

THE EFFECTIVENESS OF ASEAN ECONOMIC COMMUNITY

Oleh :

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Abstract

Free trade agreement of ASEAN Economic Community (AEC) immediately will be implemented in the region. The four pillars of the AEC concept is a reference in the enforcement process. All member-states have made preparations including Indonesia. Small and Medium-sized Enterprises also make preparations. The preparation of the Indonesian government in the deal and how the measures taken to protect Small and Medium-sized Enterprises is a discussion in the review of this article. Policies made by the government, including the measures taken for businesses Small and Medium-sized Enterprises, still found some difficulties in implementation.

Because entirely not going well then the nomination acceleration trade policies comprehensively needs to be activated immediately so that the various policy papers that the government made will be able to work together with entrepreneurs. This study also found unrediness of national products, especially Small and Medium-sized Enterprises in competing due to human resources, inadequate infrastructure and the investment climate.

Keyword : asean, economic, effectiveness

1. Introduction

In December 2015, the trade war will begin immediately, many questions and doubts had been addressed to the readiness of entrepreneurs, especially small and medium enterprises, but rarely have questioned the government's readiness to face the ASEAN Economic Community. Entrepreneurial readiness in facing free trade is not solely the responsibility of entrepreneurs but the responsibility of all sectors, in spite of the government's role as policy makers and implementers. This can be seen in the failure of the Chinese government on Free trade ASEAN Agreement (ACFTA) is not expected to recur in the ASEAN Economic Community (Ariawan, 2012)

ASEAN Economic Community (AEC) is a realization of the ASEAN Vision 2020 to carry out the integration of the economies of ASEAN countries to establish a single market and production base together. The end goal is economic integration in ASEAN to face global challenges in creating an ASEAN economic region that is stable,

prosperous and competitive with the freedom of the flow of goods, services, investment, skilled labor and free capital. The concept of the ASEAN Economic Community or AEC 2015 is based on four main pillars: first, Free movement of goods and services that allow the movement of goods and services without barriers include taxes or customs duties. Second, Freedom of movement for skilled and talented labors, the concept is to encourage the mobility of labor according to market demands and opportunities of each worker to get a job that fit the qualification. Third, Freedom of establishment and provision of services and mutual recognition of diplomas, this concept guarantees every citizen of ASEAN freely to offer services in all ASEAN regions without citizenship discrimination. Fourth, Free movement of capital, the emplementation of AEC will ensure capital move freely in the ASEAN countries. Everyone can invest freely and efficiently. In this context, each ASEAN citizen is free to work, invest, do business and trade in all

ASEAN countries. The agreement which was built by the ten ASEAN member countries is an effort to boost the economy in the region by increasing competitiveness in the international arena, so that the economy can grow evenly, improve people's lives and foremost to reduce poverty. Ten ASEAN countries are Indonesia, Myanmar, Thailand, Malaysia, Singapore, Brunei, the Philippines, Laos, Cambodia, and Vietnam. In the implementation of AEC, ASEAN countries should adhere to the principle of an open market and a market-driven economy. In other words, the consequences of the implementation of AEC is the liberalization of trade in goods, services, and skilled personnel freely and without tariff and non tariff barriers ("Asean Economic Community Blueprint," 2008)

Some have said that the Indonesian government does not have a strong negotiator and policy makers who are reliable, it is seen by the failure of the open sky policy in the aviation sector (Latifah, 2011), late to fight reciprocity principles in banking (Thalo, 2010), the lack of strategic policy and comprehensive to raise the competitiveness of national industry (Syprianus Aristeus, 2014), the protection of industrial players from the onslaught of imported products and harmonization chaos due to conflict of interest rates (Samsubar Saleh and Bambang Suprayitno, 2010). The Indonesian government is not fortifying the national industry with a policy of non-tariff barrier that does not violate the agreement AEC and rules of the World Trade Organization (WTO), among which is the Indonesian National Standard (SNI), the obligation of their manuals Indonesian language, eco labels, halal certification and improvement of the quality of fundamental facilities such as air transport infrastructure, water transport, road transport and power generation. Unsettled economic integration of national policies to improve the mastery of science and technology in fostering innovation and creativity of entrepreneurs, especially Small and Medium Industries (SMI) and the lack of human resources capacity building, lack of awareness of increasing consumption of domestic products, lulled in exploiting market opportunities and synergies with the ASEAN economic resources. This underlies that the synergy of government with employers and stakeholders to encourage the development of entrepreneurial sustainability in a conducive ecosystem has not occurred (Sukarmi, 2010). Meanwhile, the World Economic Forum report on The Global Competitiveness and Benchmarking Network (Schwab, 2013), the condition of Indonesia to implement the investment is

considered not competitive enough for the ASEAN region, from eleven countries Indonesia's position is ranked 5th and 38th global ranking. This position puts Indonesia below Singapore, Malaysia, Brunei and Thailand.

