

CHAPTER I

INTRODUCTION

1.1. Background

Going alongside with Digitalization era, the economic sector evolves, they called it the new economy or Digital Economy. The new economy is expected to be a driving force for the world's economy in the future. The 'new economy' is a new sector in economy that has the potential to be a source of new economic growth, due to technological developments or demographic structural changes, that leads to major changes in some country also companies and lead to some new type of businesses like E-commerce, E-Finance, E-Money, etc. The world changing and this became a topic in some International Government Organization such as the UN, European Union, and ASEAN.

Economy has been existed for centuries. From barter until the first money was made. Old economy is more organized by product unit and only focus on transactions that will generate profit. ¹There is no measure in satisfaction and focusing more on getting customer. Evolving through that new economy is more focus on branding the product, which is a major change in marketing strategy that leads to major change in marketing strategy and businesses worldwide. ²To maintain customer, new economy also measures customer satisfaction regularly to

¹ Keld Laursen, "New and Old Economy: The Role of ICT in Structural Change and Economic Dynamics," *Structural Change and Economic Dynamics* 15, no. 3 (2004): pp. 241-243, <https://doi.org/10.1016/j.strueco.2004.06.001>.

² Ibid

maintain quality control. New economy also evolves more alongside with the technology and internet that we have. This applicable world widely.

This has affected the world economy trend, encouraging the world to change alongside with it through globalization, included Association of Southeast Asia Nations (ASEAN). ASEAN was formed in 1967 by 5 country to make a framework of cooperation in the economy, social, culture, education, etc. Various collaborations were raised by ASEAN member countries, following the digitalization era one of ASEAN that got affected by these changes is ASEAN Economic Community. AEC was made in 2003 at their 9th summit in Bali, where all leaders of member countries declared their agreement to form the ASEAN Economic Community (AEC) framework³. The purpose of its formation is to make ASEAN a stable, prosperous, and competitive region with equitable economic development, reduced poverty, diverse socio-economies but all of which increase in tandem together in a secure socio-cultural and political community and other fields in addition to creating regional security and stability.

Indonesia indeed has been actively engaging in regional community yet became more involve in January 2016. Indonesia has begun to enter a new phase of community life at the regional level, namely by actively joining the ASEAN

³ ASEAN. "Framework for Comprehensive Economic Partnership between the Association of Southeast Asian Nations and Japan, Bali, Indonesia, 8 October 2003." *ASEAN*. Last modified 2012. Accessed February 25, 2021. https://asean.org/?static_post=external-relations-japan-asean-japan-free-trade-area-framework-for-comprehensive-economic-partnership-between-the-association-of-southeast-asian-nations-and-japan-bali-indonesia-8-october-2003.

Economic Community (AEC).⁴ Indonesia declared that they will become one of the leading roles in international system especially economy through this partnership. Indonesia has made a lot of programs to boost their own productivity, labor quality, infrastructure, etc. that will help Indonesia economic grow and fulfill the pillars of ASEAN. The pillars will be gradually achieved towards the goal by 2025, ASEAN will:

1. The existence of a single market for ASEAN member countries with free economic activity products.
2. To become an area that has economic competitiveness, such as strong economic competition, consumer protection, taxation, and others.
3. Economic empowerment in the ASEAN region, mainly Small to Medium Businesses SMEs or UMKM.
4. Integrating the global economy, as one of the efforts to increase ASEAN's role in global economic competition.⁵

However, there are some consequences of AEC that are of concern to some parties, such as the condition in which Indonesia must open trade in goods, services, and the labor market with other ASEAN countries, causing some parties to question how readiness the member government is? Smaller business in the face of AEC? Are employers aware of the big challenges they face, such as competition in the business world and employment with the existence of this AEC?

⁴ ibid

⁵ibid

All parties, especially companies, must prepare themselves to face AEC, because as an international policy that was born from an international agreement, the existence of AEC will have an impact on the community of these member countries, from large to small business actors, from long-established ones to today's startup that has become a phenomenon and much-loved because it blends with our market target and millennials who are increasingly developing with the support of the internet and globalization. This phenomenon has led economy to a whole new level of digitalization.

