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Liberalisation of Banking Services Under the Framework of ASEAN Economic Community: An Indonesian Perspective

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Abstract

Among the ASEAN members, compared to other members, Indonesia is relatively more liberal in opening up international trade in financial services, especially in banking sector. Through its submission of CIO to the WTO in 2005, Indonesia to some degree offered certain liberalization of banking sector, together with some other services governed under the GATS. On the other hand, other members of ASEAN show their carefulness in liberalizing their banking sectors. As consequence, on one hand foreign banks have occupied nearly 50% of the Indonesian banking industry, and there are only a few units from Indonesia's domestic banks that present in its ASEAN neighbours, on the other hand. Using normative method, this research elaborates on how Indonesia should strike a balanced stand between its over-liberalized banking sector and the reluctance of other members, while maintaining the GATS principle of "progressive development". The authors conclude that one of the ways for Indonesia to flip the odds to be in its favour is by urging the implementation of the reciprocity principle in banking services in ASEAN, which additionally, will also stimulate the liberalisation schedule of the latter.

Keywords

Banking Liberalisation; Progressive Development; Reciprocity

Introduction

ASEAN Economic Community (AEC) and World Trade Organization (WTO) share the utopia of liberalisation. Yet specifically, the former proposes to achieve regional integration, through the establishment of a single market and production base (ASEAN Secretariat, 2008). One of the key characteristics of the said single market is free flow of services (ASEAN Secretariat, 2008), particularly that of the banking industry (Samuel

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Tsien, 2015). A more integrated ASEAN would certainly require a more effective regional financial system, in which its regional banking industry shall serve as the catalyst in return (Samuel Tsien, 2015). Along this line, both AEC and the WTO uphold the similar principles of progressive development and no back-loading commitment.

Despite being one of the most significant aspects of trade liberalisation in ASEAN, the regional integration in banking services seems to have been undertaken leisurely. Whilst AEC in general had been set to take off by the end of 2015, the liberalisation of banking services, on the other, wold not be fully effective until 2020 (ASEAN Secretariat, 2008). Hence, the banking services were not included as one of the resources-centric priority integration sectors within the schedule of AEC (ASEAN secretariat, 2004). As one of its founding fathers, Indonesia however, demonstrates somewhat a more *obedience* approach towards the WTO's trade liberalisation agenda. In its 2005 Conditional Initial Offer (CIO), Indonesia has confidently eliminated all the Market Access and National Treatment limitation (WTO Doc TN/S/O/IDN, 2005). Additionally, it has also lifted the shares percentage to acquire local banks up to 51% of from the previous 49% (WTO Doc TN/S/O/IDN, 2005). Indonesia then permits the establishment of foreign banks in the key cities that hold the importance to the national development and cover nearly all the strategic corners of the country's territory from the west to the east. These are the Capital Region of Jakarta, Surabaya, Semarang, Bandung, Medan, Makassar, Denpasar, Batam Island, Padang, Manado and Ambon (WTO Doc TN/S/O/IDN, 2005). To top it off, it grants temporary entry for 3 months for the experts of the foreign banks and the non-application of taxation in the Horizontal Measures (WTO Doc TN/S/O/IDN, 2005).

The openness of Indonesia's banking industry seems to be contradictory with the country's genuine capacity, and raises intricate issues, as follow. First, Indonesia's individual strategy would already be incompatible with the collective ASEAN liberalisation and integration process that moves in a more cautious, slower – yet surer – pace. Second, bound under the principles of progressive development under the WTO, Indonesia could never withdraw its offer to the WTO. Consequently, these lead to a question of whether Indonesia may offer less to the ASEAN members than to the WTO. Nonetheless, the other ASEAN members may still claim the entirety of Indonesia's standing offers in the WTO on the ground of their membership under the latter. This article then explores the liberalisation of banking industry in ASEAN under the AEC Framework, in relation to the WTO; and how should Indonesia take a hold amidst the impetuous circumstances.

