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ASEAN Competitiveness, Is Indonesia Ready Yet?

Zainuddin Djafar *

What does it mean by ASEAN competitiveness? And, is Indonesia ready for it? These are the questions that have become the main issues to be discussed in this article. Therefore, it is important to note some main key messages introduced by ACI in relation to ASEAN position within its competitiveness and its future prospect, and the dynamic of world economic, such as; ASEAN is facing profound changes in the global economic climate with the rise of China and India and weakened economic prospects in major advanced countries. Besides, this Southeast Asia Regional Organization is also entering a new phase in its cooperation as members move towards building an ASEAN Community by 2015. Thus it is important and urgent for Indonesia to have its priority, and to be ready for its micro and macro competitiveness, that are more advance than the ASEAN 3 (Singapore, Thailand, and Malaysia).

Keywords: *Indonesia, ASEAN Competitiveness, New Agenda*

I. Introduction

Issues and problems pertaining ASEAN competitiveness have just become an important agenda for its members in the last 4 years, particularly after the ratification of the ASEAN Charter (end of 2008) and until now (2011). But the ASEAN 4 (Singapore, Malaysia, Thailand, and 'the progressive Vietnam', 2010-11) compared to the rest of the ASEAN members, are looking much more serious and keep continuing in order to achieve some influential concrete and qualified of 'real competitiveness' targets for the whole of the ASEAN countries, such as to keep up healthy and strong economic growth and convincing of its minimal Gross Domestic Product (over 6%), and influential Gross National Income (GNI, average over 2000 US dollar). Besides, also the ability of the country to extent the average of the normal standard of its people education into majority first degree level, to increase and control the people's awareness of the important legal judicial process (rule of law) for daily live activities, and implementation of best intellectual

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property rights in all sectors of people's life (internally and externally), etc.¹ Nevertheless, all of those items have significant effects to the countries' ability in performing the degree of Global Competitiveness Index (GCI), by showing its macro-micro competitiveness performance figures to the world.²

Today is a globalized world, and globalization demand the country to not just be ready for the implementation of the competitiveness policies, but the country should also be ready for implementing the competitiveness agenda and program perfectly.³ Thus, the country should not be easily be conquered, by any country with its products and in any sense of its factor production performance.⁴ ASEAN competitiveness is not just a paranoid or 'no-concept' reaction and just common sense of one globalized world, but its real and huge challenge particularly after the success of India and China resurging as the important emerging market in Asia, and its implication to all over the world. Now it is important for ASEAN to resurging of China and India economic success, and also the competitive world economic order.

Beyond that, the Asia Competitiveness Institute (ACI) in Singapore has also significant interest, and focuses its study on the ASEAN competitiveness, particularly on the ASEAN.⁵ Clearly, Co-Director of AIC said adamantly; 'that anything concerning with the issue of competitiveness should be given first priority',⁶ and Dr. Than Khee Giap, moreover stated that 'no nation in this world right now could live upon anti-competitiveness policies'.⁶

Thus, every country should be ready and prepare for its own strat-

¹ Zainuddin Djafar, *Indonesia, ASEAN, dan Dinamika Asia Timur*, Pustaka Jaya, Jakarta, 2008, Chapter 1.

² Michael E. Porter, *ASEAN Competitiveness Report*, Introduction Chapter, NUS, Singapore, 2011.

³ Robert Gilpin, *The World Economy in the 21st Century, The Challenge of Global Capitalism*, Princeton University Press, Princeton and Oxford, 2000, chapter 1 and 6.

⁴ Joseph Stiglitz, *Making Globalization Work, the Next Step to Global Justice*, Allen Lane Penguin Books, London, 2006, Introduction part, and Joseph Stiglitz, *Freefall, America, Free Markets, and The Sinking of The World Economy*, Norton Company Publisher, London, 2010, Introduction Chapter.

⁵ Personnel interview with Dr. Than Khee Giap, Co-Director of Asia Institute of Competitiveness (AIC), Singapore, 24 May 2011.

⁶ *Ibid.*

egy to be compatible for the issue of competitiveness, in order that the country could become a success competitor, and live upon the competitive world.⁷

II. The ASEAN Competitiveness

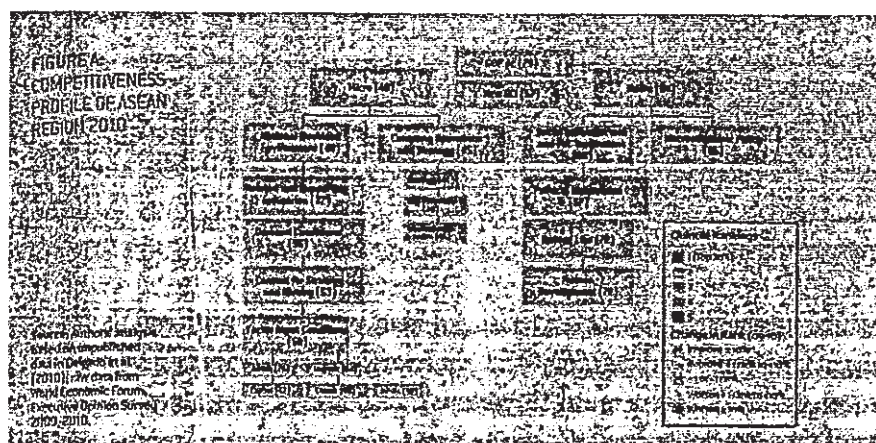
Further, what does it mean by the ASEAN competitiveness? And, is Indonesia ready for it? When we are going to answer the first question, it is important to note ⁵ main key messages introduced by ACI in relation to ASEAN position within its competitiveness and its future prospect, and the dynamic of world economic, such as:

1. ASEAN is facing profound changes in the global economic climate with the rise of China and India and weakened economic prospects in major advanced countries. It is also entering a new phase in its cooperation as members move towards building an ASEAN Community by 2015.
2. ASEAN economies have weathered the global crisis well, but need a longer term of competitiveness review highlights, the need and scope to substantially raise competitiveness across ASEAN economies and for ASEAN as a whole.
3. ASEAN's current prosperity or GDP per capita, which is the outcome of past competitiveness, is behind that of China and much lower than that of world leaders. Its share of world exports and inward foreign direct investment flows have either fallen or stagnated over the last decade.
4. ASEAN's ranking on competitiveness fundamentals, as measured by a wide range of macroeconomic and microeconomic factors is 57 of 132 countries in 2010. This position has remained relatively unchanged over the last five years (2005-2011).
5. To create an attractive environment for local and foreign businesses, it is recommended that ASEAN builds on (1) the relative strengths to intensify cluster development, (2) strengthen capital market infrastructure, (3) nurture local enterprises and step up macroeconomic policy dialogue. ASEAN also needs to urgently address its main weaknesses by (4) promoting administrative regulatory reforms, (5) enhancing human resource development and

⁷ *Ibid.*

(6) strengthening the rule of law.⁸

Obviously, it is clear point from 'ACI Key Messages' above, that the ASEAN competitiveness position (57 of 132 countries) as a whole seemed not too bad; but for the successful ASEAN in the future, it is institutional mechanism and capacity should be strengthened to an able the ASEAN member economies to effectively fulfill the tasks required (figure 5.3). Anyway, the political will to adhere the blueprints for its action is also paramount. Besides, it is much important for ASEAN in general to consider the fifth key messages above with its 6 main concerns. Therefore, the region would ultimately need to define its role and cooperative strengths at the crossroads of these two emerging economic giants (China and India).⁹



Source: ACI, ASEAN Competitiveness Report, NUS, Singapore, 2011.

Figure A shows that competitiveness factors can be grouped under macroeconomic and microeconomic competitiveness. Macroeconomic competitiveness delineates the overall context in which firms operate and create the potential for high productivity.¹⁰ Although these factors do not directly affect the productivity of the firms, they are critical in providing support for firm efforts to raise productivity. These factors include the quality of social infrastructure, political institutions and macr-

⁸ ASEAN Competitiveness Report 2010, By Asia Competitiveness Institute, National University of Singapore, Singapore, 2011, p. V.

⁹ *Ibid.*, p. III.

¹⁰ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. XV.

oeconomic policy¹¹ Further, microeconomic competitiveness identifies operating practices and strategies of firms as well as business inputs, infrastructure, institutions and policies that constitute the environment in which firms compete. All these factors have a direct impact on productivity.¹²

In order to understand the competitiveness factors and what is ASEAN competitiveness fundamentals figures? It can be seen from the Figure A above with some explanation, such as; (1). There are 19 boxes (big and small) explains the competitiveness profile of ASEAN region in 2010, and grouping by two main parts (macro and micro), with different color and quintile rankings. (2). Every box has its different level of Global Competitiveness Index (GCI) of its rank. This different rank index is, as the result of different level of performance of every ASEAN's members. (3). These indicators go to the total level of ASEAN competitiveness of GCI of 57 from 132 countries, with total micro figure is 49 and 64 for macro indicator. (4). The ASEAN region's foremost competitive strength lies in supporting and related industries and clusters, with strong cluster policy, cluster development and collaboration and local availability of process machinery.¹³ (5). Its capital market infrastructure is also relatively strong, particularly in the ease of financing through local equity market, ease of access to loans and venture capital availability, and another area of particular strength for ASEAN is company strategy and operational effectiveness¹⁴

Beyond that, ASEAN is least competitive in its administrative infrastructure, where urgent attention has to be paid to reducing the time and number of procedures required to start a new business and in improving the efficiency of custom procedures.¹⁵ Second, the other areas of particular weakness are in the macroeconomic competitiveness sub-category of social infrastructure and political institutions. Third, ASEAN's human development is weak and more effort is needed to lower the incidences of tuberculosis and malaria and raise secondary education enrollment rate¹⁶

¹¹ *Ibid.*

¹² *Ibid.*

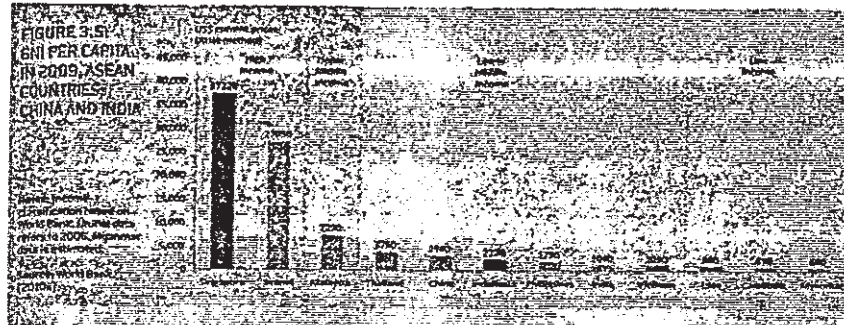
¹³ *Ibid.*, p. XVII.

