

ASEAN ECONOMY COMMUNITY(AEC) INDONESIAN POLITIC OF TRADE IN CONTENDING WITH THE SIMPLE MARKET BASED PRODUCTION

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ABSTRACT

ASEAN as a single market-based production is supported by elements of the free flow of goods, services, investment, labor educated and freer flow of capital, there are at least three important impacts the formation of a single market based production within ASEAN,: the first goods Indonesian production will be fully compete with goods production 10 ASEAN countries, then the quality of the existing as well as higher taxes and fees (legal and illegal) will make Indonesia will be difficult to compete. Both free movement of labor will give a tremendous impact for Indonesia. The third, investment will be increasingly severe competition with respect to the principle of free movement of capital. So that trade policy is needed in the face of the single market. By using the analytical perspective of liberalism will try to build a scientific argument on the issue.

Keywords: liberalization, single market, Asean Economy Community, Indonesia.

INTRODUCTION:

The questions are often appeared in explaining about business transaction internationals, among otherthing how does a country pay attention to the world trade structure that contends unequivalent substances? What policies should any country produce in order to gain the advantage as maximum as possible from the trade transaction?. According to the writer, the economic experts and practisioners will be setting forth the two versions of answer those are: choosing among “protectionsm, Protectionsm here is an efforts of the country to formulate economic policy in the pursuit of protecting domestic economy from domination of the foreign products (Tambunan, 2004:325-328; Hadiwinata, 2006: 57) “ or “free trade “Free trade requires being economic policy that opens market in a home country as wide as possible for the foreign products (Hadiwinata, 2006:57; Sinaga, 2010: 58-59; Wangke, 2014: Vol VI, No. 10/II/P3DI: 5-8; Stanley, Quinn, Summer, 1994: International Organization 48.3 : 491).

Connecting to free trade, a phenomenon in the last three decades developed rapidly, abreasting with the rapid growing of the world economic globalization that is emerging economic blocks of the regional trade in many parts of the world. In trade literature or international economy, this phenomenon is “bought” by regionalism, that is shaping regional economic integrations one of them is ASEAN by shaping Asean Economy Community (MEA) At the ninth ASEAN Summit Confence in Bali 2003 resulted Bali Concord II, that agreed shaping ASEAN Community to tighten ASEAN integration. Towards three communities those are towards ASEAN Political Security Community, ASEAN Economic Community, and ASEAN Socio-Culture Community (see Wangke,2014:6) and actually, the main purpose of shaping any block or regional economic integration is to raise trade and cooperation in the economic fields (Tambunan, 2004) Such as industry and investation inter-country which is eventually going to improve economic growth and welfare in the area.

Just for the sake of flash back, the eventual purpose of AEC is economic integration like that has been planned in ASEAN Vision 2020 (Wangke, 2014:6) ASEAN Vision 2020, is : "To create a stable, prosperous and highly competitive ASEAN economic goods, services, investment, skill labor economic development and reduced poverty and socio-economic disparities in year 2020” (see Wangke, 2014: 6). The writer tries to quote various refferencies connected to ASEAN Economic Integration by means of AEC Blueprint that involved four main pillars (Wangke, 2014:6) those are; (1) ASEAN is as simple market and based on complete production supported by flowing element of free of goods, service, investation, educated worker, and more free capital flow; (2) ASEAN is as a zone with the huge economic competitiveness, with rule element of competition, consumer protection, right on intelectual wealth, infrastructural expansion, tax, and e-commerce, (3) ASEAN is as zone with the equal economic development with element development of lowwer and middle business and ASEAN For countries such as Kamboja, Myanmar, Laos, dan Vietnam ,integration initiative, (4) ASEAN is as zone fully integrated with the global economy with coherent approaches element in economic relation outside zone, and increase engagement in the global production net. By putting into effect of AEC meaned ASEAN Countries agreed the integrated embodiment of zone economy which is implementation based on ASEAN economic Community (AEC) Blueprint, AEC Blueprint is manual for the member countries of ASEAN in embodying AEC 2015.

