

## The Impact of Economic Globalization on The Indonesian Economy Sailirrizqi Sailirrizqi, Hendri Hermawan Adinugraha

Corresponding : rizqisaily@gmail.com

---

### ARTICLE HISTORY

Article History:

Received :

Revised : Juny, 2023

Accepted : Sept, 2023

**Keywords :**

**Globalization,  
Indonesian economy**

### ABSTRACT

*Economic globalization is a process of integrating the national economy into the global economic system carried out by TNC, WTO, IMF and World Bank actors. Economic globalization is the increasing economic integration and interdependence of national, regional and local economies throughout the world through the intensification of cross-border movement of goods, services, technology and capital. Globalization causes trade between countries to become freer. This is one of the greatest benefits for nation building. Domestic industries experience reduced trade barriers and have access to wider international markets. Economically, Indonesia depends on international trade, production and finance. Therefore, the Indonesian state is vulnerable to international pressure and globalization. Economic globalization has an impact on national economic laws which must appear as an integration mechanism that can harmonize various internal interests of the nation, national and international interests as well as between sectors of national life. Economically, there is pressure on increasingly competitive trade, multinationalization of production, integration of financial markets and the influx of global capital investment. In facing the impact of economic globalization, the strategy used is to play an active role in the negotiation process with globalization actors and create national economic laws, especially regarding foreign investment, which accommodate global value interests to be utilized for national economic development. .*

---

## INTRODUCTION

In the history of world civilization, the globalization economy is no longer seen as a new phenomenon . Trade and migration across continents Already took place a long time ago, that is Far before the nation-state. According to (Martin 2002) , less than five centuries ago \_ companies in countries with economies Already proceeding has widespread its reach through activity production and trade to various part of the world. Along with existing development, globalization is seen as the wave of the future specifically previously entered in the 20th century .

Since the 1980s the wave globalization has increased sharp Good from facet intensity nor its coverage. A possible convergence process seen as a result from existing globalization moment This practical has touch to system, process, actor, and event levels. Nevertheless that's the process that goes through No always walk smooth remember trend globalization Also accompanied by internal fragmentation various. At one time, globalization contained elements for example integration, interdependence, openness, multilateralism and interpenetration. But on the other hand, globalization also contains elements for example disintegration, unilateralism, closure and isolation. If globalization leads to globalism, compression, spatiality, universalism, homogeneity, and convergence, then on the contrary fragmentation leads to nationalism or regionalism.

The Globalized economy has influenced the whole aspect of life. The world community is included in the field law specifically huh economy. Globalization economy can be marked with its height level trading international and foreign investment (Estuningtyas and D. 2018) . Influence of globalization on the field law economy happened after the signing of the Agreement on the Establishment of the World Trade Organization/WTO Agreement in 1994 which marked the birth of the WTO as an organization giant in the field trading international. Development globalization economy in Indonesia is happening after that ratification to the subsequent WTO Agreement followed with invitation to Constitution

Number 7 of 1994. Ratification of the WTO Agreement gave rise to a consequence juridical that the Indonesian government must do harmonization provision law nationally especially in the field economics to suit WTO Agreement standards (Rizkia, A., and S. 2021) . Discussion about globalization and its effects on the field law economy own linkages tightly with the concept of a welfare state is intended to be realized by Indonesia.

The desired goal achieved by the Republic of Indonesia , namely in frame welfare life as stated in the opening constitution (Wardhono and A. 2020) . According to (Pranoto and E. 2018) everything effort development carried out by the state should be addressed in frame materialized People's welfare also includes development law in the field economy . Opinion This strengthened with results analysis carried out by (Simanjutak 2021) and (Bogaviz 2020) , that independent people's welfare is always a task attached to the state through implementation development . In connection with this , development law in the field economy on one side of course can be released from influence globalization but on the other hand the development process must still hold steadfast in the goal of well-being as mandated by Article 33 of the 1945 Constitution which is constitution economy.

Globalization happens in every aspect of life for example economic, social culture, politics, science knowledge, technology, law and so on. Marked globalization with evolution information demands values and norms new in life Scale national or international. In the field economy , the driving force of globalization is increasing current information, money and goods through multinationals.