Results of research conducted by the Ministry of Industry is a nightmare for businesses in Indonesia, especially in the manufacturing industry. International Industrial Cooperation Directorate General studied based on analysis of revealed comparative advantage (RCA) on the data taken by IRIS during 2011-2013, referring to the provisions of the World Trade Organization (WTO) shows that the competitiveness of Indonesian manufacturing products are low compared to other ASEAN countries. Only about one percent of industrial products which have strong competitiveness. In addition, only about 30 percent of industrial products which are competitive, even some industrial sectors competitiveness in the category of weak and very weak (ID/M-6, 2015).

Based on the background above, this article will review the Indonesian government's readiness to follow up on the concept of free trade agreements like AEC

2. Indonesian policy in addressing the four pillars of the concept of AEC

Presidential Instruction on implementation of the AEC Blueprint Commitment (*Instruksi Presiden Republik Indonesia Nomor 11 Tahun 2011 Tentang Pelaksanaan Komitmen Cetak Biru Masyarakat Ekonomi Association Of Southeast Asian Nations Tahun 2011*, 2011) is an effort and policy to face the ASEAN free market. In the AEC Blueprint, there are 12 priority sectors that will be integrated by the government. The sectors are agro-industrial, automotive, electronics, fisheries, rubber-based industry, the wood-based industries, and textiles. Then the rest came from five service sectors, namely air transport, health, tourism, logistics, and information technology. These sectors will be implemented in AEC era in the form of free movements of goods, services, investment, and labor.

2.1. Free movement of goods and services

Import duties in Indonesia based on the setting of the tariff policy, the Act. No. 10 of 1995 on "Customs" as amended by Act No. 17 of 2006, as the legal basis of the rates, ie of Article 12 and Article 17A (*Undang-Undang Republik Indonesia Nomor 17 Tahun 2006 Tentang Perubahan Atas Undang-Undang Nomor 10 Tahun 1995 Tentang Kepabeanan*, 2006).

Import duties are based on advalorem rates, where the amount of duty is based on a certain percentage rate of the price of goods; and specific tariffs, ie the amount of duty is based on the rate per unit of goods. Most of Indonesia's imports of goods subject to import duty rates based advalorem. Only a small proportion of imported goods subject to specific rates such as rice and sugar. To facilitate the determination of tariffs on imported goods, the goods should be classified in the classification system of goods, where the types of items that exist in the world is structured and systematically grouped with the aim to facilitate trade penarifan. Another import duty anti-dumping and benefits stipulated in the Indonesian Government Regulation on Import Duty and Antidumping Duty Benefits (*Peraturan Pemerintah Republik Indonesia Nomor 34 Tahun 1996 Tentang Bea Masuk Antidumping Dan Bea Masuk Imbalan*, 1996). Anti-dumping duties are imposed on state charges of dumping goods which led to a loss of imported goods, where; first, the export price of the goods is lower than normal values; and second, the importation of goods: a) causes harm to the domestic industry producing similar goods with goods; b) the threat of a loss to the domestic industry producing similar goods; c) hinder the development of similar goods industry in the country. While the duty benefits are state levies imposed on goods containing subsidies that cause harm. Rewards Import duties, in the case; goods are given subsidies in the exporting country; and imported goods are causing harm. As for import duty security (safeguards) can be imposed on imported goods in the event of a surge in imports in absolute terms and relative to domestically produced goods similar or directly competitive goods and the surge in imported goods: cause serious harm to the industry in the country that produce similar goods with goods and / or directly competitive goods; or threatens serious harm to the domestic industry producing similar goods and / or directly competitive goods.

As for the taxable employers under Article 4 of VAT Indonesia VAT Law (*Undang-Undang Republik Indonesia Nomor 42 Tahun 2009 Tentang Perubahan Ketiga Atas Undang-Undang Nomor 8 Tahun 1983 Tentang Pajak Pertambahan Nilai Barang Dan Jasa Dan Pajak Penjualan Atas Barang Mewah*, 2009) states that the VAT levied on the transfer of taxable goods and taxable services by taxable income in the business and work in the customs territory of Indonesia, while Article 4A mention some types of goods and services are excluded from tax. Whereas under Article 3A (1)

Indonesian VAT Law, SME's entrepreneurs have no obligation to register as taxable income, but subsection (1a) provides an option for the employer to enroll and participate in the VAT system that evoke to the Decree of Minister of Finance which sets the threshold for small traders eq USD 60,000. (*Keputusan Menteri Keuangan Republik Indonesia Nomor 571/KMK.03/2003 Tentang Perubahan Atas Keputusan Menteri Keuangan Nomor 552/KMK.04/2000 Tentang Batasan Pengusaha Kecil Pajak Pertambahan Nilai*, 2003).

