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MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS - CULTURAL ISSUES

Ho Chi Minh City, Vietnam | 18th - 20th March 2016



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**MARKET INTEGRATION IN ASEAN:
SUSTAINABLE GROWTH AND
CROSS CULTURAL ISSUES**

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Department on Management
Faculty of Business and Economics, University of Surabaya,
Surabesia

University of Social Sciences and Humanities, Vietnam National
University Ho Chi Minh City (USSH, VNU-HCM), Vietnam

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MARKET INTEGRATION IN ASEAN:

SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES

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FOREWORD

It is with deep satisfaction that I write this Foreword to the Proceedings of *THE 13TH INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT (INSYMA)* held at University of Social Sciences and Humanities, Vietnam National University - Ho Chi Minh City, Vietnam, March 18 -20, 2016. The 13th Insyma aims to provide a forum for discussion among leading academics, researchers, students, and practitioners from all over the world, experts in economic and social sciences.

The theme for INSYMA 2016 is **“MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES”**. This theme represent emerging and highly challenging and opportunities area of research and practice.

There has been tremendous number of researchers investigating the impact of market integration and cultural impacts on economy on several communities. Mainly they found a positive impact on the economic growth as a result on significant increasing of trading for products and services in its country member. Nevertheless, market distabilization is still main disadvantage of the regional integration. Regional community needed to developed the new model of market integration system that could minimize the disadvantages.

Hundreds of scientific papers are sent to the conference commitees in Indonesia and in Vietnam, and the results of a rigorous selection of 160 selected. This paper is derived from a variety of authors, both within and outside Indonesia and Vietnam, academics and practitioners. All the articles are then presented at the symposium and documented in this proceedings.

We thank all authors, participants, sponsors and co-hosts for their contributions and we hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection.

Ho Chi Minh, Vietnam, 18th-20th March 2016

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AND CROSS CULTURE ISSUES**

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ASEAN ECONOMIC COMMUNITY CHALLENGING AND OPPORTUNITY FOR INDONESIAN GRADUATE

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Abstract

Association of Southeast Asian Nations (ASEAN) was established in 1967. It is a large economic block in Asia. ASEAN Economic Community (AEC) is the goal of regional economic integration of ASEAN countries by 2015, as stated by the heads of the ASEAN governments back in 2007 at the 13th Singapore Summit. To this end of year 2015, the AEC envisages to transform ASEAN into a region with "free movement of goods, services, investment, and skilled labor". ASEAN Comprising of 10 countries and the region boasts a population of over 600 million. Among several numbers of universities in ASEAN countries that produce graduates every year, some placed in top ranking in the world. The implementation of AEC will impact on jobs opportunity for the graduates in all over ASEAN countries. Competition and challenging to find good jobs among graduated student is one of the issues because of skilled people being free to work in all ASEAN countries. Challenging and opportunity for Indonesian graduates is focused in this paper, as well as several suggestion and solution in order to get good jobs in overseas countries. High competition for all of graduate student in ASEAN countries make home university prepare the entire student that should be ready with challenging by preparing extra skill and key point to every students.

JEL Classification: I23, I28

INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) was formed by Indonesia, Malaysia, Philippines, Singapore, and Thailand in 1967 mainly to foster regional peace and security. Brunei Darussalam joined in 1984, and Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (CLMV) joined between 1995 and 1999. Economic cooperation and integration began modestly in 1977 with the Preferential Trading Arrangement and a number of industrial cooperation schemes [1]. Economic integration began with the 1992 ASEAN Free Trade Area (AFTA) that covers trade in goods, complemented by the 1995 ASEAN Framework Agreement on Services (AFAS) and the 1998 ASEAN Investment Area (AIA) agreement. In 2003, it was agreed to deepen economic integration with the formation of the ASEAN Economic Community (AEC), so as to create a unified market and production base via a free flow of goods, services, foreign direct investment, skilled labor, and a freer flow of capital [2].

