

ASEAN ECONOMIC COMMUNITY IMPACT TO SOCIO-CULTURE TO INDONESIA BORDER AREA RIAUSTATE

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Abstract

Implementation of ASEAN Economic Community will be plan at the end of December 2015 or early in 2016. AEC is the goal of regional economic integration among of ASEAN countries. Since established in 1967, Association of Southeast Asian Nations (ASEAN) is a large economic block in Asia. Indonesia is a country that will face to the impact of AEC in any aspect, especially to the border state or area that directly facing to the neighbour countries. This paper discuss on impact of socio-culture to the border state in Riau Province, as direct border in ASEAN countries and movement people from many countries with different language and culture, thus socio-culture impact to the local community will be either direct or indirect such for the long term. Socio-culture impact basically consist of two part either positive or negative, those for the positive impact may be good for the local community to adopt and implement to they are community but for the negative that will be treat for the community, especially for the young generation (youth). Indonesia is a big country among ASEAN and have more than hundreds of local language and culture. As a big country, in vice versa, it may give impact to the neighbour countries in the social and culture. In the end of this paper, we will know about the impact of those social and culture, then have preventive action for the negative impact to the community especially in Riau state.

Keywords: AEC, Social, Culture, ASEAN

JEL Classification: Z13

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; 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 (ADB, 2007). 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 labour, and a freer flow of capital (Hew, 2005).

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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, in particular the BRIC, appears to have given ASEAN leaders the 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].

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There are still some challenges that ASEAN countries face in implementing the free flow of skilled-labour 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 labour 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 (ASEAN, 2010). The movement of labour 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 labour flows understood from common practice in Europe or the Caribbean Community (CARICOM). Instead of aiming for the unrestricted "free" flow of skilled labour, 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 CULTURE

ASEAN is on its way to achieve the ASEAN Community by the end of 2015. It composed of three pillars: the ASEAN Economic Community (AEC), the ASPC (ASEAN Political and Security Community) and ASSC (ASEAN Socio-Cultural Community) in which all of them are supposed to guide the integration processes of people in Southeast Asia region. The road towards a regional integration is not an easy one, especially since ASEAN member states poses quite varied outlook in its political, economic and sociocultural profiles. Yet, it doesn't discourage this region to push forward for a breakthrough achievement of its almost 5 decades of ASEAN history. A goal to achieve a community presupposes an emergence of shared regional identity and the first step to create this sense of feeling depends on the perception of public towards the regional identity (Buzan, 20014). After all, the integration that ASEAN seeks is resting on a people-entered ASEAN.

How can cultural diplomacy provide alternative booster for the integration movement in Southeast Asia? One particular important notion is that the strength of cultural diplomacy lies in its connection among human in which resonates to the idea of people-entered ASEAN. Here the role of cultural diplomacy can boost the integration process by allowing a process of ASEAN culture socialization that in return would help to open up conducive environments to persuade and attract ASEAN people to the very idea of integration. By exposing ASEAN people into ASEAN

Culture, it is hoped that positive interaction will emerge, fostering further regional cooperation and relationship.

What kind of cultural diplomacy is at play in ASEAN today? There are three schools of thought that can be used in analysing cultural diplomacy (Hecht, 2010). In essence this differentiation is based on the involvement of actors as the exercise of cultural diplomacy. The first school sees cultural diplomacy as state-led activity. It uses the term propaganda and cultural diplomacy interchangeably and argues that culture is seen as "an instrument of state policy". The second school sees cultural diplomacy as an instrument to work at the exclusion of politics. It gravitates between both schools by offering a middle ground approaches, combining both state-actor and non-state actor. The last school sees that cultural diplomacy is beyond the realm of the state. It argues that cultural diplomacy entails either diplomatic activities by non-state actor or promotion of a culture of a country by people and is not confined by the state policies and interests. This paper argues whether the second type of cultural diplomacy is currently adopted by ASEAN in its attempt to persuade and attract ASEAN people on the idea of regional integration. ASEAN delivers its mandates to two major components, the first and foremost is the delivery of cultural diplomacy sponsored by the member states of ASEAN and the second one is through the coordination of ASEAN bodies; either that of ASEAN

Secretariat or ASEAN foundation. Culture according to ASEAN Declaration of Cultural Heritage 2000 refers to the whole complex of distinctive spiritual, intellectual, emotional and material features that characterize a society or social group.