Responding to development increasing national and international levels dynamic, we as sovereign nation no can keep going silent without doing something change and renewal. Challenges faced by more and more nations and countries are heavy, because world development is increasingly rapid. Globalization has placed the countries of the world closer and almost without limits. Reality However , for third world countries , no except Indonesia, not just challenges but also big threats and opportunities, no can dodge or even dodge even so. It means like or not happy, willing, not wanting to face global society .

## **LITERATURE REVIEW**

### **Concept Globalization**

Globalization is a process that places the world community can reach One with another or each other connected in all aspects of life theme, okay in culture, economics, politics, technology or environment (Winarno 2006) .

There are two factors that cause this happen globalization , namely:

- a. Progressing technology and changing society as well as changing Culture make distance between countries increasingly close . Progress technology has facilitated transportation between where the world becomes closer, making the transaction economy crossing national boundaries, creating similarity in taste, and smooth current communication. With progress in technology, the challenge distance for all activities on a global scale can be reduced to a very minimal extent and then a chance for creating each other's dependency between one actor with other actors in the global arena.
- b. There was a convergence in policy economics , politics and culture between countries. From the side of policy economics , actually trend convergence is something like that This Already Can seen since the prayer of the decades last , known as phenomenon success Genre economy neoclassical .

According to (Sutrisno 2007) , there are two main characteristics of globalization:

- a. Enhancement concentration and monopoly of various source power and strength economy by companies transnational as well as by companies multinational and global funds. If it was before A company multinational only dominates A product , then moment This A company big transnational in a way special produce and sell various type products, services and further diverse fields . In fact, it was predicted that companies would be transnational. The more diverse the products it produces depends on market demand in the host countries the company operates.
- b. In policies and mechanisms making policy national. Policies - policies national which includes fields - fields current social , economic , cultural and technological. This is in the jurisdiction of some government and society in a territory of a nation state shifted below influence or processed by international bodies or company big as well as perpetrator economics, finance international .

Phenomenon globalization can be classified into 2 types, namely globalization economics (trade , finance, production) and globalization value (or globalization information). Globalization trading caused by an increase outside normal in activity global trade later gives rise to each other's dependency from parts of the global economy. By economy development This caused by existence trend specialization, strength competition between company or between countries, as well progress in transportation and communication end - end this . For a country, consequences from symptom This is increasing dependency big from the country 's economy to activity trade.

Globalization financially appears when the market has more money lots rather than money owned by the government all over the world. This specifically triggered by the fall system Bretton Woods finances were based on passion interventionism and maintenance exchange rate currency against \_ gold in 1971 as well emergence petrodollars are recycled in European , Japanese and American banks . phenomenon that occurs as a result of globalization financial This is its height transportation capital period short and approximate money trading .

Globalization production born Because activity - activity company multinational (MNC) that crosses national borders. Globalization This is driven by competition increasing the economy sharply that makes every company interested in obtaining access to goods raw or cheap labor in the third world as source Power said . Temporary activity production in developed countries, mostly driven by avoidance strategies, challenges trade and market proximity .

Temporary That globalization value and information appear Because enabling technology everyone can obtain information in a way fast and easy . In context This is what is necessary to notice is that globalization information will have applications wide not simply Because change technology communication, will but Because globalization information this also brings as a result globalization values or culture. Condition something like that is what resulted applies globalization information This Enough broad and basic.

### **From Global to Domestic : Look for Route**

this part will try For in a way theoretically look for route How how change at the global level you can influence Act internal state behavior economy. In context This There is several possible route models developed .

Route I : Global change will cause the emergence of international trade. Institution the Then own . To affect the country or Then influence society . In route I This will see the role of institution international and internal state positions public international .

Route II: Global changes will cause the emergence of transnationals . Institutions will influence the public or country. In route This will see how communication transnational, for example for example community epistemic, yes influence public domestic.

Draft institutions in knowledge socially used in a way relax , start from Structure formal organization up with very loose grouping for example class and market. There are several marking characteristics institutions, namely :

- a. Own characteristic Structural , both formal and informal.

- b. Own characteristic is *stability over time*.
- c. Institutions must be capable of influencing the Act in demand of its members. A Functional institution is given *coercion* from Act in demand by its members.
- d. There must be *shared values and meaning* between the two its members.

Institution transnational or often called as a global civil society whose members consist of various non-state actors, whereas institution international, that is institutions whose members are the country.

