POTENSI PELAKSANAAN PROGRAM MASYARAKAT EKONOMI ASEAN (MEA) PADA PERKEMBANGAN BISNIS DI KALIMANTAN SELATAN

THE POTENTIAL OF ASEAN ECONOMIC COMMUNITY (AEC) PROGRAM FOR SOUTH KALIMANTAN BUSINESS ENVIRONMENT

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Abstract
The implementation of ASEAN Economic Community (AEC) will taken its place in 2015 with all long due process of discussion and preparation for all participant. AEC is basically aimed to make ASEAN as solid regional economy, which further will have proper bargaining position in world’ economy. The economy integration between ASEAN in AEC is differ with Europe has done in European Union with their Euro as single currency. The integration is more on taking off the trade restriction in the distribution of flow of goods and services, hence the skilled labor and better investment approach. AEC will prioritizing 12 sectors; fisheries, e-travel, e-ASEAN, automotive, logistics, wood-based industry, rubber-based industry, furniture, foods and beverages, footwear, textiles and health products. This paper is aimed to identify the potentials of AEC for South Kalimantan business environment through the resources-based and competitive and comparative advantages approach. The method used for this paper is descriptive analysis, with the data obtained from workshop, in-depth interview, and literature reviews. The result shows that South Kalimantan with the abundant natural resources have a strong potential in AEC, but at the same time having a big obstacle in terms of human resources quality and cultural constraint.

Keywords: Comparative Advantages, Competitiveness, Free Trade

BACKGROUND

Indonesia has the largest population among ASEAN region with diverse communities supported by numbers of different tribes, languages and local wisdom and cultures stretching from Sabang to Merauke. In terms of economy, Indonesia encompasses potential growth by 4.5%, the third highest growth in the world. This figure shows that Indonesia has everything necessary for AEC 2015.

The AEC is formed with the mission of constructing the ASEAN economy to be able to compete with the developed country by strengthening the core business cooperation within the region. Another reason why AEC is formed is to facilitate better bargaining position of ASEAN country in the world’s economy.

Demographically, Indonesia possesses 70% productive human resources out of the total population. With a vast growing number of productive ages, Indonesia should have the confidence entering the AEC. Aside from demographic factor, the economic stability supported by abundant natural resources also hold

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significance role as fundamental pillars in AEC. As the facts are presented, Indonesia saw a stable economic conditions and significant increase in recent years and it shows that Indonesia is ready to meet the AEC.

Indonesia is trying to close the disparity gap between local and central government as well as big industrial players and the small medium enterprises with an increase in some sectors that may still need to be encouraged to improve the competitiveness. Reflecting to one of the ASEAN Community statement that emphasized on the promises of the adequate supply of food and clothing, enough jobs for everyone, small unemployment rate and poverty reduction, the Indonesian government continue to strive on bringing its people to the right track to prosperous and affluent condition before the AEC begins.

ASEAN was originally just a regional organization or a loose form of cooperation, and the concept of cooperation if evolving by the ASEAN charter. It allows ASEAN country to form an ASEAN Community through 3 main pillars; ASEAN Economic Community, ASEAN Security Community, and ASEAN Socio-Cultural Community with the purpose of regional stability, peace and prosperity within region.

South Kalimantan as one the province in Indonesia possesses a great amount of natural resources in their area with the economic growth of 5.73% during 2012. On the context of provincial interconnection, geographically South Kalimantan is very strategic, located in the central of Indonesia archipelago where the line of trade distribution and shipping from and to Java, Sumatra, Sulawesi and even Asia Pacific area. South Kalimantan thus having a comparative advantage as transit area for goods, services, and human resources distribution. However, the strategic positions could potentially be a threat if the comparative advantages cannot be converted and managed to be a competitive advantages to increase the regional competitiveness and economy.

RESEARCH METHOD

Data Collection Method

The primary data in this paper are gathered from ASEAN Economic Workshop and In-Depth Interview with government officials in Ministry of Trade. The data consist of the preparation of Indonesia AEC, the ASEAN partnership history, AEC in details, ASEAN trade in goods agreement (ATIGA), trade restriction and service policy, and ASEAN Framework Agreement on Service (AFAS). The secondary data is collected through BPS, Bappeda, Ministry of Trade and literature reviews. The data consists of the regional economy statistics of Indonesia and South Kalimantan, the growing number of business in South Kalimantan, and the balance of trade of South Kalimantan.

Data Analysis

The data is analyzed through descriptive method with aimed to explain the condition, situation and variables in the context of South Kalimantan’ business environment in response to the implementation of AEC in 2015.

RESULTS

ASEAN Economic Community (AEC) is actually a form of economic integration within the region with the wide-breath of potential in which most of the goods, services, capital and investment will move freely in the region. Regional economic integration is a trend and a necessity in today’s global era, this implies that the competition is thrusting opportunities and challenges for all countries. The AEC scheme of employment for example, imposes professional labor liberalization, such as engineers, accountants and so on. Unfortunately unskilled workers who are categorized as one of Indonesia advantages is not included in the liberalization program. Precisely informal workers who had been a source of income for Indonesia, tends to be limited on the aspect of their movement in the established scheme of AEC 2015.