2.2. Freedom of movement for skilled and talented labours

The preparation and policy of Indonesian government in the field of employment has been regulated in the Law (*Undang-Undang Republik Indonesia Nomor 13 Tahun 2003 Tentang Ketenagakerjaan*, 2003); labor legislation has mandated the improvement and development of human resources through vocational training followed by the release of Government Regulation of the National Professional Certification Board (BNSP) which will provide job competence certification (*Peraturan Pemerintah Republik Indonesia Nomor 23 Tahun 2004 Tentang Badan Nasional Sertifikasi Profesi*, 2004). As for the optimization expertise necessary manpower training (*Peraturan Pemerintah Republik Indonesia Nomor 31 Tahun 2006 Tentang Sistem Pelatihan Kerja Nasional*, 2006) and the National Qualifications Framework of Indonesia (*Peraturan Presiden Republik Indonesia Nomor 8 Tahun 2012 Tentang Kerangka Kualifikasi Nasional Indonesia*, 2012) and the National Competence Standardization System (*Peraturan Menteri Tenaga Kerja Dan Transmigrasi Republik Indonesia Nomor 5 Tahun 2012 Tentang Sistem Standardisasi Kompetensi Kerja Nasional*, 2012).

On April 12, 2012 Indonesia has ratified the UN Convention of 1990 on the Protection of the Rights of All Migrant Workers and Members of Their Families, (hereinafter referred to as the Convention on Migrant Workers) (*Undang-Undang Republik Indonesia Nomor 6 Tahun 2012 Tentang Pengesahan International Convention On The Protection Of The Rights Of All Migrant Workers And Members Of Their Families (Konvensi Internasional Mengenai Perlindungan Hak-Hak Seluruh Pekerja Migr)*, 2012). Countries that have ratified the Convention only 35 countries, in the ASEAN region Philippines and Indonesia are the most labor-sending countries abroad. Based on the data and information of Development Research Center of the National Agency for the Placement and Protection of Indonesian Workers (*Penempatan*

Dan Perlindungan Tenaga Kerja Indonesia Tahun 2013, 2013), for 2011 – 2013 period recorded as many as 586,802 (2011); 494 609 (2012); and 512 618 (2013) workers who work abroad. Meanwhile, in 2014 and until January 2015 (*Data Penempatan Dan Perlindungan Tenaga Kerja Indonesia Tahun 2015 (Periode 1 Januari S.D 31 Januari) Posisi Cetak Data Tanggal 12 Februari 2015*, 2015), recorded 429,872 (2014), 25,893 (January 2015). Of these ASEAN countries Malaysia become the first state primary goal Indonesian migrant workers, followed by Singapore and Brunei Darussalam. While Indonesia is still discussing the draft legislation (Bill) on the protection of Indonesian workers abroad (PPTKLN) in lieu of Law No. 39 of 2004 on the Placement and Protection of Indonesian Workers Abroad. The question is whether the bill has a strong foundation?, while Indonesia has not ratified the International Labour Organization (ILO) No. 189 on Decent Work Domestic Workers.

2.3. Freedom of establishment and provision of services and mutual recognition of diplomas

Indonesia as themember of AEC member have mandated by government to carry out international cooperation in the field of industry (*Undang-Undang Republik Indonesia Nomor 3 Tahun 2014 Tentang Perindustrian*, 2014). The cooperation is aimed at opening up access and the development of international markets, access to industry resources, global supply chain network utilization as a source of increased industrial productivity, and increased investment. This law is the basis of the legality of the national industry to become stronger and legal protection in the context of development, regulation and industrial development in the future. In Susilo Bambang Yudhoyono's government dated 1 September 2014 instructing Increased Competitiveness in the Framework Facing AEC (*Instruksi Presiden Republik Indonesia Nomor 6 Tahun 2014 Tentang Peningkatan Daya Saing Nasional Dalam Rangka Menghadapi Masyarakat Ekonomi Association Of Southeast Asian Nations*, 2014), it resulted fourteen Instruction strategy. Other Instruction Focus on Economic Program (*Instruksi Presiden Republik Indonesia Instruksi Presiden Republik Indonesia Nomor 5 Tahun 2008 Tentang Tentang Fokus Program Ekonomi Tahun 2008 - Fokus Program Ekonomi Tahun 2008 – 2009*, 2008), Presidential Decree No. 11 of 2011 on the Implementation of Commitments Community Blueprint Asean Economic Change the Presidential Decree on the National Committee for the Implementation of the Economic Community Preparatory Association of

Southeast Asian Nations (*Peraturan Presiden Republik Indonesia Nomor 22 Tahun 2012 Tentang Perubahan Atas Peraturan Presiden Nomor 31 Tahun 2010 Tentang Komite Ekonomi Nasional*, 2012). While preparation programs include MP3EI As Development Program, National Logistics Program, Preparation Competitiveness Roadmap, Policy Paper on Indonesia's readiness to face the AEC and the Establishment of the National Committee of AEC 2015 (*Keputusan Presiden Republik Indonesia Nomor 37 Tahun 2014 Tentang Komite Nasional Persiapan Pelaksanaan Masyarakat Ekonomi Association of Southeast Asian Nations*, 2014). UKP4-Monitoring established under President Susilo Bambang Yudhoyono (SBY) deactivated and the authority delegated to the Finance and Development Supervisory Agency which is under the direct supervision of President Joko Widodo (*Peraturan Presiden Republik Indonesia Nomor 192 Tahun 2014 Tentang Badan Pengawasan Keuangan Dan Pembangunan*, 2014).

