



The Impact of ASEAN Economic Community on Skilled-Labour In Indonesia: In the Case of Healthcare Professional

Hasbi Asyidiqi¹

¹ University of Mataram
hasbiasyidiqi@unram.ac.id

Abstract. In October 2003, ASEAN leaders declared that the goal of regional economic integration by 2020 would be the ASEAN Economic Community (AEC). Thereafter, in January 2007, ASEAN leaders signed a declaration to accelerate the establishment of the AEC by 2015. In order to ensure timely implementation and expedite the strategic schedule, the ASEAN Secretariat developed the AEC Blueprint as a commitment. The aim of this blueprint was to transform ASEAN into a region with free movement of goods and services, investment, skilled labor and a free flow of capital. It has been 20 years since the first declaration of AEC, then 16 years since the AEC Blueprint was signed, and 8 years since its implementation. The question that arises is whether the AEC has had a positive impact on Indonesia. This research will primarily focus on the impact of AEC on Indonesia, particularly regarding the free movement of skilled-labour. This issue holds significant importance for investigation because ASEAN's integration model differs from that of other states, such as the European Union, which primarily regulates and controls the movement of goods. In contrast, ASEAN emphasizes the regulation and control of the free movement of skilled-labour. ASEAN has signed eight mutual recognition arrangements for eight specific types of skilled-labour: engineering, nursing, architecture, surveying qualifications, dental practitioners, medical practitioners, tourism professionals, and accountancy services. The question that arises is why ASEAN focuses on these particular eight types of skilled-labour, and whether skilled labor in Indonesia, especially medical practitioners, has experienced a positive impact from the AEC. To address these questions, this research will employ a qualitative method, involving interviews with medical practitioners in Indonesia.

Keywords: Skilled-Labour, Indonesia, ASEAN, Integration.

Introduction

The Association of Southeast Asian Nations (ASEAN) is the regional organization in Southeast Asia that has integrated its states into that region. It is started by five states that are the founding fathers of ASEAN, namely Indonesia, Malaysia, Thailand, Singapore, and Philippines. They were established in 1967 with the objectives of integrating their security and developing their relations in terms of economic and social. In 2000, there are ten states which are ASEAN Member-States (AMS),

including five founding fathers of ASEAN. Thereafter, in 2003 leaders of ASEAN declared three pillars of ASEAN which are goals of regional integration by 2020, which is called as an ASEAN vision. There are 3 pillars of ASEAN, namely ASEAN Security Community, ASEAN Socio-Cultural Community, and ASEAN Economic Community.

In the ASEAN Economic Community (AEC), there are five aspects of AEC in order to get a more integrated ASEAN as a regional organization, in terms of economic aspect. The five aspects of AEC are free flow of goods, services, investment, skilled labour, and capital [1]. In those of five aspects, ASEAN shall act in accordance with the principles of an open, outward-looking, inclusive, and market-driven economy. AMS should consistent with multilateral rules, as well as AMS should obey and loyal to rules-based systems for effective compliance and implementation of economic commitments. The AEC will establish a single market and production base, to get more dynamic and competitive in ASEAN. AEC brings new mechanisms and measures to strengthen the implementation of its existing economic initiatives; accelerating regional integration in the priority sectors; facilitating movement of business persons, skilled labour and talents; and strengthening the institutional mechanisms of ASEAN. And this research will focus more on one of aspects in AEC which has been facilitating movement of skilled labour, namely free flow of skilled labour.