### **Existence and Effectiveness Institution International**

On route how globalization in One issue or realm issue certain Can influence a country is There is or or not institution international in issue or realm issue that. Formation institutions such as, for example the WTO for problem trade, GATS for problem service financial international, MAI's proposal for arrange problem production and investment internationally, influence Act internal state behavior, something certain.

In context this, got it different three form method formation institution international, namely :

- a. Institutions formed internationally in a spontaneous way

Collaborative nature does not involve some effort coordination policies that are carried out by the countries involved in it , so that the adjustment process is also carried out in a way that is spontaneous.

- b. Institution negotiated international

In form this, actually there are two forms of negotiated cooperation, i.e *constitutional contract and legislative bargaining*. The first one happens If all countries are bound by cooperation the following winding in determines various type related things \_ with institutions built internationally together that . Whereas from second happen If a country joins in something institution cooperation international at first the formation of the country No follow participate in the negotiation process .

Meanwhile the last one is an international. This collaboration happen If there is an actor dominant or group actor dominant. Institution international will can own influence against the country if its own effectiveness, ie ability For influence Act in demand or policies taken by the state (Young 1982). Not all institution international ones exist, though be equipped with instrument high formality, will effectively affect member countries . For that, then must is known as institution international in One problem certain can effectively influence state policy.

### **METHODS**

Method is something method work that can be done to obtain something. Whereas method study can be interpreted as a procedure work in the research process , good in data search or spreading existing phenomena (Zulkarnaen, Fitriani, and Yuningsih 2020). Journal This method literature reviews research that discusses influence globalization to develop law field economy in Indonesia as well how role development in the era of globalization in field law economy in Indonesia.

## RESULTS

### **Influence Transnational Institutions and Movements**

Besides that institution internationally, the route from global to domestic is also affected by the movement transnational consisting of non-state actors. One important non-state actor observed is community epistemic, that is something a network recognizes professional expertise and competence in a particular domain as well as its own authoritative claim to policies based on the knowledge they have in a domain or problem area. Community epistemics influence Act behavior of the state and society domestically through spreading idea or idea and utilize it globalization information for ideas they can accept and become policy a country.

According to (Adler and Haas 1992) in a way theoretical, role community epistemic in influence policy a country or institution international is through stages :

- a. Stage innovation policy  
In this stage, function community epistemic usually (1) gives framework in controversial issues, (2) define interest in a country, as well as (3) creating standard operational .
- b. Stage spread idea about alternative policy  
Community role epistemic is do spread to ideas new ones they develop in a way academic and those who have connection with global issues.

Apart from these external factors that are institution international and institutional transnational, capabilities globalization For influence Act state behavior is also determined how far away is the country? own autonomy to public international. Question: Can like that position an inner country distribution power and prosperity internationally that, all at once will determine the level the country 's vulnerability face current globalization , that is in a way the country 's economy depends on the international world ? We can measure dependency This with various ways and various perspectives . By economy Can be measured How dependency to trade , production and finance international : source of capital, source material raw materials , technology and markets. The more a country depends on factors internationally in managing the economy, then the more prone to pressure institutions internationally .

### **Strategy Indonesian Face Globalization**

A number of things that can carried out by Indonesia in face globalization that is with :

- a. Enhancement Power said economy  
To increase Power he said, industrialization must be done in every field. Only with industrialization, implementation technology more production goods can be done. Technology production is the main condition For increased productivity and value add . Generally industrialization is carried out by investors big with strength Qualified funding and entrepreneurial abilities. However, it is attractive to investors because obviously investing in Indonesia is not easy. Many factors external and internal must be fixed. Stability politics, liar charges, enforcement law, infrastructure, etc.
- b. Enhancer rate export  
Indonesia must Work extra hard to become a perpetrator of trade. The products produced by the Good category big or Micro, Small and Medium Enterprises (MSMEs) must be capable, Empower said. Therefore That quality products and services must be put first so you can be accepted in the global market. This thing No easy problem \_ for the Government and perpetrators industry. According to an annual report from the World Trade Organization (WTO), which stated that based on his contribution to the total value of world exports, Indonesia up to the moment This No including exporting countries is important For Almost all goods and

services offered in a way international. In world trade, Indonesia is not the deciding price, but the price *taker*. The Indonesian government can only influence price in foreign currency from products Indonesian exports pass through the Rupiah exchange rate (*devaluation or rate*).

