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# GLOBALIZATION, STRENGTHENING OF INDONESIAN LOCAL MARKET CHARACTER AS CONSEQUENCES AND REALITY OF OPEN ECONOMIC SYSTEM

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*Globalization impacts of advances in science, technology and information. Any country in the world including Indonesia can not avoid globalization. There is no time limit, space and territory. Exploitation and exploration of production factors, production efficiency, capitalization of capital and market expansion is the impact of globalization. Globalization and the strengthening of local market traits are indications of the consequences of Indonesia's open economic system. There is a pull of two concepts of economic development. Economic growth (Capitalism) or welfare economy (Socialism), or a mixture of both (mixs). Indonesia adheres to the mix. Natural resource wealth is not enough. More important is the quality and character of Indonesia's strong human resources. In addition to the growth of goods and services, there are three aspects of character change to improve the welfare of the Indonesian nation; (1) the number of literacy (education); (2) life expectancy (health), and (3) ability of purchasing power (income). Government development and regulatory policies; (1) allocation; (2) distribution; And (3) stabilization is intended solely for income distribution and reducing economic disparities. The impact of the economic crisis lies not on globalization itself, but lies in the Indonesian national identity itself in addressing Globalization.*

**Keyword :** *Globalization, Market, Economics system, Economic growth, Economic development.*

## 1. INTRODUCTION

Globalization is an old issue, but it is still interesting to study. Globalization of the impact of advances in communication and information technology. View the world windows only via internet mobile phone screen and personal computer. Almost no boundaries, space and time. Globalization is able to change socio-cultural, self-concept, perspective, character and behavior of society. Globalization can have a positive impact and can also be negative. In addition to impact, globalization is also a consequence of an open state economic system. The economic system of a country can change due to globalization. Preparedness, alertness, local strength and skill in navigating globalization are very important. (Stiglitz,2003:299) Face globalization with reality not with negative emotions. Conscious or not, agree or not, we are now in a pool of globalization. The flow of goods / services, labor, and capital penetrated. In the case of social and economic crises, what is wrong is not globalization itself, but the most urgent is how to manage globalization well for the welfare of the nation and state<sup>1</sup>.

## 2. THEORITICAL REVIEW

*First*, until now still known 3 economic system (Samuelson,2004). Regardless of the economic system adopted by a country; Capitalism-Liberalism, Etatism, Socialism or Mixs system economics (hybrid mixture-the term Heilbroner)<sup>2</sup>. Admitted or not fact that most countries in this part of the world, almost all countries embrace Mixs system economics including

Indonesia. Capitalism-Liberalism classical diplomacy Adam Smith argues that individual freedom is everything, the owner of free capital has everything, demand-supply is left entirely to market mechanisms without government interference, the example of the United States and its allies. The opposite of Etatism-Socialism in plopores Karl Max intervenes more dominant government, almost all economic activity is regulated/planned by the state, the example of the Soviet Union before it collapses into the states. The Soviet Union felt that Etatism-Socialism was no better than Capitalism. The case of the 2009 economic crisis property credit in the United States, Capitalism is not as expected. Indeed several decades ago Capitalism has proven economic, technological and industrial progress in the west, America and its allies. The owner of the capital-conglomerate is called by Gunderfrank as the bourgeois, capitalist.

*Second*, there are two different concepts of economic development; Growth (growth) and welfare (welfare). Indonesia is not a welfare state, but mixes. According to Todaro (1990) there are 3 main components in economic growth; (a) capital accumulation, (b) population growth, and (c) technological progress. Economic growth is measured by the increase in goods and services (Sen in Pressmen,2000). Welfare is measured by equal distribution of income. The measure of the welfare of the World Bank-UNDP 1990 composite index of; (a) literacy rates; (b) life expectancy; (c) income<sup>4</sup>. Evenly distributed imposible. The income distribution curve of Philip tries to get closer between the two with the

policy of proportional, progressive, regressive tax instrument applied to society.