ASEAN Economic Community (AEC) is the end-goal of the block economic integration as espoused in its "Vision 2020". The latter was articulated in 1997 by the ASEAN heads of state, in the aftermath of the eruption of the Asian financial crisis, seeking to create a stable, prosperous and highly competitive economic region. The decision to establish the ASEAN Economic Community was affirmed by the Declaration of ASEAN Concord II in Bali, Indonesia, in 2003. The Declaration came not long after China joined the WTO and India emerged as an investment and offshore location for multinational corporations. The rise of the emerging markets, particularly the BRIC, appears to have given the ASEAN leaders an impetus to do something to keep the region under investors' radar. The launch of AEC is currently planned for the end of 2015. The start date was initially set for 2020 and subsequently moved forward to January 1, 2015. In November 2012, ASEAN leaders agreed to move the launch date again to December 31, 2015 in order to give member states more time to prepare for necessary regulatory changes [2].

There are still some challenges that ASEAN countries face in implementing the free flow of skilled-labor through the Mutual Recognition Arrangement (MRA). One is in regulation harmonization, with the MRA still subject to domestic rules and regulations, many of which are highly restrictive. In Indonesia, foreigners are only allowed to hold positions that cannot be filled by nationals. In Cambodia, Thailand, Myanmar and Lao DPR, hiring companies are obliged to ensure that there will be a transfer of knowledge to local employees, and that foreign employees will eventually be replaced by locals. The Philippines also reserves some professions for its nationals. This means that foreign labor still needs to understand the target country's regulations before being allowed to work there, even though the MRA has already been established. In other words, local laws are likely to contradict the spirit of the AEC in this regard.

Access to working visas is another challenge. In most of ASEAN, the application process is lengthy and there is no unified policy. The requirements also vary from country to country. As of today, some restrictions effectively limit the ability of non-nationals to gain access to employment in many sectors. Many companies in Indonesia report that obtaining work permits for expatriates is growing increasingly difficult [3]. The movement of labor within the framework of the AEC is under the Mutual Recognition Arrangement (MRA), an agreement to facilitate trade in services by establishing standards for mutual licensing or certification of professionals. So far, ASEAN countries have agreed on six MRA and two MRA frameworks for the following professions:

- Engineering services;
- Nursing services;
- Architectural services;
- Medical practitioners;
- Dental practitioners;
- Tourism professionals;
- Surveying qualifications;
- Accountancy services.

With the MRA in place, professional service suppliers from sectors that are registered or certified by the relevant authorities in their home countries will also be recognized by other ASEAN countries participating in the arrangement. Countries' competitiveness, productivity, and growth depend largely on their ability to acquire and use new knowledge and constantly upgrade the skills of their workforces. Many countries do not, however, have the educational systems necessary to cultivate the kind of workforces they need, and in developing countries it is common for the most highly skilled workers to emigrate for job opportunities abroad.

In response to the mounting evidence that migrants in the region lack the skills recognition required to put their knowledge and training to use in destination countries, ASEAN Member States are taking steps toward better qualifications recognition to prevent the resulting waste of human capital. The approach embodied in the AEC is different from the notion of free labor flows understood from common practice in Europe or the Caribbean Community (CARICOM). Instead of aiming for the unrestricted "free" flow of skilled labor, the AEC seeks to facilitate a "freer" flow, primarily through the implementation of Mutual Recognition Agreements (MRAs) that establish qualification frameworks and facilitate temporary visa issuance for individual occupations.

