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AL-AMWAL

## ECONOMIC GLOBALIZATION: IMPACTS ON INDONESIAN IMPORT-EXPORT STATISTICS

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### **Abstract**

*Economic globalization is the manner of combining the national economy into the global financial system played by WTO, IMF and World Bank players. Economically the Indonesian state has a dependence on international trade, production and finance. Accordingly, the Indonesian nation unprotected to international pressure and globalization. Economic globalization has an impact on national commercial law which must resemble as an integration mechanism that can harmonize the various internal interests of the nation, national and international interests and between sectors of domestic life. Economically there are increasingly competing trade pressures, multi nationalization of production, integration of financial markets and inrush of global capital investment. In dealing with the impact of economic globalization using strategies play an active role in the process of negotiation with globalization actors and creating national commercial law, especially regarding the foreign investment that accommodates the interests of global values to appropriate for the development of the national economy. Globalization is also very instrumental in the volume of export and import in a country, including Indonesia, which will have an impact both negative and positive from globalizing products and services.*

**Keywords:** *Globalization, economic, export, import*

### **Abstrak**

Globalisasi ekonomi adalah cara menggabungkan ekonomi nasional ke dalam sistem keuangan global yang dimainkan oleh para pemain WTO, IMF dan Bank Dunia. Ekonomi Indonesia memiliki ketergantungan pada perdagangan, produksi dan keuangan internasional. Sejalan dengan itu, bangsa Indonesia tidak terlindungi dari tekanan internasional dan globalisasi. Globalisasi ekonomi berdampak pada hukum perdagangan nasional yang harus menyerupai mekanisme integrasi yang dapat menyelaraskan berbagai kepentingan internal bangsa, kepentingan nasional dan internasional serta antar sektor kehidupan rumah tangga. Secara ekonomi, ada tekanan perdagangan yang semakin bersaing, multi nasionalisasi produksi, integrasi pasar keuangan dan lonjakan investasi modal global. Dalam menghadapi dampak globalisasi ekonomi menggunakan

strategi berperan aktif dalam proses negosiasi dengan para pelaku globalisasi dan pembentukan hukum perdagangan nasional, khususnya mengenai penanaman modal asing yang mengakomodir kepentingan nilai-nilai global yang sesuai untuk perkembangan perekonomian nasional. Globalisasi juga sangat berperan dalam volume ekspor dan impor suatu negara, termasuk Indonesia, yang akan berdampak baik negatif maupun positif dari globalisasi produk dan jasa.

**Kata kunci:** *Globalisasi, ekonomi, ekspor, impor*

## INTRODUCTION

The development of science and technology is frequently encouraging regeneration efforts in the utilization of technological results. Technology has a critical influence on globalization. According to its origin, globalization has taken from the global word which means the world. Globalization can describe as a process of entry into the range of the world. Many people apprehend that globalization many positive impacts, including more complicated communication, faster transportation and others. But without us knowing, globalization also has many negative consequences. Globalization encounters all the fundamental aspects of life. Globalization creating new challenges and problems that must answer, worked to utilize globalization for the benefit of experience.

Globalization is a process of interaction and integration within layers of society, companies and countries around the world. As a complex and multidimensional phenomenon, globalization is considered a capitalist expansion that strives to blend local and national economies into a minimally controlled global economy. Globalization is expanding and spreading swiftly due to innovations in the areas of transportation and communication, such as telephone, internet, and aircraft. Among progressing interaction within people, of course, there is likewise an increase in international trade, exchange of ideas, and culture. Globalization is an economic process that includes the interaction and integration of cultural and social appearances of society. Nevertheless, dispute and diplomacy also play an indispensable role in the history of globalization.

Improvements in information and communication technology originally chronicled the process of the development of globalization. Improvements in information and communication technology originally chronicled the process of the development of globalization. Anywhere the influence of the internet is tremendous in the process of globalization, including economic globalization. Globalization has a very significant impact on human life. Within the process of globalization, the complete succession of life and civilization in the world over time has become increasingly dynamic. Because within the process of globalization, numerous aspects of life frequently become accessible and extensive. That globalization process has a significant impact on the country, the government and the people. Some of them are international trade, international agreements, foreign policy, international tourism policies, national sports competition schedule, and so on.

Talking about globalization can not be sequestered from the economic globalization of the countries of the world. Globalization transpires in all aspects of life such as financial, social, cultural, political, scientific, technology, law and so on. Globalization's not a new phenomenon in the history of world civilization. Long before the nation-state, trade and migration across continents had been going on for a long time. About five centuries ago, globalization was seen as a wave of the future,

especially since modern history, especially before entering the 20th century. Since the 1980s, the wave of globalization increased sharply, both in terms of intensity and scope. The convergence process that can witness due to globalization today has practically touched the level of systems, methods, actors, and events. Even so, it does not mean that the process runs smoothly given the tendency of globalization is also accompanied by fragmentation in various ways.

In facing the challenges of globalization, including the AEC, Indonesia needs to strengthen its investment attractiveness to become a production base that supplies in the global value chain. The low competitiveness of Indonesia in the global value chain can see from the ability to contribute appended value after importing raw materials, to then be re-exported to a limited number of countries. Observation of the characteristics of FDI (Foreign Direct Investment) among ASEAN countries reveals that investment in Indonesia occupies a large workforce, but domestic-oriented. Meanwhile, other countries in the region can invite higher-quality investment to encourage increased exports and absorb skilled labour. For this reason, Indonesia needs to increase its attractiveness as an investment location for shipping to the world market and utilize integration in the global value chain to expand markets, adopt technological advancements, improve the quality of human resources, and encourage the progress of small and medium industries.