¹⁴ *Ibid.*

¹⁵ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. XVII.

¹⁶ *Ibid.*

Finally, the rule of law within ASEAN also requires strengthening, especially in factors related to the control of corruption and the lowering of business cost of crime and violence.¹⁷

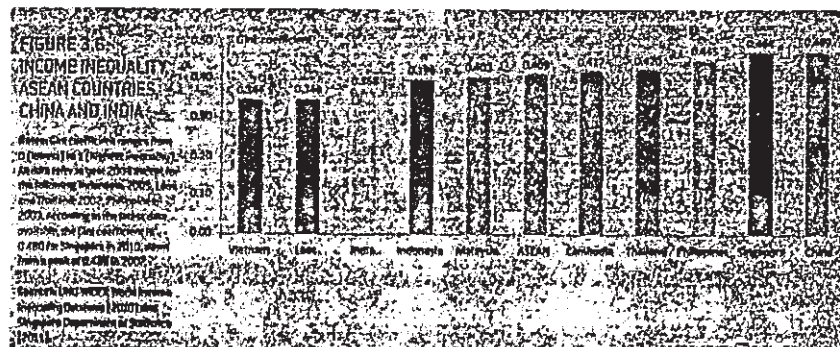


Source : ACL, ASEAN COMPETITIVENESS REPORT, NUS, Singapore, 2011

TABLE 3.1: CHANGES IN INCOME CLASSIFICATION OF ASEAN COUNTRIES 1990-2009

Country	Low Income (1990)	Low Income (2009)	Lower Middle Income (1990)	Lower Middle Income (2009)	Upper Middle Income (1990)	Upper Middle Income (2009)	High Income (1990)	High Income (2009)
Vietnam	100%	100%	0%	0%	0%	0%	0%	0%
Laos	100%	100%	0%	0%	0%	0%	0%	0%
Cambodia	100%	100%	0%	0%	0%	0%	0%	0%
Indonesia	100%	100%	0%	0%	0%	0%	0%	0%
Malaysia	0%	0%	100%	100%	0%	0%	0%	0%
Philippines	100%	100%	0%	0%	0%	0%	0%	0%
Brunei	0%	0%	0%	0%	100%	100%	0%	0%
Myanmar	100%	100%	0%	0%	0%	0%	0%	0%
Thailand	0%	0%	100%	100%	0%	0%	0%	0%
Singapore	0%	0%	0%	0%	0%	0%	100%	100%
China	0%	0%	0%	0%	0%	0%	0%	100%
India	100%	100%	0%	0%	0%	0%	0%	0%

Source : ACL, ASEAN Competitiveness Report, NUS, Singapore, 2011.



Source: ACL, ASEAN Competitiveness Report, NUS, Singapore, 2011.

¹⁷ Ibid.



Source : ACL, ASEAN Competitiveness Report, NUS, Singapore, 2011.

Based on some figures above, the performance of ASEAN competitiveness through individual country is relatively different between one to the other, such as; (1) there are three main level of Gross National Income (GNI) within ASEAN countries, Singapore (37,220 US dollar, 2009) and Brunei (27,050) fit in high income countries, followed by Malaysia (7,230, upper middle income, and further Thailand (3,760, lower middle income, Indonesia (2,230), Philippines (1,790), Vietnam (1,010), and low income countries such as Laos (880), Cambodia (650), and Myanmar (600). (2) This figures show that distribution of prosperity in most ASEAN countries is in the real stage of income inequality, and relatively high, with five of eight ASEAN countries having a Gini coefficient above 0.4. (3) Singapore has the highest level of income and quite huge gap of its distribution of prosperity with the other (particularly with Indonesia, Philippines, Vietnam, Laos, Cambodia, and Myanmar (Figure 3.5)).¹⁸ (4) Moreover, with the exception of Singapore and Brunei which are in the high income category, but for the other of ASEAN countries that were having largely stagnated in prosperity over the past decade (Table 3.1).¹⁹

Some figures and tables also indicate that the Global Competitiveness Index (GCI) of ASEAN which in the position of 57 of 132 countries, it is not the result of the same average performance of micro and macro economic competitiveness of the members. Nevertheless, the figures and tables exactly indicates sharp inequality between high income countries (Singapore, Brunei), with upper middle income

¹⁸ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 31.

