their total export and import. Instead of complementary, the economy of ASEAN countries competes with each other (see Table 7).

In general, before the Asian crisis in 1997, the capital flow to ASEAN 5 was dominated by foreign direct investment (FDI) rather than portfolio investment. For some periods, exceptions were upon some countries i.e. Indonesia, Philippines, and Thailand. This is in line with the policy of ASEAN countries to invite FDI as the source of national development so that this area was once called as ASEAN Miracle.

Table 6. Gross Nation Product (GNP) of ASEAN Countries, 2007

Country	PDB per capita on constant price (in US\$)
Brunei Darussalam	31.076,1
Cambodia	598,4
Indonesia	1.919,6
Laos	736,1
Malaysia	6.880,2
Myanmar	215,6
Philippines	1.652,8
Singapore	35.206,1
Thailand	3.740,1
Vietnam	836,7
ASEAN	2.227,3

Source: ASEAN Secretary (2009)

Singapore dominates intra-ASEAN portfolio investment due to the fact that this country's stock exchange has a significant role in bridging the financial sector in this area. In 2006, Singapore invested portfolio as much as US\$ 23.9 billions or 86 percent of intra-ASEAN total portfolio investment (see Table 8). The second country was

Malaysia having about 7 percent, while Indonesia invested only 1 percent in which the investment was mostly in Singapore. The biggest investment was mostly in the form of stocks (53%) rather than other bonds.

In 2006, the intra ASEAN net inflow FDI was only US\$ 6.2 billions, while from non ASEAN countries, it was as much as US\$ 46.1 billions. To Indonesia, the intra ASEAN net inflow FDI was about US\$ 1.5 billions, while the net inflow FDI from non ASEAN countries was about US\$ 4 billions (see Figures 3 and 4).

Besides that, the AFTA scheme is practically not relevant to the ASEAN founding countries known as ASEAN-5. AFTA does not give attractive incentive, has a limited coverage, and offers a complicated implementation. At the very same time, the ASEAN-5 have applied trade liberation for all nations (most favored nations or MFN within WTO) with at least the same qualified scheme as that of AFTA but without complicated bureaucracy. Consequently, intra-ASEAN trade does not apply the AFTA scheme, instead, it is an ordinary trade using MFN scheme. The AFTA Scheme is in fact only about 5-10% of intra-ASEAN trade.

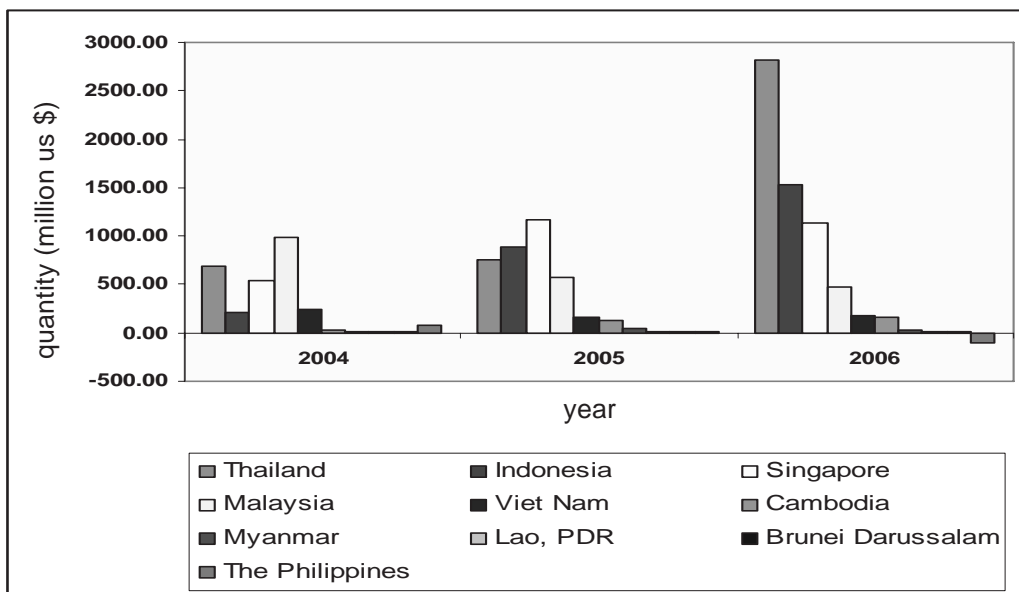
What about the tourist inflow? Of the 54.9 million tourists coming into ASEAN in 2007, only 24.1 million (45%) came from ASEAN countries. Most tourists traveled to Malaysia (18.3 millions), Thailand (10.4 millions), and Singapore (10.1 millions). Those coming to Indonesia were only 4.1 millions (see Figure 5).