Creating macroeconomic stability and the financial system are fundamental factors to accelerate structural reforms and ensure sustainable economic growth. Globalization trends that encourage the increasingly integrated national economy towards the global can occur through three mechanisms consisting of increasingly competitive trade performance, global trade chains through multinational production, and financial market integration. For this reason, a strong and stable macroeconomic structure is one of the prerequisites for strengthening the resilience of the domestic economy, especially in facing various shocks that arise both from within and outside the country. Furthermore, the risk of slowing the local economy and unbalanced global economic recovery is one thing to watch out. For this reason, it is necessary to control macroeconomic stability to direct expectations through controlling inflation and the exchange rate stability. However, these efforts face considerable challenges, especially given the still-high price fluctuations of some foodstuffs, the risk of a reversal of foreign capital, and the continuing decline in world commodity prices. Therefore, coordination of fiscal and monetary policies supported by structural reform policies needed as an effort to strengthen macroeconomic stability through enhancing the function of the capital market and money market, labour market and the market for goods and services, including increasing the economic sector.

The current economic development of a country cannot leave from the condition of the global economy and globalization. Economic relations within states are compelling circumstances that influence the economic development of each country. This condition causes competitiveness as one of the determining factors in competition between countries to benefit from the increasingly open world economy. The benefits of opening up the world economy can see from the state of a country's balance of payments. The economic conditions of a nation can see in per capita income received. Per capita income can include the level of people's obtaining power at some point country. Exports are shipments and sales of goods and services produced domestically overseas. Product rising exports will cause demand for the domestic currency to rise and the Rupiah to strengthen. The tremendous value of exports also occurs in labour in a

country fully perceived so that unemployment decreases and increases per capita income of the country so that obtaining power increases. Another macroeconomic factor that can affect the exchange rate is import. Import is the purchase and import of goods from abroad into the country. Massive imports will cause demand for other countries' currencies to rise so that the domestic currency weakens. Distinguished imports will also reduce domestic production as a result of increasing unemployment and declining income so that people's purchasing power will also decrease.

## **LITERATURE REVIEW**

In general, the meaning of globalization is also intimately associated with the process of something global. That can be in the kind of information, lifestyle, thoughts, culture, to technology. In the rule of globalization, of course, many elements become the driving circumstance. Some of these can cause by telecommunications infrastructure, transportation improvements, technological progressions, cultural exchanges, and so on. Some view globalization as a social process or historical that will affect all nations of the world frequently attached.

Discursively, the effects of economic globalization also transmitted to inflation by heightened competition processes, particularly in integrated markets; vigorous competition leads to technological development and expansion of the range of economies of the system so that the profit margin will put pressure on inflation. Intense competition because economic globalization strikes a balance between global demand and the supply of goods and services that can help restrain inflation, at least as long as developing countries produce more than the domestic market. Another transmission range to capture the effects of globalization on the overall rise is the level of financial openness. The desire that triggered due to increased economic transparency of the area has a direct impact on the real economy through the capital market, which gives certainty to domestic and foreign investors. Indirectly provide credible support for monetary policy.

On the other hand, some see globalization as a project sustained by the superpowers, so that people may have sceptical or questionable views on it. From this point of view, globalization is nothing but capitalism in the most current form. Countries that are strong and rich will reasonably control the world economy, and small states will become increasingly powerless because they cannot compete. Because globalization favours to have a significant influence on the world economy, even affecting other fields such as culture and religion. Theodore Levitte was the first person to use the term globalization like this in 1985.

Nevertheless, not all economic globalization is negative symptoms of globalization transpire in financial events, production, and trade which then influence the governance of international economic relations. The process of globalization has increased the level of interdependent relationships within countries and even directed to the operation of a combination of the world economy so that the boundaries between countries in many practices of the business world/business seemed to be no longer valid.

Economic globalization adheres to the understanding of the free market without regard to the various financial situations of multiple countries which are not necessarily proper for executing them. The free market system fully expected as a new law in ruling international (global) economic governance. That can be a fulmination to third world countries. Because the free market requires readiness in many ways, starting from the

reliability of human resources, the availability of economic infrastructure, natural resources, and legal intermediaries to secure business certainty. If not, the nation will only be a month for developed countries. The reality shows that economic globalization is a form of capital expansion in developed countries.

Accordingly, each effort of globalization ever coincides with the interests of how to enlarge the capital (capital) that they invest. Initially, foreign capital will speak for the national interest of the country concerned, for example under the pretext of opening and expanding employment, accelerating the prosperity of the people, and several reasons that deliberately designed to convince the rulers of the country concerned. Economic globalization leads to efforts of economic liberalization and privatization (privatization). Here is a consequence of the expansion of capital or capital expanded by developed countries throughout the country. Thus, globalization will overhaul social arrangements and methods to carry out with global affairs.

Talking about economic globalization can never be segregated from exports and imports and free trade which is one of the essential elements in economic globalization. Free trade is a separate exception to international trade. International trade described as the activities of goods and services transactions carried out by financial players between countries. The free deal is international trade without any entry barriers such as tariffs, quotas, import duties, export duties, dumping, and so on. In the context of increasingly rapid international trade, as explained earlier, that economic relations between countries will enhance interrelated and will increase the flow of business in goods and money and capital between countries. Developments in macro indicators in other countries, in a non-case manner, will directly impact a country's indicators.