ASEAN has attractiveness as regional organization, not only in the Asia region, but also in the international system. Because of ASEAN has relationship cross-regional, such as ASEAN plus 3 (ASEAN relations with China, Japan, and South Korea), ASEAN relations with Australia and New Zealand. Moreover, the relationship ASEAN that cross-regional, even far away, such as United States, Russia, Canada and European Union. The attractiveness of ASEAN is not only the cross-regional relationship, but also the potential of ASEAN itself, about human resources. ASEAN has an area of 5 million square kilometers combined with land and sea area. In the total land area reaches 4.8 million square kilometers, and Indonesia is the largest country in the region. The population of ASEAN reaches 679 million people, and it is large potential in term of human resources. ASEAN has 8% population from total population in the world in 2023, with the total world population is 8.4 million people [2]. The average growth of ASEAN GDP is 4.1% between 2012 and 2021, with the total of GDP is around US\$ 3.3 trillion in 2021. Moreover, if ASEAN is counted as a single region or state which is not separated by member-states, ASEAN is the third largest country in Asia, and fifth largest country in the world after United States, China, Japan, and Germany [3].

ASEAN not only has a lot of potentials, but also ASEAN has lot of challenges in it. Regional economic integration of ASEAN in the middle of non-interference principle in ASEAN become a challenge between ASEAN member-states. The non-interference principle is the original core foundation of ASEAN, and it is contained in the Treaty of Amity and Cooperation in Southeast Asia in 1976. ASEAN has to mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations. The right of every ASEAN member-states has to lead its national existence free from external interference, and coercion. Thereafter, the cooperation among ASEAN member-states should be an effective cooperation. Because of that, ASEAN does not have right to force member-states to obey the rules

which is aggrieved their principle. However, the charter that they made, it is based on mutual respect of each other. Those challenges will create difficulties to achieve the AEC's goals.

ASEAN has a lot of potential and also weaknesses. ASEAN continues to strive to improve its weaknesses. then created the AEC as a tool to increase integration among member countries. Thereafter, this research will attempt to answer the question, is whether the AEC has had a positive impact on Indonesia?

The Establishment of AEC

On October 7th 2003, ASEAN established AEC on the ASEAN Concord II in Bali. Thereafter, to implement AEC, ASEAN has implemented the recommendations of the High Level Task Force (HLTF). However, the recommendations of HLTF that flexibility be allowed in its implementation to enable those member states that are ready to proceed first. It means, the HLTF's recommendation not to force member states to implement it. Because of that, AEC will address the development divide and accelerate integration of Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) through the initiative for ASEAN integration and other regional initiatives.

In 2008, ASEAN established AEC blueprint which is declared by head of member states. There are 4 aims in the AEC blueprint, AEC determines to achieve higher levels of economic dynamism, sustained prosperity, inclusive growth and integrated development of ASEAN. Therefore, AEC will be more increasing the integration between ASEAN member-states, and it will lead to the narrowing of the development gap between ASEAN member-states. Because of ASEAN recognizes that different levels of development within ASEAN member-states, with the existence of AEC will be able to move forward for more integration and interdependent, which it will reduce the development gap between ASEAN member-states. Afterwards, the establishment of AEC is able to strength the ASEAN as regional organization. As previous explained, the ASEAN has large potentials that are able to become third largest country in Asia. Therefore, ASEAN needs to have a strengthened institutional framework and a unified legal identity. Whereas, ASEAN has non-interference as their principle, in the AEC needs the commitment of ASEAN member-states to achieve AEC's goals and missions.

In the aspect of skilled labour in the AEC, it is able to increase the human resources of the ASEAN community itself which will lead to an increase in premium skills. By improving the skills of the labour in ASEAN countries, they can increase investment and trade in ASEAN member-states. Aekapol Chongvilaivan said, by applying the flying geese pattern concept developed by Akamatsu, is optimistic that developed countries in the ASEAN region will transfer their knowledge and technology to underdeveloped countries among them [4]. So that the increase in human resources in ASEAN countries will take place. So, the view is not that the ASEAN Economic Community is helping each other, to improve the economy in the Southeast Asia region, not as competition with each other. Whereas, the objectives of the ASEAN Framework Agreement on Services which are to enhance cooperation in services amongst ASEAN member states in order to improve the efficiency and competitiveness [5].

