EMPOWERING LOCAL PRODUCT THROUGH CULTURAL GLOBALIZATION

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Abstract: The rapid expansion of western products through cultural globalization entering Indonesia cannot be denied, this has both positive and negative sides. This paper analyzes the positive side of cultural globalization through cultural homogenization. By utilizing the homogeneity pattern of western products, Indonesian local products, especially from SMEs, has the opportunity to expand. This in turn has a positive impact on the development of Indonesia's economy so that it moves out of poverty to a middle or semi-pheri position, based on Wallarstein's World Economy theory.

Keywords: cultural globalization, cultural homogenization, semi pheri-pheri, Small Medium and Micro Entrepreneurship (SME)

INTRODUCTION

This is an analysis of what is currently happening in Indonesia, especially in major cities where cultural globalization occurred as a part of a lifestyle. Through cultural globalization the local products could be developed, using the same pattern that was coming from the western or other big countries as a result from pop culture. This research is based on the phenomenon, where the youngest generation in those cities that have developed a preference for branded goods from overseas. There is nothing wrong with those habits because personally, it is about individual personal taste. Yet, we can dig something deeper from those lifestyle and personal taste, and it is correlated to the Nation Growth.

In this unpredictable economic situation because of the COVID-19 pandemic, Small, Micro, and Medium Enterprises (SME) are the most affected due to social mobility limitation to prevent the spreading of the virus. MSME is one of the vital sectors that absorbs 90% workforce in Indonesia and contributed almost 60% to the Indonesia Gross Domestic Product (GDP) (I-news, 2020).

It is estimated that there are 60 million MSME in Indonesia in 2019, 60% of them or around 40 million are MSME in culinary or food and beverage (Medcom, 2019). According to MSME Association, two sectors was projected to be able to survive in this challenging situation, culinary and fashion. These two sectors are more resilient and reliable because they use local, sourced raw material. Hence the use of these local raw materials is helping keep their cost of business down (Kompas, 2020).

Lifestyle nowadays cannot be parted from social media. Lifestyle trend is always in coherence with the fast flow of information from social media. There are so many public
figures that were born from many kinds of sophisticated social media; they were called influencers or key opinion leader (KOL) that shared their content on YouTube, Instagram, and other platforms such as TikTok. Those public figures play an important role as an icon or example or even trendsetter in socializing lifestyle nowadays. They are becoming a role model in lifestyle industries, and they are paid for what they wear, eat, and consume in their life pictured in social media. And realizing it or not, the society who idolized those figures are affected with the lifestyle and the trend created by the big company who set the style in the big frame. Or we can say, the big corporations. Hence, the corporations or conglomerates are the people behind this massive pop culture lifestyle industries, who take the benefit from this situation. The pop culture lifestyle could be anything around us today, from the clothing line, bags, shoes, fast food, music, technology, to fancy food, etc. From the cheapest product that affordable for all like H&M to high-end product like a Hermes bag, that has a price equal to a decent house in Jakarta!

Aside from prestige, the previous generations bought foreign-made products because of the quality, as not all local made products quality are the same as the foreign-made. For example, the shoes and bags from Italy are famous in Indonesia because of their excellent quality. Back then, the number of stores from these brands are not as many as today. Nowadays, there are many foreign brands has a significant influence on the Indonesian people, such as Kate Spade, Coach, Zara, Gucci, Dior, Starbucks, Burger King, H&M, and many more. The rise of personal shoppers from overseas that evade the taxes and smuggled goods also contributed to this increase. Fueled by the urge of having the same goods as the influencers and having a better prestige.

The current generation is different, especially the middle class that has the aspiration to have a decent look without a look at the quality of the products. The corporations quickly reacted to this phenomenon and flooded the market with second-line products that have cheaper prices but with looks that are similar to the top brands. These group of people doesn’t care whatever their branded bag is the same quality as the one produced in Cibaduyut, West Java, as long as it has a foreign brand and purchased in a boutique. Another example of clothes with the same quality as the one sold at the Cipulir Market, but it has a more trendy look such as ones that are sold at H&M. This phenomenon happened because of the preference to western brands; everything that comes from the western world through the help of social media is preferred.

