THE ROLE OF INDONESIA’S GOVERNMENT UNDER JOKO WIDODO’S ERA TO ENCOURAGE SMALL-MEDIUM ENTERPRISES IN ASEAN ECONOMIC COMMUNITY

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Abstract - This research is aimed to explain the role of Indonesia’s government to encourage small-medium enterprises in ASEAN Economic Community through qualitative methodology. In the beginning of 2016, ASEAN countries has agreed to implement ASEAN Economic Community in the southeast asia region. The values of AEC are Free flow of goods, services, foreign direct investment and skill labour. AEC become a threat for most countries in ASEAN region. It is because by implementing AEC, ASEAN countries should be ready in every sectors to be able to compete with other countries. Unfortunately, some of ASEAN countries feel that they are not ready yet to face it and one of those countries is Indonesia. Indonesia is not quite ready to face AEC in small medium enterprises sectors. There are a plenty of things that should be overcome by the government of Indonesia. In due to of the lack of readiness of small medium enterprises in Indonesia, the authors would try to explain the role of Indonesia’s Government especially under Joko Widodo’s era to encourage Small-Medium enterprises to be able to compete with others in AEC.

Keyword - ASEAN Economic Community, Small Medium Enterprises, Government policies and programs

I. INTRODUCTION

The end of cold war caused instability over regions around the world including Southeast Asia. The instability of economy peaked in 1997-1998 when financial crisis struck the Southeast Asia region. The crisis began in Thailand after Thailand’s Central Bank failed to protect their currency from speculative attack(Ten Years on : How asia shrugged off its economic crisis, 2007). Then, it spread to another ASEAN countries. The experience from crisis triggered Asean countries to create a strong economic through cooperation. Singapore was initiated ASEAN Economic Integration by giving the name ASEAN Economic Community (AEC). The establishment of AEC is to push ahead CLMV economics and to narrow gap among countries(Soverino, 2006). ASEAN members finally approved the proposal and agreed to implement AEC at the beginning of 2016. Nowadays, the purpose of AEC implementation has changed or on the other word different as before. While the old purpose is to only integrate economic sector, currently AEC be expected can give the broader impact to political and security sectors. ASEAN countries believe that to create the stable political and security sectors, it needs a stable economic. Therefore ASEAN countries seems enthusiastic to facing ASEAN Economic Community especially Indochina countries which has expectancy that AEC could contribute to narrowing gap among ASEAN countries.(Caballero & Anthony, 2005)

ASEAN Economic Community has 4 pillars in it. The first, single market and production base. It means ASEAN countries desire to eliminate barriers in trade both tariff barriers and non-tariff barriers. Second, highly competitive economic region. To accomplish that pillar, the policies against competitive should be improved and the protection toward intellectual property right strengthened. Then, equitable economic region. It aims to narrowing gap among ASEAN countries member. The last pillar is full integration into the global economy which aims to connect the values of global economic to region through integrate the region formerly.(ADB, 2014).

Though the implementation of AEC creates opportunities, it also create challenges for all of ASEAN countries member. The implementation of AEC makes the global enterprises could come to the countries easily due to the elimination of barriers. It makes ASEAN countries should be ready to compete among others to survive in AEC. A lot of questions coming from scholars especially from ASEAN countries whether AEC is the best way to narrowing gap? Do ASEAN countries could compete in AEC? How the small-medium enterprises in ASEAN countries could compete the global enterprises?

Small-medium enterprises become one of focus point in AEC. Due to the histories explained the contribution of small-medium enterprises in developing economic in a country. Small-medium enterprises could increase the number of productive people in a country because they employ a lot of people than global enterprises did. Small-medium enterprises also empower people surrounding it especially in the urban and rural areas.(Abdullah & Isa bin Baker, 2002).

The conditions of small-medium enterprises in ASEAN countries are not in a best position. Due to the readiness of them to compete in AEC. Only a few number of small-medium enterprises in ASEAN know the importance of AEC. Most of them even do not know the importance of AEC.
The Role of Indonesia’s Goverment Under Joko Widodo’s Era to Encourage Small-Medium Enterprises in ASEAN Economic Community

not know what is AEC. Furthermore, a lack of infrastructure, the low of quality of human resources and inadequate education level also have an important role to the readiness of SME’s to could compete in AEC.(Nandyatama, 2015).

From the earlier statement, it could be concluded that the number of SME’s that not ready to face AEC are still on a large-scale. Due to the low of quality either from product or human resources and a lack of access make SME’s have the low of capabilities and capacities to could compete in AEC.(Indonesian technopreneurs and the ASEAN Economic Community, 2016).

This research is aim to explain the role of government to encourage SME’s in a country to be able to compete in AEC. To make it specific, the writer would like to explain the role of government from Indonesia’s country including policies and programs to encourage SME’s to be able to give contribution in ASEAN Economic Community.

II. SMALL-MEDIUM ENTERPRISES IN INDONESIA

The role of small-medium enterprises in Indonesia could not be excluded. Based on statement from Minister of economic in Indonesia Sri Mulyani Indrawati, SME’s in Indonesia has been created a lot of jobs in southeast Asia around 107.6 million jobs. Then, SME’s in Indonesia give a huge contribution to economic development in Indonesia itself. SME’s contribute 60.6 percent for gross domestic product in Indonesia.(Indrawati, 2016). It could be seen that SME’s in Indonesia is one of key actor to economic development in Indonesia.