Increasing skills on labour will have an effect on the labour itself. When skills are improved, it will affect to the higher wages, more jobs, and improved standards of living will also increase[4], Malaysia, Thailand, and also Indonesia successfully kicked off industrialization and become the exporters of skill-intensive parts and components production.

One of the advantages of economic integration, in this case of the ASEAN economic community, is to upgrade the economic development. In the economic development sector, with integration, the education and technology can be upgraded. Because of this integration, the domestic market will also increase, and it will affect investment and enterprises. Nevertheless, in the health sector, which is expected to increase, in line with increasing economic integration in the AEC.

At the national level, states and communities may be concerned about overcrowding and upward price pressures from increased demand for public spaces, housing, education, health and recreational facilities, and the displacement of local SMEs and professionals by FDI and foreign professionals. At the individual level, citizen workers may be concerned about job displacement and retrenchment, competitive pressure from foreign workers and dimmer prospects of job promotion. Communities and individuals often cannot make the distinction between job displacement due to technological change and due to the entry of foreign firms and foreign workers [6].

Based on data from the United Nations, it is estimated that 70% of the 9.5 billion immigrants from the ASEAN region in 2013, or around 6.5 billion people came from outside ASEAN member countries. It has increased if it seen from 1990 when only around 60% of immigrants came from outside ASEAN member countries. This means that many immigrants come from outside ASEAN member countries, who work and live in countries in the ASEAN region [7].

Based on data from ADB, in 2014, nine out of 10 migrant workers in ASEAN were low skilled workers. Specifically, Singapore is a destination for migrant workers who are low skilled workers, and in Malaysia it is a destination for Indonesian migrant workers [7].

The AEC will become a benchmark or could even be a turning point for improvement in terms of migrant workers. Therefore, the AEC created a program with a free flow of skilled labour, so that later it could increase the capabilities of the labour itself, increase the wages of that labour which would have an effect on investment from the ASEAN member states.

ASEAN facilitates the free flow of services, included skilled-labour, by using harmonization and standardization. For the harmonization, ASEAN cooperates University in the region, in the name of ASEAN University Network (AUN). The AUN's aims are to increase mobility of student and staff within the region, and to develop competencies and qualifications for occupational and trainers' skill required in the priority services sectors. In the standardization, ASEAN develops Mutual Recognition Arrangement (MRA). The MRA is the objective of the ASEAN Framework Agreement on Services (AFAS), to enhance cooperation in services amongst ASEAN member-states. Nevertheless, ASEAN member-states are able to improve the efficiency and competitiveness, to eliminate substantially the restriction to trade in services suppliers within and outside ASEAN, and also to liberalize trade in services with the aim to realizing free trade in services [5].

In facilitating the free flow of skilled-labour, ASEAN facilitates the issuance of visas and employment for ASEAN professionals and skilled-labour. Former Foreign Minister of Indonesia, Marty Natalegawa, ever said in 2011, ASEAN still continues to strive to create on visa for all ASEAN member-states [8]. Whereas, it is difficult to implement of one visa for all ASEAN member-states. Because of ASEAN member-states have different interest, political, social and law.

Research Method

For the research method of this study used qualitative methods. Because this research will look for the impact that AEC has on Indonesia in the skilled-labour sector for healthcare Professionals in Indonesia. According to Creswell, qualitative research can be used for research on people's lives, history, behavior, social activities and organizational functions. The reason for using a qualitative approach is that this method can be used to discover and understand what is hidden behind phenomena or cases that are sometimes difficult to understand [9]. This research will collect data in the form of qualitative documents, such as public documents (newspapers, papers, or reports from government agencies), and private documents. The collecting data in the documents, in order to get view or even description of this issue.