The Implementation of the AEC will take effect in two years, AEC materialized from the desire of ASEAN countries to construct their economies into a solid one and to be taken into account in the international economic arena. The economic integration are applied in the AEC is not economic integration as adopted by the European Union which imposed a single currency. AEC objectives are the free flow of goods, services and skilled labor, as well as investment flows move freely. AEC application will implement the 12 priority sectors, namely fisheries, etravel, eASEAN, automotive, logistics, wood based industries, rubber-based industries, furniture, foods and beverages, footwear, textiles products, as well as health.

Indonesia as the country with the largest population in ASEAN is a potential market for the flow of goods, services, and labor for other countries in ASEAN. It is important to realize that Indonesia as the largest consumer market in ASEAN is a potential for consumer goods. Nevertheless, it would be perceived as an added value for the economy, if the Indonesian products that actually can invade countries in ASEAN. If this happens, domestic production will increase, which has a positive impact on employment, investment and the realization on economic growth and welfare of the
population.

Indonesia's opportunities to be able to compete in the AEC 2015 are actually quite potential. Indonesia is currently ranked 16th in the world for economies of scale. Economies of scale are also supported by the proportion of the population of productive age and growth of a large middle class. Indonesia's positive economic outlook is also supported by the improvement of Indonesia's investment rating by the rating agencies as well as the inclusion of Indonesia as the world number four prospective destinations based on UNCTAD's World Investment Report. Indonesia's economic fundamentals still can be seen when many countries are fallen, buffeted by the weakening of global economy. To realize opportunities AEC 2015, it is time to clean up and perform effective actions supported and directed by the various parties.

There are three elements to assess South Kalimantan preparation in AEC 2015; the market share of export destination to ASEAN countries, Economy Competitiveness and Investment Acceleration. Those three elements contribute to Indonesia's capability in response to the AEC. Having a large amount of natural resources is one of South Kalimantan strong position in export sector, but yet, lacking of technology-wise approach forced South Kalimantan to sell raw materials to be exported for example rubber, coal and palm oil. Even though the government is already put this issue into concern by implementing regulation of prohibiting raw material export, it is a bit too late, because the number of natural resources is declining rapidly. South Kalimantan competitiveness is also still rely much on the natural resources, but by having focus on the growth of small medium enterprises (SME), the business environment is manage to survive the dependency. Regulation-wise also one of the main obstacle in accelerating investments, the condition is worsen by having the fact that Indonesia seems to put the law supremacy usuriously. that is why, the question of investment acceleration is rely on the law supremacy and in the area of transparency and accountability.

The 1998 economic crisis' effects had not yet disappeared and still have impact in low growth in new investment (especially the foreign investment flow) or the decline in business confidence, which in turn inhibiting the growth of the national economy. This is due to the poor economic infrastructure, macro economic instability, uncertainty in law and policy, and the high business cost. The government should take an immediate action to resolve those matter if Indonesia does not want to be just a complement in the AEC. Indonesian business communities are expected to follow the AEC rhythm and utilize the opportunities that have been formed.

In terms of the effort to increase competitiveness and anticipate the AEC, an increase of reliable human resources is absolutely necessary. Human resources should be prepared in terms of their global competitiveness and there should also be prepared in the development of micro, small and medium enterprises, and also the creation of new potential entrepreneur to support the strength of the sector. Implementation of the ASEAN - China Free Trade Area (ACFTA) in 2010 can be a valuable lesson, as the government and society are not ready due to the lack of coordination and planning efforts prior to the implementation of ACFTA. With the implementation AEC is getting closer, it is time to clean up and take action as early as possible to face the increasingly fierce competition that will take place. Cooperation and priorities of national interest must be put forward by the various parties to support the creation of Indonesia became the greatest benefit with the implementation of AEC 2015.

Indonesian government currently designing a Master Plan for Economic Development Acceleration (MP3EI) and Kalimantan area is zoned for energy storages. In terms of natural resource potential, Kalimantan has abundant natural resources, especially oil, coal, rubber and palm oil. South Kalimantan is currently on the second place when compared to other provinces in Kalimantan in terms of the GDP. The highest value of GDP at current prices achieved by East Kalimantan while Central Kalimantan still the smallest. East Kalimantan as the largest province and has abundant natural resources capable of generating a combined GDP greater than the three other provinces in Kalimantan or by 67.97% of the total GDP as Kalimantan.

South Kalimantan' structure of economy will not change in a relatively short time, moreover, in some areas are already well established, the economic structure changes only occur when there is a drastic change of economic activity, such as the massive investment in a particular sector or changes in implementing new technologies. Therefore, the goal of development that may be appropriate for this moment for South Kalimantan is basically not changing the economic structure but rather on improving the resilience of the business sectors, since the business climate change very often. Sectors that have a high durability will surely be able to develop themselves so that in turn will increase the role/contribution to the sector in the economic structure in the region.