It includes the arts and letters as well as human modes of life, value systems, creativity, knowledge systems, traditions and beliefs. It consists of:

(a) Significant cultural values and concepts;

(b) Structures and artefacts: dwellings, buildings for worship, utility structures, works of visual arts, tools and implements, that are of a historical, aesthetic, or scientific significance;

(c) Sites and human habitats: human creations or combined human creations and nature, archaeological sites and sites of living human communities that is of outstanding value from a historical, aesthetic, anthropological or ecological viewpoint, or, because of its natural features of considerable importance as habitat for the cultural survival and identity of particular living traditions;

(d) oral or folk heritage: folkways, folklore, languages and literature, traditional arts and crafts, architecture, and the performing arts, games, indigenous knowledge systems and practices, myths, customs and beliefs, rituals and other living traditions;

(e) The written heritage;

(f) Popular cultural heritage: popular creativity in mass cultures (i.e. industrial or commercial cultures), popular forms of expression of outstanding aesthetic, anthropological and sociological values, including the music, dance, graphic arts, fashion, games and sports, industrial design, cinema, television, music video, video arts and cyber art in technologically-oriented urbanized communities.

RIAU STATE OF INDONESIA

In Indonesia, there consist of 34 province (state) and one of it is Riau that located in central Sumatra. Riau province is one of the fastest growing parts of Indonesia in terms of economic, population and tourism. Riau Province occupies the central part of eastern region on Sumatra Island, which straddles between Malacca Straits, South China Sea and Berhala Straits. The Province is a strategic region as it directly faces Malacca Straits and Singapore, one of the busiest shipping lanes in the world. Riau is one of the richest provinces in Indonesia. This province is rich with natural resources, particularly petroleum and natural gas, rubber, and palm oil. The majority of the province is heavily forested lowland; logging is a major industry in the province. Geographically, Riau Province lies on 445' North Altitude up to 115' South Longitude or 10003' up to 10919' Greenwich and 650' up to 145' West Longitude Jakarta, with natural borders as follows:

- North side: North Sumatra Province, Malacca Straits;

- South side: Jambi Province;
- West Side: West Sumatra Province;
- East side: Riau Archipelago.

Riau Province is administratively divided into 9 Regencies (Bengkalis, Indragiri Hilir, Kampar, Kuantan Singingi, Pelalawan, Rokan Hilir, Rokan Hulu, Siak) and 2 cities (Pekanbaru, Dumai), with Pekanbaru as the capital city. This region is dominantly characterized by the sea climate with average temperature of 30°C at day and 23°C at night throughout the year. Rainy season falls on November (sometimes October) up to April while dry season begins in July. Riau has tropical climate and in general is classified into climate type "A" with relatively high rainfall, ranging from 2,000 to 3,000 mm per year in average (Indonesia Tourism, 2015).

Most areas in Riau are lowland plain, including alluvial islands scattered along coastal line with average elevation less than 200 m above sea level. In mainland region, there are four big rivers, i.e. Rokan River, Siak River, Kampar River and Indragiri River. These rivers spring from Bukit Barisan mountain range stretching along the border Riau Province and West Sumatra Province, and flow down to Malacca Straits. The rivers play an important role as the means of transportation, sources of irrigation, energy, and clean water as well as fishery resources. Archipelagic region of Riau, on the other hand, is formed of volcanic formation in the form of islands, big and small. The soil is in general of Organosol type (Histosol), containing much organic substance. Wide the territorial are size of Riau Province is 329,867.16 km consisting of land area 94,561,61km² and water area 235,306,00 km². Riau population is 4,948,000 (2000 census). Figure 1 shows a map of Riau province that directly border to several ASEAN countries.



Source: Riau archipelago

Figure 1. Riau province and regencies

IMPACT TO THE COMMUNITY OF INDONESIAN IN BORDER AREA

2 As South-East Asian countries gear up for their ASEAN Economic Community, coming into effect by this year, Indonesia should look into setting up special economic zones together with bordering countries. These special zones are in line with the ASEAN Economic Community's blueprint to support local businesses and allow people and goods to move freely between states. Having countries jointly set up economic hubs in border areas can minimise territorial disputes, reduce cross-border crimes and improve the lives of people living in remote outposts. Special zones in border areas are affected to Economists call these areas Special Border Economic Zones (SBEZs). It's a variation of Special Economic Zones (SEZs), a dedicated area where businesses receive tax breaks and other regulatory incentives to produce and distribute goods. A Special Border Economic Zone is an area set up by bordering countries to support businesses and promote trade and tourism at the border.

