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Global Sustainability Standards: A Competitive Framework for Future Economies

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Abstract

This research explores the relationship between sustainable economic practices and global competitiveness, with a particular focus on Indonesia's economic landscape. As the global economy transitions towards environmentally sustainable and socially responsible business models, countries that integrate Environmental, Social, and Governance (ESG) standards into their policies gain a competitive advantage in international trade and investment. Indonesia, a resource-rich developing economy, faces both opportunities and challenges in aligning with global sustainability frameworks. The study analyzes Indonesia's economic performance, trade policies, and sustainability initiatives, highlighting key factors such as GDP growth projections, foreign direct investment (FDI) trends, renewable energy adoption, and the impact of global environmental regulations. Findings indicate that Indonesia's economic resilience remains strong, with a projected GDP growth of 5.2% in 2025. However, challenges persist, particularly reliance on fossil fuels (coal accounting for 60% of energy consumption), deforestation concerns in the palm oil industry, and gaps in policy enforcement. To remain globally competitive, Indonesia must accelerate its transition to a low-carbon economy, strengthen sustainability regulations, enhance corporate ESG adoption, and expand green investment initiatives. The study concludes that Indonesia's long-term economic growth depends on its ability to balance sustainability with industrial and financial development. By fostering renewable energy innovation, circular economy strategies, and sustainable trade policies, Indonesia can secure a resilient and competitive position in the global market while achieving environmental and social progress.

Kata kunci: Sustainable Economy, Global Competitiveness, ESG Standards, Renewable Energy, Green Investment

1. Introduction

In today's rapidly evolving global economy, sustainability has moved beyond being a moral obligation, it is now a defining factor in long-term economic success and global competitiveness (Dwiyanti et al., 2024). As climate change, resource scarcity, and social inequalities continue to challenge the global landscape, governments, businesses, and financial institutions are under increasing pressure to adopt sustainable practices (Everth et al., 2021; Macarthur & Heading, 2019). In response, global sustainability standards have emerged as a critical framework for economic resilience, guiding industries and nations toward more responsible and efficient operations.

These standards, established by international bodies such as the United Nations (UN), International Organization for Standardization (ISO), Global Reporting Initiative (GRI), and the World Economic Forum (WEF), provide a structured approach to sustainability across multiple sectors. They help businesses and economies align with environmental, social, and governance (ESG) principles, ensuring that growth is not achieved at the expense of the planet or future generations (PwC Indonesia, 2023). Additionally, they influence global trade regulations, investment flows, and corporate reputation making them an essential aspect of competitiveness in the modern economy.

Historically, economic success was measured by GDP growth, industrial expansion, and trade dominance. However, in the 21st century, economic power is increasingly linked to sustainability performance (North, 1990; Tamsah & Nessa, 2019). Countries and corporations that integrate sustainability into their strategies are more likely to attract investment, foster innovation, and maintain stable economic growth (Ansar et al., 2019; Yusriadi et al., 2020). The shift toward green economies, renewable energy, and sustainable supply chains is redefining what it means to be competitive on the global stage.

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For instance, the European Union's Green Deal and Carbon Border Adjustment Mechanism (CBAM) are forcing companies to comply with stricter environmental regulations to access the European market. Similarly, major financial institutions and investors are prioritizing companies with strong ESG performance, as businesses with sustainability-focused operations tend to demonstrate lower financial risk and greater resilience to economic fluctuations (Rasyid et al., 2021; Safitri, 2024). Indonesia, as one of the largest emerging economies in Southeast Asia, faces a crucial challenge: balancing rapid economic growth with sustainability commitments. Indonesia is the world's 16th largest economy by GDP and is projected to be among the top 10 economies by 2030. However, as a country heavily dependent on natural resources, fossil fuels, and palm oil exports, Indonesia must align its economic policies with global sustainability standards to maintain its global competitiveness (Mulyana, 2023). This article will explore the growing influence of global sustainability standards on economic competitiveness, highlighting their impact, challenges, and the future of sustainable economic leadership.