¹⁹ *Ibid.*

(Malaysia), and Lower middle income (Thailand, Indonesia, Vietnam, Cambodia, Laos, Myanmar). The dilemma of 'advance Singapore' with its GNI 37.220 US dollar that far away left the GNI of the other members (especially not for Brunei), and Singapore is not the main engine of ASEAN growth as a whole (except for Indonesia).²⁰

Indonesia and Singapore are at the same link of its future potential network with India, Australia, and Japan.²¹ Besides the other important engines of growth for Indonesia are China, India, Japan, European Union, and the United State.²² Moreover, on the one hand the important link of Indonesia-Singapore for its trade and economic interests at the last 5 years, seemed as the consequences of Indonesia's huge of oil & non-oil primary resources (Palm oil, Coconut oil, Copper, Rubbers, Timber, Coffee, Tea, Spices, Beverages, Tobacco, Fish, and others), also manufactured products.

On the other hand, Singapore with its strategic location and the most advance country in ASEAN, and centre of its modern financial businesses, and economic management has become as 'effective bridge' for Indonesia's Oil, and Non-Oil primary and manufacturing exports globally. However, ASEAN after 43 years of its formation, and through its development with its total population of 592 million, and its GDP of 1.49 trillion US\$ (slightly advance than India's GDP of 1,2 trillion US \$), and the variation of its strategic natural resources (Oil and Non-Oil primary exports), obviously ASEAN has become a strategic region in Asia, and the world.

Therefore, nowadays the issue of ASEAN competitiveness is not just important for the higher middle income countries (Singapore and Brunei), but also for the rest of the ASEAN members – in order not to be left far away from Singapore, Brunei, Malaysia, and Thailand of its successful competitiveness performance ranks of GCI. As a result, some ASEAN countries with lower middle income or even lower income would be failed to follow the ASEAN competitiveness agenda of post 2011 (see Figure 5.3). Therefore, without any real progress and great effort, thus, the fruit of globalization 'could be lost' of its momen-

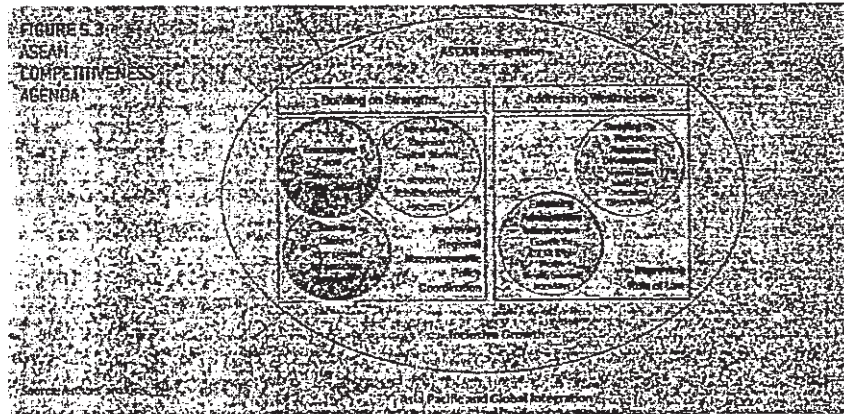
²⁰ Paper Presented at Asian Competitiveness Institute (Prof. Tan Kong Yam et.al), 1st June 2011, National University of Singapore, Singapore.

²¹ *Ibid.*

²² Paper Presented at Asian Competitiveness Institute (Prof. Tan Kong Yam et.al), *Loc. Cit.*

tous for some ASEAN countries.

The figure 5.3 (below) shows that for any ASEAN countries approaching the integration issue in the future should be building on some micro and macroeconomic strengths (Encouraging Local Enterprises, Foster SMEs, Integrating Regional Capital Market Infrastructure-Mobilizes Financial Resources). Further there are two additional building strength, such as; Boosting Clusters, and Improving Regional micro-economic Policy Coordination. in addition, there are two main indicators that should also be controlled on addressing weaknesses such as; Stepping Up Human Resources Development, and Enhancing Administrative Infrastructure. Thus, ASEAN competitiveness agenda its real, and very aware in making ASEAN integration to be implemented as inclusive growth.



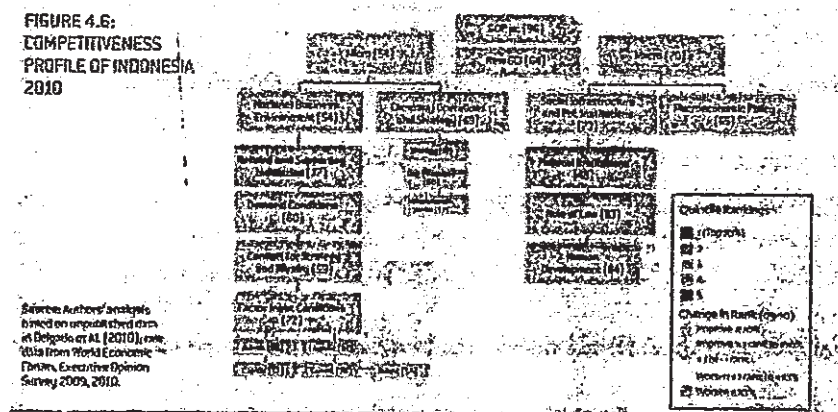
Source: ACI, ASEAN Competitiveness Report, NUS, Singapore, 2011.