In the study of globalization, this phenomenon is under the concept of cultural homogenization. This concept saw that pop culture has assimilated and spread all over the world. In one side it increased demand for foreign products, but on the other side, it also created an opportunity for Indonesian creative economy. A part of the Indonesian people has been quick in adopting this cultural homogenization. Aside from the high consumption of these foreign goods, the Indonesian people are also starting to develop a similar product that is locally made. For instance, clothes inspired by design from the west or a local coffee shop that is influenced by those from overseas. Unfortunately, the number of these ventures are still small and has a high risk of cannot sustaining their business.
It’s easy to blame the government for creating this phenomenon, as it’s an excess of opening the market for foreign brands. Despite that fact, it’s not 100% correct to blame the government as these foreign brands have some positive impacts on the economy, especially for absorbing workers and generating tax income. Nevertheless, how we can build the Indonesian economy amid foreign goods homogenization?

To analyze this phenomenon, there are two theories that can be applied:

The Structuralist Approach – World Economy Theory coined by Imanuel Wallarstein.

World-economies then are divided into core-states and peripheral areas. There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc. Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted as a result of the changing geopolitics of an expanding world-economy. The semi-periphery, however, is not an artifice of statistical cutting points, nor is it a residual category. The semi-periphery is a necessary structural element in a world-economy. These areas play a role parallel to that played, mutatis mutandis, by middle trading groups in an empire. They are collection points of vital skills that are often poetically unpopular. These middle areas (like middle groups in an empire) partially deflect the political pressures which groups primarily located in peripheral areas might otherwise direct against core-states and the groups which operate within and through their state machineries. On the other hand, the interests primarily located in the semi-periphery are located outside the political arena of the core-states, and find it difficult to pursue the ends in political coalitions that might be open to them were they in the same political arena (republika, 2019).

The next theory that can be used is the Homogenization in Cultural Globalization.

The homogenization perspective seems to positively answer these questions as the increased interconnection between countries and cultures contributes to forming a more homogenous world adopting the Western Euro-American model of social organization and lifestyle. In the homogenization view, barriers that prevent flows that would contribute to making cultures look alike are weak and global flows are strong. In its extreme form, homogenization, which is also known as convergence, advances the possibility that local cultures can be shaped by other more powerful cultures or even a global culture (Wallerstein, 2011).

RESULT AND DISCUSSION
Currently, it’s easy to find foreign brands in major cities in Indonesia. Moreover, the interest in these foreign goods is gradually increasing. The spread of these products fuels this through social media. Various foreign brands can cater to various segment of the society, from trendy but affordable to the ultra-luxury segment. The existence of these brands has spread and has many stores across the country. From fashion to food & beverages, these foreign goods has decimated the local brands. Many local brands become uncompetitive. Even though in term of pricing, local brands can be relatively more affordable and features a look that is similar to the foreign goods used by the influencers. As an example, local department store Ramayana has been struggling to survive during the rise of speciality stores such as H&M, Zara, Pull & Bear and many
more. Even if there is a local brand that made it to the mall, the stores usually are located on non-prime areas such as a higher level floor. In contrast, the foreign brands frequently occupy the lower floor that has greater prestige. These local brands that are a part of the Indonesian creative economy contributed Rp 852 trillion to the Indonesian GDP in 2015, with the fashion and culinary sub-sector being the two most significant contributor. Each contributed 41.69% and 18.15% to the GDP from the creative economy.

If these sectors in the creative industry can be further developed, then there is a more significant potential for the Indonesian economy in the future. Another significant advantage is that the creative economy is relatively more resilient during a crisis, which is critical for the time being.