Method

The research employs Doctrinal Legal Research, defined as research into legal doctrines through analysis of statutory provisions and cases by the application of power of reasoning. It gives emphasis on analysis of legal rules, principles or doctrines (Khushal Vibhute & Filipos Aynalem, 2009). The sources of law used are the primary materials, such as treaties, legislation and national regulations, law doctrines, other secondary and tertiary sources. The main approach to the research is analytical method focusing on the meanings, silences, and relations as well as the status of the laws in the hierarchy of legal norms (P. Ishwara Bhat, 2020).

Discussion

1. The International Framework

The international trade, including banking services, disembogue to the largest, most significant trade organisation: the WTO with its General Agreement on Trade in Services (GATS), under which the members submit their CIO in accordance with the principle of progressive liberalisation. GATS sets that trade in services include legal services; construction services; education services; financial services (under which is the banking sector); health services; maritime services; and energy services (GATS, 1995).

In the WTO/GATS system, four modes of supply are present: Cross-Border Supply, Consumption Abroad, Commercial Present, Presence of Natural Persons (Andrew Cornford, 2009). The international trade in banking services falls under the category of GATS' Commercial Presence. In this sense, the influences of international trade liberalisation agreement in services market are actually more overwhelming than that of the goods (Nico Valckx, 2002). When they are only the tangible products that penetrate into the latter, they are actually the extended hands of the services suppliers that are physically present in the former, as an addition to the services products offered. Nonetheless, it is important to note that both trade in services as well as in goods under the WTO system share the same underlying non-discriminative international trade principles of national treatment (NT) and most-favoured nations (MFN), in addition to the aforementioned progressive development (GATS, 1995).

For the principle of progressive development, WTO recognises the fine line that divides between its developed members and its developing ones. The GATT Enabling Clause of 1979 becomes one of the most fundamental baselines amongst the WTO trade rules that governs the special and differential commitments expected of the developing nations when it comes to liberalise its domestic sectors (GATT Enabling Clause, 1979). Under this mechanism, in order to encourage the more active participation of the developing economies in the global trade liberalisation, developing countries thus exempted from the general requirement to be fully committed to the liberalisation schedule as presented by the other developed members. Instead, the previous are left free to cherry-pick their chosen sectors to be liberalised, in a one-step at a time manner, so long as the liberalisation will progress to develop gradually, and to avoid the back-loading commitment. However, instead of optimally maximising its privileges as a developing member of the WTO, Indonesia has opted to give an all-out liberalisation commitment to the other members.

2. The Regional Framework

In the present-day world of borderless trades, it is difficult not to recognise ASEAN as one of the largest, long established and most importantly, well-operating Regional Trade Agreements (RTAs), also known as Free Trade Areas (FTAs) (Rafael Leal-Arcas, 2011). ASEAN was first established when five Foreign Ministers of its founding countries – Indonesia, Malaysia, Singapore, Philippines and Thailand – gathered to sign the Bangkok Declaration. The Declaration has two primary objectives: to create an inter-governmental institution that would support a strong regional cooperation amongst South East Asian countries on economic, social, cultural and education; and to contribute to the global peace and security (ASEAN Secretariat, 1967). Not very long after the initial creation, the remaining five member states – Brunei Darussalam, Vietnam, Myanmar, Laos and Cambodia – joined the cruise, carrying along with them their vastly varied and diverse economic characteristics. Indeed, this characteristic has defined ASEAN, despite the varieties – or "imbalance", as some would argue – of the degree of economic growth of each member countries, as a thriving organisation, making it the most successful inter-governmental organisation in the world (Jamil Maidan Flores & Jun Abad, 2012), and also the most complex and dynamic economic group there.