Further than, human development Index (HDI, Figure 3.8) indicates the variation of ASEAN counties performance from one to the other. This figure is exactly has strong connection with the success performance of country achievement of its GCI. The evaluation of its index indicate that Indonesia HDI 0734 below of the ASEAN average figure of 0748, and much left by the highest HDI of Singapore (0944), and followed by Brunei (0920), Malaysia (0829), and Thailand (0783). Vietnam HDI (0725) is still under the Indonesian HDI figure, and the differences between both countries is around 9 points higher for Indonesia in 2009. But approaching to end of May 2011, significant change

had occurred for Vietnam, which 'the progressive of Vietnam' HDI (0752), was proved higher and better than the Indonesian HDI figure.²³

III. Is Indonesia Ready Yet?

The Indonesian government seemed quite aware about the issue of ASEAN competitiveness, therefore the Indonesian Vice-President H.E. Boediono on his way to attend the World Islamic Economic Forum in Kazakhstan (early June 2011), was saying very clear that globalization is demanding for one country to have its competitiveness ready urgently to be implemented.²⁴ He further added that the competitiveness in practice and performed by every country should be justice and honest, and in detail he said: 'the competitiveness should make some-one (country) to be more efficient, with good quality of its product, and good price, and it is not followed with dishonest businesses practices'.²⁵ What happens with the Indonesian level of its competitiveness?



Source: ACI, ASEAN Competitiveness Report, NUS, Singapore, 2011.

As we know, that ASEAN as a whole has been numbered 57 for its GCI rank of 132 countries competitiveness performance, and unfortunately Indonesian competitiveness scored is 64 (7 points over ASEAN

²³ Interview with Dr. Tan Khee Giap, *Loc. Cit.*

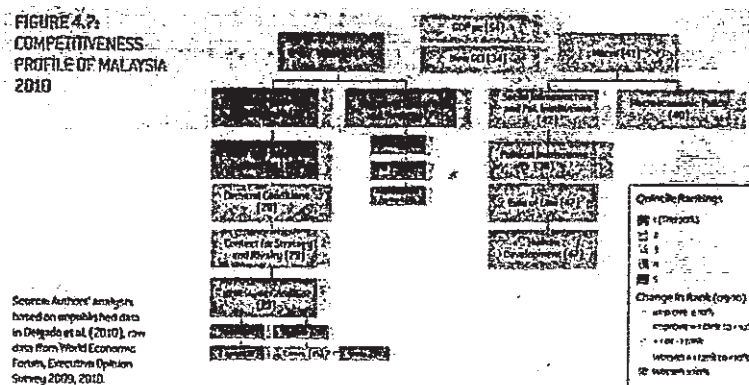
²⁴ The Vice-President H.E. Boediono Official Visit to Kazakhstan 8 June 2011, 'Globalization Demand for Competition', *Kompas Daily*, 9 June 2011.

²⁵ *Ibid.*

GCI), with its macroeconomic scored 54 and 70 for micro economic competitiveness, see figure 4.6.

The figure 4.6 also shows that social infrastructure (rank73 of 132 countries), rule of law (83), and human development (84) as the weakness of Indonesia's macroeconomic policy. Indonesia's macroeconomic competitiveness has worsened as a result of power assessments in the sub-category of social infrastructure and political institutions, as its competitiveness position in the sub-category of macroeconomic policy has improved with a lower rate of inflation.²⁶

IV. The ASEAN 4 Competitiveness Performance



Source : ACI, ASEAN Competitiveness Report, NUS, Singapore, 2011.

It has been confirmed that the quality of political institutions of Indonesia's government has weakened with less-effective legislative bodies, less transparent government policies, and less government effectiveness in reducing poverty and inequality since 1998.²⁷ The impact seemed quite significant recently (2011), which a range of indicators have been rated less favorable in relation to rule of law, among which are the business costs of crime and violence, efficiency of the legal framework and the protection of property rights.²⁸ Human development

²⁶ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 60.

²⁷ Zainuddin Djafar, *Rethinking the Indonesian Crisis*, Pustaka Jaya, Jakarta, 2006, Introduction Chapter, p.1-25.

²⁸ *Ibid.*

has also been affected by lower quality of healthcare services and primary education.²⁹

Further, the figure of 4.2 above also shows that the macroeconomic competitiveness of Malaysia (41) is much better compare with total Indonesia's GCI rank of 70. Then, particularly 42 GCI rank for Malaysia's social infrastructure, political institutions (38), rule of rule (47), and human development (47). Nonetheless all of those Malaysia's ranks are almost better, and 50% below of Indonesia's rank of its macroeconomic competitiveness.