2. Methods

This research adopts a qualitative and descriptive approach to analyze the role of global sustainability standards in economic competitiveness, with a particular focus on Indonesia. The study aims to explore how sustainability frameworks influence business strategies, investment trends, and national economic policies. A comparative analysis will be conducted by examining case studies of countries and companies that have successfully implemented sustainability strategies. Additionally, Indonesia's economic performance and sustainability initiatives will be evaluated based on secondary data sources (Sugiyono, 2018).

This research relies primarily on secondary data sources collected from Academic Journals & Reports, Government & Institutional Reports include the Publications from Indonesia's Ministry of Finance, Bank Indonesia, the World Bank, the United Nations (UN), the International Monetary Fund (IMF), and the Global Reporting Initiative (GRI), Corporate Reports & Sustainability Disclosure and News Articles & Reputable Online Sources. The collected data will be analyzed using the Comparative Analysis which evaluating sustainability standards and their impact on economic competitiveness across different countries and industries.

3. Result and Discussion

3.1 The Impact of Global Sustainability Standards on Economic Competitivenes

The findings of this research highlight that global sustainability standards have become a key determinant of economic competitiveness, influencing a country's ability to access international markets, attract investment, and enhance long-term business growth. As the global economy transitions towards greener and low-carbon models, nations and corporations that integrate sustainability into their policies gain significant competitive advantages. In the case of Indonesia, aligning with these standards is particularly crucial, as the country remains heavily reliant on natural resource-based industries such as palm oil, coal, and mining, which have faced growing scrutiny due to their environmental impact (International Renewable Energy Agency (IRENA), 2017). Many developed economies, particularly the European Union (EU), the United States, and Japan, have implemented stricter sustainability policies, requiring trading partners to meet rigorous Environmental, Social, and Governance (ESG) criteria. The EU Deforestation-Free Regulation (EUDR), for example, mandates that palm oil, rubber, coffee, and timber exports must be sourced without contributing to deforestation. This presents a challenge for Indonesia, where land-use change and deforestation have been major environmental concerns. To remain competitive, Indonesian businesses must enhance sustainability reporting, improve supply chain transparency, and invest in environmentally responsible practices to comply with global trade requirements (PwC Indonesia, 2023).

Another critical factor influencing Indonesia's economic position is the rise of green finance and ESG-driven investments. The research indicates that international investors and financial institutions are increasingly prioritizing sustainable projects over those reliant on fossil fuels or unsustainable resource extraction. Foreign Direct Investment (FDI) in Indonesia's renewable energy sector has seen growth in recent years, particularly in solar and geothermal projects. However, despite this progress, coal

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continues to dominate Indonesia's energy mix, accounting for over 60% of electricity generation. This dependence on fossil fuels remains a significant obstacle to meeting global sustainability targets and could impact Indonesia's access to climate finance, green bonds, and sustainability-linked loans.

The Indonesian government has introduced policies to accelerate the transition, including the implementation of a carbon taxand commitments to achieve net-zero emissions by 2060 (Mulyana, 2023). The issuance of Green Sukuk (Islamic green bonds) has also been a notable success, attracting sustainable investments for infrastructure projects. However, the effectiveness of these initiatives largely depends on policy enforcement, industry adoption, and financial incentives to support businesses transitioning to greener practices (Stefanno Sulaiman, 2024).

3.2 Indonesia's Progress in Sustainability

Indonesia has made significant progress in sustainability integration at both governmental and corporate levels, but challenges remain in terms of policy execution, industry compliance, and infrastructure readiness. The Indonesia Stock Exchange (IDX) now requires publicly listed companies to disclose ESG performance, signaling an increasing push for corporate accountability (PwC Indonesia, 2023). The country has also set an ambitious goal of achieving 23% renewable energy in its national energy mix by 2025, aligning with global climate agreements. However, implementation challenges persist, as many businesses and state-owned enterprises (SOEs) still prioritize short-term financial gains over long-term sustainability goals. Additionally, industries such as palm oil, forestry, and manufacturing face difficulties in fully adopting traceable and verifiable sustainability practices due to cost barriers, regulatory inconsistencies, and limited enforcement mechanisms. This gap between policy ambition and practical implementation remains one of Indonesia's most pressing sustainability challenges. (International Renewable Energy Agency (IRENA), 2017).

