This study has the objectives for analyzing the effect of AEC establishment to Indonesia’ welfare. In roadmap of integration of AEC it is stated that AEC is a process of liberalization in several sector in the economy. This study describes liberalization in goods market, services sector, investment, capital market, and skilled labour and the impact of liberalization for economic welfare.

Model that used here have the objective to estimate the impact of liberalization in goods sector (12 priority sector) and service sector (5 priority sector) to welfare in those sectors. The prioprity sector are including agro-based product, electronics, automotive rubber based product, fisheries, wood based product, textiles and apparels, air travel, e-ASEAN, healthcare, tourism, and logistics services.

Beside using quantitative model, the research use content analysis to form Economic Integration Matrix. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Content analysis has been done to various documentations for examples books, magazine, newspaper, website, law and regulation, etc for the issues related with AEC. Economic Integration Matrix contain current situation in Indonesia, current challenges, current policy and how the response of economic agents in Indonesia to the challenges. The matrix created for goods market, services sector, investment, capital market, and skilled labour.

The research shows that generally liberalization in AFTA schemes in form of tariff decreasing not significantly influence the welfare in goods market. It is shown by the result of regression between tariff rate and GDP growth in the sector mentioned. The result confirmed by the survey that majority of respondent have the opinion that AEC will not have the impact to the welfare of society in Indonesia. Economic Integration Matrix and the survey to related economic agents shows that there are still many problems and challenges that must be solved by Indonesia to prepare for AEC in 2015. On the other hand, current government policy still not sufficiently to make Indonesia competitive in AEC priority sectors.