Malaysia and Thailand have a couple of these hubs and plan to have at least eight between them. The Greater Mekong Sub region, which covers Vietnam, Thailand, Laos, Cambodia and Myanmar plus China, will have 60 SBEZs by the end of 2015. Some 54 of these are between the borders of Laos and Cambodia. But Indonesia, which shares land borders with Malaysia, Papua New Guinea and East Timor, has yet to join the crowd. Most Indonesians living in border areas are poor, far from the centre of government and business, the roads and schools in these remote areas are in bad condition. Human traffickers and drug smugglers often use unsupervised borders to move their victims and illegal cargo. Border economic zones may be a solution to these problems. SBEZ is not a one-size-fits-all solution to stop these crimes. But it is a way to minimise them. These shared economic zones in border areas increase community and government presence, which may reduce the areas' vulnerability to illegal activities. By creating jobs, border economic zones may also reduce welfare problems in these areas.

Indonesia may look at different models between Thailand and Malaysia, the countries in the Greater Mekong Sub region, and the Oresund region between Sweden and Denmark, as case studies. The Narathiwat-Rantau Panjang zone between Thailand and Malaysia is an incubator for small and medium businesses. It produces traditional snacks and has a shared market that can attract tourists. The two countries also share Rubber City, an industrial zone that produces rubber and products from the material, between Thailand's Ban Prakob and Malaysia's Durian Burung. It has an inland port and Thailand and Malaysia are planning to build a border town with schools, hotels, a convention centre, health facilities and public transportation. Meanwhile, through a Cross-Border Transport Facilitation Agreement, countries in the Greater Mekong Subregion agreed to build economic zones around the borders. Countries set up joint facilities to inspect people and goods going through the borders. Similar to SBEZs between Malaysia and Thailand, these border economic zones provide jobs and promote trade and tourism. Countries in the

Greater Mekong Subregion have set up border economic zones to ease movement of people. The Oresund region between Denmark and Sweden is far more advanced. It's an area of more than 2 million hectares – more than twice the size of Melbourne – here Swedes and Danes share a space to work trade and live (The Conversation, 2015).

Developing SBEZs in Indonesia is important to increasing economic and community improvement, Indonesia should arrange the relevant regulations and policies with neighbouring countries. An intergovernmental body to oversee these areas will be needed too, Indonesia may consider doing a more comprehensive study to determine potential areas that could benefit from SBEZs and start talks with neighbouring countries on this basis. Indonesia faces many problems in its border areas, from human trafficking and smuggling to activities of separatist groups. It should not deal with these issues only through a defence and security approach. If Indonesia would like to improve control of its borders and retain its sovereignty, it should also improve the wellbeing of people living there. Figure 2 shows an example of community living in border area of Indonesia and Malaysia.



Figure 2. Picture of community living in border area of Indonesia and Malaysia

Positive Impacts

ASEAN member countries are working toward the total elimination of import duties on all products to achieve the ultimate objective of a free trade area. The AFTA Council agreed that the target dates to achieve this objective would be 2010 for the six original ASEAN member countries and 2015 for the newer members (LudoCuyvers, 2005). Elimination of import duties is expected to create an integrated market where there is a

free flow of goods within the region. The main implementing mechanism for AFTA is the Common Effective Preferential Tariff (“CEPT”) agreement. CEPT requires that tariff rates levied on a wide range of products traded within the region be reduced to 0% to 5%. Quantitative restrictions and other non-tariff barriers are to be eliminated.

The purpose of AFTA is to help products produced within ASEAN compete in the global market, attract more Foreign Direct Investment to the region, and increase intra-ASEAN trade. According to Indonesia’s Center of State Revenue Policy – Fiscal Policy Agency (Badan Kebijakan Fiskal), there are several benefits of AFTA for Indonesia, i.e., greater and wider market opportunity for Indonesian products, lower production costs for Indonesian businesses that require capital goods and raw/auxiliary materials from other ASEAN member countries, more diverse product options in the domestic market for consumers, and greater opportunity to enter into alliances with business actors from other ASEAN member countries (Ludo Cuyvers, 2005). The next step is the establishment of the ASEAN Economic Community (“AEC”), including AFTA, with the main objectives of creating a single market and production base, a highly competitive economic region of equitable economic development, and a region fully integrated into the global economy by 2015. AEC would transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and capital. A key characteristic of AEC is a single market and production base. We described more specific impacts of AEC and AFTA on various industries in Indonesia as follows:

◆ Trade (Export and Import)

It is argued that economic integration will largely benefit Indonesia considering the number of multinational companies like Unilever relocating their factories to Indonesia for the reason of cheaper labour costs. Multinational companies like Unilever can export goods to ASEAN countries, which in turn will increase the value of Indonesia’s exports.