HOW ABOUT INDONESIA?

Looking at various coorporation between Indonesia with WTO, (AFTA, CAFTA, Indonesia, Corea, and so forth), and G-20 For instance, the treaty between (1) Indonesia and World Trade Organization (WTO). Generally, the political economic element which is mentioned in WTO implied in decision of the trade trouble reduction (Barriers Tariff) even tariff cutting up to nol percent (Non Tariff Barriers). Trade on agricultural result products, standard and international trade security, antidumping policy, and other trade policies in decisions about those matteres many political economic elements, influenced on the world trade liberalism process, so many WTO members including Indonesia. Indonesia without high political position in the world, can not influece decisions, in deciding income Tax Tariff, the huge tariff that Indonesia determined is lower than some countries like Japan, China, Thailand, and some other countries. (see WTO Data 2013). (2) Cooperation between Indonesia and Free Trade Area (AFTA, CAFTA, Indonesia - Corea, ect)_____Indonesia and CAFTA, that began since 2002 signed in Phnom Penh. This CAFTA coorporation aimed to: (a) strenghtening and raising trade of partition, (b) liberalizing good and service trade by means of tariff reduction or abolition, (c) finding the new area and developing inter-advantageous economic coorporation of partition, (d) facilitating more efective economic integration with ASEAN new member country and bonding between available gap of partition. But in fact, since putting into effect of free trade area with China, Indonesian export

has never exceeded good and service import from China. The reason is the people interest in import good rather than domestic good. This case is one of the accepted disadvantage by Indonesia with the result that Indonesian - Chinese balance of trade has been increasingly deficit every year (see Litbang “Kompas”/RSW, operated from Trade Ministry, 2012). (3) Cooperation between Indonesia and G-20 __Indonesia with the higher relative economic growth rank than some other countries, on the other hand, global competitiveness rank Indonesia is still low, with the low competitiveness, Indonesia hasn’t been able to compete well neither economically nor politically on G- 20. Therefore, Indonesian influence in decisions is still extremely low (see in World Bank , IMF, Eurostat, Bloomberg quoted from Investor Daily 30/5/2015). until treaties of bilateral and multilateral of Indonesia with a mount of countries jndeed resulted in roblems. Actually, it is very dilemma, proven in just ASEAN scope space, in other hand, with the very heterogent economic structural condition and domination of people economy in ASEAN, and in other hand indonesian position in ASEAN level in about PDB percapita is at the middle level, so that having problem with proverty, joblessness, huge imbalance, and lower competitiveness.

When looking at Indonesian trade codition at this moment it isn’t actually optimum utilizing ASEAN market potency. In the period of January – August 2013 for instance, Indonesian export to ASEAN Market had just been 23% from total export. This matter because of Indonesian export purpose is still focused on traditional market such as United states of America, Tiongkok and Japan. The ASEAN utilization grade of rate preference that Indonesian exporter use to penetration to ASEAN market has just been achieving 24,4%. Indonesian grade according to global competitiveness index is still at 38th position of 148 countries. While Singapore is at 2nd position, Malaysia at 24th position, Thailand 37th, Vietnam 70th and Philipine at 59th position. The tight competition in ASEAN Market could further be observed from Indonesian trade performance in year 2014. Up to March 2014, Indonesian transaction trade surplus up to 673,2 million US dollars. Surplus derived from difference between the export value that achieved 15,21 billion with import 14,54 billion US dollars. The surplus at this March is the second time after February as much as 843,4 million US dollars Nevertheless, Indonesia needs to give special attention to trade transaction with Thailand that will be engaged together in AEC 2015. In March 2014 with Thailand achieved 1.048 billion US dollars. Futhermore. Indonesian trade surplus in 2014 hadn’t been reflecting the strenght of Indonesian export structure. The industry of export product management is still depended on import basic material. This condition is extrimely susceptible for its mean that Indonesia is very extremely depended on the world material availability. Therefore, Indonesian economic policy direction began from 2015 should be clearer along with putting into effect of ASEAN free market (Damanhuri, 2914: 223-228)

Based on the data above by using liberalism analysis knife will be increasingly interested tobe questioned What is the impact for Indonesian economy when the shaping of simple market was based on production ? And how is the manifestation from Indonesian trade politic when the “idea of ASEAN simple market” was put into effect?