International trade activities that provide stimulation to challenge domestic demand which causes the maturity of large manufacturing industries, together with a steady political structure and adaptable social institutions. Based on the description before, it resembles that exports match international trade activities that can provide aid in the dynamics of global trade growth so that a developing country is likely to produce economic progress on a par with more great countries (Todaro, 2002: 49). Exports are investments by other countries of goods made by domestic companies. The most significant factor that restricts exports is the ability of the country to issue products that can battle in foreign markets. (Sukirno, 2008: 205). Exports will directly affect national income. Nevertheless, the reverse relationship does not always apply because national income can improve as a result of increased household spending, corporate investment, government spending and replacement of imported goods with domestically. (Sukirno, 2008: 206). Net exports are the difference between total exports and total imports of a country. If the net export value is positive, it means the export value is higher than the import value, and if the net export value is negative, it means the export value is smaller than the import value (Case and Fair, 2007: 387).

Imports can interpret as the purchase of goods and services from abroad into the country with a cooperation agreement between 2 or more countries. Imports can also say as trade by entering products from overseas into Indonesian territory by fulfilling applicable regulations (Hutabarat, 1996: 403). Import is the process of transportation of goods or commodities from one country to another legally in the trade process. Massive imports of goods require intervention typically from customs in the sending and receiving countries. Imports are an essential part of international trade. Import activities carried out to meet people's needs. Imported products are goods which cannot be

produced or countries that can already deliver, but which cannot provide people's needs (Ratnasari, 2012).

A country's exports and imports occur because of the benefits derived from foreign trade transactions. Trade can also enlarge the consumption capacity of a nation and help various businesses to carry out development and increase the role of sectors that have a comparative advantage due to efficiency in production factors.

## METHOD

This study uses qualitative methods. The purpose of using this method is to capture value or view represented by experts and practitioners of economic globalization and export import of Indonesian. Qualitative study is a process or effort to understand scientific problems based on a complex overall picture, through information reported from the informant's viewpoint and carried out in natural situations (Sugiyono, 2005:1). The method with a qualitative approach to this study is to review the literature or literature review from a variety of writing, research documents, and previous studies that are following the theme of this study.

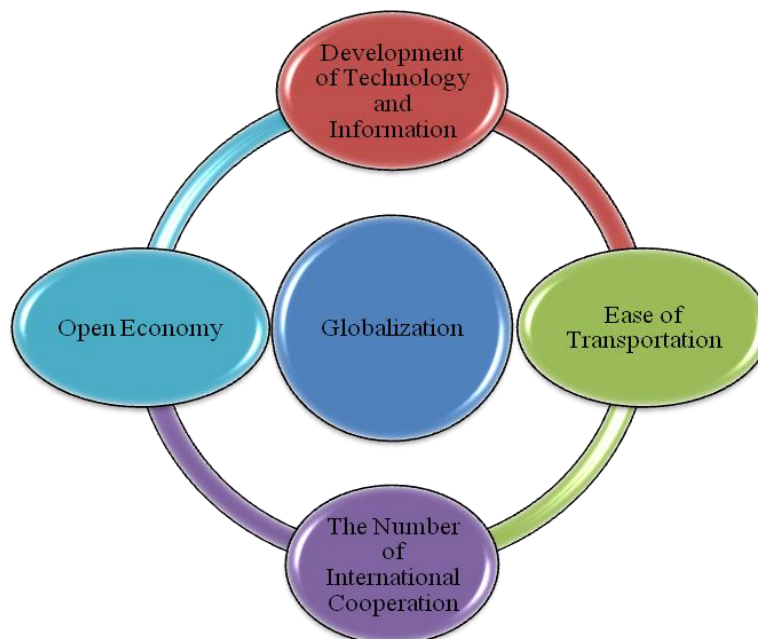
## LIMITATION OF RESEARCH

This research is limited to the impact of economic globalization on export-import Indonesian statistics based on data from Central Statistics Agency (BPS), Ministry of Trade, Ministry of Industry and Bank Indonesia for the period 2012-2019.

## RESULTS AND DISCUSSION

Globalization has its impact in various sectors of society. The result of Globalization or the effect of Globalization can be positive and negative. Inevitably any causes and drivers have gained the Globalization process possible, which include:

**Figure 1.0**  
**Factors Causing the Globalization Process**



### Development of Technology and Information

There are developments in information and communication technology which then have an impact on the ease of financial transactions that occur throughout the country. During the last few times, there have been a lot of developments in the field of technology that are directly related to financial transactions that can make it easier for you to do transactions not only in your own country but in other countries.

### The Number of International Cooperation

The second cause of Globalization is due to a lot of international cooperation that facilitates the occurrence of previous financial transactions carried out by various countries. So it is through this economic sector that makes many products from abroad enter the country and vice versa.

### Ease of Transportation

An increasingly advanced transportation system makes it easy for people to travel or send goods despite being separated a great distance.