ASEAN is, and always has been, an economic-driven organisation. It is not without reasons, ASEAN's collective consumer base counts as the third largest in the world, and at least a $2.8 trillion USD of combined GDP as of 2017, placing it on the fourth seat of the global GDP rank (United Overseas Bank, 2018). The emerging ASEAN countries, such as Singapore and Malaysia, also proposed to be the new major players that would close the gap on the other, bigger European economies by 2030 (United Overseas Bank, 2018). It has proven even further by the creation ASEAN Economic Community (AEC) in 2003, which has been generally effective since the end of 2015 – even though the integration and liberalisation of its banking services will not occur until 2020.

AEC came up with four key characteristics:

(a) *Single Market and Production Base*, which comprises of free flow of goods, free flow of services, free flow of capital, and free flow of skilled labours.
(b) *Competitive Economic Region*, which comprises of competition policy, consumer protection, intellectual property rights, infrastructure development, taxation and electronic commerce.
(c) *Equitable economic development,* which comprises of Small Medium Enterprises Development and initiative for ASEAN integration.
(d) *Integration into the global economy* with the same composition as the Competitive Economic Region (AEC Blueprint, 2015).

The key characteristics have given away the facts that the establishment of AEC has never strayed from ASEAN's philosophical insight of "One Vision, One Identity, One Community", which if viewed from the economic sense, it then becomes: one market. The ASEAN single market; its very own kind of trade liberalisation. Thereupon, AEC is to integrate its individual members' markets into one, where goods, services, capital and even (skilled) people can mobilise freely as if it is a single country instead of a collection of ten. It is also displayed in plain sight how the roadmap that ASEAN has drawn for its liberal trade cooperation is even more winding than that of the WTO: the one with their own rather ambitious complexities – even more complex than what is provided by the multilateral trading system. Legend has it, regional economic integration and trade liberalisation have always been implored by the organisation ever since its birth, incepted within the simple, straightforward words of the Bangkok Declaration. The next question is then, why are they crucial for ASEAN?

To put it frankly, Unlike the European Union (EU) or the North America Free Trade Area (NAFTA) wherein the developed and the haves dominate, ASEAN is not blessed such a prosperity. In fact, ASEAN intended to gather the developing economies in order to then boost their development by proceeding as one. Arguably, the regional integration and trade liberalisation within ASEAN will advance collective developments, and stimulate the national economy of the individual members. Additionally, international trade, specifically in financial services, is proven to have provided a rather grandeur contribution to the global economy since the services providers undertakes the significant role as one of the main facilitators. Thus, imagine what it do to a smaller scale economic region such as ASEAN. In this sense, strong and stable financial sector, especially that of the banking services, becomes the vital element that needs to enhance, at the same time nurtured tenderly. Since the dominant financial system in most, if not all, ASEAN countries is bank-centric, banking institution thus become the spearhead of ASEAN financial integration (Geert Almekiders, 2015). Moreover, since 2009, commercial banks dominate the total financial assets of ASEAN (Asian Development Bank, 2013). Hence encouraging the banking services integration as well as its liberalisation in ASEAN should have been on the top tier of the organisation’s key priorities.

All of the above has depicted that the fundamental reason as to why it is immensely crucial for ASEAN to integrate its banking services which then to better execute its liberalisation commitment is therefore established, and yet, up to this very moment in time, regional integration and liberalisation of banking services in ASEAN has merely seen little to zero progress. Despite meeting the standards of soundness and safety of bankings (Asian Development Bank, 2013), nearly a decade ago, there was no commercial bank belonging to ASEAN countries that established their representatives (through branch offices or subsidiary) in the jurisdiction of the other member countries. In contrast, various other commercial banks from all around the world have had a rather gigantic presence in ASEAN (Asian Development Bank, 2013).

