

**FACING ECONOMIC GLOBALIZATION: PANCASILA AND THE 1945 CONSTITUTION AS THE FOUNDATION OF INDONESIA'S ATTITUDE**

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**ABSTRACT**

*This research aims to address economic globalization based on Pancasila. This type of research is juridical research, drawn from a literature review. The results of this study conclude that Indonesia's most appropriate stance in facing economic globalization is to adhere firmly to the Pancasila ideology and the 1945 Constitution (especially the original text and the spirit of the economic articles therein) as the main guideline in all fields. Economic globalization is like a strong current that brings both opportunities and threats; to filter this current, Pancasila must be used as a filter and foundation in the formulation of every policy. Actively fighting for a just global economic order. A national stance does not mean isolation; Indonesia must instead participate in international forums to encourage reform of more balanced global rules. Thus, the ideals of Indonesian independence to contribute to creating world peace and social justice (the Preamble to the 1945 Constitution) can be realized. This stance is evident, for example, in Indonesia's support for WTO reform to take into account the interests of developing countries, and the G20 initiative for a fair global digital tax. Indonesia can be the moral voice of Pancasila in the midst of the global economic arena.*

*Keywords : Economic Globalization, Pancasila, the 1945 Constitution*

## INTRODUCTION

The term "new colonialism" is frequently used to describe economic globalization in the context of developing nations, such as Indonesia. Indonesia has begun to experience a period of global economic integration, which is frequently marked by competing interests, following centuries of colonial exploitation. Indonesia and other countries who are still in the process of developing have had their riches drained off by nations in the northern part of the world for millennia, according to a statement made by writer Pramoedya Ananta Toer. This has allowed the West to grow and maintain control of global finance. At this point in time, Indonesia is being "dictated" by global powers through institutions such as the International Monetary Fund (IMF) and the World Bank (Jebadu in Toussaint and Millet, 2019: vi-vii). This has resulted in "a very wealthy country being transformed into a beggarly nation, due to the lack of character among its elite." (Pilger, 2001; Berenschot & Bedneer, 2011) In the context of the current wave of economic globalization, this statement highlights the irony that Indonesia, a nation that is rich in natural resources (gold, copper, oil, mountains, timber, and a trained workforce), continues to suffer with poverty and inequality.

The historical record shows that, following the collapse of the Old Order, multinational capital rapidly attempted to strengthen its influence in Indonesia. The "takeover" of the Indonesian economy by corporations from other countries was the subject of an agenda that was drafted during the Geneva Conference, which was held in Switzerland in November of 1967. The conference lasted three days and was sponsored by the Time Life Corporation. The summit was attended not only by the heads of multinational corporations, who were led by David Rockefeller (Chase Manhattan), but also by well-known people from Indonesia. These included Adam Malik, Sri Sultan Hamengkubuwono IX, and Soemitro Djojohadikusumo. There were representatives there from Western companies that are involved in the oil, banking, automotive, mining, and manufacturing sectors, such as Freeport, Goodyear, Siemens, Nippon Electric, Alcoa, General Motors, British Leyland, BAT, American Express, Lehman Brothers, and many more. The international delegates who were present at the conference separated the conversation into five different sectors (mines, services, industry, banking and finance). Every group then established the terms of the investments that they were interested in making in Indonesia. The heads of global corporations went around the table, proclaiming, "This is what we want," and, in essence, they designed the infrastructure for legal and regulatory compliance in such a way that it would be easier for foreign capital to enter the country.

The professor Jeffrey A. Winters of Northwestern University, who is considered to be an expert witness, was even taken by surprise because he had never encountered a situation in which global capitalists had met with officials of a sovereign nation and directly dictated the terms of investment for their own personal gain (Winters, 2012). Foreigners eagerly celebrated the outcome of the conference as the beginning of the "Great Tribute from Asia," comparing Indonesia to a new field for international capital that would yield profits. In fact, the New Order dictatorship quickly followed this up by passing Law No. 1 of 1967, which was related to international investment (PMA Law). This law welcomed international businesses with open arms, allowing them to take advantage of Indonesia's natural resources while also providing them with the added incentive of tax reductions that might last for up to five years. Consequently, significant contracts were made.

Freeport was awarded a concession in Papua for mining copper and gold in 1967, which was followed by the granting of concessions for nickel to a European consortium, bauxite to Alcoa, and tropical forests in Kalimantan and Sumatra to foreign corporations, among others. It was anticipated that the arrival of foreign capital would result in wealth for the common people, due to the "trickle-down effect" and the appearance of development; however, in reality, the common people were taken advantage of, and structural poverty remained.