Result and Discussion

1.1 The Impact of AEC on Indonesia Skilled-Labour for Healthcare Professionals

There are two challenges for Indonesia which should be a great bargaining power for Indonesia in the AEC. Indonesia should be able to take advantage of ASEAN and AEC to have higher bargaining power and competitiveness. Because of Indonesia is not only one of the founders of ASEAN, and it is also the country with the largest territory and largest archipelago. Two challenges for Indonesia are factors from the outside and the inside of Indonesia.

The first challenge is from outside Indonesia, such as neighbor states and ASEAN it selves. The neighbor states such as Singapore, Malaysia, or even Thailand have development index is better than Indonesia (see table 1).

Table 1. Human Development Index ASEAN 2021.

No	Country	World Position	Human Development Index (HDI)	Expected year of Schooling (Harapan lama sekolah)	Gross National Income (GNI)
1	Singapore	12	0.939	16.5	90,919
2	Brunei Darussalam	51	0.829	14.0	64,490
3	Malaysia	62	0.803	13.3	26,658
4	Thailand	66	0.800	15.9	17,030
5	Indonesia	114	0.705	13.7	11,466

6	Vietnam	115	0.703	13.0	7,867
7	Philippines	116	0.699	13.1	8,920
8	Lao People's Democratic Republic	140	0.607	10.1	7,700
9	Timor-Leste	140	0.607	12.6	4,461
10	Cambodia	146	0.593	11.5	4,079
11	Myanmar	149	0.585	10.9	3,851

Source: United Nations Development Programme (UNDP)

ASEAN member-states have various world positions of human development index, some are in the top 20, and some are below 100. Singapore, whose world position of human development index is in 12th position, has a human development index point of 0.939 and a national gross The per capita income reached 90,919. Singapore not only outperforms countries in ASEAN, it also outperforms countries such as Belgium, New Zealand, Canada, United Kingdom, Japan, and even the United States. In second place in ASEAN is Brunei Darussalam, however, if you look at the world ranking position, the distance between Singapore and Brunei Darussalam is too far, namely its position is at 51 World position of human development index. Then in third and fourth positions there are Malaysia and Thailand which are in World positions 62 and 66. Then in fifth position and after that they occupy World positions above 100. For example, Indonesia is in the fifth highest position in ASEAN while the World position of Human development The index is ranked 114th.

Based on the data from UNDP, in terms of human development index, Indonesia left behind from 4 ASEAN member-states. It can be a challenge for Indonesia to develop their human capital, or even it can be a threat for Indonesia which has a big number of labour. Indonesia has to improve their human capital, or even reform their human capital from their education system until work training, or even health care system. If Indonesia does not improve their human capital, it is not possible for Indonesia will be worst than Vietnam and Philippines. Because, the world position of human development index between Indonesia and both of them is very close.

The other challenge from the outside of Indonesia is ASEAN which has principle to not intervention from one to another member-states of ASEAN. It means, every member-states of ASEAN have to respect each other. Therefore, in the AEC requires several member states implement the AEC's goals differently from other member states. For example, Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) are given flexibility in implementing the AEC's requirement. Whereas, AEC has to schedule their implementation of the AEC's goals.

The biggest challenge in the success of the AEC is the large differences between ASEAN member countries. Some of the differences include geographic and demographic sizes, levels of economic development and wage incomes, and socio-cultural-linguistic-religious characteristics of the population and labor force. All of these differences will make it difficult to successfully implement AEC for free flow of skilled labor or even unskilled labor.

Historically, each ASEAN country has had different experiences and development, so the integration process has been slow. ASEAN was founded in 1967, they had a

vision of regional integration in 2003, in fact this vision will be implemented in 2020, this means that ASEAN needs more than 50 years to be able to implement what is called regional integration.

Based on the history that was formed in the countries of the Southeast Asian region, they have individual relationships and have different histories. Such as in terms of colonial countries and also the ideologies that exist in countries in the Southeast Asian region. Only Thailand does not feel like its country is a colonial country. Indonesia itself was once colonized by the Dutch, while Malaysia, Brunei, Myanmar and Singapore were British colonies, and there are even several countries in Southeast Asia that were French colonies, namely Vietnam, Cambodia and Laos. ASEAN countries also have different systems of government, some adhere to a monarchy system such as Malaysia, Brunei and Thailand, and there also adhere to a communism system such as Vietnam, and there are also republican systems such as Indonesia and the Philippines.