Table 7. Intra ASEAN Trade, Year 2006 (million US\$)

No	Country	Export Value	Import Value	Total Intra ASEAN Trading	Total Trading of each Country towards Total Intra ASEAN Trading
1	Singapore	83,801.60	62,300.40	146,102.00	41.42%
2	Malaysia	40,979.60	32,290.70	73,270.30	20.77%
3	Thailand	26,944.20	23,539.80	50,484.00	14.31%
4	Indonesia	18,483.10	19,379.20	37,862.30	10.73%
5	Viet Nam	6,214.00	12,453.70	18,667.70	5.29%
6	Philippines	8,192.20	10,218.30	18,410.50	5.22%
7	Myanmar	2,149.70	1,174.70	3,324.40	0.94%
8	Brunei Darussalam	1,887.30	745.8	2,633.10	0.75%
9	Cambodia	235.4	991.2	1,226.60	0.35%
10	Lao, PDR	289.8	500.7	790.5	0.22%
Total ASEAN		189,176.90	163,594.50	352,771.40	100%

Source: ASEAN Secretary (2007)

Figure 3. Intra ASEAN FDI 2006



Source: ASEAN Secretary (2007)

Table 8. Allocations of ASEAN Portfolio Investment 2006*

Investment to	Investment from					Total Global Investment Value
	Indonesia	Malaysia	Philippine	Singapore	Thailand	
Brunei Darussalam	-	-	-	-	--	489
Cambodia	-	-	-	-	19	24
Indonesia	-	147	6	5,507	2	38,908
Laos	-	-	-	-	1	26
Malaysia	8	-	330	13,023	170	59,381
Myanmar	-	-	-	2	--	3
Philippines	2	26	-	963	1	30,25
Singapore	226	1,629	622	-	529	126,085
Thailand	12	53	26	4,235	--	37,805
Vietnam	-	-	-	175	14	1,841
Total ASEAN	248	1,854	984	23,906	737	100%
- in stocks	19	1,662	3	12,889	226	53%
- in bonds	229	192	980	11,017	511	47%
Total Global Investment	1,507	7,188	7,156	244,58	5,144	32,391,453

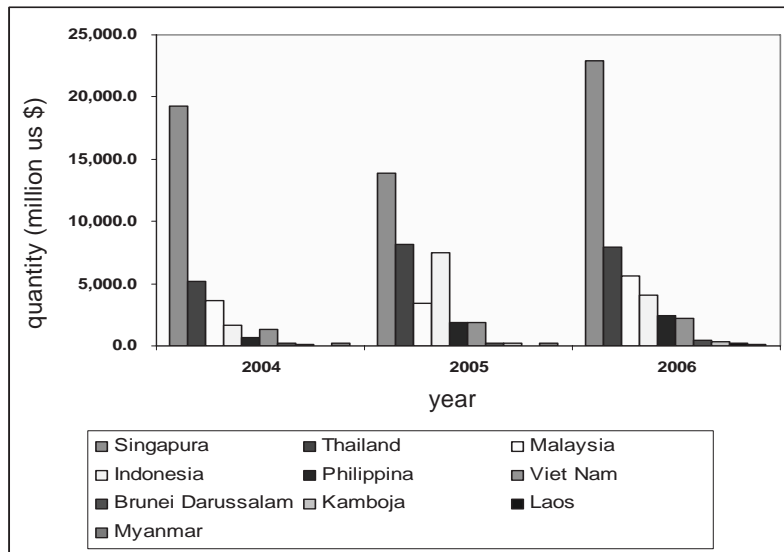
Source: CPIS, IMF 2007 in Arifin, et al (2008)

