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# Globalizing Market in Indonesia: Politics of Market and the Impact toward National Social Welfare

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**Abstract**— Globalization is a multi-dimensional process that is manifested in the form of time and space narrowing in social relations, so that the limits of social relations between nations are blurred. Globalization has a positive or negative effect, depending on the perspective we looked at whether pessimistic or optimistic. One form of globalization that has been able to see is the global market. To examine political aspect of the globalizing market in Indonesia, we can see by the three perspectives. There are liberal view, mercantilists view, and neo-Marxist view. The question now is whether the global market can enhance the welfare of society, or the opposite would worsen the social welfare in Indonesia. This paper is based on a qualitative type, descriptive approach, and emphasis on the literature study.

**Keywords**— globalization; global market; politics of market; social welfare

## I. INTRODUCTION

Globalization is a multi-dimensional process, covering economic, political, social, cultural and ideological. The phenomenon of globalization is manifested in the form of constriction of time and space in social relations, so that social relations between countries that no longer knows the limits. Rapid developments in information technology, international trade, labour mobility, and financial capital between countries has resulted in the economic role of the individual state of the global economy becomes increasingly less meaningful. Globalization according McGrew (quoted by McAuley, 2003[1]), identifies that there now exist a multiplicity of linkages and interconnections that transcend the nation-state which make up the modern world system.

From the pessimistic perspective, globalization can lead to weakening of the institutions of the national economy in the face of global forces such as multinational corporations and international financial markets that just produce a few winners and a large number of losers. The winner is the candidate for the advanced industrial countries, multinational companies and professional class, while the prospective losers are a large number of developing countries. Kerr (quoted by Ulrich, 1997[2]) revealed the winner would not be surprised by unanticipated changes; they will develop the ability to adapt, learn and respond. The losers will spend time to control rather than respond quickly. And one of the hardest hit sectors by globalization is the market, which is commonly referred to the global market.

But however, global market is part of economic development. Economic development is a great way to increase people's incomes, but whether the ultimate goal of economic development is?. Vice president of Indonesia, Boediono (2009[3]) states that the ultimate goal of economic policy is to improve people's welfare. For ordinary people, welfare is not an abstract concept, but the real conditions that directly related to their everyday lives. The problem now is whether the global market may improve the social welfare of the people of Indonesia or not.

Basically every country has the potential to compete with other countries, but for some reason a country is able to dominate the competition globally. From the optimism perspective, globalization promises many opportunities and hope for the community and developing countries to catch up in the field of economic and social development of the developed countries. Some empirical data indicates that the developing countries are actively involved in globalization tends to increase the standard of living better than countries that are relatively closed to the world economy. Based on these facts, the author interested to knowing about globalizing market in Indonesia: how is the politics of market and what is the impact towards national social welfare?.

## II. THEORETICAL REVIEW

### A. Globalization

According Wolf (2004[4]), globalization is the integration of economic activities, via markets. The driving forces of integration are technological and policy changes: falling costs of transport and communications and greater reliance on market forces. While according to Rothenberg (2005[5]), Globalization is the acceleration and intensification of interaction and integration among the people, companies, and governments of different countries. From some of the above understanding can be drawn a conclusion that globalization is the process of interaction and interdependence between people or nations around the world that makes national boundaries become blurred.

### B. Global Market

Global market are defined as those markets in which buyer preferences are similar across countries (Johansson, 2008[6]). These are but random examples of what has become an almost weekly set of occurrence in the

globalized market. Globalization has clear and widespread social and political implication (Berndston quoted by McAuley, 2003[7]). Based on the conclusions from a variety of sources, Global market is an activity of the exchange or buying and selling of goods or services between countries that aim to meet the needs of his country and for profit. The occurrence of global trade is due to differences in available resources in each country, such as natural resources, human resources, social culture, science and technology, wages and production costs, and prices. When the global market place, the boundaries of a country will become blurred and the linkages between national economies with the international economy will be even tighter.

### C. Politics of Market

White (1993[8]), stated that market are forms of politics – politics of state participation, politics of market regulation, politics of industrial structure, politics of collective action, or politics of social embedded. Based on these statements, it can be said that politics is very influential on the market mechanism. There are several perspectives in the politics of market such as politics of the liberal view, mercantilist view, and the neo-Marxist view.

### D. Social Welfare

According Friedlander (1991[9]), social welfare is an organized system of social service and institution, designed to aid individuals and groups to attain satisfying standards of life and health, and personal and social relationship which permit them to develop their full capacities, and promote their will-being in harmony with the needs of their families and community. From the definition it can be seen that the social welfare includes a fairly broad definition covers most people's needs, such as the physical, mental, or economic. In addition it also includes social welfare policies, programs, and social processes associated with overcoming social problems an issue and efforts to improve people's lives.