A number of steps and cross-sectoral policies have been implemented, one of the strategies undertaken is to secure the industry offensively and defensively, by the use of instruments of trade remedies and issuance of smart regulation. Indonesia has built a system of Industrial Resilience Information System (IRIS) which is used to analyze the impact of import surges that affect the development of domestic industries. Offensive policy is done by monitoring the import of certain products or unfair trade and encourage domestic industry potentially affected serious loss of import trade remedies in order to appeal to the relevant authorities. Meanwhile, the defensive nature of the industry in the country is done when exposed to allegations of trade remedies by other countries

In Act No. 3 of 2014 on Industry also set the green industry to be part of the national industrial development objectives in accordance with the demands of the International Free Trade which stipulates that the industry environmentally friendly or green-paced industry, starting from the green label, green products, green packaging, green producers, green consumer, green ICT, green marketing, and so on which is integrated in an Industrial both goods and services. It is very closely related to the issue of environmental management has been a demand for the destination to save the environment and maintain environmental sustainability in an environmentally sound activities in the green business concept (Muradian & Martinez-Alier, 2001). Environmental

management obligations continually require industry awareness to act pro-actively in the effort for pollution control as a step to produce a product that has a comparative advantage and a sustainable (Poveda & Young, 2014). One way for consumers to assess the eco-friendly products is to look at the labels of products that are marked with a special certificate of ISO 14000 and ISO for small and medium enterprises has issued a certificate of ISO 14005 for environmental management of SMEs which emphasize on the management approach of raw materials, waste management, use of Effective natural resources, the use of technology that produces minimal waste production as well as applying environmental awareness commitment to all employees in the organization (Zorpas, 2010).

Industrial sectors, seeded grouped into two sectors, namely developed to control the ASEAN market and to dominate the domestic market. To control the ASEAN market, focusing on the development of the nine sectors: agro-based industries (CPO, cocoa, and rubber); industrial fish and dairy products; textiles and textile products; footwear (sport shoes) and leather products; furniture industry; food & beverage industry; fertilizer and petrochemical industries; industrial machinery and equipment; and basic metal industries of iron and steel. Whereas, to dominate the domestic market, focusing on the development of seven sectors: automotive industry, consumer electronics, cement, apparel, footwear (casual shoes), furniture, and food & beverage

2.4. Free Movement of Capital

The legal basis of investment in Indonesia was first set out in the Act in 1967 (*Undang-Undang Republik Indonesia Nomor 1 Tahun 1967 Tentang Penanaman Modal Asing*, 1967), and then set back in the Presidential Decree in 1998 (*Keputusan Presiden Republik Indonesia Nomor 77 Tahun 1998 Tentang Perubahan Atas Keputusan Presiden Nomor 60 Tahun 1998 Tentang Kedudukan, Tugas, Fungsi, Susunan Organisasi, Dan Tata Kerja Menteri Negara*, 1998). The capital market is understood as a means of exchange that brings supply and demand effects (stocks, stock certificates and bond), followed by Presidential Decree on the Implementation of Investors in the Context of Foreign and Domestic Through the One-Stop System (*Keputusan Presiden Republik Indonesia Nomor 29 Tahun 2004 Tentang Penyelenggaraan Penanaman Modal Dalam Rangka Penanaman Modal Asing Dan Penanaman Modal Dalam Negeri Melalui Sistem Pelayanan Satu Atap*, 2004).

In 2007, the Investment Law was set to give a much-needed clarity, especially among foreign investors (*Undang Undang Republik Indonesia Nomor 25 Tahun 2007 Tentang Penanaman Modal*, n.d.). While policies, deregulations and bureaucratizations taken by Indonesian government in order to stimulate investment and conducive business climate issued through Presidential Decree 2014 of the Business Registration of Closed and Open Business with requirements in the field of capital investment (*Peraturan Presiden Republik Indonesia Nomor 39 Tahun 2014 Tentang Daftar Bidang Usaha yang Tertutup dan Bidang Usaha yang Terbuka dengan Persyaratan di Bidang Penanaman Modal*, 2014). Issuance of this regulation aimed to sustain Indonesia's commitment to realizing the ASEAN Economic Community (AEC) in 2015. The policy is synergized with the efforts of central and local government (*Undang-Undang Republik Indonesia Nomor 32 Tahun 2004 Tentang Pemerintahan Daerah*, 2004). The efficiency and effectiveness of the regional administration needs to be improved with more attention to aspects of the relationship between the composition of the government and between local government, the potential and diversity of the region, the opportunities and challenges of global competition by providing the broadest powers to the regions, along with the rights and obligations held autonomy area in the unity of the state governance system. Mandate Act shows how important efficiency and transparency, so that e-government in line with its practice, for it is necessary to realize the balance of the role of central and local and national and regional balance in the financial sector (*Undang-Undang Republik Indonesia Nomor 25 Tahun 1999 Tentang Perimbangan Keuangan Antara Pemerintah Pusat Dan Daerah*, 1999) (*Undang-Undang Republik Indonesia Nomor 33 Tahun 2004 Tentang Perimbangan Keuangan Antara Pemerintah Pusat Dan Pemerintahan Daerah*, 2004).