* temporary data

- n.a

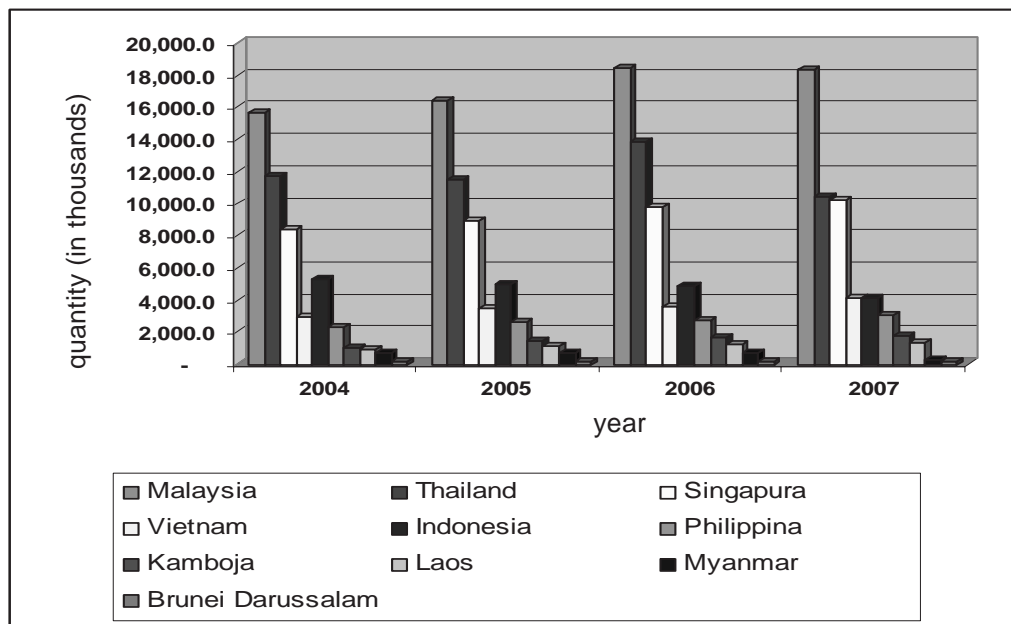
-- very small

Figure 4. Non ASEAN countries FDI, 2006



Source: ASEAN Secretary (2007)

Figure 5. Tourist inflow to ASEAN, 2004-2007



Source: ASEAN Secretary (2008)

B. 2. For Indonesia

Indonesia as one of the countries which has a high level of integration in the field of electronics and comparative advantages in natural resources sectors has a significant opportunity to develop those industries. Therefore, there must be more efforts to increase the competitive value of the products in order not to be left behind by other ASEAN countries.

Indonesia has four sectors integrated with other ASEAN countries. This places Indonesia under Malaysia (all eight sectors) and Philippine (five sectors). Nevertheless, Indonesia has comparative advantages in five priority sectors, a bit less than does Thailand which has comparative advantages in seven priority sectors, but more than other ASEAN countries do.

Of ASEAN countries, Indonesia is the country having the most non-tariff barriers, in which six of them do not exist in other ASEAN countries. At the present time, there are more than 22 government institutions getting involved in both export and import activities, especially concerning licensing, with more than 40 issued documents taking about 5 days to accomplish.

All kinds of barriers resulting inefficiency and high cost economy weakening competitive advantages should be eliminated. Inter sectors coordination must be conducted to come into a common perception between government and business runners, and a harmony of policy in both central government and local government. When these are done,

Indonesia has a significant chance to gain optimum benefit from the integration.

A good coordination must be supported by a nationally integrated system. Therefore, all parties must support the establishment of NSW the integration of NSW to ASW in 2008. Hence, the economic integration of Indonesia with ASEAN countries can be deepened and widened, especially upon the advantaged sectors. Thus, Indonesia may gain as many benefits as possible from the ASEAN economic integration in the frame of MEA.