*Third*, empirically the entrepreneurs always think how to get maximum profit and minimize the cost of production. Efficiency in the production process is desirable. Production efficiency occurs due to the advance of production technology. Advanced machines can replace 500 to 1000 human labor. The purchase of one machine affects unemployment. Decrease in income, malnutrition, school dropout and poverty is the impact of unemployment. (1) availability of employment, (2) labor quality and (3) wage (wage/salary) is very influential on employment. In terms of wages, the interests of employers with workers are different. In mass production, labor is sometimes considered a production machine. Working hours, production units and production volumes are a measure of cost production. The role of government mediation is able to maintain equilibrium demand and supply of labor.

*Fourth*, there are two sides of the positive and negative impacts of globalization. The upside is to simplify and expand market access, access to information, access science, access technology and more. On the negative side, there are exploitation of factors of production, dominance of ownership and capitalization of capital, acculturation of culture, hedonism, pragmatism, shifts of local values, religion, social and morality.

### 3. METHOD OF STUDY

The methods used in the discussion of this material are empirical studies and literature review. The scope of the study covers the causes of globalization occurring, the globalization of the consequences of the country's economic system, the impact of globalization and efforts to deal with it.

### 4. RESULTS AND DISCUSSION

Globalization is always identified with global market or free market. Globalization can not be avoided or rejected. The progress of science, science and technology is growing rapidly. Information and communication technology has transformed the world into boundaries. Globalization has penetrated space, territory and time. A nation that lags behind is not the fault of globalization itself, but how globalization can be managed properly. How much is the nation's level of preparedness in facing globalization. Regardless of whether or not to agree, the AFTA, NAFTA, WTO and other agreements must be dealt with in reality rather than rejection inadvertently. How would it impact if Indonesia's import-export is rejected by other countries.

A country can not simply let go of the trade interactions of the international market. The import-export trade is very open to all countries. Because between one country with other countries in this world each other have their own interests. There are political economic interests, there are regional politics, there are political defense and so on. Whether or not globalization of Indonesia's economy is dependent on

perspective. Is globalization as an opportunity (opportunity) and challenge (treath) or even as a threat to the progress and prosperity of the Indonesian nation. Anything almost certainly has a good side and a bad side. Similarly, globalization has a positive and negative impact. Do not argue or disagree about globalization, in reality we are all in a globalized world. Now the problem is how we Indonesians "together we can" are able to navigate the ocean of market globalization well.

Indonesia is one of the countries, part of the members of the world market community can not get away with it. The market is meeting demand and supply. Where there is a request there is an offer. There is a sale (seller) there is also a purchase (buyer). There are goods-there is money. No goods no money. No money-no stuff. The real nature of the market is not limited by space and time. Starting from traditional market to modern market. In the narrow sense the traditional market is limited by space and time. Whereas the market in the broad sense has no space and time limit again like a small example of automatic machine; E-market; E-banking; E-mail; E-phone; E-television. Buy wheat from Australia can pass the computer in the bedroom. Shopping, delivery of goods / commodities can be done via the internet. Buying goods (goods) and services (services) can be done from the bedroom and even while sleeping. Paying tax, electricity, phone and water charges can be made from different places, different countries. Buy any commodity can be done from anywhere. Starting from the local market, regional markets, national markets and transnational markets. Indonesia can not avoid it. It is inconceivable that wheat imports from Australia and America are stopped. Bogasari flour factory in Surabaya, Jakarta, Semarang and Medan closed all. How many thousands of workers will be unemployed. How many thousand bakeries close. How many thousands of fried banana fryers, meatballs, crackers and so forth close all. How many thousands of formal sector workers and the informal sector are unemployed. That's just one type of flour commodity. Not yet another commodity. Until now gandum is not (not) can be planted in Indonesia. Whether intentionally or unintentionally wheat can not be produced in Indonesia. May grow but not bear fruit. Whereas Indonesia already has a special department of agriculture, there is a minister of agriculture, agricultural college. It is the practice of capitalism or not, it is clear to date the wheat will continue forever in imports from America and Australia to Bogasari.

