

## GLOBALISATION CHALLENGES TO INDONESIA'S LEADING ECONOMIC SECTORS: RESILIENCE, COMPETITIVENESS, AND ADAPTATION STRATEGIES

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### Abstract

This study discusses the challenges faced by Indonesia's main economic sectors in facing globalisation, particularly in relation to resilience and competitiveness. Global market openness has created various external pressures such as price fluctuations, changes in international trade policies, and competition from imported products, which have an impact on national economic resilience. On the other hand, globalisation also opens up opportunities through wider access to export markets, foreign investment, and the adoption of new technologies. Therefore, this study highlights various adaptation strategies that are needed, such as product diversification, technological innovation, improving the quality of human resources, strengthening infrastructure, and protecting intellectual property rights. With the active role of the government, the private sector, and the community, especially MSMEs, Indonesia is expected to be able to strengthen the resilience and competitiveness of its economic sectors so that they can survive and thrive amid increasingly fierce global competition. The method used is a comprehensive literature review of current and relevant sources.

**Keywords:** Globalisation, Economic Resilience, Competitiveness, Adaptation Strategies, Key Economic Sectors, Indonesia, Literature Review.

### Introduction

Globalisation is an inevitable phenomenon and has become an important part of current global economic development. This process marks the increasing openness of borders between countries in various aspects, particularly trade, investment, technology, and information. Indonesia, as one of the larger developing countries, faces both challenges and significant opportunities arising from the globalisation process. These changes force Indonesia's main economic sectors to adapt in order to remain competitive at the global level (Irwanto et al., 2023).

Indonesia's main economic sectors, such as agriculture, manufacturing, and services, play a crucial role in supporting the national economy. However, all three are also highly vulnerable to the rapid and often unpredictable dynamics of the global economy. Global commodity price fluctuations, currency exchange rate volatility, and dynamic international trade policies can exert significant pressure on the resilience of these sectors.

The readiness of the economic sector in facing these pressures is one of the keys to Indonesia's success in managing the impact of globalisation (Lukas Norman Kbarek

et al., 2023). Competitiveness is another key issue that cannot be separated from the discussion of globalisation. Competition in the international market encourages every country to improve product quality, production efficiency, and technological innovation in order to remain able to enter the global market. Indonesia, which has various advantages in terms of natural resources and abundant labour, must maximise this potential with appropriate policies in order to improve its overall national competitiveness (Dewi & Kurniawati, 2024). Rapidly developing information and communication technology is both a driving factor and a challenge for the economic sector.

On the one hand, technology opens up opportunities for Indonesian industry players to access wider markets and improve production processes. However, on the other hand, unequal access to and capabilities in technology can widen the gap between economic actors, particularly between large sectors and micro, small, and medium enterprises (MSMEs) (Lee Kuan Yew School of Public Policy, 2024).

Economic resilience, particularly in the context of globalisation, involves not only production and marketing aspects but also the ability of key economic sectors to withstand external shocks such as financial crises, changes in international regulations, and disruptions in global supply chains. This resilience is important so that Indonesia's vital sectors are not easily affected and can continue to contribute positively to national stability (R. Siregar, 2024). In addition to external pressures, Indonesia also faces various internal challenges that hamper the resilience and competitiveness of key economic sectors. For example, low labour productivity, suboptimal supporting infrastructure, and limited access to technology are obstacles that must be immediately addressed in order to compete in the era of globalisation. Improving these aspects must be a priority in order to minimise the vulnerability of Indonesia's economic sectors (Fitrani & Adisaputro, 2023).

Adaptation strategies are an inevitable step in responding to the complex challenges of globalisation. Proactive adaptation can be achieved through product diversification and technological innovation, enabling key economic sectors to not only follow global markets but also create competitive added value. This innovation is closely linked to human resource development and investment in research and product development (S Mardhiyah, 2023).

Strengthening national branding and leveraging Indonesia's comparative advantages, such as the uniqueness of agricultural products and local handicrafts, can be strategies to enhance competitiveness in the global market. Through intellectual property rights protection and the development of geographical certification, Indonesian products can secure a better position in the international market (Verico & Pangestu, 2020).

The government plays a strategic role in facilitating policies that support the resilience and competitiveness of key economic sectors. Fiscal and non-fiscal policies,

trade regulations, and human resource development programmes must be designed considering global contexts and domestic needs to ensure adaptation strategies are implemented effectively. Equally important is collaboration between the government, private sector, and society in implementing adaptation strategies.