The tale that is presented above serves as an example of how economic globalization can pose a danger to the economic sovereignty of a nation if it is confronted without a clear intellectual framework and plan in place. Globalization is, in its most basic sense, a procedure that involves the merging of socioeconomic, political, and cultural systems from around the world into a unified system. This integration does provide opportunities, such as access to a wider market, flows of investment, and transfer of technology, but it also presents a significant challenge: who truly benefits the most from globalization? During the New Order and post-Reformasi eras, globalization has been a major force behind a number of economic liberalizations in Indonesia.

These include the opening of important sectors to foreign capital, regulatory reforms that are intended to be "market-friendly," and revisions to international trade and investment regimes. On the other hand, commentators have pointed out that the pattern of modern globalization frequently

reinforces colonial structures: Indonesia continues to be the primary exporter of raw resources, importer of finished goods, and location for international investment, which benefits foreign investors. The economic conditions that have persisted to this day are still reflective of the three legacies of the colonial economy, according to economist Revisond Baswir, who went so far as to refer to globalization as "a continuation of colonization." These three legacies are as follows: First, Indonesia as a producer of raw materials, second, a market for foreign industrial goods, and third, a rent-seeking place for surplus capital from developed countries.

The problem that has been presented brings up a strategic question: What is Indonesia's position in regard to dealing with the flow of economic globalization in all industries, with a particular emphasis on the realms of law and economic development? The answer to this question will be provided in this paper. To be more specific, this article makes the case that Indonesia should emphasize the Pancasila philosophy and the 1945 Constitution as the major framework in reacting to economic globalization. In practice, this is going back to the fundamental concepts that were outlined in the 1945 Constitution, which is the original language. This is especially true for Article 33 and the spirit of a people's economy. In addition, it entails creating a sense of economic nationalism in both the elite and society as a whole. Rather of forsaking Indonesia's national interests in order to achieve a "free market," the country should use Pancasila values to filter foreign influences. In accordance with the constitution, which requires that policies be aimed at improving the welfare of the population, this position includes the following: making people's welfare the goal of policy, building economic self-reliance, encouraging a love of items made in one's own country, and preserving the principle of nationalism in all international economic accords or laws.

The background of the issue is described in this introduction chapter, which also includes the research topics that will be addressed. Following that, a description of the approach that was used is provided. The section of the study that is dedicated to the outcomes of the research will include a presentation of findings pertaining to the influence that globalization has had on Indonesian law and economics, in addition to an overview of the conceptual and normative initiatives that have been developed. The discussion portion will examine the position that Indonesia ought to embrace, which is to say that the country must return to Pancasila and the 1945 Constitution as a means of filtering globalization in the legal and economic spheres. In conclusion, a summary of the answers to the research questions is offered.

## **RESEARCH METHODS**

In addition to a legislative and conceptual approach, this research uses a juridical-normative method with a literature review methodology. This implies that the research is carried out through the investigation of a variety of secondary data resources, which include legislation and regulations, legal documents, books, and national and international journal articles that are pertinent to the subjects of economic globalization, economic development law, and the Pancasila philosophy.

In particular, this study investigates how Indonesia's constitutional framework, with a special emphasis on the 1945 Constitution and the economic rules that are associated with it, deals with globalization. In addition, it explores certain academic topics that are connected to political economic law and the Pancasila economic system. The legislative approach is carried out through the analysis of primary legal sources, which include the provisions of the 1945 Constitution (including Article 33) and a number of pieces of legislation in the economic sector (for example, the Foreign Investment Law, the Trade Law, and other rules that have been influenced by globalization). The conceptual approach is utilized to acquire a better understanding of the definition and dimensions of economic globalization, the principles of the Pancasila ideology, economic nationalism, and the idea of the function of law in economic development.

The documentary analysis of key literature, which included publications from research institutions as well as national journals and foreign journals (which were accessible through HeinOnline, Wiley, and other sources), constituted the data-gathering approach that was employed. Following this, researchers subjected the gathered information to qualitative and descriptive analysis. Arguments concerning the best course of action for Indonesia to take in response to economic globalization were developed by researchers who analyzed expert opinions and legal sources. To ensure the data was reliable and the analysis remained relevant, researchers used cross-checking between sources and emphasized recently published references, some as recent as 2024. It is anticipated that the research, which will be conducted using the methodology described above, will result in a comprehensive mapping of the impact of globalization on Indonesian economic law, as

well as a proposal for conceptual solutions that are based on Pancasila and the 1945 Constitution. Following that, the most important findings from the literature study will be presented in the results section, which will be followed by a more in-depth discussion of their implications.