Current challenges
The existence of foreign goods is not to be avoided or reduced; it's the matter of how their existence can spark growth and develop the creative industry. To a point where the Indonesian people become not only a consumer but also become an entrepreneur that contributed to the economy and creating jobs. The local players must be swift to adapt to the current trends according to the homogenization. Especially in the food & beverages sector where the creative industry has a competitive advantage, as the local players knew the local taste and palate better than the foreign brands. Hence there is significant potential in this sector. The local players also can adapt to a more contemporary concept such as referencing to the concepts from cafes overseas.

The government also must be more proactive in supporting the MSME and the local products. Currently, the government has several programs to support the MSMEs, one of it is the Kredit Usaha Rakyat (KUR) that has a lower interest rate of 7% and Rp 127.3 trillion has of these loans were disbursed last year. Unfortunately, this program cannot reach all the MSMEs, from 2015 to 2019, KUR only has been disbursed to 18.3 businesses or 12 million if according to the individual identification with a total amount reaching Rp 460.62 trillion.

The Cultural Globalization explains that “The homogenization perspective seems to positively answer these questions as the increased interconnection between countries and cultures contributes to forming a more homogenous world adopting the Western Euro-American model of social organization and lifestyle. In the homogenization view, barriers that prevent flows that would contribute to making cultures look alike are weak and global flows are strong. In its extreme form, homogenization, which is also known as convergence, advances the possibility that local cultures can be shaped by other more powerful cultures or even a global culture”. Based on this concept, we can see that homogenization has happened in Indonesia in term of the spread of foreign goods. A market of Western Euro-American model of social organization and lifestyle has been created. As an example, the high interest for fashion trends from ZARA or H&M that successfully regarded as a Western Euro-American fashion style. Another example is Starbucks, the American based coffee shops that have spread in almost every major city in Indonesia.

In that regard, if we put a more in-depth look, it's not only the high consumption of foreign brands but also the rise of the creativity of the people. For instance, currently,
many local coffee shops become a rival for Starbucks, such as Kopi Kenangan and other several shops. Creating a highly diversified option for the current generation everyday lifestyle. The creative industry community can see an opportunity from this cultural homogenization, by means of adapting the local taste with Western Euro-American packaging.

Wallerstain stated that World-economies then are divided into core-states and peripheral areas. There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc. Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world-economy. The semi-periphery, however, is not an artifice of statistical cutting points, nor is it a residual category. The semi-periphery is a necessary structural element in a world-economy. These areas play a role parallel to that played, mutatis mutandis, by middle trading groups in an empire. They are collection points of vital skills that are often poetically unpopular. These middle areas (like middle groups in an empire) partially deflect the political pressures which groups primarily located in peripheral areas might otherwise direct against core-states and the groups which operate within and through their state machineries. On the other hand, the interests primarily located in the semi-periphery are located.

Wallerstain emphasized the role of semi-periphery in the world economy; in this case, the ability of the creative economy is making a country to the semi-periphery position. The country where the foreign brands come from become the core country, while Indonesia, in this case, becomes the periphery country. If later on, the creative economy can be adequately developed, then it hopefully the local goods can beat all the foreign goods. This phenomenon has happened to countries with a semi-periphery position such as South Korea, India, Brazil, and others (Robinson, 2011).

**Stimulating creative economy growth through local product development**

Of course, to reach this semi-periphery status is not an easy task, as to compete with foreign brands, there is a need for a sound market strategy. For instance, increasing the product or service to be equal to the foreign ones is needed, so that the community will see the value of the local products. Aside from that a smart market strategy, such as executed by Ramayana that recently introduced the #kerenhaksegalabangsa hashtag to promote locally made products.

All those strategies will also need an appetite to consume local goods. There should be a massive movement spread on the communities to prefer local goods because of various cause. For example, for coffee, many local coffee shops have good quality and rivals the likes of Starbucks.

The same can be applied to clothes, for instance, aside from shopping in Zara, people can also shop in stores in Tanah Abang. This doesn’t mean we developed resistance to foreign goods; people need to develop a new mindset in purchasing goods. As a potential market for foreign goods, the Indonesian people have the power to develop the creative economy sector through growing and developing local goods.
An adequately managed local goods will increase the nation's welfare, as with the healthy domestic consumption will create a natural barrier from overseas negative influence. The optimism for the local industry must be in line with the efforts to significantly increasing the consumption of local goods.