ASEAN UNIVERSITY GRADUATE

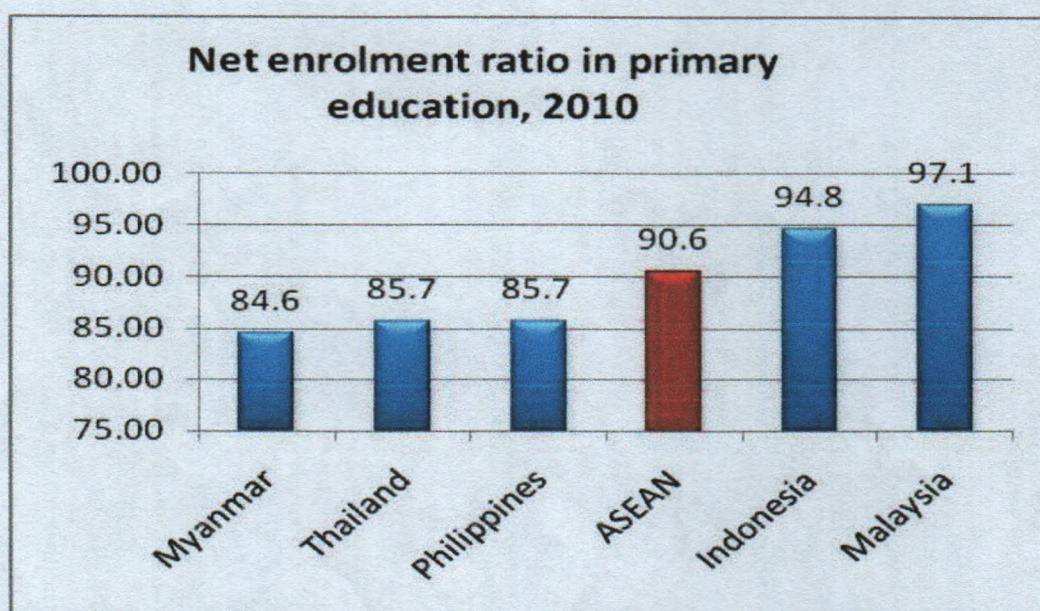
With the ASEAN Community set to be established in December 2015, there is a need to revisit the failed 1992 ASEAN initiative to establish an ASEAN University. Its failure should not be attributed to lack of political will among ASEAN member states, but rather to an immature regionalization process. Although the ASEAN University initiative was shelved, it facilitated the establishment of one of the core organizations in ASEAN regionalization of higher education, the ASEAN University Network, AUN. With AUN university membership representing two to four key universities from each ASEAN member state, the network has facilitated enhanced collaboration at institutional level and more recently at regional level with other key regional organizations dealing with higher education. The ASEAN Credit Transfer System, Student Mobility Programmes and Internal Quality Assurance have been initiated, established and implemented across AUN member universities.

Although its mandate is not at the regional level, AUN member universities and the policies and programs initiated within the AUN aim to promote good practices among all ASEAN universities. While there is a growing number of ASEAN-related courses and a few programs, there is a lack of ASEAN centeredness in any ASEAN university. This can be attributed to the highly competitive global higher education market and the competition within ASEAN universities for students, funding and global recognition primarily in terms of global rankings. No single ASEAN university or institution is focused on conducting research on ASEAN-related issues such as history, culture, society and the challenges and opportunities brought about by the establishment of an ASEAN Community. Furthermore, there is no authoritative institution that serves as a repository of ASEAN-related knowledge or serves as a think-tank focused on the current and future challenges of the ASEAN and its member states. Figure 1 shows the number of public and private Universities in ASEAN countries also, include China and Korea.

Continuous education is related to the primary education started from elementary school, number of student in elementary school that continue in next level of education as indicator of educated people in such country. Besides, indicator of primary student continuous study in higher education such as polytechnic, academy or university is the signs that intention in education is good. Figure 2 shows the number of percentage participant student enrolment in primary education: average of ASEAN country is 90.6 % and Malaysia is in higher ranking which 97.1 % of student participant. Average in all countries participant is above on 80 % means that level of education in elementary school is high. The data shows that the education of some ASEAN countries is priority for the community. Singapore is a modern country where the level of educated people is almost 100 % because of small country.

Country	Public	Private	of which branch campuses of foreign universities
CAMBODIA	34	57	1
CHINA (2011)	1,887	836	13
INDONESIA	83	2,818	-
KOREA, REP.	61	350	2
LAO PDR	22	77	-
MALAYSIA	20	491	9
PHILIPPINES	220	1,636	-
SINGAPORE	5	31	16
THAILAND	98	71	2
VIET NAM (2011)	187	28	1