## **RESULTS AND DISCUSSION**

### **The Impact of Economic Globalization on Indonesia: New Style Colonialism**

The analysis of literature verifies that Indonesia benefits from economic globalization in two different ways: although it provides prospects for progress, it also exacerbates the structural weaknesses that have been passed down from the colonial era. The perspective that the colonial patterns of the past are carried over into the present-day patterns of economic connections between nations is supported by a large number of research and reports. In 2010, Baswir published a paper in which he stated that there are "three colonial economic structures" that continue to haunt Indonesia in the years following its independence. These structures are as follows: (1) Indonesia is positioned as a producer of raw materials for developed countries, (2) Indonesia is positioned as a market for industrial goods from developed countries, and (3) Indonesia is positioned as a place for excess capital investment from developed countries. Because these findings are acknowledged as a reflection of present economic situations, it has led to globalization being referred to as a continuation of colonialism. This is supported by empirical data: at the present time, Indonesia's primary exports consist of basic commodities such as oil and gas, minerals, palm oil, rubber, and other similar materials. On the other hand, high-value-added manufactured goods are mostly imported. Foreign capital flows, which include both portfolio investment and Foreign Direct Investment (FDI), are responsible for controlling a significant portion of the assets in the financial sector. As an example, foreign investors controlled over fifty percent of the capitalization of the Indonesian stock market in the year 2020. Additionally, a number of strategic sectors, such as mining, telecommunications, and automotive, were controlled by multinational corporations.

The value chain is a clear indication of global inequalities: Indonesia is typically situated in the downstream sector, which has a low value-added, whilst the industrial centres located in rich countries reap the most benefits. Since the late 1960s, liberalization policies have been implemented in Indonesia, and these policies have resulted in the country's economy being dominated by foreign interests. The liberalization policies and the foreign domination of the Indonesian economy are therefore inextricably intertwined. According to historical studies (Rahmanto & Saraswati, 2016), Indonesia's legal policy on the global economy saw a significant transformation between the Sukarno and Suharto eras. When Sukarno was in power during the Old Order, the general attitude toward international law could be described as "hostile." The nationalization of firms owned by foreign entities and the rejection of the Bretton Woods institutions were both actions taken in an attempt to preserve independence. Attitudes changed to "friendly" during the New Order (Suharto), as Indonesia made its doors as open as possible to both foreign capital and foreign aid in order to encourage economic growth.

Consequently, the amount of foreign debt and foreign investment flows has increased dramatically since the late 1960s. On the other hand, the consequence of this is that patterns of development are extremely reliant on capital from other countries, and wealth is concentrated in the hands of a small number of people at the top of the social hierarchy. Globalization, which is characterized by the growth of free trade regimes and the economic interdependence of nations, put increasing pressure on Indonesia as it entered the Reformation age. This was also a time when the New Order government was collapsing, a situation that was brought about by the crisis of 1997–98. Indonesia has made the decision to become a part of the global economy through a variety of agreements.

This decision was made in response to the findings of Rahmanto and Saraswati's research, which said that "no country is free from international agreements" in this era (Rahmanto & Saraswati, 2016). The revision of national laws to be in accordance with global norms is a result of this integration. The ratification of the ASEAN Charter in 2008 and Indonesia's commitment to the ASEAN Economic Community (AEC) since 2015, which demands the liberalization of trade, investment, and the flow of skilled labour within the region, are two significant findings. For example, the ASEAN Economic Community (AEC) supports the creation of a single market in ASEAN, where capital, labour, services, and goods can move freely. In the case of Indonesia, this entails that a variety of regulations concerning investment and trade will need to be amended in order to make them

competitive and favourable to investment. The Foreign Investment Law of 1967 was replaced by Law No. 25 of 2007, which pertains to investment.

The latter law was created during the Reformation era. In addition to other provisions, this law ensures that investors, whether they are from domestic or international locales, are treated equally. It also makes it easier to obtain licensing, allows for the ability to transfer profits, and offers assurance that the government would not nationalize private property. This piece of legislation is in agreement with the recommendations that have been made by international organizations with the goal of improving the investment climate. In a similar vein, Indonesia signed up for a number of World Trade Organization (WTO) accords, including GATT, GATS, and TRIPs. This necessitated that the country make legal adjustments to tariffs, services, and intellectual property rights. Following the ratification of the World Trade Organization (WTO) agreement, the need to harmonize national laws was highlighted in a study conducted by Sulistyawan (2019). This need was particularly pressing in the areas of trade, investment, and human rights regulations. To put it another way, the pressure of globalization necessitates changes in the law in a variety of areas in order to adhere to "global standards."