It is true that ASEAN banking sector in one members country and in the others are different in terms of their degree of development, banking regulation, bureaucratic capacity. Above all, the 1997-1998 Asian financial crisis that are still affecting countries in the region (Government of Indonesia, 2013), has made it such as intense hard work to integrate. A 2013 study shows that only banks from Singapore (Takashi Yamanaka, 2013), Malaysia and Thailand that have successfully assume the role of active players in ASEAN, or perhaps even the global banking market (Choong Lyol Lee & Shinji Takagi, 2013). While in contrasts, commercial banks from other ASEAN developing countries such as Indonesia’s Bank Mandiri of the Philippines’ Metrobank still have a low penetration in their own regional market (Choong Lyol Lee & Shinji Takagi, 2013). Aside of overcoming the diversity in the development stages of ASEAN countries, actually strengthening the regional cooperation amongst the members also pose as a challenge in accelerating ASEAN banking services integration (Choong Lyol Lee & Shinji Takagi, 2013). Therefore, what the region needs to establish next is the right framework to do the job.

Pursuant to that, in early 2015, ASEAN Banking Integration Framework (ABIF) was then established. Under the Framework, two individual ASEAN countries could enter into reciprocal bilateral agreements for their respective banking institutions that fall within the category of Qualified ASEAN Banks (QABs). This is to be able to operate in other’s jurisdictions and treated equally as the host-country’s domestic banks –

meaning, greater, less-restricted access for ASEAN banks to penetrate each other's market (Choong Lyol Lee & Shinji Takagi, 2013). The agreement in question is to be negotiated between the two partaking countries in a way that, with due respect to its supposed reciprocal nature, "mutually beneficial and acceptable" for the parties (Yati Kurniati, 2016). As for being QABs, there are a couple of requirements to meet for ASEAN banks as one. First, they have to be ASEAN "home-grown" banks. Second, they are financially strong and stable, well managed with a good governance system. Third; and third, they should be both supported by the home countries and met the host country's prudential requirements (Yati Kurniati, 2016).

Aside of the designated reciprocal bilateral agreement, ABIF also came up with an enabling mechanism for the developing ASEAN countries to accelerate their international – or in this case, start with the regional – trade and investment flows which then in return should accelerate the regional financial integration (ASEAN Secretariat, 2015). That being said, in addition to the inclusiveness of ASEAN region and transparency (ASEAN Secretariat, 2015), the Framework also emphasises how ASEAN has upheld the WTO's national treatment principle and most importantly, the latter's reciprocity principle as well as progressive development through their respective enabling clause (GATT Enabling Clause, 1979). ABIF is then equipped with three primary objectives to supposedly overcome the challenges. Firstly, it facilitates the easier penetration of foreign banks from one ASEAN country to the other. Secondly, it eliminates discriminative barriers of those foreign banks. Finally, and most importantly, it reforms the region's banking regulation that would meet the principles of inclusiveness, transparency, reciprocity and progressive development (Alice Huang, 2015).

However, there is indeed a more accurate reason as to why ASEAN is still hindering its own banking services integration and liberalisation, and that is one of the most important lesson learnt from the 1997 crisis. A domestic banking crisis that happened in an ASEAN country with relatively fragile financial system is highly contagious to the other developing countries in the region. Therefore, it is supposedly best for the region to wait up for the banking sectors in its developing members to ripe before pushing forward to full integration and liberalisation (Alice Huang, 2015). In response to that, the International Monetary Fund (IMF) has suggested "2+x" approach of banking integration and liberalisation in ASEAN. In this mechanism, two – equally competitive – ASEAN countries would take the initiating step to open up their market for each other's banks, which then the other members can join the cruise, as their own banking institutions have been fully-fledged (Alice Huang, 2015). This method would surely suspend the full integration and liberalisation of the region quite significantly, but it is undeniably a fair bargain if by then, ASEAN countries with raw financial sectors can develop their own regulatory frameworks and best prepare the market before integrating and liberalising. That is why ASEAN prefers to take its leisure walk to liberalisation.