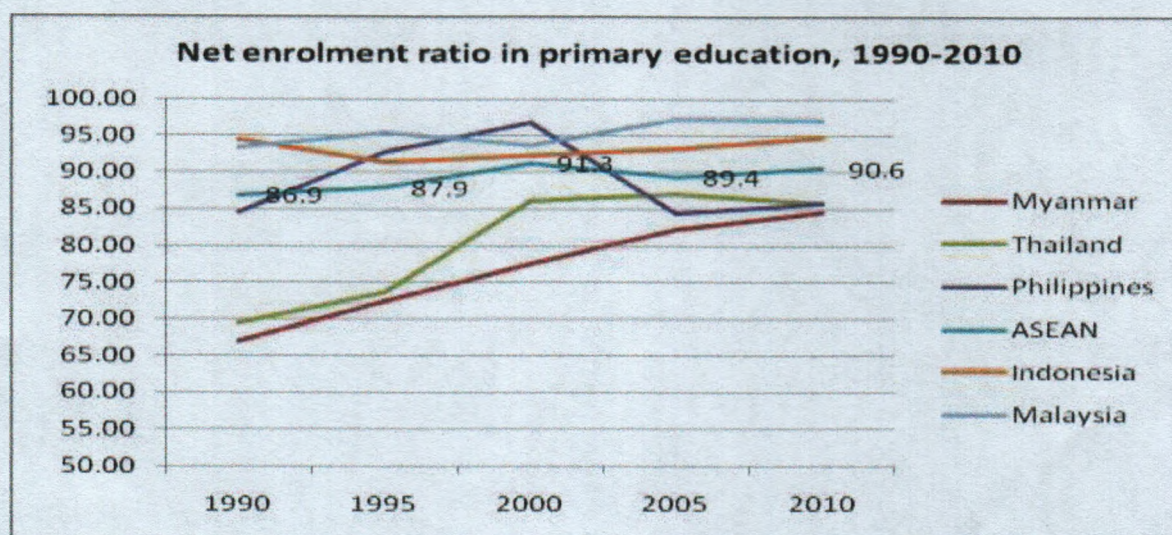
Figure 1. Number of public and private Universities in Asia



Source: ASEAN stats database

Figure 2. Number of enrolment ratio in primary student some of ASEAN country

The enrolment of primary student in ASEAN country since 1990 is not much significant changes; overall of ASEAN country percentage is from 85%-90%, but significant improvement is well done for Myanmar and Thailand. This data shows that the majority of ASEAN countries has been prepared and participated in education program, thus it will be impact on the number of higher education. Figure 3 shows the data of primary education participant of ASEAN countries and average from 1990–2010.



Source: ASEAN stats database

Figure 3. *Number of enrolment ratio in primary student some of ASEAN country*

JOBS OPPORTUNITY IN ASEAN COUNTRIES

The services sector liberalization involving freedom labor skilled movement provides great opportunities for Indonesian. Indonesia is one of the ASEAN country which face labor problems that characterized by the excess labor supply. Although economic growth in Indonesia is relatively high, there are many job seekers that cannot be absorbed because of the excess labor supply. This means that there are many job seekers do not get the job so they are unemployed. If the ASEAN Economic Community (AEC) can be realized, it will provide greater employment opportunities for each ASEAN country. Indonesia skilled labor must be able to enter the labor market in each ASEAN country. Workers must have sufficient expertise and skill in accordance with the requirements of the labor market. To meet the the job market's demands for specific workers, it is necessary to make preparations and an improvement. ASEAN countries including Indonesia need to harmonize the skilled labor movement. There are many policies to do this, such as [3]:

- 1) Strengthen cooperation between universities in ASEAN in order to increase the mobility of students and lecture.
- 2) To develop competence, qualifications and skills are needed in the job market.
- 3) Strengthen the research capabilities of each country to boost skills and job placement and to develop an information network about the skilled labor market in ASEAN.