As a response to this phenomenon, other countries especially AEC member that have begun to focus on increasing their digital activities by creating a new electronic market. Indonesia government has begun to take several actions to improve the digital economy ecosystem in the country so that it can compete with other countries. Indonesia under the administration of President Joko Widodo began implementing policies that support the development of the digital economy in Indonesia. Currently the government does not only act as a regulator in the digital economy but also as a facilitator and even an accelerator in the development of the digital economy ecosystem, especially in helping startups and smaller business.⁶ This led to the making of Indonesia Road Map of the National Electronic Based Trading System 2017-2019 In the year of 2017.⁷ This plan included development

⁶McKinsey, "The Digital Archipelago: How Online Commerce is Driving Indonesia's Economic Development," (2018): 3, <https://www.mckinsey.com/featured-insights/asia-pacific/the-digital-archipelago-how-online-commerce-is-driving-Indonesias-economic-development>.

⁷ "Inilah Road Map E-Commerce Indonesia 2017-2019." *Kementrian Komunikasi Dan Informatika*, August 11, 2017. <https://kominfo.go.id/content/detail/10309/inilah-road-map-e-commerce-indonesia-2017-2019/0/berita>.

in some sector like human resource, security, infrastructure and startup and small business develop program.

Startup is a term used to describe a start-up company established by one or more entrepreneurs to develop a unique product or service to be offered to the market.⁸ In addition, startups are also used to describe businesses that work to make products or provide services to solve contemporary problems faced today so that they can become solutions to these problems.⁹ Seeing the growing phenomenon of the digital economy, especially in the field of digital startups, the government has been proactive in selling Indonesia positively to attract national and especially Foreign Direct Investment or FDI to be willing to invest in Indonesian digital startups.

Indonesia government has focused on trying to find foreign investors or foreign venture capitals to develop Indonesia's economy since President Joko Widodo made his visit to Silicon Valley in 2017. The Road map is also use as an effort to develop Indonesia facilities and attract Indonesian investors to build a developing economy through electronic commerce (e-commerce) such as online buying and selling applications, ride services, distribution media and financial services. E-commerce is the use of the internet and the World Wide Web which is used for business transaction activities in the form of selling products and services between

⁸Idris, Muhammad. "Apa Itu Startup Dan Perbedaanya Dengan Perusahaan Konvensional?" *KOMPAS.com*. Kompas.com, October 21, 2020. Last modified October 21, 2020. Accessed February 28, 2021. <https://money.kompas.com/read/2020/10/21/093719826/apa-itu-startup-dan-perbedaanya-dengan-perusahaan-konvensional>.

⁹ ibid

business organizations and consumers. Development in the field of e-commerce in Indonesia.

Next Indonesia Unicorn is one of a program in Indonesia road map to help Indonesia startup to get more access and exposure to create Indonesia future economy, with the idea of giving them more chances to be notice and present their new business model to foreign investor, using the government link and support and utilize the consultancy and guidance from Indonesia's business experts. Indonesian startups can grow and have value in the eyes of national and global investors so that the next unicorns will be born in Indonesia.

1.2. Research Question

Based on the background of this research that is introduce above, the author suggests the following research question to be answered in the thesis:

1. How Indonesia's efforts in Developing the shifted Economy Strategy from Old Economy to New Economy or Digital Economy in 2018-2019?
2. How Indonesia use Next Indonesia Unicorn as a digital economic strategy to become the leading role in the ASEAN Economic Community in 2018- 2019?

1.3. Research Objective

Based on the background of this research that the author Introduce above. This research will tell us more regarding.

1. To learn more Indonesia's effort in developing the shifted of economy strategy from Old Economy to New Economy.
2. To analyze NextICorn as a tool to help boosting Indonesia's progress on digital economy in ASEAN Economic Community.

1.4. Research Significance

When I wrote this thesis, I hope that it will help people more understand on what NextICorn is and their influence on Indonesia's economy strategy in ASEAN Economic Communities. Furthermore, I also hoped that this thesis will be the source of knowledge and information's for scholars who want to understand better in the importance of NextICorns implementation so this thesis will help them who seek for sources, readings material and secondary data and will help them.