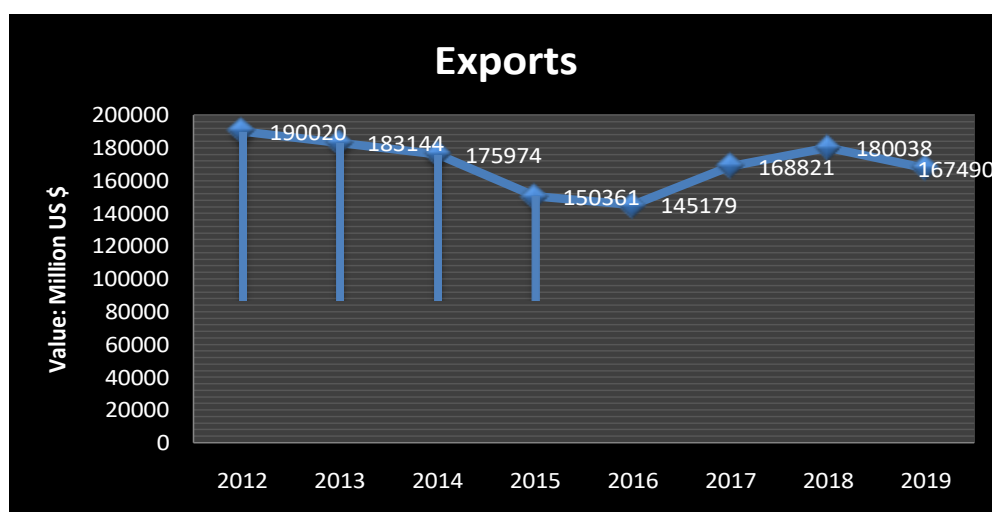
### Open Economy

Furthermore, the era of Globalization also occurred because the countries in the world began to open up in the economic field so that there was global trade which caused various kinds of products to exchange from one place to another.

Of the products that enter, of course, also contain culture and elements from other countries that affect culture within the state. Then the last era of Globalization is also encouraged because the financial markets are now very global, which makes financial transactions in one country bigger.

All the causes of this globalization era are due to economic activities between countries that are increasingly open, making it easier for countries in the world to interact with each other. Certainly so as not to harm a country, Globalization must be supported with awareness to continue to preserve and love their own culture.

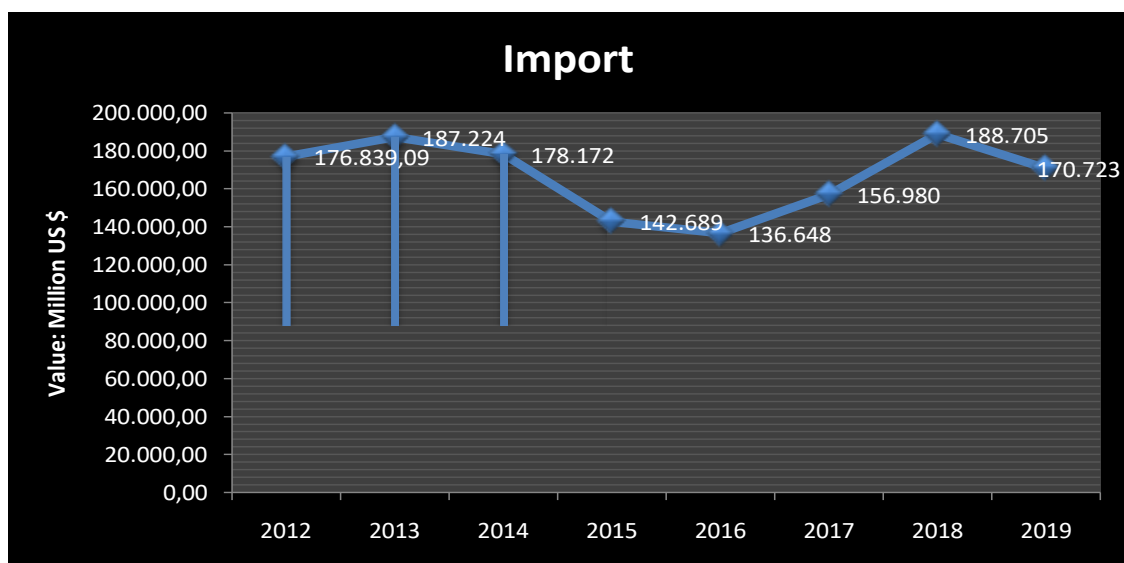
**Figure 2.0**  
**Indonesian exports for 2012-2019 (BPS, processed by the Center for Data and Information Systems, Ministry of Trade)**



The value of Indonesia's exports has endured declining over the past four years (2013-2016) and has taken a small increase in exports in 2017-2018. This decline held dangerous if it extends to the left outwardly improvement in appearance. The Central Statistics Agency (BPS) published the value of Indonesia's exports in November 2019, reaching the US \$ 13,947.62 billion, down 6.90 per cent compared to October 2019. In Q1 2020 Indonesia's export value also fluctuated, based on data from the Ministry of Trade, January 2020 Indonesian exports of US \$ 13,632.04 billion, and in April 2020 it dropped to the US \$ 12,163.14 billion.

The decline in Indonesian exports also affected by various global conditions that caused commodity prices to fluctuate. The amount of Indonesian crude oil on the world market (ICP) has decreased in recent years. In 2020, the entire world is experiencing a coronavirus pandemic which has a significant impression on the world as a complex, especially Indonesia, of course, here are some countries in the world more involved in using domestic products so that the country's economy can endure. Government struggles to encourage exports will face extraordinary challenges as the global economy slows.

**Figure 2.0**  
**Indonesian exports for 2012-2019 (BPS, processed by the Center for Data and Information Systems, Ministry of Trade)**



From the graph above, it can seem that the economic globalization faced by Indonesia also has a positive impact on Indonesia because Indonesia can still produce domestic goods at a more affordable cost. Even though domestic production can again compete both in terms of quality and in terms of expenses that are very competitive with the number of imported goods, besides, the government also made several policies that could increase the interest of the Indonesian people to use domestic products. Furthermore, several strict government monetary policies have also been specific in controlling imports and increasing the trade balance. The move includes an increase in import taxes (PPH 22) for nearly 1,000 consumer goods, requirements to use mixed



biodiesel fuels (B20) and plans to postpone imports of capital goods for several infrastructure projects.