ASEAN integration is a challenging vision for ASEAN member countries. Historically, during the Cold War, the countries in the southeast region were not on the same side, whether in the west block or east block. So they had their own organizations, before the formation of the ASEAN organization. For example, the Philippines has ECAFE for its economic organization with India and China, there is also the Southeast Asia Treaty Organization (SEATO) organization which includes countries such as the Philippines and Thailand as well as countries from the western bloc such as the United States, France, Great Britain, Zealand New and also Australia so that Indonesia rejects the existence of the SEATO organization. So, it can be seen that the countries in the Southeast Asia region at that time had individual relationships [10].

The challenges from the outside of Indonesia, it turns out the position of Indonesia become awry. Nevertheless, ASEAN gives flexibility to the member-states to implement the AEC, and ASEAN's principle is to respect and non-intervention, Indonesia has to implement the AEC although Indonesia is not ready yet as the position of human development index. Additionally, Indonesia is one of founding fathers of ASEAN and the biggest states in ASEAN in terms of population and area.

Indonesia itself is the country with the largest population in the ASEAN region. The population in Indonesia reaches 280 million people, or more than 40% of the total population in ASEAN [2]. Indonesia itself is the country with the largest area among the countries in ASEAN, reaching 1.9 million square kilometers, almost half of the ASEAN region itself.

Skill is one of important factor for developing human capital. By using human capital is able to increase economic development. However, it is precisely the skills of human capital that come from Indonesia is not able to compete either for regional or even for global. Roderick Macdonald argued, that there are 4 reasons why Indonesia lost to Malaysia regarding welfare, one of the reasons is related to skills. Because of less than one-third of Indonesians complete secondary school and less than half complete lower secondary [11].

Indonesia is weaker from Malaysia and Philippines, in term of human capital which has skills. Nevertheless, Indonesia is better in terms of capacity and development. It means, the human capital of Indonesia has a big in number, but not in quality of labour. Indonesia should train their labour which is able to get relevant

skills for the job. Because, the development of human capital can be through with investment for the people, it can be by education, work training, on-the-job training, nutrition, health care, sanitation, and so on [11].

The second factor is from the inside of Indonesia, in terms of education, labour, and healthcare. Second factor is the challenge which is inside of Indonesia. Indonesia has to improve not only in the sector of labour, but also in the sector of education and healthcare which relate with labour and improve the quality of labour.

Since the 1960s, economists have begun to seriously research about labor. The labor as a study is a factor of production, and also to increase production this is more directed as human capital. Countries are advised to increase or invest in people to increase their human capital so that it will have an effect on production itself. Therefore, increasing human capital can be done through investment in people through education, work training, on-the-job training, nutrition, health care, sanitation, and so on.

However, the education system of Indonesia is not the best in the ASEAN. Based on data, Indonesian education system ranks 54 in the world position, or in the fifth in the ASEAN. Nevertheless, Indonesian ranks is still below other ASEAN member-states such as Singapore, Brunei Darussalam, Malaysia, and Thailand. Singapore is the best ranks of the education system in the ASEAN, and Singapore ranks 21 in the world position of education system [12].

The health care system of Indonesia is one of challenges. On July 11st 2023, Indonesia ratified a new law of health, Law no. 17 of 2023 which tells about health care and health care professionals. Based on law no. 17 of 2023, healthcare professional which work abroad should consider the balance of needs in the domestic [13]. It means, Indonesia is difficult to send or allow the healthcare professionals to work abroad, if the domestic needs are high and the availability of healthcare professional is low.