◆ Financial Sector (Banking, Insurance, and Investment)

Indonesia’s banking sector needs to gear up to compete with banks in other ASEAN countries. AFTA’s schedule, which has been accelerated, requires the Indonesian banking sector to step up efforts to compete with other banks in the region. One issue concerns interest rates on loans employed by Singaporean, Malaysian, and Thai banks, which are lower than those of Indonesian banks.

◆ Agriculture

The implementation of AFTA will affect the export and import of Indonesian agricultural commodities. The net export of Indonesian agricultural products has increased since the implementation of AFTA in 2003 (Yermia Pehulisa, 2010). It might be advisable for Indonesia to focus on the production and export of rice, corn and soybeans, commodities for which it has the advantage of plentiful land and low production costs.

◆ Construction and Infrastructure

1 ASEAN countries in general are seen experiencing robust growth in the construction industry. Indonesia had the largest construction industry among ACF member countries in 2002, valued at US\$9.92 billion. The adoption of AFTA benefits the region in terms of better procurement of construction materials, allowing the materials to move through the region more freely than before[9]. The abundance of land outside Java that remains undeveloped makes Indonesia an attractive destination for foreign investment.

◆ Manufacturing and Labour

1 While AFTA promotes the liberalization of trade, for Indonesia, which has adhered to its commitments, some manufacturing sectors are expected to face difficulties as a result of AFTA implementation. One of the biggest and most prominent regards is the impact on workers. In an ILO/ASEAN Joint Study on the Social Implications of AFTA on Labour and Employment, free trade is seen leading to greater efficiency and cheaper products. The idea is that removing trade barriers would bring huge benefits to the people of ASEAN, lead to greater specialization and division of labour so each country can concentrate on producing goods and services which is a competitive advantage of that country.

Negative Impacts

10 In terms of threats, the ASEAN Economic Community will bring increasing levels of high quality overseas competition to market, so firms with an advanced market position have to ensure that their operations support the maintenance of their position as regional leaders in this regard. For this reason, industries in Indonesia need to offer a unilaterally high standard of service, a more sophisticated product offering and the ability to fulfil the demands of international and regional business and leisure customers, without losing the uniquely charming. There are several negative impacts of implementing ASEAN Economic Community as threats to border area community people. This needs to be paid attention by government, such as:

◆ Social and Culture

Currently social culture in Indonesia mixed to the western in most of tourism area such as Bali, Lombok, etc. With the ASEAN Economic Community, there is a threat for local people and border area when foreigners enter in Indonesia such as Riau province, then there is a precaution and attention leading to a must-to-stop interference of foreign culture mixed to local or even loss of local culture.

◆ Criminal

One of the objectives of implementing ASEAN Economic Community is the free movement of people then everyone is free to enter any countries in ASEAN, making criminal especially in border area.

◆ Human Trafficking

In ASEAN countries currently, the number of human trafficking is significant because of some syndicate used as to take advantages for getting some money. Some countries are required manpower for their project or maid then this condition takes by someone to bring people, especially in village with low education, then sell for others party. With ASEAN Economic Community, this becomes serious attention because of free movement of human that makes easy for the syndicate doing their jobs.

CONCLUSION

The implementation of ASEAN Economic Community basically is good to be more cooperation among ASEAN countries. There are several positive and negative impacts from the implementation of AEC and AFTA in ASEAN countries, especially in border area in Indonesia. Positive impact such as businesses may benefit from the highly competitive market as a venue to expand their production and networks, small enterprises and poorly educated labourers may find it difficult to compete with the free flow of goods, services, and skilled workers. While negative impact is more serious and need to take precaution to avoid more impact for local people, the negative impact such as mixed local culture to negative from foreign people or tourism, the number of criminals in border area which as transit area for enter Indonesia, as well as human trafficking, must be concerned. The Indonesian government will play a pivotal role in reconciling this gap. Comprehensive and clear regulations regarding the implementation of AEC could help all of Indonesia benefit from an integrated market of high-quality goods, services, and human resources.

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