Nevertheless, the results of the study also reveal that when global standards are legally modified, it is common for problems to arise and for people to object to the changes. On the one hand, Indonesia is bound by a number of bilateral and international agreements, which means that it is unable to exercise complete autonomy in the formulation of economic policy. For instance, Indonesia reached an agreement with the International Monetary Fund (IMF) in the aftermath of the 1998 crisis, and as part of that accord, the country privatized state-owned enterprises and deregulated its banking system in the early 2000s. The economic policy of Indonesia grew more receptive to globalization after the 1945 Constitution was amended between the years 1999 and 2002. The government started to acknowledge the ideas of economic liberalism and privatization in business management. For instance, the drinking water and telecommunications sectors, which were previously off-limits, were opened up to foreign private enterprises, state monopolies were scaled back, and restrictions on foreign ownership in the banking industry were eased.

On the other hand, if these modifications are allowed to go unchecked, they have the potential to destroy the identity of the Pancasila economic system. The research conducted by Pratama (2018) discovered that, despite the fact that the Fourth Amendment of 2002 added paragraphs (4) and (5) of Article 33 to the 1945 Constitution, which recognizes market mechanisms, this should not be understood as Indonesia abandoning the Pancasila economy. The fundamental concepts of an economy that is centred on the people and their families continue to be relevant because paragraphs (1) through (3) of Article 33 of the 1945 Constitution have not been altered in any way. As a matter of fact, the formal recognition of the reality of privatization and liberalization occurred as a result of the constitutional amendment. According to the fourth paragraph of the revised Article 33, the national economy is organized according to the principles of economic democracy, which are founded on the standards of collaboration, sustainability, environmental consciousness, independence, efficiency with fairness, and the preservation of a balance in national progress. The phrases "independence" and "efficiency with justice" are attempts to reconcile original principles, which include social fairness, with global needs, which include commercial efficiency (Pratiwi et.al., 2023). According to analysts, it appears that the motivation for incorporating paragraph (4) arose from the conviction that "the Pancasila economic system is too rigid for the global economy." The purpose of the amendment was to reduce governmental monopolies, open up individual ownership rights, and make Indonesia more hospitable to investors from other countries by allowing for greater flexibility. To put it another way, the Indonesian economy was made more compatible with the global economic system through a compromise that was made in the constitution.

Nevertheless, a survey of the literature demonstrates that the adverse implications of globalization are starting to become apparent. Disparities in socioeconomic status have widened as a result of market fundamentalism that is not subject to state supervision. The Gini ratio of Indonesia increased from 0.30 in the 1990s to greater than 0.40 in the mid-2010s after deregulation, according to information provided by Statistics Indonesia (BPS). However, the ratio has since decreased to approximately 0.38. Additionally, structural poverty is difficult to eliminate when economic policies are excessively favourable to free markets. According to a report by Rafly et.al, (2025), the affluent class has become wealthier while the lower-middle class has had difficulty prospering throughout the free market era. This imbalance presents a challenge to the fifth tenet of Pancasila, which is "social justice for all Indonesian people." In addition, globalization leads to the prevalence of cultural norms

and belief systems from other countries, which in turn diminish national identity. For example, individualism and cosmopolitanism are two lifestyles that are encouraged by globalization, yet they cause a reduction in national unity. The dominance of contemporary Western legal systems is also regarded as a significant threat. It is recognized that Western legal systems, which hold individual liberty in high regard, provide a great deal of opportunity for the advancement of technology and the economy; yet, in a number of circumstances, some legal systems have a tendency to promote market fundamentalism and extreme individualism.

There are concerns that the people-oriented legal system in Indonesia will be replaced by a legal system based on such liberal values if the use of these views as an unfiltered foundation continues. As a consequence, the principles of Pancasila, which include social justice and togetherness, may be pushed to the fringes, and gaps in socioeconomic circumstances may become more pronounced. This conclusion is consistent with fears that the unique characteristics of Pancasila-based national law may be eroded by global currents. When it comes to governing the economy, the "Pancasila legal identity" is challenged by globalization, which calls into question its fundamental existence, to put it simply.

The following are the most important conclusions that can be drawn from the conversation that was just held: There are two different ways that economic globalization affects Indonesia. On the one hand, Indonesia is urged to implement changes in the legal and economic spheres in order to satisfy the requirements of the global market. For instance, the country is encouraged to deregulate investment, harmonize trade regulations, and embrace international standards in the corporate sector.