For Indonesia, aligning with global sustainability standards is not just an environmental necessity but also an economic strategy. The country's competitiveness in international markets will increasingly depend on its ability to meet sustainability regulations, particularly in sectors like:

a. Palm Oil & Agriculture – Facing pressure from the EU Deforestation-Free Regulation (EUDR), which requires stricter supply chain transparency.
b. Mining & Energy – As a major coal exporter, Indonesia risks economic challenges as more countries move toward renewable energy sources.
c. Tourism Industry – With Indonesia's rich biodiversity, eco-tourism and conservation initiatives are crucial for long-term tourism revenue.

The role of corporations in driving sustainability initiatives has become increasingly important, with several major Indonesian companies taking proactive steps to integrate sustainability into their operations. Pertamina, Indonesia's state-owned energy giant, has been investing in biofuels and solar projects as part of its long-term sustainability strategy. Similarly, GoTo Group, a leading tech and mobility company, has committed to becoming carbon-neutral by 2030, demonstrating a shift towards sustainable digital and transportation ecosystems. In the palm oil sector, major players like Sinarmas and Wilmar have adopted Indonesian Sustainable Palm Oil (ISPO) and Roundtable on Sustainable Palm Oil (RSPO) certifications, ensuring better environmental governance and ethical supply chain practices. These corporate efforts underscore the growing importance of sustainability as a competitive advantage, rather than just a regulatory obligation. Companies that fail to integrate sustainability into their business models risk losing access to international markets, facing investor divestment, and experiencing reputational damage (Agreement & Indonesia, 2016).

Indonesia's economic future is increasingly tied to its ability to adapt to global sustainability standards. While government policies, green finance initiatives, and corporate ESG commitments indicate positive momentum, structural challenges such as coal dependency, deforestation, policy enforcement gaps, and limited infrastructure for renewable energy remain key obstacles. Moving forward, Indonesia must implement stronger incentives for businesses adopting green technologies, enhance regulatory consistency, and foster public-private partnerships to accelerate sustainability adoption. Without a clear and committed approach to sustainability, Indonesia risks facing trade restrictions, declining foreign investment, and economic stagnation in an increasingly sustainability-driven global economy. Therefore, ensuring a balanced approach between economic growth and environmental responsibility is critical for Indonesia's long-term competitiveness and resilience in the global market.

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Indonesia's economy has shown remarkable resilience, with GDP growth averaging around 5% per year over the past decade. As an export-driven economy, Indonesia's main industries include palm oil, coal, textiles, fisheries, and manufacturing, many of which have been criticized for their environmental impact. The country is also the world's largest palm oil producer, accounting for over 57% of global supply, which has brought both economic benefits and deforestation concerns.

Despite these challenges, Indonesia has taken significant steps to integrate sustainability into its economic framework (Pribadi, 2021):

a. Indonesia's Net-Zero Commitment
   1. In 2021, Indonesia pledged to achieve net-zero emissions by 2060 or earlier, aligning with the Paris Agreement.
   2. The country has introduced a carbon tax policy to curb emissions, making it one of the few Southeast Asian nations taking fiscal measures to drive sustainability.

b. Transition to Renewable Energy
   1. Indonesia aims to increase renewable energy's share to 23% by 2025 in its energy mix, shifting away from coal reliance.
   2. The country has significant geothermal energy potential (the second-largest in the world) but faces investment and infrastructure challenges.

c. Indonesia's Role in Sustainable Palm Oil Production
   1. The Indonesian Sustainable Palm Oil (ISPO) certification has been implemented to ensure environmentally friendly palm oil production.
   2. Global companies and investors demand more traceability and sustainability in palm oil supply chains, pushing Indonesia to align with international standards.

d. Green Investment and ESG Adoption
   1. Indonesia has issued Green Sukuk (Islamic bonds for environmental projects) to finance sustainable infrastructure.
   2. The Indonesia Stock Exchange (IDX) requires listed companies to publish sustainability reports, increasing ESG transparency.