Skilled labor is normally produced by higher education such as University, academic, polytechnic, etc. Indonesia has thousand number of universities being reputable among ASEAN country; and students graduating from this institution are able to be in competition among ASEAN countries for job seeker. Figure 4 shows Top 20 University ranking in Indonesia Webometric version that currently produce skilled graduates from Indonesia.

ranking	World Rank	University	Det.	Presence Rank*	Impact Rank*	Openness Rank*	Excellence Rank*
1	781	Universitas Gadjah Mada		648	414	156	2045
2	819	Institute of Technology Bandung		723	494	445	1903
3	909	University of Indonesia		649	853	257	1851
4	1440	Airlangga University		983	987	105	3140
5	1517	Brawijaya University		671	383	304	3964
6	1528	Diponegoro University / Universitas Diponegoro		678	1187	395	3048
7	1554	Bogor Agricultural University		692	1430	465	2908
8	1887	Institut Teknologi Sepuluh Nopember		1246	2209	38	3304
9	1913	Universitas Padjadjaran		1359	1166	317	3839
10	2078	Universitas Lampung		2337	1511	157	3964
11	2329	Universitas Sylah Kuala		1242	3466	2685	2881
12	2342	Universitas Pendidikan Indonesia / Indonesia University of Education		885	658	73	5490
13	2344	Petra Christian University		1132	3517	172	3423
14	2367	Universitas Sebelas Maret		696	983	645	4898
15	2410	Universitas Riau		2912	2501	1281	3482
16	2416	Gunadarma University		4096	1219	8	4898
17	2558	Hasanuddin University		980	3030	1249	3656
18	2623	Institut Agama Islam Negeri Walsongo Semarang		1568	729	863	5490
19	2711	Universitas Sriwijaya		1553	2086	41	4898
20	2815	Yogyakarta State University		924	1336	345	5490

Source: www.webometric.com

Figure 4. Indonesia University ranking Top 20

Free flow skilled labor barriers although the ASEAN economic ministers have signed AFAS, but there are many barriers to the free job of skilled labor. Some countries which face labor surplus problems such as Indonesia and Philippines have done a conservative policy. This policy aims to protect the domestic labor market. There are some policies or the

rules that prohibit or complicate the entry of foreign workers. Indonesia has adopted a conservative approach to employment for foreign workers. The foreign workers problem stipulated in the Labor Law no. 13 of 2003 [6], which confirms that the foreign workers may work in Indonesia only with a job that no Indonesian citizens is willing to take. Various policies have been implemented to promote rapid replacement of the foreign workers by Indonesia workers. Employers must obtain permission from the Ministry of Manpower and Transmigration to mention the position which will be held by the foreign workers.

INDONESIA UNIVERSITY GRADUATE

Several other ASEAN countries, such as the Philippines and Thailand, also apply similar restrictions on the deployment of professional foreign workers in their countries. The two countries are also face a labor surplus problem although it is not as big as the Indonesia' problem. The consideration of the national interest of both countries make the Philippines and Thailand take a conservative policy. Meanwhile, a more open policy to foreign workers is applied by Singapore and Malaysia. In both countries, foreign workers are regarded as an important component to improve their industry and technology in order to increase the supply of creative workers in these countries. Number of student participant in higher education for ASEAN country is increasing by the year, higher education program started from bachelor, master and doctoral. Figure 5 shows number of graduate from ASEAN countries include some of others ASIAN country and graduating level such as bachelor, master and doctoral.