The latter includes things like good governance and the protection of intellectual property. In order to take advantage of prospects for growth and investment, this stage is considered essential. On the other side, globalization carries the risk of losing economic sovereignty and eroding constitutional principles if changes are made without boundaries, as it is possible that these modifications will be conducted in a way that is not in the best interest of the country. Indonesia frequently finds itself in the position of a "price taker," meaning that it accepts global circumstances (such as those imposed by the International Monetary Fund and the World Trade Organization) instead of establishing its own course of action. Consequently, the advantages of globalization are not automatically experienced by ordinary people; on the contrary, it has the potential to exacerbate domestic inequality and foreign dominance. This is clearly demonstrated in the instance of the World Trade Organization (WTO) putting pressure on Indonesia's mineral downstreaming policy. In an effort to establish a domestic smelting sector, Indonesia prohibited the exportation of nickel ore; in response to this, the European Union launched a lawsuit with the WTO, and the WTO panel determined that Indonesia's prohibition was in violation of free trade regulations. Indonesia was pressured by the global system to repeal the downstreaming policy, which was done in order to benefit the European industry, even if it had a noble purpose, which was to increase national added value in accordance with Article 33 of the 1945 Constitution. The conflict between the norms of globalization and the interests of individual nations is demonstrated in this case.

In general, the literature notes that during the Reformation era, the Indonesian public began to recognize the need for a course correction. The public believed that uncontrolled globalization was actually worsening the "face of national life," with chaotic issues of corruption, inequality, weak legal systems, and post-crisis economic decline. There was a consensus that the nation must return to relying on Pancasila, the noble agreement of the nation's founders, to face global challenges. Rahmanto & Saraswati (2016) reported that the more pronounced the current of globalization, the stronger the public's call for Pancasila as a guideline. Systematic, massive, and structured efforts are needed to overcome the impacts of globalization by returning national life to the principles of Pancasila. This is what prompted a critical evaluation of post-New Order economic policies and revived the discourse of "Pancasila Economics." The Indonesian government also recognized this; for example, MPR Decree No. XVI/MPR/1998 concerning Economic Politics in the Framework of Economic Democracy was issued immediately after the Reformation, emphasizing the need to side with the people's economy in accordance with the mandate of Article 33 of the 1945 Constitution. This MPR Decree is still valid and serves as a guideline for national economic policy to avoid being swept away by the current of neoliberalism. In other words, there is a legal-political basis for "returning to the 1945 Constitution and Pancasila" in economic development.

### **Pancasila and the 1945 Constitution as Filters in Facing Globalization**

Additional findings in the literature emphasize the importance of Pancasila and the Constitution of 1945 as vital underpinnings that are required to act as filters against the influence of economic globalization. The values of Pancasila and the 1945 Constitution are still valid and binding in the global era, according to a number of legal studies. Therefore, any modifications to the legal system that are caused by globalization must be in reference to these essential values. "Pancasila is the only filter for the Indonesian state when it comes to facing the currents of economic globalization," Rahmanto & Saraswati (2016) firmly concluded. This indicates that Pancasila should be the foundation of every new policy or ratification of an international agreement in the economic sector. If any proposed global rules are in conflict with the nation's objectives, it is preferable to reject them than to make any compromises on constitutional principles. This statement is consistent with the perspective of Moh. Mahfud MD, who previously served as the Chief Justice of the Constitutional Court. He declared that Pancasila and the 1945 Constitution are the *grundnorm* (fundamental norms) in the hierarchy of the legal system of Indonesia and that they must take precedence over external influences. The national ideals of a country can never be attained by enacting legislation that goes against the philosophy of that nation.

The Constitution of 1945, and in especially Article 33 of that document, provides explicit instructions for how the national economy should be managed. "The economy is organized as a joint effort that is founded on the principle of family," as stated in Article 33, Paragraph (1); Paragraph (2) of the same article stresses that "the state has control over branches of production that are essential to the country and that have an impact on the livelihoods of a large number of people"; Paragraph (3) of the same article states that "the state controls the land and water, as well as the natural resources that are contained within them, and these are utilized in order to achieve the greatest possible prosperity for the people." The ideology of Pancasila, which is the foundation for economic democracy, is reflected in each of these three paragraphs of original content. In particular, these articles emphasize the importance of social justice in the economic system, the value of unity and cooperation between people, the importance of standing with the people, and the state's position as the protector of public livelihoods. Paragraph (4) of the fourth amendment to the 1945 Constitution, which was added to the document, includes components such as independence, environmental awareness, sustainability, efficiency, and the preservation of national balance in economic democracy. In addition, paragraph (5) of the amendment requires that future provisions be governed by law. On the one hand, these amendments are made to fit new dynamics, such as market efficiency and sustainability, but they do not alter the spirit of articles (1)-(3). Pratama (2018) made it a point to stress that the interpretation of Article 33 paragraph (4) needs to be done with care and consideration, taking into account paragraphs (1) through (3) as a description of Indonesia's economic identity. Rather than being a completely unregulated free market, the market mechanism that is suggested by paragraph (4) is more of a "limited open market economic system." When used in this context, the word "limited" refers to the fact that the market is nevertheless regulated in order to ensure that its objectives are in line with societal welfare, which is considered to be the ultimate goal. As a result, even the implementation of privatization or foreign investment must be carried out in accordance with the framework of achieving maximum public prosperity, rather than solely economic efficiency.