c. Empowerment of MSMEs

Empowerment of MSMEs in the middle of current globalization and its height competition make MSMEs encounter global challenges, for example increase innovation in products and services, development source Power humans and technology, as well the breadth of the marketing field. This thing needs to be done to sell the MSMEs yourself, mainly so that you can compete with products using the increasingly flooded center industry and manufacturing in Indonesia, considering that MSMEs are sector capable economies that absorb power work largest in Indonesia.

d. Repair infrastructure

Infrastructure development is one aspect important and vital for speed up the development process nationally. Infrastructure also holds an important role as a one wheel mover growth economy. This remember motion rate and growth economy a country does not can separate from availability infrastructure for example transportation, telecommunications, sanitation, and energy. Therefore, the development sector will become the foundation of the development economy next.

e. Resilience economy

Being resilience economy showed in condition life economy nation, which contains ability look after stability healthy and dynamic economy as well as ability create independence economy national with Power said high and realized fair and equitable prosperity of the people. With Thus, development economy directed to steady resilience economy through creation climate healthy business as well as utilization knowledge knowledge and technology, availability goods and services, maintenance function environment life as well as increase Power said in scope global competition.

### Impact Globalization Against National Law

Legal development national in the era of globalization felt so urge with reason :

- a. Phenomenon incoming globalization not to Indonesia can develop without rules.
- b. Law is built - in guaranteeing development national Because law as Parson said he was capable of in all aspects of life. Prof. Muladi in his paper entitled *Ensure Certainty, Order, Enforcement and Protection law in the Era of Globalization* states that law must come on stage as a mechanism capable integrator unite various interests, that is internal interests of the nation, among others interest national and international and intersectoral life national.
- c. As norm law will give signs in social settings to the public so that law will become a mirror to main civilized life.
- d. Related with AFTA and the free trade era in 2020, legal will become the more interesting part, important as one form of nation in the global atmosphere tends to be liberal.

Globalization implies that interdependence in international relations are increasing. One form is enactment standards standard internationally in various field life as well as weakening primordial, national ties, and their weakening ethnocentrism. In this global era, law national No only contains attribute characteristics local just for example constitution, ideology, but to adapt with various international trends (global trends) recognized by civilized nations in the world. Trend the implied and explicit in various instruments international like : convention, declaration, resolution.

The size pressure on law in the global economic era still refers to the argument that law must stand on sub- sub systems including sub systems economy (Imaniyati 2002). Esmi Warrasih say supremacy law is order law that has occurred and agreed together, because in life society, law is agreement together . The law must become the corridor that control everything that changes. Deminsion owned economy acceleration change consequence influence globalization give challenge separately in realm law .

### **Impact Globalization Against the National Economy**

By economy, the country of Indonesia has Dependence on trade, production and finance internationally. Therefore \_ The country of Indonesia is vulnerable to international pressure or globalization. In discussing the impact globalization economy to economy national, respectively will discussed about globalization economy and its effects to Indonesian economy , then impact globalization economy to foreign investment.

Globalization has driven integration of a global economy driven by the flow of money and information on one one side, and trade and investment on the other side. Mature here, some world centers, such as the London interbank market, deal more money than needed to finance the real economy in trade and investment internationally. Temporary Genre information, teleconferences, meetings, seminars and telecommunications Good through telephone, fax, and forms other communications created by technology has applied internal cash flow financing and profits. Technology communication This has driven more growth \_ fast from Lots category previous transactions \_ grow throughout history economy . In context This transnational money flows can seen as successor for what often \_ what bankers call it investment portfolio . Genre investment This No only more big compared to the previous era , which is more important is this global money flow No can controlled by national -state power anywhere . As a result, policies economy national No can separated from global economy and economics national become more stable . The crisis that hit several East and Southeast Asian countries in the period 1997 proved it matter this . On the other hand , integration The global economy is also supported by increasing numbers of low cost transportation and obstacles trade . This has created increasingly advanced world markets. Cost of transportation goods has decreased drastically since 1970 and costs \_ telecommunication has increased since the 1930s. Quite a significant second field This has created trading goods and services are increasingly intensifying to all over the world.