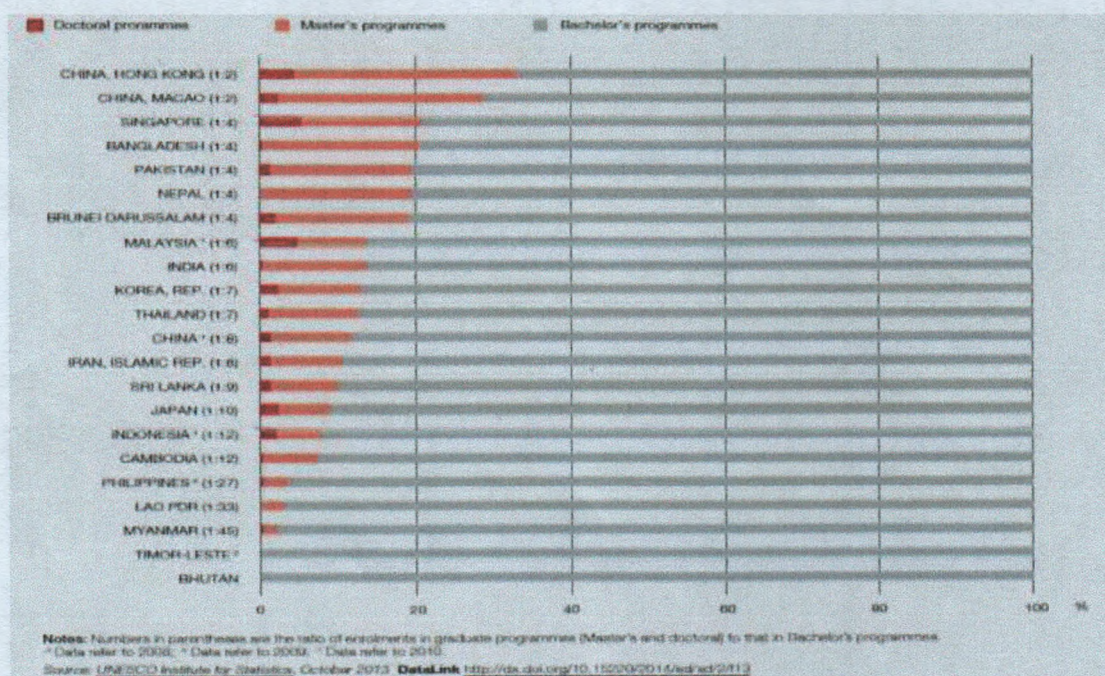


Figure 5. *Number of Bachelor's, Master's and Doctoral graduates per 100,000 inhabitants by country or territory or most recent year available*

Another problem is the difference in the employment policy in each ASEAN country. This problem is shown by the country which has ratified almost all of the convention ILO (International Labor Organization) such as Indonesia and the other countries has ratified a small amount of the ILO conventions only. The labor regulations difference is a barrier to the free flow of skilled workers. Figure 6 shows employment population ratio of ASEAN countries and average overall in ASEAN.