C. Implementation of AEC Commitment by Government

The blue print of AEC 2015 signed by government in Singapore 20 November 2007 has been broken down into the policy package contained in Governmental Directive No 5 year 2008 on Economic Development Focus 2008-2009 (*Inpres no 5 Tahun 2008 Tentang Fokus Pembangunan Ekonomi 2008-2009*). This shows that the government of SBY-JK committed to fully implement AEC. This *Inpres No. 5 Tahun 2008* contains 3 programs and 3 actions i.e. first, AEC commitment for free services inflow by coordinating the regulation issuance to liberate services. Second is the Commitment of AEC towards competitive economic area by issuing regulation to implement the commitment towards Competitive Economic area. Third is socialization of commitment implementation of AEC 2015 by coordinating the implementation of the Blue Print of AEC 2015 (see Table 9).

Table 9. Policy on Implementing AEC Commitment within Presidential Directive No. 5, Year 2008

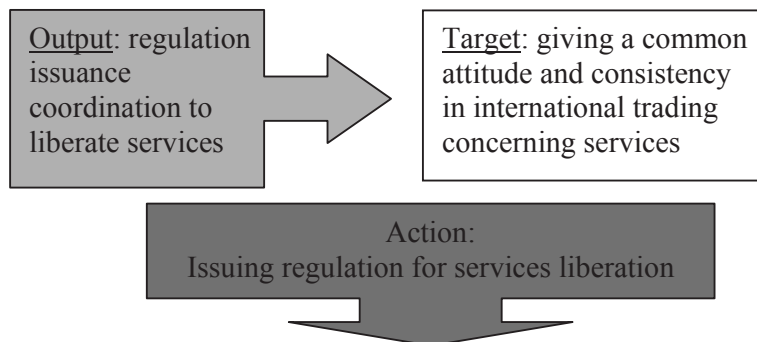
Policy	Program	Action
Commitment Implementation of ASEAN Economic Community - AEC	AEC Commitment for Free Service Inflow	Coordinating the regulation issuance to liberate services
	AEC Commitment towards Competitive Economic Area	Issuing regulation to implement the Commitment towards Competitive Economic Area
	Socialization of Commitment Implementation of AEC 2015	Coordinating the implementation of the Blue Print of AEC 2015

Source: Coordinator Minister of Finance (2008)

To carry out the AEC commitment program for free services inflow, an action is made by coordinating the regulation issuance to liberate services. The expected output is regulation issuance coordination to liberate services. The target of this program is to give a common attitude and consistency in international trading concerning services (see Figure 6)

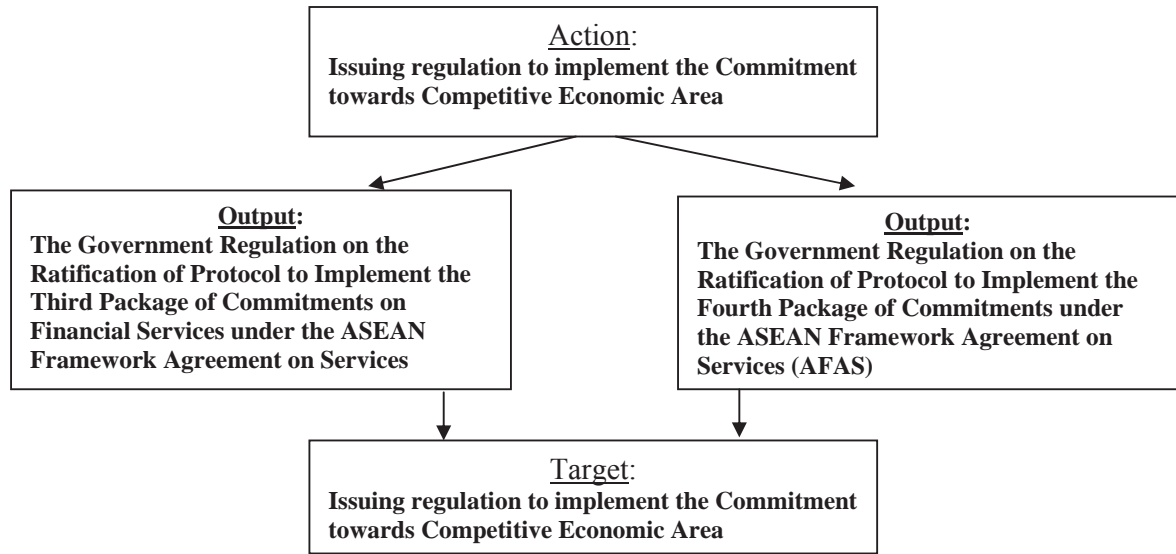
The result is pleasing for Indonesia in that this country, in term of AEC commitment program for free services inflow, has fulfilled the threshold commitment package 6 of ASEAN Framework Agreement on Services (AFAS) for 77 sub sectors (of minimally 70 sub sectors agreed). Furthermore, a follow up for issuance or domestic regulation