Nevertheless, Indonesia's weaker macroeconomic seemed to be followed by its microeconomic competitiveness, that has been the result of worsening of all the sub-areas under company operations and strategy has been due especially to sharp drops in the ratings on organizational practices such as incentive compensation and delegation of authority, as well as worsened indicators under internationalization of firms, such as extent of regional sales and breadth of international markets.³⁰



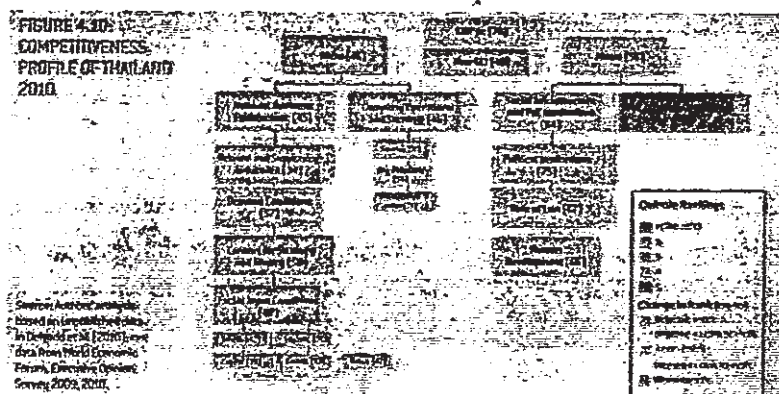
Figure 4.9 below shows that how Singapore microeconomic competitiveness (GCI rank 3) is being far superior than the reality of Indonesia's total rank (54), with its national business environment (2), and company operation and strategy (12), and others detail for Singapore credibility. Singapore has maintained the highest GDP per capita in ASEAN in 2009 at 4th in the world. Singapore overall competitive-

²⁹ *Ibid.*

³⁰ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 60.

ness has been maintained at 7th position in 2010, with a slight drop in microeconomic competitiveness.³¹ Especially, Singapore's macroeconomic competitiveness has also improved due to its competitiveness position on social infrastructure and political institution has remained largely unchanged, and as well the national business environment has no changed much on the whole.³²

The total of Thailand's competitiveness on micro and macroeconomic rank of 49 is still much better than Indonesia's rank of GCI (64, figure 4,6), with 15 points ahead of less-competitiveness. Although Thailand's competitiveness is better than Indonesia's GCI rank, but the quality of political institutions has worsened significantly with lower transparency of government policy making, reduced government effectiveness in reducing poverty and inequality and some loss in public trust in politicians. Moreover, Thailand's basic human capacity has been affected by poorer accessibility of healthcare services.³³



Source : ACL, ASEAN Competitiveness Report, NUS, Singapore, 2011.

Thailand weakest areas are within the sub-category of social and political institutions. The lowest ranked is political institutions, which are weak on a range of indicators such as voice and accountability, decentralization of economic policymaking, transparency of government policy making, public trust of politicians and government effectiveness in reducing poverty and inequality. The rule of law needs to be strength-

³¹ *Ibid.*, p. 64.

³² *Ibid.*

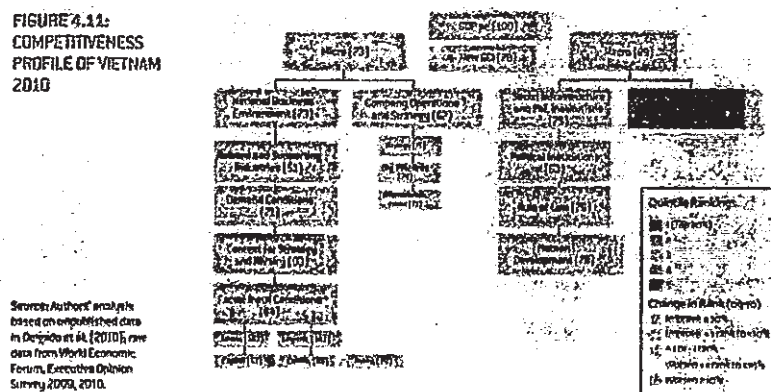
³³ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 65.

ened with better protection of property rights, control of corruption and reduction in the business costs of corruption, crime and violence.³⁴

Within microeconomic competitiveness categories, Thailand is strongest in its supporting and related industries and clusters under national business environment, particularly on the extent of cluster policy, extent of collaboration in clusters and local supplier quantity. It also ranks well on the internationalization of firms under company operations and strategy, on indicators such as the breath of international markets and control of international distribution. Thailand's macroeconomic policy is also an area of its relative strength, with low inflation rate and modest government debt as a percentage of GDP.³⁵

Nonetheless, Thailand's microeconomic competitiveness has weakened slightly due to a less conducive national business environment, while the strength of its company operations and strategy has remained unchanged. In the latter category, there has been a marked improvement in the control of international distribution but a notable drop in the rankings for firm-level technology absorption, company spending on Research and Development and nature of competitive advantage.³⁶

FIGURE 4.11:
COMPETITIVENESS
PROFILE OF VIETNAM
2010



Source: ACI, ASEAN Competitiveness Report, NUS, Singapore, 2011.

Figure 4.11 above shows of Vietnam's profile of competitiveness. Certainly some indicators also explain that the country competitiveness for GCI is 78 rank, within micro (73 and macroeconomic rank (89),

³⁴ *Ibid*, p. 66.

³⁵ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 66.