3. Effectiveness of Policy on Selected Government

Imported product quality at affordable prices greatly affect the viability of domestic products; import volume could continue to increase because the product of Indonesia has a lower competitiveness. Press release of Ministry of Industry; Increasing International Cooperation in the Field of Industry (Hartono, 2015), declared the Year 2015 of 5,017 products, there are 1,122 strong competitive products, where as many as 929 or 82.79% are industrial products. meanwhile, in

2020, predicted total Indonesian products will have strong competitiveness as much as 1,141 products, of which 946 or 82.90% of products are industrial products. Estimated Revealed Comparative Advantages (RCA) in 2015 and 2020 were calculated based on the forecast of growth in the industry, the competitiveness of Indonesian products are still under Singapore, Thailand, Malaysia, and Vietnam. Indonesian industrial products competitive around 22.15%, while Singapore (41.95%) and Thailand (38.78%). To face the challenge of accelerating the implementation of the proposal safeguards and anti-dumping duties for certain imported products, build a test laboratory facilities, increase the competence of human resources industry, the preparation of the National Competence Indonesia (SKKNI) in each industrial sector, strengthening SMEs, and the development of new entrepreneurs industry and intensify socialization AEC 2015 to industry stakeholders. Proposing the imposition acceleration within a matter of months it makes no sense can be effectively carried out by the new government, Joko Widodo-Yusuf Kalla. Many problems arise or inherited by the previous government seemed to be the benchmark of the unpreparedness of government in December 2015 in anticipating AEC.

Although government policy regarding the protection of domestic products is set in the Act and regulations as the basis of anticipation, not be aligned with the increasing of Human Resources, Indonesia will not be able to anticipate or survive in the free trade AEC. Improvement of Human Resources affect the increase in the selling value of products, as well as the sale value of labor given considering the Elimination of Non-Tariff Barriers and Single Window resulted in labor from abroad will be more easily migrated to Indonesia. Foreign workers who have expertise on the expertise of Indonesian workers would get a job in any companies in Indonesia. Difficulties for Indonesia to compete with foreign workers due to the high number of Indonesian people who do not have adequate skills as standard. As a result, unemployment will increase and it is definitely an impact on the development of Small and Medium Industries in Indonesia. The high number of underemployed (disguised unemployment) due to lack of interest in entrepreneurship be one obstacle in accelerating the expansion of employment opportunities, Indonesian workers still dominated by workers not trained so that labor productivity is low. Interestingly the number of unemployed educated workforce increases, resulting in a

mismatch between college graduates with the needs of the labor market coupled with inequality in labor productivity between sectors of the economy.

Economic inequality is also influenced by the availability of adequate infrastructure between central and local governments' role in providing economic services are not created properly. This responsibility is not just seen as a public good but is more often seen as an economic good. Whereas been mandated in the Act that the acquisition of land for development is in the public interest (*Undang-Undang Republik Indonesia Nomor 2 Tahun 2012 Tentang Pengadaan Tanah Bagi Pembangunan Untuk Kepentingan Umum*, 2012), which is intended to the land in the public interest of which is land that is utilized for public roads, highways, tunnels, railways, railway stations, and railway operation facilities, ports and airports; but the limitations of the Indonesian government in financing infrastructure development encourage the need for private participation in development. This can be done through the cooperation of concessions when the market is not well developed due to a condition that is less supportive structures to create open market competition so that benefit consumers. But in the implementation of the concession with a conducive atmosphere can not be created by the government so that the private sector as investors are less willing to cooperate. Based on the annual report of the Commission in 2013 (*Jumlah Laporan Masyarakat Terkait Dugaan Persengkongkolan Tender Meningkat*, 2013), there were 150 reports (78.5%) which is a tender report and the remaining 41 reports (21.5%) were non-tender reports. This percentage has increased over the previous year to reach 77% of reports related to the procurement of goods and services. Creating a market structure in favor of the competition requires the consequences of the government to the investments made can benefit private parties but the Government also should prevent monopolistic practices of concessionaires so as to create a healthy competition and avoid collusion in the process of determining the winner of the concession.