ANALYSIS:

Manifestation From Indonesian Trade Politic When “ASEAN Simple Market Idea” Was Put Into Effect

Based on what the problem that the writer explained at the background, actually, the shaping process of trade integration or regional economic block will be going across six stages, they are (1) trade cooperation shape or internation economy in an area with its member country gave prefences in shaping import tariff reduction or tax income relief facilitation or other obstacles (Preferential trading arrangement/PTA). For ASEAN before shaping AFTA every member gave PTA in import tariff relief shape as much as 50% and at least 25% depending on product sort and for the products produced by ASEAN (Tambunan,2004: 226); (2). If the first stage was running well so it was built free trade region (free trade ares/FTA). At the second stage the import tariff was inter member country would be abolished and each member country would use selftariff. (3). The internal tariff abolishment for made product in intergrated region and commercilized inter member countries including excise tax revenue would be uniform motion. (4) shaping cooperate market, simple market (free trade. (5) economic equality or uni-economy that is the wider economic aspects cooperation For instance, matters pertaining to manpower and taxation. At this stage hasn’t been carried out yet because AEC has just been entering the forth stage.; (6) moneter equality Economic block at the moment achieves the sixth stage then it is UE. (Tambunan, 2004:226)

Beneath it all, the simple market agreement for ASEAN didn’t only take opportunity to each member country. One of the primary reason inspite of ASEAN countries occupied the same geographycal area, they are extremely different in case of economic structure and construction, political orientation, supporting factor, culture, history and religion. The really readiness indicators could be seen from each member proposal

concerning import tariff. Beneath it all, when it was seen from theoretical point of view, that benefit and regional trade agreement can be pictured from two perspectives. First, seen from static effect of economic integration that is measured to increase production effectivity and consumer welfare; Second, seen from dynamic effect of economic integration, that influences the phase of the overall economic growth on the member countries in the long terms. The static effect involves creating trade and diversion trade effect.

Actually, just logically that economic integration will result each country member in completing their production deficiency each other. It is probably something worried by Indonesia, when there is agreement of the same production market, what Plummer said (1997, ASEAN and the theory of regional economic integration. ASEAN Economic Bulletin, 14: 202-214) dan Hassan (2001, Is SAARC a viable economic block? evidence from gravity model. Journal of Asian Economics, 12, 263-290) that the trade changing position will be worsening allocation of international resources and hardening production displacement from comparative superiority.

When the writer analyzed, the static effect of the economic integration welfare that was engaged trade changing position would have been “ambiguous” if there wasn’t innovation towards technological utilization on production process (see Beaulieu, et al., 2004, Journal of Development Economics, 75, 113-136). Nevertheless, the writer assume the dynamic effect of middle and long terms and implication from regional integration will probably be more significant than seeing the impact of static effect.

How about Indonesia, When it was Shaping the Simple Market Based Production?. At least based on an early analysis that there were three significant impacts of shaping the simple market based production in ASEAN environment those are: (1) Indonesian production goods would be fully competitive with production goods of ten ASEAN countries, so with the current available quality and huge tax and collection (legally or illegally) would have been making Indonesia hard to compete. Vietnam and Frangipani had superiority in case of cheap manpowers, while Singapore, Malaysia and Thailand are competitive very much with quality and management. (2) manpower movement would freely give Indonesia quite extraordinary impact. For instance education and human resources quality that Indonesia owned is valued the worst one among ASEAN countries; (3) investment competition would be increasingly hard connecting to the principle of free movement of capital. Because of looking at the field condition got more and more number of the big companies didn’t want to invest in Indonesia anymore because of Indonesian political condition Indonesian political condition such as conflict in the local, corruption, insecurity in license arrangement and rule on taxation..