This is in the opinion of Baran & Gunderfrank Economic growth theory The dependence that states underdeveloped countries causes will always depend on developed countries in terms of technology, finance and human resources<sup>8</sup>. Developed countries exploit poor countries. Investment Developed countries will indeed boost the national income of poor countries, but only enjoyed by a handful of people alone. To release the dependence Theotonio Dos Santos mentioned is independence<sup>6</sup> (Fatihudin,2009). Independent in technology,

independent in finance and self-supporting human resources. Independence will be created if the quality of human resources is updated and improved. The quality of human resources and technology is the solution for national independence.

In market macroeconomics it is divided into; (1) the goods market; (2) labor market; (3) the capital market<sup>2</sup> (Samuelson,2004). The consequences of globalization and Indonesia's open economic system of these three macro markets have plagued Indonesia. If Indonesia wants to strengthen the local market can not be separated from the three markets. The quantum and quality of these three markets must be strengthened and enhanced. In terms of quantity, Indonesia is able to produce goods / services in large quantities. Production capacity and production volume is high and productive. In terms of quality, of course the quality of the product meets international standards. How the nation of Indonesia is able to produce goods/services that can compete in the international market and able to meet the standards of the needs of consumers of other nations. The Indonesian nation must be able to read the wants and needs of other goods / services of the nation. Do not let the source of factors of production owned by Indonesia in the exploration and exploitation by other nations.

Similarly in the labor market, do not let our country Indonesia is flooded with labor from other nations, other countries. Fields of large, medium and small industrial enterprises are attended by foreign workers. Employment opportunities are captured by foreign workers. This should not happen. Indonesian workers must be able to compete with the labor of other nations. In other cases capital ownership (capital). Stocks, bonds, ownership of state-owned enterprises capital that should be dominated and owned by the state for the welfare of the community. Now turns into private property, for example Pertamina, Telkom, PLN, BNI46, Bank Mandiri and others. As a consequence of the privatization policy, SOEs must sell their shares to the public and become publicly owned companies. Its shares can be sold freely in the capital market. In addition to domestic financiers also foreign investors can have it. There used to be a regulation of the proportion of foreign shares of not more than 30-45 percent, now there is no limit.

Concerns may exist, but should not be excessive. But more important is how to make the Indonesian nation has the full assets / capital of the company. One way is to increase productivity and earnings. Nurske declared the cause of the country to be poor in the cycle of poverty; From low productivity, low income, low income to low savings, low saving to capital / investment is low, low capital / investment causes the asset / wealth owned is also low. Nurske proposed to cut the poverty chain is with education. Education is expected to create innovation, engineering and technology. Because the production process is more efficient, science and technology can create economic growth and prosperity of society<sup>8</sup>.

Community welfare is the goal of all countries, including Indonesia. People's welfare is the estuary of economic growth and economic development of a country. Indonesia is closer to the economic development theory of JM Keynes (Mankiw,2000) a mixture of capitalism (conglomerization) and socialism (cooperative). Regardless of what economic system is adopted by the country<sup>7</sup>. Jhingan(1998) There is no meaning of economic growth soaring, if ignoring the disparity of people's incomes. Indeed, the theory of economic growth is sometimes contradictory and contrary to the theory of income distribution<sup>8</sup>. The ability of people purchasing power (purchasing power parity) is a benchmark in the welfare of a nation's people. It does not mean an employee's pay rise of 10 percent, when followed by an inflation of 10 percent rise in the prices of goods on the market as well. This means that in real terms the employee's income does not increase. Therefore, the government in this case has an important role in allocating, distributing and economic stability, especially its role in controlling commodity prices. Policy, alignment and government intervention in the economy are desirable.