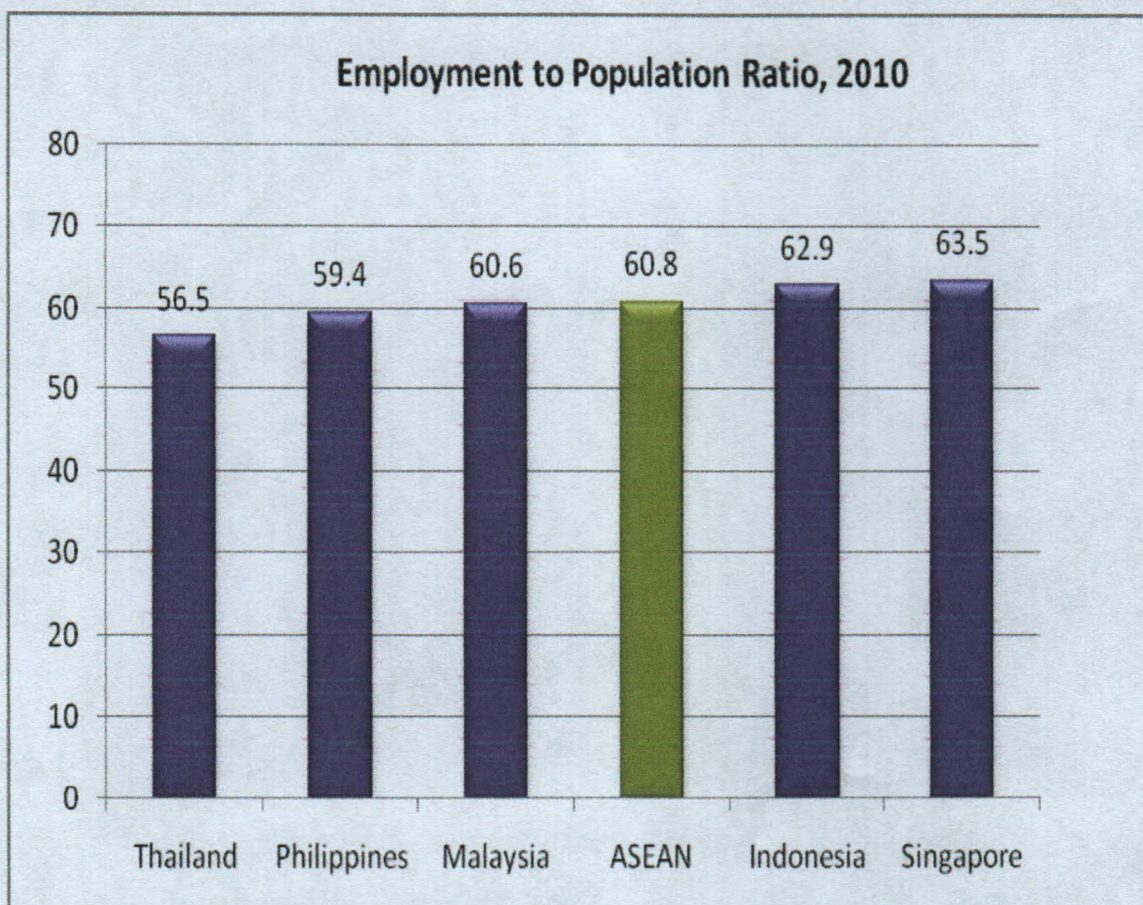


Figure 6. *Number of employment population radio in ASEAN country*

Further institutional problems also occur in the implementation of the MRA. Many professional groups have been involved in developing common standards in the ASEAN region. But there are still barriers to higher mobility between countries, involving the failure to give proper recognition to the bachelor's degree (which is associated with differences in the institutions quality), and English language competence. Various domestic restrictions in some areas such as education and health continued to restrict the

employment of foreign workers to enter Indonesia and the mobility of Indonesia professional workers to go abroad. Figure 7 shows the number of employment population ratio in ASEAN country within 1990-2010.

Employment to Population Ratio in ASEAN5

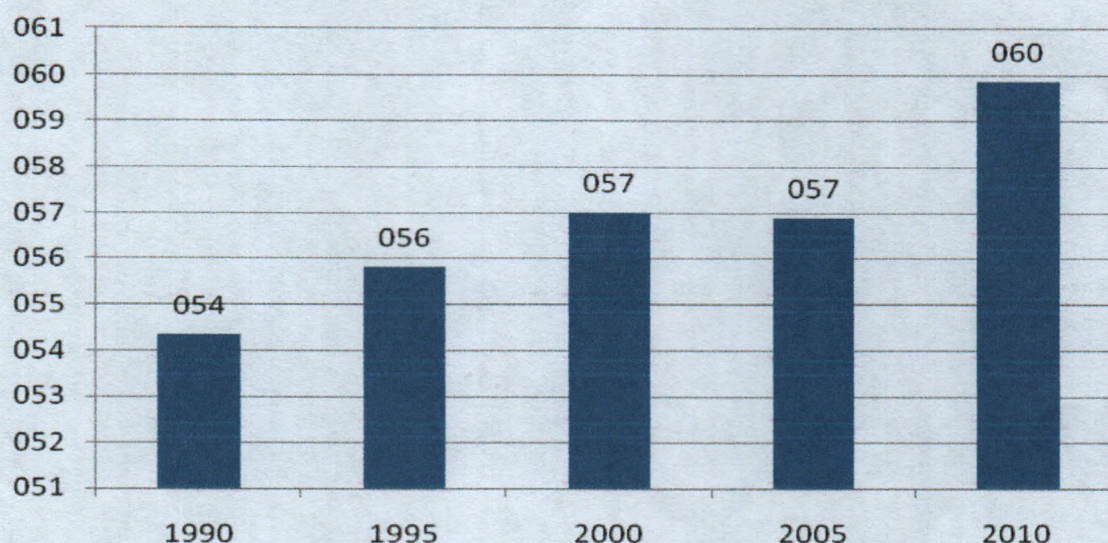


Figure 7. *Employment population ratio in ASEAN country*

Challenging

ASEAN countries will add 1 million to 1.2 million new entrants to the labor force every month for the next two decades. They will further contribute about 40 percent of the total new entrants to the global working age (15-64) population. It goes without saying that the creation of productive jobs (with jobs defined to include all wage work and self-employment) will be the most dependable way out of extreme poverty for the South Asian region that is home to more than forty percent of the world's absolute poor. According to a United Nations survey, the region's current population of 1.65 billion will increase 25 percent by 2030 and 40 percent by 2050. Given the regions' demographic dividend in terms of a youthful population, the working age population is projected to increase even more 35 percent by 2030 and by 50 percent by 2050. Indonesia is one of ASEAN countries that contribute number of job seeker among the country. There is come of challenging facing by job seeker especially for youth generation at the age between 18 to 50 years old. The challenging to find the jobs such as:

♦ *High competition in professional skill*

ASEAN Economy community make people free to move to others ASEAN country. This makes the number of people to find job in a country is high, leading to high competition for job seekers, especially for professional skilled ones.

♦ *Required value added skills*

In order to fight the competition, everyone must have extra or value-added skills to make them different to other jobs seeker, else challenging to get job even there is no chance to find proper job as required.

♦ *Need creative and innovative graduate*

Professional skill is one of the requirements to have of job seeker, beside that creative and innovative is another additional point, especially for fresh graduate. Creation and innovation for graduate are started from university. If students are active and innovative during their studies, these extra skills can be used in the career.

♦ *Multi region community*

Once AEC is announced then ASEAN countries is involved to this program, as mention earlier, people are free to moving to other country thus multi region community is appear. Multi region and multinational community with different culture, language and attitude is another issue for job seekers.

Opportunity

The establishment of Mutual Recognition Arrangements (MRAs) for professional services will also affect employment in the region. MRAs will promote the flow of skilled labor. Member states have adopted a framework for MRAs for seven professions engineering, architecture, and nursing, accountancy, surveying services, medicine and dentistry. MRAs will allow each member country to recognize education, experience, licences and certificates granted in other countries. Another impact of the AEC on the labor market could also be a shift in demand for particular occupations. The largest absolute demand is likely to be for low-skill and medium-skill jobs, though there will also be demand for high-skill jobs.

The advent of the AEC will not immediately change the ASEAN labor market. Over time, economic integration may cause structural changes and with that changes in employment scenarios. But policymakers will have enough transition time to address issues in their domestic economies. Indonesia is a nation which is a direct neighbor to Malaysia and Singapore who absorb many foreign workers, thus this advantages is a good chance for Indonesian skill people to find jobs. There is some points that have to be ready by Indonesian job seekers to competitive. Some opportunities are:

♦ **Large market**

ASEAN consist of several countries which has large opportunity for foreign worker and skilled people. Besides, available large market is a good chance to find suitable job according to what they are skilled.

♦ **High chances for skills graduate**

Indonesian skilled graduates are normally looking for jobs in capital Jakarta because of high completion some of graduate miss the jobs. With this AEC, another high chance is available in others country and various jobs scope.

♦ **More choice to find jobs**

Multidiscipline jobs required by modern country such as Singapore, Malaysia and Brunei Darussalam are applicable for jobs seeker to select and choice according to what they are expertise.

♦ **ASEAN network for professional worker**

Engineering background has the association for engineer in ASEAN country. This network assist professional worker to improve their career and to find better jobs. Professional worker has much experience and working with multinational people, thus making network and wide information to share or exchange.

♦ **Explore and gain knowledge**

Working with multi regional and multinational involve indirectly has gain knowledge to understand how some of people from different country working together. With this experience, we can check ourselves then how good our comparisons to others worker from different countries are.

CONCLUSION

ASEAN economic community is coming soon by the end of this year 2015; thus, people in ASEAN country have to be ready including preparing free movement of foreign people to and from Indonesia. There is weakness and advantages for Indonesia implementing of AEC. One of the opportunities is the wide opportunity of jobs because Indonesia is looking for national and international jobs. Several points need to be consented by Indonesian skilled people before they are going to find jobs, either challenging or opportunity. Students graduated from University must have special skills in order to be

competitive to other graduate from ASEAN country. University must have extra curriculum to bring student ready to the real live, else graduated students have difficulty to get proper job according to what they are skilled. Challenging and opportunity is facing to every graduated student to find good job according to they are expertise but preparation is one of important things need to be considered by every graduate.

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