The private sector needs to adopt new technologies and improve production and marketing management, while the community, especially MSME players, must be empowered to increase their capacity so that they can participate in the global value chain (Kiki Verico & Mari Elka Pangestu, 2020). The role of vocational education and training is very important to improve the quality of human resources capable of facing global competition.

Improvements in technical and managerial skills will contribute directly to productivity and innovation in key economic sectors.

Thus, Indonesia's key economic sectors must continue to be developed and their resilience maintained through strengthening competitiveness and implementing appropriate adaptation strategies. This will enable Indonesia not only to survive but also to thrive in the face of increasingly complex and competitive globalisation challenges.

## **Research Method**

The research method used in this study is a literature review, which involves the systematic collection, analysis, and synthesis of various scientific articles, books, official reports, and previous research findings relevant to the challenges and adaptation strategies of Indonesia's main economic sectors in the context of globalisation. This approach enables a deep understanding of theoretical concepts, empirical findings, and policy recommendations by focusing on sources published in the last five years to ensure that the analysis remains up-to-date (Eliyah & Aslan, 2025). The criteria for selecting literature include relevance to the research focus, credibility of the source, and its contribution to the discussion of economic resilience, competitiveness, and adaptation strategies, thereby providing a comprehensive basis for evaluating Indonesia's response to global economic dynamics (Ferrari, 2020).

## **Results and Discussion**

### **Globalisation Challenges to Resilience and Competitiveness**

Globalisation has become a major dynamic shaping the trajectory of Indonesia's economic development, but it has also given rise to a series of serious challenges to national resilience and competitiveness. In the context of economic resilience, global market openness makes key sectors such as agriculture, manufacturing, and services more vulnerable to external fluctuations, such as changes in global commodity prices, international trade policies, and volatility in capital flows and foreign investment. This resilience depends heavily on the ability of key sectors to withstand global shocks, such

as international financial crises, supply chain disruptions, and pressure from global investments that are not always beneficial (Sumarlinah et al., 2022).

One of the tangible impacts of globalisation is increased competition in both domestic and international markets. Indonesian products must compete with imported goods that are often cheaper and of higher quality. This requires improvements in quality, product innovation, and production efficiency to maintain competitiveness at the global level. Indonesia's competitiveness is also tested by the capacity of its infrastructure, the quality of its human resources, and the technological capabilities of its key economic sectors, which are not evenly distributed across the archipelago (Budi & Santoso, 2023).

Globalisation opens up opportunities for access to technology and extensive market networks. However, developing countries such as Indonesia still face challenges in optimising technology utilisation amid infrastructure and digital access limitations, especially in areas outside Java. Increased economic digitalisation does open up opportunities for innovation and efficiency, but it also widens the gap between large businesses and traditional MSMEs (Bayu et al., 2023). Economic structural imbalances pose additional challenges to maintaining economic resilience. Dependence on volatile commodity sectors makes the economy vulnerable to price shocks in global markets. Indonesia still needs to diversify its industries so that it is not overly dependent on raw commodity exports and can optimise the added value of downstream industries (IMF, 2018).

Economic resilience is also tested by challenges in maintaining social stability. Globalisation has the potential to widen income gaps, increase urbanisation without equitable distribution, and drive rapid social change in society. These inequalities can weaken social cohesion and slow down the process of strengthening the local economy (Ika & Suhendra, 2025).

Global competition pressures directly impact the resilience of Indonesia's labour market. The informal sector remains dominant, with many workers lacking social protection and access to modern vocational training. This makes Indonesia's workforce less prepared to compete in terms of skills and productivity with neighbouring ASEAN countries. The inflow of foreign capital and increased investment provide a boost to economic growth but also carry the risk of dependence on foreign capital. This situation makes Indonesia more vulnerable to global shocks, such as economic crises, global political uncertainty, or exchange rate fluctuations that affect inflation and domestic economic stability (I Suhendra, 2025).

On the other hand, globalisation creates pressure to develop economic regulations that are able to balance openness and national protection.

Weak regulations can cause domestic industries to be less competitive and easily defeated by foreign competitors. Conversely, being overly protective can also hamper innovation and ease of doing business (World Bank, 2023). Changes in global trade and

investment patterns require Indonesia to be able to build a resilient and internationally connected supply chain.

