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The Hurdles That Globalization Brings for Micro, Small and Medium Sized Businesses Can Feel Overwhelming, But They're Oppurtunities for Growth and Innovation Tool

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Abstract
Globalization is now a term frequently used to characterize events in the modern world. The process of incorporating the domestic economy into an economic framework founded on the principles of free trade characterizes the globalization phase. In order to facilitate integration, all policy regulations that prohibit globalization actors—particularly transnational corporations (TNCs)—from engaging in production, market, and investment expansion are being changed. The premise that a nation's economic growth will be attained when free markets and individual liberty are superior forms the foundation of the free trade logic. In the age of economic globalization, we will see how products, industries, and services from one nation can freely and openly enter the borders of other nations. The technical and cultural barriers that each nation has put up to safeguard its own economy must therefore be suppressed and reduced to the lowest feasible level.

Keywords: Globalization, MSME, SME, protection, trade area

INTRODUCTION

Globalization will affect the economy in both positive and negative ways. Economic globalization will alter the patterns of behavior of economic actors in production processes, according to the internal impact. In addition to the growth of competitive national industries, this is demonstrated by the growing application of competitive factors of production, trade, and investment in salable sectors

1. Industries that couldn't follow this global logic dispersed as a result of this shift. There will also be structural adjustments to the government's economic policies. In order for the government to thrive in the global economy, it will shift its focus from the traditional economic sector to the modern sector. This trend has ramifications for adjustments to macro and microeconomic regulations. market rules
2. International trade and investment policies, the international monetary system, and other international economic relations are examples of external conditions that could undergo changes. The changes were later recognized as a global phenomenon rather than a national one.

Small and Medium Enterprises in Some Countries

India's small and medium-sized business sector is expanding quickly as well, particularly in the energy, automotive, textile, pharmaceutical, and information technology sectors. Small and medium businesses play a major role in promoting economic advancement. The country's manufacturing industry sector has been able to contribute 40% of its output value and 32% of its total export value through the small business sector. Small and medium-sized businesses are expanding quickly in India. Information technology, automobiles, textiles, and the energy and pharmaceutical sectors are their primary industries. Furthermore, they turn into a market for Indian goods. Famous international retail brands like Carrefour, Decathlon, Gap, HandM, JC Penny, Levi Strauss, Mark & Spencer, Metro Group, Niké, Reebok, Tesco, Tommy Hilfiger, and Walmart are now the biggest contributors to India's foreign exchange from the clothing and apparel industry [6]. India is now the largest textile producer in the world, backed by fiercely competitive textile companies, following the removal of quotas. India's information technology sector is expanding quickly in addition to the textile sector. Indian major cities have been developing into thriving hubs for the growth of the information technology sector since the 1990s. Two Indian states—Andhra Pradesh and Bangalore—are developing more quickly than the rest in terms of this.

Trade Liberalization Policies

In particular, China and Vietnam overtook Indonesia in the top 30 non-oil and gas export commodities, such as textiles, furniture, clothing, and shoes, between 1997 and 2002. When Chinese-made textiles and textile products (TPT) invade the market, local textiles lose market share. Consequently, the local industry started to fail. Since there are no production costs, a number of industries have halted production. Numerous rural industries that use bamboo and soil as raw materials to make household appliances have also gone out of business because they are unable to compete with the goods produced by the contemporary plastics industry [11]. Diversifying and enhancing the quality of their products has allowed some to thrive, as demonstrated in Kasongan, Bantul, and Yogyakarta. Although they can live, they are typically in extremely bad shape. 1650 businesses went bankrupt as a result of competition from Chinese goods between 2006 and 2008, according to data from the Institute for Global Justice (IGJ). It follows that at least 140,584 workers are out of a job as a result of the industry's collapse. Therefore, it is unfair for one part of the economy to support SMEs while the other part of the economy is open to competition from foreign economic actors (which his country supported with various economic incentives). Globalization would cause rising inequality, asset price volatility, unemployment, and inflation in a weak nation if it were not handled with extreme caution.

Implementation of ACFTA

The government's further liberalization of trade through trade agreements, such as the implementation of the ASEAN-China Free Trade Area (ACFTA) policy in 2010 and the ASEAN Community in 2015, has raised concerns that the negative effects of globalization will also worsen in Indonesia. It is hoped that the ACFTA will improve collaboration and open up trade in goods and services by lowering or even doing away with import taxes and tariffs. However, the implementation of the ACFTA has sparked worries about the demise of Indonesia's MSMEs (Micro, Small, and Medium Enterprises) sector because it is unable to compete with ASEAN products, particularly those from China, due to a lack of socialization to MSME players and premature ACFTA preparations. As a result of the increased motivation of business actors to compete and the abundance of products available to consumers, the presence of ASEAN and Chinese products will in fact increase competition. However, MSME players in Indonesia should be concerned about the current situation. Confusion among domestic business actors will result from competition from more varied and more affordable Chinese products. With this condition, it can be determined that the nation that can produce goods most efficiently will survive if the free trade tap is opened, allowing the goods to be produced at a lower cost and of equal or higher quality. produce goods, but only as sales of goods produced by China and other importing countries.

