

Local Wisdom as the Foundation of Indonesian Economy in Facing the ASEAN Economic Community

Muhammad Isa Indrawan

Faculty of Social Science, Universitas Pembangunan Panca Budi Medan, Indonesia
rektor@pancabudi.ac.id

ABSTRACT

Local wisdom is the power of the community in establishing a group and themselves without destroying the social order that is adaptive to the surrounding natural environment. It is built on social values that are upheld in the social structure of society. The functions are to guide, control, sign and to behave in various dimensions of life both when dealing with others and nature. Local wisdom is one the foundation for economic development in Indonesia. The development of the Indonesian economy cannot be denied leading to a liberal economy without avoiding local cultural values that are still used today such as a culture of mutual-cooperation, sustaining the food needs to be produced and enjoyed together, and love Indonesian products. Limitations of the study in this paper are how Indonesian economic policy in applying the principles of local wisdom and local wisdom can answer the challenges of the global economy, especially the ASEAN Economic Community. Indonesia has great potential in developing local wisdom since it consists of regions having diverse ethnicities, great natural resources from the sea and land. Indonesia's economic policy should focus on the local wisdom that is not eroded by the times. The economic policy uses local potential through local culture by generating one village one product into one of the Indonesian economic policies that local governments must realize to develop local economic potential. Indonesia has a creative economic agency that focuses on the development of local economy, but the creative economy should apply the principle of local wisdom in responding to the challenges of the global economy, especially the ASEAN Economic Community. Sustainable economic development is useful for the future of Indonesia.

Keywords: *Local Wisdom, Economics, ASEAN Economic Community*

1. INTRODUCTION

Economic pressures in the global world have an impact on eroding local values in the liberal economy[1]. Consumptive culture is overgrowing through the sophistication of technological features[2]. This factor encourages people to do things destructively without using the local wisdom as economic development for both themselves and the broader community. Local wisdom is the central capital of society in building itself without destroying the social order that is adaptive to the surrounding natural environment. It is built on social values that are upheld in the social structure of society itself and has a function as a guide, controller, and signs of behaving in various dimensions of life both when dealing with others and with nature. The development of the ASEAN Economic Community has been wiggling since 2015, but Indonesia has not had a comprehensive economic policy by using local Indonesian cultural wisdom. The ASEAN Economic Community is an ASEAN economic integration in the face of free trade among ASEAN countries. All ASEAN members have agreed to this agreement. AEC is designed to realize the ASEAN Insight 2020 so that an economic policy study is needed that discusses how Indonesian Economic policy in

applying the principles of local wisdom and local wisdom can respond to the challenges of the global economy, especially the ASEAN Economic Community.

2. THEORIES

Local wisdom seen from the dictionary consists of two words, wisdom and local. Local means one region and wisdom equal to stability. In other words, local wisdom can be understood as ideas, values, and views that are wise, full of wisdom, good value, embedded and followed by members of the community.

Local wisdom is characterized by self-reliance, strengthening community participation in empowerment processes, ensuring survival and sustainability, promoting appropriate technology, ensuring cost-effective effectiveness and providing opportunities to understand and facilitate the design of approaches the appropriate program[3]. ASEAN Economic Community is a developing economic society there is no limit to the entry of economic development in ASEAN society. The economic growth of the ASEAN community in the ASEAN Economic Community (AEC) 2015 is an ASEAN economic integration in the face of free trade among ASEAN countries.

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A sustainable economy is a development that can meet the needs of the present generation without sacrificing future generations to meet their needs[4]. Sustainable development refers to efforts to maintain a continuous building activity. Development always has economic implications, and in fact, it has a full social and political dimension. It can be described a factor of the social purpose of a society in which it is an attribute of what the community wants to achieve or maximize[5]. These attributes may include: increased per capita income, improved nutritional and health conditions, education, access to resources, more equitable distribution of income, and so on. So the concept of sustainability can be interpreted as a general requirement where the character of the development vector has not diminished over time [6].

3. METHODOLOGY

This research is qualitative research using secondary data from Indonesian economic policy. Qualitative descriptive analysis approach describes the condition of the Indonesian economy by applying the principle of local wisdom as the strength of the Indonesian economy in the face of the ASEAN Economic Community.

4. RESULT AND DISCUSSION

Development as a process is necessarily a planned and implemented reform in a relatively fast tempo. It is undeniable that it has led us to the advancement of science and technology, economic growth, increased sophistication of means of communication, and so on. However, the development that is guided only by economic and security considerations, which in fact has improved the welfare of some of society's entire lives, has also created a great distance between sophistication and backwardness.

Local wisdom is an informal institution that governs relationships over the processing of resources in a society. It can be argued that tradition is a set of actions or actions that are usually defined by clearly or vaguely accepted rules or a ritual or symbolic nature that wishes to instill certain values and norms of behavior through repetition which automatically implies continuity with the past.