Figure 6. Action, Outputs, and Program Target of AEC Commitment for Free Services Inflow



Source: Coordinator Minister of Finance (2008)

Figure 7. Action, Outputs, and Program Target of AEC Commitment for Competitive Economic Area



Source: Coordinator Minister of Finance (2008)

adjustment on services to support the commitment implementation of ASEAN services liberation is urgently needed.

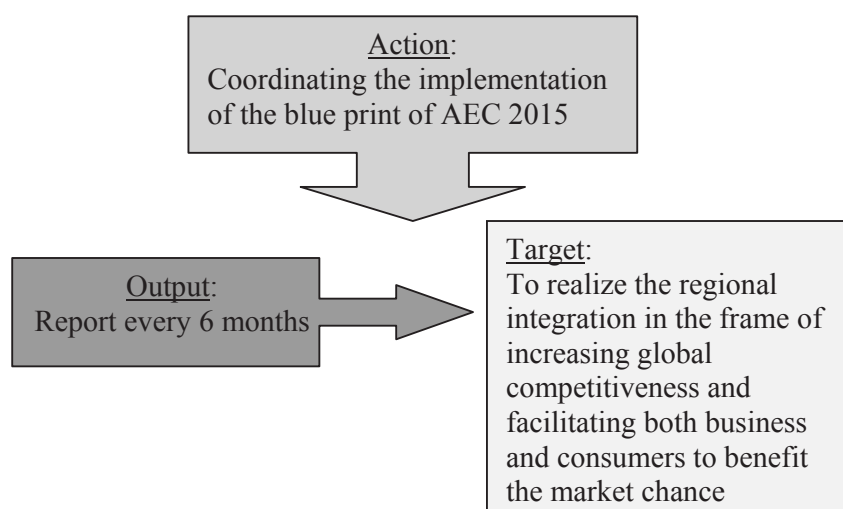
To carry out the AEC commitment program towards competitive economic area, the government has issued the concerned regulations. This has resulted to two outputs: first is the Government Regulation on the Ratification of Protocol to Implement the Third Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS). The second is the Government Regulation on the Ratification of Protocol to Implement the Fourth Package of Commitments under the ASEAN Framework Agreement on Services (AFAS). The target to reach is the fulfillment of AEC commitment (see Figure 7).

The results achieved from the AEC commitment program towards competitive economic area are first the ratification of Government Regulation No 51 Year 2008 on 31 July 2008 on the Protocol to Implement the Third Package of Commitments on

Financial Services under the ASEAN Framework Agreement on Services (AFAS). The second is the Government Regulation No 52 Year 2008 on 31 July 2008 on the Ratification of Protocol to Implement the Fourth Package of Commitments under the ASEAN Framework Agreement on Services (AFAS).

To carry out the Socialization of Commitment Implementation of ASEAN Economic Community 2015, the coordination for the implementation of the blue print of AEC 2015 has been conducted. This action has resulted to a report every six months to realize the regional integration in the frame of increasing global competitiveness and facilitating both business and consumers to benefit the market chance. The result achieved for this program is that the government has continually conducted the socialization of commitment implementation of ASEAN Economic Community 2015 (see Figure 8).