In context, Garrett pointed out that impact integration of the global economy towards the economy happens through three mechanisms, i.e. pressure increasing trade competitiveness , multinationalization production, and financial market integration. The more sharpen it, competition trading is a component main in globalization conventional and p This has acknowledged in a way general , though Actually competition That Not only happens in trade, but also in fight over investment . Companies' transnational and global capital investment will look for profitable areas and offer more incentives. Therefore, in the current global economic era, the task of the state national government is to create conducive conditions for investment. Those theorists have developed various discourse about bureaucratic reform, public or definition return to the role of the state in the economy. Various business This directed For answer challenges that arise as a result integration economy national to in global economy. Just an economically efficient nation that will be in competition, and this only possible If they have a system taking transparent, accountable, responsive and involving decisions public wide. In other words, according to the view This big government is not competitive .

Other impacts of globalization economy is relate tightly with multinationalization production and threats companies multinational that can move location production they

from one country to another in frame look for profit biggest . Impact multinationalization production This is in the field cost production and government interventionism. Government nationals must apply free market policies If they want to compete in struggle investment and provision power work by multinational companies. Lastly, impact globalization to the economy nationally lies in the integration of global financial markets. Like has been mentioned at the beginning , this integration of global financial markets has reduced the appearance of an autonomous economy. Remember this money flow no can controlled by the power of any country, even by superpowers.

## CONCLUSION

Globalization is a process that places the world community can reach One with another or each other connected in all aspects of life, in culture , economics, politics, technology or environment. Globalization economy has given rise to challenge new for economy national that is the more strong competition, multinationalization production, and integration global finance. Challenge is influenced by institutions international and institutional transnational through actor globalization played by actors main TNCs, WTO, and institutions global finance, the IMF, and the World Bank. Third actor globalization the arrangement rules around investment, intellectual property, and policy internationally. In face globalization economically, Indonesia uses mutual recognition strategies and strategic coordination, as well role active in the negotiation process formation institution international order not harm interest national . Besides that That create law regulations invitations, esp accommodating foreign investment interest global value, include values global market economy as well maintain and organize harmonization connection between aspect as impact globalization For utilized as big as possible for development economy national and the inflow of foreign capital

## REFERENCES

- Adler, and Haas. 1992. "Epistemic Community Conclusions, World Order, and the Creation of Reflective Research Programs." *International Organizations* 46.
- Estuningtyas, and RD 2018. "The Impact of Globalization on Politics, Economics, Ways of Thinking and Ideology and the Challenges of Da'wah." *Al-Munzir* 11(2): 195–218.
- Imaniyati, Neni Sri. 2002. *Economic Law and Islamic Economics in Development* . Bandung: CV. Mandar Forward.
- Martin, Khor. 2002. *Globalization: The Trap of Southern Countries* . Yogyakarta: Cindelarast Pustaka Rakyat Intelligent.
- Pranoto, and E. 2018. "Development of the Indonesian Economic Legal System Based on Pancasila Values in the Era of Globalization." *Law Spectrum Journal* 15(1): 89–111.
- Rizkia, AA, and Rahmawati S. 2021. "Factors That Influence Anti-Monopoly and Unfair Business Competition: Economic Globalization, Business Competition, and Business Actors." *Journal of Applied Management Science* 2(5): 631–34.
- Sutrisno, Endang. 2007. *An Anthology of Law and Globalization* . Genta Press Publisher.
- Wardhono, and A. 2020. *Indonesian Economic Democracy in the Midst of Globalization: Between Conglomerate Economy and People's Economy* . Yogyakarta: Ombak Publishers.
- Winarno, Budi. 2006. *Globalization Opportunities or Threats for Indonesia* . Jakarta: Erlangga Publishers.
- Young, Oran. 1982. "Regime Dynamics: The Rise and Fall of International Regimes." *International Organizations* 36(2).



Zulkarnaen, W., I Fitriani, and N Yuningsih. 2020. "Development of Supply Chain Management in Managing Election Logistics Distribution in a More Appropriate Type, Exact Quantity and Exact Time Based on Human Resource Competency Development at the West Java KPU." *MEA Scientific Journal (Management, Economics & Accounting)* 4(2): 222–43.  
<https://doi.org/10.31955/mea.vol4.iss2.pp222-243.s>.