3. The Nation's Standing Position as It is

There are two ways to assess Indonesia's standing position in this matter: first, Indonesia in the WTO; and second, Indonesia in the ASEAN. In the WTO, Indonesia has submitted its CIO that has formulated in a way that is consistent with the GATS principles as well as upholding the national interests (Indonesia's CIO, 2005). Whether it is true that such immensely liberalist piece of document would genuinely uphold the country's national interest, especially for a nation which is still under development and whose economy is still being built in an uncertain situation, remains a long story to be told another day. However, Indonesia's domestic banking industry is one out of the 5 sectors or sub-sectors which cover up to 68 transaction activities that have been greatly liberalised under the CIO (Hatta, 2006). In the CIO, the Government of Indonesia has consented to disregard *all* the limitations it had once formulated under its former Horizontal Measures and Schedule of Specific Commitments, thus, opening up its domestic market far vaster for the international community to enter (Hatta, 2006). In doing so, there are 8 points of General Conditions offered by the Government of Indonesia through the CIO. Among these 8 points are some that simply do not go in line with the deliberate integration timeline and liberalisation commitment as set up under the AEC. As mentioned earlier that Indonesia has eliminated all the Market Access and National Treatment limitation. It opens the possibility of acquisition of local existing banks up to 51 per cent of the shares, raised from only 49 per cent previously, and the possibility of foreign ownership up to 99 per cent. Indonesia also allows the establishment of foreign banks in key cities spreading out wide to the whole territory from the Western part of the country to its Eastern part that are vital to the national development. These are Jakarta, Surabaya, Semarang, Bandung, Medan, Makassar, Denpasar, Batam Island, Padang, Manado and Ambon. It then allows temporary entry for 3 months for the experts of the foreign banks; and, *fifth*, as if not enough, concluded by the non-application of taxation in the Horizontal Measures.

As for banking industry of Indonesia in the ASEAN, to begin with, Indonesia is the ASEAN country with the most liberalised banking industry. However, the liberalised nature of Indonesian banking sector is the one that the country has consistently been the loyal importer of banking services, rather than the exporter. Indonesia is amongst the other ASEAN countries whose domestic banks have the least presence in the market of the other ASEAN countries (Yati Kurniati, 2016). Out of total 17,326 operating units (being branch, subsidiary or representatives office) of the whole 120 existing banks in Indonesia, 7,982 operating units – which equal to 43 per cent – are those of the foreign banks (McKinsey & Company, 2015). For ASEAN countries particularly, banks from Singapore and Malaysia have been effortlessly penetrating into Indonesia's market, such as DBS Bank with at least 89 operating units in its home market and 39 operating units in Indonesian market (McKinsey & Company, 2015).

Furthermore, there are actually foreign banks with less operating units in their own home markets and more in Indonesian market, instead, such as OCBC Bank with only 56 operating units in its home market and 339 operating units in Indonesia. The UOB Bank has 77 operating units at home and 21 operating units in Indonesia, and, CIMB Bank with 312 operating units back home and 580 operating units in Indonesia (McKinsey & Company). In contrast, Indonesia's Bank Mandiri has only succeeded to establish one single operating unit in the ASEAN market (McKinsey & Company, 2015). Moreover, these foreign operating units in Indonesia managed to be established in the form of a subsidiary office, while the very little times when Indonesia managed to penetrate their market in return, was only in the form of a branch office.

Additionally, Malaysia and Singapore have owned more than 5 per cent of the total 27.3 per cent of foreign banking assets in Indonesia, compared to the total 45 foreign banks from various ASEAN and non-ASEAN countries, such as the United States of America, United Kingdom, Australia, Japan, South Korea, China, Taiwan, India, Netherlands, Germany, France and Qatar (McKinsey & Company, 2015). Normally, foreign strategic ownership for a single country is below 5 per cent (McKinsey & Company, 2015).