Actually, Indonesia had uttered significant regulation that is Law NO.7 Year 2014 about Trading that has been introducing to the people as one of Indonesian strategy to prevent a great number of import products going into Indonesia. This Law inter-alia regulating general determinate about license for the entrepreneurs who are engaged in trading activity in order to use Indonesian language in labelling, and increasing domestic product usage.

By means of this Law likewise the government is compulsory to control availability of primary commodity need for all of Indonesian regions. Then determine prohibition and delimitation of goods and services (Wangke, 2014, Vol. VI, No. 10/II/P3DI/) but according to the writer that all of them are not adequate because the true is that in accordance with Wangke (Wangke, 2014, Vol. VI, No. 10/II/P3DI: 8) that there are four significant issues those are necessary for Indonesian government to anticipate sooner in facing AEC 2015 based on an early analysis above, namely: 1) Indonesia is potential only for energy supplier and basic materials for industrialization in ASEAN Zone so that there is no benefit may be gained from the wealth of balance of trade of Indonesian goods which at the current is the largest among ASEAN countries, 2) broadening product commerce, 3) liberation of manpower flow so that Indonesia ought to anticipate by providing strategy because of potency flowing a great number of Foreign Man Powers (FMP), 4) coming investment into Indonesia from inside and outside ASEAN.

How is the type of Indonesian trade politic when it is contended with condition above ? in political economic context and development in accordance with liberal theory, the backwardness is identical with the fact of having fallen behind, so the fact of having fallen behind will be gotten after with certain strategy in certain time frame. According to the writer’s analysis what the Indonesian government should do is: (1) by utilizing strategy of the high economic growth from liberal theory In addition to high economic growth strategy there is also International free trade strategy, namely creating trade, practical Indonesian product isn’t hard enough to contend with problems because of it has been almost 80% of Indonesian commerce free from obstacle. In fact, the economy based populist (EBP) has opportunity to pierce market of ASEAN countries. The government has already performed the effort of accelerating development even distribution as part of strengthening the populist economy.. about year 2011- 2013, a lot of Indonesian investments were directing to outside Javanese islands regional by giving stimulation of holiday tax. Thereby, the futuristic economic growth won’t be only centralized in Java but also outside Java. The other effort performed by the government is by shaping up the clusters for

Micro Effort of Middle - Small development (MEMS) in order that having competitiveness. Not only challenge is going to contend with but also opportunity. Sectors that will be Indonesian superior in MEA 2015 are Natural Resources (NR), Technological Information (TI), and Creative Economy (CE). These three sectors are the strongest Indonesian sectors compared to other ASEAN countries. And what is more, the impact of Foreign Man Powers (FMP) going into Indonesia should be made sure that they can speak Indonesian well and right.

(2) When the member country produced the most advantageous commodity for that countries based the owned superior factors, for example when the writer used theory of absolute superior from Adam Smith or comparative superior theory from David Ricardo (Damanhri, 2012: 13-15; Tambunan, 2004: 42-56; Sally, 1998 Constitutional Political Economy, 9, 19-44) a country will specialize on and export a commodity superiority with comparative superiority namely can be massively produced but it doesn't reduce the quality. According to the writer, that availability of common market, Indonesian trade politic may be directed to marketing board type. It is producing the same export products (Malaysia, Indonesia and Thailand for Rubber and Palm Oil) those three countries will act as the single seller to the countries outside ASEAN. And what is more, Indonesia is also able to shape Central purchasing board it is acting as the single seller to necessary import goods with the member countries. According to the writer's assumption it will decrease bad competition either as the seller country or the buyer one;