Moreover, Indonesia's export destination countries also experienced an economic slowdown; the trade war between China and the United States continues to be also obstruction in Indonesia's exports, and commodity prices are still fluctuating. Indonesia's export performance has not changed; it is still very dependent on commodities. Here is what makes exports so depressed when there is a decline in world prices and low export performance is the lack of government support in the logistics system and supply chain. From the above explanation, we can presume that the significance of economic globalization in the world has had little impact on the Indonesian economy. Most of the countries in the world are more focused on the use of domestic products so that the country's industry can still be a pillar in the economic cycle in the country.

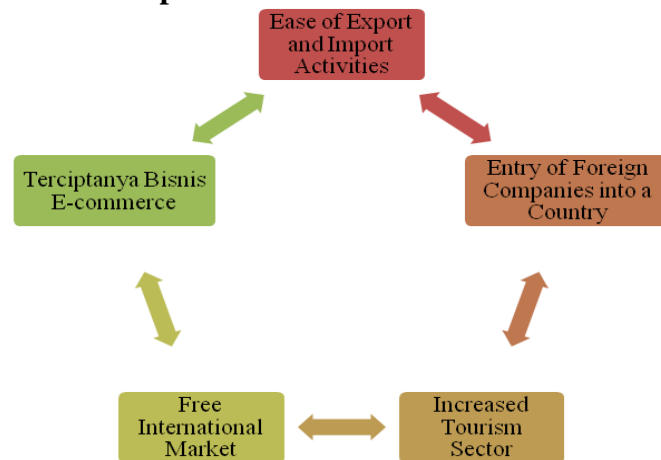
In addition to the economic globalization factor which is one of the elements in decline in Indonesia's export and import, also another big problem in 2020 is the Corona Virus pandemic (COVID-19) which is the topic problems in the international world. When we compare economic globalization with the co-pandemic19, it turns out that it is quite closely connected, because this COVID-19 is a very dangerous pandemic in the world. Automatically during the outbreak of this Virus arbitrarily affects economic globalization, it indicates that Indonesia has a positive and negative influence when this COVID-19 pandemic to connected with economic globalization. Indonesia and some countries in the world will use domestic products more, meaning that Indonesia's exports will decrease, and imports increase when these goods cannot produce domestically.

Since there was news about the Corona Virus, buyers in China immediately stopped buying. The most 'crying' fruit exporters are those who sell or ship goods under the CNF (Cost and Freight/CFR) scheme or payments made after the goods arrive at the harbour of export destination. Some even sent goods on the ship, but in the middle of the trip, there was a cancellation. Not only imports but some Indonesian export products to China also have the potential to decrease. Hence automatically, China will reduce the number of requests. What's more globally many factories in China are reducing production because the population cannot work due to the COVID-19 Virus.

Not all imported products have stopped. Electronic imports are still underway except live animals and fruits. This import ban took to anticipate the spread of Corona Virus from animals. The government must pay attention to the impact of this Corona Virus because China is Indonesia's trading partner. The Coronavirus which is increasingly spreading has a slow but inevitable effect, especially on the Indonesian economy. Aware that economic growth is influenced in large part by the consumption sector, and actually, consumption is not only influenced by food and beverages, but also clothing, transportation, communication, and others.

Beforehand, Corona Virus enhanced a significant issue that highlighted global concentration for several weeks lastly because there have been many catastrophes, as well as the spread of a globalized virus. Indonesia is one of the countries that have the most cases of COVID-19 in the world and appeared to have disordered the national economic system.

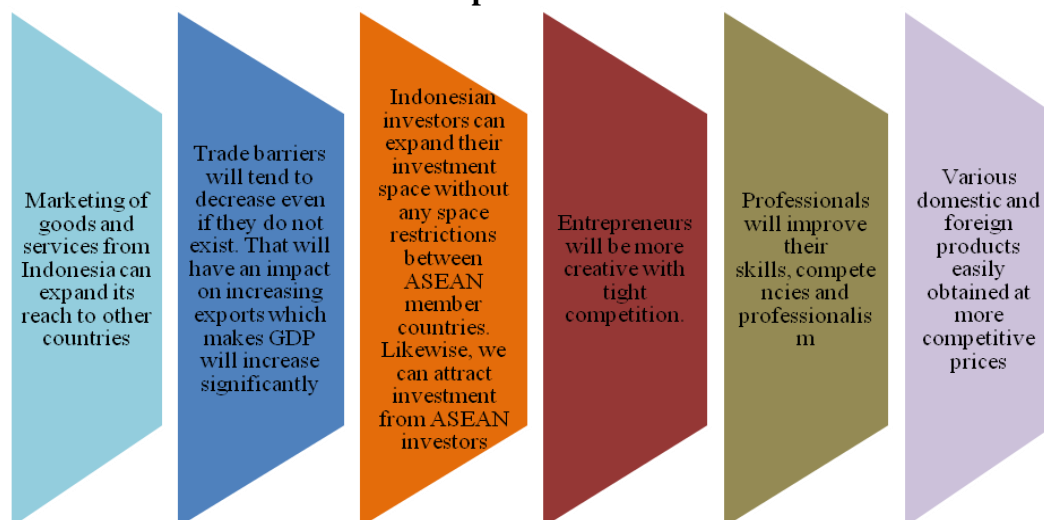
**Figure 3.0**  
**Positive Impacts of Globalization in the Economy**



### **Free International Market**

Free trade creates the opening of imports and exports so that foreign goods enter quickly, and likewise, it is easy to sell domestic goods. Free trade has numerous positive impacts, such as rapidly selling industrial products overseas and fast getting goods not produced domestically. The economic crisis that hit Indonesia in 1997-1998 has opened awareness of the meaning of dependency between a country and another country that form a trade liberalization. This trade liberalization has a direct influence on the welfare and prosperity of the Indonesian people. Trade liberalization aims to increase trade between ASEAN member countries (intra-ASEAN trade), and attract more foreign investment (PMA).