The role of SME’s in Indonesia could be seen clearly when financial crisis 2008. During crisis financial SME’s contributed greatly. Based on Minister of industry M.S Hidayat statement, SME’s in Indonesia have proved their capabilities and capacities as the economic backbone. By creating a large number of jobs and supporting national food security, the impact of financial crisis in Indonesia was not as big as another countries.(Tangkal Krisis, Kadin Minta Peran UMKM Diperkuat) consequently, the awareness towards SME’s in Indonesia increased significantly especially from the government of Indonesia.

In 2016, SME’s in Indonesia has to face ASEAN Economic Community which has a highly competitiveness among countries. Though SME’s has a huge contribution to economic development in Indonesia, they are not ready yet to compete in AEC. People argued that SME’s from another ASEAN countries is prepared better and tend to be ready to face AEC than SME’s in Indonesia. Due to the huge populations and a big number of SME’s in Indonesia, become a threat that should be overcome immediately. It is because SME’s in Indonesia feared could not compete with others and will be defeated by another enterprises.(Sambhoh, 2015)

The total of Small and Medium enterprises in Indonesia could be seen below.

Total of national business (SME & Large enterprises ) in 2013.

From the data above it could be seen that Small-Medium enterprises have a large number more than 57,856,393 units.(Depkop, 2015) The large number of SME’s in Indonesia become a threat especially the government. In case the government succeed to manage SME’s, it would create a big impact especially to economic development in Indonesia, but if government failed to manage SME’s in Indonesia, a lot of SME’s will be defeated and Indonesia would only be a big market for enterprises from another countries. At the end Indonesian will always be consumers in ASEAN Economic Community.

Therefore in the next explanation, the role of government to manage and encourage SME’s in Indonesia to be able to compete in AEC would be discussed.

Role of Indonesia’s Government to Small-Medium Enterprises

The government in Indonesia realize that SME’s has a huge contributions as the backbone of economic development in Indonesia. At the beginning of 2015, the government established the policy to encourage national economic. One of the policy is about the empowerment of SME’s. Government provides subsidies in export through the Indonesian export financing institution and business credit program. The establishment of that policy is become one of commitment from government to encourage SME’s to be able to compete with other enterprises in
international market especially in AEC.\cite{Abidin, 2015} Indonesia seems to be more serious to empower and encourage SME’s especially under Joko Widodo administration. Jokowi commitment to strengthen SME’s could be seen in Nawacita which has 9 pillars in it some of them discuss about SME’s development in Indonesia. \cite{Kemendag, 2015} There are a lot of policies and programs that has been established under Joko Widodo presidency. Therefore to make it specific, the writer would like to explain the policies and programs that has a huge influence to encourage SME’s in Indonesia. Those policies and programs are:

In May 7, 2015, Jokowi signed the policy toward SME’s formally. Jokowi created the committee of Finance policy on micro, small and medium enterprises. Jokowi realize that SME’s in Indonesia still need a help from government to be able to bloom. Therefore the committee will facilitate access of venture capital to the businessmen in Indonesia.\cite{Armenia, 2015} The committee has functions such as,

- **First**, Formulate and establish policies for SME financing, including determination of the priority areas of business,
- **Second**, monitoring and evaluating the implementation of policies for SME’s financing,
- **The last** is responsible to resolve the obstacles and problems in the implementation of policies for SME’s financing.\cite{Humas, 2015}

In the first year of Jokowi administration, there are several programs and policies that has been established such as

- **First**, decreasing interest rate from 22% to 12% and increasing credit amount. It would make SME’s could get financial assistance easily from Bank.
- **Second**, the simplification of permit issuance of Micro, small enterprises. It would give a guarantee towards the protection of SME’s in every area in Indonesia.
- **Third**, Exemption of Making Coop Deed for micro enterprises. \cite{Ksp, 2015}

Then to face AEC, Jokowi created 4 strategies to encourage SME’s such,

- **First** is increasing the centers or clusters in the development of approach of One Village One Product or OVOP.
- **Second**, boost the quality of human resources and entrepreneurship. It would be important to encourage SME’s to be able to compete in the global competition.
- **Third**, improve the quality and standardization of SMEs products. The government plan to give copyright for micro and small business when SME’s has been passed in standardization process.
- **The last** strategy is the preparation of a financing scheme with the low interest cost through the Revolving Fund Management Institution (LPDB) - KUMKM which is currently set up the policies for SME financing. Besides financing programs for SMEs carried out by cooperating with the Regional Development Bank (BPD) together Jamkruida and Jamkrindo.\cite{Buwono, 2015}

**CONCLUSIONS**

The major conclusion after the explanation towards small-medium enterprises above are:

- Small-medium enterprises has a huge contributions as the backbone of the economic development in ASEAN countries especially Indonesia.
- The contributions of SME’s could be seen in the crisis financial 2008, where SME’s succeed to sustain the economic condition in Indonesia.
- In 2016, SME’s is facing the challenges of AEC whether they are ready or not to be able to compete in AEC
- SME’s in Indonesia is not ready yet because still have a lot of obstacles and problems in it.
- Therefore the government of Indonesia created a lot of policies and strategies to encourage the SME’s to be able to compete in ASEAN Economic Community

**ACKNOWLEDGEMENT**

Though the government has been established a lot of policies and programs regarding to encourage SME’s to be able to compete in AEC, it still need more time to implement those policies in due to a large number of SME’s in Indonesia. The government is still continued to commit to create a lot of programs to encourage competitiveness of small-medium enterprises in Indonesia to compete in a global competition especially ASEAN economic community.

**REFERENCES**


The Role of Indonesia’s Goverment Under Joko Widodo’s Era to Encourage Small-Medium Enterprises in ASEAN Economic Community


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