The problems in Indonesian infrastructure development to encourage the competitiveness of the region or the competitiveness of products in order to be able and capable to compete in the AEC is a constraint that bring on the President of the Republic of Indonesia Regulation in order to accelerate and expand economic development in Indonesia can be fixed (*Peraturan Presiden Republik Indonesia Nomor 32 Tahun 2011 Tentang Masterplan Percepatan Dan Perluasan Pembangunan Ekonomi Indonesia 2011-2025*,

2011), through government regulation is expected to be the basis to accelerate and expand the infrastructure on three main pillars, namely the strategy of increasing the potential of the region through the development of growth centers in the economic corridor, strategies strengthen connectivity national, as well as strategies to increase the capacity of human resources and science and technology. MP3EI is expected to be one of the media to increase regional competitiveness, product competitiveness, and the flow of foreign direct investment on the condition of AEC 2015.

Accelerated development of the expected maximum is not yet realized, any acceleration of the policy proposal is expected to anticipate and fortify entrepreneurs, a Hope can be changed into a pressure when new policies are published very surprisingly for entrepreneurs on January 26, 2015, a policy of the Director General of Taxation to implement tax cuts deposits, in this case, DG taxes require banks submit data chunks evidence Tax (SPT) Income Tax (VAT) and savings deposits belonging to clients in detail (*Peraturan Direktur Jenderal Pajak Nomor Per-01/Pj/2015 Tentang Perubahan Atas Peraturan Direktur Jenderal Pajak Nomor Per- 53/Pj/2009 Tentang Bentuk Formulir Surat Pemberitahuan Masa Pajak Penghasilan Final Pasal 4 Ayat (2), Surat Pemberitahuan Masa Pajak*, 2015). The regulation surprising banks and judged by the Association of National Banks (Banks Association) will affect the flight of capital flows on a large scale from domestic to overseas (capital flight) so that these rules could potentially violate the Banking Act. Although these regulations ultimately postponed after the Financial Services Authority (FSA) and the Bankers appealed (iwan, bari, 2015). The government policy in facing AEC at the end of year 2015 is expected to change the paradigm that leads to entrepreneurship and promoting the national interest.

4. Policy on SMEs

Based on the data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (*Rencana Strategis Kementerian Koperasi Dan Usaha Kecil Dan Menengah Republik Indonesia Tahun 2012 - 2014*, 2012), the number of MSMEs (micro units, small and medium enterprises) in Indonesia reached 52.2 million units is the pioneer of the most dominant economic actors 99.99% and employment for 101 722 458 people. Minister of Industry -Saleh Husin (Festiani, 2015), suggesting the growth of non-oil

manufacturing sector in 2014 reached 5.34 percent and a contributor to the Gross Domestic Product (GDP) National with a contribution of 20.84 percent. Data Semester I Perindustrian Ministry of macro economic performance (*Laporan Kinerja Makro Ekonomi dan Sektor Industri Triwulan II (Semester I) Tahun 2014*, 2014) states that the highest growth in non-oil industry the second quarter of 2014 reached by Industry Everything Else 13.33 percent (y to y). Followed successively by Industry Food, Beverages and Tobacco by 9.74 percent; Industrial Wood Products and Other Forest Products amounted to 7.53 percent; Paper and Printing Industries of 5.68 percent; Fertilizer Industry, Chemical and Rubber Goods by 3.92 percent from; Textile, Leather Goods and Footwear of 3.22 percent; Industrial Transport Equipment, Machinery and Equipment is at 3.13 percent; Cement Industry and Non Metallic Minerals Goods by 2.84 percent; and lastly Metals Industry Association of Iron and Steel by 2.53 percent. In the second quarter of 2014, branches of industry that contributes most to the non-oil industry is a branch of Industrial Food, Beverages and Tobacco by 36.77 percent or 190.02 trillion worth, followed by Branch Industrial Transport Equipment, Machinery and Equipment is at 27.64 percent and Industry Branch Fertilizer, Chemical and Rubber Goods from at 11.72 percent. Central Bureau of Statistics (*Pertumbuhan Ekonomi Indonesia Triwulan II-2014*, 2014) that the Indonesian economy is measured by the amount of the Gross Domestic Product (GDP) at current prices in the second quarter of 2014 to reach Rp2.480,8 trillion, while the GDP price constant 2000 reached Rp724,1 trillion and for by the increase in Gross Domestic Product (GDP) in the second quarter of 2014 compared to the first quarter of 2014 to reach 2.47 percent (q-to-q), and when compared to the same quarter of 2013 grew 5.12 percent (y-on-y). Cumulatively, Indonesia's economic growth in the first half of 2014 compared with the first half of 2013 grew by 5.17 per cent (c-to-c).