The strengthening of the local market has a broad sense of internal economics policy and external economics policy. How should economic policy Indonesia to market in the country and for the international market. Seng A.W.(2006) Japan spent 45% of its budget on spending and research<sup>9</sup>. Japan finances its students to study abroad. Innovation, creativity in Japan is greatly appreciated. To spur domestic production Indonesia can imitate Japan. Indonesia is able to manage both local and global markets. This nation must be able to plan, execute and control the goods market, labor market and money market (capital). Agree or disagree, we have been flooded with imported goods of foreign products and foreign companies such as Rice from Vietnam; Cars / motorcycles from Japan; Toys, household appliance, shoes from China and Korea; Pastfood MacDonald, KFC, Texas from America; Carrefour Supermarket from France; Ampibi Tank from the Soviet Union; Bajaj from India; Aircraft from Germany and many others. Indeed not all products can be made in Indonesia. That is the consequence of globalization of Indonesia's open economic system. One country with another country needs each other.

At different times the producer country will play a role as a consumer country, and vice versa consumer countries at other times will become producer countries for other countries. That is the market mechanism of demand and supply. There is a quote there is a request. This is actually the question of the behavior of the Indonesian nation itself. How domestic products can be absorbed in the domestic market well, if the Indonesian people themselves do not appreciate the brand products (brand) in the country. Even more appreciate overseas products. In the modern economy the Government has three important roles<sup>3</sup>; (1) the role of allocation, (2) the role of distribution and (3) the role of stabilization

Governments should be able to manage the existing economic resources and provide opportunities for increased public participation and ensure the security-comfort of its territory in order to increase economic growth and the achievement of the welfare of the community.

## 5. CONCLUSIONS

Based on the above study there are several things that can be proposed and attempted to improve the character of this nation, among others;

1. Globalization is the impact of advances in science, technology and information. There is no time limit, space and place. Globalization has a positive and negative impact. The location of the error is not the globalization itself, but the fallacy lies in the aspects of human behavior, such as the economic system, culture, self-concept, character, perspective and actions of the nation itself in dealing with globalization. Local strength is strengthened.
2. The mixed economic system (Hybrid mixture) is still considered better than both Capitalism and Etatism / Socialism systems. The implications of an economic system of capture that combine the theory of mixed economic development of the system of capitalism with socialism. The government has an important role in (a) allocating resources, (b) distribution and (c) stabilization to promote the economic welfare of society by making rules that tend to defend society, small / medium entrepreneurs, And capital market mechanisms for conglomerates. Exploitation, exploration and ownership of sources of production factors such as natural resources, capital and labor should not be dominated by a few people or groups of people.
3. Pride of Indonesia's natural wealth potential; Fertile soil, vast sea and tropical air climate, is not enough. But more important is how to manage the wealth of natural resources properly and can be enjoyed by the entire nation of Indonesia itself equally. Not exploited and explored by other nations. Cooperation with foreign should have transfer of knowledge, transfer of skill, transfer of payment real achievement. This can be pursued (a) reconstruction of cooperation contracts, (b) human resource training, (c) creation of innovation, (d) engineering motivation and (e) modernization of product technology, all of which stands for the people and rests on Indonesian interests.

4. Strengthening of local market and privatization / privatization policy of BUMN and other state assets should remain within the corridor of full alignment for the welfare of Indonesian society.
5. Achieving education and health levels should not only be directed to "quantity" but strived towards "quality" and competence ". This can be pursued by improving the selection of inputs, processes that are good / correct according to the quality standards so that quality can be created as well.
6. Avoid the character "entrepreneurs" brought to the realm of "power", bureaucracy and education. Avoid capitalization of power and capitalization of education. Entrepreneurs become rulers or rulers so entrepreneurs. The difference is only the letter "h". Concerned about the exploitation and exploration of power. Attempts to recruit candidates for bureaucrats based on "competence, quality and side by side with the masses" not only because of "people support" and "lots of money".
7. There are many among us, there are individuals who are ethical, socialist-minded, but capitalist-bourgeois-acting. It seems to defend the interests of the people, but actually defends the interests of himself and his group. To avoid it can be pursued the creation / renewal, enforcement system (rules) is good and can be implemented consistently, do not halfhearted.

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