**Figure 4.0**  
**Positive Impact of Free Market**



### **Ease of Export and Import Activities**

The organization in the implementation of Indonesia's export strategy encompasses the structuring and reduction of labour between various components, as well as communication flows within members. Organizational structuring dedicated to

improving organizational structure, work mechanism, and behaviour improvement, so that the organization is flexible in responding to external changes by utilizing internal conditions. It can heighten its competitive strength which in service can improve the quality of public services. With this, Indonesia attempts to restructure its export policies. Countries in the world necessitate doing export and import activities. This activity based on the characteristics of power, units (units), and methods (methods), being honest with all people is obliged in the implementation of export strategies. Export activities are imperative in increasing economic growth in various country. No wonder that Indonesia has perpetually actively implicated in the trade of countries in the world. The synergy between the Coordinating Minister for Economic Affairs, the Minister of Industry and the Minister of Trade is urgently needed to increase exports Indonesia, as well as enhancing coordination within the Ministry and similar Government Agencies, should synergize and strengthen supervision on the ground. If not, what the government does will be insignificant.

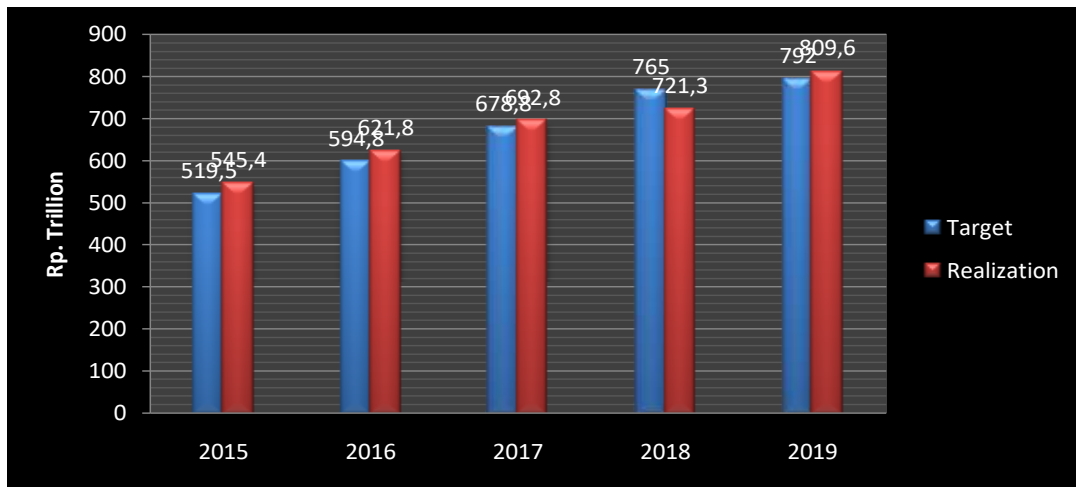
The Government drained out a second stimulus to push up purchasing power amid the Corona Virus outbreak. In addition to fiscal stimulus, the Government also issued non-fiscal stimulus, relevant to export-import. The impact on the economic sector is unquestionably unavoidable. World economic growth projected to contract even more profound. To keep the real industry moving and maintain people's purchasing power to boost domestic financial performance, the Government has re-issued economic stimulus both fiscal and non-fiscal stimulus. Simplification and reduction of the number of Prohibitions and Restrictions (Lartas) for import activities, particularly raw materials whose intention is to advance the evenness and availability of raw materials. This stimulus given to companies with status as producers and in the introductory stages will apply to steel products, alloy steel, and derivative products which will then be used also to certain food products such as industrial salt, sugar, flour as raw materials for manufacturing industries. Correlated to duplication of import regulations, the Government will likewise offer simplifications, especially on commodities: horticulture, animal products, as well as medicines and food.

In principle, companies with a good reputation will provide further considerations in the form of hastening the export and import process, namely: the application of auto-response and auto-approval for the operation of interdiction and restriction of both exports and imports as well as the discharge of surveyor reports on necessary commodities.

### **The entry of Foreign Companies into a Country**

Foreign investment becomes very important for a country's economic growth. Own investment is all forms of investment activities, both by domestic investors and foreign investors to do business in the territory of the Republic of Indonesia. In investing, especially about countries which incidentally involve citizens, investment or investment, there are impacts such as opening up employment opportunities for the community. The establishment of a company requires various factors of production; one element in output needed is labour. Therefore investment can open new businesses. In the economic circle, inaugurating new posts means providing opportunities for the community to get work. If the community gets a job, it indicates the district needs to earn income.

**Figure 5.0**  
**Realization of Indonesian Investment (Investment Coordinating Board, BKPM)**



The realization of Indonesia's investment in 2019 amounted to Rp 809.6 trillion. This figure exceeds the target of Rp 792 trillion. Over the past five years, the realization of Indonesia's investment rose to 48.4% from the awareness of 2015, which amounted to Rp 545.4 trillion. Meanwhile, when compared with 2018, the realization grew 12.24% from Rp 721.3 trillion. The most significant contribution reached from foreign investment (PMA) which amounted to Rp 423.1 trillion. This figure increased by 10% compared to 2018, which amounted to Rp 392.7 trillion. While the realization of domestic investment (PMDN) of Rp 386.5 trillion, up 17.6% compared to the previous year which amounted to Rp 328.6 trillion.