³⁶ *Ibid*.

which are totally below the ASEAN 4 (Singapore, Malaysia, Thailand, and Indonesia). Although Vietnam competitiveness performance as the result of statistical report of 2009 was not at its best rank, nevertheless towards 2011 some figures and rank of Vietnam's competitiveness has changed significantly.³⁷

Therefore, it is significant to review Vietnam's main strengths and weaknesses. Vietnam's overall competitiveness is below that of 59% of countries in the sample. It is stronger in microeconomic competitiveness than macroeconomic competitiveness, but there are areas within each that need to be substantially enhanced relative to the world.³⁸

Further, comparing across competitiveness categories within Vietnam, the country is stronger on its supporting and related industries and clusters, especially on factors related to cluster development, that is, the extent of cluster policy, state of cluster development and extent of collaboration in clusters.³⁹ However, more needs to be done to boost the availability of latest technologies and local availability of specialized research and training services.⁴⁰ Vietnam's capital market infrastructure is also relatively strong, especially in the degree to which laws facilitate getting access to credit, extending domestic credit to the private sector and financing through the local equity market.⁴¹ This information confirmed that Vietnam is very aware that it needs to do more and the issue of macro and microeconomic competitiveness should be handled seriously, internally and externally. Thus, Vietnam seemed very eager as becoming an important subject of globalization in Asia, and the world.

Nevertheless, Vietnam's weakest area is its macroeconomic policy, where it is challenged to control inflation.⁴² Its inflation in 2009, though much below the runaway rate in 2008, has remained high, and is edging up quickly in 2010. Besides, the problem of high budget deficit also has to be addressed.⁴³ It seemed that since Vietnam's independence in 1975 and until now there are still lots of things to do, including micro and macro competitiveness that should be carried out comprehensively.

³⁷ Interview with Tan Khee Giap (2011), *Loc. Cit.*

³⁸ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. 67.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² *Ibid.*

⁴³ *Ibid.*

Definitely, Vietnam still needs a lot of time to be ready for its competitiveness in Asia and the world.

V. Indonesia's Challenges

Obviously, overall from 2009 data of ASEAN competitiveness report that consists of income inequality (figure 3.6 GNI Coefficient, ASEAN 0.409, Indonesia 0394, and Vietnam 0344), human development index (figure 3.8, ASEAN 0748, Indonesia 0734, and ASEAN 0748), and GNI per capita (figure 3.5, Indonesia 2230, Vietnam 1010) Indonesia's position looks better than Vietnam, but particularly for figure 3.6, and 3.8 ASEAN average figures are still slightly ahead than both countries. This condition, certainly is not a stagnated data, any change could happen towards end of 2011 and for Vietnam (total population of 90 million people, early 2011), and Indonesia (240 million people). The challenge for domestic of political-economy problems seemed more significant for Indonesia, as the most populated country in ASEAN, and with its huge physical geographical location.

In the first phase of its development particularly since 1998 (after the resignation of Presiden Soeharto, and towards the reformation political order) until now, Indonesia faces huge problems of inefficient bureaucracy and poor or powerless for corruption eradication. These two major problems affect the realization of high economic growth in this country, and especially in facing better competitiveness of GCI rank from ASEAN 3 (Singapore, figure 4.9, Malaysia, figure 4.7, and Thailand, figure 4.10). These figure of ASEAN 3 shows 2 main advantages; first ASEAN 3 are much better of its micro and macro competitiveness of its total performance for 19 boxes described than Indonesia. Second, the issue of ASEAN competitiveness doesn't just depend on the country ability to handle the problem of bureaucracy inefficiency and corruption. More than that, and it is suggested by all the figures (4.9, 4.7, and 4.10) that problems of the ASEAN competitiveness are not a simple one, but there are 16 boxes of the every table for the issues of economic factors need to be controlled by Indonesia (figure 4.6).

This means that compared to ASEAN 3, the country should not be wasting its time and always promise to control and reform any box of macro-economic competitiveness (social infrastructure and politi-

cal institutions rank 73, political institution rank 45, rule of law rank 83, and human development rank 84), but the other boxes and as very real economic issues should also be controlled and calculated for its readiness to be competed with ASEAN 3. In this case, the box of national business environment with its rank of 54, company operations and strategy rank 49, related and supporting industries rank 37, demand conditions rank 60, context for strategy and rivalry rank 59, factor input conditions rank 72, and others of 8 small boxes that related with economic issues should also be controlled. Therefore Indonesia's face the real of economic challenge internally and externally. This is the second phase of Indonesia's readiness or not in order to be competed with the ASEAN 3 (Singapore, Malaysia, and Thailand). Thus, the problems of micro and macrocompetitiveness (totally 20 boxes of figure 4.6) for Indonesia are still problematic and also more significant. As a result, it is not enough for Indonesia's government to just concentrate on handling some of non-economic factors (such as inefficiency of its bureaucracy, and powerless to eradicate the problem of corruption).⁴⁴

VI. Conclusion

Having those problems above identified, what should the Indonesian government do? In terms of the ASEAN competitiveness, should Indonesia follow the steps or using the method of Singapore, Malaysia and Thailand for its competitiveness policies, whom all have more efficient bureaucracy and better eradication policies (in handling of acute problem of corruption)?