**Opportunities for SMEs in the Middle of a Pandemic**

Amid a sluggish economy due to the pandemic, SMEs still have excellent prospects. With the condition that the UKM has online sales coverage or exposure (online). Many people's needs have increased because of this pandemic (Umar & Indrayani, 2020). Sales of SMEs with these online characteristics increased after the PSBB and WFH policies were implemented during the corona pandemic; this is because many people end up shopping online (detik, 2020).

Both those classified as basic needs such as groceries or having some urgency, to as simple as killing their spare time during activities from home (Work and School from home). For example, one that is categorized as urgent is masks. Previously, masks had experienced a fantastic price hike, making it difficult for the public to buy. But with a creative idea, cloth masks have an excellent function in preventing the spread of the virus. This has resulted in the development of many cottage industries that sell cloth masks as needed. The cloth masks produced by these UKM can even be marketed abroad. One example is the UKM in Probolinggo which markets batik masks abroad, so as not to discourage creations, a batik gallery in Probolinggo makes beautiful batik masks using the finger swab batik technique. This batik mask has finally become a fashion trend in itself. The batik masks that are comfortable to wear and do not interfere with the respiratory system are sold for IDR 50,000 / piece (detik, 2020). When they are sold online, many people are interested in their batik masks, even abroad. Little by little, his batik business began to get grow again during the Corona pandemic (detik, 2020).

Aside from masks, other business masks that developed during this pandemic, delivery services, because people prefer to stay indoors. So that delivery services have increased significantly during this pandemic, this is reflected in the promising commercial vehicle market due to positive growth in several business sectors during the pandemic. For example, the logistics and courier sectors. This increase occurred because some industries grew during the pandemic, such as logistics and couriers. However, they need vehicles that are efficient in operational costs, namely fuel consumption, service services, and spare parts (Kompas, 2020).

Businesses do not just stop at offline sales, but instead, grow up online. Many purchases and demand for goods are made online. This shift in trend has made logistics companies in Indonesia record an increase in sales, profits, so they set a relatively large sales target (kompas, 2020).

Likewise, now we can easily find culinary businesses on social media or other online platforms. Not to mention the efforts related to hobbies during activities from home, such as the current trend of ornamental plants or hydroponic plants, one of the causes of the increase in ornamental plants' sales, more because people have been staying at home too long. Because people started to limit themselves outside the house, they finally wanted to raise plants to spend time productively (Republika, 2020).
These things show that during this pandemic, there are still opportunities for SMEs. With creativity and the chance to think "out of the box" to meet needs that previously did not exist, such as the mask earlier or the acrylic glass screen and even a face shield. Besides, of course, shopping for food and hobbies.

**Saving the Economy from the threat of Recession**

In addition to inducing a health crisis, the COVID-19 pandemic also resulted in an economic crisis as business activities were disrupted due to limited individual mobility, generally due to PSBB. The government finally announced that Indonesia’s economic growth in the second quarter of this year contracted by minus 5.32% compared to the previous year (BPS, 2020). If, in the third quarter, or in September, the economic growth continues to contract, then officially Indonesia is mired in recession. This is because a recession occurs when a country records contraction in economic growth for two consecutive quarters.

Many countries have already fallen into recession, even developed countries. Some examples are Singapore, South Korea, and also the United States. Although Indonesia’s GDP is supported by domestic consumption, a recession in foreign countries, especially major trading partners, can also affect the Indonesian economy. This can occur due to reduced investment or Foreign Direct Investment (FDI) and export demand, weakening foreign countries can also make foreign investors withdraw their funds from the Indonesian capital market.

