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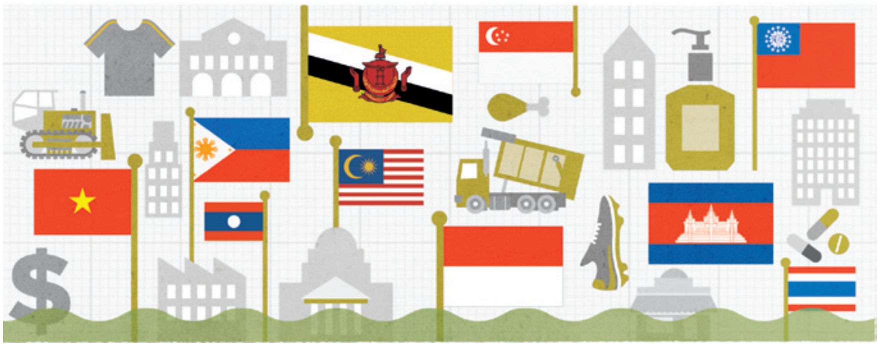
AEC 2015 and Indonesia



ATHLETICS

The ASEAN charter was signed in 2007 with a promise to build an economic community fully engaged in globalization. With this in mind, the ASEAN Trade in Goods Agreement (ATIGA) that was signed in May 2010 will remove all tariff barriers in most of the ASEAN region by 2015. Such a major agreement comes with opportunities, responsibilities and consequences. How would a potential ASEAN economic community (AEC) in 2015 change Indonesia's business and economic landscape? What are the possible challenges?

The AEC provides a needed foundation for building an economic community fully engaged in the global economy by creating a consolidated—and competitive—single market. Goals such as financial stability, development of regional infrastructure, connectivity, sustainable development and closing the development gap should drive the community to create and implement mutually beneficial programs. For instance, under ATIGA, the first group of ASEAN countries (Brunei, Malaysia, Indonesia, the Philippines, Singapore, and Thailand) would drop their tariffs by 2015 while the newer members (Cambodia, Laos, Myanmar, and Vietnam) would drop their tariffs and non-tariff barriers by 2018.

In the Pacific region, an agreement with Australia and New Zealand established the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) that has been in force since January 1, 2010. Such an arrangement provides ASEAN countries, Australia and New Zealand with the freedom of trade and economic cooperation, which naturally come with great employment and business opportunities for the combined markets of 600 million people and a combined GDP of $2.7 trillion. Other trading arrangements have also been made with China, Korea and India.

Accessing potential opportunities, however, could be hampered by rising protectionist sentiments. Another area of concern is immigration and employment laws. Thailand and Malaysia have strict laws for employing foreign skilled personnel, such as engineers and lawyers. Indonesia, on the other hand, protects certain industries and their employment, such as healthcare and health products.

Another challenge may also come from ASEAN's strict citizenship laws. Most ASEAN countries forbid dual citizenship, with exception to special cases such as children born of foreign nationals (who can choose). Dual citizenship has become a major advantage in this global era. A good example is India's version of second citizenship called the Overseas Citizen of India (OCI), which is a form of foreign residency. The OCI are similar to citizens in many ways, except they cannot vote, run for public office, work as civil servants and own properties in India. The OCI scheme helps to alleviate the "brain drain" from India. It may even play a role in the success of outsourcing from developed economies to India.

In February, Vice Minister of Finance of Indonesia Mahendra Siregar reaffirmed Indonesia's unique advantages over other countries and within ASEAN at an event entitled *Indonesia Current Economy Update and Its Roles in ASEAN* in San Francisco. Mahendra noted that Indonesia is a major market with a young population, many resources, and improved investment ratings—along with being the third-largest democracy in the world. It also has a very robust domestic economy, allowing local demand to drive growth even if the global economy stagnates.

Java, where 65% of Indonesia's population and skilled labor force reside, has the so-called "manufacturing" economy, while the rest of the country is the location for the "resources" economy. Both the "manufacturing" and "resources" economies complement each other, and the self-sustainability of the Indonesian growth model is what entices foreign and domestic investors. As AEC 2015 draws near, much groundwork needs to done and political stability maintained, as preparation for entry into the integrated market is implemented. Ⓕ

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