The core of culture is the fundamental values and concepts that provide direction for actions.

Digging and reinventing local wisdom can be regarded as a movement back by its regional cultural benefits as part of an effort to build the identity of a region. It correlates with creating strategic and tangible steps in empowering and developing the potential (social, cultural, economic, political and security) of the region optimally as well as a filter in selecting various cultural influences from outside. Local wisdom is the real power and potential of a region as a regional asset that promotes regional development and development. Furthermore, to build the region needs to do local cultural empowerment or local wisdom that supports the preparation of cultural strategies or formulation of cultural activities in the region as the foundation area in the field of culture.

For example, case studies can provide enlightenment that the potential of local wisdom can lead to a sustainable economy in the Sarongge village. The community uses Leuit (rice storage granaries or grain harvested farming community) to make the harvest as spare in the famine. For decades, the generations of the village community maintained the tradition of storing rice in the family barn for both consumption and seeds of the next growing season. As long as this culture is defended, no Sarongge village community suffers from hunger because it has no food stash.

The economic level of a country is determined only by market mechanisms and government intervention, but this condition is not working correctly. This situation requires the existence of local values that are often called local wisdom to be one of the foundations of the nation's economy in the face of the entry of the ASEAN Economic Community. All ASEAN members have agreed to this agreement. AEC is designed to realize the ASEAN Insight 2020. ASEAN countries most ready to face this condition are Malaysia, Thailand, Singapore, Brune Darussalam with the potential for the development of local culture.

The State of Malaysia's economy shows robustness and reliable performance. Growth goes above potential, driven by strong global demand for electronic goods and better trade terms for commodities, such as oil and gas. The 11th Malaysia Plan, which stretches from 2016 to 2020, is planning a direction toward advanced economic status and greater inclusion. Increasing productivity and encouraging more innovation is a goal of the plan, which has six strategic pillars that address various development issues including equity, inclusiveness, environmental sustainability, human capital development, and infrastructure[7].

One of the countries that apply local wisdom is Thailand. The country has a one-of-a-one-product principle in which each region develops agricultural products. State of Brunei Darussalam while maintaining forest preservation as one of the economic development policies through carbon trading. The country has significant oil and natural gas fields making Brunei Darussalam the fifth most productive country in 182 of the world's natural oil and gas countries.

The Hungarian state implements local wisdom through the state economy, cultural arts, tourism. The Hungarian Economic System is an export-oriented market economy, so Hungary has the 35th largest export economy in the world. Hungary's export value in 2015 stood at \$ 100 billion with a trade balance surplus of \$ 9,003 billion, 80% of Hungary's production capacity is privately owned, but they were taxed at 39.1% to finance people's welfare [8].

Indonesia has great potential in developing local wisdom because Indonesia consists of regions having diverse ethnicities, significant natural resources from the sea, land so that the need to establish local possibilities by taking into account in the wisdom of pluralistic local culture. It is a joint study that customary rules or social culture in society should be used in determining Indonesian economic policies, state apparatuses that work honestly, transparently, accountably, reliably, and developing local wisdom as mutual awareness-raising among the people to keep loving local products that potency. It can make Indonesia one of the largest countries in the world. Economic development of cooperatives based on Pancasila should continue to be the foundation of the nation's economy. Increased Micro, Small and Medium Enterprises become the basis for local businesses in the region.

The use of local wisdom as the primary strategy for the future economic improvement, especially the sustainable economy is very appropriate because the community knows more about what to do and needed in conducting economic activities by the potential of a region. Thus, economic activities in a region can run well without any support from local government. Indonesia's economic policy should focus on the local wisdom that is not eroded by the times. The financial system uses local potential through local culture by producing one village one product to be one of Indonesian economic policy which must be realized by local government to develop the local economic potential in facing the entry of products from ASEAN Economic Community.

5. CONCLUSION


Indonesia's economic policy should focus on the local wisdom that is not undermined by the times; economic policy uses local potential through local culture by producing one village one product into one of Indonesia's economic policies. It should be realized by local governments to develop local economic possibilities. Local wisdom becomes one of the foundations of the Indonesian economy in responding to the challenges of the ASEAN Economic Community. Indonesia has a creative economy agency that focuses on developing the local people's creative economy, but it should apply the principle of local wisdom in responding to the challenges of the global economy, especially the ASEAN Economic Community. The economic development of Indonesia using the law of local wisdom is a sustainable economy because it was born and developed from time to time and developed for the future of the Indonesian nation.

6. FUTURE SCOPE

The local people's economic policy is formulated into Local Regulations where the local government plays an active role in realizing self-reliance through the principle of local wisdom as an effort to improve the economy in the region. Socialization needs to be done to the community in facing the entry of ASEAN products that will impact on the local economy in the presence of the principle of local wisdom can prevent the development of local products that are loved by the people of Indonesia. The culture of love for Indonesian products must continue to be delivered in the community.

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