The government is currently undertaking to bring more interest from foreign investors to invest in Indonesia due to the positive impact of economic globalization. Numerous ways differing infrastructure development to licensing facilities are adjusted so that more and more business people from abroad invest in Indonesia. With an extended area, Indonesia does need a lot of capital to ensure all corners get adequate development. Furthermore, Indonesia is in the form of an archipelago so that growth may embarrass due to access and mobility purposes. Foreign investment in Indonesia generally separated into several sectors. Foreign investment in Indonesia mostly focuses on the development sector, tourism, mining, transportation, and products.

The sector determined following the potential of a particular region in Indonesia. For example, islands such as Bali and Lombok could attract foreign investors in the tourism sector because the infrastructure is sufficient. Foreign investors can invest by building hotels and tourist attractions. The top five countries of origin of Foreign Investment (PMA) are: Singapore 1.6 billion US dollars (24.2%); Japan 1.4 billion US dollars (21.2%); Hong Kong 0.5 billion US dollars (7.6%); Malaysia 0.5 billion US dollars (7.6%) and China China 0.5 billion (7.6%).

### **The Creation of an E-commerce Business**

Indonesia is currently several significant internet users in Asia, reaching more than 150 million users. The population of Indonesia reaches presently 262 million people. More than 50 per cent of the people connected to the internet. Indonesia's e-

commerce sector has generated more than 5 billion dollars from formal e-tailing businesses and more than 3 billion dollars from informal trade. In Indonesia, e-tailing businesses include Tokopedia, Bukalapak, JD.id, Lazada, and Shopee.

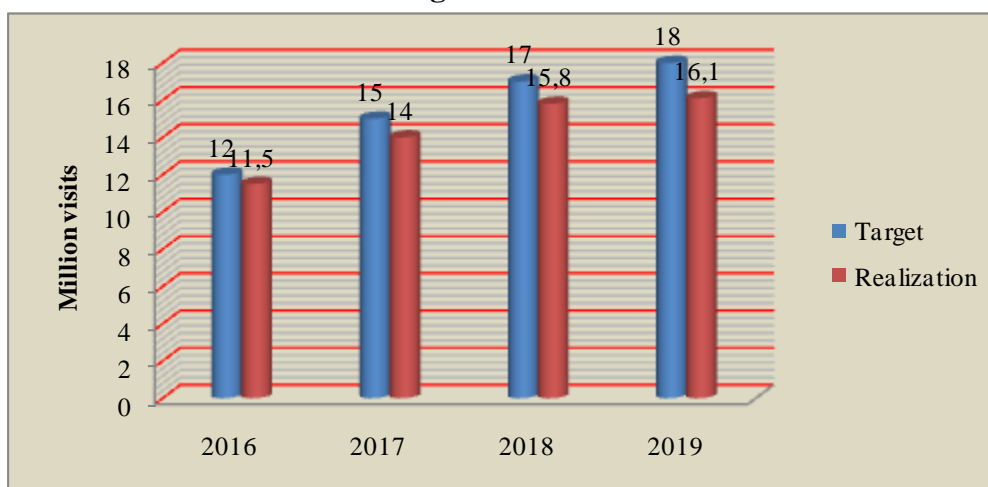
In contrast, informal trade includes buying and selling goods in friendly means such as the use of social media and messaging platforms such as WhatsApp and Facebook. Things like this in Indonesia generally related to online shops. On the other hand, the growth of informal trade can attach to young Indonesians who understand digital. Statistics show that Indonesian young people are involved users of social media. Indonesia has the fourth-largest number of Facebook users in the world with 122 million people and has one of the largest populations of Instagram users. Indonesia is also the fifth largest country in terms of Twitter users. With so many social media users, it is not surprising that sizeable informal trade catches place in the country.

### Increased Tourism Sector

Different impact of economic globalization is an increase in terms of the tourism sector. The tourism industry is frequently becoming an idol in Indonesia, and this can see from its appearance that is increasing every year. The graph is very contradictory when related to other commodities, such as oil, gas, coal and palm oil, which continue to decline. Additionally, tourism also considered having an advantage.

Tourism is also a common sustainable commodity and touches the lowest level of society. In 2016, foreign exchange tourism reached 13.5 billion US dollars per year. In fact, in 2015, tourism was still ranked fourth as the largest foreign exchange earner sector. In 2017, the foreign exchange contribution from the tourism sector shot up to around 16.8 billion US dollars. This figure predicted to increase by 20 per cent to about 20 billion US dollars in 2018. The booming tourism sector is inseparable from the increase in the number of foreign tourist arrivals (tourists). Based on data from the Central Statistics Agency (BPS), tourist arrivals to Indonesia continue to rise. In 2017, 14.04 million people were visiting foreign tourists. This total is up 21.88 per cent from 2016, which is in the range of 11.52 million foreign tourists. Here is further thanks to the hard work of all parties who can boost Indonesia's Tourism competitiveness index. From 70th in the world in 2013, it rocketed to the top 42 in 2017.