3.3 The Role of Governments And Corporations

While businesses play a significant role in adopting sustainability practices, government policies and international cooperation are equally crucial. Regulatory frameworks, such as the United Nations Sustainable Development Goals (SDGs) and Paris Agreement, serve as blueprints for a sustainable economic future. Meanwhile, Indonesian corporations like Pertamina (state-owned energy company), GoTo (technology & mobility), and Sinarmas (agribusiness & forestry) are actively integrating sustainability into their business strategies. These companies recognize that adopting global sustainability standards enhances investor confidence, attracts foreign capital, and strengthens brand reputation. As sustainability becomes a core component of economic policy and corporate strategy, businesses and nations that proactively adopt and integrate global standards will emerge as leaders in the next phase of global competition. For Indonesia, embracing sustainability is not just about environmental responsibility—it is about securing its position as a globally competitive economy. Failure to align with sustainability frameworks could lead to trade restrictions, reduced foreign investment, and economic stagnation, while proactive compliance could unlock new investment opportunities, innovation, and long-term economic resilience.

The role of corporations in driving sustainability efforts in Indonesia is becoming increasingly important. Several major companies have taken proactive steps to align their operations with global sustainability standards to enhance their marketability, investor confidence, and long-term viability. For example, Pertamina, Indonesia's state-owned energy company, has been investing in biofuels and solar energy projects to reduce its reliance on fossil fuels. Similarly, GoTo Group, one of Indonesia's largest tech and mobility companies, has set a carbon-neutral commitment target by 2030, demonstrating a shift toward sustainability within the digital economy. In the palm oil sector, companies like Sinarmas and Wilmar have been adopting the Indonesian Sustainable Palm Oil (ISPO) and Roundtable on Sustainable Palm Oil (RSPO) certifications, which help to improve traceability and environmental responsibility in the industry. These corporate initiatives illustrate that sustainability is no longer just a compliance requirement but a strategic advantage for long-term business success.

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4. Conclusion

Indonesia's economic trajectory is increasingly influenced by its ability to adapt to global sustainability standards while maintaining economic growth and competitiveness. The research highlights that sustainability is no longer just an environmental responsibility but a critical economic strategy that affects trade, foreign investment, and long-term business viability. With major global economies implementing stricter ESG regulations, carbon taxes, and deforestation-free trade policies, Indonesia must accelerate its transition towards a more sustainable economic model to remain competitive.

Despite progress in areas such as renewable energy development, ESG reporting, and green finance initiatives, Indonesia still faces significant structural challenges. The country's continued reliance on fossil fuels, particularly coal, poses a major hurdle in achieving its net-zero emissions target by 2060 (IEA, 2022). Additionally, industries like palm oil, mining, and manufacturing must enhance supply chain transparency and environmental governance to comply with global sustainability requirements. The government has introduced policies such as the Green Sukuk, carbon tax, and Indonesia Sustainable Palm Oil (ISPO) certification, but effective implementation remains a key concern. Without strong enforcement mechanisms, clear regulatory frameworks, and better industry adoption, Indonesia risks falling behind in the global shift towards a green economy.

To strengthen its economic position, Indonesia must enhance its policy execution, increase investment in renewable energy, and improve corporate sustainability practices. Public-private partnerships, technology-driven solutions, and financial incentives will be crucial in supporting businesses to transition towards low-carbon and sustainable operations. Furthermore, fostering regional and international collaborations will help Indonesia align with global best practices and sustainability frameworks, ensuring that its industries remain competitive in an increasingly eco-conscious global market.

Ultimately, Indonesia's long-term economic resilience depends on balancing economic growth with sustainability commitments. By accelerating its green economy transition, strengthening regulatory enforcement, and driving corporate sustainability adoption, Indonesia can position itself as a leader in the sustainable global economy, attracting investments, expanding trade opportunities, and securing economic prosperity for future generations.

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