## III. METHODOLOGY

This study is based on a qualitative type, descriptive approach, and emphasis on the literature study. With this model the qualitative approach of this study are expected to be able to describe fully the subject of research, so as to describe the desired focus of the study, namely address issues that have been formulated and meet the objectives of the study. Qualitative method is the chosen type for this research, as a set of non-statistical inquiry techniques and processes used to gather data about social phenomena (McNabb et al, 2002 [10]).

Qualitative method emphasize in the theories and literature. Qualitative research concentrates on the study of social life in natural setting. Its richness and complexity mean that there are different ways of analyzing social life, and therefore multiple perspective and practices in the analysis of qualitative data (Punch, 2004 [11]). Qualitative research also involves the studied use and collection of

variety empirical materials that describe problematic moments like case study, personal experience, interview, observational, historical, visual text documentation, or interaction.

## IV. RESULT AND DISCUSSION

As has been explained above that the global market is an activity of the exchange or buying and selling of goods or services between countries that aim to meet the needs of his country and for profit. In the activity of the global market, there must be a political game of market or a strategy to dominate the market. To examine politics of market, we can see by the three perspectives, there are Liberal view, Mercantilist view, and Neo-Marxist view. Based on Liberal view, global market means a qualitative shift toward a global economic system. Global market will bring increased prosperity to individuals, families, and companies. The nation-state loses power and influenced as it pressed from above and from below. While, based on mercantilist view, global market is more of the same. Corporations do not lose their national identities because they are global player. They remain tied to their home countries. The nation-state is not threatened by globalization. The state capacity for regulation and surveillance has increased rather than decreased. And then based on Neo-Marxist view, global market is both intensified interdependence and the creation of a global economy. Nation-state remains important regulation of globalization, but they are losing power over the economy. Economic globalization is an uneven, where economic power is increasingly concentrated in leading industrialized countries and benefits them.

And then based on the three perspective, where is the position of Indonesia?. If we look carefully, we would agree that Indonesia tend to apply liberal perspective. As evidence, let's look at how the penetration of foreign companies in Indonesia became stronger after the reforms. The Coca-Cola Company, each year successfully posted sales worth 10 billion dollars per year in Indonesia. The Coca-Cola Company owns 40% successful soft drink market in Indonesia. Unilever, with controls 40% market consumer goods, Unilever managed to rake in revenue to 20 trillion rupiah per year. Danone with brand Aqua, managed to control 93% of the market in packaging bottled water in Indonesia and siphon 7.2 billion liters of Indonesia's water every year and managed to achieve a turnover of 10 billion dollars per year. Ironically, the State income from this business is only 35 billion dollars per year (5 rupiah/liter). Nestle produce 1 million liters of milk, and set 80% of local dairy farmers. Nestle controls 50% of the milk market in Indonesia with a record 200 trillion rupiah transactions per year.

Have you ever noticed, since getting out of bed, move, to sleep again, all products have been controlled by foreign companies?. From start to drink Aqua which 74% is owned by Danone, France. Drinking Sariwangi tea is 100% owned by Unilever, UK. Drinking SGM milk were 82% owned by



Numico, the Dutch. Bathing with Lux, Pepsodent toothbrush wear from Unilever, or even smoke Sampoerna which 97% belongs to Philips Morris, USA. Go shopping to the Carrefour which French owned, Alfa had already belonged to Carrefour with 75% of foreign domination. Or want to belong Giant Dairy Farm International, Malaysia, which is also a shareholder in Hero supermarket. When you see the development of global market today, arising the aggressive tendencies of developed countries to open markets in developing countries, especially those with large economies and high growth. This is because developing countries remains a promising target marketing of developed countries. Developing countries are still not ready to be a competitor, so it just becomes a place of marketing products of developed countries.

The condition became more complicated when the Indonesian Government through the Minister of Commerce and with a number of trade ministers of ASEAN, Australia and New Zealand has signed in ASEAN, Australia, and New Zealand Free Trade Agreement (AANZ-FTA) on February 2009. Meanwhile, ASEAN-China Free Trade Area (ACFTA) has come into force in January 2010. If we observed this agreement would harm Indonesia. So far, such as non-oil trade balance with Indonesia Australia and New Zealand are always negative. This means that even without free trade, Indonesia imported more goods from both countries. Australia is known as a major supplier of beef and some dairy foods to Indonesia. If the tariff was reduced to 0%, it can be ascertained dependence on imports will be higher. While the agricultural industry which has struggled due to the onslaught of imported products will be more upset. Just a note to this Indonesia imported a number of agricultural products such as: wheat as much as 100% of the total domestic requirement of wheat, soybeans 61%, sugar 31%, milk 70%, beef 50%, salt 66%, and cotton by 80%.