Due to the CIO, foreign ownership of banking services in Indonesia is permitted up to 99 per cent (Indonesia's CIO, 2005), leading foreign banking services to penetrate deeply into Indonesian market from as many ways as possible. These are either by establishing branch, subsidiary, or representative offices, or mere automatic transaction machines (ATMs) or any other possibly unchartered forms of commercial representation in the absolute absence of any certain restrictions; or by taking over the ownership of the assets (Dwityapoetra S. Besar, 2012). Adding up to the absence of business expansion limitation, Indonesia's regulatory framework for the banking liberalisation is only equipped with the single licence policy (Dwityapoetra S. Besar, 2012). On the contrary, banking authorities in other ASEAN countries, such as Singapore, Malaysia, Thailand and the Philippines apply multiple licence policies, not only that, the countries have set up the restriction of business expansion for the foreign banks through the ownership limitation to be less than 50 per cent and designated forms of commercial representation (Dwityapoetra S. Besar, 2012).

Assessing from the two contrasting evidences, it is revealed in plain sight how Indonesia is somehow posing two disparate stances between its membership under the WTO in which it bares its banking sector, and that of the ASEAN that has a quite significantly different timeline for liberalisation. One of the most fundamental legal loopholes in this phenomenon is that, bound under its membership in the WTO, the other member states can certainly demand Indonesia to meet its standing offer under the CIO, which is the openness of its banking market. Whilst on the other hand, the other ASEAN countries have yet to fully perform their reciprocal commitment to Indonesia's domestic commercial banks, considering other banks from other ASEAN countries have long since penetrated into Indonesia's market. Therefore, if Indonesia is to restrict its banking market for the other ASEAN countries to a certain degree in order to balance the ASEAN pace of liberalisation, these other countries can still claim Indonesia's offer since they too are members to the WTO. That, of course, is aside of the fact that the WTO maintains a progressive development principle that prevents Indonesia from taking a step back from its liberalisation commitment. Moreover, one may argue that by Indonesia restricting its banking services liberalisation for the ASEAN members would simply mean that that the country contributes to the even more delay of the ASEAN collective regional integration and liberalisation.

Yet, the bill is already paid. Indonesia has submitted its CIO to the WTO without further and deeper assessment to the schedules and frameworks that are still under construction within the ASEAN region. What is then left for the country to do is not to retrace its steps back and amend what is already done, but rather, to push forward against the current while flipping the situation in a way that the odds would meet its favour.

4. The Nation's Standing Position as It Should be

There are at least three options for Indonesia to save itself from a crucial position in international trade and liberalisation between that in WTO and in ASEAN. Indonesia should strengthen its own domestic banking sector before going even further; it should also optimise the *status quo* of ASEAN as an RTA; and this country should strive for the actual implementation of the reciprocity principle within the region. This are the following reasons.

First, the disparities in bureaucratic capacity amongst ASEAN countries as well as the ununiformed regulatory frameworks for their individual banking sectors are two of the aforementioned challenges in actualising ABIF – and along with it, its reciprocity principle. Indonesia, at this point, can use them, instead, for the starting point to reform its domestic banking regulatory framework to meet the ASEAN trends. It could applies the multiple licenses for banking services liberalisation instead of the single license – as well as to reshuffle its commercial banks and its banking monitoring institutions – such as the Central Bank of Indonesia (BI) and the Financial Services Authority (Otoritas Jasa Keuangan/OJK) – to be more effective and efficient. The growth of commercial banks in Indonesia must nurture in a certain way that it becomes equally competitive in the ASEAN banking market. At the end of the day, it would lead to the good governance of the banks and banking monitoring institutions that should lead further to the financial stability of the country. Particularly, for the multiple license proposition, it is mainly targeting on the differentiation of licences issued for banks that are operating in Indonesia, depending on the forms of the business entities. This is for instance, licenses for banks that are operating in the form of branch offices is different from those of limited liability company; the equity invested; the soundness of the banks; including also, the reciprocal treatment from the banks' home countries towards Indonesia's domestic banks that are operating or about to operate in their jurisdiction.