Furthermore, the significance of maintaining consistency in one's ideology during the process of developing economic legislation is highlighted by literature research. In his research, Ngadino (2014) says that the purpose of the law in the context of economic globalization should be to ensure that free trade practices are regulated and protected with the goal of promoting social welfare. This implies that regulations on trade and investment must be established in such a manner that market mechanisms do not have a detrimental impact on communities who are vulnerable. In a similar vein, Mustamin (2022) made the claim that emerging nations need a legal framework that provides assurances of stability, predictability, and justice in order to accomplish economic progress. These goals are in accordance with the aims of the Constitution of 1945. Sulistyawan (2019) stressed the importance of coordinating national law with the events that are taking place around the world, but he also warned against abandoning the legal nature of Pancasila. In the meantime, Thamrin et al. (2024) arrived to the conclusion that law is a critical factor in guaranteeing that businesses and investments operate with a high degree of confidence. This makes law a driving force in the economic development of a community and in the empowerment of its members. In other words, globalization has the potential to impede progress in development rather than encourage it if there is no robust and unique national legal system in place.

As of right now, the findings from a variety of sources concur that Pancasila and the 1945 Constitution should provide a framework for the reaction of Indonesia to the effects of globalization. The values of Pancasila, which include a belief in one all-powerful God, a humanity that is both kind and civilized, the unity of Indonesia, democracy guided by wisdom, and social justice for all Indonesians, serve as an ideological filter that protects against the flood of outside influences. To illustrate, the third and fifth principles serve to remind us that we should not allow the forces of cosmopolitanism and global capitalism to cause us to forgo social justice and national unity. The second and fifth principles require that any exploitation of employees or any inequalities that are brought about by multinational firms be resolved in accordance with the law. As stated in Articles 4 and 77 of the Manpower Law, every employee is entitled to a decent standard of living. The preamble of the Constitution of 1945 explicitly declares that the state's objectives are to "promote the general welfare" and "protect the entire Indonesian nation." In accordance with this principle, the government has an obligation to guarantee that economic policies, including those chosen from the global agenda, are designed to enhance the well-being of the population and to preserve the interests of the nation.

The research conducted by Rahmanto & Saraswati (2016) suggests that the government should develop all state policies in accordance with Pancasila. This is because Pancasila is an integral part of the Preamble to the 1945 Constitution, which represents the core objectives of the nation. To put it another way, all legislative reforms that come about as a result of globalization must be geared toward the accomplishment of constitutional objectives, which include the establishment of a society that is both just and prosperous, and not only toward the fulfillment of the agendas of the market. This constant position is also reflected in a number of governmental regulations that have been enacted in recent years. For instance, the government launched the Vision of Golden Indonesia 2045, which is one of the pillars of the nation's economic policy. The objective of this program is to achieve economic independence through scientific and technological advancements as well as the development of superior human resources. President Jokowi's program for downstreaming natural resources, which includes the construction of smelters and the prohibition of exports of raw ore, is an implementation of Article 33 of the 1945 Constitution. The program aims to ensure that natural resources are controlled for the purpose of national added value, despite the fact that it has faced pressure from foreign countries and legal challenges at the World Trade Organization. As an attempt to preserve the national economy in the face of the influx of products from outside of the country, Indonesia introduced the National Movement for Proudly Made in Indonesia (Gernas BBI) in May of 2020. The movement's goal is to motivate the general public to appreciate and utilize products that are made in their own country (Putra et.al., 2025). These measures are in accordance with the advice found in the literature, which recommends that a sense of love and pride for locally produced goods be instilled in the community in order to provide a cultural and economic defence against globalization.

When it comes to facing the flood of globalization, it can be claimed that Indonesia possesses a strong ideological and constitutional capital from a normative standpoint. The principles, filters, and ultimate objectives that must be upheld are outlined in Pancasila and the 1945 Constitution. The difficulty lies in their implementation: how to create legal and concrete policies that are a genuine reflection of these ideas. Taking into account the conclusions that were mentioned above, the following discussion section will go over the methods or postures that Indonesia will need to adopt in order to guide economic globalization in a manner that is consistent with national interests.