For example, the United States, this superpower country, is the second-largest export contributor to Indonesia. In June 2020, the US contributed US$ 1.37 billion to non-oil exports, behind China, which was the most significant contributor with US$ 2.43 billion. Although it still sounds quite significant in nominal terms, Indonesia’s exports from January to June 2020 contracted by 3.63% for non-oil and gas products compared to the same period the previous year (BPS, 2020). Countries like the US absorb many Indonesian manufactured products, such as the textile industry, which the US solely consumed 35.92% of the industry experts (medcom, 2020). Weak export demand can interfere with the company’s operations and profitability, leading to the reduction or layoff of employees. This can lead to or increase the poverty rate and, of course, unemployment in Indonesia.

Can Wallarstein’s approach to semipheri-pheri save Indonesia from the imminent threat of a recession? Suppose we examine from Wallarstein’s theory, which emphasizes the role of the community (Collins, 1980). Sure it is possible, but how? Because economic cogs are in society. If the people’s purchasing power is low and decreasing, then a recession is sure to happen. However, if you can maintain people’s purchasing power for SME products, this can still save Indonesia from an economic downturn. The next question is how to keep these people’s purchasing power? To answer this question, we can take a brief look at the country of South Korea as a country that has succeeded in progressing with an independent society.

Along with other countries such as Singapore and Taiwan, South Korea has experienced rapid economic growth. There are several similarities between the three countries: they both have the status of semi-pheri pheri states (Dent & Randerson, 1996; Randerson &
Dent, 1996). Over the last 60 years, South Korea has grown from a country that relies on the agricultural sector to finally becoming the 12th largest country by GDP. Even the Organization for Economic Cooperation and Development (OECD) this year estimates South Korea will become the 9th largest country in the world by GDP, even amid a pandemic (Barbier, 2020).

**CONCLUSION**

Many studies have found that the key to South Korea’s success is due to successful structural transformation to overhaul its government policies to be more open to foreign countries or markets (Louis Fed, 2020). Policy reforms in South Korea have produced a conducive business climate, and many policies have provided incentives to encourage investment to innovate. Both of these conditions grew the domestic economy and also succeeded in attracting investment from abroad. According to the World Bank, South Korea was the 4th best country in terms of ease of doing business or business in 2018 (Doing, 2019). Also, South Korea pays extra attention to technology development and innovation to stimulate economic growth. Innovation and technology are two crucial factors that have made exports from South Korea so competitive and driven its economic growth in recent decades. In 2018, South Korea spent 4.5% of its GDP or the equivalent of US $ 69.73 billion on research & development; this is the ratio of expenditure on research & development to the world’s largest GDP (stoffice, 2020).

No wonder South Korean companies, such as Samsung, LG, and Hyundai, has become world giants. Samsung, which is mostly engaged in the technology sector, is the 15th largest company globally based on the rankings of Fortune 500, a list of the 500 largest companies in the world based on the size of company revenues (Fortune, 2017). Last year, Samsung Electronics managed to book company revenues of US$ 206 billion (statisca, 2019).

South Korea's domestic economy is also moving fast, as indicated by household consumption, contributing 48.58% of GDP last year. This characteristic is similar to that of Indonesia, whose domestic consumption accounts for nearly 60% of GDP (BPS, 2020), What may be distinguishing is the lack of government encouragement for technological development and innovation as has been done by South Korea in recent decades. According to the World Bank’s latest data, Indonesia only had a research & development ratio to GDP of 0.23% in 2018. This figure is even lower than Iran, which has a ratio of 0.83% and even Ethiopia, which has a ratio of 0.27% (BPS, 2020).

Indonesia’s ratio is like heaven and earth compared to South Korea, but this is one of the positive things. This means that Indonesia still has enormous potential if the direction of government policy and execution can improve. The World Bank has predicted that if Indonesia will become the 5th largest economy globally by 2024 (Katadata, 2020), this is tremendous potential. Indonesia’s population is estimated at 267 million people in the last year; this is a substantial domestic market (Katadata, 2019). This makes Indonesia the fourth largest country by population, after China, India, and the United States (worldmeter, 2020). Local players, especially SMEs, can take advantage of this enormous market, not to mention that Indonesia's exports can still be intensified, especially to potential trading partners.
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