This concern seems to be approaching reality. Since this agreement began to be implemented on January 1, 2010, the ACFTA agreement has had more negative effects on Indonesian Micro, Small and Medium Enterprises (MSMEs) actors. In October 2011, Indonesia actually experienced a trade surplus with China. The value of Indonesia's exports to China was US $ 2.24 billion, while the import value from China was US $ 2.2 billion. However, in general, based on BPS, Indonesia-China trade balance from January - October 2011 had a deficit of US $ 3.57 billion. Combined data from the Indonesian Food and Beverage Association (GAPMMI) showed an increase in imports of food and beverage Indonesia from Malaysia during the months of January to October 2011. If imports from Malaysia from January - April 2011 was only about US $ 12.5, October numbers are rose to US $ 48.4. In real terms, the implementation of the ACFTA also tends not to benefit Indonesia. In the last two years, Indonesia's domestic market has been flooded with products from China and ASEAN countries. Textile, garment, footwear, food and beverage products from China have threatened the existence of local products. Likewise in the SME sector of agriculture, fruits local sold traditional traders slowly began displaced by the fruits that come from China and Thailand. The deindustrialization process has also occurred in several sectors of Indonesian MSMEs [15]. For example, based on records from the Indonesian Employers' Association, as a result of ACFTA, the amount of production in the footwear industry has fallen to 20% and around 300,000 workers have to be laid off. Last year it was also reported that many craftsmen in Sidoarjo, East Java had gone out of business because of the invasion of shoes from China. In West Java, according to APINDO West Java's records, around 20% of companies in West Java went out of business due to ACFTA. entrepreneurs in the children's toy industry also experienced shocks due to the flood of children's toy products from China made of plastic raw materials and more attractive designs.

This real fact shows that the implementation of ACFTA tends to be detrimental to Indonesian MSME actors. Various strategies in dealing with ACFTA have been implemented by the government, such as improving human resource management, easy access to capital and marketing, improving product quality and standardization, and so on. However, it seems that there is no unified design in the face of ACFTA. Capital schemes are not prioritized to deal with sectors negatively impacted by ACFTA. The integration of the capital scheme between the government, corporate CSR programs, and various social / religious organizations has not been seen as successful. UMKM development programs made by the government are not well socialized so that many UMKM actors are unable to access policy facilitation carried out by the government.

The Absence of Protection

The Indonesian case demonstrates that the lack of state protection for domestic goods affects their ability to compete with foreign goods. Many MSME sectors eventually saw a decline in market share as a result of the shift from protection to rapid liberalization, as their products could not compete with imported goods that were comparatively cheaper and of higher quality. Small businesses have long struggled to compete due to a number of issues, including a lack of funding, technology, and expertise, as well as policies that do not encourage them to grow. The government's shift in policy, which makes reference to the free market, has made matters worse. Small industry development was still dominated by patron-client policies, such as partnerships and the "foster-foster" pattern, during the New Order era. In the model patron, a person of higher economic status (the patron) uses the resources and influence of those of lower social standing (the client) to provide some form of protection to the client. The client returns the favor by offering patrons general support and assistance, including personal services. Even with its flaws, the government's patron-client models eventually result in "government and protection policy".

An unfavorable business environment, rising costs, and increasingly competitive market conditions are issues that significantly impair exporters' and trading houses' comfort levels when conducting business. Because it was challenging to compete with goods from nations with lower production costs, the competitiveness of Bali exporters' and trading houses' products—which actually came from small and medium-sized businesses—decreased significantly. Due to the growing number of fees and permits, Bali, one of the mainstays of SME exports (including goods from other regions), is experiencing a worsening business climate. As a result, the trading house, which has evolved into a conduit for exports to international markets for small and medium-sized businesses, is having a harder time staying in business.

CONCLUSION

Individual nations with a strong focus on international trade appear to have been successful in leveraging change. A nation's ability to stay competitive in the global economy will have a significant impact on its ability to stay ahead of the competition. The policies need to be implemented at the same time. Even though internal issues can be resolved, small businesses and cooperatives will still struggle to grow if the external environment is not yet supportive. Furthermore, in the face of a strategic environment where competition is becoming more fierce. For small business owners and cooperatives to have the same business opportunities as other economic actors, a favorable environment must be created. It will be challenging for us to achieve the goals of national development backed by a robust national economy if the conditions for the growth of these small business owners have not been favorable. Therefore, the government's efforts to support the growth of small and medium-sized businesses will determine the prospects for these businesses in the free trade era. The work that must be done is to create an environment that is favorable to small and medium-sized businesses, which includes removing various regulations that impede their operations.

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