(3) When the market volume rose, Indonesia had also to step up various commodities (product diversification) that would be commersed to the member countries with the result that cooperative possibility wouldn't only in economic field but also would increase the other fields (technology and inovation in production process) here is actually to "fertilized" by government and Investor in Indonesia when it contended with free trade, for its assumption in the writer at the time of occuring trade raising inter member countries, so that with its production volume and job occasion in each country rose as well. Such as Adam Smith said, free trade system would increase welfare in fully participated countries;

(4) The big internal market will probably Indonesia endeavour mass production, it is certainly suitable with superiority from Indonesian production, so is the assumption for ASEAN members country will endeavour mass production in accordance with each superiority, with the result that achieve optimum point or economic scale, its mean availability of production cost reduction, so that the resulted output is marketable with very cheaper price compared to production result with smaller scale. With the result that each member country including Indonesia could get the cheaper good in internal market (from the member countries) rather than price of the home production result. (Tambunan, 2004) and as producer of mine revenue especially for export , such as Indonesia and Malaysia with the simple market are able to work together in marketing earth product with the aim that may strengthen bargaining position of ASEAN member countries in contending with consumer of the powerful Country like US, Japan and Uni-Europe. With the result that the simple market will give probability to regional competition that is supporting efficiency and effectivity.

Attempting to compare the direct impact of the simple market in ASEAN to APEC when Indonesia all together was being member of it, when it was seen at the liberalism perspective actually regional corporate organization with the simple market agenda potentially might give straight benefit to Indonesia all of them depended on Indonesia to take available opportunity. Looking at comparison between ASEAN and APEC the writer analyzed that there are two great goals may be achieved by Indonesia both are (1) when APEC was as multilateral trade forum worked together on the basis of its own commitment with the result that economic treaty from other member potentially advances Indonesia is difficult to be carried out, in ASEAN with scheme application on the simple market Indonesia has greater opportunity; (2) in APEC market, Indonesia contends with the firmer distant compared in ASEAN market, because of the member countries with their export competitiveness (especially manufacture) which are the better distant than Indonesia such as South Korea, Japan, China and US (Tambunan, 2004)

Accoding to the writer, Indonesian government has also to design trade politic of the simple market in ASEAN if it is going to interact with the countries outside member "the rest of world" or intra- regional trade why is it ? Because of many cases showed that there is often obstacle in trading inter member country with their miters those aren't member countries. For example, when Indonesia exported several products to European Union, in fact it was prohibited because it wasn't up standard that they determined from the health side and living environment. Anyway in the lately five years, Indoensia got accusation of dumping in export for a number of certain good, in addition, Indonesian export was also decreased by joining ten East European countries with European Union in May 2004.. certainly, the ten countries would be more capable to pierce European Union because of founding out facility liberation of admission charge.

When the regional trade blocks emerged in not ASEAN member countries so it would be a trade changing position, because when liberalization was between two countries or more while each member maintained admission charge toward import so it would emerge trade diverting where each member country would do the same business and competitiveness emerged. Actually when it was from appearance of the liberalism perspective the effect was certainly would give space for individual or economic agent to think and behave creative on the resulted same product. Beyond question of competition availability that is able to encourage economic agent for creating huge grade product with the result that is affecting to development and research and technological utilization and the last one by viewing the simple market from liberalism perspective and certainly it will secure freedom, plurality and regulation and standardization in economic output and all of them are becoming the greatest obstacle for Indonesia when the simple market era was carried out.

CONCLUSION:

The most significant aspect of economic globalization is more and more decreased of partitions and economic obstacle international; more and more spread of trade, financial and production activity internationally. Based on three liberalism aspects they are financial, trade and investment, but the fastest growth is financial liberalization process. For Indonesia contending with ASEAN free trade, The first step that government has to do is increasing product competitiveness considering the very great number of potential Indonesian populations are becoming market for a sort of product from neighboring country. This competitiveness increase involves either superior product or non-superior one. Such step doesn't mean as a protective step toward Indonesia market but is solely to find the balance between export and import.

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