## **Discussion**

Based on the research results, it is clear that Indonesia's stance in facing economic globalization should be based on the national ideology of Pancasila and the 1945 Constitution. This stance encompasses two main dimensions: 1) National legal and policy policies that consistently filter global influences with Pancasila principles, and 2) Cultivating the values of economic nationalism within society to ensure economic protection. The following outlines the strategic points that Indonesia needs to implement in various fields (economic, legal, and social) to respond to globalization in accordance with its national identity.

### **1. Making Pancasila and the 1945 Constitution the Absolute Filter in Economic Policy.**

Indonesia must firmly uphold the principle that every international agreement, economic cooperation, or liberalization regulation can only be adopted if it aligns with Pancasila and the 1945 Constitution. The principle of "filter before swallow" must be applied. Pancasila legal and policy policies require the government to be critical of global pressures. Rahmanto & Saraswati

(2016) recommend that the government consistently review international regulations that are inconsistent with the nation's ideals and boldly refuse ratification if they conflict with the constitution. This stance is crucial to prevent Indonesia from signing agreements that are detrimental to the people. For example, Indonesia should avoid free trade agreements that allow for unlimited imports, potentially stifling local farmers and SMEs. Similarly, in negotiating investment agreements (BITs or CEPAs with other countries), the Indonesian delegation should include clauses protecting national interests (e.g., performance requirements, regulatory rights for national security reasons, etc.). Regulatory sovereignty must be maintained global regulations must not deprive the country of its ability to regulate the domestic economy. This aligns with Rahmanto & Saraswati's suggestion that Indonesia must be discerning in its international commitments, recognizing opportunities, obstacles, and challenges, so that it can contribute to the flow of globalization rather than simply be "colored" by it. In other words, Indonesia must proactively champion its national agenda in global forums, rather than passively following the current.

In this context, enhancing the capacity of Indonesian negotiators is crucial. The research findings suggest that Indonesian negotiators' skills and capabilities in international negotiations should be continuously improved, enabling them to become rule-makers (rule-makers) or at least rule-shapers, rather than rule-takers. Skilled negotiators with a friendly outlook will ensure that national interests (as per the constitution) are accommodated. For example, in implementing the ASEAN Economic Community, Indonesia must promote placement clauses for micro-enterprises and cooperatives to ensure their continued protection (in accordance with the principle of kinship, Article 33, paragraph 1). In the WTO forum, Indonesia should actively initiate reforms to agricultural subsidy regulations so that developing countries can achieve food self-sufficiency (this is relevant to the fifth principle – justice for small farmers). This attitude of coloring global regulations with Pancasila values will distinguish Indonesia from other countries in globalization.

## **2. Strengthening the State's Role in Strategic Sectors and Maintaining Economic Democracy.**

Article 33 of the 1945 Constitution mandates the state to control strategic sectors for the prosperity of the people. Facing global privatization pressures, Indonesia must be selective: public sectors that affect public welfare (energy, water, food, public transportation, telecommunications, health) must be managed by the state or national parties with strict controls, not entirely left to market mechanisms. This principle is not anti-foreign investment, but rather maintains economic sovereignty. Foreign involvement is permitted, but with limited portions and strict requirements. For example, the government can limit maximum foreign ownership in strategic banking industries or prohibit large-scale foreign ownership of agricultural land. These steps are crucial to prevent excessive foreign control. Pratama (2018) notes that the direction of government economic policy should be to "reduce the role of foreign control and provide more opportunities for domestic participation." Legal norms must also align with the nation's philosophical foundation so that the utilization of natural resources and domestic markets is truly for the welfare of the people. Implementation of this principle includes strengthening state-owned enterprises (BUMN) and regional-owned enterprises (BUMD) as key players in vital sectors, with professional management to ensure competitiveness. The government can also implement local content requirements (TKDN) and alliances with local companies in infrastructure or procurement projects, so that foreign investment benefits domestic industries. For example, in mining and oil and gas development, a minimum participation scheme for BUMD/BUMN should be required. Similarly, downstreaming programs must continue for example, banning the export of raw materials (minerals, raw forest products) to encourage the growth of the domestic processing industry. Although this step faces opposition at the WTO, President Jokowi firmly stated that he will continue downstreaming to achieve national added value, even if it means facing defeat in a WTO dispute.

Recent scholarship also underscores the importance of the defense economy dimension in safeguarding Indonesia's economic sovereignty. Putra et.al., (2025) argue that the defense economy plays a significant role in supporting Indonesia's economic growth, particularly in confronting the threats of globalization that may undermine national resilience. This is consistent with the principle of Article 33 of the 1945 Constitution, which mandates that branches of production essential to the State and affecting the livelihood of the people must be controlled by the State for the greatest prosperity of the people.