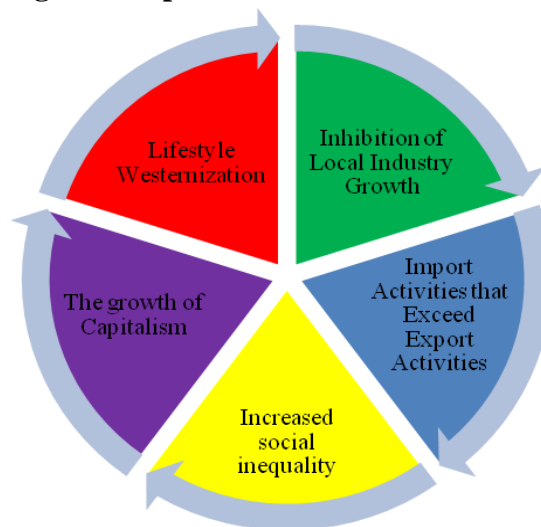
**Figure 6.0**  
**Number of Foreign Tourist Visits 2016-2019**



The number of foreign tourist arrivals to Indonesia just reached 16.1 million while 2019. Although it rose 1.9% from the previous year, that number missed the initial target set by the government, which is 18 million visits. Not only in 2019, but the accomplishment of foreign tourist visits more has never reached the destination in the last four years. The number was less than 500 thousand and one million visits in 2016 and 2017. The shortcomings were even broader the following year, which was 1.2 million visits. Meanwhile, the Ministry of Tourism and Creative Economy diminished the target of the number of foreign tourist arrivals in 2020 to 17 million visits.

Not only the positive impact of economic globalization on Indonesia, but it can also harm the economy, namely the reduction of love for domestic products because many foreign products are circulating in Indonesia.

**Figure 7.0**  
**The Negative Impact of Globalization in the Economy**



### **Inhibition of Local Industry Growth**

The international market that is presently providing various benefits in the economic field turns out, on the other hand, can have a detrimental impact that is hampering the growth rate of the local industry. The current rapid globalization in the economy has caused dependence on multinational companies; as a result, the pace of the local industrial sector cannot develop properly. This kind of thing usually happens in developing countries in the world caused by industrial progress from developed countries that dominate. Industries brought in by multinational companies generate a consumption culture for local consumers, which can turn off local business units. For example, the mushrooming of modern shopping centres that are controlled by foreigners and cause shopping centres that are managed by local slowly die.

### **Import Activities that Exceed Export Activities**

The effect of globalization in the economic sector is to increase imports in a country, but export activities tend to decrease. Here is due to the dependence of a country on the supply of products from abroad. As a result, the domestic product industry will be unable to compete and eliminate the love of local products, thus slowly killing domestic companies. Besides, the tendency towards excessive imports of foreign products will adversely affect the balance of payments in a country. Of course, this must

be followed up by the local state government by reducing import activities and emphasizing export activities so that the balance of payments in the country becomes stable and the production of goods or services originating from local industries can develop.

### **Increased social inequality**

The effect of globalization in the economic field also impacts on increasing social inequality in society. The number of poor people in Indonesia according to the Central Statistics Agency (BPS) again decreased in September last year. However, the gap between regions is still considered high. In a note (BPS), the number of poor people as of September 2018 relinquished 25.26 million people or 9.66 per cent of the total population of Indonesia. The number decreased by 280 thousand compared to the overall sparse population as of March 2018, which reached 25.95 million. According to the International NGO Forum on Indonesian Development (INFID) survey, the Indonesian Social Inequality Index in 2018 is at a score of 6. This figure is an increase of 0.4 compared to similar studies in 2017. The Social Inequality Index is an index that measures public perceptions of the number of unequal spheres. The higher the score, the more unequal means. There are 10 points assessed in the survey, namely, income, employment opportunities, possessions, residences, educational opportunities, family welfare, environmental quality, law, politics, and health. With a score of 6, it means that the public evaluates that there are six imbalanced domains.

### **The growth of Capitalism**

During these of us who live in third world countries will feel the suffering of living in an age of globalization, MNC (Multi-National Corporation) companies have brought nightmares by the proposition to prosper the people even though they are sucking capital for the advancement of their companies. The development of globalization itself can examine in three stages, namely ancient globalization, mid-globalization, and modern globalization today. In several of these phases, globalization itself always marked by the emergence of the supremacy of a country which becomes the epicentre of world economic power.

Consequently, in each phase globalization is closely related to the extension of the discourse for the realization of the country's economic and political businesses. The discussion of globalization itself is a form of evolution of capitalism that has taken place since centuries ago so that the face of globalization is presented differently according to the times. The development of civilization experienced by Europe after the Enlightenment has made the countries in the region one step leading of the parts on other continents. The globalization that we possess today is an accumulation of the era of a real economy based on the original of cheap labour work with an economic theory based on economic growth. As for countries that should historically have a robust industrial base such as Europe, North America, and now added East Asia thanks to the financial system of iron arms appearing as a dominant force in globalization which is now transforming become a tradition.

### **Lifestyle Westernization**

The rapid flow of globalization in some eastern countries, including Indonesia, can have a negative impact, namely the lifestyle of people who imitate western culture or westernization. Lifestyle or lifestyle seems to have become a secondary need of

humans themselves. The influence of western civilization can be beneficial if it addressed wisely. Still, most western cultures can harm a country because it can fade a sense of nationalism of citizens towards their country. For example, in Indonesia, the current influence of electronic music originating from the west. Here certainly can erode the love of traditional music if it not addressed wisely. Therefore steps are needed to maintain the existence of traditional Indonesian music such as updating Indonesian traditional music by collaborating with Indonesian traditional music with electronic music.

## CONCLUSION

From the explanation above, it can see that globalization in the economic field can have positive and beneficial impacts as well as negative impacts which are very detrimental. Therefore, we as humans who live in this modern era must be able to respond wisely to the times.

Positive impacts of globalization in the economy are free international market, ease of export and import activities, the entry of foreign companies into a country, the creation of an e-commerce business, increased tourism sector. And also have a negative impact from economic globalization are inhibition of local industry growth, import activities that exceed export activities, increased social inequality, the growth of capitalism and lifestyle westernization.

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