In other side, China will be more dominant than ASEAN countries, when the ASEAN-China free trade enforced since 2010. ASEAN-China free trade will not affect the balance of trade for ASEAN countries, just imbalance between China and ASEAN countries, including Indonesia. China is able to master of the trade because of high labour productivity and bulk. At the same time China's aggressive push into overseas export. China then applies the tax rate to zero percent. This will encourage the export price. With mass production, the production costs of Chinese products because the cost per unit is lower. The products are cheap, the national markets flooded with cheap prices.

Discussion of the global market will continue to be studied in depth, and negative and positive impacts toward national social welfare, including the ongoing discussion with other countries. In fact, the issue of import duty Indonesia need to be considered because it is very liberal compared to other countries, especially developed countries. Now let's compare the average of Indonesian import duty with several countries. China with 12%, India is also 12%, Thailand 10%, while Indonesia 7% . From this

comparison alone we can see that China and India who have greater economic power still protect its economy with import tax rates higher than the ASEAN countries. If not anticipated with good preparation, things could be worse because after ACFTA and AANZ-FTA applied the import tax become 0%. This is in accordance with the truth expressed by Todaro and Smith (2004[12]) which states that balancing power is so lame is not only intangible in power in the rich countries regulate international trade patterns, but also on their ability to dictate the terms of technology transfer, lending, and the implementation of foreign investment to countries that are developing.

Normatively, every country in the global trade will have a positive impact and negative impact on the economy of the country itself. The positive impact of global market, among others: Domestic production activities to be increased in quantity and quality, encourage economic growth, equitable distribution of incomes, and national economic stability. Adding foreign exchange through import duties and other charges on exports and imports. Encourage the advancement of science and technology in the country, industry sector especially in the field with the advent of new technologies can help in producing more goods within a short time. Through imports, the country needs can be met. Such as, expanding employment and community opportunities for working and strengthen the ties of brotherhood and cooperation between countries. While, the negative impact among others goods production in the country was disrupted by the entry of imported goods are sold cheaper in the country that led to the domestic industry suffered heavy losses and the dependence with the emergence of developed countries. Such occurrence of unfair competition is due to the influence of free trade in the global market.

If not able to keep the country's economic growth will be even lower and increased unemployment in Indonesia. Indonesia consumers may not care about the origin of products, including flood of foreign products. When shopping, consumers typically only look at the quality and price. The majority of Indonesian consumers, who are low income, even just considering the price. They are not very sensitive to the quality, let alone the question of local or foreign products. So on the other hand, China's cheap products actually help people buy low power. But, for long term interests, this condition should not be allowed. Indonesia, a country with a population of 230 million, should not only be a market for foreign products. In terms of population, Indonesia is ranked fourth after China (1.3 billion), India (1.1 billion), and the USA (340 million). Indonesia should also be able to utilize a large population to reach progress.

Surprisingly, the government has not shown the slightest concern about the flood of foreign products, particularly Chinese product. As if to follow the ACFTA or AANZ-FTA, there will be no problems with Indonesia. The government officials talk more theories that Indonesia should be able to compete in the global market. Indonesia

should not be afraid of the products of other countries, including Chinese products. Government forgot that there was competition condition. China did not open their markets before they become a country that has a strong manufacturing industry. China protects their domestic product for decades. After they have a strong manufacturing industry in the last decade, China boldly opens the market. Similarly with European countries, China's product is superior in price. Although the quality is not great, consumers are still tempted because China has a quality product that is not too bad and they always improve the quality of its products from time to time.

#### V. CONCLUSION

Ready or not, globalization greets every country and every society in the world. Therefore, no single country is able and deems it necessary to isolate them from the influence of the world economy. The problem is how much benefit can be enjoyed and the losses will be borne by each country involved in the globalization process which depends on the readiness of the country concerned to anticipate all possibilities that could happen. Especially with the global market today that has mastered Indonesia. It can be seen in many products from abroad are dominating the market in Indonesia. The condition is further exacerbated by the signing of the ACFTA and AANZ-FTA so that foreign products will more easily enter Indonesia. So as if our country is just a land of marketing for products from overseas, or in other words we are just a spectator in our own home. In the absence of any such agreement Indonesia are already in an inferior position, especially after the agreement is Indonesia's position will be even less favorable. This will definitely give an impact on the level of national social welfare in Indonesia. But we should not look only from the perspective of pessimistic, but from the perspective of optimism. Because if we only look from the perspective of pessimistic without being able to find gaps and opportunities in the global market, then Indonesia would not be able to compete. This is because we cannot avoid globalization and global markets.

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