This firm stance reflects the courage to uphold the mandate of the 1945 Constitution amid global pressure. Furthermore, economic democracy (as stipulated in the Explanation of the 1945 Constitution and affirmed by the Decree of the People's Consultative Assembly (MPR) XVI/1998) must be realized by involving the people as the main actors in economic development. This means that empowering MSMEs, cooperatives, and the people's economy must be a priority in domestic policy, especially amidst global competition. The government needs to provide incentives, facilitate access to capital, and provide limited protection (tariff and non-tariff) for the small business sector that is vulnerable to competition from imported products. Concrete steps that have been implemented include the subsidized People's Business Credit (KUR) Program for MSMEs, the "Proud of Indonesian Products" campaign that encourages consumption of local products, and the P3DN (Increasing the Use of Domestic Products) policy in government procurement of goods/services. Policies such as the Proud of Indonesian Products National Movement are an implementation of efforts to foster a sense of patriotism in the economic sector by highlighting the superiority of domestic products, both in terms of culture, technology, and natural resources. This is expected to foster national pride and simultaneously strengthen domestic economic independence.

### **3. Pancasila and the 1945 Constitution as A Guide of Indonesia's Globalization Response**

Pancasila values Belief in One Almighty God, Just and Civilized Humanity, Unity of Indonesia, Wisdom-Guided Democracy, and Social Justice for All Indonesians provide an intellectual filter against outside influences. The third and fifth principles remind us that cosmopolitanism and global capitalism cannot compromise national unity and social justice. The second and fifth principles require multinational firms to address worker exploitation and inequality legally (Articles 4 and 77 of the Manpower Law guarantee every worker a reasonable life). The 1945 Constitution's preamble declares the state's goals to "promote the general welfare" and "protect the entire Indonesian nation." This principle compels the government to ensure that economic policies including global agenda ones promote people's wellbeing and national interests. Rahmanto & Saraswati's research suggests that the government base all state policies on Pancasila, which is inseparable from the 1945 Constitution's Preamble, which outlines the nation's aspirations (Rahmanto & Saraswati, 2016). Thus, all globalization-related legislative changes must serve constitutional interests (a equitable and affluent society) rather than market agendas.

Many recent state policies show this persistent position. President Jokowi's natural resource downstreaming program (e.g., the ban on raw ore exports and the construction of smelters) implements Article 33 of the 1945 Constitution control of natural resources for national added value despite pressure from foreign co Indonesia has launched the National Movement for Proudly Made in Indonesia (Gernas BBI) in May 2020 to encourage people to love and utilize indigenous products to sustain the economy amid imports. These methods follow the literature's advice to foster community pride and enthusiasm for local products as a cultural and economic barrier against globalization. Indonesia has the ideological and constitutional capital to face globalization. Pancasila and the 1945 Constitution establish principles, filters, and aims to follow (Bawazier, 2017). Implementing these concepts in legal and concrete measures is difficult. Based on the foregoing conclusions, Indonesia should take the following steps to align economic globalization with national interests.

### **CONCLUSION**

In summary, Indonesia must put Pancasila and the 1945 Constitution before other interests in the global economy. This includes: Keeping vital industries under state control and preventing liberalization from hurting public welfare to maintain economic sovereignty. Every global agreement or rule must be assessed for its impact on people's prosperity and social justice. Indonesia may reject or request international agreement exclusions if not. Apply Pancasila law, which protects national interests in global dynamics. National law must adapt to global advances (to capture investment, technology, etc.) while retaining Pancasila character. Indonesia must improve legal harmonization and certainty to maximize globalization's benefits while maintaining its economic interests. Supporting local economic players (MSMEs, cooperatives, state-owned companies) to compete strengthens economic nationalism. "Love Domestic Products" is a national capacity-building plan, not merely a slogan. The public should be proud to use Indonesian products while the government

enhances their quality and competitiveness. Bung Karno's "*berdikari*" (economic independence) concept supports this attempt. Always prioritize social fairness and human welfare in economic progress. This is integration results. Global growth, commerce, and investment must be shared fairly. Global responses include social protection, living wage increases, equitable regional development, and environmental sustainability. Indonesia must not be caught in rapid economic growth for the few—that violates Pancasila's fifth premise. Antitrust, progressive taxation, labour protection, and environmental norms must be implemented to guarantee globalization promotes wealth to all. Proactively promote global economic justice. Indonesia must participate in international forums to promote more balanced global regulations. Thus, Indonesia can achieve its independence goals of global peace and social fairness (the 1945 Constitution's Preamble). Indonesia supports WTO reforms that reflect developing countries' interests and the G20 plan for a fair global digital tax. Indonesia can be Pancasila's worldwide economic moral voice.

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