Vulnerabilities in global supply chains, as experienced during the COVID-19 pandemic, highlight the importance of strengthening logistics, supply chain technology, and more intensive international cooperation. National competitiveness depends not only on economic capabilities but also on synergy between businesses, the government, and society.

This cross-sector collaboration is important to encourage innovation, technological investment, and the absorption of quality labour (Carolyn Turk, 2025). Indonesia's decline in global competitiveness, for example to 40th in the world in 2025, is a serious warning. Factors such as lagging basic infrastructure, high logistics costs, and a weak innovation and education ecosystem are major obstacles.

Therefore, major efforts are needed to improve the quality of human resources through vocational education, training, and investment in research (Rabiyatul et al., 2023).

Equally important, globalisation also brings challenges in creating an inclusive and sustainable economy. The economic and digital access gap between urban and rural areas requires special attention through development equalisation policies and MSME facilitation.

Economic growth driven by globalisation has not always had an equal impact on all segments of society. The government must come up with inclusive strategies that ensure the benefits of globalisation are felt as widely as possible and do not widen the socio-economic gap (Wahyudi & Santosa, 2024). Strengthening the resilience and competitiveness of key economic sectors requires sustainable adaptation strategies.

This includes industrial diversification policies, strengthening national branding, protecting intellectual property rights, and accelerating digital infrastructure development. Regulatory adaptation is also crucial so that Indonesia is not merely a market for foreign products but can also penetrate international markets through innovative products. Policy formulation must be responsive to global changes without neglecting domestic needs (Agus & Wibowo, 2024).

Ultimately, these significant challenges demand flexibility and readiness from all components of the nation to move toward a resilient and highly competitive economy in the global era. Thus, collaborative and sustainable strategies are key to maintaining resilience and enhancing national competitiveness amid the rapid and uncertain currents of globalisation.

### **Adaptation and Competitiveness Improvement Strategies**

Adaptation strategies are urgently needed for Indonesia's key economic sectors to survive and thrive amid the increasingly complex and challenging dynamics of globalisation. These adaptations must include systematic efforts to adjust to changing

global markets, technologies, and international policies. Without the right adaptation strategies, the risk of falling behind and losing competitiveness will increase (Government of Indonesia, 2022).

One of the key steps in the adaptation strategy is product diversification. By developing a diverse range of products, Indonesia's economic sectors can reduce their dependence on specific products that are prone to price and demand fluctuations in the global market. Diversification also opens up opportunities to reach new market segments and increase the added value of national products (Vina & H. Rachman, 2024).

Technological innovation plays an important role in driving competitiveness. The government and industry players must encourage research and development (R&D) focused on developing appropriate technologies that are in line with local capacities and needs. The application of modern technology can increase production efficiency, reduce costs, and accelerate product innovation (Vina & H. Rachman, 2024).

Strengthening vocational education and training systems is the foundation for successful technology adaptation. Human resources with competent technical and managerial skills will accelerate the adoption of new technologies and increase work productivity. Therefore, synergy between the government, the business world, and educational institutions needs to be built to align curricula with the needs of future industries (VH Rachman, 2024).

The development of supporting infrastructure is also a crucial part of the adaptation strategy. Good infrastructure, such as transportation, energy, and information technology, can reduce logistics costs and facilitate the distribution of products to domestic and international markets. Infrastructure investment, especially in underdeveloped regions, will improve economic equality while strengthening connectivity between regions (Dewi & Kartikasari, 2025).

National branding is an important strategy in enhancing the competitiveness of Indonesian products in the global market. Improving product image through quality certification, geographical certification, and integrated marketing campaigns can help Indonesian products penetrate international markets with higher selling values (Nia & Permatasari, 2024).

Intellectual property rights (IPR) protection is also a key priority. The government must ensure the protection of patents, trademarks, and geographical indications to safeguard domestic innovations and product uniqueness from counterfeiting and piracy, which can harm national businesses and weaken product positions in global markets. Fiscal and non-fiscal policies from the government must be directed towards creating a conducive and sustainable business climate (Nia & Permatasari, 2024). Tax incentives, licensing facilities, and market protection in the form of selective protection policies can provide space for key economic sectors to grow and increase their competitiveness. International strategic partnerships need to be strengthened as part of the adaptation strategy. Through cooperation with other

countries, Indonesia can increase market access, technology, and quality foreign investment, while expanding supply chain networks and improving the bargaining position of national products (Celios, 2025).