Moreover, in the law no. 17 of 2023, it regulates healthcare professional who wants to work abroad and foreign healthcare professional who want to work in Indonesia. Nevertheless, foreign healthcare professional or citizen of Indonesia who studied abroad for their specialist, they have to be evaluated by government of Indonesia. The evaluation is intended to test healthcare professionals who are competent or not in their job. Thereafter, if they passed the test of evaluation, they are able to get certificate, then they are able to get permit to adapt in the facility of healthcare. And there are more requirements for citizen of Indonesia who studied abroad of healthcare professional that wants to practice in Indonesia, or foreign healthcare professional who want to work in Indonesia [13]

The ratification of Indonesian new law for healthcare system, no. 17 of 2023, it seems Indonesia protects their healthcare system. This situation is able to give barrier for integration between Indonesia and ASEAN member-states. A lot of requirements which are ratified by Indonesia, obstructs the free flow of skilled-labour. As the result, it will be slow the process of AEC and the advance integration of ASEAN.

Conclusion

In the previous explanation, ASEAN member-states still want to maintain and protect their own economy, in this case their skilled-labor. Although they also want integration between ASEAN member-states. Because with integration, namely AEC, they will get benefits such as expanding the market and also improving the quality of education and the quality of labor.

The impact of the AEC to Indonesia is very small. Because, on the one hand, ASEAN also has the principle of mutual respect for ASEAN member-states, so that it cannot force its member-states to implement the integration. on the other hand, they want AEC, because there are lot of benefits from this integration.

References

1. ASEAN. (2009). ASEAN Mutual Recognition Arrangement on Medical Practitioners. Asean.Org. <https://asean.org/asean-mutual-recognition-arrangement-on-medical-practitioners/>
2. Cheung, H. (2023). ASEAN: Market Profile. <https://research.hktdc.com/en/article/Mzk5MzcxNjEz#:~:text=ASEAN averaged an annual GDP,%2C China%2C Japan and Germany>
3. Chongvilaivan, A. (2016). ASEAN Economic Community: A Model for Asia wide Regional. In M. Jetin, Brono; Mikic (Ed.), ASEAN Economic Community: A Model for Asia-wide Regional Integration? Palgrave Macmillan. https://doi.org/10.1057/9781137535085_9
4. Creswell, J. (2002). Research Design: Qualitative and Quantitative Approach. KIK press.
5. Dewan Perwakilan Rakyat RI. (2023). Undang-Undang Republik Indonesia Nomor 17 Tahun 2023 Tentang Kesehatan. Undang-Undang, 187315, 1–300.
6. Kominfo. (2023). Interesting Facts of the ASEAN Region in Numbers. <https://asean2023.id/en/news/interesting-facts-of-the-asean-region-in-numbers#:~:text=Contributing 8%25 of the World's,population%2C totaling 8.4 billion people>
7. Macdonald, R. (2019). Southeast Asia and the ASEAN economic community. In Southeast Asia and the ASEAN Economic Community. Palgrave Macmillan. <https://doi.org/10.1007/978-3-030-19722-3>
8. News, D. (2011). Visa Bersama ASEAN Terus Diproses. Detik.Com. <https://news.detik.com/berita/d-1681280/visa-bersama-asean-terus-diproses>
9. Papademetriou, D., Sugiyarto, G., Mendoza, D. R., Salant, B., & Asian Development Bank. (2015). Achieving skill mobility in the ASEAN economic community : challenges, opportunities, and policy implications. Asian Development Bank. www.adb.org;
10. Review, W. P. (2023). Education Rankings by Country 2023. <https://worldpopulationreview.com/country-rankings/education-rankings-by-country>
11. ASEAN Economic Community Blueprint, (2008).
12. Yue, C. S., Shrestha, R., Kimura, F., & Ha, D. T. T. (2019). Skills Mobility and Development in ASEAN. Integrated and Connected Seamless ASEAN Economic Community, May, 77–95.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