Therefore it is important and urgent for Indonesia to have its priority, and to be ready for its micro and macro competitiveness, that are more advance than the ASEAN 3 (Singapore, Thailand, and Malaysia). First the problem of non-economic factors (inefficiency of its bureauc-

⁴⁴ These two of non-economic factors had taken 32% of the total of Indonesia's major burden and challenge (the others are regulation for foreign currency, 2,2%, bad condition for people health, 2,7%, tax tariff, 2,7%, criminal and thieves problem, 3,6%, bad ethical work, 4,9%, very tight worker regulation, 5,3%, less for educated worker, 5,4%, tax regulation, 5,6%, government political challenge, 6,4%, inflation problem, 6,7%, and the easy access in having fund facility, 7,8%) for people doing businesses since the era of New Order (President Soeharto era), *Kompas Daily Newspaper* 24 December 2010, 'Some Problems For Doing Businesses in Indonesia', page. 36.

racy, and powerless to eradicate the problem of corruption) should be handled with real support of clean and credible government, and strong leadership (Singapore case). Second, it is suggested for the Indonesia's government also to shift its attention and seriously to meet the ASEAN competitiveness agenda (figure 5.3), for its internally and externally government policies orientation. As a result, some of ASEAN governments are not keen to endorse corruption, or less power on handling the credible of social infrastructure and political institutions, rule of law, and human development. Therefore, from now on they are concentrating to be able to fulfil the future of ASEAN competitiveness agenda (Singapore, Malaysia, and Thailand). The strengthen and weakness of Indonesia is also determined by its main major population (250 million people) in ASEAN. This has great impact for the socialization of the micro and macro competitiveness to main pillars actors of development (government elites, private companies, non governmental organization, governor and its staffs in 33 provinces), that conditions clearly need enough time to the interest of maturity of the socialization program.

Nevertheless, the Indonesian case for its macro-micro economic competitiveness has its own of characteristic, and different domestic condition compare with ASEAN 3 (Singapore, Malaysia, and Thailand), and even with Vietnam. Thus, the theory of micro and macro competitiveness by Michael E. Porter is not automatically easy to be implemented to all of ASEAN members.⁴⁵ Second, all the 20 boxes that introduced by the theory of Michael E. Porter on micro and macro competitiveness, (A) it seemed not having similar direct implementation for all of the ASEAN members, for such a country like Indonesia clearly it needs macro economic policy specially on social infrastructure and political institutions to be main priority of its implementation. For example, restoring the conditions of Indonesia's industrialization post its crisis of 1997/98 is not much for its micro and macro competitiveness without having credible and strong back up from social infrastructure and political institutions.

(B). The weakness of Michael E. Porter view with its 19 boxes of ASEAN micro and macro competitiveness, and comparing it with Indonesia and ASEAN 3 (Singapore, Malaysia, and Thailand), it seemed

⁴⁵ ASEAN Competitiveness Report 2010, *Loc. Cit.*, p. XIV-XV.

its to general for the explanation of its GCI performance rank. It is recognized, that the study of micro and macro competitiveness of Michael E. Porter still needed a specific country study of ASEAN members that later could explain what is the best policy for Indonesia to be implemented first in facing the huge (19 boxes) issues and problems of the micro and macro competitiveness.

(C). Besides, is it right and possible for the case of Indonesia, that the successfull of handling two main boxes (social and political infrastructure, and rule of law) will have significant effects to the other of 17 boxes (figure 4.6). By doing that, it is possible for any country and the members of ASEAN to rethink; what is the main and best priority of public policy to be carried out? The argumentation is, all the 19 boxes for the Indonesian case (figure 4.6) are not applicable on the same way, and having good impact for one to the other. This create another problem for the successfull of comprehensive micro-macro competitiveness to be implemented, and obviously for the Indonesian case (figure 4.6), and it needs the priority program policies for all the boxes to be ready to be competed it together. However, any gap or even huge differences between one to the boxes should be avoided, and it is not being explained by the comprehensive model of micro and macro competitiveness of Michael E. Porter.

(D). It is also confirmed that the model of Michael E. Porter is an applicable perspective that could have significantly effect the countries of ASEAN, with its 19 boxes issues that make the micro and macro competitiveness model is the comprehensive one. This also create an important implication for its methodology, that for example Singapore is significant to be a benchmark for the other ASEAN countries of its micro and macro economic competitiveness. Moreover, it is also not enough and too simple if one analyst about the ASEAN competitiveness just merely depend on one theory perspective, and disobey (or unrecognized) of multidisiplinary approach with its many possibilities of new theoretical interests. Thus, Michael E Porter perspectives on the ASEAN competitiveness have created real comprehensive approach, with its significant impact for being followed by specific of any country study (for example by Faisal Basri et. all, on *Landskap of Indonesian Economy*).⁴⁶

⁴⁶ Faisal Basri, & Haris Munandar, *Lanskap Ekonomi Indonesia: Kajian dan Remun-*

Therefore, Indonesia's government as like the other of some ASEAN members, has to implement the specific of its main public orientation policies, such as in order to handle the weakest areas that are within the sub-category of social and political institutions. The lowest ranked of its political institutions, which are weak on a range of indicators such as voice and accountability, decentralization of economic policymaking, transparency of government policy making, public trust of politicians and government effectiveness in reducing poverty and inequality. The rule of law needs to be strengthened with better protection of property rights, control of corruption and reduction in the business costs of corruption, crime and violence (third phase). Thus, Michael E. Porter perspectives have made the issues of the Indonesian competitiveness that become not only significant internally, but also regionally (ASEAN).

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