Second, in addressing the issue on which of the Indonesia's foothold that should be prevailed, the one in the WTO or the one in the ASEAN, the international trade rules obligate the nations to bow under national treatment, and most relevantly, the most-favoured nations principles. However, WTO itself also encourages its member states to instead enter into RTAs under its regional exception provision and enabling clause (GATT 1994 art XXIV para 4), in order to promote a global scale of trade liberalisation by taking the first initial step off the regional scale. ASEAN is indeed one of these RTAs. Nonehteless, with the proliferation of RTAs all around the globe (WTO, 2018) the most-favoured nations principle is more likely to be harmed due to the exclusive nature of RTAs in which a certain degree of privileges is only reserved for the members of the RTAs and exempted for the non-members. But arguably, RTAs are instead nourishing the multilateral trading system rather than harming it as they contribute in quickening the pace of trade liberalisation (Peter Mandelson, 2006). Besides, it is within RTAs that further, more elaborate aspects of trade liberalisation that go beyond the limit of trade in goods or in services are negotiated and thus provided, such as investment promotion and protection, intellectual property rights, environmental issue, or in the case of ASEAN, the reciprocal bilateral agreement for QABs. Therefore, the additional features that bring with them their own advantages should have paid off for the supposedly ruled out most-favoured nations principle. However, there is still a peculiarity with the case at hands: this arrangement only works in an RTA that provides more eases and privileges for the members rather than the non-members, which, the eases and privileges only come out of the actually integrated region and more liberalised flow of trade. Ironically enough, ASEAN is still seeing a long road ahead before achieving its regional integration. As mentioned in the challenges facing the actualisation of ABIF that ASEAN needs to restrengthen its regional cooperation. While judging from the layout of the other ASEAN countries' existing banks in Indonesia and Indonesia's own counterparts in their jurisdictions, at least in banking services, this regional cooperation is still very much lacking. The other ASEAN countries appear to remain view Indonesia as a mere market target to distribute their banking services, rather than a sister country whose growth is, to some extent, fall within their collective moral responsibility to elevate.

Third, the implementation of the reciprocity principle. This principle is highly one of the most favourable for Indonesia's part. Not only the implementation of it within the ASEAN region would also strengthen the regional cooperation amongst the members, but there is also a legitimate framework for it, which is the aforementioned ABIF. Pursuant to the reciprocal bilateral agreement under ABIF, two QABs may enter into each other's market due to the greater, less restricted market access provided by the agreement, so long as the ASEAN banks meet the requirements of being QABs. Judging from the said straightforward yet in-depth requirements, there are numerous Indonesia's domestic banks that are capitally strong and operated with good governance, whose strength and soundness are proven from various aspects such as non-performing loans ratio, net interest margin, capital adequacy ratio, cost-to-income ratio and return of assets (Asian Development Bank, 2013; Yati Kurniati, 2016). For non-performing loans ratio alone, for instance, Indonesia's commercial banks possess only 2.5 per cent from the normal bank healthiness standard of 5 per cent (Yati Kurniati, 2016).

Conclusion

The previous discussion has demonstrated how Indonesia appears to see a long winding road before it gets to export more of its banking services to the other ASEAN markets. Therefore, the next step forward is to measure whether these banks of Indonesia have met the requirements of the targeted home-countries of ASEAN in a cooperative manner. With or without the implementation of ABIF, Indonesia has held up to its end of the bargain, which is to open its market to the other ASEAN banks. It is now their turn to pay the respect. Otherwise, without the actual implementation of reciprocity principle in the ASEAN region, the banking integration and collective liberalisation agreed under the AEC in 2020 would remain an impossible dream. We have lagged, however, with one simple detail of what would happen with the other ASEAN banks that are yet to regard as QABs. Fortunately, ABIF is also equipped with a Learning Program that is intended to decrease the capacity gaps amongst these banks, which in the end, will elevate the readiness of ASEAN countries to partake in ABIF that should contribute in the realisation of banking services integration and liberalisation in 2020 under the AEC framework. In short, once integrated wholly as one, ASEAN, and therefore Indonesia, should be able to advance further in the international trade realm.

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