During the period 2009-2011 the development of the export value of South Kalimantan show a fairly good condition during the period in which the value of exports continued to increase. Since 2007 the value of exports of South Kalimantan is above USD 2 billion, it increased in 2011 to USD 9.71 billion. Export commodities are
primarily driven by increasing coal production with exports contributing about 87.3% of total exports. Strengthening exports, especially non-oil exports of both goods and services also spur the economic growth and might put a great addition of foreign exchange reserves. Therefore, Indonesia’s foreign trade policy should be directed to support efforts to increase the global competitiveness of Indonesian products for the sake of the economic growth.

The policies that have been taken by the government are the simplification of customs procedures, increasing the frequency and optimization of trade diplomacy, both bilateral and multilateral, and gradually reduce barriers to foreign trade in accordance with international commitments with regard to the national interest. In addition to government export policy, the government also has to focus on import policy to support the growth of domestic industries especially the export-oriented industries, maintain the availability of goods and services and the need to increase the utilization of foreign exchange in maintaining the balance of payments.

South Kalimantan sees the potential of export through port and harbor in Banjarmasin and harbor in Kotabaru in which both ports control approximately 99.06 percent of the total value of exports of South Kalimantan. South Kalimantan export volume in 2011, approximately 126.60 million tons, an increase of 26.07% from the previous year. While the value of exports itself increased by 52.22% from USD 9.37 billion in 2010 to USD 9.71 billion in 2011. South Kalimantan export structure in 2011 is dominated by four commodities, which are sorted according to the value of the largest mineral fuels, palm oil, wood-based product, and ores, slag and ash metals. The value of the four commodities reached USD 5.93 billion or 99.17% of the total export value of South Kalimantan.

Industry growth rate is increase as many as 54,484 business units that an increase from the previous year which only 52,156 units. At the same time, the business absorbs 163,808 workers. This number come up as the revitalization and repositioning strategy by South Kalimantan government reach their objectives to revitalize the pillars of development, both economic and natural resources to improve the business resilience. The point is, revitalization strategy aims to identify and strengthen a number of comparative advantages in South Kalimantan as the main pillars of development and improvement competitiveness.

It is pretty clear that the strengthening of the small medium enterprise (SMEs) and the improvement of human resources is the key point for South Kalimantan to be able to compete on the AEC. Improving the SMEs can be done through increase the competitiveness of the product at the same time imposing government policy to protect the competitive advantage of a product, while the improvement of human resources can be done through intense training, courses and workshop of entrepreneurial skills. Based on the identification and strengthening of the various competitive advantages so its pre determined some basic arable fields or typical work program that will lead South Kalimantan in responding with the AEC, as follow:

1. Development of food buffer systems
2. Seed sector development of the region
3. Agriculture development
4. Agribusiness development
5. Provision of subsidized lending facility for small and medium businesses
6. Development of export-oriented flagship product
7. Increased and equitable development and infrastructure especially isolated areas of production center
8. Encourage the development of investment business
9. Economic empowerment of community
10. Improved skills and community’ sense of entrepreneur
11. Economic development of the area such as industrial areas, marine aquaculture and business development and forestry plantations
12. Development of regional tourism
13. Improve the investment information systems.
14. Expansion of employment
15. Improved quality and labor protection.

Based on the work programs, it can be summarize that strengthening the business core, managing competitive advantages, empowerment of SMEs, encouraging the entrepreneurship and acceleration of investment are the key strategic way to survive the AEC in 2015. Accelerating the investment through strengthening the business core holds a significant role in determining the total output and income, while empowering the SMEs to produce a competitive product with good entrepreneurial skills also becoming the pillars of the market.

CONCLUSION AND POLICY IMPLICATION

Conclusion

Although Indonesia is theoretically able to maintain the economic growth at 6% p.a, there are few things needed to be anticipated. Elimination of non-tariff barriers and single window especially in the field of human resources development will be particularly important, since the AEC will open the chances of foreign workers migration to Indonesia with good expertise. The competition will be very
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tough if Indonesian workers do not have adequate skills, as the results the unemployment rate will raise.

The single windows also have a great impact on the small medium enterprise (SME) whereas the

flow of cheap imported products with good quality will soon be appeared in Indonesian market. Trade will be

by the increasing quality of human resources. By improving the quality of human resources, Indonesia will be likely to survive in the market, increase the quality will affect the increase in product selling as well as labor.

Policy Implication

To drive Indonesia in general and specifically South Kalimantan' competitiveness in facing the AEC, it should be put into concern the regional and local preparation, since most of the problem usually lays on lack of coordination and synergy between stakeholders. Therefore, one of the key successes of surviving the AEC is empowering regional competitive and comparative advantage, at the same time government should also focus on the core business such as agriculture, mining, fisheries and tourism. This is because the concept of local empowerment cannot be treated the same throughout the regions, given the fact that the differences in regional preparedness, infrastructure, and geographical position. Therefore the concept of comparative and competitive advantages are applied, since all regions should take an advantage of the policies of regional autonomy to develop an innovative, creative and harmonization of rules that binding up the business environment.

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