The role of MSMEs in the global value chain must be recognised and strengthened. Strengthening the capacity of MSMEs through training, access to capital, and introduction to digital technology will support their transformation into part of a competitive and resilient global economy.

Economic digitalisation is an inevitable adaptation strategy. Digital transformation can expand market access, improve marketing efficiency, and open new opportunities such as e-commerce and digital services, which are currently growing rapidly. The government and the private sector need to encourage the widespread adoption of digital technology across all sectors (Irwanto et al., 2023).

The development of an inclusive and sustainable innovation ecosystem must be a long-term concern. This includes the establishment of research and business incubation centres, funding for technology start-ups, and policies that support collaboration between universities, industry, and government to create new competitive products and services (Dewi & Kurniawati, 2024).

Empowering local and indigenous communities is also part of the adaptation strategy to ensure that economic development is sustainable and inclusive. Local wisdom can be combined with technology and global markets to create unique products that are highly competitive and provide added value to local communities (Lee Kuan Yew School of Public Policy, 2024).

Dynamic adjustments to regulations and policies are necessary to respond to rapid changes in the global context. The government must be able to anticipate risks, manage opportunities, and maintain a balance between market openness and the protection of strategic national industries, without causing market distortions that are detrimental (R. Siregar, 2024).

Active participation of stakeholders, ranging from the central and regional governments, business actors, to civil society, will strengthen the implementation of adaptation strategies. Synergy and coordination across sectors are key to optimising the use of available resources to enhance national competitiveness. Regular evaluation and monitoring of the implementation of adaptation strategies are essential to identify obstacles and improve the policies being implemented. An adaptive and flexible approach in planning and implementation will prevent stagnation and ensure the relevance of strategies in line with global dynamics (S Mardhiyah, 2023).

By integrating these various strategies, Indonesia's main economic sectors can strengthen their resilience while improving competitiveness in the face of globalisation challenges. The readiness and sustainability of these adaptation efforts will determine the position of the national economy in the global competition landscape in the future (Kiki Verico & Mari Elka Pangestu, 2020).

Therefore, globalisation presents complex challenges for Indonesia's key economic sectors, such as global market fluctuations, changes in international trade policies, and intense competition with products from other countries. This affects the resilience of the national economy, which must be able to withstand external shocks and continuously improve its competitiveness through product quality, innovation, infrastructure, and human resources.

On the other hand, globalisation also presents significant opportunities for Indonesia to expand its export markets, attract foreign investment, and adopt new technologies. Therefore, a comprehensive and sustainable adaptation strategy is essential. This strategy includes product diversification, technological development, improving human resource quality through vocational education and training, strengthening infrastructure, and enhancing national branding and intellectual property rights protection.

The government plays a strategic role in formulating policies that support a conducive business climate and accelerate adaptation, while the private sector and society, especially MSMEs, also play a key role in technology implementation and productivity improvement. Cross-sector collaboration and continuous evaluation are key to success in facing global dynamics (Kiki Verico & Mari Elka Pangestu, 2020).

Thus, the resilience and competitiveness of Indonesia's key economic sectors can be strengthened if adaptation efforts are carried out in an integrated and responsive manner to global changes. This approach enables Indonesia not only to withstand the challenges of globalisation but also to capitalise on opportunities for inclusive and sustainable economic growth.

## **Conclusion**

Globalisation presents complex challenges for Indonesia's key economic sectors, particularly in terms of resilience and competitiveness. The openness of global markets has made Indonesia's key sectors vulnerable to external shocks, such as price fluctuations, changes in international trade policies, and strong competition from imported products. These conditions require the strengthening of economic resilience through improvements in infrastructure quality, competent human resources, and sustainable innovation capabilities.

On the other hand, globalisation also brings great opportunities for Indonesia to expand its export markets, attract foreign investment, and adopt new technologies that drive national economic growth. In order to maximise these opportunities, a comprehensive adaptation strategy is needed, including product diversification, technological innovation, improving the quality of human resources through education and vocational training, as well as strengthening the national image and protecting intellectual property rights.



The active role of the government is crucial in formulating policies that support a conducive business climate and accelerate the adaptation process across various economic sectors. Synergy between the government, businesses, and the community, particularly SMEs, is the key to success in technology adoption and productivity enhancement. By integrating these efforts, Indonesia can strengthen the resilience and competitiveness of its key economic sectors, enabling them not only to survive but also to thrive in the face of increasingly dynamic and competitive global competition.

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