Given the scale of the non-oil industry's role in the national economy including the SMEs, the President issued regulations for micro and small enterprises as giving license to support business continuity, encourage regional economic growth and empowerment of micro and small businesses (*Peraturan Presiden Republik Indonesia Nomor 98 Tahun 2014 Tentang Perizinan Untuk Usaha Mikro Dan Kecil*, 2014). Through this Pepres government freed from micro and small entrepreneurs must have a Taxpayer Identification Number (TIN). Instead, the government issued license micro and

small enterprises (IUMK) in manuscript form a single sheet. It is stated in Article 3 paragraph 3 which reads "IUMK given in manuscript form a sheet." IUMK as set forth in this regulation, given to micro and small businesses that meet the requirements will be determined by the District / City Government based on the Regulation of the Minister of country. With the existence of this regulation, all the micro and small businesses with a turnover of not more than Rp 400 million per month or USD 4.8 billion per year will get a legitimate legal certainty for businesses operating in the territory of the Republic of Indonesia. In addition, micro and small entrepreneurs will find it easy to try, access to banking and capital which have often hampered the process of opening a bank account because the obligation to have a TIN, notarization, the basic law firms and others. To address the problem of financing or capital, the business license of the sheet, will provide easy access to small loans. The business license of the sheet also frees the micro and small businesses of all levies collected by the central and local governments. This is emphasized in Article 3 Paragraph 4, which reads "Giving IUMK to micro and small enterprises are exempted or given relief with no extra charges, fees, and / or other charges. Also easy access to services, namely to bring one-stop integrated service delivery at the micro and small businesses through the delegation of authority to the district / city closest to micro and small businesses are sub-district head, set forth in Article 4 Paragraph 1, which reads "Implementing IUMK is the district head delegated authority from the Regent / Mayor. "In fact, if necessary, the sub can delegate this authority to the ravine due consideration of regional characteristics set out in Article 4 Paragraph 2.....

Another strategy that is done in facing the ASEAN free trade era through the Ministry of Cooperatives and SMEs to help offenders KUKM, among others, increased oversight of the AEC KUKM offenders, increase the efficiency of production and business management, increase market absorption KUKM local products, the creation of a conducive business climate. However, one of the main obstacles for the sector factor Cooperatives and SMEs to compete in the era of free market is the quality of human resources (HR) KUKM actors are generally still low. While the Ministry of Industry has made the provision of incentives for SMEs actors for the development of green industries conducted with rebates for the purchase of new machines in the textile industry and textile products (TPT), footwear, and sugar

through machining restructuring programs that have been implemented since 2007 and has have a significant impact in the form of savings of up to 25% of energy use, increase productivity up to 17%, increase employment and improve the effectiveness of the rollers on the sugar industry ("Kemenperin Terus Dorong Industri Hijau," 2013). Although the amount of production a bit and may not contribute to significant environmental impacts individually, but in the aggregate, the resulting environmental impact can be very large if not matched by awareness to environmentally friendly production. Therefore, the Ministry of Cooperatives and SMEs to provide guidance and empowerment KUKM aimed at improving the quality and standards of products, in order to improve the performance KUKM to produce products of high competitiveness and sustainability efforts (Ma'mun Sarma, 2014). The Ministry of Industry is also implementing the development and empowerment of small and medium industries (SMEs) that are part of the SME sector. Strengthening SMEs play an important role in poverty reduction efforts through the expansion of employment opportunities and produce goods or services to be exported. In addition, coordination and consolidation among agencies and ministries also be improved so that the inhibiting factors can be eliminated. One is on coordinating the efforts made by the ministry of industry which provide space for SMEs to market their products in modern retail market and is expected to motivate SMEs to increase productivity so as to help these problems (*Peraturan Menteri Perdagangan Republik Indonesia Nomor 56/M-DAG/PER/9/2014 tentang Perubahan atas peraturan Perubahan Atas Peraturan Menteri Perdagangan Nomor 70/M-DAG/PER/12/2013 tentang Pedoman Penataan dan Pembinaan Pasar Tradisional, Pusat Perbel, 2014*).

While the AEC Focus on SMEs ("Small and Medium Enterprises," n.d.), expressed in the Action Plan consists of strategic work program, policy AEC sures and output indicative undertaken by ASEAN SME Working Group (Consisting of bodies of SMEs from all Member States) with agencies and private sector SMEs. In particular, five main points that are targeted for the SME section under the AEC Blueprint is the establishment of (a) a common curriculum for entrepreneurship in ASEAN, with Indonesia and Singapore as the main countries (2008-2009); (B) a comprehensive SME service center with regional and sub-regional linkages in member countries, with Thailand and Viet Nam as a major state (2010-2011); (C) SME financial facilities in each Member

State, with Malaysia and Brunei Darussalam as the main countries (2010-2011); (D) regional program apprenticeship scheme for staff exchanges and visits for skills training, with Myanmar and the Philippines as the major countries (2012-2013); and (e) regional SME development fund to be used as a funding source for SMEs that do business in ASEAN, with Laos and Thailand as the main state (2014-2015).