Figure 8. Action, Outputs, and Program Target of Socialization of Commitment Implementation of AEC 2015



Source: Coordinator Minister of Finance (2008)

D. Conclusion

Politically, the ASEAN leaders have strong political will to embody AEC. However, even though the 10 ASEAN leaders have signed the agreement, they still need further ratification by each country's parliament.

It seems that, from the latest trend, the will to establish AEC 2015 has to walk through a lot of tough barriers and difficult hindrances. Every country seems to worry about losing national identity. On the other hand, business people and those involving into industrial world see this AEC at the same time as a challenge and an opportunity as well.⁶

There many unanswered questions: Will the ASEAN integration towards AEC really bring and increase the prosperity to ASEAN people? Who gain the most benefit

from this ASEAN integration? What are the effects of ASEAN integration towards Indonesia business people who mostly are Small Medium Enterprises runners?

Does business world enthusiastically welcome AEC? Do they see ASEAN as a single market and a production basis? The PECC survey in 2007 found that the biggest obstacles for AEC integration for the business world are uncertain law enforcement, infrastructure, poor corporate governance, and insufficient protection for intellectual rights.⁷

Perhaps the myth of united ASEAN will vanish should AEC be really established in 2015. We will witness whether ASEAN Community, scheduled to be effectively valid in 2015, really comes true. If it is true, the integration of these 10 countries

⁶ "Outlook for RI, ASEAN, East Asia in 2008," (Jakarta Post, 21 Januari 2008). <http://www.thejakar-tapost.com/Outlook2008/pol01b.ASP>.

⁷ "The Asean Community: Unblocking the Road-blocks" (Institute of Southeast Asian Studies, 2008). <http://www.iseas.edu.sg/asc/ascrs1.pdf> (26 Februari 2009).

with about 567 millions people will be the largest area in the world an enchanting market for any companies and investors.

E. Bibliography

Arifin, Sjamsul, Rizal A. Djaafara, Aida S. Budiman (eds.) . *Masyarakat Ekonomi ASEAN: Memperkuat Sinergi di Tengah Kompetensi Global*. Jakarta: Bank Indonesia, 2008.

Dicken, Peter. *Global Shift*. Paul Chapman Publishing: University of Manchester, 1992.

Jovanovic, Miroslav. *The Economics of International Integration*. LipseyCheltenham: Edward Elgar, 2006.

Kuncoro, Mudrajad. *Manajemen Keuangan Internasional: Pengantar Ekonomi & Bisnis Global*. Yogyakarta: BPFE, 2002.

Prabowo, Dibyo dan Sonya Wardoyo. *AFTA: Suatu Pengantar*. Yogyakarta: BPFE, 2004.

"ASEAN Trade Database." ASEAN Secretary, 2007. <http://www.aseansec.org> (February 24, 2009)

"ASEAN Tourism Database." ASEAN Secretary, 2008. <http://www.aseansec.org> (February 24, 2009)

"Doing Business 2009". *World Bank*, 2009. <http://www.doingbusiness.org>, (February 24, 2009)

Kuncoro, Mudrajad. "Indonesia, Pemain Atau Penonton AEC?". *Seputar Indonesia*, 2007. <http://www.seputar-indonesia.com/edisicetak/ekonomi-bisnis/indonesia-pemain-atau-penonton-aec-2.html>. (November 26, 2007)

Menko Perekonomian, *Inpres No 5 Tahun 2008 Tentang Fokus Program Ekonomi 2008-2009*. Jakarta: Menko Perekonomian, 2008.

"The Asean Community: Unblocking the Roadblocks." *Institute of Southeast Asian Studies*, 2008. <http://www.iseas.edu.sg/ascrs1.pdf>. (February 26, 2009)

Wanandi, Jusuf. "Outlook for RI, ASEAN, East Asia in 2008". *Jakarta Post*, <http://www.thejakartapost.com/Outlook2008/pol01b.ASP>. (January 21, 2008).