4. Discussion and Conclusion

Press releases Ministry of Trade (Gultom, 2015), Indonesia's commitment to realize the AEC delivered by the Minister of Trade of the Republic of Indonesia in meeting the 21st ASEAN Economic Ministers Meeting Retreat in Kota Bahru, Kelantan, Malaysia and agreed to the average economic growth in the region of 5.1 percent. A number of recommendations will be executed trade cooperation ASEAN members to achieve the target of 5.1 percent economic growth is, among others: First, an increase in the role of association / initiatives that have a major impact on the business world such as the application of ABTC ASEAN, ASEAN Young Entrepreneurs Association empowerment and Indonesian Women Entrepreneurs, and the development of the ASEAN Secretariat website. Second, the commitment to establish the ASEAN SME Bank will provide access to finance to SMEs. Third, the implementation of several initiatives before November 2015, among others, cooperation cost, logistics, taxation, and the free movement of individuals in ASEAN. Fourth, the development of post-2015 agenda, namely the ASEAN needs to be closer to the people and businesses to more closely with ASEAN

Previous dated February 23, 2015 in a limited discussion forum early 2015 Indonesian Trade Minister Rachmat Gobel said that Indonesia is not yet ready to face the AEC in 2014 due to lack of preparation Indonesia maximum and raises questions on the implementation of regional preparedness and entrepreneurs, markets can not be managed, the provision of capital and incentives are minimal, and the flood of foreign products in Indonesia (Sindo, 2015). It is the same comment delivered by the Minister of Cooperatives and SMEs RI Anak Agung Gede Ngurah Puspayoga (Perdana, 2015)

However, different from the Ministry of Agriculture issued the news ("Sektor Pertanian Indonesia Menghadapi MEA 2015," 2015), to implement Indonesia's commitment to realize the AEC 2015 should refer to the AEC Blueprint,

which contains four elements. Achievement of the AEC Blueprint each ASEAN member country Scorecard assessed using instruments that are evaluated periodically by the ASEAN Secretariat and is updated every year. The achievement of this Scorecard political value because it reflects the seriousness of ASEAN in realizing the AEC. Based on the AEC Scorecard report, the achievement of the AEC Scorecard based Prioritised Key Deliverables ASEAN per October 2014 amounted to 82.1%. Indonesia's achievement of 85.5% (seen from all sectors). Indonesia is in the lowest third position after Laos (84.7%) and Myanmar (84%), while the highest achievements are Vietnam and Singapore (90%). While the free flow of goods (Free Flow of Goods), for 6 (six) ASEAN countries (Indonesia, Malaysia, Thailand, the Philippines, Brunei, and Singapore), has been abolished tariffs influx since January 1, 2010 (0%). So the ASEAN Free Trade Area / AFTA) has been going on since the 4 (four) years. It is guided by the ASEAN Protocol for goods / products in the category of the Inclusion List. As for 4 (four) other ASEAN countries (Cambodia, Laos, Myanmar, and Vietnam) applying the Customs Tariff in full effect January 1, 2015. Special for rice and sugar products, Indonesia is still allowed to apply high tariffs, it is guided by the Protocol to Provide Special Consideration for Rice and Sugar (waiver).

Looking at the different situations and conditions, and no information singkronnya intertwined in ministry and so many obstacles in the face of AEC 2015 and not the maximum of all the rules, policies and law as well as facilities that shall be prepared by the Indonesian government in the face of free trade has become a chore that accumulate under the new government. While the chances of SMEs in facing the AEC much left unprepared government's track record on the problem of a lack of SMEs in the face of the AEC, among others, the level of competitiveness and increasingly competitive human resources, production and management according to standard AEC, design and quality of the products based on the ISO-26000, the ability to maintain the stability of income and the ability to utilize the financing facilities (Thaher, 2014). While a systemic problem as a constraint Indonesia in the face of the AEC is still under construction, and continue to be developed as infrastructure, regulation, consumerism, competitiveness and market access, infrastructure technology, consulting and information services, access to capital, quality of human resources and technology and innovation

A conclusion in this article, we argue that strengthening SMEs play an important role in poverty alleviation and the opening of jobs, the need for the government to improve the coordination and consolidation among agencies and ministries in the synergy of vision and programs to annul the limiting factors in the face of the AEC. The government also should always facilitate SMEs in introducing its products in the international market, especially the ASEAN (Tedjasuksmana, 2014). The government can provide compensation in the form of land tax reduction by motivating to be and exist for export or build SME industry to other countries, the expansion of access to financing and interest cost reduction as the People's Business Credit, Credit Food Security and Energy, Venture Capital, Islamic Finance, Tax Receivables and Export Financing Institutions in Indonesia. Optimization of SMEs is of course not only by the government alone, but the need for synergy between central and local government, public and banking.

We suggest further research need an in-depth study to determine the extent of the readiness of Indonesia to face the ASEAN free trade with a grace period of eight months ahead so that discovered a method to resolve the problems of the unpreparedness of all sectors of the constraints of Indonesia facing the AEC, although it may be too late and we hope to do more research in order to explain the causes for the difference data indicated readiness Indonesia facing the AEC in this article can serve as a basic reference. Finally, we were forced to leave a question that perhaps can be answered for the next researcher "Could AEC be effectively applied in Indonesia?".

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